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Post-War Inflation Not Likely: Nadler

Speaking at the 38th Annual Convention of the American Spice Trade Association at the Hotel Astor, New York, May 10, Dr. Marcus Nadler, Professor of Finance, New York University, expressed the opinion that, although inflation has followed every major war, the situation is not likely to occur following the present conflict.

Dr. Marcus Nadler

"None of the predictions that the war would bring about a sharp increase in the prices of commodities have materialized," Dr. Nadler stated. Continuing, he said, "while commodity prices have risen materially from the level prevailing in 1939, the index of wholesale prices as published by the Bureau of Labor Statistics is only 4% higher than that of 1926. Instead of spending their increased income the people of the

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IN THIS ISSUE

Special material and items of interest with reference to dealer activities in the States of Connecticut, Michigan and Missouri appears in this issue.

For Connecticut and Michigan see page 2034; Missouri on page 2035.

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More Railroad Riddles

By FAIRMAN R. DICK*
Of Dick & Merle-Smith, New York

Investment Dealer Maintains Pessimism Regarding Rails Ignores Increased Operating Efficiency As A Favorable Factor In Earning Capacity—Does Not Look For Post-War Decline In Revenues Such As Occurred In The 'Thirties—Unlike After Last War, The Roads Are In Fine Physical Shape And Given A Proper Level Between Rates And Wages Can Meet Post-War Difficulties.

Six years ago, in 1938, I addressed a convention of this Association held at Atlantic City. I called my talk "The Riddle of the Railroads" and the riddle I propounded was this:

Fairman R. Dick

"When is a corporation both the weakest and the strongest at one and the same time?" The answer was: "When the corporation is a railroad."

At that time, the ninth year of the depression, it was believed almost universally that railroad earning power had become so impaired, due to new forms of competition, that it was no longer possible for our railroads to charge a price for service rendered sufficiently high even to maintain financial health. With but few exceptions, the entire industry was supposed to be headed for bankruptcy. At the very same time, however, the railroads were shackled by various regulatory

*An address delivered before the War Conference of the New Jersey Bankers' Association, May 12, 1944.

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A One-Way Credit Structure: The International Stabilization Fund

By DR. MELCHIOR PALYI

Economist Holds The Substance Of The Present Proposed International Stabilization Fund Is To Throw The Gold Standard Overboard. Says It Accepts International Disequilibrium And Sanctions Its Permanence.

The recently issued **Joint Statement by the Monetary Experts of the thirty-three United Nations about the establishment of an International Stabilization Fund** is largely a compromise between the White and Keynes plans. The underlying principles are exactly the same as in those plans. But a few points of great importance have been clarified or brought out more forcefully than before, carrying the idea of an international currency management to some of its logical conclusions. Perhaps the most unusual "clarification" is offered by legalizing, in advance, the default of a debtor-member.

Dr. Melchior Palyi

Debtors Free to Default

The White plan implied, and the Keynes plan definitely stated, that the idea of an international pool is to utilize the export sur-

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Savings Banks In Peacetime

By DR. ERNEST MINOR PATTERSON*
Professor of Economics, University of Pennsylvania

Economist Feels Large Holdings Of Government Bonds Should Lead Banks To Favor High Taxation And Stable Interest Rates And Strict Economy In Government.

Your program committee has chosen as the general theme for this two-day meeting "The Future Effect of Accumulated Savings." The topic is a recognition of the growth in the deposits of the institutions here represented to the new peak of $11,707,025,048 by the end of 1943 and in their assets to $13,042,831,668. The suggestion that this paper be devoted to a consideration of the broader world scene shows your conviction that those ressponsible for the management of our savings banks can not safely ignore the extent to which economic and financial operations in our own country are now closely related to conditions in the rest of the world. Only the most obtuse or those blinded by narrow political considerations can dismiss the expression "One World" by calling it "globaloney."

Ernest M. Patterson

There are two basic tests to be applied. One is that the depositors in savings banks may properly expect that their funds be invested in such a way that, after due notice, they may receive from the banks the number of dollars they have deposited plus accrued interest. This places on manage-

*An address delivered by Dr. Patterson before the National Association of Mutual Savings Banks at the Hotel Waldorf Astoria, New York City, May 11, 1944.

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Electric Power In Days To Come

By HUGH C. THUERK *

President, New Jersey Power and Light Company
Chairman, Committee on War Planning, Edison Electric Institute

Utility Executive Sees Encouraging Prospects For The Electric Industry After War. Believes Reduction Of Revenues From War Industries Will Be Offset By Large Domestic Load Furnishing Higher Rates. Holds Danger To Private Industry If Government Expands Its Power Projects Since "No Business Faced With Increasing Governmental Competition Can Remain Healthy Under Present Tax Handicap."

There stands today no institution more symbolic of strong, virile American life than the savings bank. Coming into existence almost at the birth of this nation, it stands for that inherent desire of our people to achieve increased security and independence by their own efforts. For years it has assumed leadership in spreading the philosophy of thrift, one of the basic forces in our economy. The United States has become great through the development of this philosophy. Under its influence, the workers of this nation have accumulated the funds which have built America. These funds have constructed great railroads, industrial enterprises, private and public institutions of learning, and thousands of other useful projects. We in the electric light and power industry can appreciate these accomplishments because a large portion of these savings has been used to build our own industry.

H. C. Thuerk

The adage of saving "for a rainy day" has been supplemented with the motto "save for happier days" with the result that through thrift our people now have comforts unthought of but a few years ago. And so it is but another evidence of your stewardship that you should be interested in analyzing now the future effect of accumulated savings and what will be the opportunities for putting those savings to work for the benefit of

*An address delivered before the National Association of Mutual Savings Banks, Hotel Waldorf Astoria, New York City, May 12, 1944.

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W. R. Jones V.-P. Of Schroder Rockefeller

Schroder Rockefeller & Co., Incorporated, 48 Wall Street, New York City, announce the organization of a United States Government Bond Department and the appointment of William R. Jones as Vice-President to head the department. Prior to setting up his own Government bond business under the name of W. R. Jones & Co., New York, Mr. Jones was with the Chemical Bank & Trust Company and the New York Trust Company. The firm of W. R. Jones & Co. is retiring from the Government bond business.

Taxation After The War

By HARLEY L. LUTZ *

Professor of Public Finance, Princeton University

Prominent Tax Expert Urges A Post-War Balanced Budget As A First Consideration In A Tax Policy. Warns No Ambitious Or Costly Government Projects Involving Heavy Taxation Should Be Undertaken. Says Personal Income Taxes Should Be Lowered And Corporation Taxes "Should Be Geared To The Normal Or Standard Rate On Individual Incomes."

In one sense, the discussion of taxation after the war, to be most helpful, should be related to the federal budget after the war. That is, we should decide, or we should at least have some opinion, about a balanced budget, and about the level of the federal expenditures. Otherwise, there can be no common meeting ground for a consideration of the extent and the character of the changes that can be made in the war tax structure. To be sure, there are those who assure us that we need not be concerned about the relation between the budget and the taxes. According to this doctrine, we should simply plan to collect whatever may be con-

Dr. Harley Lutz

*An address delivered before the Philadelphia Control of the Controllers Institute of America, May 4, 1944.

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Batchelder Director Of First Boston Corp

At the regular monthly meeting of the board of directors of The First Boston Corp., held in New York, at their offices at 100 Broadway, Charles F. Batchelder of New York was elected a director of the corporation to fill a vacancy on the board.

Chas. F. Batchelder

Mr. Batchelder retired as a Vice-President of the Chase National Bank on March 31, 1944. He is President and a director and member of the executive committee of the Lincoln Building Corp., a director and member of the executive committee of the Ruberoid Company and a director of the Consolidated Textile Co.

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"Our Riskless" Economy

President Of IBA Lays Down Five-Point Program To End "Era Of Riskless Investing," viz.: (1) Amend SEC Acts To Permit Free Flow Of Capital; (2) Abolishing Compulsory Bidding And Private Placement Of Non-registered Issues; (3) End Double Taxation On Venture Capital; (4) Repeal Capital Gains Tax; And (5) "Administer A Good Dose Of Optimism And Faith In The Future"

A five-point program to enable investment bankers to end what he termed the "stagnation of capital" and the era of "riskless investing" was outlined in New York on May 12 by John Clifford Folger, President of the Investment Bankers Association of America. Speaking before a meeting of the National Association of Mutual Savings Banks at the Waldorf-Astoria Hotel, Mr. Folger addressed his remarks to commercial bankers, investment bankers, and investors, as much as to the mutual savings bankers in his audience.


John C. Folger

"I should say," Mr. Folger said, "that the members of this association have met their responsibilities very well indeed. Out of a considerable quantity of data made available to me, I find evidence of prudent handling of funds. The whole subject seems quite simple and fool-proof. I wonder if all banking has not become over-simplified? Can our economy thrive and flourish upon the present 'riskless' basis for investments?

"You represent almost $14 billions of funds. You apparently have reached a present formula of disposing of these assets by

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Regulation And The Democratic Concept

Although not naming us specifically, a financial publication in a recent article entitled "The NASD 5% Policy and Democratic Principles," makes unmistakable reference to our policy in opposition to the "5% spread philosophy."

We acknowledge with thanks the reference to us as ". . . one of the oldest and most highly-respected of American financial publications . . .," and regret that a spirit of truth and fair play which has always actuated our editorial policy compels us to add that the authors of that article misapprehend the basic considerations involved in the "5% philosophy" of which they write.

Their reference to "the National Association of Securities Dealers' policy or 'philosophy' on profit margins" is unfortunate because the "5% rule" deals with spreads between the purchase and the sales prices of securities and, strictly speaking, is not based on consideration of uniform profit margins, although, where there are profits at all, it has the effect of a profit limitation rule. We say where there are profits at all, because many over-the-counter houses, especially those employing salesmen, have found that their overhead exceeds 5% in many cases, and the strict enforcement of this "philosophy" means their demise. Quaint, isn't it, the prospect of this type of sacrifice on the altar of "philosophy?"

The article acknowledges that the controversy over the NASD 5% policy "continues to smoulder or to rage—as the TEMPERAMENT of the contestants dictate. . . ." It seems to us that here the word "temperament" is an inexcusably weak sister. An opposition which envisages the involvement of the unhampered right to choose one's business, and the survival therein, lays emphasis upon the basic freedoms involved. What rages is not a fit but a fight, not a fit of temperament, but a fight supported in opinion by a vast majority of securities dealers in this country, both large and small, as our poll has indicated—a fight to exterminate from the American scene an alien doctrine destructive of our freedom. NOW it affects the securities field. If permitted to proceed unchallenged, this erroneously named "philosophy" will spread into all other industries.

We quote:

"One may, on the other hand, wish that so much advertising of high profit margins had not been necessary. It isn't doing our trade any good in its public relations."

It has always been our belief that to solve a problem is first to meet it squarely, to turn the unsparing and

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NASD "5%" Rule Shatters Post-War Outlook For Small Business

Narrow Profit Limit Will Make It Impossible For Small Enterprises To Obtain Capital, Dealers Contend

In all discussions centering on the need for maintaining full employment and a high level of national income in the post-war period, a cardinal principle considered indispensable to such attainments is the development and growth of small business. Recognizing this basic necessity, various committees of Congress are now studying ways and means to assure enterprise in this category every possible aid and assistance. In view of this policy, it is difficult to reconcile the disinterest in the future of small business manifest in the National Association of Securities Dealers' 5% mark-up rule. Nevertheless, it is obvious that the existence of this rule will have a materially damaging effect on smaller enterprises, as it will make it virtually impossible for dealers in securities to develop and maintain the markets for securities of less well known corporations. As capital is the life-blood of business—large or small—it is not difficult to envisage the threat that the rule poses to the economic structure of the nation.

This fact has been emphasized in the many comments that have appeared in these columns, representing the views

(Continued on page 2047)

Jobs—Our No. 1 Post-War Problem

By WILLIAM T. CHILDS*
Of Stein Bros. & Boyce, Baltimore
President of the Advertising Club of Baltimore

Banker Holds Business, Especially Small Business, Must Be Subsidized By Government If It Is To Survive And Provide Employment—Plan Must Be Evolved Whereby Government May Operate Within Its Income, And Yet "Not Dry Up The Life Stream Of Business"—When Conversion Is Accomplished "We Shall Have The Greatest Period Of Prosperity This County Has Ever Known"

While it seems to be a foregone conclusion that Mr. Stalin, in absentia will dominate the peace table during the Armistice period, it is doubtful if anything he does will help America solve the practical problem which circumvents all our other economic problems, that which determines our standard of living, is the biggest factor in prosperity or depression, in inflation or deflation, in times of boom or panic; and which alone gives us Freedom from Want. I refer to the little four-letter word Jobs—a job in the post-war period for every man and woman willing and able to work; and without which there can be no peace, prosperity or happiness. Jobs is indeed our No. 1 Post-War Problem.

William T. Childs

The Truman Committee says:

"If the home economy is permitted to weaken and lose the resiliency necessary for quick and successful conversion to peace-time occupations, it will not be able to provide employment for soldiers and war workers when they are released from their present tasks. Should unemployment and business depression gain headway before the major task of readjustment has even begun, the difficulties of re-employment will be much greater."

Jobs, our No. 1 post-war problem, is a far greater problem than our post-war national debt of 300 billion dollars, equivalent to a debt of $8.500 against every family in the United States.

Jobs will immediately involve the 20 million people who will be laid off from work a month or so after the war ceases, because there will no longer be any need for new guns, planes, tanks and munitions; for nations will go out of the business of killing people—at least for awhile—and it will again be unlawful to take the life of man, whether he be German or Jap or Ally.

When the last deadly shot of World War II is fired, and the flag of the Armtistice floats from the bivouacs of the dead and the living, two great national demands will surge, with daily increasing momentum, from the war fronts of the world, and from every home in every hamlet, town, village and city in America in whose window there hangs a service flag. These two great national demands, aided and abetted by the nation's most powerful social and political organizations and blocs, are:

1st. The return home of enlisted men and women.

2nd. The expectation of an awaiting job with decent pay.

We hear much about ceiling prices. The other day a business man said to me: "Why not cellar wages?" That is something to beware of, that slave labor be not permitted to underbid legitimate standard wages.

There are 136 million Americans, about equally divided: 68 million men and 68 million women, of whom 9,900,000 men and 200,000 women are in the armed forces; 35,900,000 men and 16,700,000 women in the labor forces, a total of 52,600,000; or a grand total of 62,700,000 men and women in the armed forces and the labor forces.

Of our remaining 73,300,000 population, 16,500,000 are boys and 16.500,000 girls, 14 and under; 28,600,000 are women engaged in housework; while the remaining 5,700,000 men and 6,000,000 women are not employed by reason of age or physical or mental incapacity.

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*An address made before the Eastern Shore of Virginia Clearance House Association of Onancock, Va., May 9, 1944.

John B. Lewis Officer Of Bankers Trust Co.

S. Sloan Colt, President of Bankers Trust Co., announces that at a meeting of the Board of Directors, John B. Lewis was elected an Assistant Vice-President.

John B. Lewis

Mr. Lewis has been with Glore, Forgan & Co. as manager of their buying department for the past seven years. Prior to that he was President of American Houses, Inc., for three years and with the Guaranty Co. of New York for six years.

Mr. Lewis has been a member of Squadron A for the past five years, and is a member of the Down Town Association and the Piping Rock Club. He is on the membership committee of the Chamber of Commerce of the State of New York.

F. V. Nixon Joins Hopkins, Harbach Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Francis V. Nixon has become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Nixon recently was with Quincy Cass Associates, and prior thereto was with Hopkins, Hughey & Co., the predecessor firm of Hopkins, Harbach. In the past he has conducted his own investment business in New York City, and has been associated with many Pacific Coast investment houses.

New Haven First And Refunding Bonds

Frederick M. Stern, Member of the New York Stock Exchange with offices at E. F. Hutton & Co., 61 Broadway, New York 6, New York, has prepared a memorandum on New York, New Haven & Hartford First & Refunding Bonds. A copy of this interesting study may be obtained from Mr. Stern upon written request.

Ball, Burge & Co. Is Formed; NYSE Firm

CLEVELAND, OHIO—The officers and directors of Ball, Coons & Co. announce the formation of a partnership, effective May 15, under the name of Ball, Burge & Co., members of the New York Stock Exchange. Offices will be continued in the Union Commerce Building.

Formation of Ball, Burge & Co. was previously reported in the Financial Chronicle of April 13.

"Experts" Monetary Stabilization Plan An International WPA: Taylor

Henry J. Taylor Says The British View Its Purpose "To Maintain A High Level Of Employment Throughout The World"—Would Halt Gold Exports

In radio broadcasts on May 5 and May 12, Henry J. Taylor, economist, world traveler and radio commentator, criticized the United Nations Experts' Plan for International Monetary Stabilization, describing it as merely an "international monetary fund," and not a stabilization scheme. He also strongly condemned the policy of permitting gold to leave the country. Part of Mr. Taylor's remarks on these topics follows:

Henry J. Taylor

"Dispatches from London tell more about the U. S. Treasury's big international bank proposal than the Treasury seems willing to tell itself.

"Now what Washington is calling an 'International Stabilization Plan' the British are calling an 'International Monetary Fund.' This is really a better name for it because it is not really a stabilization plan. In fact, how could it be, for it in no way assures any sound financial practice within the participating countries. Our British friends see, and say, that the so-called White Plan, named after one of Mr. Morgenthau's assistants in the Treasury, represents really a great credit institution. Now, the people of our country through taxation and loans would donate approximately 1-3 of the gross capital to this big international monetary fund and the British reports naturally highlight that point. America would contribute about 1-3 of the gross capital to be used by the 34 countries who have so promptly signed up on this idea in case it goes through, and America would do-

(Continued on page 2036)

McDonald & Company Formed In Cleveland

CLEVELAND, OHIO — Announcement is made of the formation of a partnership to be known as McDonald & Co., with offices in the Union Commerce Building. Partners in the firm who were formerly associated with McDonald-Coolidge & Co. are: C. B. McDonald, F. A. McDonald, Eldon H. Keller, Harris B. McLaren, Herman J. Sheedy, R. H. McDonald, Hans P. Lauritzen, Charles E. Lovell, Alva H. Warner and Richard C. Lux. Branch offices are maintained at Akron, Canton, Columbus, Lima, Springfield, and Cincinnati.

The new firm will act as underwriters and distributors of corporation, municipal and Government securities.

Formation of McDonald & Co. was previously reported in the "Financial Chronicle" of May 11.

Warner Taylor Now Is With H. C. Wainwright

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Warner L. Taylor has become connected with H. C. Wainwright & Co., Union Commerce Building. Mr. Taylor was formerly an officer of Ball, Coons & Co., and prior thereto for many years was with the Guardian Trust Co. of Cleveland.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request.

A. F. L. Committed To System Of Free Enterprise, Says Green

Labor Leader Asserts Government Control Is "One Of The Penalties Of All-Out War, But We Don't Like It"—Urges "Judicious Taxes" On Industrial Profits So That Private Industry Can Finance Itself—Advocates "Clear And Definite Understandings Between Capital And Labor In Post-War Programs"

Addressing the Toledo Committee for the Organization of Peace, at the Civic Auditorium, Toledo, Ohio, on May 14, Pres. William Green of the American Federation of Labor, listed, as the chief post-war problem, the maintenance of full employment with high production, and without government regimentation. All this, he holds, requires an economy of abundance and a high national income, not produced by war-prosperity, which is "a false economy," but one that is based on "maximum production of goods for sale in a market where buying power corresponds with our ability to produce."

William Green

"We know," said Mr. Green, "and understand that we are on the eve of momentous military developments. Preparations are being made for the invasion of enemy territory. An announcement, like a flash, may be made at any time that our brave troops are leaping from landing barges, mounting the Atlantic wall, dropping through the use of parachutes from the skies, for the purpose of striking a death-blow at Hitler's homeland. In such a crucial moment we at home, serving in the field of production in the workshops and factories of the nation, must not fail or falter. There must be no interruption of production now. We must measure up to new heights at home with the same degree of courage and determination as those in the armed forces who face the barriers of invasion in a fortified Europe.

"In facing these stern realities and in our immovable and uncompromising determination to win the war we cannot postpone consideration of the problems which we must meet and the situation which will arise when the cruel war is over. We know a decided change is inevitable—a change which will call for social, economic and industrial adjustments. We must not and we cannot evade our responsibilities to plan and prepare, so far as it lies within our power to do so, for these changes which we will meet.

"We will face conversion from a wartime to a peacetime economy and we will face reconversion of war material production plant back to their former status of civilian production industries. When we are brought face to face with this situation we will be confronted with fluctuating unemployment. We cannot find

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Situations Of Interest

Herzog & Co., 170 Broadway, New York City, have prepared interesting memoranda on Hartgis Bros., Federal Screw Works, and Megowen Educator Food, which offer attractive situations currently, the firm believes. Copies of these memoranda may be had upon request from Herzog & Co.

Real Estate Securities

By JOHN WEST

BROOKLYN!

Brooklyn has once again gained national prominence from the story of the tree that grew there.

This important Borough of the City of New York has long been the butt of many a joke and has many times been facetiously referred to as the "dormitory" of New York. Many stories have been told about Brooklyn and one of the "tallest stories" related was in reference to the amount Peter Minuet paid the Indians for the purchase of New York. Investigation was supposed to have disclosed that instead of $24.00, Peter actually paid $24.30—the additional $.30 being for Brooklyn.

In all seriousness, however, if one were to really investigate this Borough, he would be amazed at its importance.

Brooklyn has at least ten trunk line railroads and, surrounded by water on three sides, enjoys important maritime advantages. Its shore front equals 201.5 miles. It has 187 piers, accommodating 700 ocean liners. It is estimated that one-half the freight passing through the Port of New York is handled in Brooklyn.

Brooklyn leads in the importation, distribution and refining of sugar; it is an important coffee distributing center. It is one of the largest ladies' shoe manufacturing centers.

War industries are numerous, including the busy Navy Yard and the Sperry Company.

Real estate bonds on properties located in this Borough include apartment houses, office buildings and hotels.

The most prominent issue is the Hotel St. George. Containing 2,050 rooms, this is the largest hotel in eastern America. One of its features is the biggest indoor swimming pool in the world. This pool is the source of substantial revenue and is said to have originally cost over one and one-quarter millions of dollars. Like other hotels in greater New York, earnings of this hotel have risen sharply since the war. Increased activity at the nearby Navy Yard also helped operations. It seems to us, however, that because of its location, the income of the hotel will also benefit after the war. In order to rehabilitate the destruction now going on in Europe, it would appear reasonable to expect a post-war shipping boom for the Port of New York. In Brooklyn, among others, is Bush Terminal, one of the largest terminal and industrial plants in the world. It occupies 150 acres of land and is improved with 105 warehouses and manufacturing buildings, 8 steamship piers, 18 miles of railroad track and facilities for handling about 1,000 freight cars. The Hotel St. George, with its proximity to this shipping section, should receive a great deal of benefit from this anticipated activity. Bonds of the Hotel currently offer a yield of about 6.75% at current market prices.

Other hotels in Brooklyn with bond issues include the Bossert, Half Moon, Granada, Leverich Towers and the Pierrepont Hotels.

The most prominent office building bond issue in Brooklyn is known as the Court & Remsen Street Building. This 28-story office building erected in 1925 and assessed at $2,400,000 for 1943-44 tax purposes, has a bond issue of $2,885,000 secured by a first mortgage on the property. The building is well located in the downtown business district of Brooklyn, and provides space for financial, insurance, law, real estate and miscellaneous business firms. Paying 3¼% fixed interest, the bonds are currently yielding over 8% at current market prices.

Other office security issues in Brooklyn include 16 Court Street, 142 Joralemon Street and Willoughby Building.

Brooklyn apartment house securities consist mainly of first mortgage certificates on semi-fireproof, six-story apartment houses. For the most part these loans are conservative and sell on about an 8% basis yield.

Tomorrow's Markets Walter Whyte Says—

Last week's sell-off inconclusive—No critical points threatened—Participation on both sides of market seems of the fishing expedition type—Individual stocks champing at the bit waiting for market to give signal.

By WALTER WHYTE

A foretaste of what invasion will mean to the stock market was demonstrated last week. The page one headlines, announcing the big push in Italy, were immediately reflected in lower prices all along the line. Most of the selling was of the nervous kind; the sort that seemed to come from public hands. But the fact that selling, rather than buying, broke out, is an indication of how a buying public, long of stocks, feels about the invasion.

* * *

It is equally important to note that despite the selling outburst few stocks developed any unusual weakness. The decline was orderly and soon ran its course. Yet, the buying, which took care of the selling, didn't seem to be of any importance either. This leaves us about where we were last week. For if the quality of participation is poor on both sides no prognosticating value exists. The obvious result is that the wishy-washy type of market we've been seeing for the past few weeks will continue.

* * *

But if the market as a unit acts unsignificantly, the same can't be said for individual stocks. And, after all, it is stocks we are concerned with. For while we may talk about market action until we're blue in the face, no one buys the market; it is stocks—or a stock that is of vital concern.

* * *

Last week I wrote that Electric Auto-Lite would meet trouble in trying to cross 42. Stock managed to get to 41½ and tried to improve its high of 41¾ but obviously ran into enough offerings to stop it short of beating its mid-March highs. Stock was bought at 39 and with its inability to get through, the advice (see last week) applied. I therefore assume that ET was sold somewhere between 41 and 41½ for a profit of about two points.

* * *

Jones & Laughlin hasn't improved its action from last week. If anything, it seems to have deteriorated. Switch into Crane at about 22½ should work out better. Latter stock recently established a new high and shows increasing mobility. From October to mid-March of this year stock fluctuated weekly within a one-point range. Beginning the month of April tempo was stepped up (including volume) to a two and three-point weekly swing, culminating in a new high made two weeks ago. Given any sort of market, CR should be able to get to about 26. The insurance level (in case something goes wrong) is 20½. If stock breaks latter

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Bertram Hames Is Now With Conrad, Bruce Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Bertram L. Hames has rejoined the staff of Conrad, Bruce & Co., 530 West Sixth Street. Mr. Hames was previously with the Los Angeles office of Buckley Brothers, and prior thereto was manager of the municipal and institutional department of the local office of Conrad, Bruce & Co. In the past he had his own investment firm in Los Angeles.

Neil L. Laughlin Is With Davies & Mejia

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Neil L. Laughlin has become associated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. Mr. Laughlin was formerly a partner in Stewart, Scanlon & Co. and Stewart, Rice & Ducato. Prior thereto he was with Dickey & Co.

W. A. Hutchinson Joins Staff of Bankamerica Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Wendell A. Hutchinson has become associated with Bankamerica Company, 300 Montgomery Street. Mr. Hutchinson in the past was manager of the trading department for William A. Lower & Co.

Liddle With Bankamerica

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—George R. Liddle has become affiliated with Bankamerica Company, 650 S. Spring Street. Mr. Liddle was formerly with Lynn Swaney & Co. of Cedar Rapids, Iowa, and prior thereto conducted his own investment business in Cedar Rapids.

Sherman Gleason & Co. Proposes Appeal To Federal Courts Against Fine Imposed By NASD

Sherman Gleason of Sherman Gleason & Co., Boston, in a letter addressed to over-the-counter securities dealers states that it is his desire to carry an appeal to the Federal Courts against a fine of $250 imposed on his firm by the NASD, and upheld by the SEC decision dated Mar. 25th, 1944. The penalty was imposed for an alleged violation of the NASD's fair practice code in taking "an unreasonable profit."

Mr. Gleason, in his letter, claims that the SEC disregarded "its own trial examiners findings and recommendations," and that at the NASD hearings, his fundamental rights were ignored. Moreover, "all of the trades in question were confirmed at or below newspaper quotations furnished by members of and supervised by the NASD."

"I have battled this case and the NASD for three years trying to establish for myself and the industry," continues Mr. Gleason, "what is a fair profit? What is the meaning of the NASD fair price rule?" The next step, and only recourse we have, he says, is to appeal to the Federal Courts, and it must be done this week.

Mr. Gleason in his letter appeals for contributions to help finance the appeal.

Attractive Situation

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

Attractive 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.

Also interesting at current levels is Butterick Co., Inc. A circular discussing this situation may also be had from Hoit, Rose & Tooster on written request.

Railroad Securities

The Southern Pacific 1st refunding 4s, 1955, recently pushed above par for the first time since 1937, adding further proof not only of the changed investment feeling towards rail securities as a whole but also of the vast improvement in the credit standing of the individual road. One by one the short-term obligations and the major mortgage issues of the system have gone to premiums, a far cry from the discounts of 30 to 40 points at which the same bonds were available as recently as two years ago. Despite their sharp advances, rail men still note a strong institutional and investment demand for the liens, leading to the expectation that even if there is considerable speculative nervousness when the invasion finally comes, these bonds will hold pretty well to recent levels.

In the face of the obvious revival of investment confidence in the properties, rail men have been disappointed in the lack of consistent buoyancy in the common shares. There has been a considerable volume of trading in the stock but the price movement has been narrow. In the process, a fairly substantial short interest has been built up—the short interest showed the largest increase of any stock listed on the New York Stock Exchange last month. Obviously, there are individuals willing to gamble on a fairly sharp sell-off on the basis of favorable war developments, but analysts who have followed the situation closely still consider the shares particularly attractive and are looking for materially higher prices before the end of the year regardless of the course of the war.

It is obvious that maturity problems are no longer a cause for apprehension. The debt retirement program of recent years has been concentrated on eliminating the near-term issues, and has been highly successful. Moreover, the collateral released by the bond retirements, plus the property securing the remaining bonds falling due within the next 10 years, would support much more substantial refunding operations than are in prospect. In fact, it is generally accepted that the road could successfully handle the refunding at this time were it not for the fact that the largest item, the Central Pacific 1st refunding 4s, 1949, is non-callable.

There has been some talk to the effect that the road is even now contemplating a convertible issue which might be offered in exchange for the 1949 maturity but this does not appear likely. It does appear, however, that the company has abandoned its earlier policies of concentrating its purchases on the near-term bonds and has started to retire the longer-term discount issues where the greatest interest savings are possible. This, in itself, in bolstering the over-all credit, will make even more simple the ultimate refunding activities.

In the meantime, this credit improvement, to say nothing of current high earnings and the bright long-term territorial considerations, has virtually been ignored by the stock. The stock is selling at less than half the peak level of 1937, when debt and charges were materially higher, earnings were substantially lower, and finances were not nearly so strong. In the five years ended Dec. 31, 1943, the company reported aggregate earnings of more than $50 a share, of which only $3 was paid out in dividends. Most of the earnings were used to retire debt, much of which was purchased at a discount, so that actually the equity of the stock holders has been increased even more widely.

It is true that earnings so far this year have been running sharply below the level of a year ago. Indicated net income for the opening quarter was off almost 50% from the first quarter of 1943. There appears to be little question but that the relative showing will improve later in the year. For one thing, tax accruals will presumably be more nearly comparable with the 1943 deductions. For another thing, from May 15 on the year-to-year differential in freight rates will be eliminated. Finally, there will presumably be no extraordinary charges in the final months as there were last year to reflect the retroactive wage increases. All in all, then, it is believed likely that 1944 earnings will hold at least above $10 ($15.47 earned last year), which should certainly support considerably higher prices for the stock of a road whose credit has largely been rehabilitated.

Pension Trust Plan

Massachusetts Mutual Life Insurance Co., Springfield, Mass., have prepared an attractive, easy-to-read booklet entitled "The Pension Trust Plan," answering questions on the pension trust. Copies of this booklet may be had upon request from Massachusetts Mutual Life Insurance Co.

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.

Leading Economists Differ On Prospects Of Post-War Inflation, Boom And Depression

The Anti-Inflation Bulletin of the Life Insurance Companies of America recently sent out a questionnaire to a group of the nation's leading economists covering the questions of inflation, price controls, and post-war boom and depression. The economists who replied to the questionnaire were: Professor Walter E. Kemmerer of Princeton University; George B. Roberts of the National City Bank of New York; John H. Riddle of the Bankers Trust Company of New York; Bradford B. Smth of the United States Steel Corporation; Rufus S. Tucker of General Motors Corporation; Professor Marcus Nadler of New York University; Dr. B. H. Beckhart of the Chase National Bank of New York; Professor Clair Wilcox of Swarthmore College; Professor Ray Westerfield of Yale University; Professor Fritz Machlup of the University of Buffalo, and Lionel D. Edie. The tabulation below does not identify the individual replies, but each is represented by an alphabetical letter:

Do you think price level after the war will be higher, lower, or about the same as now?	Do you anticipate a post-war boom, a depression, or a boom followed by a depression?	Do you think a post-war depression can be avoided?
A. Moderately higher.	A good level for 2 to 4 years, well above pre-war, but not a boom. After this, I do not yet see what there is to sustain the level.	I am skeptical about abolishing the business cycle, but feel that much can be done to prevent violent depressions.
B. Higher—about 50%.	A boom, after reconversion recession.	A depression will follow post-war boom—probably can't be avoided.
C. Somewhat higher.	A boom followed by a depression.	Depression can be avoided.
D. Yes, higher.	A boom followed by a depression.	Depression can be avoided.
E. No prediction.	Depends on rate at which accumulated savings will be spent; what our international economic policy will be and consequently what the foreign demand for American goods will be.	Accumulated savings and social security will provide us with a cushion we did not have after the last war. I believe a serious depression *can* be avoided. I am not at all sure it *will* be.
F. 15 to 20% higher.	A boom in some lines, a depression in other lines. On the whole, a boom followed by a depression.	Yes. But not if a boom is permitted in the year or two following the war.
G. 25% higher.	A boom followed by a depression.	Theoretically yes. Practically no.
H. About 10% higher.	Hesitation, and then good business for several years more.	Yes.
I. Very much higher.	Brief period of uncertainty, followed by a short boom, then collapse, with subsequent recovery to a substantial period of "normalcy."	Possible economically, but politically improbable under present day conditions in the United States.
J. About 50% higher.	A boom for around two years, followed by a depression.	Theoretically yes, but politically it is impossible.
K. Higher.	Is a rise of prices and money incomes with severe unemployment boom or depression? Such a boom-depression is not impossible.	

Public Utility Securities

Columbia Gas & Electric

Columbia Gas derives some two-thirds of its revenues from a natural gas distributing system (principally in Ohio, Western Pennsylvania and West Virginia) and one-third from electric subsidiaries located principally in Cincinnati and Dayton. Some time ago the Securities and Exchange Commission hinted that it might require the company to separate its extensive electric and gas interests, to conform to the geographical requirements of Section 11. Recently the commission called for hearings, presumably to clarify the matter.

Should the SEC insist on a separation, it appears likely that Columbia would prefer to dispose of the electric properties, which should be easily saleable, and retain the gas properties (assuming that retail gas operations can be considered as "a single integrated system"). The company's inter-connected but outlying gas properties—in Kentucky, New York, Maryland and Virginia—might be difficult to retain, but they comprise only about one-eighth of the total. The New York pipe line extends easterly from Olean to Binghamton, and thence southeast to Nyack; at one time it was proposed to bring natural gas to New York City, but the transmission line stopped about 12 miles from the Bronx, across the Hudson River. Consolidated Edison was reported cool to the idea of mixing natural with manufactured gas. A small pipe line of the Columbia system reaches Philadelphia, but that city continues to depend mainly on coke oven gas.

Columbia Gas draws its principal supply of natural gas from the big Appalachian field (nearly half being purchased). This field has been in service longer than any other major field, and under the increased demands of war industries the supply has proven somewhat inadequate. Hence contracts have been signed by Columbia subsidiaries with the Tennessee Gas & Transmission Co. (which is building a pipe line from Texas to West Virginia) and the Chicago Corp. (which owns the Texas reserves). The system can purchase an aggregate amount of 1,830,000,000,000 cubic feet under these contracts, which assure Columbia of reserves in the Appalachian area for about 20 years at current rates of withdrawal.

Columbia's 1942 equity in the earnings of Cincinnati Gas & Electric, Dayton Power & Light and Union Light, Heat & Power Co. aggregated about $3,436,000. Should these earnings be capitalized at 14 times, the total value would be around $48,000,000 (it is assumed that taxes would not be increased for these three companies if they were placed on an independent ownership basis). At the end of 1943, Columbia (parent company) had net quick assets of over $13,000,000, mainly in cash. It also had substantial claims against subsidiaries (advances, bonds and preferred stocks) some of which could doubtless be sold to the public. It should not be difficult, therefore, to find sufficient assets (assuming sale of electric properties) to dispose of the remaining $76,914,000 bonded debt of the parent company.

