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In 3 Sections - Section 1

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Electronics And Television In The Post-War World

A pent-up demand for between 20,000,000 and 25,000,000 radio receiving sets will exist by the end of 1944, as compared with the industry's all-time high production of 13,000,000 units in 1941, it was estimated recently by Larry E. Gubb, Chairman of the Board of Directors of Philco Corporation, in an address on "Electronics and Television in the Post-War World" before the Bond Club of Philadelphia.

Larry E. Gubb

"Today the radio-electronics industry is turning out specialized types of war equipment at the rate of approximately $3.2 billions a year—a greater volume of output than that of the entire automobile industry in 1939," Mr. Gubb said.

(Continued on page 2168)

In This Issue

The Prospect For Post-War Air Cargo

By MELVIN D. MILLER*

Cargo Traffic Manager—American Airlines, Inc.

Airline Official Sees Airplane Diverting Large Portion Of Business From Present Carriers That They Have Retained Only Because Of Lack Of Faster Transportation. Looks For Further Reduction In Air Express Rates As Soon As Additional Equipment Can Be Had To Handle An Expanded Cargo Volume. Discusses Marked Changes He Envisages As Result Of Growth In Air Transport

Just a few weeks ago a group of men met one morning at a little town on the coast of North Carolina to commemorate the 40th anniversary of an event with effects as far-reaching as any since the dawn of history.

M. D. Miller

The North Carolina town was Kitty Hawk, and the event was man's first successful flight in a machine heavier than air.

That night, in our nation's capital, leaders of industry, of government, of finance and of transportation gathered together to pay tribute to the Wright Brothers, who had launched the first flight — and whose inventive genius gave the world the airplane that is the

*An address delivered by Mr. Miller before the New York Society of Security Analysts on May 17, 1944.

(Continued on page 2154)

Shortcomings Of United Nations' Proposed Stabilization Fund

By W. L. HEMINGWAY

President, Mercantile-Commerce Bank and Trust Company, St. Louis
Former President, American Bankers Association

Prominent Banker Holds Main Purpose Of Fund Can Be Accomplished By The Bank For International Settlements. Views Fund Merely A "Super Bank" Controlled By Borrowers And Would Entail Loss Of Nations' Economic Sovereignty. Scores Treasury's Neglect To Consult Bankers Regarding Proposed Plan For Stabilization Of Currencies

In the recent statement of the Secretary of the Treasury before committees of Congress he stated that the technical experts of the United Nations have agreed upon a set of basic principles for an International Monetary Fund and he announced the purposes and policies, which I shall discuss in turn as follows:

W. L. Hemingway

(1) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

(2) To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a

(Continued on page 2155)

Post-War Jobs

By JOHN THOM HOLDSWORTH*

Dean Emeritus, The University of Miami, Coral Gables, Florida; Member Of Executive Committee, Economists' National Committee On Monetary Policy

During the long depression and the period of pump priming and "reforms," too many of us seemed to forget the clear lessons of our rapid industrial development under free enterprise and competitive capitalism. Far too many of us had come to look to the Government as the main provider, dispenser and custodian of our economic well-being. But a little reflection and examination of our experience in the thirties should convince the most confused or skeptical that in a democracy such as we are privileged to live under Government should do none of these things. Government, democratic or socialistic, cannot of itself create any wealth, neither should it attempt to distribute what by the coordination of natural resources, labor and capital-management is created. In a democracy government is essentially a **political agency** set up and motivated to express the will of the people in matters affecting the general welfare. And unless the citizen is willing to surrender all his hard-earned rights and privileges, including the **fifth freedom**, free enterprise, into totalitarian or nationalistic-socialistic control he must see to it that his Government functions pri-

John T. Holdsworth

(Continued on page 2156)

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After The War—What?

By STUART CHASE*

Popular Writer On Economic Problems Paints A Picture Of "Pluses And Minuses" Of Post-War Employment—After Considering Plans For Achieving Full Employment, He Advocates Adoption Of A "Compensatory Economy," Under Which "Business Men Largely Own And Operate The Means Of Production, But Government Underwrites Full Employment"

A distinguished gentleman from Texas was asked what he wanted after the war. He thought a moment, and then said: "Free speech and groceries."


Stuart Chase

That is a pretty good four-word definition of democracy when you come to think about it; "Free speech and groceries" covers a lot of ground.

Free speech comes first, but people cannot eat freedom. The Bill of Rights was going strong in 1932, but 15 million Americans were out of work, and the sky was full of brokers and bankers who bailed out of high windows with no parachutes.

Groceries imply decent living standards for every one. Most Americans would not want to take the finest living standards handed out of a government warehouse, any more than they would want to live permanently in army barracks.

We want some freedom with our groceries, and a dependable supply of groceries with our freedom. Is this possible? I do not know why not.

*An extemporaneous address delivered by Mr. Chase before the Controllers Institute of America, St. Louis, Mo., on May 1, 1944.

(Continued on page 2158)

Can We Spend Ourselves Rich?