Since the SEC has pointedly called attention to the fact that the company's preferred stocks have no voting rights, though they have a principal claim on current earnings, it is possible that the commission might eventually require recapitalization on an all-common stock basis. However, in view of the fact that preferred dividends have always been maintained, and small amounts paid on the common from time to time, this might perhaps be avoidable if voting rights could be given to the preferred by some other means.

There would seem no occasion for ultimate dissolution of the company once it has met SEC requirements with respect to geographical restrictions and voting rights. Now that the difficulties over Columbia Oil and Panhandle Eastern Pipe Line have been disposed of, the system is "solid" and does not conflict seriously, if at all, with the grandfather clause of Section 11. There are some minor difficulties with Kentucky subsidiaries, but these seem relatively unimportant.

Assuming that the SEC should demand a recap plan (following the retirement of bonded debt) the familiar issue would arise as to a formula for distribution of the new common to the present four issues of stock (two first preferreds, one second preferred and the common). Since there are no preferred arrears, the common would be entitled to greater consideration than in other cases, such as United Light & Power and Commonwealth & Southern. But due to the huge number of common shares and deterioration in earning power which would result from sale of the electric properties and application of proceeds to retiring bonds, the common stock (currently selling at about 11 times share earnings) would apparently have to receive a very substantial share in the distribution of new common to permit the stock to maintain its present price relationship to the preferred issues.

Smith & Gallatin To Admit R. H. Moeller

Richard H. Moeller will today be admitted to partnership with Smith & Gallatin, 11 Wall Street, New York City, members of the New York Stock Exchange. Mr. Moeller was formerly a member of the Stock Exchange and was active as an individual floor broker. Prior thereto he was a partner in Southgate & Co. and Carreau & Co.

Hubert R. O'Neil Jr. In Hill Richards Dept.

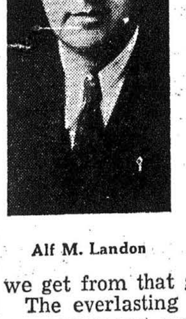
LOS ANGELES, CALIF.—Hubert R. O'Neil, Jr. is now in the trading department of Hill, Richards & Co., 621 S. Spring Street, members of the Los Angeles Stock Exchange. Mr. O'Neil has recently been with the Western Die Casting Company of Oakland. In the past he was a partner in O'Neil & Co. in Los Angeles. He says he just couldn't keep away from the "Street" and it is fun to be back, too.

A Platform For America

By ALF M. LANDON*

Former Presidential Candidate Rejects New Deal Theory That An Unbalanced Budget And A Spendthrift Psychology Is A National Asset And Says It Threatens All The Social Gains Of Generations — Views A Permanently Unbalanced Budget As A National Menace—Favors Tariff Reductions, Revision Of Tax System, And "As Soon As Possible" Universal Abandonment Of Artificial Control Of Currencies, Exchange And "Imperial Preferences."

In considering a platform for America, the number one requirement is a good manager for our Nation's affairs, one who will not interfere with our military and naval experts in winning the war.



Alf M. Landon

This conflict has demonstrated once again the old truth that there is nothing of greater concern and importance to all people than the kind of government under which we live as well as the kind of Administration we get from that government.

The everlasting confusion over manpower and draft—to mention only two items out of a long list—brings the realization to every home in America of the great need for an efficient Administrator in the White House. The true test of a good Executive is his ability to formulate wise and sound policies for the general welfare, his ability to pick capable associates, and his willingness to delegate authority. That executive capacity is all the more vital at a time when squeezing the last possible dollar from the taxpayer will cover only a fraction of our astronomical government expenditures and when Federal wastage is visible to every eye.

When we think of the almost

*An address before 147th Rotary International District Conference, Chicago, Ill., May 16, 1944.

(Continued on page 2051)

Leading Economists Differ On Prospects Of Post-War Inflation, Boom And Depression

(Continued from previous page)

What are the prospects for controlling inflation for the balance of the war period?	What are the prospects for controlling inflation in the critical post-war reconversion period?	Should inflation controls be maintained after the war?	If so, for how long?
A. Gradual up-trend, but no violent break-away.	Dangerous, but doubt if even then any radical advance will occur.	No.	
B. Good.	Poor.	Yes. Particularly in the case of durable consumers' goods.	Until urgent consumers' demands are satisfied.
C. Fairly good.	Fairly good.	Yes. Price control and rationing until an equilibrium between demand for commodities and their supply has been established.	1 to 3 years.
D. Good.	Good.	Yes, on foods.	One crop year.
E. If Congress supports stabiliaztion program, prospects are good. If it continues to sabotage stabilization program, the chances are not good.	If price control is tapered off gradually, prospects are good. If it is removed entirely and suddenly, prospects are not good.	Temporarily. Price, production and rationing controls should be relaxed as rapidly as this can be done without risking a runaway inflation.	
F. Fair.	Doubtful.	Rationing of necessary foods, fuel and clothing, and control of imported raw materials should be maintained.	One year.
G. Fair.	Poor.	No.	
H. Good.	Fair.	Yes—price controls and rationing.	Perhaps 1-2 years, but relaxed gradually as conditions warrant.
I. Fair for moderately successful control.	Very slight.	Yes—some price ceilings and some rationing.	Tapered off in a year to 18 months.
J. Less successful than to date.	If controls are removed or poorly enforced, as seems probable, price level will rise rapidly.	Taxation, rationing, materials control.	Gradually relaxed as reconversion to civilian production and supply are achieved.
K. Not too bad.	With the wage stabilization pledge expiring, a wage rate inflation might threaten.	Taxation, OPA, War Labor Board should be maintained.	Depends on shortages —perhaps two years.

Do you think inflation controls have been effective to date?	What have been the greatest forces making for control?	What have been the major shortcomings making for control?
A. Only moderately so.	Sheer military necessity.	Politics of labor and farmer pressure groups.
B. Fairly so.	Rationing and price ceilings.	Lack of wage policy. Failure to finance cost of war as much as would have been possible from taxation.
C. On the whole, yes.	Price control, rationing, taxes and savings.	Lack of adequate controls over farm prices and wages.
D. Yes.	Taxes, bond drives, price control.	Inadequate taxes reaching incomes that increased most.
E. In so far as it has been possible to apply them—yes.	Voluntary savings, price control, rationing.	An inadequate tax program. Legal limits on control of farm prices. Legal limits pricing consumers' goods according to standards and on requiring informative labelling. Inadequate appropriations for enforcement of price ceilings.
F. Moderately.	Control of raw materials.	Failure to control wages. Price-floors and non-recourse loans on farm products.
G. Partially—more in "war" economy than in "consumer" economy.	Patriotism.	Bad fiscal policies and stupid price and ration administration.
H. Yes.	Price controls and rationing.	Fiscal policy. Failure to prevent black markets.
I. Moderately so.	OPA rationing, public patriotism.	Inflationary, monetary and credit policy of Government. Labor and wage policy of Government. Policy of Government concerning farm products and farmers.
J. Fairly.	Bond purchases, taxation.	Lack of consistent dogged policy with respect to wages and farm prices.
K. More effective than we had a right to expect.	Wage stabilization as far as it has been accomplished.	Insufficient taxation.

OUR REPORTER'S REPORT

Although no exceptionally large offerings came on the new issue market this week investors, institutional and otherwise, did not lack for the element of variety.

Several industrial issues, a public utility and the Canadian City of Edmonton's offering of dollar bonds pretty much made up the buget.

Yesterday was a fairly active day for underwriters what with two of the issues definitely slated to be offered at that time bankers putting the finishing touches to a third which was due to be offered, provided the Securities and Exchange Commission gave the necessary clearance.

One of the industrial undertakings, Industrial Rayon Corp., involved public offering of $10,000,000 par value of $4.50 preferred stock to provide for repayment of a bank loan of that amount.

The second industrial was for the account of Libby, McNeil & Libby, food packers, and involved the offering publicly of $7,500,000 of 1 to 3% serial debentures.

Proceeds from the sale together with other funds would be used to redeem, on or before July 1 next, $8,172,000 of outstanding 15-year first mortgage bonds carrying a 4% coupon and due to mature in 1955.

New Jersey Power & Light

The third offering scheduled was in the utility field and embraced $9,000,000 of first mortgage bonds and 30,000 shares of preferred stock of New Jersey Power & Light Co.

Bankers who won the bonds, against a field of five starters, paid the company a price of 103.699 for the issue as 3 per cents. The stock as a 4% dividend payer netted the company a price of 100.179.

The offering prices to the public were set at 104⅝ for the bonds and 101½ for the preferred.

West Penn Power

Meanwhile West Penn Power Company has issued its call for bids, in open competition under Rule U-50, for an issue of $12,500,000 of new first mortgage bonds, series L, due 1974, carrying a 3% coupon.

This undertaking is likely to be one of the last in the corporate field in advance of the Treasury's Fifth War Loan unless another one or two of those now in registration are dusted off and brought out in the interval.

West Penn Power will use the proceeds and such treasury cash as may be needed to redeem an equal amount of outstanding Series E 5s, on September 1 next.

Plugging Is the Word

In underwriting circles where the bulk of recent new business has been centering, there is no attempt to brush off the fact that things have been more than ordinarily slow as far as demand for offerings is concerned.

But bankers at least have the satisfaction of not having been counting on any "out-the-window" performances at this time. They have been set to go through with a little of the old-time "door-bell" ringing.

City of Edmonton Canada's $9,150,000 of serials have been moving, but slowly. So imagine the cheering effect on the marketing group when one of the larger insurance companies stepped up to the window to take away a sizeable piece of the issue.

Dealers and underwriters have dubbed the current lull as something of a "silent zone" for the market, pointing out that they secure the issues all right, but for the time being find their clientele looking elsewhere.

Connecticut Brevities

F. B. Rentschler, Chairman of the Board of the United Aircraft Corp., recently announced that production of two new helicopters of greater size and capacity would be started this year. The Sikorsky helicopter is now being turned out in ever-increasing numbers. These aircraft are being used effectively by the U. S. Coast Guard for off-shore patrol and rescue assignments.

The consolidated income account of the corporation for the quarter ended March 31, 1944, showed net income, after Federal income and excess profits taxes (and deduction for post-war refund) of $4,060,628 as compared with $4,050,749 in the corresponding period a year ago.

Earnings for the quarter on the common stock were $1.41 as against $1.40 in 1943. These figures are, of course, subject to renegotiation.

If the total of deliveries—$215,280,014 of aeronautical products—for the first three months of this year is any criterion, it may well be possible that shipments for the year might pass the billion-dollar mark.

* * *

On May 10, the directors of Colt's Patent Fire Arms Manufacturing Co. elected three new members of the Board, John H. Chaplin, President of Veeder-Root, Inc.; Lucious F. Robinson, Jr., of the law firm of Robinson, Robinson and Cole, and William A. Purtell, President of the Holo-Krome Screw Corp. These men were elected to fill vacancies made by the resignation of three senior members of the Board, Col. Louis R. Cheney, E. Allen Moore and Harold D. Fairweather.

The three new members are all outstanding in their particular fields and it is expected that their association with Colt's will be of considerable benefit to that concern.

* * *

As of May 5, the Bank Commissioner of the State of Connecticut announced the following changes in the list of legal investments for Connecticut:

Three equipment trust issues of the Elgin, Joliet and Eastern Railway Co. were added, namely, the 2½s due serially to March 1, 1952, the 2½s due serially to Dec. 1, 1949, and the first maturing each year to Jan. 15, 1951.

The following bonds were removed from the list because of failure to show earnings in 1943 of twice interest charges on funded debt:

Central New York Power Corp. general 3¾s due Oct. 1, 1962, general 3½s due July 1, 1965 and general 2⅞s due July 1, 1965; Northern New York Utilities, Inc., first lien and refunding series A 7s due May 1, 1946, and the first lien and refunding series B 6s due May 1, 1947; Syracuse Gas Co. first 5s of Jan. 1, 1946; Syracuse Lighting Co. first 5s of June 1, 1951, and Utica Gas & Electric Co. refunding and extension 5s of July 1, 1957.

The New Britain Gas Light Co. first 3¾s of Jan. 1, 1961, were removed for failure to show net earnings of 5% on the capital stock for the year 1943.

* * *

John J. McKeon of New Haven was elected a director of the Aetna Life Insurance Co. to replace the late Henry H. Conland of the Hartford Courant.

* * *

With the payment of $3.25 in addition to the regular quarterly dividend of $1.62½ on May 15, the New Haven Clock Co. will have cleared up arrearages on its 6½% preferred stock.

* * *

The Remington Arms Co. has made the announcement that effective July 1 operations at Peters Cartridge Division, Kings Mills Works, in Ohio, will be transferred to their main plant in Bridgeport.

* * *

Bigelow-Sanford Carpet Co. showed a substantial improvement in net income the first quarter of 1944 over the corresponding three months of last year. While present operations are continuing at a satisfactory pace, there is still an uncertain outlook for the remainder of the year. On April 1 the company had a backlog of war orders in the neighborhood of $8,000,000—three quarters of which is for delivery prior to the first of August. Net sales for the first three months totaled $9,632,989, which shows an increase of 11% over the first quarter of 1943. The bulk of these sales was from war orders—$6,506,557. The limited supply of raw material and the labor shortage are two factors greatly affecting the production for civilian purposes.

Actual net profit for this period, after depreciation charges of $215,210 and tax reserve of $180,000, was $252,268 against a loss of $65,277 a year ago.

J. Henry Schroder Elects

William A. Tucker, Treasurer of J. Henry Schroder Banking Corporation, 46 William Street, has been elected a Vice-President, it is announced.

Baltimore Traders To Hold Spring Outing

The Baltimore Security Traders Association announces that the spring outing will be held on Friday, May 26, at the Hillendale Country Club (Locker Room Porch—bottom of hill).

Golf may be played at any time during the day; the bar will be open until midnight. There will be free beer and pretzels, music, trading on a special stock exchange (market closing at 6 o'clock); buffet dinner at 7:30 p. m. sharp.

Admission for members and former members is $3.50; for guests $5.00—golf is included. One dinner ticket will be held for each member until Wednesday, May 24 at 12 noon. Five hundred shares will be offered on the Stock Exchange at $2 per share. Five shares will be reserved for each member until Friday, May 19, at 12 noon. If a member does not exercise his option by this date, all remaining shares will be sold over-the-counter. All acceptances must be accompanied by check. Featured will be a U. S. War Savings Bond, Series "E" ($300 maturity); watch or merchandise (value $100) at M. Greenebaum & Sons, 104 North Howard Street; merchandise credit at Lohmeyer's (value $75); one case of Monticello rye whiskey; one case of rye whiskey; one assorted case containing three bottles of rye, three of rum, three of brandy and three of wine; one half case of rye whiskey; merchandise credit at Charley Betschler's Golf Shop at Hillendale (value $25); 25 bottles of rye and 25 bottles of rum.

William Herzog is chairman of the Entertainment Committee.

Reservations may be made through J. W. Butler of Baker, Watts & Co. (Baltimore phone, Calvert 6200; New York phone, CAnal 6-7162).

Hecht Co. Common Placed By Goldman, Sachs & Co.

A group headed by Goldman, Sachs & Co., on May 16 offered 191,515 shares of outstanding common stock (par $15) of The Hecht Co. at $21.75 per share. The securities of the company are being made available to public ownership now for the first time. In connection with the offering, Goldman, Sachs & Co. announced May 16 that subscription books for all shares reserved for sale to dealers have been closed, with subscriptions substantially in excess of the amount reserved.

The shares offered constitute about 26% of the total 740,376 shares now issued and outstanding, the remainder continuing largely in the hands of members of the Hecht family. Listing of the common stock on the New York Stock Exchange is contemplated by the company.

Members of the offering group, besides Goldman, Sachs & Co., include: Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; Hemphill, Noyes & Co.; W. E. Hutton & Co.; Stein Bros. & Boyce; Baker, Watts & Co.; Johnston, Lemon & Co.; Mackubin, Legg & Co.; A. G. Becker & Co., Inc.; Hallgarten & Co.; Lee Higginson Corp.; E. H. Rollins & Sons, Inc.; L. F. Rothschild & Co.; Tucker, Anthony & Co.; Auchincloss, Parker & Redpath; Frank B. Cahn & Co.; Folger, Nolan & Co., Inc.; Kebbon, McCormick & Co.; Ferris, Exnicios & Co., Inc.; Goodwyn & Olds; Robert C. Jones & Co.; Mackall & Coe; Robinson, Rohrbaugh & Lukens; Arnhold & S. Bleichroeder, Inc.; Newhard, Cook & Co.; Piper, Jaffray & Hopwood; I. M. Simon & Co.; Stix & Co.; Swiss American Corp., and G. H. Walker & Co.

Michigan Brevities

Biggest news of the month in Detroit is the possibility that Charles E. Sorensen, former production genius of the Ford Motor Company, may be placed at the head of the Hudson Motor Car Company.

Mr. Sorensen's public statement was only that he had "no comment to make."

Brokerage circles have been alive with rumors of the impending move for more than a week and that was reportedly responsible for the move of Hudson's stock to a new high of 10⅞ last week.

Revelation that first quarter earnings were little more than half of the like period last year, equalling $271,871 as against $503,223, added impetus to the rumor.

The annual meeting is scheduled for May 20.

* * *

Brokers here have been following closely the latest developments in the Detroit and Cleveland Navigation Company situation.

The annual meeting a month ago broke up in a near riot when the management group adjourned the meeting without electing officers or setting a later meeting date.

In Federal Court here, Judge Frank Picard advised both groups to get together on a date or he would set one.

"You're not children," he admonished them. "You have to have a meeting some day, why not get together and settle it amicably?"

However, little progress was made and he finally told them to meet May 16, transact no business other than adjourn to another subsequent date "not less than 15 days or more than 30 days later."

* * *

Sterling Products, Inc., giant drug and patent medicine concern, has confirmed reports that it will absorb Stearns Drug Company of Detroit, one of the oldest firms in the business.

The arrangements of which no details are yet available, will be made through an exchange of stock, it was said.

* * *

Public offering was made of 95,000 shares of $5 par convertible preferred stock in Miller Manufacturing Company of Detroit, manufacturers of special service tools for autos, aircraft and engines, at $10 a share by a nationwide syndicate headed by Baker, Simonds & Company of Detroit.

Net proceeds indicated at $807,600 will be applied, together with 5,000 shares of Class A stock and 16,667 shares of common toward the purchase of Rieke Metal Products Company of Auburn, Ind.

Each share of the Class A is entitled to cumulative preferential dividends at the rate of 60 cents per year and is convertible into three shares of Miller stock until April 15, 1949, into two and a half shares until April 15, 1952, and into two shares until April 15, 1954 when the privilege terminates.

The stock is callable at $11.50 until the 1949 date, $11 until 1954 and $10.50 thereafter.

* * *

The Detroit International Bridge Company recently paid "a distribution" of 25 cents, payable June 12 to stock of record May 12. The Detroit River Tunnel elected Boynton S. Voorhies to replace W. K. Vanderbilt on its board.

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Personalities: Elroy O. Jones of the law firm of Dykema, Jones and Wheat was named a director of Crowley, Milner & Company department store. . . . Paul Farrell, for years chief purchasing agent for Great Lakes Steel Corporation has been promoted to assistant to president, Stran Steel Division. . . . Godfrey Strelinger, former assistant general sales manager, has been named treasurer and assistant secretary of Nash-Kelvinator Corporation.

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Approximately 1,800 persons who hold $3.592,000 in bonds issued by the Barlum Realty Company, operators of the Barlum Tower, one of Detroit's skyscrapers, received their first dividend in 13 years.

A federal judge approved the distribution of $400,000 in cash on the petition of National Bank of Detroit, as trustees.

The dividend amounts to about 10%. It was stated that the 45-story building is now operating in the black and "should continue profitable for some time."

Appreciation Possibilities

New England Power Association 6% cumulative preferred stock offers attractive appreciation possibilities according to a study of the situation prepared by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of this interesting study may be had from G. A. Saxton & Co. upon request.

Regulation And The Democratic Concept

(Continued from page 2027)

pitiless light of publicity upon it. A problem is never solved by turning one's back to it. The use of the word "advertising" is again an infelicitous choice. The bureaucratic action of the NASD has made it vital to tell the public the facts. The investment industry must seek redress in an enlightened public opinion.

NONE OF THIS IS INTENDED TO RETRACT FROM THE WELL KNOWN UNALTERABLE POLICY OF "THE CHRONICLE" OPPOSING UNCONSCIONABLE MARK-UPS. FAIR DEALINGS IS FUNDAMENTAL IN OUR TENETS.

The article then goes on to deal with the term "undemocratic" and here we believe it falls into gargantuan error.

In a plea that in the affairs of NASD the big firms should have a larger suffrage than the small dealer, a contrast is drawn between Messrs. Harriman Ripley & Co. and a "Mr. John Q. Whoosis running a one-man shop in Pocatello." The clear intention is to label the average small dealer as "Mr. John Q. Whoosis."

Immediately the authors become apologetic and say, "Now, we mean no shadow of disrespect to the hypothetical Mr. Whoosis." Unfortunately, whether intended or not, certainly ridicule is apparent in the appellation, if not disrespect, and you just can't laugh the small dealer off. It would have been just as simple to choose a representative name for his class as for the other.

They then point out that if the "5% policy" had been submitted to the vote of NASD members, the big "Harriman" and the small "Whoosis" would each have had one vote. That displeases them. They object to the suffrage of each weighing equally.

Speaking of the contribution of larger firms, the authors say:

"Our own organization is quite small and we have not found its smallness a disadvantage; it means less gross turnover but fewer to divide the proceeds. We hope never to find ourselves claiming a dollar and ten cents for something one of our larger competitors will do equally well for a dollar five."

This is some of the "logic" used to support an advocated disproportionate vote in NASD affairs, more representation for the large and the strong dealers, less for the small.

Well, we have seen a lot of abortive logic in our day but this one is a prize winner.

The authors may not want $1.10 for what larger firms can do for $1.05. That's their prerogative. They must have heard of the laws against price-fixing and the laws against stifling competition. The basis for these is a fixed public policy inherent in our judicial system. By what possible process of rationalizing do they eke out from all this a justification for their advocacy of a more liberal franchise in NASD affairs to the "big fellow" than to the small dealer?

WE HAVE ENOUGH FAITH IN THE BIG FELLOW TO BELIEVE THAT NOT ONLY A SPIRIT OF JUSTICE, BUT ALSO A SENSE OF HIS OWN WELL-BEING WILL LEAD HIM TO RECOGNIZE THAT SUCH ADVOCACY IS BOTH UNFAIR AND PERILOUS.

In the light of such nonsense, the next thing we know some will be supporting the view that a portion of the electorate should have two votes for President of the United States while all others should be limited to only one.

Wisconsin Co. Elected To Chicago Exchange

With the election of Ludlow F. North, Vice-President of the Wisconsin Company, to membership in the Chicago Stock Exchange, the Wisconsin Company, 110 East Wisconsin Avenue, Milwaukee, Wisconsin, has been registered as a member corporation of the Exchange.

The Wisconsin Company, one of the outstanding investment firms in the Middle West, is the tenth corporation to be registered as a member corporation on the Chicago Stock Exchange.

In addition to its office in Milwaukee, other offices are maintained in Madison and Oshkosh.

Mr. Robert W. Baird is President of the company.

St. Louis County Bridge Opening Again Delayed

Floods have again added to the seemingly unending troubles which have plagued the St. Louis County Bridge project. Originally scheduled to open in the late summer or early fall of 1942, it is now estimated that the bridge will not be open for traffic until Jan. 1, 1945. Although the bonds have been in default since Oct. 1, 1943, they have been strong marketwise, present quotations of around 90-93 comparing with a low of about 65-68.

Utah Radio Interesting

Cruttenden & Co., 209 South La Salle Street, Chicago, Ill., will send copies of the 1943 annual report of Utah Radio Products Co. on request.

Missouri Brevities

Bank Dividends Increased

Interest in **St. Louis Bank Stocks** has been stimulated by increased dividend declarations by two of the downtown institutions. **Mercantile-Commerce Bank & Trust Co.** declared three dividends of $1.75 each, payable June 1, Oct. 1 and Jan. 1 to stock of record the 20th of each preceding month. Previous rate had been $1.50 quarterly. The stock advanced several points following the announcement and is now quoted 140-143. **Mississippi Valley Trust Co.** has declared two dividends of 50 cents each payable Aug. 1 and Nov. 1 to stock of record July 21 and Oct. 21. Two previously quarterly payments of 37½ cents each bring total 1944 distributions, paid or declared, to $1.75 versus $1.50 last year. The stock has been strong since announcement of future payments and is currently quoted 38 to 40.

Bank Promotions

Directors of **Mississippi Valley Trust Co.** have promoted **Drew Brown, W. F. Schroer** and **Wm. D. Walsh** to Assistant Vice-Presidents, and **Harrison Croerver** to Credit Manager. Directors of the **Federal Reserve Bank of St. Louis** recently elected **Wm. E. Peterson** a Vice-President and **Lawrence K. Arthur** an Assistant Vice-President.

McQuay-Norris Stock Distributed

An underwriting group headed by **Shields & Co.** of New York and including **Newhard, Cook & Co., Reinholdt & Gardner** and **G. H. Walker & Co.** have distributed a 50,000 share block of **McQuay-Norris Manufacturing Co.** common stock. The issue has been listed on the St. Louis and Chicago Stock Exchanges for many years. With the wider distribution now effected, application to list on the New York Stock Exchange is expected to be made. Several St. Louis firms were members of the selling group.

Other Underwriting and Market Activities in St. Louis

Dempsey, Tegeler & Co. have recently underwritten two institutional loans—$55,000 **Congregation of the Holy Family,** St. Louis County, Missouri, first mortgage serial 1½%-2¾% bonds due April 1, 1945 to April 1, 1958, and $850,000 **Temple University,** Philadelphia, Pa., first and refunding serial 2½%-3½% bonds due May 1, 1945 to May 1, 1959.

White & Co. have reprinted their recent memorandum report on **Stromberg-Carlson Co.** to include operating results for 1943. Earnings last year totalled $726,815, equal to $2.51 per share of common, compared with $534,053 in 1942, or $1.79 per share. 1943 figures are after setting up a Post-War Rehabilitation and Other Contingencies Reserve of $500,000, equal to $1.85 per share. Copies of the report are available to dealers.

Chicago and Southern Air Lines New Route Recommended

The Examiner of the Civil Aeronautics Board has recommended that **Chicago and Southern Air Lines** be given the proposed new route from Memphis to Detroit through Paducah, Evansville, Fort Wayne and Toledo, a distance of about 700 miles. News of this development brought a sharp recovery in the stock which had developed weakness when no action was taken on the April 1, 1944, dividend.

Terminal Railroad Association Would Acquire Bridge and Tunnel

Eads Bridge and the railroad tunnel under downtown St. Louis, now operated under 500-year lease by the **Terminal Railroad Association** at an annual cost of $525,780, would be acquired under a plan recently announced. All of the common stock of the St. Louis Bridge Co. is now owned by the Terminal; however, 24,900 shares of 6% first preferred stock and 30,000 shares of 3% second preferred stock are held by the public, which also owns 12,500 shares of the Tunnel Railroad of St. Louis, owners of the tunnel. Under the plan the Terminal would exchange a $150 bond bearing 4% interest for a $100 par value share of 6% preferred and a $75 bond for a $100 par value share of 3% preferred. The bonds would mature in 75 years. Annual savings in expenses and taxes are estimated at $211.000 if the Terminal completes the acquisition.

J. Earle May Opens Office In Palo Alto

(Special to The Financial Chronicle)

PALO ALTO, CALIF.—J. Earle May has opened an office at 156 University Avenue to act as an individual dealer in securities. Mr. May was formerly with Needham & Co. and Leo & Curtis, Inc. Prior thereto he had his own investment business in San Francisco and was with Frank Knowlton & Co., in charge of their trading department in San Francisco. In the past he was an officer of Hartley Rogers & Co.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

The two largest commercial banks in New York City, and in the United States, are Chase National Bank and National City Bank. Their statements of condition as of March 31, 1944, showed them to have deposits of $4,457,581,731 and $4,074,554,087, respectively. Their shares are actively traded on the over-the-counter market, and are prime favorites. It seems worthwhile, therefore, to offer a comparison of these two leading banking institutions and of their shares.

Chase National Bank, founded in 1877, was named after Abraham Lincoln's Secretary of the Treasury, Salmon P. Chase. It has paid dividends without interruption since 1879. Its general commercial banking departments are supplemented by large and active bond and trust departments, and in addition to its main office it operates 28 branches throughout Greater New York. Branches are also maintained in London and Latin America.

Significant figures over the past three years are as follows:

	1941	1942	1943	Increase for Period
Net operating earnings	$1.96	$1.81	$2.33	18.9%
Dividends	1.40	1.40	1.40	No change
Book value	32.56	33.19	36.88	13.3
Earning Assets per share	344.12	462.48	488.44	41.9
*U. S. Government securities	1,364,847	2,327,748	2,603,172	90.7
*Deposits	3,534,967	4,291,467	4,375,582	23.8
*Capital funds	240.910	245,589	272,878	13.3

*000 omitted.

National City Bank opened its doors to business in time to assist the Government to finance the War of 1812. Dividends have been paid uninterruptedly since 1853. It operates 65 branches in Greater New York; its foreign branches, include one in Bombay, two in London and 35 in Latin America. City Bank Farmers Trust Co., a wholly owned subsidiary, handles a large volume of personal and corporate trust business.

Significant figures, which include those of City Bank Farmers Trust, for the past three years are as follows:

	1941	1942	1943	Increase for Period
Net operating earnings	$1.94	$2.18	$2.44	25.8%
Dividends	1.00	1.00	1.00	No change
Book value	32.05	33.14	38.29	19.5
Earning assets per share	337.16	477.23	513.50	52.3
*U. S. Government securities	1,235,662	2,114,344	2,306,064	86.6
*Deposits	2,878,821	3,671,306	3,833,412	33.2
*Capital funds	198,721	204,624	237,384	19.5

*000 omitted.

We now present a tabular comparison of certain significant current ratios, based on 1943 operations and statement figures as of Dec. 31, 1943:

	Chase	National City
Net earnings to dividends	1.67	2.44
Earned on book value	6.43%	6.38%
Earned on earning assets	0.48%	0.48%
Deposits to capital funds	16.0	16.1
Earning assets to capital funds	13.2	13.4
Earning assets to deposits	82.6%	83.1%
Surplus and undivided profits to capital	1.72	1.71
Current Market Ratios—		
Asked price 5-11-44	39¾	36½
Dividend yield	3.5%	2.7%
Earnings yield	5.9%	6.7%
Book value per market	$0.93	$1.05
Earnings assets per market	$123	$140

Since the market lows of April, 1942, Chase has moved from 21⅛ to 39¾, a rise of 88.2%; National City has moved from 21 to 36½, an increase of 73.8%. In order to reach their highs of February, 1937, Chase must move up to 65½ and National City to 71, which would be an appreciation of 64.8% and 94.5%, respectively.

It will be noted that although the investor currently can buy more dividends per dollar with Chase, he can buy more book value, earning assets and earnings per dollar with National City. As regards comparative operating ratios, there is little to choose between the two banks.

"Pin-Up Boy" Parsons

Ed Parsons of Wm. J. Mericka & Co., Inc., Cleveland, Ohio, on his trip to Los Angeles was elected "Pin-Up Boy" by the Los Angeles Bond Traders Club. The election was witnessed by Ed Welch of Sincere & Company, Chicago, also a Los Angeles visitor—ask him for full details.

"Experts" Monetary Stabilization Plan An International WPA: Taylor

(Continued from page 2029)

nate a good deal more than half of the gold.

"Now although the Washington dispatches do not quote the Treasury on this point, the London dispatches do feature the statement that the American idea is to maintain a high level of employment around the world.

"That is quite a job, and the British realize it is quite a job. But the famous newspaper, **The Manchester Guardian**, for one, gives a cheer for the flexible features in the American public servants' idea and points out that as far as England is concerned it will allow several things. First, America's contribution to the international monetary fund will permit the British Government to continue to operate at a deficit after the war in respect to supplying larger social security benefits, health and welfare benefits and other measuers to improve the condition of the British people. **The Manchester Guardian** points out that under Washington's plan if the British deficit looked temporary, Britain could draw on her quota of the international monetary fund. Furthermore, if it looked as though it might take a number of years for this kind of deficit to stop, Great Britain could seek loans overseas, presumably in the United States. And lastly, if it still kept looking as though the British deficit would continue, Great Britain under the terms of the Washington plan could depreciate her currency and could still accomplish all this without breaking the rules of the fund's management as defined by our Treasury Department in Washington.

"From any point of view this is a bad plan for international stabilization, but it is a perfect vehicle for America's international WPA. As such, it would be a thoughtless thing for any of us to think less of Great Britain because she was for it and that seems to me to be the danger in international relations in this kind of thing.

"Our public servants proposed something to another country that they really have not thought through from an American point of view, such as the donation of the $500,000 water works to Montevideo, Uruguay, which the Uruguayans accepted and are now building at our expense. Then when the other country takes our public servants at their word we seem to get the idea that our friends abroad are swindling us, or that they are unduly greedy. The people in Montevideo are not being greedy. They are just taking the water works we are giving them. The Peruvian fisherman on Lake Titicaca are not being greedy. They are just taking one-half million fertilized fish eggs we flew down there and dumped in the lake. The British in regard to Washington's international monetary fund are not being greedy. They simply foresee such special benefits if Mr. Morgenthau's plan goes through.

"As I have said before, somehow or other, if a proposition is just big enough, and far enough away, and never seems to have been dreamed up before, it does seem to tantalize our non-elected and especially appointed experts like marriage tantalizes Tommy Manville.

"The trouble is that long after these experts have gone back to the farm, or wherever they came from and have been forgotten like Professor Warren was after he finished his first boondoggling in Washington with our gold, we and our children will still be around here paying the bill."

Regarding our gold exported Mr. Taylor said on May 12:

"We are threatened with another devaluation of the dollar and with greenbackism. For all money is dead money. As time goes by it either grows stronger like cheese or weaker like coffee. And our paper money is growing weaker every month. The ratio of our gold reserve behind the paper money that the Treasury is issuing has fallen from 92% to 60%. It is falling now at the rate of about 2% per month. As our gold has kept going out, to the tune of a billion and a half dollars in the past year, and as new paper money keeps being printed, this ratio keeps falling at the rate of around 2% per month. At the present rate it will be down to 40% some time in the next ten months. And 40% is the legal minimum of the Federal Reserve Act. At that point we can expect to be told by the same experts who believe that gold is oldfashioned that we are faced by an emergency. Such an emergency will be blamed on the war, and by that time it will be too late. Once more, to the benefit of the rest of the world and to our disadvantage, these men again would have to devalue the dollar.

"The only time to stop this is before it is too late. And that time is now. While we are giving everything away to the world under Lend-Lease, the custodians of our gold in the Treasury should re-negotiate our contracts with foreign countries so that they cannot drain our gold and weaken our own currency here at home. These same men made it illegal for any American citizen to have gold coins. There is no reason on earth why they should make it legal for Chinese, Russians, our British friends and anyone who lives outside the United States to have gold coins and to hoard the same gold which should stand behind the paper money we have in our pockets or should be in the hands of American citizens themselves.

"There are other ways for the world to get gold without having our trustees give it to them the way they are doing. The British have tremendous quantities of gold in South Africa. More gold still remains in African rocks than is owned by American taxpayers in the ground under Fort Knox. Southern Africa alone has contributed 42% of all the gold dug any place in the world in the present century. And by the outbreak of World War II, the area of the Union of South Africa alone, British Commonwealth of Nations, has delivered 6 billion dollars in this metal. From its first development until World War II, the African Rand paid foreign stockholders, chiefly British, over 1 billion dollars in dividends.

"Russia is the second largest gold producing nation in the world. Russia had ample gold to give a vast supply to Hitler on the signing of the Russian-German Non-aggression Pact, Aug. 25, 1939. And Russia has even given gold to the Japs. Russia could use gold in trade with us without our giving her the gold to use.

"France has 800 million dollars worth of gold of her own safely stored in the Western Hemisphere, and guarded for her.

"The Netherlands, Norway, Belgium, these countries all have gold resources which have always made it hard to see why the experts in our Treasury should worry so much about distributing our gold abroad so that other people could trade with us.

"The simple fact of the case is that our currency is threatened by the Treasury's policy, or lack of policy, toward our own gold supply in face of our unfavorable balance of trade and by the perfectly tremendous issue of paper money which is liquidating the stability of our currency down to the danger point."

Now Durand & Co.

TUCSON, ARIZ. — Dahlberg, Durand & Co. announces the withdrawal of Henry E. Dahlberg as a general partner effective May 1, and the continuation of the business under the name of Durand & Co. The firm's offices are located at 17 East Pennington Street. Partners of Durand & Co. will be Eugene F. Durand and Robert E. Heineman.

Macart An L. A. Visitor

Leon Macart, Chief Petty Officer, U.S.N.R., was a visitor in the Los Angeles Financial District last week. Mr. Macart has been in the Navy two years now, but prior to joining the service was a well-known trader on 17th Street in Denver, Colo. He has returned to his Pueblo, Colorado, station—address c/o Post Office Building.

'Our Riskless' Economy

(Continued from page 2027)

putting 50% of your money in Government bonds. This would seem to be both the sound and patriotic thing to do. You have invested about 34% in prime first mortgages. From real estate mortgages at 34% you drop down to 3% of your portfolio in railroad bonds and 3% in utility bonds. It is in these last two small segments that I find the only field where investment bankers can make any money out of your business. Cash and miscellaneous items represent 10%.

"Back in 1931 you had 56% of invested assets in real estate mortgages, 14% in rail bonds, 7% in utility bonds, 8% in other private enterprise, leaving only 15% for all municipal and Government bond holdings. Since 1931 you have gone from 15% to 60% in Government enterprise securities which means, of course, that you have gone from 85% to 40% in private enterprise securities. We all are walking together down the path of a so-called 'riskless' economy.

"Let us take a quick look at the commercial banking picture. Here we can make comparisons with 1920. First of all, the number of banks has dropped from about 30,000 to 15,000. Today our deposit banks have about 52% of their assets in Government bonds against 9% in 1920. They had about 60% in loans in 1920, now 18%; cash now 22% was 16% in 1920. Boiled down, this means that of invested assets of commercial banks in 1920 about 80% related to private enterprise, while today it is less than 30%.

"Everything still seems quite simple and fool-proof. Take the branch of banking in which I am engaged, namely, investment banking. We were accused of being rather bold and venturesome with respect to equity capital during the 20's. But what has happened of late? Of the securities registered with the SEC and known to have been offered for sale, more than 90% in dollar volume either are bonds or preferred stock.

"You are familiar with the investment policy of the large life insurance companies. Here we find further evidence of our 'riskless' theory of investments. At the end of 1920 life insurance companies had 19% of their assets in Government securities of all kinds. Now the figure is 40%. Of total assets in life companies about 98% are senior loans or mortgages. Obviously the purpose of insurance is to minimize risk.

"Now let us take a look at individual investors. We find Mr. John Q. Citizen playing absolutely safe by letting his money pile up in the banks. He hesitates to take a chance upon anything in the investment field.

"You represent what might be termed widows' and orphans' money. My impression is that you have done a commendable job. The trouble is everyone wants to get under the bed with you. Apparently all bankers and investors would like to turn themselves into savings banks. The question is—can we have an expanding economy with only widows' and orphans' dollars? Must not some of our dollars fight abroad and at home if the widows and orphans are to be safe? Will your senior investments be sound without a vibrant attitude and sympathetic policy toward equity capital?

"Mind you, I am not suggesting that you depart from your time-tested principles of investing money. I do point out, however, that your depositors will be affected by general investment trends. Within certain limits, you have a responsibility toward private initiative. Otherwise you might as well buy only Government bonds. For your contribution to private enterprise, it would seem that the financing of the building industry might offer a fruitful field. However, I hesitate to intrude any suggestions whatsoever with respect to a business so thoughtfully operated as yours.

"May I speak of some of the problems of the investment banking business? I conceive it is our job to sell securities in such a way as to provide an adequate flow of funds into private business, and to give every investor throughout the length and breadth of the land a substantial equal opportunity to have a stake in the business of this country. When the Congress removed deposit banks from the investment business, automatically it threw a greatly increased responsibility upon the investment banking machinery. At the same time, the Government provided for very close supervision of the investment business by the SEC. Whether investment banking caused the tragedy of 1929, as its critics allege, or whether it was a product of an era, long will be discussed. The fact is that the public was angry, Congress was angry, investors had suffered, and by and large swore they would never buy securities again as long as they lived.

"Viewed historically, and even from a vantage point of 10 or 15 years, it will be admitted, I believe, that the punitive element had considerable to do with regulation. Assuming that there is such a thing as severe and big regulation and moderate or little regulation, certainly the 1929 situation was perfect for the big regulators. The question becomes whether regulation and an attitude toward it conceived in anger and pain has worked to the best advantage. The trend, once established, never was altered. Can it be that so much emphasis was placed upon the point of making the investment banker good that sight was lost of how to make him useful?

"Somewhat the same process, but in a milder degree, operated in commercial banking. 'Riskless' banking became the ideal pattern. Commercial bankers insist they never were intended to put up venture capital. But we all know that there is a rather thin line between venture capital and a generous loan. Since 1929 the conservative deposit banker has not got within gunshot of that line.

"In England, where investors have had long experience, both

(Continued on page 2038)

Mutual Funds

"An Undervalued Group"

While steel stocks remain unpopular with the investing public generally, **Distributors Group**, sponsor of **Steel Shares** and other classes of **Group Securities, Inc.**, continues to stress the undervaluation in this class. Last week Distributors Group published an issue of **Steel News** giving a projection of post-war steel company earnings. We quote:

"Few investors seem to realize the tremendous tax 'cushion' now enjoyed by the leading steel companies. For example, with the elimination of excess profits taxes and wartime contingency reserve, the steel company shown in the following table could absorb a 70% reduction in earnings before taxes and still earn after taxes approximately the same as in 1943. Here are the figures:

	Actual 1943	A POSTWAR YEAR (40% Normal and Surtax Only) 25% Reduction	50% Reduction	70% Reduction
Earnings before taxes	$9.54	$7.16	$4.77	$2.86
Less: Normal and surtax	1.22	2.86	1.91	1.14
Excess profits tax	5.71	---	---	---
Contingency reserves	0.84	---	---	---
Net income per share	$1.77	$4.30	$2.86	$1.72

"Steel company shares are undervalued on the basis of current earnings. On the basis of their prospective higher post-war earnings, they are drastically undervalued!"

In the current issue of **Railroad News**, the Investment Research Department of **Distributors Group** draws attention to the continued attractiveness of discount railroad bonds as follows:

"Two years ago the average interest-paying railroad discount bond was a highly speculative issue. A year ago it could be termed a second-grade issue. At the present time it is in the medium-grade category. **We now believe that many of these bonds are at a point where further favorable developments will place them in the investment quality class."**

* * *

It was recently announced in **Brevits** that beginning May 1, 1944, the distribution of shares of all the open-end funds previously sponsored by **Massachusetts Distributors, Inc.**, will be under the sponsorship of **Vance, Sanders & Co.**

The general partners of this new firm have long been the principal executive officers of Massachusetts Distributors, Inc.—Mr. Henry T. Vance and Mr. David T. Sanders being President and Vice-President, respectively, at the present time. The entire personnel of Massahusetts Distributors, Inc., a corporation, will be associated with Vance, Sanders & Co. The open-end funds under the sponsorship of Vance, Sanders & Co., include **Massachusetts Investors Trust**, the oldest of the mutuals, **Massachusetts Investors Second Fund, Boston Fund** and **State Street Investment Corp.**

* * *

"It Isn't What It Is—It's What It Does." **Keystone Corp.** makes this point with respect to securities in the current issue of **Keynotes.** "Investors are not actually interested in whether they own a steel stock, a railroad stock or a utility stock. They are concerned primarily with the characteristics of the securities which they own—that is, whether they promise wide or moderate price swings or stability and the probable rate and dependability of income."

The memorandum points out that: "Investing by characteristics represents the application to investment of the same commonsense principles which determine nearly every other action in life. Before buying a truck, for example, the work which it will have to do is first considered, and then the characteristics of various trucks are studied. Obviously, a millinery store does not need a 10-ton truck. . . .

"In order to adapt this commonsense principle to investment, it is necessary to study the established performance characteristics of securities and then group all issues having similar characteristics together." The Keystone Plan provides such a grouping of securities through the medium of the 10 separate Keystone funds.

* * *

"Earnings Are Not Enough," writes **Lord, Abbett** in the current issue of **Abstracts.** There are other factors which have a vital bearing on the value of any security.

Not long ago Research & Management Council, which manages the funds of the Lord, Abbett group, made a survey of all of the holdings in the various funds and found that, in view of the broad economic changes perceived to be ahead, it was necessary to get additional information on 65 of the companies represented.

An immediate field check with the managements of these 65 American companies was made. 65 letters were written to top executives asking for appointments. "The response was almost overwhelming. 61 of the 65, within 10 days, had replied and fixed time and place for an interview. Some replies came from the Coast, others from as far away as Chicago and Houston."

"Consider the implications," writes Lord, Abbett. "Could an individual investor expect the whole-hearted cooperation shown by those 61 top-flight executives? Only an organization of prestige and importance could command the attention of such a group of busy men."

The **George Putnam Fund** devotes the main issue of its portfolio review to a brief comment on Russia, declaring that: "Russia is going to be a factor in the world of tomorrow." The trustees conclude: "We are not wise enough to foresee just how this new force is going to affect our lives but we do know that we must all learn more about the Soviet Union and the Russian people. We may decide we don't like the way they operate but we certainly cannot ignore them."

* * *

We're still puzzling over the four-page folder which came in the mail this week from **Calvin Bullock.** Entitled "Pre-Invasion Times," it is completely out of character with the investment literature previously published by that sponsor. If the invasion is as imminent as the signs would lead us to expect, this little publication will soon be obsolete.

Mutual Fund Literature

Hugh W. Long & Co.—Portfolio folders for May on **Manhattan Bond Fund** and **New York Stocks. . . . Lord, Abbett**—A revised portfolio folder on **American Business Shares. . . . Selected Investments Co.**—A current issue of the folder, "These Things Seemed Important." . . . **Calvin Bullock**—A current **Bulletin. . . . Hare's, Ltd.**—A folder entitled "Concerning Stocks of New York City's Prominent Banks."

Dividends

American Business Shares, Inc. —A dividend of 6 cents per share, payable June 1, 1944, to holders of record May 15.

'Our Riskless' Economy

(Continued from page 2037)

in foreign and domestic fields, we find that deposit banks participated in the distribution of securities and investment bankers operated under the Companies Act, which is far more simple than our rigid requirements as to registration. In this country, where the job is much greater and more difficult, it is time for all interested in financial matters to study the 'bottlenecks' in the flow of investment capital into business. Does our present set-up really protect the small investor? Does it insure adequate capital for the business of tomorrow and, especially small business?

"From 1929 until 1933 and for a time thereafter, we had a stalemate in capital outlay. The volume of business was declining and the amount of capital needed to do this business also was declining. With or without severe regulation, the practical results would have been much the same as far as the investors' attitude was concerned. He had acquired the 'riskless' attitude toward investments. Everyone, including regulatory bodies, will point with pride to the absence of losses in investments. The regulator, the banker, the investor, all moved in the same direction. The tax upon venture capital emphasized the soundness of a 'riskless' policy toward investments. No one wants to pocket all the losses and to give up the lion's share of gains to the Government. A conscientious investment banker hardly can pursue any but a 'take small risk' policy.

"This 'riskless' economy will not enable us to give employment and pay off the debt. We must strengthen the machinery for distributing securities. The country needs venture capital and yet it may destroy the machinery needed to furnish that capital. Merchants must have reasonable profit, if they are to do an effective job.

"I hope that some day our regulatory agencies will take their foot off the punitive pedal which they have been pressing for ten years. The ICC worries about the railroads when they are in the doldrums. The Treasury and Federal Reserve have an eye upon commercial banking profits. It is time for a fresh look at the investment business. The people of this country have the capital needed for the post-war period. The banks are overflowing with it. It is increasing at the rate almost of $40 billions a year. It is true that much of this money is owned by the new rich and investment bankers must devise new and broader methods of distributing securities. To that end, and if business is to go forward after the war, we also must build up in this country a more thoughtful and more profitable investment banking machinery to parallel the deposit banking structure.

"I believe that investment bankers have the most important banking job of all in the post-war period. It is up to them to break the log jam brought about by stagnation of capital and devotion to a riskless economy. Men in public life and at every hand are saying that venture capital is the answer. But who wants to go to war? Mutual savings banks rightly say—'not us.' Commercial banks say—'safety and liquidity is our motto.' Insurance companies say 'we represent the widows and orphans.' Well, doesn't it look like the investment banker was elected? Isn't it up to him to induce Mr. Average Citizen to put his money to work, upbuilding new enterprise, in the way he did prior to this 'riskless' period?

"Investment banking, in my opinion, has the energy, the ingenuity and the experience for the job at hand, but the following things need to be done:

"'Streamline' the Securities Act to eliminate 'bottlenecks' and encourage a free flow of capital.

"Small investors throughout the country should be given the same chance to buy securities as the large and sophisticated buyers. Compulsory competitve bidding and private placement of non-registered securities are hurting the little investor and the little dealer.

"Our present system of taxation upon venture capital, if continued after the war, will kill the goose that lays the golden egg. There must be some relief from excessive double taxation, first of the corporation income and then of stockholder income. Capital that takes a chance must get a run for its money.

"The capital gains tax should be eliminated. This would bring the large investor 'into the picture.' Right now and for the time in sight, he has little incentive to increase his income. However, he will put his money to work if he has a chance for capital gains.

"Finally, we need a dose of optimism and faith in the future of our country. The fashionable trend toward a 'riskless' economy must be arrested. There is no such thing as 'riskless' business."

The Growth Factor In Railroad Analyses

Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia, Pa., have reprinted in attractive brochure form "The Growth Factor in Railroad Analyses," an address given by William Prescott Watts before the New York Society of Security Analysts. Mr. Watts is Railroad Bond Consultant for Stroud & Company. Copies of the brochure may be had from the firm upon request.

Attractive Situations

Memphis Street Railways Co. 4% preferred stock and Hotels Statler Co. common stock offer interesting situations at the present time, according to circulars discussing these issues prepared by T. J. Feibleman & Co., 41 Broad Street, New York City, members of the New Orleans Stock Exchange. Copies of these circulars may be had upon request from T. J. Feibleman & Co.

Taxation After The War

(Continued from page 2026)

venient in taxes and put the rest of the budget "on the cuff." This makes about as much sense as does the story about the gentleman farmer's advice to his men, which was to stack all the hay outside that they could and put the rest in the barn.

It is possible that these fiscal soothsayers and medicine men are trying to be realistic to the extent of recognizing that there is no possibility of redeeming the public debt and therefore in counseling that we should adopt a policy in fiscal matters that will keep the ship afloat as long as possible. But, if this be their aim, I cannot agree with their view as to the best measures for keeping afloat as long as possible. The quickest way to sink the ship of state, with all hands aboard, is to continue the rise of the public debt. I doubt if anyone is under any illusion as to the ultimate disposition of the public debt, although there is an immense amount of whistling to keep up our courage. Certainly the future of the debt would now be much less dark had it not been for the indefensible fiscal policy which added some 50 billions to the debt, direct and contingent, in the ten years after 1930.

If we are by any means to stabilize the debt and avoid its repudiation, after the war, it is absolutely essential that there be no further debt increase. This means that we must look ahead to a balanced budget, after the war, and in order to keep the budget balanced we must not permit the government to engage in any kind of transaction or operation for which the people are not ready and willing to foot the bill as they go. There will be many attractive and enticing things which the government will be asked to do. No matter how promising, or even how urgent they may appear to be, if they involve further additions to the debt they should not be undertaken.

The use of public credit can mean only one of two things: first, it is a mortgaging of future tax revenues, a means of getting increased funds now against the pledge of future taxes. As the debt matures, its repayment diminishes the proportion of future revenues that can be devoted to current uses; or second, it may mean that debt is being created with no intention to repay, a policy which involves getting something for nothing through inflation, a policy which can end only in the repudiation of all debt. During a war, there must be a desperate mortgaging of the future since no nation has ever been willing, not even the nations under dictatorships, to operate a war on a cash basis, which would mean curtailing civilian incomes and civilian purchasing power in the same proportion as the government's diversion of the current product for the war purposes. Consequently, debt financing appears to be inevitable in greater or less extent, during a war. But this fact or condition points the more surely to a course of prudence after the war.

While the above line of argument might appear to compel me to set a limit to the federal budget after the war, this is not really the case, for what I am saying is, in effect, that the federal government must plan to spend only such amount as the people are willing to provide in taxes. This amount may be as little as 15 billions or as much as 25 billions. The precise amount is not so important as it is that whatever it may be shall not exceed the amount to be taken from the people in taxes. This will not be an easy course to follow. Apart from the influence of powerful pressure groups that can be most readily placated by Treasury hand-outs, there is the fact that the federal budget has not been balanced since 1930. If we assume that no one acquires sufficient civic and political intelligence before age 15 to have any sort of grasp of fiscal affairs, it follows that the entire population under age 30 has observed and experienced only deficit and war financing. This group has seldom, if ever, heard the expression, "a balanced budget" referred to except in terms of ridicule. Little wonder, then, that it should so easily be persuaded that the false prosperity of a war period can be maintained during peace by a continuance of the bankruptcy methods of financing used during the war.

And yet, the level of the postwar expenditures, with the corresponding level of the postwar taxes, does become important in that the effect of the taxes on the motives and incentives which actuate the people must be considered. All taxes are merely transfers of money from the citizens to the government. This transfer does not affect the total volume of purchasing power, hence has neither depressing nor inflating effects, *per se*, for the government spends instead of the people. Heavy taxation produces a definite repressive effect because of the feeling that is engendered in many minds that the purposes of the government in levying the final installments of the taxes are not economically or socially justifiable in relation to the tax burdens imposed.

That is, the taxes paid to defray the ordinary and accepted costs of government in performing those services which are recognized as being conducive to peace, order, justice and stability are not burdensome. There is an ample value rendered in return for these taxes. The onerous taxes begin beyond this point, whether it be in paying more than is warranted for an obviously useful service like police or education, or in undertaking experiments which are of dubious or unproven value to the productive energies of the nation.

It is axiomatic that no government policy, whether in taxation or elsewhere, should have the effect of restraining or repressing the productive efforts of the people. The worst possible course that any government could take would be to create in the people the attitude of "what's the use?" It is as true today as it was in Adam Smith's time that the government's prosperity rests on the prosperity of the people. And it is likewise true today, as it was then, that the prosperity of the people derives from their freedom to pursue their own interest and from their freedom to have and enjoy the fruits of their labor, their thrift, their ingenuity, their foresight, their risk-taking, and their daring.

The conclusion of the argument to this point, is that taxes should be moderate. Government must not undertake projects so ambitious or so costly as to involve heavy taxation at any point. If, through moderate taxation, there is attained a level of prosperity under which moderate taxes will provide revenues sufficient to permit the government to embark on projects that may appear desirable, there can be no objection from the standpoint of taxation. Severe or crushing taxes for such purposes would defeat their own objective by reducing the capacity of the nation to finance any level of public activity.

Coming more directly to the subject of postwar taxation, and assuming that the primary objective of anything that is worth saying on that subject is the creation of a tax and fiscal environment in which the private enterprise system will thrive and flourish, I have developed some remarks along two paths. One is a discussion of desirable postwar tax changes along conventional lines and in accord with conventional thinking; the other path is one in which I have ventured to do some pioneering. I shall presently wander for a time along this second path because I am always hopeful that there may be a few who would like to see a new approach to an old problem.

All of the discussion of postwar tax changes that has come to my attention indicates substantial agreement on a number of outstanding issues, although none of this discussion has been sufficiently concerned with details to uncover some matters regarding which there is likely to be lack of unanimity. For example, it is generally agreed that the excess profits tax should be repealed at the close of the war. All businessmen devoutly hope for this consummation. But repeal of this tax involves a complication for some, for it would cut off the privilege of carrying back unused excess profits credits, and hence the possibility of securing a refund of excess profits tax. The reconversion period is likely to be one in which corporate earnings will be, in many cases, less than the normal amount not subject to excess profits tax. Any deficiency of earnings below the standard allowance or credit for the base period or for invested capital, as the case may be, would give rise to an unused excess profits credit which could be carried back against excess profits in the two preceding years, provided the law has not been repealed in the meantime.

The carry-back would involve refunds at the time business earnings were below normal, or were nonexistent. By the same token, the refunds would be a heavy drain on the Treasury at a time when revenues were declining. The dilemma is obvious. To keep the excess profits tax through the reconversion period, in order to use the carry-back, might create a precedent for its indefinite retention. To insist upon the refunds recoverable through the carry-back would strengthen the charge, already being made, that the government is to guarantee corporate profits, and give additional force, in the view of labor, to the demand that the corporations should guarantee annual wages. It may be that as the prospect of refunds looms large, Congress will promptly repeal the tax, since the refund is as dangerous for the politician as it is for business.

A second point on which there will be general agreement is reduction of the ordinary corporation tax rate. Such a detail as what the postwar rate should be is not usually considered, but it should be clear that, as a matter of wise long-range tax policy, the corporation rate should be geared to the normal or standard rate on individual incomes and that dividends should be excluded from income for purposes of the normal tax. Were this done, then the various individuals subject to income tax would all pay the same starting rate regardless of the source of their respective incomes.

No one can be found who will say a good word for the capital stock and declared value excess profits tax. This pair of taxes is completely phony and its operation is best illustrated by the familiar trick question—"Have you stopped beating your wife?" It is time that we were grown up past the stage of trick, wife-beating types of taxation.

When we get farther into the income tax and encounter such matters as capital gains, consolidated returns and the treatment of business net losses, the going gets harder so far as a consensus is concerned. There is a sensible and rational solution for each of these issues and if this address were to be confined entirely to the conventional lines of tax improvement it would be worth while to set them out. I may add that there will be agreement, probably not quite so general, as to the reduction of the extreme rates of personal income tax and of estate and gift taxes. The excise tax on liquors is already higher than is required to afford the bootlegger his necessary margin of costs plus profit. Some other excise rates are equally due to be revised as the war ends, if not sooner.

Editor's note—The remainder of Professor Lutz's address follows closely a paper, entitled "A Post-War Tax Program" published in the "Chronicle," February 19, 1944, page 593.

Am. Statistical Ass'n To Hold Dinner Meeting

The Securities and Capital Markets Division of the New York Chapter of the American Statistical Association will hold a dinner meeting Wednesday, May 24, at 6 p. m., at the Hotel Sheraton, Lexington Ave. and 37th Street, New York.

The topic of the meeting, at which Shelby Cullom Davis will preside, will be the Post-War Outlook.

Speakers will be Clyde Shute, F. W. Dodge Corp., on "Building"; Wendell W. Reuss, McLaughlin, Baird & Reuss, on "Railroads"; Ragnor Naess, Naess & Cummings, on "Securities"; Leo Rich of Walter Darwin Teague, on "Consumer." A general discussion will be lead by James F. Hughes of Smith, Barney & Co.

The cost of tickets is $2.50 if paid by May 20; $3 thereafter. Orders should be sent to Helen Slade, district representative, 400 East 57th Street, New York City.

Members of the program committee are: Warren Clark, Brundage, Story & Rose; Marshall Dunn, Homer & Co., Inc.; H. G. Gartley, Benjamin Graham, Graham-Newman Corp.; J. H. Lewis, John H. Lewis & Co.; Lucien Hooper, W. E. Hutton & Co.; G. G. Munn, Paine, Webber, Jackson & Curtis; Joseph McMullen, J. McInerney; L. H. Rothchild, L. H. Rothchild & Co.; B. F. Story, Brundage, Story & Rose; James F. Hughes, Smith, Barney & Co.; H. Slade.

Canadian Securities

By BRUCE WILLIAMS

The great natural resources of Canada have not alone been responsible for the emergence of the Dominion among the leading nations of the world. To the wisdom and courage of her statesmen also no little credit must be accorded. On the few occasions during the war when international conferences have been held it is apparent that Canada has demonstrated that henceforth the Dominion will be a vigorous constructive force in world affairs.

The dominant voice in the London meeting of the Dominions' Prime Ministers was that of Mr. Mackenzie King of Canada, whose address to the joint session of both Houses of Parliament was the highlight of the London Conference.

Mr. King spoke as the representative of a North American people, mindful of its ties with the United States and its key position in bridging the gap between Britain and the American peoples, but also proud of its membership in the British Commonwealth of Nations, which association of free British nations he hoped one day would serve as a model for a new world order based on the full cooperation of all world powers.

It is apparent that Canada has reached the stage where she is fully conscious of her assured position among the adult nations of the world and it is now no longer an exaggerated flight of imagination to visualize Canada as the ultimate leader of the British Commonwealth. This can be realized only when the vast empty spaces of the Dominion are more adequately populated and the prospects were never more favorable for the solution of this problem.

An aftermath of all wars on the Continent of Europe is the desire of demobilized youth to seek a fuller existence overseas. Through the Commonwealth Air Training scheme, young men from nearly all the United Nations are acquainted with Canada and there is little doubt that many will return after the war in preference to remaining in war-ravaged Europe. Since the last war also Canada has become an important industrial country and if Britain gives serious attention to a greater centralization of British industry in the Dominion, the problem of population will be largely solved.

Our industrialists have not been slow in appreciating the possibilities of the establishment of branch plants in Canada, but it is rather surprising that our financial interests still look somewhat askance at investment within the dominion.

In particular it is remarkable that with a few notable exceptions our commercial bankers are poorly informed on Canadian conditions. Some headway has been made during the past year but possibly only because the wartime achievements of the Dominion have been impossible to ignore.

Now many commercial bankers are paying closer attention to Canadian affairs, but not until definite commitments are made will they really have a proper grasp of the situation. From this point onwards they will appreciate to a greater degree the tremendous possibilities of expansion that exist in Canadian business generally. As frequently mentioned, in order to fulfil our obligations as the leading creditor country of the world, our banking fraternity must develop to a greater extent an international perspective, and a sound preliminary step would be to start in Canada.

With regard to the market for the past week, there was continued strength displayed in most sections, and again especially in Canadian National Railway issues which have now improved about 2 points since the beginning of the year. Several short-term Ontarios and Torontos also touched their all-time high levels. The only outstanding lagging situations in the short-term category are the British Columbia issues in the 5-year area, which on a 2.80% yield basis appear very attractive.

Considerable attention, naturally, was devoted to the new Edmonton offering which at the time of this writing is proceeding satisfactorily. In this connection, it is interesting to note that the total funded debt of the municipality of $19,848,291 compares with $27,144,415 outstanding on Dec. 31, 1938, and the percentage of tax collections to the levy during 1943, including arrears, was 124.30%.

The internal issues continued in such steady demand that the Canadian dollar in the "free" market reached the official selling level; it is now evident that this section of the market is receiving increasing attention, and the foreign exchange complication is no longer proving a barrier to investment.

In considering the future course of the market, although the present level is high, there is still a disparity in favor of high grade Canadian securities when comparison is made with similar domestic issues. Furthermore, there is still evidence of a steady broadening of interest which, if translated into action, should at least maintain the existing price level.

A One-Way Credit Structure: The International Stabilization Fund

(Continued from first page)

plus of one country so as to pay for the import surplus of the other, and that this is expected to be a reciprocal process. A country that is in the red this year, and draws on the pool to cover its international deficit, may have a favorable balance next year. Critics have been skeptical about the prospects of such a cycle, pointing out that the prevailing conditions as well as the policies of many countries are likely to put them for many years in an unfavorable position on current international accounts. The old plans (as we shall call them) recognized this possibility; Keynes, in particular, suggested that the creditor, i. e., the country with a chronically favorable balance of payments, should be induced either to use his excess credits for buying goods from the debtor, or to leave his credits with the latter in a more or less permanent fashion.

The new proposal of the anonymous official experts goes a long, if logical, step further. Instead of the Keynesian "inducements," it suggests compulsion, as formulated in the following seemingly quite innocent provision (under III, No. 5):

"So long as a member country is entitled to buy another member's currency from the fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold."

The involved language serves to "hide the thougnt," as the adage says. What's wrong with the debtor's promise to return the creditor's money (or gold) if asked to do so? It's the "so long as" that matters. Each member country is supposed to have a quota which permits it to ask for other members' currency against its own money. If, e. g., Russia has to pay for imports from the United States, she offers rubles to the fund and gets dollars with which to settle her unfavorable balance. Now, then, according to the paragraph quoted, she has to be "prepared" (whatever that means) to return dollars if and when the United States asks for them—provided she did not exhaust her quota. To put it the other way: **only** "so long as" a country hasn't exhausted its quota, shall it be prepared to return whatever amount it has borrowed; **after** that it doesn't have to be prepared. In plain English, once Russia has borrowed up to the limit of her credit line, she is under no obligation any more to return the money, not even if she has it. She may refuse to pay, and remain a member of the Fund in good standing.

The creditor country in turn has the "right" to let his claim stay where it is, or to use it for buying goods from the debtor—such goods and at such prices as the latter chooses to offer. (Remember the aspirins and mouth-harmonicas Dr. Schacht used to unload on Germany's unfortunate clearing-creditors?)

The Camouflaged Bank

Another step "forward" in clarifying the objectives of this planning on an international scale appears in the form of the proposed Fund, as compared to the old plans. The latter were presented as banking (Keynes) or clearing (White) institutions. All such pretense, or admission, has now been dropped. The Fund is being offered instead as an institution that merely exchanges one kind of money against other kinds. Nominally, there are no creditors or debtors; there are only money changers who buy dollars and sell rubles, or what have you. The Fund is dressed up as if it wouldn't provide credits at all; nor is it supposed to take any (except that it might borrow from a member whose currency became "scarce." Its function is limited allegedly to providing a market on which each government can "buy" the currency of the other at fixed rates of exchange. (III, No. 3: "The operations of the Fund's account will be limited to transactions for the purpose of supplying a member country . . . with another member's currency in exchange for its own currency or for gold.") No intimation is forthcoming that United States dollars and Siamese **bahts** may be of different "currency": that they may imply entirely different degrees of convertibility into gold or goods, so that the exchange between them amounts in reality to exchanging money against the unsecured promise of returning money—which is the essence of every credit transaction (without collateral).

The intention to camouflage the real nature of the purpose to which the money of the creditors shall be put, should be obvious. If it were a matter of merely exchanging one currency against another, no special institution would be needed; the mechanism of the foreign exchange markets, free or managed, could take care of it in the future as it did in the past. A Fund is only needed because the currencies to be absorbed are unsalable; their "exchange" against gold or convertible money amounts to a capital (credit) transfer from one country to the other. The smoke-screen of an exchange-intermediary is necessary, however, so as to make the main features of the proposal appear logical—and palatable.

The Smoke-Screen of Equal Contributions

To begin with, it permits creating the appearance as if each country were to contribute to the Fund, and to enjoy its benefits, in an equal or at least proportionate fashion. Given the par value between the currencies, each member country is entitled to "buy" the money of any other member in exact proportion to its own contribution, which in turn is to be determined by preliminary agreement. According to a semi-official release, the approximate paid-in quotas of the leading nations are to be: United States, $2.5 to $2.75 billions; Britain, $1.25 billions; Russia, $1 billion; China, $0.5 to $0.6 billions; Canada, $0.3 billions. Each member may purchase the currency of others to the limit of 200% of its own quota. That would be fair enough, in spite of the arbitrary choice of the quotas (which seem to be a sort of compromise between the previous Keynes and White suggestions), if the underlying "contributions" wouldn't mean in reality entirely different things, depending on the international position, gold reserve and foreign exchange policy of the "contributing" countries.

(a) Every dollar of United States currency paid into the Fund means, evidently, that a dollar is put at the disposal of some other member with which to stop the gap in the latter's unfavorable balance of payments. (It should be obvious that the United States is not supposed to use its quota to borrow from the Fund; otherwise, how could the bankrupt currencies be stabilized?) A dollar's "worth" of Russian rubles, on the other hand, means that Russia is entitled to draw two United States dollars from the Fund. The one act means readiness to lend; the other, to borrow. The one is a real contribution **of** purchasing power; the other contributes a claim **on** purchasing power. To treat the two "contributions" as equal in anything but name is nonsensical.

(b) Each "contribution" is to consist of the respective country's currency and of gold. At least 90% of the world's currencies is inconvertible at present, and most of them are bound to stay inconvertible. True, the members of the Fund are supposed to maintain the par value of their money (against gold), but this emphatic rule is made entirely illusory by a number of exceptions. (1) The paragraph quoted above (III, No. 5) obligates the debtor to convert his own currency, presented by the creditor country, **provided** the former can borrow the necessary amount of good money from the Fund. "So long as" Siam can obtain dollars from the Fund, she has to be prepared to return the dollars we gave her. (2) Even that obligation, little as it means, holds only under the proviso that she did not declare her currency which is in our hands to be under restriction. She is entitled to block it at her discretion during a transitional period of undefined length; and also later, if it has served "capital transactions" beyond a "reasonable amount," the definition of which can be chosen more or less arbitrarily. (3) The debtor (say, Siam) obtains dollars from the Fund and uses them for imports. But the Siamese paper—**bahts** it throws in as counter-value are to be held in Siam. Should Siam resign from membership, which she can do by giving "written notice"—presumably typewritten; not by a cable or phone call, I suppose—we can't even sell her currency on the black market, since we won't have it. All she is obligated to do after resigning, is to have her debt "liquidated within a reasonable time," the terms to be set by herself, with no provisions for enforcement. This is what the experts called (I, No. 3) "making the Fund's resources available . . . under adequate safeguards."

(c) That every member contributes in gold a reasonable fraction of its subscription, is another illusion conveyed by the proposal. The "obligatory gold subscription" (II, No. 3) is set at 25% of each member's quota, or 10% of its holdings of gold and convertible foreign exchange, whichever is **smaller.** This means that the United States would have to put up at least $500,000,000 in gold, while Britain's share would be the sheer trifle of about $3,500,-

000, assuming her "visible" gold reserve as at present. The United States would be the only country that contributes a major amount of gold, and it may be worth mentioning that there is no provision as to where the gold should be held, nor is any control suggested over the members' freedom to manipulate the size of their (official) holdings, if they wish to do so. At any rate, it is a unique innovation that **the creditor, not the debtor, has to put up a substantial collateral!** The idea seems to have originated in Washington.

A Bank Managed by Debtors

Since the Fund is camouflaged as if it had nothing to do with credit-giving, and the distinction between creditors and debtors is carefully avoided, all members are treated as equal and the distribution of voting power is to be "closely related to the quotas" (VII, No. 2). This applies to both the Board and the Executive Committee of the Fund, on both of which all decisions are to be taken by simple majority (disregarding the two marginal cases of a change in the original quotas, and of a simultaneous change of the gold content of all currencies).

In practice, this amounts to handing the management to the debtor countries, since out of the \$8-\$10 billions of total "contributions" the United States will be represented by less than 35%, fully matched by the combined quotas of three presumptive debtors: Britain, Russia, and China. (Dollars borrowed by the Fund in the United States, in addition to our quota, will carry no voting power at all.) As a result, the Fund's structure will resemble the labor banks of the famous anarchist Proudhon, in which the borrowers were to determine the amount and the conditions of their own loans. The spurious system of credit-control by the debtors is in the present case of far-reaching significance, due to the discretionary powers the management is to exercise.

Aims and Means

This leads us to the vital question: what are the controls, if any, by which the disbursement of funds (the exchange of good currency against bad) is to be managed so as to provide reasonable assurance of fulfilling its essential purpose, the stabilization of currencies and the elimination of monetary obstacles to international trade? Evidently, the mere giving away of money is no guarantee for restoring the distressed balances of payments. What matters is to create sound underlying conditions, or at least to promote their restoration. Our sacrifice of a few billions would be more than worth-while from our own point of view if we thereby contribute substantially to international equilibrium. How does the new project fit the objective it is supposed to accomplish?

The answer is, in the first place, a matter of quantities. The London **Economist** estimated recently that in the first post-war years Britain's deficit on international accounts will be no less than \$1 billion annually. Britain might exhaust her entire quota in the first year, even if, as it is generally assumed, the foreign, some \$10 billions of "war-time balances" in London will be frozen, and capital exports from Britain will be prohibited. And the financial needs of other countries might be more urgent than those of England. In short, the Fund is much too small in comparison to the needs it is supposed to satisfy. The original Keynes proposal, which involved some \$30-odd billions, was far more realistic than the present "drop in the bucket." (The same holds **exfortio** for the \$500 million revolving fund project of Rep. Charles Dewey.) Of course, there are other plans hanging over the fire to supplement this Fund, ranging from the \$1½ billions the UNRRA is to receive, to the \$10 billion project of an international RFC. The point is, however, that it is useless to discuss a stabilization fund as an isolated item. Useless to spend \$3 billions on a medicine that merely postpones the crisis for a very short while, without starting on the fundamental cure at once.

Of course, the "experts" are fully aware of the fact that most serious disequilibria exist, and are likely to persist. What are they proposing to cure them beyond giving a temporary and limited respite to the countries in trouble? Even within its quantitative limitations, the Fund is so constructed as to offer escape clauses to the debtors rather than policies to clean up unhealthy situations.

Ineffective Controls

True, no member is supposed to draw more than 25% of its quota in any single year (unless the Fund's holding of that member's currency has fallen under 75% of its quota, a situation that could scarcely confront any but a creditor country). This would merely stretch the lifetime of the Fund, if it were applied rigidly. But even this meager protection is made illusory by the rule that the management — by debtors, mind you—may waive it at its discretion. Nor would a debtor country be restrained by the provision that the "sale" of its currency to the Fund should be cut to one-half if and so long as its own holdings of gold and gold-convertible exchange exceed its full quota: debtors are bound to have more quota than gold.

True, too, the Fund may decide on each request for "exchanging" one kind of currency against another whether or not it conforms to the objectives. However, the debtor-majority of its management not only has discretionary powers, but is actually bound by statute to decide in favor of the debtor point of view. The statutory objectives of the Fund, such as "to facilitate the expansion . . . of international trade and to contribute . . . to the maintenance of a high level of employment," or "to give confidence to member countries . . . giving members time to correct maladjustments in their balance of payments," or, "to promote exchange stability," etc., all permit only one interpretation: that insolvent members may import all the goods they want for "expansion," and send the bill to the Fund. The latter may refuse to pay by suspending the member on the ground that it is using the resources of the Fund "in a manner contrary to" its purposes and policies; but this is pointless since there is little restraint in buying goods abroad for such virtually unlimited purposes as the maintenance of employment.

Abandoning the Gold Standard

It is easy to maintain the exchanges at par if funds are available, practically without control, as is the evident implication of the present plan. But the crucial test of an international monetary system is its ability to bring about readjustments. Under a **gold standard** of the more or less "automatic" variety the correction of distressed balances of payments is accomplished by inducing two closely interrelated processes: a capital flow toward the distressed country; and such adjustments in price levels as are necessary to re-establish the equilibrium.

Nothing of the kind is planned or suggested in the present project. The monetary system established by the Fund is not a modification of the gold standard; it is a complete abandonment of its essential features. That the parities are to be defined in terms of gold, and the members are obligated to sell and buy gold at par, or that a minor amount of gold is to be paid into the Fund, are sheer concessions in form which do not affect the substance of the new monetary system. Its substance is to throw the gold standard overboard in all but name, and to do so first by keeping its mechanism from going into gear, and then by sanctioning its formal abandonment.

Instead of compelling the debtors to reorganize their legal and economic houses in a fashion that would permit the reopening of commercial credit channels and the automatic adjustment of price and cost levels, the proposal amounts to providing the distressed nations with a breathing spell, without even suggesting any reform to restore the functions of free enterprise. Note the difference against the none too encouraging credit rescue actions after the last war (Dawes loan, League of Nations loans, etc.) which made at least an attempt to restore the foundations of normal business in the debtor countries. This time no such attempt is being suggested by the official experts. The consequence will be, obviously, that the initial credit provided by the Fund will not start the flow of commercial capital from the creditor to the debtor nations.

Disequilibrium In Permanence

Nor does the plan permit restoring as much as a residual of the gold standard's self-adjusting price mechanism. As a matter of fact, it accepts international disequilibrium from the outset, and sanctions its permanent maintenance. It does so by condoning, if not fostering, the continuation of the two major methods of monetary warfare, which were a major cause of the world's economic **malaise:** exchange restrictions of the German type, and competitive devaluations of the Anglo-American brand. Exchange restrictions are permitted from the outset, as pointed out above, on the ground that they may be needed as "transitional" arrangements, with no time limit nor any other criterion set for their discontinuation. In addition, members are entitled to keep up restrictions on international capital movements indefinitely, and almost any transaction may constitute or imply a capital movement. And if a currency held in the Fund becomes "scarce" (i. e., if the dollars paid-in near exhaustion) and the Fund declares that the scarce currencies have to be apportioned among those who demand it, this decision "shall operate as an authorization to a member country . . . to restrict the freedom of exchange operations (of all kinds) in the affected currencies," In short, after the Fund runs out of money, if not before, the debtors may run for cover by turning to the unrestrained practice of exchange restrictions, which in turn will compel them to bilateral clearings and similar vicious trade policies.

The stability of exchange parities is purely nominal if it is accomplished by exchange restrictions, which in effect eliminate the freedom of dealing in the respective currencies, and the possibility of a genuine multilateral trade system. The more so, if the debtor countries are free to change on short notice the gold par of their currencies. The Fund **cannot refuse** its approval of a **devaluation** if it is "essential to the correction of a fundamental disequilibrium," or "necessary to restore equilibrium" (IV, No. 3). But in deciding what is essential or necessary, the Fund's hands are bound in advance by the prescription that it **cannot** reject a devaluation—of 10% at a time—requested "because of the domestic social or political policies" of the debtor country. In other words, if a country is unable to balance its international accounts because it reduces its own exports by maintaining artificially high wages, called "domestic social policy," or because it raises its imports of foreign goods, beyond its capacity to pay, for "domestic political policy" purposes, then the Fund has to grant that country the privilege of spreading the disequilibrium by devaluing its currency.

Spreading Disequilibrium

If prices and costs are out of bounds in a debtor country, it is not supposed to correct them. All it has to do is to draw its quota first, then proceed to devalue its currency, and/or to put it into the strait-jacket of comprehensive exchange regulations — methods which are "helpful" only by reducing the exports of other countries and the claims of foreign creditors. Both methods result necessarily in paralyzing international credits, and compressing the volume of international trade, with obvious consequences for the internal economy of each participant. In other words, spreading disequilibrium is the cure for disequilibrium, as proposed by the "experts" under the pretext of stabilization. The only other cures they propose consist in asking for more money from the creditors (by borrowing from them additionally, or by raising the quotas) and of devaluing all currencies simultaneously. The one means, of course, to throw good money after the bad, and can scarcely be repeated too often. As to an "agreed uniform" devaluation, it can only have one meaning: to print more international currency (dollars) on a given gold basis, and to assume that this will provide more purchasing power—provided prices won't rise.

NY Analysts To Hold Annual Meeting May 19

The New York Society of Security Analysts will hold its annual meeting at 1 p.m. on Friday, May 19, at 56 Broad Street, New York City. All members are urged to attend and participate in the election of officers.

A proposal that the dues be increased from three dollars to five dollars per year will be voted upon. This proposal would involve an amendment to the Constitution of the Society.

The retiring officers will make short reports and the members will have adequate opportunity to bring pertinent matters to the attention of the Society or of the Executive Committee.

At the regular luncheon meeting scheduled for May 24, T. P. Walker, President of Commercial Solvents, will speak on the Post-War Outlook and Introduction of New Products.

On May 26 Pierre Bretey, of Baker, Weeks & Harden, will speak on recent reorganization developments in Soo Line, Western Pacific, North Western and Rock Island.

More Railroad Riddles

(Continued from first page)

agencies in order to prevent them from charging the public too much.

This paradox of minimum and maximum strength was dramatized in the important rate case of 1938. An industry, so pathetically weak that it was unable to charge enough even to maintain solvency, was so powerful that it must be closely guarded and policed to prevent it from charging more than was just.

As time goes on we may expect this paradox to be resolved. The railroads may be the weakest industry in the country or they may be the strongest but they cannot be both. Some day we will surely know the answer, but so far the confusion of thought has not lessened; on the contrary, it has increased. In the years subsequent to 1938 the pessimistic viewpoint seems to have gained. It was during these years that reorganization plans, approved by the Commission and likewise by important investment groups, wrote off large amounts of railroad investment as permanently worthless; in fact, so completely and utterly worthless as not even to justify recognition in the reorganized company in terms of no par value common stock.

This pessimistic viewpoint persisted even when the results for 1941 showed freight traffic at the volume of 1929. It persisted in 1942, when volume increased still more, and it persisted in the year 1943 when freight volume was 63% above 1929 and 80% above 1918, the peak of World War I.

The unexpected experience of our need for railroad transportation failed to restore confidence in future railroad earning power even when operating efficiency attained levels far above anything hitherto known, and even when net earnings soared to undreamed of heights. Pessimism refused to be shaken. "This is my story and I am going to stick to it," was adopted as the firm principle. Increases in operating efficiency are largely ignored and increased earnings are ridiculed as war-boom earnings, and further disparaged by stating them after payment of taxes, as if the railroads had not earned the money they paid in income taxes.

I think it is accurate to say that today a large part of the investing public rejects, or at least almost completely discounts, all favorable evidence in regard to our railroads and emphasizes all unfavorable evidence. This is an unusual psychological situation but it is not without precedent. A study of the past establishes the fact that trends, either good or bad, are accepted as permanent when they have persisted over a sufficiently long period. Once such trends are accepted as unchangeable, all evidence, no matter how logical, which would show that the trend is changing, is ignored and all evidence, no matter how flimsy which might show that the trend is permanent, is emphasized.

Let me give you a few illustrations. There was a time in our history when an important government official in his annual report pointed out that the possibility of important business expansion was over. I quote:

> "Discovery of new processes of manufacture . . . will not leave room for any marked expansion such as has been witnessed during the last 50 years. . . . The day of large profits is probably past. There might be room for further intensive but not extensive developments of industry in the present era of civilization."

This official statement was made after a prolonged depression, in the year 1886. The author was Carroll D. Wright, Commissioner of Labor Statistics.

As you all know, this prophecy was wholly and completely wrong. Invention and expansion had not come to an end. So far from the doors of business opportunity closing, they were about to open more widely than ever before. A graphic and amusing description of this form of depression psychology appears in "A Challenge to Freedom," by Henry M. Wriston, President of Brown University. I quote: "It is a strictly modern form of predestination—going to hell on a statistical curve."

This modern form of predestination is not limited to prolonged depressions. It also applies to prolonged periods of prosperity. We not only can go to hell on a statistical curve, but we can also go to heaven on a statistical curve. All of you remember well our heaven-bound journeyings in the late 1920's. You may even remember a description of the trip made on September 8, 1929, by the distinguished economist, Mr. Irving Fisher, in a published article. I quote:

> "We are living in an age of increasing prosperity and consequent increasing earning power of corporations and individuals."

Professor Fisher continued:

> "This is due in large measure to mass production of inventions such as the world never before has witnessed. . . . Dividend returns on stocks are moving higher. This is not due to receding prices for stocks and will not be hastened by an anticipated crash, the possibility of which I fail to see. Dividend returns are increasing due to rapidly increasing earnings."

However, even when practically all of us are going either to heaven or hell on statistical curves there are always a few who see the truth and issue warnings. For example, in the Annual Report of the International Acceptance Bank as reported in the "Financial Chronicle" of March 9, 1929, Mr. Paul M. Warburg pointed out the current dangers in the situation. He emphasized the Stock Exchange debauch, the huge bulge in value of stocks, the operations of incorporated stock pools called investment trusts, the gigantic enhancement of real estate values, the dangers in the colossal amount of loans on securities, the extravagant use of funds for speculative purposes absorbing so much of the nation's credit supply that it threatened to cripple the country's regular business. I can take the time to quote only the following:

> "That the country's banking system is tossing about today without its helm being under the control of its pilots gives cause for deep concern."

Those of you who remember this warning probably remember likewise the scorn with which it was received. Everything Mr. Warburg said was so clear and convincing that the public reaction of the day seems inconceivable. Mr. Warburg was regarded as an old fogy who had not kept up with the times. He was supposed to be intellectually incapable of understanding the new era. At the same time innumerable contrary arguments, most of them utterly nonsensical, were emphasized and reiterated. Mr. Warburg unfortunately died in 1932, so he did not live to see the day when all the banks in the United States were closed, but he did live long enough to see most of his predictions realized.

If we analyze public psychology regarding our railroads today we find a great similarity to the public psychology that accepted as permanent the closing of the doors of opportunity in 1886, and accepted as permanent the new era of perpetual prosperity in 1929.

One of the best measures of operating efficiency in industry is the output per employee. Increased efficiency depends on better capital tools, more skillfully managed. During the 1930's railroad production per worker showed a pace of improvement far in excess of any previous period; in fact, the increase in the 29 years from 1900 to 1929 was 75%. The increase in the 14 years from 1929 to 1943 was 125%. In less than half the time, the gain was 60% greater. Such a pace of improvement in operating efficiency is one of the most important, if not the most important factor to be considered in forecasting future earnings. Now let us see what weight has been given to this factor in current estimates of future railroad earning power. I have explored as diligently as I could all written material in our recent reorganizations involving such forecasts. To my great surprise, I have not been able to find this unprecedentedly favorable trend mentioned even once. This failure on the part of the public to give proper weight to the gains in operating efficiency is characteristic. Practically all other favorable factors are similarly rejected. I could marshall fact after fact but present-day psychology would reject all the evidence I presented for one flimsy reason or another.

My evidence, to be weighed fairly, must be presented in a more favorable atmosphere than the present. This atmosphere I will try to create by asking you to go with me on an imaginary journey. We will go back to 1929 and I will pose as a prophet who knows with certainty what will be the conditions 10 to 15 years later. Those of you who consent to take this trip with me now find yourselves back in the good old summer of 1929, with the stock market booming and everybody optimistic. I now appear before you as an infallible prophet of the railroad future. I am sure you will be intensely interested. At least you would be if you believed my prophecies could be relied upon, and I convince you that they can. Just how I convince you I do not know but you must assume that I do. This is our discussion as it might have occurred.

Q. Mr. Dick, tell us about railroad earnings in 1943; how will they compare with today?

A. Railroad earnings in 1943 will be the highest in history, over double what they are today in 1929, although high income taxes, due to a war, will take half of what is earned. Even so, after giving the government half of what is earned, the balance remaining will be greater than is earned today in 1929.

Q. Mr. Dick, I am curious about the 1943 rate level that will produce such colossal earnings. Obviously such earnings must necessitate a higher rate level. What will be the average revenue per ton-mile in 1943?

A. The rate level will not be higher in 1943 than in 1929; it will be lower. As a matter of fact it will be 13% lower.

After you have recovered from your surprise you will ask:

Q. Mr. Dick, if your accuracy as a prophet were not guaranteed, I would refuse to believe you because what you say implies that wages will have been radically reduced, and such a development is surprising. Compared with today, 1929, how much lower will the wage scale be in 1943?

A. Wages in 1943 will not be lower than today in 1929; they will be higher. The wage scale will have increased about 40%. This answer creates pandemonium.

Q. How in heaven's name, Mr. Dick, will it be possible for the railroads to reduce rates 13%, increase wages 40%, and earn over double the money?

A. The answer is: increased efficiency. The efficiency of our railroads as shown by the number of employees required to do a given volume of business will increase more in the next 14 years, that is from 1929 to 1943, than it did in the previous 29 years—60% more, to be exact.

This time I hear loud cheers. We certainly were all optimistic in this good old summer of 1929 but I do not think any of us were so optimistic as to believe that the efficiency of railroad operation would increase 60% more in the next 14 years than it did in the previous 30 years, nor do I believe that we could have imagined that our railroads by 1943 would have been able to reduce rates and increase wages as they have done and at the same time double their net earnings.

Q. Mr. Dick, you have been talking about the increases in earnings of the railroads as a whole. Can you tell us about individual railroads?

A. Yes, I shall be delighted. I shall not only tell you what each individual road is earning in 1943 but I shall also remind you of what each road is earning today in 1929. As I have pointed out, volume of business in 1943 is materially above current levels so, in addition to telling you what the earnings will be at these high levels, I will also tell you what they were in an intermediate year when gross earnings approximated what they are today in 1929.

Take the Rock Island for example. This road, by the way, in 1943 will have a revenue per ton-mile approximately 20% lower than 1929; wages as I have pointed out will be materially higher. In 1942, with a gross about 7% below 1929, the Rock Island will have net earnings before Federal income taxes of $41,000,000 as compared with $26,000,000 in 1929. In 1943 the Rock Island will show net earnings of $58,000,000. I am of course omitting income taxes from all these figures; otherwise they would not measure earning power.

The St. Paul likewise will show up very favorably. Gross revenues in 1942 will be approximately the same as 1929 but in 1942 the road will earn $50,000,000 net as compared with $27,000,000 in 1929. In 1943 the St. Paul will earn $65,000,000.

The Atlantic Coast Line likewise will do very well. In 1929 it earned $13,000,000 and in 1943 it will earn $58,000,000. The rate level of the Coast Line will be down 32%.

The Louisville & Nashville also will do well. Today in 1929 it is earning $22,000,000. In 1941 with substantially less gross revenues it will earn $35,000,000, and in 1943 it will earn $82,000,000.

New Orleans, Texas & Mexico likewise will make a very good showing in 1943 although with this road the increase of volume as compared with 1929 will be very great, over double. New Orleans, Texas & Mexico earned $3,000,000 in 1929; it will earn $17,500,000 in 1943. The gross operating revenues in 1929 are $15,000,000. The net earnings in 1943 will be $17,500,000.

I would like to give you many more prophecies on individual roads but my time does not permit.

At this point, I can see in your faces not only joy, but I am sorry to say, avarice as well. Now I find myself mobbbed by questioners.

Q. Now, Mr. Dick, let us get down to some really important matters. I want to know what my stocks are selling at. I bought some New York Central yesterday at $250 a share. If you don't tell me that it will be selling at more than $1,000 a share by 1943 I shall be crushed.

A. Well, I am going to disappoint you. Rail stocks will be selling in 1943 at a bare fraction of what they are today. New York Central will be selling at $17 a share. Even worse, more roads will be in bankruptcy than ever before, and many stocks on which enormous amounts per share are being earned are being wiped out in reorganization on the ground that they are permanently worthless. Earning power of many railroads will be considered to have been permanently impaired.

I will not try to describe the consternation nor the incredulity which will greet this answer. If it were not that my prophecies were guaranteed as accurate I would not be believed.

Q. Now, Mr. Dick, how can this be possible? Oh wait a minute, I think I see the answer. In order to attain this increased efficiency the railroads have spent enormous sums of money and have piled up a colossal burden of debt and fixed charges.

A. No, your guess is incorrect. Interest charges in 1943 will not be higher than in 1929, they will be lower. Debt and fixed charges will be materially lower.

Q. Mr. Dick, we are bewildered. You tell us that in 1943 our railroads will be earning double what they are earning today. I realize that they will be paying half of these earnings to the government in income taxes but even so the balance remaining will be more than they are earning today in 1929. With net revenues at such a level it is impossible to imagine that the collapse should be due to an impairment of working capital. Is this correct?

A. The working capital of our railroads in 1943 will be the highest in their history.

Q. Everything you have told us about the condition of our railroads in 1943 is so much more favorable than it is today in 1929 that it is quite obvious that the collapse in prices will be caused by some outside influence, independent of the railroad industry. I suspect that this unfavorable influence will be political. Could it be possible that in 1943 Bolshevism or some form of radical government is about to take over, and that private property is about to be confiscated?

A. No, you have guessed wrong again. The country will go radical, if you wish to call it that, during the 1930's, but in 1943 it will be showing a decidedly conservative trend.

Q. Will this conservatism apply to the Interstate Commerce Commission?

A. Yes, my medium tells me it will. For example, in 1942 the Commission will authorize an increase in rates with earnings as high as they are today in 1929.

Q. Now you have got me completely confused. The reasons for the collapse in stock prices cannot be due to political or regulatory conditions. Today, in 1929, we cannot get rate increases in parts of the Western District where the need is greatest. And you tell me that in 1942, with earnings well above this level, the railroads will be granted an increase. Regulation in 1943 will be clearly more favorable than it is today.

A. Yes, that will be true.

Q. Well, Mr. Dick, I give up. I am not going to try to guess any more. Tell me what reasons will be given in 1943 to account for the collapse. From the facts you have given us our railroads will obviously be in a far stronger condition than they are today in 1929 and yet at the same time you give us prices of railroad stocks which indicate not strength but catastrophic weakness.

A. In 1943 the public will be extremely pessimistic about the future of our railroads for many reasons. In the first place, we will be in a very severe war, a more serious war than World War One, and everybody will be convinced that after the war traffic will decline and railroad earnings collapse.

Q. But, Mr. Dick, that does not make sense. In the years following World War I, from 1918 up to date in 1929, our railroads had the greatest traffic and best earnings in their history. In fact the volume of traffic was greater in the decade after World War I than it was in the peak war year. Why will the public expect a complete reversal in the years following World War II?

A. I am sorry I cannot give you a logical answer. The convictions of the public will not be based on a logical array of facts but rather on some intuitive process.

Q. Mr. Dick, the conditions of 1943 that you describe seem to us like an unanswerable riddle. Everything about the railroads will be far better than it is today in 1929 and yet everybody will be forecasting complete and utter disaster. Can you give us any sound basis for these fears?

A. I am sorry, but I do not think I can give you any reasons which would appear convincing to you in this year of 1929, except to say that you should realize that during the 1930's the country will experience the most severe depression in its history. General business and railroad traffic will collapse to a degree never before experienced. At the same time, a radical form of government will experiment with many new economic theories. Wages and costs will be forced up during the depths of the depression before the volume of business increases, and at the same time the Government will impose increased taxes and other forms of expense. Likewise the pressure on rates will be very severe, not only on account of the depression, but also by reason of a governmental failure to recognize the need for adequate earnings. As a result, railroad earning power will collapse. Many bankruptcies will take place. By 1943 this situation will have changed, and there will be a strong conservative trend running. However, the public will still be under the influence of depression fears. Whereas in 1929 all of you are optimistic, in 1943 you will all be very much depressed. Whereas today you are ignoring many dangerous signs and many unfavorable factors and emphasizing the favorable ones, in 1943 your outlook will be completely reversed. You will find yourselves, for example, scorning all the favorable evidence that I have given you in regard to earning power and the improved competitive position of our railroads based on increased efficiency. Your pessimism will be so great that you will find yourselves putting through drastic reorganizations of railroads on the basis of a permanent impairment of earning power at the very time when many of these roads are earning more than ever before in their history. You will find stocks earning $20 and even $25 a share wiped out as permanently worthless and you will find one road, the Western Pacific, the stock of which will be considered worthless, due to a lack of earning power, notwithstanding 1943 net earnings seven times larger than the net earnings of 1929. In fact, the net earnings of 1943 will be greater than the gross earnings of 1929. With this parting shot we might as well bring our 1929 conference to a close and return to the present year of 1944. I feel certain, and I think you will agree, that it would be utterly impossible to convince a 1929 audience that our present-day fears of impending railroad disaster are justified. Now that we are back in 1944 let us try calmly to study the facts and reach some conclusion as to the outlook for railroad securities.

In the first place, I think you will all agree that our pessimism is in large part due to the depression atmosphere of the last ten years. I think you will also agree that many of the arguments brought forward to justify the hopelessness of the situation are sheer poppycock. Of course there are many points that we did not have time to cover in our journey back to 1929 and I have not the time for further elaboration now, but I would like to call your attention to just one other argument that illustrates my point. That is the argument that the present rise in railroad freight traffic is accounted for to a large extent by the fact that truck competition has been radically diminished due to the rubber and gas shortage. This is simply not true because the reports of the American Trucking Association show that tonnage carried by truck has not declined but on the contrary has increased very materially. The current volume carried by trucks is approximately 80% above the volume of the three-year period, 1938-1940, and the volume carried in 1943 was substantially greater than in 1942.

However, although many if not most of the arguments purporting to prove the certainty of railroad disaster are nonsensical, there are certain facts which call for considerable concern. The most important of these is the present relationship between the level of rates and the level of wages. The wage scale since 1929 has increased 47% and revenue per ton-mile has declined to 9.3 mills—13% below the 1929 level, and even 11% below the 1932 level of 1.05 cents.

As long as freight and passenger traffic continue at current volumes this relationship is satisfactory. Cost ratios will remain low, close to the lowest in all railroad history, and net earnings will remain at an ample level, but if volume declines all this can change very rapidly.

Railroad expenses are in part variable, that is, they increase or decrease with the volume of traffic, but in part they are fixed and do not fluctuate with fluctuations in traffic. If traffic declines sufficiently, it is obvious that with rates and wages at their present levels, a point will be reached where even present fixed charges would not be covered. In other words, while today's relationship between rates and the wage scale is satisfactory as long as volume holds, a serious maladjustment will arise if and when traffic declines materially. Theoretically, this maladjustment could be corrected by a rate increase but we have all seen, during the 1930's, the difficulties which our railroads encountered in raising rates under depression conditions.

My personal opinion is that after the war it is extremely unlikely that we shall face a depression such as we underwent in the 1930's and for this reason I view with considerable optimism the prospects for post-war traffic. Obviously, however, it is impossible to predict the post-war level of traffic with certainty and it is likewise impossible to predict the relationship between rates and the wage scale that will exist when and if traffic does decline. Of one thing, however, I am certain, and that is that our railroads will emerge from this war in a far stronger position than that which they occupied after World War I. They are in far better physical shape; their efficiency is at a much higher level and they have had over 20 years experience in meeting highway competition. While I, therefore, cannot predict with certainty the financial strength of our railroads in the 10 years following this war, the superiority of their position today in relation to 25 years ago is so great as almost to defy comparison. I mean this literally. I nearly broke down under the strain of preparing a detailed comparison of the condition of our railroads today with their condition after World War I. I felt as if I were trying to compare a Model-T Ford with a 60-ton tank.

To illustrate my difficulties I would like to point out that our railroads today have a payroll of about $3½ billion. If their efficiency were reduced to the standard of 1920 the payroll would increase to approximately $9 or $10 billion, and if earning power were to be maintained it would be necessary to increase freight rates over 80%.

It is utterly impossible to imagine our railroads today in as shocking condition as they were after World War I. It is clear, therefore, that however difficult may be the conditions which the railroads are going to face after this war, they are immeasurably better equipped to meet these difficulties than they were after World War I.

Bill Proposes Reserve Banks Guarantee Loans To Business For Financing Reconversion

Under legislation introduced in the House and Senate on May 15 the Federal Reserve banks would be authorized to guarantee upward of $500,000,000 in loans by private financial institutions to business for reconversion to civilian production.

Separate bills were proposed by Senator Robert F. Wagner, Democrat of New York, Chairman of the Senate Banking Committee, and Representative Brent Spence, Chairman of the House Banking Committee, said the Associated Press, which reported them as saying that the Government guaranty would stimulate private lending to business turning to peace-time operations. From the same advices (Associated Press) from Washington, as given in the New York "Herald Tribune," we also quote:

"Senator Wagner declared that numerous enterprises would be unable to resume peace-time operations without assistance, especially where firms have invested heavily in war-plant facilities and equipment.

"Besides the reconversion feature, Representative Spence explained that contractors desiring to acquire Government-owned plants or equipment after the war could obtain credit under the proposal.

"'Such guaranties would be available for any types of loans made by financing institutions to business and industry,' Mr. Spence said in a statement. 'Such loans could be made on a short-term or long-term basis and provide either working capital or facilities.'

"Present law limits Federal Reserve System loans to those providing working capital for established business with maturities limited to five years.

"The two Chairmen said a Treasury fund of $129,000,000 already established by Congress would be transferred under the legislation to the Federal Reserve System to be utilized to pay any losses on loans the System may guarantee.

"They estimated the funds would permit 'guaranties of loans in an aggregate amount outstanding at one time of at least one-half billion dollars.'"

Stany Bowlers Hold Dinner Tonight

The Bowling League of the Security Traders Association of New York finished their season on May 4 and are having a closing dinner tonight (May 18) at Angelo's on Pearl Street.

In spite of present conditions a good turn-out was enjoyed during the entire season. The title was won by Duke Hunter's "Stinkies" with 74 games won and 30 games lost. The winning team was comprised of Harry Casper, John J. O'Kane Jr. & Co.; Wilber Krisam, Huff, Geyer & Hecht, Inc.; George Leone, Frank C. Masterson & Co., and Duke Hunter, Hunter & Co.

Second place was taken by John J. O'Kane's "Yankees."

Arthur Burian, Strauss Bros., with an average of 171.03, just nosed out John Ohlandt, J. Arthur Warner & Co., who finished with an average of 170.83.

High individual games for the year were: Charles King, Charles King & Co., 256; John J. O'Kane Jr., John J. O'Kane Jr. & Co., 244, and Leroy Klein, Lebenthal & Co., 240.

Chairman of the Bowling Committee was Arthur Burian.

The Business Man's Bookshelf

Competitive Bidding for Corporate Securities—Donald J. Emblen—The Plain Dealer Press—Canton, N. Y.—paper.

Economic Research and the Needs of the Times—Wesley C. Mitchell—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper.

Full Employment, Its Politics and Economics—Chamber of Commerce of United States, Washington, D. C.—paper—5c.

"Hard Money"—Francis H. Brownell, Chairman of Board of Directors, American Smelting & Refining Company, 120 Broadway, New York 5, N. Y.—paper.

Inflation and Investment Policy—A. M. Clifford—A. M. Clifford and Associates, 639 South Spring Street, Los Angeles, Calif.—paper.

New York Laws Affecting Business Corporations, Annotated and Revised to April 18, 1944—(25th Edition)—United States Corporation Company, 150 Broadway, New York 7, N. Y.—paper—$2.00.

Tea Under International Regulation—V. D. Wickizer—The Food Research Institute, Stanford University, California—cloth—$2.50.

Wolf! Wolf! Are We Hoaxed Again?—A. M. Clifford—A. M. Clifford and Associates, 639 South Spring Street, Los Angeles, Calif. —paper.

A. D. Mayfield Joins C. W. McNear & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Arthur D. Mayfield has become associated with C. W. McNear & Co., 105 West Adams Street. Mr. Mayfield was formerly Vice-President of Providence Securities Corporation and prior thereto was with Otis & Co. and Stifel, Nicolaus & Co., Inc.

Leverage On Bank Earns.

Huff, Geyer & Hecht, 67 Wall Street, New York City, have prepared an interesting discussion of the leverage on bank earnings. Copies of this may be obtained from the firm upon request. Also available on request is the April issue of the Insurance and Bank Stock Evaluator, a comparative analysis of 82 insurance companies and 38 banks, which contains a memorandum on the outlook for bank stocks.

Savings Banks In Peacetime

(Continued from first page)

ment the responsibility of investing these funds in securities that can be marketed, if need be, or repaid at maturity without sacrifice of the principal sum. The second desire of depositors is that the dollars paid back to them shall have at least as high a purchasing power as when the deposits were made. They have a claim for the number of dollars deposited. They hope that the value of these dollars will not diminish. Bank management accordingly is profoundly concerned over any possibility of an advance in prices with all that such an advance implies. If there is inflation depositors will receive less purchasing power than they originally accumulated. Also any considerable rise in the price level or in interest rates may depress the market price of fixed income securities and correspondingly reduce the market value of savings bank assets. Each of you can estimate for your own bank how much the market value of its assets would be reduced if there should be a decline of United States government bonds comparable to that following the First World War.

It is highly important for us to keep in mind several basic considerations. One is that in a very real sense the burden of this war is not being shifted to the future. Weapons, ammunition, uniforms and the countless other items needed in warfare must be supplied now and are being supplied now. Our total national income has been enlarged and much of it appears in a form usable primarily in the conflict. The war cost is being met to only a very slight extent out of past production and, of course, can not be met out of future production. To a moderate extent future efforts will be needed to make up for neglected depreciation and renewal of inventories, but these are relatively small items.

Second to be remembered is that when individuals, e.g. depositors in banks, have saved they have merely accumulated claims on the future national income. Any growth in savings bank deposits is merely a growth in the number of claimants and in the aggregate of their claims on that future national income stream. In the years following the war we shall as now be living on current production. What we desire is that the national income of the future be as large as possible and that it be divided among the people of our country in a manner that seems to be fair and workable.

This leads to a third observation or rather to a query. Deposits in savings banks have increased and this growth is very properly acclaimed as an evidence that "the American people are restricting their spending and applying their will to save for personal and national requirements." But this leads us to ask what we mean by saving and whether in a broad sense real saving has occurred. If we can think for a moment of our entire national economy we may say that saving occurs when people refrain from buying consumer's goods and turn over their purchasing power to savings banks, insurance companies and other institutions or directly purchase securities. The funds thus "saved" by them are used by borrowers who make additions to capital equipment. With enlarged productive capacity there is a greater output, a larger national income. Each borrower is able to service his debt, paying interest (or dividends) to savers and repaying principal of the debt at maturity.

But are current savings being so invested directly or indirectly in ways that will give us an enlarged national income in the years ahead? The answer is by no means a clear affirmative. A glance at the assets of our financial institutions shows that there has been a rapid growth both absolutely and relatively in holdings of federal government securities. For example, the mutual savings banks of this country reported assets as of Dec., 1943, as $13,042,831,068 of which $6,100,000,000 or nearly 43% were United States Government securities. The Federal Deposit Insurance Corporation reports that at the end of 1943, United States Government securities owned by insured banks amounted to $58,694,000,000 or 52% of total assets. On April 26, 1944, our twelve Federal Reserve Banks owned $12,997,000,000 of United States Government securities including guaranteed securities which were 37% of their assets on that date. In addition they held $18,972,000,000 or nearly 55% of their assets in gold certificates issued against stocks of gold owned by the Government. At the end of 1943 it is said that 49 of our largest life insurance companies owned $11,500,000,000 of Government securities which were 33.4% of their assets. By the end of the next bond drive these amounts and percentages will be still larger.

To the policy of investing in federal bonds we can give our unqualified approval. Yet we would be shortsighted if we fail to realize that these same securities represent only in a small degree any addition to national productive capacity. The borrowed funds have been used to some extent to build new plants many of which, with or without conversion, can be used for peace time production, but the larger part have been spent in ways which give no material basis for a large national income in the years ahead.

This means that the managers of our savings banks are not holding assets which in an almost automatic manner will furnish income for depositors. The value of many of these assets is dependent upon the ability of the Federal Government to service a debt which may rise to a total of, say $300,000,000,000 or more. On June 30, 1943, the computed average rate of interest on the Federal debt was 1.979%. If we assume for postwar years an average interest rate of, say, 3% and amortization at as low a rate as 2%, debt servicing will call at the outset for Federal taxes of $15,000,000,000 per year plus whatever may be needed for the ordinary operating costs of the government, perhaps a total of $25,000,000,000. If any of you think the assumptions as to debt total or rates of servicing are wrong, the figures given may be raised or lowered to suit. The principle is the same.

Put more bluntly the amount of real national savings is far less than the total of individual savings. Liabilities of banks, of insurance companies and of other debtors have grown more rapidly than have additions to the productive capacity of the country. If these liabilities are to be honored there must be in the future a large national income from which the amounts called for can be met through taxation. Moreover if depositors are to receive upon repayment the amounts they have really saved the price level must be kept from rising.

If this be true the members of this Association are faced with some difficult decisions. Presumably they will be insistent that public expenditures should be kept down, both now and later, in every reasonable way. Wasteful and reckless public spending should be opposed. But the border line between wise and unwise public expenditures is not a distinct one and there will be many heated disputes. Moreover the field within which economies can be effected without a default on contractual obligations is very small compared with the total.

Beyond this, there is every reason to demand heavy taxation and for two reasons. One is the direct need for Federal revenues adequate to service the debt in which so large a part of bank assets has been invested. The other reason is that a failure to impose heavy taxes increases the dangers of inflation. During the war and perhaps to a less degree after the war ends, the government must and will secure funds. If inadequate amounts are secured through taxation and bond purchases from real savings the balance will be raised through devices that mean open or concealed inflation. But heavier taxes will probably fall in part on the depositors in savings banks, presumably not through a direct tax on deposits, but in other ways. Certainly taxes will be levied on corporations and on income from property of all sorts including income from bonds and mortgages.

Another difficult decision will be that of determining what are the proper activities of government. It is still common to speak of any extension of government controls as interference, but we have traveled a long way from the time of Adam Smith and laissez-faire. Government activities have grown both intensively and extensively with all this growth implies both for good and for ill. It is now generally recognized that a recurrence of unemployment and of business failures will mean government assistance comparable to that of some ten years ago. Business men are acutely aware of this possibility. Independently and in groups such as the Committee for Economic Development they are planning for a sane approach to peace time conditions but with less unreasoning hostility to government and with a readiness to concede that both governmental and private activity will be needed. The managers of savings banks should pass on the many issues that will arise with a realization that one of the basic tests is whether a given policy will maintain a large national income and large federal revenues without any appreciable rise in the level of prices.

This leads to important conclusions regarding domestic affairs and foreign affairs. At home there are two matters of vital concern to this group. One is that the national income be raised to and maintained at the highest possible level. There are many reasons, but only one of them will be emphasized. We have suggested that annual Federal Government expenditures may be $25,000,000,000. This calls for collecting each year through higher taxes a greater percentage of individual and corporate incomes than in the past. What is thus collected, is, of course, not destroyed but is promptly disbursed in meeting government obligations but it is by no means easy to devise and administer tax legislation that will seem fair and that will not hamper productivity and hence lower the national income. If the national income is $150,000,000,000 the suggested taxes must collect 16⅔% of that income, but if the national income falls to the $42,000,000,000 of 1933 collections of $25,000,000,000 would be 60%.

A certain measure of temporary relief would be found if prices should rise. Thus a national income of the same physical volume as that of 1933 might be valued at $150,000,000,000. For the Federal Government to collect $25,000,000,000 from this $150,000,000,000 would be easier than to collect the same amount if the national income were valued at $42,000,000,000 as it was in 1933. But the rise of prices would presumably lower the market value of the fixed income assets of our banks and more important would mean that depositors who are merely entitled to a fixed number of dollars would suffer a tremendous shrinkage in the purchasing power of their savings. Moreover such a rise in prices would almost certainly be followed by a later collapse with the appalling losses of a period of deflation. Bankers have in the long run nothing to gain and much to lose by inflation. They have much to gain if the price level can be kept down.

Accordingly bankers as citizens and also in their own interests, ought to cooperate to the limit in price control. While retaining the right to criticize the actions of Congress and of all other government bodies they owe it to themselves and to the country to support every proper effort to prevent a price rise. Our officials will make mistakes and should be criticized for them, but on the whole the Office of Price Administration, the National War Labor Board and other bodies and individuals are making a herculean effort to "hold the line." The chief danger now is that their position will be weakened not by any disagreement on principles, but by sniping tactics and by legislation that will unduly hamper prompt and effective price control. We owe it to ourselves to refrain from advocating relief for special groups which, if granted, will make it harder for our public officials in other directions. An illustration is the current demand for a raising of rent ceilings. Prices have thus far been held in a remarkable manner. There has been an advance, but for months the wholesale price and the cost of living indexes have remained almost unchanged. Even after due allowance for the imperfections of these index numbers, the results are striking.

Even if the national income is kept as nearly as possible at the present $150,000,000,000 and without a rise in prices, taxes must be higher than ever before. Again we may repeat that waste and inefficiency in government should not be tolerated. But having said this, we must and should have higher taxes. Our administration called this year for additional taxes amounting to $16,000,000,000, later reducing this to $10,500,000,000. Congress responded with increases amounting to an estimated $2,375,000,000 and some business leaders argued against any increase. This means more bond sales and many of the bonds must and will be taken by institutions. Many such purchases will be made from real savings, but unfortunately many will be financed in ways that will make it harder to hold inflation in check. This statement holds not only for the war years, but for at least several years following the war. A public debt may not be a public blessing, but we shall have the large debt. Heavy taxes are the best and the only preventive against financial difficulties or even disaster.

What has been said thus far has to do primarily with domestic affairs. But this is "one world" both in war and in peace. What of conditions elsewhere, for example in Europe? We have observed that this war is being fought by enlarging our national income and by diverting much of this greater income flow to war. A considerable part of it is being shipped abroad and even after the war ends this will continue for some time. For humanitarian and for business reasons, as well as because of political involvements, our economic life is closely identified with economic life elsewhere.

Two misapprehensions should be removed. The first is the belief that it will take many years to rebuild what has been destroyed during the war. Permit a quotation from John Stuart Mill writing a hundred years ago:

> "An enemy lays waste a country by fire and sword, and destroys or carries away nearly all the moveable wealth existing in it: all the inhabitants are ruined, and yet, in a few years after, everything is much as it was before. . . . There is nothing at all wonderful in the matter. What the enemy have destroyed would have been destroyed in a little time by the inhabitants themselves: the wealth which they so rapidly reproduce, would have needed to be reproduced and would have been reproduced in any case, and probably in as short a time."

If this statement seems antiquated remember what happened after World War I. Only a few years after that war ended the signs of destruction had largely disappeared. Railway equipment was soon in good condition, factories had been rebuilt and were equipped with tools and machinery. Or if even the experiences of twenty-five years ago are not convincing, notice more recent occurrences. After the first two years of war it was estimated that the property loss in Great Britain had been only $480,000,000 or but 2% of the estimated real estate values of $24,000,000,000. Even in Greater London a prominent insurance company had suffered a loss of only 3½% on its real estate holdings. Look at the pictures of a restored Coventry only a short time after it was bombed. Read of the rapid reconstruction work done by our engineers in Naples and elsewhere. Notice how frequently it is necessary to rebomb German cities whose economic life was said to have been destroyed by earlier bombings.

A second misapprehension was prevalent after World War I and may reappear. There was a need in Central and Western Europe for working capital but bankers drew no careful distinctions. In many cases the loans were made for long terms rather than on a short-term basis. Often little or no attention was given to the aggregate amount of the loans, to the rates at which exchanges were adjusted, e.g. the raising of the lira from four cents to 5.26 cents, or to the political trends which were bound to complicate the servicing of debts. Central and Western Europe are not areas that need supplies of long-term capital for fixed investments. Short-term loans to supply working capital may be made with the safeguards proper for such loans, but that area is itself a source of capital supply for long-term investment. If political and economic conditions there warrant loans of any kind it will be enough to furnish appropriate amounts on short term. Long-term investments cautiously made and with suitable safeguards may properly be made in other parts of the world.

The tragedy of destruction is horrible and some of the losses can never be fully repaired. But, given an opportunity, rebuilding can be cared for in a few years. The dislocations caused by the war are another matter. Markets are lost and can be regained only with long effort. Trade which had formerly moved in well-established channels has been diverted and must in the future take still different directions. Debtors have become creditors and creditors have become debtors. Prices have risen rapidly in many countries, currency systems have become chaotic, foreign exchanges are temporarily pegged at levels that can not be permanent. It is dislocations such as these that will be hard to correct.

Time permits reference to only a few. Notice first the public or political debts of the First World War. The old reparation claims against Germany will presumably never be revived. But the debts due to the United States Government from 18 countries are still on the books. These obligations of foreign governments, including principal and accumulated unpaid interest, amounted on Nov. 15, 1922, to $11,657,000,000, but 21 years later, on Nov. 15, 1943, the similar total was $14,261,000,000, an increase of more than $2,600,000,000. After all due allowance for any unwillingness of debtors to pay there were not and will not be enough dollars available in the foreign exchange markets to settle obligations of such size. In the years ahead and after deductions for reverse lend lease credits, this huge total will be enlarged. Given the kind of economic world in which we live payments will not be possible. The economic and financial facts are clear. It is the particular task of statesmen, not of bankers and economists, to write off these claims. Such payments are all the more impossible because there will be a heavy demand for dollar exchange for other purposes, e.g. to finance our exports.

From what sources can the supply come? There are several. One is through new loans. Private investors will probably be hesitant and it seems certain that loans of considerable size will be made by government agencies. There will be urgent calls to support the efforts of the United Nations Relief and Rehabilitation Administration. If the proposed International Monetary Fund becomes a reality our government will subscribe from $2,500,000,000 to $2,750,000,000 in gold and in United States currency. In addition there will be amounts not yet determined for investment funds through the suggested Bank for Reconstruction and Development of the United and Associated Nations, for the Interim Food Commission and perhaps for an International Trade Authority.

In some ways it makes no difference whether these loans and subscriptions are made through public agencies or through private channels. If the contributions are made as gifts the immediate outlay is the same. If they are loans then there will be additions to the foreign demand for dollars to service the loans. The loans themselves will at the outset furnish dollar exchange, but the additional later burden of servicing the loans will be thrown on the foreign exchanges where the demand for dollars has for years been so heavy.

Ultimately there must be an adequate supply of dollar exchange unless defaults are to occur and the only other source is from an increase of imports into the United States. In the light of what occurred from 1919 to 1939 it is clear that such an increase can not easily be made. If exports are to be maintained the demand for dollars for other purposes must be reduced. The old war debts and the balance from lend lease operations must be wiped out. Any other arrangement is simply unworkable.

From what has been said above, two facts stand out. One is that the savings banks along with the other financial institutions of the United States have become heavy investors in government securities. On behalf of their depositors they are concerned over the maintenance of the market value of those securities and of the value of the dollar. They owe it to these depositors to do everything in their power to help government agencies "hold the line." If prices rise depositors will lose much that they have already saved. Moreover a rise in prices will compel the government to borrow still more, thus involving us in a vicious circle.

This brings us to a reminder of the basic reasons for our large government debt. Most of that debt in 1930 was a heritage of the First World War. Even before the First World War perhaps 60 to 80% of Federal expenditures were for servicing obligations arising out of past wars and for maintaining military establishments as a safeguard in case of future conflicts. Even the additions to the debt during the 30's are to be explained in considerable part by the breakdown of a world economy which in turn is closely related to past wars and to the fear of a war to come. Already in the United States we are planning a program of preparedness for the years ahead. It remains to be seen whether the annual federal budget of $25,000,000,000 suggested above is a serious understatement. Unless and until we can reduce the dangers of future wars and increase the possibility of permanent peace federal expenditures will grow. It is easy to deride the many blue prints of a future world order. But their appearance is a comforting evidence of the seriousness with which the tragedy of this war has impressed thousands and we may hope millions of people.

There is no group in our country who should give more thought to the means of maintaining world peace than the one to whom this paper is addressed. For good or for ill our savings banks through their investments have become dependent on the successful servicing of the federal debt and without inflation. Before this war is over and its debris has been cleared away this dependence will have greatly increased. Already in public and private there are speculations about World War Three. If it should come, the chances of a collapse of government credit are great and a collapse of government credit would be a tragedy that cannot be exaggerated. For our savings banks it would be ruinous.

Jobs—Our No. 1 Post-War Problem

(Continued from page 2028)

Only the peak production of war demands has provided a job for everyone in the United States willing and able to work. That is the reason, and the only reason, why today America's 62,700,000 men and women in the armed forces and the labor forces—America's employables—are today employed. It is not because government, or industry, or capital, or labor, or democracy, or any other device of man, save war, has solved our pre-war mass unemployment problem. War, and war only, is why we have no mass unemployment problem today, as we so acutely had before Pearl Harbor.

By preparing for war, Hitler solved his unemployment problem, while the great, rich, resourceful giant of the Western Hemisphere, the United States, was having the greatest depression of its history.

Deducing the number of employes who will continue to hold their present jobs after the war, the number who will actually be seeking new or old peace-time jobs after the war, will be say 56 million, or 10 million more employables than in 1940. During the war, with production speeded up, labor produced 50% more in goods and services than the nation produced in 1940. And yearly population increase means yearly increase of employables.

The war will stop with the Government:

a. the principal banker;

b. controller of credit — and don't worry about over-night depreciation of our Government Bonds;

c. owner of about 2,500 plants and factories, costing about 16 billion dollars; about one-quarter of all such property in America, all newly equipped, and acquired and constructed to speed up war production;

d. the purchaser of about three-quarters of the total national output;

e. controller of 92% of the magnesium capacity; more than 50% of the aluminum capacity; more than one-third of the peace-time rubber consumption;

f. the largest publishing house in the United States;

g. a controlling position in steel and oil;

h. owner of 90% of aviation capacity; and

i. more than 50% of the important machine tools;

j. and the employer, directly or indirectly, through its controls, of the overwhelming majority of workers;

k. the owner of surplus supplies of shoes, clothing, foods and many articles of merchandise usually handled by private enterprise, to the value of 60 million dollars; and, finally, the Government

l. will have the last word about outstanding war contracts totalling some 75 billion dollars.

I will not vouch for all these figures; I have heard public speakers use them or have seen them in print. They are so amazing that a million or a billion one way or the other will make little difference in the final outcome; all of which the mind of the ordinary man cannot comprehend.

How are we going to unscramble this state of affairs?

How can conditions be reversed by Government swapping places with industry?

How can private enterprise function?

How long will it take for Government to get out of business?

How long will it be before the ideal of free enterprise shall be attained, that industry shall be carried on by private enterprise and that Government's part shall be only that of referee, and not as competitor?

Other questions asked in an advertisement of one of the newest books, "Mobilizing for Abundance," by Robert R. Nathan, former Chairman of the Planning Committee of the War Production Board are:

a. How can we reconvert from a war-time to a peace-time economy without severe social and economic dislocation?

b. How can we guarantee full employment?

c. How can we achieve an export balance that will safeguard both our national interest and international good-will?

d. How can we eliminate cyclic depression?

e. How can we stimulate sound investment?

f. How shall we apportion the economic responsibility and power of the Federal Government?

g. IN BRIEF: How can we insure continued prosperity and the opportunity for every American to participate in the fruits of that prosperity?

Production provides jobs, whether it is war-time or peace-time production, but war-time production will be precipitately reduced with the Armistice, and there must be a rapid change from war-time production for destruction, to peace-time production for consumption, "jobs producing goods and services for all," in order to avoid mass unemployment. Government "manufactured" jobs, the boondoggling kind, are economically unsound, and are not even good temporary makeshifts.

The real key to jobs, therefore, is greatly expanded production for consumption.

There has been much said about the part taxes will play with jobs in the post-war period. The experts contend that if we are to provide jobs for everyone, there must be government liberality in taxes, especially toward small business.

Emil Schram, President of the New York Stock Exchange, stresses the need for a tax program that will encourage risk capital, without which we shall never have full-time peace employment. Mr Schram rightly contends that business, large and small, must know **now** what the tax formula is to be after the war, so that arrangements may **now** be made accordingly. It has been estimated that 20 billion dollars must be expended annually on new enterprise to provide employment for everyone.

Eric Johnston, President of the United States Chamber of Commerce, after citing that "the tax expert and the job-making expert agree that enough revenue must be raised to pay for government's necessary activities and to service its debts," contends that "the tax system is to blame that existing businesses are in danger of succumbing to the first spell of bad economic health," and that "our present tax policies are a nearly perfect birth control device in the business domain."

Obviously business, especially small business, must be subsidized by the Government, as some Government's subsidize their shipping and other interests, if business, especially small business, is to survive and thus provide employment.

George B. Roberts, Vice-President of The National City Bank of New York, said there can be no lasting, self-sustained recovery after the war without recognition in our tax system of the simple truth that it must be worthwhile striving to make money, to save it, and to invest it in hopes of a profit.

Assuredly taxes of one kind or other must produce enough revenue for government operation, yet the tax-expert and the job-making expert must evolve some plan whereby Government may operate within its income and at the same time not dry up the life-stream of business, big business, little business.

It will thus be seen that Mr. Schram, Mr. Johnston and Mr. Roberts speak with authority—and warning—on taxes.

America will be far better prepared at the end of World War II than at the end of World War I to cope with the economic demands.

Money rates will be low, and will remain low for some time; abundant credit will be available; millions of people will own War Bonds; and by the end of 1944 the American people's total three years' war savings may exceed 100 billion dollars; and the people will be just rarin' to spend their savings for deferred demands.

Furthermore, notwithstanding some criticisms of dire failure, and reduction of our standards of living, it would seem that the international stabilization fund of 8 billion dollars will become "a practical plan for meeting post-war monetary problems." I am not money expert enough to discuss intelligently this subject, but I do believe that some kind of stabilization of money must be internationally established after the war.

It is indeed gratifying to know that as uncertain as the economic horizon may appear as to full employment, industry and Government are tirelessly planning to take care of the jobs situation, and fully realize that jobs is the country's No. 1 post-war problem. The U. S. Employment Service offices will accomplish much for the war veterans. The Government may lend money to the veterans to buy homes, or farms or a business.

Close to 30,000 businessmen in 1,564 communities are now voluntarily working toward providing jobs for men and women who are now fighting or working to win the war. Great corporations are prepared to spend billions of dollars for plant reconstruction, reconversion and improvement, all of which will be translated into jobs. About two-thirds of all American cities of 10,000 or more population are planning projects and programs involving the expenditure of $4\frac{1}{2}$ billion dollars after the war, all of which will likewise be translated into jobs. Hundreds of thousands of soldiers and sailors will be retained for months in the service for police duty abroad. Thousands of ex-servicemen will go to school at the Government's expense. All of this will lessen the pressure for jobs. Deferred orders for nearly 18 million automobiles and appliances, for refrigerators, washing machines, and office equipment, for millions of new homes, for clothing and shoes, all kinds of goods and merchandise, will create the greatest economic vacuum the world has ever known; and, as it has been well said, "it is an immutable law of nature that a vacuum must be filled." Indeed, the only interference with full employment immediately after Armistice will be the time it actually takes to get the machines and factories reconverted to peace-time production, for we shall have the "greatest plant capacity in our history," the greatest "sources of raw materials and synthetic products," and "the greatest number of skilled mechanics and technicians ever available to any nation."

Ruthie, one of the Quiz Kids, said over the radio on Sunday evening, March 11, "I think that one way to help the employment condition after the war would be to send the soldiers home as gradually as the wartime machine is converted into the peace-time machine, so that as fast as there is employment, there will be someone to do it."

When machine and factory reconversion is accomplished, I believe we shall have the greatest period of prosperity this country has ever experienced. Then will be the time to make money as never before. During that period there will assuredly be a job of production for everyone willing and able to work.

How long will this prosperity period last? you ask. Ah, there's the rub! Mr. Nathan says in his book, "Mobilizing for Abundance," —"We must prove to ourselves and to the world that the democratic system we are fighting to defend is worth defending . . . that an economy based on free, competitive enterprise can make good on the claims we have made for it."

And we must assuredly prove to ourselves and to the world that having provided full employment by production for destruction, we can also provide full-time employment by production for consumption.

Can we solve our No. 1 Post-War Problem?

We shall get nowhere by saying **we have never done it before**, painfully true as it may be.

We can do it if we have the **will** to do it.

We **must** do it.

Is it the Government's responsibility?

Is it private industry's responsibility?

I think it is the responsibility of **both** the Government and private industry.

And I think our No. 1 Post-War Problem can be solved if there is "a concerted post-war effort to achieve full employment," if Government and private industry will co-operate to this end, will work harmoniously for the common good; and, if necessary, that all the nations of the world will unselfishly and mutually unite in this cause.

In War Fund's Banking And Investment Division

Elmer G. Tewes, Assistant Trust Officer of the Guaranty Trust Company of New York, has been appointed an assistant to the director of the Banking and Investment Division of the War Finance Committee for New York, William R. White, director of the division, announced on May 17. Mr. Tewes has been active on the Guaranty team of the Division in former War Bond drives. Mr. White also named Gardner Osborn, executive director of the Federal Hall Museum, as director of War Bond rallies at the Sub-Treasury Building, Wall and Nassau Streets.

Security Industry Survey

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading Exchanges, have prepared their annual edition of "Security and Industry Survey," an analytical guide for investors. Copies of this attractive and informative brochure may be had upon request from Merrill Lynch, Pierce, Fenner & Beane.

Electric Power In Days To Come

(Continued from page 2026)

your depositors and for the public as a whole.

A glance at the past may offer some background in determining the outlook for the electric power industry in the postwar period. Ever since the outbreak of World War I in 1914 the electric utility companies have sensed the heavy responsibility resting on their shoulders to help win any war in which this country was a belligerent. Today they produce the great bulk of the power which turns the wheels of industry, welds the metal plates and parts, lights up the tasks of millions of war workers, dries the paints and lacquers, aids in the production and processing of food, and performs a thousand other jobs to give Uncle Sam the equivalent of hundreds of millions of obedient and faithful servants working twenty-four hours a day.

As far back as 1922 the utility companies, collaborating with the Army Engineers, instituted regular annual surveys of the important elements of their power supply facilities, capacity of generating stations, switching stations, transmission lines and interconnections, and through all that period they kept touch with the mobilization plans as worked out by the Joint Army and Navy Munitions Board. In the fall of 1938 when European developments became ominous, they started in earnest to prepare for the job that loomed up ahead of them. They began to add more generating capacity, and here and there to bolster up transmission facilities.

At the end of 1939 installed generating capacity in the industrial areas of the nation, where the munitions of war would be produced, exceeded the sum of the non-coincident peak demands on our power stations by 40%. Effectively this margin was even greater due to the network of interconnection between power plants and power systems, the diversity of whose requirements made the combined instantaneous peak demand substantially less than the sum of the non-coincident peak demands. The utility industry had trebled the amount of generating capacity since World War I. This margin of spare capacity with the subsequent addition of 15% more generating capacity and the longer hour use of facilities due to going to two or three shifts in war plants has enabled the utility companies to increase their output over 70% since the war began. Assuming no fuel shortage, they expect to be able to continue to supply all the power our country will need so long as the war lasts.

We are frequently asked how our power supply compares with that of the Axis controlled territories. This year the United States will produce about 285 billion kilowatt hours of electricity, which will not be far short of equaling the power production of all the rest of the world combined. And the private utility industry's portion of this job is being done with a quarter less employees than our companies were using three years ago. Out of some 250,000 employees in 1941, the electric utility companies have released 90,000 to the armed forces and to war plants. Only 30,000 of those lost have been replaced with persons unqualified for military service.

With due modesty, we in the electric utility industry are proud that we were able and ready to perform our functions in the supply of electric energy to increase rapidly the production of war materials when the "sneak punch" came on December 7, 1941. Over the years, thoroughly sound engineering, accurate statistics and good business judgment prepared our companies for just such contingencies. We are continuing this type of long-range planning as it is inherent in our business.

But you are primarily interested today in what will happen tomorrow—after V-Day. What does long range planning disclose for our electric utility companies? How soon will additional generating, transmission and distribution facilities be needed? What is the outlook for further capital expenditures?

These are not easy questions to answer. However, there are some rough yardsticks which we can use which will enable you to visualize what we in the industry must plan for.

At the present time about 40% of the kilowatthour output of the electric utility companies is going into war industries and establishments and 23% of the total revenue of these companies is coming from that source. Presumably the demand for power for war industry will largely disappear as soon as the fighting is over. Thus it would seem that the industry would some day find itself with a large amount of excess capacity on its hands. Contrary to what looks like a reasonable expectation, this is not probable.

In the three years before war broke out in Europe our power companies sold an average of 2,810 kilowatt-hours for every kilowatt of installed generating capacity. In 1943, 4,220 kilowatt-hours were sold per kilowatt of generating capacity, an improvement of 50%, which as you see, alone accounts for most of the increased output of electricity. When we return to peacetime conditions we may expect the one-shift operation to return in most of the manufacturing plants and a return to a sale of, say, 3,000 kilowatt-hours per kilowatt of generating capacity. If this takes place, there will be a reduction in kilowatt-hours of approximately 30% before there would be any excess of generating capacity, according to our peacetime standards of operation. Since practically this entire decrease will come in industrial use, a reduction of approximately 50% will take place in this classification, to an amount approximately equal to the industrial energy sold in 1939. The revenues of the power companies would be affected to a much less degree due to the low incremental prices of industrial energy earned through present long-hour use. From this, it is apparent that these companies as a whole do not have reason to expect a large amount of excess capacity after the war. There undoubtedly will be some locations where such is the situation but not so generally.

To give another indication supporting this view, the industry in the decade ending 1947 will have increased its generaitng capacity about 25%. Such an increase spread over this period is less than what we in the industry have considered to be our normal rate of expansion. In fact, it now appears that by 1947 installed capacity of the utility companies will be about 3,000,000 kilowatts below the normal long-term growth curve as of that year. Our residential sales of electricity have been continuing to make a healthy growth up to this moment, showing a 7½% increase above residential sales last year. Retail commercial sale of electricity in spite of the closing of stores, the shutting down of signs and other conservation measures, stand at the present time 6% above what they were a year ago. In a recent article appearing in the Edison Electric Institute Bulletin, entitled "The Other Side of the Mountain," Mr. William M. Carpenter, economist of that organization, predicted that following the war industrial power would drop back in a year or so to its prewar level, but that the retail use of electricity would continue its long-time upward trend, and he anticipated that within three or four years after the war was over, industrial power would start on another period of real expansion.

It should also be kept in mind that during this war period little replacement has been made of obsolete and inefficient generating equipment. It is to be assumed that under healthy conditions much of this equipment will be replaced for base load operation, leaving the older and less efficient units for peak load and emergency purposes.

Outlook for Postwar Expansion

Before the war the business of electric utility companies was expanding at a comparatively rapid pace; residential and commercial uses of electricity especially so. The war instead of darkening the outlook has brightened it considerably. Many new discoveries in materials and manufacturing methods have cropped up as a result of war research. It will take years for the manufacturing industry to digest and utilize the more important of such discoveries and translate them into new products for sale at lower prices. These new developments make use of electricity to a greater and greater extent.

Home Electrification

Estimates based on surveys and other indications point to a substantial amount of home building after the war. Several large concerns are planning prefabricated houses on a broad scale. This is stimulating the usual builders to develop plans to meet the threatened competition. All builiding plans contemplate a high level of electrification to make the new homes attractive to the American family.

Companies long engaged in the business of manufacturing electrical appliances and those engaged in other lines of manufacture, seeking to utilize their new or enlarged factories after the war and to find employment for their war-swollen number of employees, are planning to manufacture and sell electrical appliances on a scale never before witnessed in this country. In addition to the well known appliances already in use to a considerable extent in American households, there are plans to produce at prices within reach of a large market, television sets, devices to clean, dry and cool air, and to assure better circulation and recirculation of air in the interest of heat economy, to produce deep-freeze units for food storage, and still further improvements in house lighting. A survey of large power companies shows that their promotion plans contemplate an increase in the residential use of electricity of more than 50% in the next five years. Some companies are laying plans for and hope to double the residential use in the first five years after the war.

Commercial Establishments

The utilities' expectations for increasing the use of electricity in stores, restaurants, hotels and other commercial enterprises are even greater than their expectations for increase in the residential field, and their selling efforts will be aimed in this direction. Improved lighting and air conditioning will continue to play an increasingly important part in rebuilding sales for our merchants and business men.

Farm Electrification

At the present time 2,600,000 of the 6,000,000 farms in America are served with electricity. It is expected that in the first three years after the war another million and a half farms will be reached with electric service. In this same period about a million rural non-farm homes will be reached.

But the biggest development in farm electrification ahead is expected to be a very large increase in the use of electricity on the farm, which at present averages 1,500 kilowatt-hours per annum. More pumping systems to provide running water and to add irrigation for vegetables, pasture areas and for some important crops; feed grinders for the animals, and grain grinders for the family, deep-freeze units, and the application of electricity to many more jobs on the farm will result in marked increases in farm usage of electricity.

Large farms, such as dairy and poultry farms, have already gone far in electrifying their farm operations. Many use 6,000 to 12,000 kilowatt-hours per year. Efforts are now being directed toward making electricity more useful to the operations of the smaller farm so that the farmer can make better use of his time during the whole year and process or partially process much of his produce for the markets to sell it at much better prices. In these programs the utilities are combining their efforts with electrical equipment manufacturers, with farm equipment manufacturers, with agricultural colleges and government agencies interested in farm electrification, in order to give the farmer tools which take full advantage of electricity as a source of power. This is a long development process which has been going on for twenty-five years, but which appears now to be accelerating.

Industry Electrification

The modern war factories have applied standards of illumination far above the general level of factory lighting before the war. Undoubtedly these new standards will become common practice after the war. The war has greatly increased the demand for electric steel and for numerous alloys, chemicals and a great variety of synthetic products, all of which are large users of electricity. The electronic tube has opened the door wide for increased uses of electricity and the end of these developments is not yet in sight. Within a few years after the war we expect to see the beginning of another big expansion in American industry and with it of course will go corresponding growth in the uses for electric power, and a need for funds for expansion of power system facilities.

Of course, all this picture of what can be done in the way of further expansion and development of American business and industry is predicated on our governing political philosophy — that it will be favorable to business initiative and incentive.

Future Construction

At this point I want to enter a word of caution against accepting extravagant predictions of electric power consumption in the early postwar period. For several years before the war, serious power shortages were regularly predicted, none of which has developed. Now come these postwar predictions, with all the earmarks of being designed to promote appropriations for additional Federal power projects. An objective for five years after the end of the war recently stated by the Chairman of the Federal Power Commission was approximately 70% higher than the conservative estimate of Mr. Carpenter for the same period, to which I have previously referred, and that is a very large disparity.

Nevertheless even this conservative estimate of future business anticipates a wide expansion of the facilities of the electric utility companies which will require heavy construction expenditures. When will these funds be needed?

The length of the war will have an important influence on the date when utility construction will reach the proportions experienced in the period from 1938 to 1941. It always must be remembered that the utilities serve other businesses and industries and hence their expansion is predicated on an expansion of industry and business in general. The speed with which restrictions on critical materials are removed will have some effect on the time when America will resume its usual march toward broader and better horizons, but also the time required to digest and assimilate the new discoveries, methods and processes into industry and into the operations of the business field will require perhaps three to four years after restrictions on materials have been removed, and this is the time when we expect to see American industry and business expand again.

As mentioned before, of great importance will be the attitude of the Federal Government toward private industry and the free enterprise system, whether the government uses its wartime plants as a springboard to enter into more unequal competition with American industry or whether the government will proceed to dispose of its war plant facilities and foster the free enterprise system. If the present government policy is continued of expanding government power projects and encouraging state and municipal ownership of utilities through inequitable taxation and appropriation of Federal funds, the effect on the initiative and capabilities of the private companies is obvious. No business faced with increasing governmental competition can remain healthy under the weight of the present tax handicap.

The electric utility companies at the present time are paying 25 cents out of every dollar for taxes, 17 cents of which go to the Federal Government. Our competitors, the Federal power authorities, municipal plants and cooperatives escape all Federal taxes and their contributions in lieu of local taxes are not on a parity with the local taxes imposed upon the utility companies. Their tax advantage is twofold. They not only escape direct taxes, but because interest on their bonds is exempt from Federal income taxes refinancing of municipal power bonds, for instance, has been accomplished in the past year at 1 to 1½%. A bill is now before Congress, and has passed the House and is expected to pass the Senate, reducing interest charges on money borrowed by electric cooperatives from the Rural Electrification Administration to 1¾%. They have been able to obtain from several state legislatures a property tax rate that is only 10% of the tax rate on similar power lines of the electric utility companies.

The Tennessee Valley Authority has often been proclaimed by its proponents as a self-supporting, self-liquidating project that according to its first Chairman, Dr. Arthur Morgan, would amortize its total investment in 30 years including interest at 3%. According to the present estimate of its Chairman David Lilienthal the Tennessee Valley Authority will return the entire investment, now approaching $700,000,000 in 60 years **without interest.** You gentlemen can judge what it has cost the taxpayer to furnish money to the Tennessee Valley Authority interest-free for 60 years.

Can Chairman Lilienthal predict that political pressure will not force further rate reductions to lengthen out this amortization period still more? In 10 years the estimate has already been lengthened from 30 to 60 years and the item of interest has been dropped out. Furthermore, the statement of $700,000,000 as the cost is far short of measuring what the undertaking has really cost the taxpayer, nor is it a statement of what the cost will be before many more years have gone by. Interest on the public debt is now one of the big items in the annual Federal budget. After the war its proportions will be much greater and every bit of interest on Tennessee Valley Authority money and all of the increase in the general overhead of the Federal Government attributable to this undertaking has found and will continue to find its way into the public debt.

There are now before Congress, and in process of getting there, many proposals for building more multiple purpose, so-called self-liquidating dams, including power generation. Whatever economic benefits can be obtained from such dams, that is dams for navigation, flood control, irrigation and power development can be reflected in the price of power sold by these projects to existing power systems and by them reflected in the rates to their consumers. In the nature of things the power available at multiple purpose dams cannot be fully utilized as a continuous source of reliable power. It is most economically absorbed in a large system with diversity of power loads and interconnected steam stations, or other diversified sources of power. It is clearly uneconomic to build duplicating transmission systems and steam reserves when these already exist.

There is no need for the Federal Government to engage in either the retail or the small wholesale electric business under present-day controls exercised by both Federal and State regulatory commissions. The private utility systems are regulated to operate at cost, including a fair cost of money invested in the business. The passing on of any savings from the government dam to the ultimate consumer could easily be assured by a clause in the contract for the sale of power to the effect that all savings to be effected by the use of energy received from such Federal development should be passed on to the ultimate consumer in such manner and amounts as would be determined by the regulatory authority having jurisdiction.

Under the American system the private electric utility industry has given our country the largest, finest and most effecient power system in the world. It has furnished the stimulus for the electrification of industry, a process which has contributed immeasurably to the high productivity and the accompanying high standard of living of the American workman. It has played no small part in the successful promotion of our war effort. It has been built and financed in considerable part by the savings of your depositors who in turn have been paid fair wages for the use of their money.

If private enterprise is encouraged in the post-war period, and the threat of government competition tempered, and we believe this to be the sentiment of the majority of the American people, the private electric utility business will continue to play its important part in the economic development of this country. Broadened horizons lay ahead for electric power and with them broadened opportunities for private investment in the utility business.

A Return To Reason

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have reprinted in attractive booklet form "A Return to Reason," the address given on April 25 by Arthur C. Knies, partner in the firm, before members and guests of the Boston Stock Exchange. Copies may be had from Vilas & Hickey on request.

Also available on request is an interesting memorandum on rails, the gross of which reached a still higher level in March, according to the report.

"A Well-Deflated Stock"

Warner & Swasey Company is a well-deflated stock which appears interesting currently, according to a detailed memorandum on the situation prepared by Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York City. Copies of the memorandum may be obtained upon request from Arnhold and S. Bleichroeder, Inc.

NASD "5%" Rule Shatters Post-War Outlook For Small Business

(Continued from page 2027)

of members of the NASD regarding the effect of the rule on the capital markets for the securities of the country's smaller corporate units. Incidentally, it is pertinent to note that, on the basis of a complete poll recently undertaken by the "Chronicle," approximately 85% of the NASD membership is opposed to the 5% mark-up policy.

We give herewith another group of the comments made by NASD members regarding the effect of the rule insofar as the markets for securities of smaller enterprises is concerned. As in the case of those given in preceding issues (starting with April 13), the majority of these expressions contend that the rule will seriously damage such markets. It should be noted that the name of the city or town preceding the dealer's comments was obtained from the postmark 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.

SAN ANTONIO, TEXAS

It is my opinion it will put all of the small dealers out of business. It is just another form of regimentation. It will provide the means of dealers using subterfuges to cover up. Has all free America gone to the bow wows?

PHILADELPHIA, PA.

In our opinion, the "5% mark-up" rule would definitely create a hardship for the smaller corporations desiring financing. Even the SEC recognizes the necessity of permitting a profit in excess of 5% in the case of original securities issued by the smaller corporations. If this is necessary in order to obtain original distribution, it is just as imperative that a comparative mark-up, even though over 5%, be allowed in order to maintain a satisfactory secondary market commensurate with the corporation's financial credit and standing. Serious harm to a corporation's credit could result from the lack of interest and sponsorship of its securities in the event that sufficient profit incentive for dealers were lacking. Under these circumstances, if a smaller corporation came into the market for additional financing, it would have to pay a higher rate for its funds than if a satisfactory and proper secondary market had been maintained for its outstanding securities.

SPOKANE, WASH.

Will not be a market; and darn few local small dealers who maintain those markets.

CLEVELAND, OHIO

It will be harmful to the market for securities of not only smaller corporations but many large companies. It is difficult to see how small corporate enterprises can interest investment dealers in handling their securities if the "5% mark-up rule" stays in effect.

OAKLAND, CALIF.

We believe it will eventually eliminate public participation in the ownership of small corporations of the country.

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

Expenses incident to SEC registration much more serious in our opinion. Seems to us the "Chronicle" has done a decided disservice to the industry in leading the fight on the 5% rule in an atmosphere of prejudice and emotion. Did it ever occur to you that may be the only alternative to an SEC rule requiring disclosure of profit on principal transactions. The one is reasonably innocuous; the other would be disastrous to the over-the-counter business.

A SMALL UPSTATE NEW YORK TOWN

In our opinion, the limitation to the 5% mark-up will seriously restrict the market for the securities of the country's smaller corporations. A considerable portion of the funds for the development of many such industries comes from investors whose location involves a great deal of traveling and whose method of buying frequently requires much more of the dealer's time than would an "office" client who is more likely to know just what he wants to do.

The servicing of these accounts in many cases also includes special services which are either rendered as a courtesy or charged for on a nominal basis. An example is that of a client who, because of an injury, is unable to go to the bank to take inventory of his holdings for State tax purposes. He asked me to do this for him. I had to write a letter, which he signed, authorizing the bank to give me access to his safety box, traveled 18 miles each way to the bank, took inventory of 49 different issues, typed duplicate lists of the holdings which I mailed to him from his office, along with a letter I had to write regarding the matter. I could not charge him a fee that would properly compensate for the time, mileage, etc., involved, but on about an 8% mark-up I could provide this type of service.

Competent, conscientious dealers cannot be available to secure funds for industry from such sources unless they are more adequately compensated than the 5% rule permits. Nor would it surprise me, if the rule is allowed to stand, as ethical dealers are forced out of business—as we shall be—an increasing number of outlaw operators crops up and worthless or fictitious issues are given for the investor's good cash.

The slick methods adopted by the gang who call themselves the NASD and run things on the money of the helpless members like myself should be heartily condemned. Anyone with an elementary knowledge of fairness and justice considers this sort of thing in direct violation of accepted American principles. I only wish my domestic responsibilities did not require me to hold myself in restraint from expressing through some public medium the indignation and disgust I feel. I would not put it beyond the crowd now in control to hound a man out of business if he stood up for his rights as an individual.

CHICAGO, ILL.
(From firm favoring rule)

As we understand the rule, we consider it a healthier thing for our business and we don't think it should hinder honest operations in the securities of the smaller corporations. Although we have very few transactions in such securities, we are a so-called small house and want to see the small dealer get fair treatment from the industry. We see nothing unfair about the 5% rule as we understand it.

FORT WORTH, TEXAS

Likely to retard trading activity. Consider the "rule" works a hardship on the smaller retail dealer firms.

TACOMA, WASH.

They will have a much poorer market than they have now.

PORTLAND, ORE.

Harmful.

PORTLAND, ORE.

We believe that the very nature of the rule is a slam at the over-the-counter dealer. There are very few cases where we can come anywhere near legitimately earning a 5% profit. Anyone who attempted to do so could not possibly compete and would soon find himself out of business. It is only through accumulating inventory at times which seems favorable that more than brokerage profit can be obtained. This, of course, involves a dealer's risk.

We intend to conduct our business as we always have—in what appears to us to be a fair and equitable manner, extending unusual service at times. We do not like the idea of someone else telling **us** when we are or are not entitled to a larger profit.

CHICAGO, ILL.
(From firm favoring rule)

Find it would have an adverse effect on securities of small corporations.

SPOKANE, WASH.

It will gradually eliminate the market.

DETROIT, MICH.

I believe it will have a very adverse effect on securities of this class.

NEW YORK CITY

Seriously restrict the market for such securities, possibly destroy it. Just as other foolish and badly conceived laws and regulations, have always resulted in more harm than good to the nation, this 5% rule will have a tendency to encourage "black markets" in unlisted securities.

Congratulations on the courageous and intelligent stand you are making for the "free enterprise system."

MEMPHIS, TENN.

Bad.

MINNEAPOLIS, MINN.

Will have to quit trading in small issues—salesman will quit—we will have to concentrate on trust shares by mail.

BOSTON, MASS.
(From firm favoring rule)

No effect. If the small dealer can't survive with the "5% mark-up rule," he shouldn't continue in business—particularly with a war on.

NEW YORK CITY

To compel small corporations to go to a governmental agency for its financing. Result—departmental supervision becomes government operation.

"Oh, NASD, we who are about to die salute you"—with apologies to Julius Caesar who was also ambitious.

CINCINNATI, OHIO

As we understand it, there is no 5% "rule" and we do not limit ourselves even to the so-called "philosophy" of a 5% limitation. On low-priced securities usually a considerably higher percentage is charged and we've never been criticized for it.

The type of service required largely determines what mark-up we apply. With a trading account we can handle orders for a smaller percentage but with no investment account we must charge more. This fundamental difference must be considered—hence any fixed-fee basis proposal by SEC or any other regulatory body is basically wrong. Type of service and degree of supervision differ widely between customers, so naturally charges must differ also.

If it becomes a rule to charge the same fee for all securities the smaller corporation's issues will be neglected or even excluded from the markets. . . . Any intelligent appraisel of this proposition must recognize the sound reasons for varying charges.

BUFFALO, N. Y.

A very detrimental effect.

SEATTLE, WASH.

There are times when the 5% mark-up is not ample compensation for research and professional services rendered. In general, it does not handicap us but makes certain business unattractive. Think the market for new smaller corporation securities will be restricted by the 5% rule.

I am not in favor of the 5% rule by the NASD as I don't believe that its function is to make such a rule. It seems to me it is up to the dealer to decide what is fair compensation and if he is offside, the NASD periodical check-up should reveal the fact and he should be permitted a hearing and then follow whatever ruling is made.

NEW ORLEANS, LA.

It will kill the investment business for the small dealer and help the listed houses. I think the listed houses are behind this movement. Thanks a million for the part you are taking in the matter. . . . Why is it the Federal administration is doing their darndest to put little business out of business? Roosevelt, as well as Congress, do not seem to realize that business, especially little business, is paying their salaries and expenses, yet they are biting the hand that feeds them. . . .

(Continued on page 2048)

NASD "5%" Rule Shatters Post-War Outlook For Small Business

(Continued from page 2047)

A SMALL UPSTATE NEW YORK TOWN

(From firm favoring rule)

In answer to the above question, hardly know just what to say, but do feel that the 5% mark-up is or should be satisfactory for the average honest dealer. As for a small dealer whose overhead is not too heavy, it should also work out in the long run to his interests.

In giving thought to the dealers who fleece the unsuspecting investor, think that some curb such as a 5% mark-up is to be commended. I do feel that the effect on the securities of small corporations will of necessity suffer in the distribution of their stocks and thus work out to their disadvantage.

I am concerned in connection with my membership in this NASD in that the dues are bound to keep on increasing with the constant shrinking of the number remaining and have a feeling that the "big fellows" in the association seem to have an ulterior motive in the pressing for the 5% idea. I want to compliment the "Chronicle" for its continued interest in this matter and will continue to have an interest in the future of this matter.

SAN FRANCISCO, CALIF.

We feel that the limitation of profits will definitely shrink up the capital market for small corporations as small investment banking firms will be forced to discontinue business if they cannot charge a fair profit and operate their retail departments on a profitable basis. The large firms use a retail department to distribute their inventory and to minimize risk and care nothing for the normal factor as their profits emanate from underwriting and wholesaling activities. Naturally, they are decidedly interested in eliminating competition, which they are unfortunately succeeding in doing.

A SMALL UPSTATE NEW YORK TOWN

Although you may feel we are not giving you a direct answer, still we cannot help but comment by saying that it seems inconceivable to us that the 5% rule can, will or should be interpreted arbitrarily. Even to the SEC and/or the NASD, there must be times when a dealer is justified in making a gross profit of more than 5%. If, however, the SEC and the NASD persist in limiting the gross profit on any transaction to 5%, irrespective of the circumstances involved, then we feel that certain practices will result which will have much worse consequences to the investing public than the consequence of allowing more leeway to dealers in determining a fair gross profit margin.

We would like to add a few words to all the talk coming from the SEC and the NASD about "riskless" transactions. Is it not true that every time a dealer trades with a client, his whole reputation and livelihood is at stake, irrespective of whether he happened to buy the particular security on the same day as he sold it to a client, or whether he happened to get his order from his client before he actually purchased the security in the market?

We are suprised that the SEC and the NASD should spend so much time and money (while a world-wide conflagration is going on) to find ways and means of punishing security dealers when they may be making more than 5% gross profit on certain isolated transactions. Are we wrong in feeling that the margin of profit accruing to a security dealer is only one of the elements involved when considering whether or not such dealer is trading fairly with his clients? We have in mind that the ability to purchase sound securities (and at the right time) should bear considerable weight in determining whether a particular dealer is worthy of serving the investing public. We also have in mind the fact that some dealers want their clients to hold specific issues for the long pull (several years in many instances) and are not interested in having their clients buy and sell actively, based on short-term swings in the market. Such a long-term dealer must, in our estimation, in all fairness, be allowed a wider profit margin than the dealer who is constantly trading his clients.

But, anyway, to get to your question. Yes, you are right, it is important to do something to help maintain satisfactory markets in the issues of small companies. And, incidentally, there are many "buys" in this field, but they are not going to be brought to the attention of investors unless it is profitable for the small dealer to handle them. It is economically more costly for dealers to handle the issues of small companies, because of the infrequency of trades, the smallness of trades when they do come along, and because of the scarcity of investors who are in a proper position to buy and hold such issues. Lastly, in all fairness to the SEC and the NASD, we must say that the cases of prosecution that have come to our attention in the last few years have been such flagrant abuses of honest trading that to date we have been in general sympathy with the Commission and the Association. However, we hope and pray that both bodies will limit their prosecution to those cases that are actually flagrant abuses of honesty and that they will not start to punish a dealer for the sole reason that such dealer is making something more than 5% gross on certain isolated transactions.

SAN FRANCISCO, CALIF.

(From firm favoring rule)

None whatsoever. The letter of Oct. 25 to dealers was aimed at the "riskless" transactions primarily. If any small corporation needs new financing plenty of profit can be taken without any concern. If it be a matter of providing a market for shares of a small company no dealer is precluded by the rule from taking any profit he can justify—and small deals may well call for 7½ or even 10% with full approval of any business committee.

You and your staff are on the wrong slant this time. You are doing everything you can to bring forth a full disclosure rule from the SEC which we do not want—nor does any one else. This effort of the NASD is to obviate the disclosure rule and if we get it, we can thank the "Financial Chronicle."

JACKSONVILLE, FLA.

I do not feel that the 5% rule will do as much damage to the business as will the threat of being put out of business by an NASD court. If we all could average 5% it would be wonderful.

Financing of small companies cannot be handled on 5%. However, most States allow ample provision for new financing. We are working on one now on 15%. A restriction of this type is not the American way of doing business.

NEW YORK CITY

An adverse effect. It will not be worth-while selling them.

PITTSBURGH, PA.

We have no objection to the establishment of a standard basis of profits. Our objection to the 5% rule is to the incomplete analysis and consideration of the data used as a basis for this rule. We also object to the high-handed manner in which the rule was foisted upon members. And believe any rule should be made by vote of the members concerned and not rushed through by a few executives.

This rule very effectively puts the medium sized and small dealer out of the high-grade and medium-grade securities field and encourages the black market operations of the unscrupulous dealer.

TOLEDO, OHIO

(From firm favoring rule)

Very little, except possibly for lower-priced stocks, in which additional latitude is permitted under the policy if priced under 10.

I am a member of the District No. 10 Committee of the NASD. We are definitely a small firm. I have followed with much interest your articles in respect to this "mark up" matter, and not without some approval. It is perfectly proper, in my judgment to "air" controversial or misunderstood subjects. I believe that you are a little unfair in your insistence in using the term "rule" in respect to the policy which has been pronounced for the guidance of Complaint Committees. I would definitely oppose a **rule at any** percent, as being undemocratic and un-American. Just where the profits become excessive is a matter of circumstances, and it is my judgment that Complaint Committees will be fair in reviewing any question of excessive profits. Certainly excessive profits can hurt the securities business in general, and in the long run the individual dealer. In most cases I feel that 5% is not too small a profit on so-called riskless or simultaneous transactions, and it may be even too high in higher-priced securities. Much depends upon the interpretation of Complaint Committees, which I believe will be fair, and their hearings are conducted by men experienced in the business, with a sympathetic approach to the dealer's problems. Certainly I would prefer such a "jury" in preference to one composed of men outside the securities field.

The Securities Salesman's Corner

Some Observations Regarding The Outlook For Retail Securities Dealers In The Next Two Years

Planning ahead under today's unsettled conditions is a difficult task—but it must be done if a business is to meet with success in the years which lie ahead. Although two very important factors which will largely determine the extent of investor activity during the next few years are the duration of the war and the outcome of the election this fall, certain other economic and psychological realities exist today that can be appraised with considerable accuracy.

In the opinion of practically every dealer with whom we have discussed the outlook for the security business during the next few years—we are headed for increased investment activity on the part of the general public. With this viewpoint we are in complete agreement. In fact, if the results of the election this fall should mark the end of the Roosevelt reign, or even his reelection along with a conservative Congress, and in addition the possibility that the end of the war will be indicated within another year, it is our opinion that investor interest in securities will exceed anything we have known since the twenties.

The supply of idle cash is tremendous. Somewhere in the neighborhood of $84,000,000,000 has been saved by the American people during the past three years. Some of this money is in war bonds, the rest in bank accounts. This is just about double the value of all listed stocks on the New York Stock Exchange at the present time. Some of this money will go into securities AS SOON AS INVESTOR CONFIDENCE IS REESTABLISHED.

Whether or not we realize that "time has been fleeting" it is now almost fifteen years since that day in October when the so-called "new era" came to an end. A new generation has grown up. These potential investors only remember the past from their history books—millions of other security buyers have gradually rehabilitated their portfolios and are better investors today for having learned the lessons of 1929. Memory is short—it is now about time for another cycle of confidence in business and investment to begin again. So once more we can say that A REVIVAL OF CONFIDENCE IN THE FUTURE will also touch off a set of psychological circumstances that appear to be ready to react upon the public in a manner very favorable to investment.

For those who are now in the security business and who have been plugging away during all the hard and trying years of the past, it also seems that the time for reaping their reward is not too far in the distant future. There is less competition today than there was during the last period when investor confidence was high. Those firms which have been building up their clientele, adding capable sales representatives, merchandising in a progressive manner, advertising and making their name known in their community, will be ready to go as soon as the "bell is rung." Other firms that have been sitting tight, in our opinion, might find it very advantageous to get busy now and start to prepare their organization for better times ahead.

Several things must be accomplished within the securities business itself however, before this business can properly serve the public and the national interest of this country. The retail security dealers who make up the bulk of the actual "new capital distributive machinery" of this country, should have an opportunity to make a fair profit without harassment from bureaucratic governmental agencies. There should be a CLARIFICATION OF THE POWERS OF THE S.E.C. BY CONGRESS. Incidentally, a conservative administration will recognize the importance of such a step TO THE NATIONAL WELFARE BECAUSE THE FINANCING OF NEW INDUSTRY CAN ONLY BE ACCOMPLISHED WHEN THIS IS ACCOMPLISHED.

Post-War Inflation Not Likely: Nadler

(Continued from first page)

United States have, on the whole, preferred to save their excess purchasing power. In 1943, savings were estimated at nearly 34 billion dollars or almost 24% of the total national income.

"During the war, commodity prices will continue to inch upward. However, should the invasion go well there is reason to believe that the demand for war materials will tend to cease, followed by a gradual increase in the supply of consumers' goods.

"The opinion has often been expressed that the real inflation will set in at the end of hostilities, based on the following considerations: First, inflation has followed every major war. Second, the moment hostilities are over the people will spend freely and hastily their accumulated savings. Third, since the supply of consumers' goods can increase only slowly the last two mentioned factors combined will bring about a sharp increase in commodity prices.

"This situation is not likely to occur since, in the first place, the end of the war will witness a material reduction in the output of war materials, accompanied by a material increase in the number of unemployed. People out of work and those whose job security is threatened do not, as a rule, indulge in spending sprees. Furthermore, it is quite certain that the controls over prices and consumption will be maintained for quite some time after the war.

"In considering the post-conversion period, the movement of prices will be dominated by the fact that the productive capacity of the country will be greater than ever before and efforts will be made by industrialists as well as distributors to reduce as far as possible the cost of distribution and to keep prices down. As against this, however, the fact should not be overlooked that the cost of production in the post-war period will be higher than prevailed in the 'thirties and that it will be impossible to reduce the hourly wage rate of labor. Commodity prices in the post-war period are thus bound to be higher than those of the 'thirties and may be somewhat higher than those which prevailed in the 'twenties.

"Inflation in the United States can be avoided if the necessary measures can be taken in spite of pressure groups. It should be borne in mind that inflation brings about a great change in the debtor and creditor relation and has an adverse effect on the creditor class. All people owning savings deposits, beneficiaries of insurance policies, holders of fixed-income-bearing securities and others are adversely affected by inflation while the debtor class benefits. Inflation is the most unscientific form of tax because it is inequitable and unjust. Where inflation is drastic it pauperizes the middle class and undermines the confidence of the people in the institutions of government as well as in the government itself and ultimately leads to economic and political chaos. Hence, efforts on the part of individual pressure groups to bring about an increase in wages as well as in prices must be fought, because in the long run they will be detrimental to the entire economy of the country."

Bond Club Of New Jersey To Hear Schram of NYSE

Emil Schram, President of the New York Stock Exchange, will address members of the Bond Club of New Jersey at a luncheon meeting at the Robert Treat Hotel in Newark on May 19. Mr. Schram's topic will be "Problems of Transition from War to Peace."

A Post-War Tax Program

Speaking before the Seventh Midwestern Conference of Controllers Institute of America at St. Louis, Mo., on May 2, James L. Wick, Economic Analyst and Editor of Prentice-Hall's Washington News Letter "What's Happening in Taxation and Government Regulations" outlined proposed Federal tax changes for the immediate post-war period. His remarks relating to these proposals and their effects follow:

James L. Wick

"The post-war world will be built within the four walls of the tax structure," says Chairman Walter F. George, Chairman of the Senate Finance Committee. The part played by punitive taxes in discouraging business progress is recognized, even in Administration circles. As a result, changes in the tax structure, which ordinarily interest academicians only, have now become the concern of everybody.

Corporation Taxes: All agree that risk-taking—the road to progress—must be encouraged. Current double system of taxation, taxing profits to the corporation and also dividends paid for those profits to the stockholders should be abandoned. The income from risk-taking capital is the only form of income which is consistently subjected to double taxation—yet it is the most important form of business income to encourage if we wish to keep our economy up to date. Alternative proposals:

(a) exempt dividends from corporation tax, or, (b) adopt English system which credits stockholder with tax paid in his behalf by the corporation and charges him with income represented by dividend.

Under either method, the corporation levy virtually becomes a tax only on undistributed profits. Second method withholds at source and allows refund if tax is higher than that warranted by recipient's income; assesses additional tax if recipient's personal income requires a higher rate.

If our system of double taxation is retained, current 40% normal and surtax rate of corporations probably will be lowered to about 24% in the first post-war years for large and medium-sized corporations and about 12% for corporations making under $25,000 in profits. After three or four years, those rates probably would be cut in half.

Excess Profits Tax "takes the profits out of war," but cannot be justified as a permanent peacetime levy. Long continued, it would promote monopoly by giving old concerns with large invested capital an enormous advantage over younger rivals.

Repeal of excess profits tax is likely to be passed on or before arrival of peace, but effective date may be postponed until 12 to 24 months after cease-firing date. Continuation for a limited time is being proposed to capture lush artificial profits of post-war replenishment boom. Pledge of repeal at a specified date would provide incentive for expansion, argue advocates of limited-period tax.

(Continued on page 2053)

DIVIDEND NOTICE

AMERICAN CYANAMID COMPANY

PREFERENCE DIVIDEND

The Board of Directors of American Cyanamid Company on May 16, 1944, declared a quarterly dividend of 1¼% ($.125) per share on the outstanding shares of the 5% Cumulative Preference Stock of the Company, payable July 1, 1944 to the holders of such stock of record at the close of business June 10, 1944.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company on May 16, 1944, declared a quarterly dividend of fifteen cents (15c) per share on the outstanding shares of the Class "A" and Class "B" Common Stock of the Company, payable July 1, 1944 to the holders of such stock of record at the close of business June 10, 1944.

W. P. STURTEVANT,
Secretary.

THE BALTIMORE AND OHIO RAILROAD CO.

SUMMARY OF ANNUAL REPORT FOR THE YEAR 1943

The 117th annual report of the President and Directors for the year 1943 mailed to the Company's stockholders.

RESULTS OF OPERATIONS

The following is a summary of the Company's audited income account for the year 1943, compared with year 1942.

	Year 1943	Year 1942	Increase over 1942
Railway operating revenues	$358,142,152.08	$306,254,193.49	$51,887,958.59
Railway operating expenses	250,584,352.63	204,241,198.76	46,343,153.87
Net railway operating revenue	$107,557,799.45	$102,012,994.73	$ 5,544,804.72
Railway tax accruals (including federal income tax)	46,457,958.58	25,054,012.87	21,403,945.71
Railway operating income	$ 61,099,840.87	$ 76,958,981.86	d$15,859,140.99
Equipment and joint facility rents—Net debit	8,932,372.37	7,400,263.88	1,532,108.49
Net railway operating income	$ 52,167,468.50	$ 69,558,717.98	d$17,391,249.48
Other income	8,637,968.62	8,670,683.14	d 32,714.52
Total income	$ 60,805,437.12	$ 78,229,401.12	d$17,423,964.00
Miscellaneous deductions from income	2,035,995.35	1,685,984.95	350,010.40
Income available for fixed charges	$ 58,769,441.77	$ 76,543,416.17	d$17,773,974.40
Fixed interest and other charges	18,647,102.81	19,863,257.08	d 1,216,154.27
Income available for other purposes	$ 40,122,338.96	$ 56,680,159.09	d$16,557,820.13
Contingent interest charges	9,612,858.50	11,356,562.50	d 1,743,704.00
Audited net income	$ 30,509,480.46	$ 45,323,596.59	d$14,814,116.13

(d—Denotes decrease.)

The decrease in net income of $14,814,116 is the result of:

Loss due to suspension in 1943 of freight rate increases	$ 7,100,000
Increase in wage rates	9,222,000
Increase in taxes after non-recurring tax credit of $8,574,214. in 1942	12,801,972
Total	$29,123,972

Accruals for all taxes, year 1943, were $46,757,209., absorbing 13 cents of each dollar of total operating revenues, 43 cents of each dollar of net railway operating revenue, and were equal to $14.84 per share on the capital stock.

As of December 31, 1943, the recorded investment in property as related to railway operating income, is $999,678,403., against which $130,406,465. depreciation has been accrued, leaving the net recorded investment $869,271,938.

There was no change in capital stock during the year, but there was a net reduction of $58,661,935. in interest bearing obligations of which $57,537,050. were retired through the operation of the sinking fund created by the 1938 Plan for Modification of Interest Charges and Maturities.

R. B. WHITE, President

DIVIDEND NOTICES

TENNESSEE CORPORATION

TENNESSEE CORPORATION

A dividend of 25¢ per share has been declared, payable June 28, 1944, to stockholders of record at the close of business June 12, 1944.

61 Broadway, New York 6, N. Y.
May 11, 1944.

J. B. McGEE
Treasurer.

American Woolen COMPANY

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N.Y.

At a meeting of the Board of Directors of the American Woolen Company held today, a dividend on the Preferred Stock of $2.00 a share on account of arrears was declared, payable June 14, 1944 to stockholders of record May 29, 1944. Transfer books will not close. Checks will be mailed by Guaranty Trust Co. of N. Y., dividend disbursing agent.

F. S. CONNETT,
Treasurer.

May 17, 1944.

THE ALABAMA GREAT SOUTHERN RAILROAD COMPANY

Washington, D. C., May 17th, 1944.

A dividend of $4.50 per share on the Preferred Stock of The Alabama Great Southern Railroad Company has been declared payable June 29, 1944, to stockholders of record at the close of business May 29, 1944.

A dividend of $4.50 per share on the Ordinary Stock has been declared payable June 29, 1944, to stockholders of record at the close of business May 29, 1944.

C. E. A. McCARTHY,
Vice-President and Secretary.

Magma Copper Company

Dividend No. 87

On May 17, 1944, a dividend of Twenty-five Cents (25c) per share was declared on the capital stock of Magma Copper Company, payable June 15, 1944, to stockholders of record at the close of business May 29, 1944.

H. E. DODGE, *Treasurer.*

DIVIDEND NOTICES

TEXTILES
PLASTICS
CHEMICALS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK $4.75 SERIES

Initial quarterly dividend of $1.18¾ per share, payable July 1, 1944 to holders of record at the close of business June 16, 1944.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1944 to holders of record at the close of business on June 16, 1944.

COMMON STOCK

The Board declared a dividend payable on June 30, 1944 in Common Stock of the Corporation at the rate of one (1) share for each seventy (70) shares of Common Stock held of record at the close of business June 16, 1944.

JOHN A. LARKIN,
Vice-Pres. & Sec'y.

May 16, 1944.

ALLIS-CHALMERS MFG. CO.

PREFERRED DIVIDEND NO. 1

A dividend of fifty-nine cents ($0.59) per share on the preferred stock, $100.00 par value, of this Company has been declared, payable June 5, 1944, to stockholders of record at the close of business May 18, 1944, this being the earned dividend for the elapsed period of April 12, 1944, through June 5, 1944, at 4% per annum on the par value thereof. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON,
May 4, 1944. Secretary-Treasurer.

REDEMPTION NOTICE

L&N L&N

To the Holders of

LOUISVILLE AND NASHVILLE RAILROAD COMPANY

Unified Mortgage 4% Bonds with Extension Agreements of Series B due January 1, 1960 attached

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Supplemental Indenture dated January 1, 1940 between Louisville and Nashville Railroad Company and Central Hanover Bank and Trust Company, as Trustee, supplemental to Unified Mortgage dated June 2, 1890 from Louisville and Nashville Railroad Company to Central Trust Company of New York, as Trustee, the undersigned has elected to redeem out of unexpended Sinking Fund monies on deposit with the Sinking Fund Agent and does hereby call for redemption and payment on July 1, 1944, $161,000 principal amount of bonds as indicated below at 104% of the principal amount thereof and accrued interest on the principal amount to the date of redemption. The serial numbers of the bonds to be redeemed have been drawn by lot by Central Hanover Bank and Trust Company as Sinking Fund Agent, and are numbered as follows:

Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form in the denomination of $1,000 each, all prefixed with the letter B

262	1498	3675	6222	7658	9921	12685	14168	15964	18500	21188	22958	24571
300	1500	4074	6389	7754	10167	13070	14541	16071	18566	21253	23236	24572
498	1511	4188	6707	7870	10539	13155	14647	16311	18964	21329	23567	24607
549	1588	4273	6861	8425	10607	13184	14648	16722	19297	21414	23676	24738
635	2757	4317	7036	8443	10787	13335	14862	16826	19386	21704	23832	24896
891	3314	4380	7076	8467	10791	13504	14866	16863	19470	21784	23870	25172
979	3532	5932	7099	8628	10966	13570	14910	17258	20259	21846	23881	25220
1092	3566	5945	7149	9144	11432	13777	15123	17406	20297	21978	23934	
1155	3567	6000	7219	9235	11454	13779	15277	17798	20470	22016	24177	
1211	3582	6015	7327	9359	11737	13824	15543	17984	20858	22058	24259	
1226	3627	6120	7525	9740	11842	13855	15875	18051	21038	22620	24303	
1347	3639	6216	7543	9784	12284	14036	15937	18367	21100	22734	24406	

Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form without coupons and/or the respective portions of the principal thereof:

BX74	$2,000	out of $10,000 Principal amount
BV14	$4,000	out of $5,000 Principal amount
BM9	$1,000	
BM10	$1,000	
BM107	$1,000	
BM661	$1,000	

On July 1, 1944 the above described Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form in the denomination of $1,000 each, the Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form without coupons and/or the portions thereof which have been called for redemption, will become due and payable at 104% of the principal amount thereof and accrued interest on such principal amount to the date of redemption at the office of the undersigned, Room 900, 71 Broadway, New York City 6, New York, and interest on said Bonds and/or said portions of fully registered Bonds so called for redemption will cease to accrue from and after said date. Said Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form should be presented for redemption and payment at said office of the undersigned on July 1, 1944 accompanied by the interest coupons maturing January 1, 1945 and all subsequent coupons. The coupons due July 1, 1944 appurtenant to said Unified Mortgage 4% Bonds with Extension Agreements of Series B attached called for redemption should be presented for collection in the usual manner. The Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form and/or the portions thereof which have been called for redemption should be presented in negotiable form and the holders thereof will receive a new bond and/or bonds with Extension Agreements of Series B due January 1, 1960 attached in fully registered form or at the option of the holder in coupon form, for that portion of the registered Bond not called for redemption.

On May 10, 1944 Bonds bearing the following distinctive numbers of the above issue previously called for redemption had not been presented for payment:

BOND NUMBERS

B841 B3761 B3883 B9432 B19618 B20249

LOUISVILLE AND NASHVILLE RAILROAD COMPANY
By: W. J. McDonald, Vice-President

DATED: May 11, 1944.

DIVIDEND NOTICES

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 80

A dividend of twenty-five cents ($0.25) per share on the common stock, without par value, of this Company has been declared, payable June 30, 1944, to stockholders of record at the close of business June 9, 1944. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON,
May 4, 1944. Secretary-Treasurer.

Newmont Mining Corporation

Dividend No. 63

On May 16, 1944, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable June 15, 1944 to stockholders of record at the close of business May 29, 1944.

H. E. DODGE, *Treasurer.*

UGI

A dividend of 10 cents a share on the Capital Stock has been declared, payable June 30, 1944, to stockholders of record May 31, 1944.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

April 25, 1944 Philadelphia, Pa.

Imperial Oil Limited

NOTICE TO SHAREHOLDERS AND THE HOLDERS OF SHARE WARRANTS

NOTICE is hereby given that a semi-annual dividend of 25c per share in Canadian currency, has been declared, and that the same will be payable on or after the 1st day of June, 1944, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 61 at:

THE ROYAL BANK OF CANADA,
King and Church Streets Branch,
Toronto 1, Canada.

The payment to Shareholders of record at the close of business on the 17th day of May, 1944, and whose shares are represented by Registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 31st day of May, 1944.

The Transfer books will be closed from the 18th day of May to the 31st day of May, 1944, inclusive and no Bearer Share Warrants will be "split" during that period.

The Income Tax Act of the Dominion of Canada provides that a tax of 15% shall be imposed and deducted at the source on all dividends payable by Canadian debtors to non-residents of Canada. The tax will be deducted from all dividend cheques mailed to non-resident shareholders and the Company's Bankers will deduct the tax when paying coupons to or for accounts of non-resident shareholders. Ownership Certificates must accompany all dividend coupons presented for payment by residents of Canada.

Shareholders resident in the United States are advised that a credit for the Canadian tax withheld at source is allowable against the tax shown on their United States Federal Income Tax return. In order to claim such credit the United States tax authorities require evidence of the deduction of said tax, for which purpose Ownership Certificates (Form No. 601) must be completed in duplicate and the Bank cashing the coupons will endorse both copies with a Certificate relative to the deduction and payment of the tax and return one Certificate to the Shareholder. If Forms No. 601 are not available at local United States banks, they can be secured from the Company's office or the Royal Bank of Canada, Toronto.

Under existing Canadian Regulations:

(a) Payment of this dividend to residents of enemy or enemy occupied countries is prohibited.

(b) Payment thereof to residents of other portions of Continental Europe and China is prohibited but such residents may direct the deposit to their credit in a Canadian Bank of all amounts payable to them.

(c) Other non-residents of Canada may convert this dividend at current Canadian Foreign Exchange Control rates into such foreign currencies as are permitted by the General Regulations of the Canadian Foreign Exchange Control Board. Such conversion can only be effected through an authorized dealer, i.e., a Canadian Branch of any Canadian Chartered Bank.

Shareholders residing in the United States may convert the amount of the current dividend into United States currency at the official Canadian Foreign Exchange Control rate by sending at their own risk and expense, coupons or dividend cheques properly endorsed, to The Agency of The Royal Bank of Canada, 68 William Street, New York City, which will accept them for collection through an authorized dealer, or direct to any authorized dealer of the Canadian Foreign Exchange Control Board.

Shareholders residing in countries other than the United States to whom payment is not prohibited as noted above may convert the amount of the current dividend by sending at their own risk and expense coupons, or dividend cheques properly endorsed, to The Royal Bank of Canada, King and Church Streets Branch, Toronto, Canada, or to any other authorized dealer or to the Agency of The Royal Bank of Canada, 68 William Street, New York City, U. S. A., with a request for a draft in such foreign currency as is permitted in settlement of same, but they should first satisfy themselves that this action is not prohibited by the Foreign Exchange Control Regulations of the country in which they reside.

IMPORTANT NOTICE

Holders of Bearer Share Warrants, who have not yet secured new talons with Dividend coupons numbered 61 to 80 inclusive, are hereby notified that same are available. The talon only should be detached from the Bearer Share Warrants and presented at or forwarded to the Office of the Secretary, Imperial Oil Limited, 56 Church Street, Toronto 1, Ontario, Canada, by registered mail (with return address clearly indicated) when a new supply of coupons bearing the same serial number as the Warrant from which the talon is detached, will be issued in exchange therefor.

By order of the Board,
W. J. WHITLING, Secretary.

56 Church Street,
Toronto 1, Ontario.
10th May, 1944.

A. F. L. Committed To System Of Free Enterprise, Says Green

(Continued from page 2029)

employment tomorrow for those who were forced into idleness yesterday because of the closing down of purely and wholly war material production plants. But we should, and I feel must, find a way through which we can cushion the shock, minimize unemployment, reconvert industries to civilian production plants as speedily and promptly as possible.

"It must be obvious to all thinking people that the primary objective of the nation should be to provide full employment both for those who have served as soldiers of production at home and the service men who were enlisted in the armed forces, when they return.

"Full employment means high production and high production means an economy of abundance. Through the establishment of full employment and a maximum production of goods for sale in a market where the buying power corresponds with our ability to produce we can establish a standard of prosperity commensurate with the needs of our national and civic life.

"The economic changes which have been brought about as a result of the war will not terminate when the fighting ceases and the war ends. The indebtedness incurred, the obligations assumed, the interest charges which the nation must meet will call for the maintenance of a steady national income as great or greater than the maximum amount of national income reached during the war period. The gross national income in 1943 was $186,500,000,000. That was created and produced as a result of full employment and maximum production. This is the source of wealth and taxes, and out of it must come the money necessary to pay the national debt. Having accumulated a national obligation as a result of the war we must establish and maintain an economy of plenty so that these obligations can be adequately met and the nation's responsibilities fully discharged. Unemployment, and particularly widespread unemployment, will mean lowered production and reduced income.

"How can we feed and care for the unemployed and their dependents? Where will the revenue come from that the nation needs in order to meet its interest charges and pay the national debt? From what source can taxes be collected if unemployment prevails, production is curtailed, industries are closed down and the national income falls below minimum requirements?

"Surely it is clear that full employment must prevail during the post-war period and that maximum production must be maintained and that the national income must be sufficiently high so that adequate funds may be available in order to pay the amount of taxes the nation requires in order to prevent debt repudiation.

"The simple and inescapable truth which America has learned through years of suffering during the depression and years of plenty during the war production drive must not be forgotten. It is this—that full production and full employment at decent wages go hand in hand and that one cannot be maintained without the other. Mass unemployment is not only the result of business depression—it is the cause of it. Full employment is not only the result of business prosperity—it is the indispensable element in the attainment of prosperity. Prosperity cannot be achieved where poverty prevails.

"Labor has often been told in the past that only when conditions are good for business can the workers benefit. Now labor tells industry that only when conditions are good for workers can business benefit. Both statements are true. In fact, they contain the same truth—a truth which we must recognize, acknowledge and guide ourselves by if we hope to establish a sound and enduring post-war economy under the free enterprise system.

"At this moment, American industry and American labor have reached heights of production never before thought possible. We are producing for war, for the purpose of destruction. Private industry has one big customer, the Government, a customer with practically unlimited pursestrings, a customer who offers to purchase all that can be produced, a customer who guarantees a sure profit to the producer.

"When the war ends, however, this customer will be forced to cancel all his orders. American industry will no longer enjoy a sure thing. It will have to go back to its old customers—the American people. It will have to produce for the peace-time needs of these people. It will have to spend and risk great amounts to reconvert to peace-time production. It will have to face stern competition once again to gain the favor of its customers. There will no longer be any guarantee of sure profits.

"These are the realities American industry must face. At first glance, they may appear to be discouraging. But American businessmen, I am glad to say, do not view their future prospects in that spirit. On the contrary, they welcome the opportunity to return to healthy competition, to risk their capital in new ventures and to earn deserved profits for service to the American people.

"Why is American industry eager to give up a sure thing for a gamble? The answer is deeply rooted in the spirit of Americanism and, in fact, is one of the reasons we are fighting this war. Business knows and labor knows that war prosperity is a false prosperity. We realize we are paying a heavy price in human life, in human liberty and in cash money for our present industrial revival.

"When the war is over industry will lose its chief steady customer. The Government has bought and used a very large percentage of industrial production. The production of civilian goods has been rationed, restrained and limited because the war needs of the nation transcended all other considerations. But when the war is over industry must find customers. It must sell to those who need civilian goods. It must develop a market. It must seek a market. It must sell goods in competition with others. That is the basis of our free enterprise system.

"Both business and labor already have experienced a certain degree of Government control and regimentation. We have accepted it as one of the penalties of all-out war. But we don't like it. And we are determined that when victory is won and peace is restored we will put the Government back in its place in Washington.

"But we can only do that if we are able to prove that we can take care of ourselves without Government assistance. If we fail to establish and maintain full production and full employment in the post-war period, if we fail to bring about harmonious and cooperative relationships between management and labor, if we fail to make our free economy work successfully for the well-being and advancement of all the American people, then the Government will be forced to step in and take over.

"There is the challenge. Do we possess the wisdom and understanding and courage required to fulfill our responsibilities and shape our own destinies? We want freedom. But can we earn it?

"These questions will be answered one way or another in the post-war period. It will be a time of test and trial. If we truly love our freedom, if our devotion to the American way of life runs deep and strong, our answer must be prompt and effective. For the people of our country and the people of the world are growing increasingly impatient with delay and frustration and failure and suffering. They expect—and they have a right to expect—that victory for the forces of democracy in this war will offer them the opportunity to enjoy the fruits of peace, not the ashes of despair.

"The establishment and maintenance of a high wage standard must be inseparably associated with full employment. Through the creation and maintenance of such an economic policy a buying market can be established which will absorb and consume the goods which industry produces. In fact, our ability to consume goods should be greater than our ability to produce goods. The employers of labor are benefited when the power to consume is in excess of our ability to produce. Prices are maintained, income is increased and decent earnings result therefrom. Our whole economic policy would be geared to the point where a consuming market corresponds at least with our ability to produce goods and our facilities of production. The future prosperity of our nation and the welfare of industry and labor depend upon the establishment and maintenance of full employment, high wages, and a high consuming power which will prevent the accumulation of surplus production.

"The American Federation of Labor is committed to the preservation of a free enterprise system. Such a system is based upon our free, democratic process and grows out of the fundamental principles upon which our free, democratic form of government rests. In simple terms, it provides for the right to own and manage property, to risk and invest in private enterprises, and to earn a fair return upon invested capital. But free enterprise must be safeguarded. The creation of monopolies, the establishment of indefensible and unjust cartels, and the formation of trusts and combines cannot be tolerated or permitted. Furthermore, under our free enterprise system, the rights of labor must be recognized and safeguarded equally with the rights of capital. Labor must be permitted to organize and bargain collectively for the purpose of protecting and promoting its economic and social interests. Through such a policy financial and human values can be maintained upon a high economic and social level. The protection of free enterprise and the rights of labor must be regarded as one of our chief objectives during the post-war period.

"The termination of war contracts should be brought about as quickly as possible when the war ends and the financial claims of private industry upon the Government should be settled as promptly as possible in a fair, honorable, and just way. This procedure is provided for in the George-Murray Bill now pending in Congress. The enactment of the Kilgore Bill is imperatively necessary. This proposed legislation deals with the creation of machinery for the purpose of disposing of surplus war materials and for the coordination of war contract cancellations when the war ends. Besides protecting property rights it seeks to protect human rights by providing pay for demobilized soldiers and disemployed civilian workers. An outstanding feature of this measure which especially commends itself to our favorable consideration provides that the representatives of industry, labor, and agriculture shall have a voice in the determination of vital post-war economic policies. These are constructive measures greatly needed in order to provide for a righteous, sound, and workable transfer from a war-time to a peace-time economy.

"The enactment of sound and comprehensive social security legislation is especially urgent and should constitute one of our chief objectives. We in America are far behind other nations where wage standards are much lower than those which prevail here in the enactment of comprehensive social security legislation. The creation of individual and collective security is a primary requirement to the maintenance of our free, democratic institutions and our democratic form of government. It will serve as a preventative against threatened revolution. It provides for the ways and means through which we can maintain the American way of life during periods of economic stress. The loyalty and devotion of the masses of the people to our form of government, to the maintenance of our free enterprise system, our free institutions, and to our constitutional rights will be developed to the highest point through the enactment of a broad, comprehensive social security measure.

"Plans should be perfected for the launching of a nationwide housing and public works construction program immediately when the war is over. The housing shortage has reached a point where it has become exceedingly serious. Every city, town, and community is confronted with a housing problem and a housing shortage. We cannot at the moment adequately appraise our housing needs or the number of homes which should be built as quickly as possible. There is no obstacle in the way nor are there any great difficulties to overcome in the launching of a comprehensive nation-wide housing program. The construction industry requires no elaborate reconversion. It can proceed quickly and can engage in home construction in every locality the very moment manpower and materials are made available. A broad housing, public works construction program would provide direct employment to perhaps two million building trades workers, but even more significant, it would provide employment indirectly to many millions of workers in industry engaged in the manufacture of building supplies and home equipment. Besides lumber, steel, brick, cement and glass the construction of a million or more homes a year would call for vast quantities of textiles, furniture, refrigerators, plumbing, tools, and many other articles. Thus, the new demands made by large-scale construction would galvanize into action thousands of plants and factories engaged in a wide variety of production enterprises. Obviously there is an urgent need for the construction of new bridges, schools, airports, roads, transit facilities, and other necessary public works.

"To avoid fatal delays in getting such a construction and production program started when the war is over, employers, labor and the Government must get together. We urge immediate conferences to prepare the scope of the program, its timing, financing and encouragement. We want the Government to give private industry and private financing a clear field and a green light. Ways and means must be worked out to make materials available and to acquire the necessary land. In the field of public works, local and State governments, whose credit has been strengthened during the war, should take over the financing instead of the already overburdened Federal Government. Above all, management and labor should formulate clear and definite understandings to assure satisfactory and cooperative relationships during the execution of the construction program.

"Because of the tremendous cost of the war, comparatively high taxes are imposed upon all classes of workers, rich and poor alike. This tax burden must of necessity be borne by all classes of people. It is a situation which we are facing now and one which the people of our country will be compelled to face for a long time to come. Naturally, it is impossible to finance the war on a 'pay-as-you-go-basis.' For that reason, the Government has been forced to assume a heavy indebtedness. However, the economic and social situation with which we are confronted calls for the exercise of good judgment and sound discretion in the imposition of taxes. It is my judgment that taxes upon industrial profits should be judiciously imposed and levied in conformity with a long range program. The Federal Treasury would gain through the pursuit of such a policy and private industry would be accorded an opportunity to provide funds for the purpose of financing itself during the post-war period. If such a progressive step can be worked out legislatively with adequate provision against abuses and windfalls, the American Federation of Labor will favor it. These and other constructive steps can be taken in dealing with post-war problems for the purpose of stimulating industrial activity during the post-war period and preparing the road for a long range program designed to achieve the major objectives of full production and full employment. I am convinced that the attainment of these objectives is possible only under a free enterprise system operating under the beneficent supervision of a free and democratic government.

"Both labor and industry have made mistakes in the past. It is not my purpose here to attempt to fix the blame. We should profit through the lessons taught us through experience. Fortunately, under the stress of the war emergency, management and labor have learned to cooperate and collaborate for the national welfare more closely and more effectively than ever before. That trend should not be reversed but instead broadened and extended in the post-war period if we hope to preserve free enterprise, if we wish to rid ourselves of unnecessary and unwelcome Government regimentation, and if we are determined to make the America of the future a finer and more secure home for ourselves and future generations.

"We are fighting this war to end oppression, to destroy totalitarianism, and to establish lasting peace among the nations of the world. Let us likewise resolve to end oppression and aggression in the relations between management and labor at home. The United States of America must not be divided by internal warfare between capital and labor, between employer and worker.

"To solve our post-war problems, to bring full production and full employment, to establish ever higher standards of living for the American people, to guarantee our personal and collective freedom—in other words, to win the peace—I invite American industry to join hands with American labor in lasting unity, friendship, and cooperation."

Public National Attractive

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

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)

BOSTON, MASS.—**Genevieve S. Dickey** has joined the staff of **Arthur Perry & Co., Inc.,** 31 Milk Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Henry C. Pierce** is with **F. L. Putnam & Co.,** 77 Franklin Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Joseph M. Batchelder** is with **Vance, Sanders & Co.,** 111 Devonshire Street.

(Special to The Financial Chronicle)

CINCINNATI, O.—**William A. Brown** has become connected with **J. S. Bache & Co.,** Dixie Terminal Building. Mr. Brown was with W. L. Lyons & Co. and Dominick & Dominick in the past.

(Special to The Financial Chronicle)

CLEVELAND, O.—**Robert A. Baker** has been added to the staff of **Hayden, Miller & Co.,** Union Commerce Building.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Patricia B. Hodgins** and **W. Wesley Radcliffe** are connected with **Buckley Brothers,** 530 West Sixth Street.

(Special to The Financial Chronicle)

GREENSBORO, N. C.—**Donald C. Rector** of Mt. Airy is with **Oscar Burnett & Co.,** Southeastern Bldg.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**James Wallace,** previously with Protected Investors America, is now with **Bateman, Eichler & Co.,** 453 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Ruth W. Thompson** is with **Fewel & Co.,** 453 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Lee H. Wood** has become associated with **Harbison & Gregory,** 210 West Seventh Street. Mr. Wood was previously with the local office of J. A. Hogle & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Joseph Sattler** has rejoined **Pledger & Co., Inc.,** 639 South Spring Street. Mr. Sattler was recently with Oscar F. Craft & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**David Mannick** has become affiliated with **Sutro & Co.,** Van Nuys Building. Mr. Mannick was formerly with Protected Investors of America, Conrad, Bruce & Co. and Merrill Lynch, Pierce, Fenner & Beane.

(Special to The Financial Chronicle)

MANITOWOC, WIS.—**Edward J. Mau** is with **First Securities Co.,** Eighth & York Streets.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**R. Earl Smythe** has been added to the staff of **Geo. H. Grant & Co.,** Central Bank Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**O. A. Lindstrom** has become associated with **Bankamerica Company,** 300 Montgomery Street. Mr. Lindstrom was formerly with Franklin Wulff & Co.

(Special to The Financial Chronicle)

WORCESTER, MASS.—**Bernard W. Lubin** has joined the staff of **H. L. Robbins & Co., Inc.,** 390 Main Street.

A Platform For America

(Continued from page 2032)

daily headlines — "Confusion in Draft" — "Confusion in Foreign Policies" — "Confusion in Taxes" — "Truman Committee Reports Confusion in War," etc., then we think back a few years to similar headlines: "Confusion in Relief" — "Confusion in Recovery Policies", etc., we are forced to the conclusion that something is basically wrong in the Executive branch of our Government. I am not discussing the intrinsic merit of the New Deal policies of the past eleven years. I am simply pointing out that you can scarcely remember one that has not needed clarification and the clarification has needed clarification and so on ad infinitum.

The same thing is true in our foreign policy. I believe the American people are not adverse to taking a full responsible part in world affairs, but if we are going to avoid the fumbling of the past, we must make a new start in mobilizing public opinion on a more sound base than it is now.

Every unbiased observant citizen knows that a lack of information and clear direction—the failure of Franklin Roosevelt to enlighten his countrymen concerning his plans—the failure to clarify the differences between his general pronouncements and his actual performance — the failure to crystallize, in terms more comprehensive than unconditional surrender of our enemies, our aims in this war, have all confused and disappointed our citizens.

Then also, there must be in America no East nor West in assuming that intelligence and patriotism in foreign affairs is a matter of geography. That adds to the confusion not only at home but abroad. There must be an end to the hallelujah yammering that gives the impression that Europe and the rest of the world is to come first—and America last.

There must be an end to the policy which deliberately conceals from the American people the political conditions existing in the world.

We must face the fact that both Churchill and Stalin are pursuing an independent course to protect their national interest. I do not know whether from the start the British and Russian Governments have been unwilling to make the concessions necessary for permanent collective security, or whether there has been a real change in direction as a result of the President's failure to formulate a practical clear and stable foreign policy. The fact that the President, the Secretary of State and the Secretary of the Interior take turns in making and altering our foreign policy, must have affected the attitude of our Allies towards post-war settlements. They cannot rely on our leadership in that respect, any more than we can.

No matter who is to blame, we must immediately make a fresh start in the attempt to forge lasting bonds of amity with all peoples. The lack of a better informed public opinion here of political conditions in the world, increases the danger of misunderstandings. The American people have no desire to return to the old order of things, in either the domestic or foreign field. But enduring peace depends on the stability of its foundation, and that requires a broader base than the closely guarded secret conferences of three men.

The fundamental need for building step by step the vital cooperative attitude among the United Nations—for building the vital public opinion to back up that cooperation—is a task which a United Nations World Council can best solve.

The first step to tackle is the relief of economic friction. If we cannot work out sound economic collaborations, what hope is there of working out enduring political collaborations?

No territorial redistribution of the world can equalize opportunities for all nations. But we can make the differences less irritating and burdensome by facilitating international trade. That not only means lower tariffs, but also it means that as soon as possible all governments abandon artificial control of currencies and exchange, quota restrictions, and "imperial preference." The Johnson Act, restricting the financing of foreign loans in the country, should be repealed, in name, as it has been repealed in fact by lease-lend.

Each nation must be encouraged to reorganize gradually and painfully on a sound financial basis, rather than lean upon a world monetary organization for support. It is time the statesmen of the world, including America, take seriously, once more the prudent care of national finance.

I reject the New Deal theory that an unbalanced budget and a spendthrift psychology is a national asset. It threatens all the social gains of generations. I view a permanently unbalanced budget as a national menace and we should strive by economy and efficiency, its earliest possible balancing.

Just as territorial redivision after every war is a menace to enduring peace, so are government sponsored cartels, monopolies, tariff and trade barriers and "blocked" exchange. We cannot have a high level of employment unless there is by and large, world economic stability. Furthermore, I believe dictatorships in the world will fade with the rise of true prosperity.

We can make our currency the soundest in the world. We have the largest and most modern merchant marine. We have the most efficient mass-production system. I believe it is to the interest of America to unite with other nations in a spirit of mutual concessions and mutual responsibility in removing economic frictions.

Our position as the world's leading creditor nation—the world's leading manufacturing nation — the world's leading merchant marine nation, makes it imperative that we change our tariff policies.

I believe that our reconstruction and world reconstruction requires a more liberal tariff policy on our part. Our present tariff and world credit financing policy means a closed system and progressive delay. No system of extravagant spending on public works will bring the prosperity that the waiting markets of the world will bring.

I believe that this is the only way we can enjoy solid prosperity, and I believe it is a necessary contribution to social and economic relations between people upon which peace is ultimately based.

I believe the peace and happiness of our country is linked with the happiness and prosperity of all countries.

Of course it is folly to ignore the political and spiritual forces indigenous to every country. I fear an attempt to reform the world on the basis of the good old American tradition, "There ought to be a law," and then thinking everything is "Jake." There is too much talk about coercive principles without considering the removal of evils which precipitated the war. The aggressor nations, in past history, have not always been the same ones.

Here in America good citizens are devoting themselves to the cause and removal of racial tensions. They are not content simply to rely on a police force to suppress them. Haven't we the same situation in the world?

Peace can best be maintained over the years if we frankly recognize now that its base rests on justice, humanity and Christian fellowship for all races—yellow, black, brown, as well as white. I am more concerned at this moment with keeping the base on the proper level than in the forms and blueprints.

I believe in a committee of nations on which smaller countries are represented to guide mandated territories of hitherto subjugated people until they are capable of achieving political autonomy.

The courage and fighting ability of our incomparable soldiers and sailors stirs the depth of our emotions. But in recognition of their sacrifices, our government must decide whether this war is a conflict of principles or whether it is just a grab for world dominion.

We should have had long ago, the long promised report from the President, on his conferences, conversations and agreements with Stalin and Churchill. There is a marked difference between Woodrow Wilson's public diplomatic exchanges and the personal secrecy of Mr. Roosevelt. Wilson led in public debates formulating American public opinion, but we do not know under Mr. Roosevelt, whether as a result of his conferences, we are headed in the direction of a super international State—a league of nations—a federation of nations—a world court —or a balance of power alliance between Russia, Britain and America—with the world divided into three spheres of influence, or a direction not yet made known.

We do not ask for perfection because we know that shaping the post-war policies depends on others as well as ourselves.

We do ask to know what is the best the President has been able to obtain in a definite line of policies in order that this war may build up peace and happiness for America.

Domestic issues and international issues are not separate and distinct from one another. They are in fact similar, and are determined one by the other. We must seek economic peace and harmony abroad and at home. We scarcely can expect to have much influence on such conditions in the world's sphere, if we cannot set our own house in order.

The Nation's Chief Executive must have respect for his own branch of Government as well as an equal respect for the legislative branch, with the realization that the two must work together to accomplish the best results. The history of Mr. Roosevelt's relations with business, labor, agriculture and Congress is one of intermittent wrangling and uneasy truce, but with no permanent peace.

Plainly we cannot continue that way with the President's chip-on-the-shoulder attitude. Far reaching issues can only be solved by an Executive and Congress who bring to the task mutual good will and a common determination to treat the American economy as an indivisible unit. Unity of labor has been deliberately upset by White House politics. The whole country has suffered from such maneuverings.

We are all inter-dependent and no group can suffer a disadvantage without the others suffering also. All should have a voice in post-war planning. We fought a Civil War to establish political unity in this nation. How much more grief will we have to undergo before we understand how indispensable is its economic harmony.

Any program for America's progress calls for a scientific revision of our antiquated tax structure. It has been patched so many times that no one knows for sure how to interpret it. A whole new tax law should be written from the ground up. That, of course, is a monumental task. It should be aimed at adequate revenues — ability to pay—increased encouragement for venture capital and the fair distribution of excessive wealth and concentrated economic power—so as to maintain the balanced economy without which all talk of the free enterprise system is meaningless. We must keep open the doors of opportunity for every individual. That is particularly vital with ten million soldiers returning to take up their rightful places in the Nation's business life. The benefits of technological progress as well as production efficiency, must promptly be passed to the consumer and wage earner.

Good government calls for a prompt and thorough revision of our antiquated pension acts. The present laws very seriously need codification so that the veterans and the Administration as well, can be sure what the law is and can give the veterans and the Government both a fair deal. Like the tax laws, there are so many rules, regulations and interpretations of them in our pension acts, that no one can be sure that justice will be done the Nation's service men and women.

I favor repeal by the Congress as soon as the war is over, of all acts delegating emergency powers to the President.

I favor the election of a President this fall who will use these great emergency powers with discernment and according to the plain intent of the Congress.

Republicans and Anti-New-Deal Democrats march under the banner of a Government conceived by and for Americans. We desperately need a President who will not attempt to eliminate the Congress from its historical and traditional place of responsibility as the New Deal has done.

To mention one vital matter out of many that illustrate the great, important and vital place the Congress plays in our lives: The average citizen would have been helpless against Washington bureaucratic inertia, arrogance and stupidity if he had not had repeated action by vigorous and intelligent and experienced members of the Congress.

We cannot hope to remove racial and religious conflict abroad and at the same time ignore its aspects at home. World recovery depends on helping other peoples to help themselves by increasing their productivity and thereby raising their standards of living. Our own recovery depends upon exactly the same thing and our ability to obtain the general cooperation of all groups and interests in that objective will be a pretty fair index of what we shall be able to achieve in the world community.

Again, I remind you that we must keep in mind that our international and domestic policies cannot be separated. Only the unthinking will vote for a candidate simply on the claim that he has a "strong" foreign record. A man can't be a "statesman" abroad and a failure at home and be of much use in the period ahead, either to America or to the world.

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.

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.

Municipal News & Notes

The Texas Supreme Court decision of May 10, in the Jefferson County litigation should resolve any tears entertained by holders of Texas municipal bonds regarding the court's attitude toward their fundamental rights as creditors and its intention to fully protect the status of their investments. The ruling in question resulted from the refusal of the State Attorney General to approve refunding bonds proposed to be issued by the county and Road District No. 1 in order to redeem, in advance of stated maturity dates, certain outstanding obligations.

The county move was taken in light of the court's earlier ruling in the famed Cochran County case and the basis of its contention that the bonds in question were subject to optional redemption prompted widespread interest in the outcome of the proceedings.

The Attorney General had rejected the applications "on the ground that the outstanding bonds to be refunded are now owned by third parties and are not redeemable at this time." The State's highest court upheld the Attorney General and disposed of all four applications in a single decision, written by Chief Justice James P. Alexander.

The effect of the decision is to eliminate much of the apprehension that has prevailed in investment and some legal quarters as to the scope and possible application of the court's decision in the Cochran County case. In this instance, the court held that certain Texas municipals were subject to prior redemption after 5 or 10 years from date of issuance, regardless of whether or not the issuer had specifically reserved the right to prior redemption at the time of issuance and sale. The county contended that such option was provided for in the case of bonds issued pursuant to Chapter 1 of Title 18 of Revised Statutes of 1911 (Article 611), which was subsequently brought forward as Article 720 of Chapter 2, Title 22, in the recodification of 1925.

In ruling in favor of Cochran County, the court held that the optional provision contained in the statutes was "read into and made a part of the contract." In effect the court maintained that the bondholder is charged with knowledge of the law and is subject to its provisions, even though the bond issue itself was wholly devoid of any evidence or indication that the securities were subject to prior redemption. The decision was referred to by one Texas dealer, in a recent communication, as "legally evitable."

However, in the recent Jefferson County decision, the court clearly restricted the application of its ruling in the Cochran County case to bonds specifically authorized and issued pursuant to the provisions of the above-mentioned statutes. It makes clear its intention not to countenance any attempts of local units to employ that decision as a vehicle to call and redeem outstanding bonds which do not definitely come within its provisions.

Of particular significance in the instant case is the language employed by the court in denying the county's application to call and refund the $125,000 bonds of Road District No. 1. In its petition, the county referred to the provisions of Article 752X, Vernon's Anno. Siv. Stats. (Acts of 1929), empowering counties to refund road bonds "... issued for and on behalf of a political subdivision or defined district or consolidated district in such county."

In this regard the court stated as follows:

"That Article does authorize Commissioners' Courts to refund any road bonds previously issued, or that may be thereafter issued, by any road district. But the only reasonable construction to be placed thereon is that it was intended to authorize the Commissioners' Court to issue refunding bonds for the Road District when the old bonds sought to be refunded were then redeemable, or when they could be redeemed with the consent of the owner thereof. If it was intended thereby to alter bonds previously issued and sold so as to make them redeemable contrary to their terms as construed in the light of the statutes as they existed at the time the bonds were issued and sold, and without the consent of the owner thereof, then the statute would be void as impairing the obligation of an existing contract. See Article I, Section 16, of the Constitution.

We think the only purpose of this Act was to make it clear that the Commissioners' Court was the proper authority to issue the refunding bonds for the Road District where the bonds sought to be refunded were otherwise redeemable."

Dealer Comments On Ruling

Apropos to the court's decision in the Jefferson County proceedings, H. H. Dewar of Dewar, Robertson & Pancoast of San Antonio, in a letter addressed to the "Chronicle" under date of May 11 said:

"We are enclosing a copy of the Supreme Court of Texas opinion just handed down in the test cases relating to the callability of certain Jefferson County Bonds. The tone and clarity of this decision should set at rest the fears that have been expressed in some quarters as to the attitude of Texas' highest court to bondholders. As we have said before, the consequences of the unfortunate but legally inevitable Cochran County decision were not as far reaching as some prophets of doom would have had us believe. The harm to Texas credit came more from these forebodings than from the effect of the decision itself, and even the consequences of this could have been greatly mitigated by a realistic attitude in the beginning.

"We are still, we hope, a government of laws and not of men. Bondholders, of all people, should believe thoroughly in this doctrine. It usually works for their protection. In the Cochran case it worked against them because of the unfortunate existence of a statute which had carelessly not been brought before the Court for interpretation (in the days when an adjudication of the question would not hurt). Does this mean that bondholders should lose confidence in the Texas Supreme Court? On the contrary, it should give them confidence in a Court which was upholding a government of laws. These are the sort of things that most of us feel can and should be said about Texas institutions."

Philadelphia Municipal And School District Finances And Debts Surveyed

The Citizens Committee on the Philadelphia Debt Structure has just released a summary of the analyses made of the financial operations and debt trends of the City and County of Philadelphia and the Philadelphia School District, respectively, during the years 1920-1943. The summary was prepared by Caspar W. B. Townsend, Esq., and reviews some of the highlights adduced by the separate analytical studies, copies of which may be obtained upon application to the Pennsylvania Economy League, 123 South Broad St., Philadelphia 9. The study pertaining to the city and county government was prepared by the League, and that covering the school district was compiled by the Bureau of Municipal Research of Philadelphia.

The summary draws a vivid word picture of the developments and trends in the financial operations and debt structures of the respective units and also refers to future prospects. Though acknowledging that the credit of the school district has shown marked improvement during recent years, the summary points to one bad feature with respect to its bonds, which "could possibly be cured by legislative action."

This is the fact that they are payable from a limited tax levy, thus making them ineligible for investment by trustees in New York and other neighboring States and otherwise limiting the market and price obtained by the district in the sale of its obligations.

The reason for this tax limitation is found in a decision of the Pennsylvania Supreme Court, which held that the Board of Public Education "being an appointive rather than an elected body, cannot be given the power of unlimited taxation." (Wilson, et ux vs. School District of Philadelphia, 328 Pa. 225 (1937).) However, the summary says, a statute could probably be amended so as to provide for payment of debt from unlimited taxes, with the result that "an obstacle which has always acted as a deterrent in the sale" of Philadelphia School District bonds would be immediately removed.

The district's gross bonded debt declined from the 1939 peak of $80,511,000 to $53,772,500 at the end of 1943. Net debt at Dec. 31 last year was $37,112,000 and on Oct. 31, 1943, school plant and equipment had a listed book value of approximately $130,000,000.

The credit rating of the City of Philadelphia has been "vastly improved," the summary observes, and in this connection notes that one standard credit service recently raised rating on the city's bonds from BAA to A. The largest single factor responsible for the improvement was the enactment of various measures which has made it possible for the city to maintain a balanced budget yearly since 1940. This is in sharp contrast with the situation which prevailed in preceding years back to 1929, during which period the "city accumulated a floating debt of staggering proportions." With the year-end deficit at the end of 1938 amounting to more than $32,500,000, which included arrears on sinking fund payments, the city decided to take "drastic measures" to correct the situation. While admittedly only a "stop-gap" measure, the $41,000,000 derived by the city from the sale of future revenues from the municipally-owned gas works made it possible to liquidate the accumulated floating debt, pay sums owing to sinking funds, and help balance the 1939 budget. It was then necessary for the city to obtain some additional source of revenue in order to balance revenues and expenditures in the future.

Accordingly, the City Council in 1940 levied the wage tax of 1½% (since reduced to 1%), which provided "the solution to the city's financial problems." Despite the loss of $4,200,000 in revenues from the gas works, the revenues obtained from the wage tax, coupled with real estate taxes and other income, "has enabled the city to take care of its current obligations promptly, maintain its sinking funds adequately and end each year, since 1940, with a surplus."

The city has greatly reduced both its gross and net debt burden during the past decade, with the result that the sum required from current revenues for debt service has been sharply lowered, the summary reveals. One of the principal reasons for the decline in funded debt is the fact that the city has not been able to incur any further general obligation indebtedness since 1933 due to absence of borrowing capacity. During that period, however, some debt was retired and substantial payments made to the sinking funds to meet future maturities.

As a consequence, the gross municipal debt, which reached a peak of more than $571,000,000 in 1934, had declined to slightly more than $476,500,000 at the close of 1943. Net debt is now about $337,500,000 and contrasts with the record high level of $445,410,000 which obtained at the end of 1932.

The city's debt position was greatly enhanced as a result of the refunding programs carried out in 1941 and 1942 by the Drexel-Lehman banking group. As a result of these operations, about $183,000,000 of bonds were refunded in advance of their callable date, with the new bonds to bear substantially lower interest rates after the call dates of the outstanding bonds for which they were exchanged. Another factor mentioned in the summary as benefiting the city's credit and debt position is the recent adoption of the practice of issuing serial bonds, as distinguished from term obligations. Continuance of this policy, it is said, will ultimately occasion elimination of sinking fund balances.

In that event, "an element in the city's financial policy which has been the cause of much discussion and considerable litigation may ultimately become unimportant."

The survey further says that "A far more conservative policy has prevailed in management of the sinking fund since 1940." The present Sinking Fund Commissioners, it is noted, "have placed a realistic valuation on sinking fund earnings, which valuation has been modified when occasion demanded." With regard to the refunding bonds issued under the "plans of 1941 and 1942," the operations of the appropriate sinking funds "should be largely automatic," since the city has the "option of calling the bonds without being required to call the entire issue or the entire series or maturity within such issue."

As for future borrowing operations, the summary states that the decision by Court of Common Pleas No. 7 of Philadelphia County on Feb. 25 last holding that the outstanding Frankfort Elevated Railway bonds are self-sustaining and deductible in determining borrowing capacity has served to lower the excess debt over borrowing capacity to approximately $1,500,000. However, the sinking funds hold about $10,500,000 par value of United States Government bonds which, under an earlier decision of the Pennsylvania Supreme Court, are not a proper deduction in arriving at net debt.

Liquidation of these bonds or enactment of legislation (similar to that granted other Pennsylvania communities) permitting use of this asset as a credit against outstanding debt, would give the city an "unencumbered general borrowing capacity at the present time amounting to slightly more than $9,000,000," the summary declares.

The city has also taken necessary action to make the outstanding sewer debt self-supporting and exempt from the general debt limit. To this end, the City Council recently enacted a sewer rental ordinance to raise $6,000,000 annually to meet operating costs and debt service charges on existing debt and the $42,000,000 post-war sewage disposal project. To become effective, the ordinance must be tested in the courts and voters must approve the use of borrowed funds for completion of the municipal sewage disposal system.

In concluding its review of the city's finances, the summary admonishes that current period of "full employment and high wages will not last forever . . . and urges that the city profit by its past experiences and guard against the heavy burden of long-term debt and the accumulation of deficits due to unrealistic estimates of revenues and expenditures."

Noting that the city has made "rapid strides in the 1940s toward putting its financial house in order," the summary adds: "May it continue to follow this course."

Kuhn, Loeb Group Marketing Industrial Rayon Issue

Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc., headed a syndicate of underwriters which made public offering May 17 of a new issue of 100,000 shares ($10,000,000) of $4.50 preferred stock, series A, of Industrial Rayon Corp., Cleveland, O., one of the oldest and largest rayon manufacturing establishments in the country. Other principal underwriters are Blyth & Co., Inc., Goldman, Sachs & Co., and Lehman Brothers.

The new stock is priced to the public at $99 per share. The proceeds, together with any necessary treasury funds, will be applied to the retirement of $10,000,000 promissory notes to banks, which notes were issued on Jan. 3, 1944 principally to finance in part a $14,000,000 expansion program authorized by the War Production Board and now being carried out at the corporation's several plants. This expansion program involves the installation of additional viscose making capacity and additional machinery for the production of tire yarn and for the manufacture of tire cord and fabric from such yarn.

The company is an important factor in the textile yarn field and the tire yarn development adds a large market not previously served. Both the Cleveland and Plainesville, Ohio, plants are equipped to make yarn by the company's continuous process. The Covington, Ky. plant produces yarn by the spool spinning process and has knitting equipment to make fabric out of a substantial portion of such yarn.

The corporation does not expect any substantial post-war reconversion problem.

After giving effect to this financing the corporation will have no funded debt. Net sales of the corporation and its wholly-owned subsidiary, Rayon Machinery Corp., in 1943 totaled $20,565,314, compared with pre-war net sales of $12,264,980 in 1939. Current assets as of Dec. 31, 1943, were $10,801,193, including cash of $2,144,712 and U. S. Government securities of $4,768,265, against current liabilities of $3,213,282.

Stewart J. Lee Co. Resumes Activity

Stewart J. Lee Company, securities dealers firm, which has been inactive for the past year, has again opened its offices at 60 Wall Street, New York City.

It will be recalled Stewart J. Lee Company received a sweeping decision in its favor last year when Judge James Alger Fee in the United States District Court offered findings rejecting the Securities and Exchange Commission's contentions in a dealer mark-up case.

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.

A Post-War Tax Program

(Continued from page 2049)

Carry-back, carry-forward probably will be continued as a permanent feature of our tax program. A single year does not provide accurate measurement of profits, especially for small companies. Revenue Act of 1942 allows losses to be carried back two years; if all losses then have not been offset, remainder may be carried forward two years. Result is a rough 5-year averaging. Same principle is being discussed for individuals as well. (Now applies to businesses, whether owned by corporations, individuals or partnerships.) Proposal just; but not feasible because of the enormous administrative machinery required.

Special Carry-forward for New Businesses: Businesses which have profited greatly during the war will enter the peace with what amounts to a huge carry-back reserve. New businesses, many to be started by returning soldiers, will lack this advantage. Heavy pioneering losses incurred would be offset if a new concern were allowed to carry-forward losses for 5 or 6 years. Another plan would make longer carry-forward universal, 6-year carry-forward and 3-year carry-back, or 5-year carry-forward and 2-year carry-back. British allow losses to be carried forward for 6 years.

To Reduce Cyclical Fluctuation: Depressions are partly the result of preceding booms. Two tax proposals to discourage excess of booms and depressions:

1. Reduce boom-stimulating inventory-speculation by disallowing carry-back and carry-forward for inventory losses.

2. Discourage purchase of capital goods during booms by tax concessions for their purchase during depression. Credits would be allowed to firms which spend depreciation reserves when their profits drop under 50% (or some other specified percentage) of preceding 5-year average. Most companies suffer set-backs in profits when general business is poor; so criterion, though individual, usually will designate depression years.

A non-political criterion, such as the above, is necessary. Depressions never end, even in the biggest booms, if politicians thereby must offend voting groups. Evidence: New York State Legislature has voted 14 one-year continuations of the depression-born moratorium upon mortgage foreclosures.

Depreciation Allowances: Investment in new equipment would be stimulated by doubling present depreciation allowances. Risks would be reduced if write-off could be completed during period when usefulness can be forecast.

Capital Stock Tax and Declared Value Excess Profits Tax are "guessing game" levies. They fall heaviest upon small businesses which often make only "salaries" for the owners. Profit fluctuations are especially violent for small concerns.

Incentive Taxes: Tax ideas discussed here, are in effect incentive taxes; all are sponsored by reputable economists. Many crack-pot schemes are also labeled "incentive taxes"; they have no chance of adoption. Among them: (1) Sliding scale tax reduction based on percentage above firm's alleged normal employment; (2) tax on money designed to increase its turnover; (3) tax on idle savings.

Individual Rates: Federal budget will require 20 billions a year. Taxes must be raised primarily on individual incomes if business is to be stimulated by the program herein described. Individual rates, although less than present rates, will have to stay well above 1939-40.

Inflation: If inflation becomes a serious post-war danger, high individual rates should be maintained as a deterrent. If the war should end soon after 1944 election, the Administration, new or old, will be less subject to political pressures; rates may stay high. But at the approach of the first post-war election, inflationary possibilities will be disregarded; both sides will promise tax reduction.

Debt Consideration: National debt should be reduced during early boom years when reduction would be most painless. When decline in business comes, individual rates will be immediately reduced.

Capital Gains and Losses: Capital gains tax is likely to be repealed except against professional speculators and dealers in securities. Investment in small industry will be encouraged if investor knows he can sell when the industry is established, without paying most of the profits to the government. Capital gains tax produces little revenue, tends to freeze capital, prevent turnover.

Investment Considerations: Interest, allowable as a deduction, has escaped the corporate tax. Until 1933, however, income received in dividends was exempt from normal individual income tax, so tax considerations were not paramount when corporations had to choose between financing by bonds or by stocks.

Now, however, corporations have a strong tax inducement to finance by what is usually unsound: debt creation.

Equity financing would be encouraged by allowing lower individual rates on income from equity from mortgage investments. Expansion would be stimulated if preference were limited to new equity issues.

Constitutional Amendments: 1. Senator Tydings has proposed an amendment prohibiting Congress from appropriating more moneys than is being collected in taxes, except by 60% vote of each House of Congress. No current indications that Congress will propose it to the states.

2. Fourteen state legislatures have petitioned Congress to propose an amendment prohibiting the federal government from levying income taxes in excess of 25%, except in time of war. When 32 state legislatures approve petition, Congress must call constitutional convention. However, convention is not requird to act upon petitioned amendment; in fact, is free to revise entire Constitution. Convention's proposals must be ratified by three-fourths (36) of the states—either by action of state legislatures or by state conventions, whichever is designated by Congress.

"Twenty-five per cent limitation" movement is growing, actually may be petitioned by the required 32 (two-thirds) legislatures.

What would happen if an unlimited Constitutional Convention should meet tomorrow?

What likelihood is there that 36 states would ratify its proposals?

These are interesting questions for political speculation. Of course, proponents of the present 25% tax limitation amendment hope to persuade Congress itself to submit their amendment to the states.

Hugh D. Carter To Be Courts & Co. Partner

ATLANTA, GA.—Hugh D. Carter, Jr. will become a partner in Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, as of June 1. Mr. Carter has been associated with Courts & Co. for many years and is Syndicate Manager for the firm.

Asks A Bimetallic System At Ratio Of 14 To 1

George H. Watson Of The Great American Prospectors Association Asserts This Ratio Is Based On the Comparative Quantities Produced And Production Costs Of Gold And Silver.

In a statement contained in the May 5th issue of "Western Mineral Survey" of Salt Lake City, Utah, George H. Watson, scribe of the Great American Prospectors Association urged the universal adoption of bimetallism "because a strong monetary system, based on gold and silver at a fixed ratio, is of major importance to every person, not only in this country but in the entire world."

Geo. H. Watson

He ascribed the price collapse of silver in recent years to the following causes:

"1. The extra supply of huge stocks of silver derived from demonetized coin, a movement in which many countries have taken part. Secondly, the most derogatory moral effect caused not merely by this unprincipled action, but also by the uncertainty of more coming, perhaps, in the near future, or possible at a later date. There has been a huge black cloud overshadowing the silver market like the angel of death.

"The movement was initiated by Great Britain in 1920. At that time the British pound sterling had lost 20 to 25 per cent in value. The wounds caused by a most frightful war were still wide open. The Finance Minister had to hunt for means wherewith to balance the country's budget. It is reliably asserted that Mr. Winston Churchill, the then Chancellor of the Exchequer, in searching for funds wherewith to reduce his budgetary deficit, struck upon the idea of melting all of Great Britain's silver coinage (then 0.925 fine) and re-minting the same, but with a basic fineness of only 0.500. The measure is supposed to have netted him three million pounds. Large quantities of extra silver were then disposed of in 1921 and 1922, probably 90 million ounces. But the sale of further supplies from the same source continued from year to year, unheralded and uncontrolled. In 1929 alone about 10 million ounces were being supplied to an unwilling market.

"The example of England was promptly followed by Germany and Poland, which countries both struck new silver coins with a fineness of only 500-1000ths. Forced by the exigencies of the World War, Germany had been forced to liquidate almost all her silver stocks.

"France did likewise. In 1919 and 1920 France became a large seller of silver, a considerable portion of which, derived from melted 5-franc pieces was shipped to Shanghai. During her severe monetary troubles, extending until 1928, France abstained from minting silver franc pieces and other coins, but instead circulated in the country 1 and 2-franc pieces made from brass and aluminium. Meanwhile France has constantly been figuring as a seller of demonetized silver, thereby doing irreparable harm to the reputation of the white metal.

"The example of these countries was promptly followed by most of their neighbors, notably Belgium, Switzerland and Italy, all of which have figured as potential sellers of silver at most inopportune times.

"Fourteen ounces of silver to one ounce of gold is undoubtedly the proper ratio as it is based on the comparative quantity of production of these metals and comparative costs per ounce of production. This Bimetallism is the only sound currency and should be the basis of our money and should be adopted immediately for a period of at least 100 years.

"Thus is there hope of real confidence in our currency and our bonds.

"Time does not permit to present to you more than this very brief sketch. However I trust that the position in its deplorable simplicity has been made quite clear that the peoples of this great country of ours are expecting, yes insisting, that Congress adopt this Bimetallism without further delay, or any further world economic monetary conferences."

New Libby Issue Offered By Glore, Forgan & Co.

Glore, Forgan & Co. headed a banking syndicate which May 17 made public offering of a new issue of $7,500,000 of 1 to 3% serial debentures of Libby, McNeill & Libby. The debentures mature in $350,000 amounts from May 1, 1945, to May 1, 1958, with $2,600,000 due May 1, 1959, and are priced at par and accrued interest for all maturities. Coupon rates run from 1 to 3% according to maturity.

Net proceeds from the financing, along with other company funds, will be used to retire, before July 1 at 104, the outstanding first mortgage 15-year sinking fund 4% bonds due in 1955. On completion of the financing the company's capitalization will consist entirely of this issue of debentures and 3,627,985 shares of common stock outstanding of a total authorization of 4,000,000 shares. Thus, as a result of the financing, Libby eliminates its mortgage indebtedness with the substitution of the debenture issue, decreases its interest charges and extends the maturity of the loan from 1955 to 1959.

The company is one of the world's leading packers of food products, principally canned goods, and now operates 42 plants in the United States and territories and, through subsidiaries, two in Canada and one in England. It is understood to pack a greater variety of foods under one label than any other factor in the canning industry. During the past three years sales of canned meats, California fruits, vegetables, pickles, condiments and pineapples represented from approximately 76 to 81% of consolidated net sales of the company and its domestic and Canadian subsidiaries.

Net working capital increased about $10,500,000 between Feb. 25, 1939, and Feb. 26, 1944, when it totaled $32,500,000. As a result, the company has had to borrow but little from banks in recent years and then only small amounts for short periods of time.

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.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2030)

price, don't argue with it. Get out.

* * *

Servel is still between hay and grass (same as the market). It still flirts with the 18 price on top and shys away from the 17 figure on bottom. Action, as compared with the market, is slightly better but not enough to warrant holding for more than another week if it doesn't snap out of it. Last week, column suggested switching into National Gypsum, selling then at 9¾. Latter is building up for a move but is waiting for the market to allow it to get going. On downside, NG should hold 9. On upside, offerings are present 10 to 11.

* * *

Among the rails there are few stocks which show much of anything. There's a lot of talk around about how good they are but market action doesn't back it up. Only rail that acts fairly well is Great Northern Railway.

* * *

The utilities is another group about which big things were spoken of a few weeks ago. So far, none of these have materialized and the way group behaves doesn't show any signs of materializing for some time. Brooklyn Union Gas seems about the only utility to show signs of gumption. Stock runs higher than the group and if group could do anything Brooklyn Union should take the lead.

* * *

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.]

War And Post-War Position Of The Aircraft Industry

The aircraft industry illustrates perhaps more clearly than any other division of American business the tremendous economic dislocations caused by modern warfare, states the Guaranty Trust Co. of New York in discussing the war and post-war position of the aircraft industry in a recent issue of **The Guaranty Survey**, its monthly review of business and financial conditions in this country and abroad.

"From a comparatively small but rapidly growing branch of manufacture before the war," **The Survey** continues, "it has mushroomed into a giant among industrial giants, absorbed large sections of other industries, and assumed a position from which readjustment to peacetime conditions will be one of the most critical reconversion problems.

Magnitude of the Industry

"The war has made aircraft manufacturing the largest industry in the history of this or any other country. In four years the value of its annual production has expanded from $150 million to an estimated $20 billion, and the number of people it employs has increased from 70,000 to 2 million. With the supporting activities of essential services included, the employment total has been roughly estimated at 5 million. The industry today is more than five times as large as the automobile industry was in its year of greatest peacetime production. In making this comparison, it must of course be remembered not only that the automobile industry is producing much more than it ever did in times of peace but also that automobile producers are contributing greatly to the output of the aircraft industry itself.

"Under any conditions, the reconversion of an industry of such magnitude from wartime to peacetime operations would be a major task. In the aircraft industry, certain conditions exist that make the problem unique. The phenomenal rate of expansion during the war period is a reflection of the fact that the industry, despite its present enormous size, had no large established peacetime market. The pressure on production for the military market, moreover, has been so great that little time or attention has been available for post-war planning. The industry faces a future of which not even the broad outlines are clearly marked, and hence a reconversion problem that is perhaps more difficult to gauge than that of any other major American industry.

Outlook for Post-War Demand

"The magnitude of the reconversion problem clearly depends on the size of the post-war market for aircraft. It is generally agreed that the demand will be a great deal larger than any experienced before the war; but how great the difference may be, and how long and how rapidly the post-war growth may continue, are questions that only the future can answer. Authorities within the industry appear generally inclined to take a rather conservative view of the early post-war prospects and to deplore the extravagant predictions that have been made in some quarters concerning the probable growth of air transportation. Such forecasts, they believe, are based too largely on the obvious superiority of air transport in the matter of speed and take too little account of the even more vital question of cost, which is the decisive limiting factor in the outlook for the future development of civil aviation. Only where air transport can offer owners, passengers and shippers a fair balance between the advantages of greater speed and the higher cost of that speed can aircraft manufacturers anticipate large-scale demand.

"The post-war military demand is difficult to forecast, depending as it does on governmental policies here and abroad and on the future course of international relations. It is probably safe to assume that for some time at least the United States will maintain itself in a state of greater military preparedness, particularly as regards aircraft, than before the war. One estimate is that our peacetime air force will number 24,000 planes and will require replacements of 6,000 a year. At this level, the military demand at home would considerably exceed the total pre-war market and, together with the requirements of foreign nations lacking adequate aircraft industries of their own, would probably represent the largest single source of demand. Even this great increase in the production of military planes, however, would provide employment for only a small fraction of the industry's present capacity and labor force. The tremendous number of military aircraft that will be in the Government's possession at the close of the war will, moreover, tend to restrict the demand for new planes for some time thereafter.

"In the field of small aircraft for personal use, rapid development is likely, though not on such a scale as the more enthusiastic forecasts would suggest. Many obstacles remain to be surmounted before the demand from this source can place the industry on a basis at all comparable with that of automobile manufacture, for example. Even though production on a larger scale than in the past may result in important savings in initial costs, the relatively high costs of operation will remain a strong deterrent to the development of a mass market.

Passenger Transportation

"As for commercial aviation, the most promising opportunities for expansion in the visible future appear to lie in the field of passenger transportation. It is in this division of aviation that speed is most important relative to cost. When this prospective increase in volume of traffic is translated into numbers of planes required, it indicates a surprisingly small probable demand. Larger planes, higher speeds and improvements in operating methods, while reducing costs, tend also to limit the need for new aircraft. It would be theoretically possible, according to current estimates, to carry a traffic load equal to more than six times the 1940 volume of air traffic in the United States with less than double the number of transport planes in operation in that year.

"The question of cost is particularly crucial in connection with freight transportation, where the great bulk of the potential transport demand is to be found. Not only is cost, generally speaking, much more important than speed in connection with freight traffic, but the cost differential between air and surface transport for most types of cargo is still very wide. Present costs of operation, including overhead as well as direct flying costs, are fairly stable throughout the air transport industry at approximately 40 cents a ton-mile. This compares with rates of 14 to 15 cents for first-class railway express and average rates of less than 1 cent for both railway and ocean freight as a whole.

"In the express field, there seem to be opportunities where the advantages of speed may offset the cost differential. But the great bulk of freight will continue to be carried by land and water unless the cost of air transport can be reduced to a very much lower level than is now in prospect. Even in the transportation of perishable foodstuffs, in which air transport is often mentioned as having great potential value, its usefulness seems to be limited by the fact that not many foods can command prices high enough to absorb the cost of a long haul by air.

Surplus War Planes

"It is in connection with commercial air transport, freight and passenger, that surplus war planes may become a factor of major importance during the early post-war period. Not many combat planes, it appears, can be economically converted to civilian uses. But a very different situation will exist with respect to the huge numbers of transport planes that will be in the possession of the Government at the end of the war. Most of these planes will be included among surplus war supplies and will be readily convertible for peacetime transportation. The number and condition of such planes that will be available are highly uncertain, depending on the length of the war, the level of requirements in the later stages of the conflict, the number of planes destroyed and the degree of deterioration. One estimate is that by the end of 1945 there will be about 25,000 transport planes in serviceable condition. It seems safe to assume that the number will be measured in thousands, while the market, for some time at least, will be limited to hundreds.

"It is evident, therefore, that the problem of surplus disposal is one of vital importance to the aircraft industry. Surplus war planes may seriously reduce the demand for certain types of commercial aircraft for some time after the war unless the program of disposal is so regulated as to preserve a part of the market for manufacturers and unless the latter are permitted to do advance work in the designing of newer and more efficient types.

Reconversion a Difficult Problem

"It is difficult, on the whole, to foresee any early prospect of peacetime aircraft production and employment greatly exceeding 10% of the probable wartime peak. Even at that figure, the volume of the industry's output will be several times as large as it was before the war. The great bulk of the $3 billion in additional plant facilities built since the beginning of the war, however, will have to be scrapped or converted to other uses; and the vast majority of the workers will have to leave gainful employment or find other jobs. This represents a substantial share of the total reconversion and reemployment problem that will confront the nation at the end of the war.

"In order to meet the problems of reconversion in an orderly and constructive way, the industry must be allowed to maintain itself in a strong financial position and particularly to build up adequate amounts of working capital. Present methods of renegotiation, together with income and excess profits taxes, which are based on pre-war capital structures and earnings, leave the companies little opportunity to accumulate reserves for the period of drastic readjustment that must come at the end of the war. Tax and renegotiation policies should take this into account.

"In an appraisal of the future of this great industry, the astounding achievements of the two years since Pearl Harbor cannot be ignored. The production goals set by the President early in 1942 seemed extravagantly high; but they have been exceeded, new and higher goals set, and these in turn greatly surpassed by actual output. This has been done not at a time when skilled mechanics were abundant and readily available but, on the contrary, when it has been necessary to train workers, by the hundreds of thousands, who previously were totally unskilled in mechanical procedures. It is not too much to say that without these extraordinary accomplishments the war might have been lost by this time. Certainly the successes of our armed forces in the several theatres of war today are due in no small measure to the excellent quality and sufficient quantity of available airplanes.

"A generous share of the credit for the industry's brilliant war record must go to the aircraft engine builders for their remarkable technological improvements in the design and performance of motors and to the instrument and accessory companies for the development and improvement of the many amazing devices that have been so largely responsible for the superior performance of our aircraft.

"Such achievements have been made possible not only by almost incredible speed in the expansion of facilities and personnel but also by equally remarkable improvements in the technique of production. Management that has displayed the knowledge, ability, energy and skill to produce such results in wartime may be expected to find effective ways to solve the problems of the post-war period."

Senate Committee Approves Bill For Simplification Of Individual Income Tax

The bill to provide for the simplification of the individual income tax was informally approved on May 12 by the Senate Finance Committee, which on May 16 voted unanimous approval of the measure in formally reporting it on that day. Senator George, Chairman of the Committee, announced on May 16 that he would call up the bill in the Senate on Friday, May 19. Except for some technical amendments by the Senate Committee the bill is virtually in the form passed by the House on May 5; reference to the House action appeared in our issue of May 11, page 1941.

On May 12 advices to the New York "Times" from Washington stated that although the Committee had given considerable attention to a controversial provision affecting religious, educational and charitable contributions and others which would raise some individual taxes, Senator George stated that proposals to revise the bill did not come to a vote before approval was given to the legislation as it stood. The "Times" advices added:

Two other proposed amendments, he said, were ruled out of consideration after the Committee adopted a resolution to confine the bill strictly to simplification and to permit no basic changes in the Internal Revenue Code.

One of these, offered by Senator Robert A. Taft, Republican, of Ohio, was designed to amend present law so as to exempt from taxation pensions paid by employers regardless of whether their pension trusts were drawn upon a basis which made allowance for Federal old-age benefits. The 1942 Revenue Act has been interpreted by the Treasury to exclude from tax exemptions the payments of such employers.

The other proposed amendment put aside was that of Senator Pat McCarran, Democrat, of Nevada, to reduce the cabaret tax from 30% to 10%.

Senator George announced the appointment of a subcommittee to study the whole question of taxation as it affected pension trusts and to recommend changes to the Committee for inclusion in separate legislation. The subcommittee is composed of Senators Radcliffe of Maryland, Chairman; Bailey of North Carolina, and Byrd of Virginia, Democrats; Lafollette of Wisconsin, Progressive, and Taft and Thomas of Idaho, Republicans.

It was made known in press advices from Washington on May 16 that the Treasury Department has advised against any reduction at this time in the cabaret tax.

SEC May Define Trading "Vicinity" Of NY Curb

The Third U. S. Circuit Court of Appeals ruled on April 20 that the Securities and Exchange Commission had authority to define the trading "vicinity" of the New York Curb Exchange as it applied to a particular security, according to an Associated Press dispatch from Philadelphia on April 20, which also had the following to say about the ruling:

The National Association of Securities Dealers, Inc., had challenged the SEC's authority to define such a vicinity in connection with its grant of unlisted trading privileges to the 4% first mortgage bonds of the Kentucky Utilities Co.

The SEC denied the "vicinity" of the Curb on Kentucky 4s to be Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania and Ohio. The NASD contended that it should be limited to New York City, or to one hour's commuting distance of New York, or a territory enclosed by lines midway between New York and Philadelphia and New York and Boston.

In a unanimous opinion handed down by Judge John Biggs, Jr., the Court held that under the act of Congress, SEC has the power to define what constitutes the "vicinity" of the Curb on "sound reasoning," based upon trading activity and general distribution of a security, and with consideration for protection of the public.

S. J. Small, Jr., With Morgan & Company

LOS ANGELES, CALIF.—S. J. Small, Jr., has become associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, as manager of the investment department. Mr. Small was formerly vice-president of Bankamerica Company and manager of the Southern Division. Prior thereto he was an officer of Revel Miller & Co. His began his business career in 1922 with Merrill, Lynch & Co. in Chicago.

New York Stock Exchange Weekly Firm Changes

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

Transfer of Exchange membership of the late J. Thilman Hendrick to David S. Hendrick will be considered on May 25. Mr. Hendrick will continue as a partner in W. B. Hibbs & Co., New York City.

John J. Ahern, member of the Exchange, died on May 11.

Herbert T. McHenry With Salomon Bros. & Hutzler

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Herbert T. McHenry has become associated with Salomon Bros. & Hutzler, 231 South La Salle Street, Chicago, Ill., and will represent the firm here. Mr. McHenry in the past was manager of the municipal department for Banks, Huntley & Co., and prior thereto was with Gertler, Devlet & Co., and the Anglo-California National Bank of Los Angeles.

Calendar Of New Security Flotations

OFFERINGS

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%. Proceeds will be used to redeem on Aug. 1, 1944, at par, $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. Filed May 1, 1944 details in "Chronicle," May 11, 1944. Offered May 16 by First Boston Corp., Harriman Ripley & Co., Inc., Smith, Barney & Co., Dominion Securities Corp., A. E. Ames & Co., Inc., Wood, Gundy & Co., Inc. and McLeod, Young, Weir, Inc. Priced to yield from 3.10% to 3.90% according to maturity.

FLINTKOTE COMPANY has filed a registration statement for 237,902 shares of common stock, no par value. Stockholders of record May 2 were given right to subscribe for shares at $15 per share at rate of one new share for each three shares held. Rights expired 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. A total of 227,184 shares was subscribed for by stockholders, the balance, 10,718 shares was placed privately by the above underwriters.

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. Filed April 25, 1944. Details in "Chronicle," May 4. Offered May 16 at $21.75 per share by Goldman, Sachs & Co., Blyth & Co., Inc., Lehman Brothers and associates.

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. Filed April 28, 1944. Details in "Chronicle," May 4. Offered May 17, 1944 at $99 per share and dividends by Kuhn, Loeb & Co., Harriman Ripley & Co., Inc. and associates.

LIBBY, McNEILL & LIBBY has filed a registration statement for $7,500,000 serial debentures, due May 1, 1945-1959. Net proceeds from sale of debentures, with other funds of the company, are to be applied to the redemption on or before July 1, 1944, at 104 and interest to the date of redemption, of $8,172,000 first mortgage 15-year sinking fund 4% bonds, due Jan. 1, 1955. Filed May 4, 1944. Amendment filed gives interest rates ranging from 1% for 1945 maturities to 3% for 1959 maturities. Offered May 17 at 100 and interest for each maturity by Glore, Forgan & Co. and associates.

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. Filed April 25, 1944. Details in "Chronicle," May 4. Offered May 15 at $16.50 per share by Shields & Co., Hornblower & Weeks and associates.

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. Details in "Chronicle," April 27, 1944.

Securities awarded May 15 to The First Boston Corp. and associates the bonds as 3s and the preferred shares as 4% series. Offered May 17 the bonds at 104⅝ and interest and the preferred stock at $101.50 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.

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 approximately 29,788 shares of 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). Company is offering to holders of 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. Principal underwriters Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. Filed April 29, 1944. Details in "Chronicle," May 11, 1944.

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. 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 first mortgage gold bonds, 6% series due 1951, at 102 and interest. The bonds are to be offered for sale under the competitive bidding requirements of the Securities and Exchange Rule U-50. Names of underwriters, interest rate and price to the public will be supplied by amendment. Filed May 3, 1944. Details in "Chronicle," May 11, 1944.

DODGE MANUFACTURING CORP. has filed a registration statement for $1,000,000 15-year 4% sinking fund debentures due May 1, 1959. 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 Co. of America, now a wholly-owned subsidiary. Of the balance a minimum of $500,000 will be used to repay, in part, bank loans and remainder will be added to working capital. Central Republic Co., Inc., Chicago, is named principal underwriter. Filed May 3, 1944. Details in "Chronicle," May 11, 1944.

SATURDAY, MAY 27

TRUSTEED FUNDS, INC., filed a registration statement for certificates for 1,042 Plan A and 1,042 Plan B and 250,000 theoretical units. The trust is known as Commonwealth Fund Indenture of Trust Plans A and B.

Address—89 Broad Street, Boston.

Underwriting—Trusteed Funds, Inc., is named sponsor.

Offering—Date of proposed public offering is effective date of the registration statement.

Proceeds—For investment.

Registration Statement No. 2-5369. Form C-1. (5-8-44).

TUESDAY, MAY 30

SYLVANIA ELECTRIC PRODUCTS, INC. has filed a registration statement for 150,526 shares of common stock, without par value.

Address—500 Fifth Avenue, New York City.

Business—Manufacture of electric incandescent lamps, radio tubes, and various electronic products.

Underwriting—Paine, Webber, Jackson & Curtis, 29,000 shares; White, Weld & Co., 12,200; Lee Higginson Corp., 12,200; Estabrook & Co., 8,000; Merrill Lynch, Pierce, Fenner & Beane, 8,000; Goldman, Sachs & Co., 6,000; Lehman Brothers, 6,000; Putnam & Co., 3,100; Graham, Parsons & Co., 2,400; Whiting, Weeks & Stubbs, Inc., 2,400; Brush, Slocumb & Co., 1,700; Yarnall & Co., 1,700; Minsch, Monell & Co., 1,700; Mackubin, Legg & Co., 1,300; Stein Bros. & Boyce, 1,300; Herbert W. Schaefer & Co., 1,000; Van Alstyne, Noel & Co., 1,000 and Wyeth & Co., 1,000.

Offering—Of the 150,526 shares registered, 100,000 shares are to be offered to the public by underwriters, and 50,526 shares to be issued to stockholders of Colonial Radio Corp. Offering price to the public will be supplied by amendment. The shares of common stock to be issued to stockholders of Colonial Radio Corp. in part payment for stock of Colonial will be issued pursuant to an agreement between Sylvania and stockholders of Colonial under which Sylvania is acquiring all of the outstanding 64,000 shares of Class A common stock, all of the outstanding 256,000 shares of Class B common stock and 41,603 shares (97% of the outstanding 42,715 shares) of Class C common stock of Colonial, at the price of $8.96 per share of each of said three classes. This results in a total purchase price of $3,239,962, which will be paid partly by the issuance of 50,526 shares of Sylvania common and the balance in cash from funds of the company.

Proceeds—Will be used as additional working capital.

Registration Statement No. 2-5370. Form S-1. (5-11-44).

BURRY BISCUIT CORPORATION has filed a registration statement for 200,000 shares of common stock, par value 12½ cents.

Address—925 Newark Avenue, Elizabeth, N. J.

Business—Manufactures and sells baked foods and food products.

Underwriting—Van Alstyne, Noel & Co. and Carlton M. Higbie Corporation are named representatives of the underwriters.

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

Proceeds—Proceeds will be used to augment working capital and for other corporate purposes.

Registration Statement No. 2-5371. Form S-1. (5-11-44).

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.

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.

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. Company on May 12 filed an amendment with the SEC proposing invitation of competitive bidding on the stock under rule U-50.

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.

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.

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.

WEST PENN POWER CO. has filed a registration statement for $12,500,000 first mortgage bonds, series L, 3% due May 1, 1974. Price to the public will be filed by amendment. Bonds are to be sold pursuant to the competitive bidding requirements of the SEC's Rule U-50. Net proceeds, together with such additional funds as may be required, are to be used for the redemption of the outstanding $12,500,000 first mortgage gold bonds, series E, 5% on Sept. 1, 1944, at 105 and accrued interest. Filed April 28, 1944. Details in "Chronicle," May 11, 1944.

Bids for purchase of the bonds will be received by company at room 901, 50 Broad St., New York 4, N. Y. up to 12 noon EWT on May 23.

Situations Interesting In Conn. Companies

Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange, have prepared memoranda on Acme Wire Co.; Veeder-Root, Inc.; Scovill Mfg. Co.; Arrow-Hart & Hegeman Electric Co.; Landers, Frary & Clark, and United Illuminating Co., Connecticut situations which appear attractive at current levels. Copies of these memoranda may be had from Chas. W. Scranton & Co. upon request.

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.

Final Accounting Of Bank Of United States Approved By Court

A motion by Elliott V. Bell, Superintendent of Banks of the State of New York in charge of The Bank of United States in liquidation, for an order approving a final accounting of the bank's affairs, covering the period from Oct. 1, 1942, to April 30, 1944, and virtually ending the career of that institution, was consented to on May 12 by Supreme Court Justice John E. McGeehan, according to the New York "Times" of May 13, in which it was further stated:

The papers disclose that on Dec. 11, 1930, Joseph A. Broderick, then State Superintendent of Banks, took over the Bank of United States main office at 535 Fifth Avenue and its 59 branches throughout the city, with 413,000 depositors accounts.

The accounting discloses that $161,300,000 was realized from the bank's assets and that $159,600,000 had been distributed thus far among depositors and creditors and that there remains on hand $1,520,000.

The inventory discloses that with the payment of the ninth and final dividend of 1⅛% the depositors will have received 76⅛% of their money. The final dividend calls for the distribution of $1,475,000.

The papers show that 45% of the depositors have failed to receive one or more of the dividends set aside for them.

The order authorizes Mr. Bell to take the necessary steps to wind up the affairs of the bank. It permits him to dispose of unclaimed personal property and to destroy stocks and bonds he is unable to sell or redeem, together with such books, records, documents and correspondence now in his possession.

Lauds Adv. Mediums Combating Inflation

Advertising has played an "exceptionally forceful" role in the home-front battle against inflation, President Roosevelt is quoted as saying in a letter released May 1 by the War Advertising Council, it was reported by the New York "Times" of that date, which stated:

"The President said that in the year elapsed since he signed the 'hold the line order' the cost-of-living index has declined.

"Praising efforts already contributed by the council, the President said that 'it will be necessary for us in the coming months to redouble our efforts to prevent the evils of inflation.'

"The Council is currently conducting an educational program to acquaint the people with what they can do as individuals to keep prices down. This program is carried in advertising space donated by more than 480 magazines with a circulation of 92,000,000 and is supplemented by a similar effort sponsored by life insurance companies in newspapers and farm journals with a circulation of 30,000,000, as well as other advertising mediums, including billboards and radio."

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.

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.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE, Jr.

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

The Government bond market ended another week with fluctuations practically non-existent, and undoubtedly it will continue in this vein until the conclusion of the Fifth War Loan. . . . Some "rounding out" purchases and sales were made by the banks with other institutional investors on the sidelines, waiting for the new bond drive, which gets under way early next month. . . .

While the commercial banks will participate to only a limited extent in the coming financing, they will nevertheless be important factors, as they have been in the other War Loans, even if only in an indirect way. . . . Sales of outstanding Governments by individuals, corporations and other institutions to the commercial banks, in order to allow the former to subscribe to the new government securities, is where the banks play an important part in these drives. . . . While the Fifth War Loan, as were the others, will be directed primarily at selling Government bonds to individuals and institutions other than the commercial banks, the latter will be indirectly important factors in that they will supply some of the funds to be used by individuals and institutions to purchase the new Government securities. . . . To the extent that the commercial banks are buyers of the presently outstanding Government obligations sold by ultimate investors, there will be an increase in deposits. . . . However, this deposit increase will not be as substantial as would be evidenced if the commercial banks were allowed to participate directly in these drives. . . . Likewise, the banks are able to obtain desirable maturities of Government securities and, at the same time, lend support to the market for outstanding Government obligations. . . .

POST-WAR INTEREST RATES

Money-market conditions will not undergo any material changes during the war. . . . There is however a good possibility that the volume of deposits may increase at a slower rate in 1944 than in 1943. . . . Partly is this due to the fact that a serious effort is being made to finance the deficit of the Government through the sale of obligations to ultimate investors other than commercial banks, and partly because it is possible that the Federal deficit may be smaller this year than last year. . . . Interest rates during the war are not likely to undergo any changes. . . . The pattern of war financing has been set and the Government will continue to offer securities ranging from 3/8 of 1% on Treasury bills to 2½% on long-term obligations. . . . The real problems will arise when hostilities cease, and the most important of these appears to be the future trend of interest rates. . . .

(1) The trend of interest rates must be predicated upon the assumption that commodity prices will not rise sharply, because if commodity prices increase sharply it will have a serious effect on interest rates. . . . Likewise any prediction of interest rates beyond five years appears to be unwise. . . . However, with these two assumptions, one can get a fairly accurate idea about the trend of interest rates by studying the needs of the Treasury, which exercise a powerful influence on the credit policies of the monetary authorities. . . . At the end of the war, the Government probably will have a debt of between \$250 and \$300 billion; with a debt service of between \$5 and \$6 billion per annum. . . . Likewise, the Government will be confronted with high expenditures for national defense and returning veterans. . . . This would seem to indicate Federal expenditures of between \$15 and \$20 billions annually. . . . Accordingly, it seems as though it will not be to the interest of the Treasury to convert outstanding maturing obligations into others bearing a higher rate of interest. . . .

(2) The powers of the monetary authorities over the money market are so great and have been exercised for so long a time that an abrupt ending of them, to allow interest rates to seek their own levels regardless of what administration may be in power, is not indicated in the immediate post-war period. . . . The available powers of the authorities to inject demand either directly or indirectly into the market are:

POWERS OF THE PRESIDENT

He may instruct the Secretary of the Treasury to issue \$3 billions of Government securities to the Federal Reserve Banks. . . . This law—the Thomas amendment—also permits the Treasury to issue up to \$3 billions of greenbacks, United States Notes, for the purpose of retiring or purchasing Government obligations. . . .

POWERS OF THE TREASURY

(a) To disburse funds equivalent to the \$1,800,000,000 held in the Stabilization Fund
(b) To desterilize the free gold held in the general fund
(c) To issue additional silver certificates against the inactive silver holdings
(d) To buy silver until a 3-to-1 ratio to gold is reached, and to issue silver certificates against these purchases
(e) To shift its balances from commercial banks to the Federal Reserve Banks, and to manage War Loan Account

POWERS OF THE FEDERAL RESERVE SYSTEM

(a) To lower Reserve requirements against deposits
(b) To carry out open market operations through the purchase and sale of U. S. Government securities and acceptances
(c) To purchase Government securities directly from the Treasury in an amount not in excess of \$5 billions
(d) To specify the portion of member-banks' assets which may consist of security loans and the margin of collateral on such loans
(e) To discount bills, acceptances and U. S. Government securities held by its members

There appears to be little doubt but that the powers available to the monetary authorities are sufficient to maintain money rates at whatever point is desired by the Government as long as the level of interest rates is one of our major economic considerations. . . . In the immediate post-war period, the monetary authorities will have to consider first the needs of the Treasury and the effect which its credit policies might have on the Government obligations and on the positions of the banks. . . . Therefore, it is reasonable to assume that less use will be made of quantative credit controls and that the monetary authorities will endeavor to influence the flow of credit and capital through qualitative controls. . . . This implies an effort to regulate the flow of credit into channels which are considered desirable and beneficial to the economy as a whole. . . .

(3) At the end of the war, the volume of deposits will be substantial and will continue to increase. . . . The return flow of currency from circulation will further broaden the credit base of the country. . . . If commodity prices remain at approximately their present level, then the supply of bank deposits will be more than sufficient to meet all the needs of industry and trade. . . The floating debt of the Government at the end of hostilities will be substantial, and its conversion into longer term obligations will take a considerable period of time. . . . The refunding into longer maturities will be more difficult since a large portion of the bills and certificates will be held by the banks and the latter will not be able to convert all or a large proportion of their short-term Government obligations into medium or long-term Government bonds. . . . The entire liquidity of the banks and of the money market in general today and in the immediate post-war period will rest to a large extent on short-term Government obligations.

Taking all these aforementioned factors into consideration and again bearing in mind the previously mentioned assumptions, no material change in interest rates is to be expected in the immediate post-war period.

Carl L. Barnes With Nelson Douglass Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Carl L. Barnes, member of the Los Angeles Stock Exchange, has become associated with Nelson Douglass & Co., 510 South Spring Street. Mr. Barnes was formerly an officer of Wyeth & Co., and prior thereto was a partner in Mason Bros., and in Barnes, MacDonald & Co.

C. F. Anderson Joins Gross, Van Court Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Clarence F. Anderson has become associated with Gross, Van Court & Co., 639 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Anderson was previously with O'Melveny-Wagenseller & Durst, and prior thereto was manager of the trading department of Searl-Merrick Co. and Banks Huntley & Co.

M. Ibers Will Manage Pledger Trading Dept.

LOS ANGELES, CALIF.—Pledger & Co., 639 South Spring St., members of the Los Angeles Stock Exchange, announce the association with them of M. C. Ibers Jr. as manager of the trading department. Mr. Ibers's association with the firm was previously reported in the "Financial Chronicle" of May 11.

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.

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