By JAMES L. WICK*

Editor Of Prentice-Hall's Washington "Newsletter" Presents Objections To Plans And Principles Announced By Stuart Chase, Alvin H. Hansen And Abba Lerner. Seven Separate Questions Presented And Analyzed.

Jay Franklin told me this story several years ago; the other day, Stuart Chase vouched for its accuracy.


James L. Wick

Soon after Mr. Roosevelt became President, Chase was to make a speech in Salt Lake City. A snowdrift near Ogden held up his train. Reaching the lecture hall, Chase heard a pinch-hitter telling what should be done to end the depression: the government should undertake a gigantic spending program to increase consumer purchasing power. Chase liked the presentation so well that he wired Rex Tugwell that the spending advocate was coming to Washington. Hearing the idea, Tugwell was entranced, took its proponent to the President whose reaction was to exclaim: "That's it! Just what the country needs!"

*An extemporaneous speech made by Mr. Wick before the Seventh Midwestern Conference of the Controllers Institute of America at St. Louis, Mo. on May 2, 1944. In this same speech Mr. Wick also spoke on post-war taxation and his remarks on this subject appeared in the May 18 issue of the "Chronicle" (page 2049).

(Continued on page 2150)

Holmes Trustee Of Emigrant Savings Bank

The Emigrant Industrial Savings Bank announces the election of William M. Holmes, President and General Manager of Bonwit Teller, Inc., as a member of its Board of Trustees. Mr. Holmes is a Director of the Fifth Avenue Association and has been active in the work of the American Red Cross, Greater New York Fund, Catholic Charities, and the National Jewish Hospital.


William M. Holmes

J. E. Dwyer Appointed Otis & Co. Officer

CHICAGO, ILL. — John E. Dwyer has become associated with Otis & Co., investment bankers with headquarters in Cleveland, as Vice-President, it is announced. Mr. Dwyer will be located in the company's Chicago office in the Field Building.

Mr. Dwyer, a trustee of the Inland Power & Light Corp. since November, 1940, has devoted most of his business career to the investment banking business, having been Vice-President of Pearsons-Taft Co. for many years. He was reorganization adviser to the United States District Court in the reorganization of the 208 South La Salle Street Building Corporation and served in a similar capacity in the reorganization of the Chicago and West Towns Railway. He is a director of the Pere Marquette Railway Company.

Newell Knight With Mercantile-Commerce

ST. LOUIS, MO. — William P. Sharpe, Vice-President of The Mercantile-Commerce Bank and Trust Company, Locust-Eighth-St. Charles, announces that Newell S. Knight has been appointed manager of the bank's bond department. Mr. Knight was formerly associated with Barcus, Kindred & Co. in Chicago, in charge of the trading department.

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SEC To Set Hearing Date On NASD 5% Rule

Before going to press last night we learned that Messrs. A. M. Metz and Edward A. Kole, attorneys for the Securities Dealers Committee, visited the offices of the Securities and Exchange Commission in Philadelphia by appointment to ascertain what action the Commission intended taking in connection with the formal petition filed by the Committee on May 2. This petition applied for the abrogation of the NASD 5% spread rule.

When interviewed, the attorneys for the Committee said they had conferred with James A. Treanor, Director, Trading and Exchange Division. They took the position that since the petition was filed more than 20 days ago the Commission has had ample time to act upon it.

Mr. Treanor gave assurances that the Commission would be advised of the views of counsel for the Committee.

There now seems every likelihood that an early date will be set for public hearings.

NASD Inquisition Is On Again

Questionnaire Rampage In Full Swing

In the current issue of the "NASD News," the National Association of Securities Dealers announces that its "examination program" got under way last month with the mailing of transaction schedules to over 600 members and that at intervals during the next several months the schedules will be mailed to other members until all have been covered.

Says the NASD News:

"The examination program this year will be conducted along the same lines as that carried out in 1943."

The implication is clear that this snooping plan is intended to be a yearly affair, with annual questionnaires.

FURTHER ON, IN AN ARTICLE ENTITLED "NASD DISCIPLINARY POWER, RIGHT TO EXAMINE MEMBERS UPHELD BY SEC," THE NATIONAL ASSOCIATION OF SECURITIES DEALERS REPORTS ON THE GLEASON CASE. SINCE THE SEC HAS A DEFINITE STAKE IN THAT ISSUE, WHY WOULDN'T IT BE SO UPHELD? CAN IT BE EXPECTED THAT THE SEC WILL IMPAIR THE EFFICIENCY OF ITS AUXILLIARY POLICEMAN? THESE BUDDIES FRATERNIZE IN THE SAME PRECINCT.

True, the SEC may, and from time to time does, examine the books of securities dealers. By upholding the "right" of NASD to go on "fishing expeditions," the SEC, as to a large segment of dealers throughout the country, is relieved

(Continued on page 2143)

Virgil Jordan Defends America's Business Record

President Of The Industrial Conference Board Condemns Efforts Of "Political Word-Changers, Academic Cake-Eaters And Public Opinion Poll-Catchers" To Change Industrial System—Holds Government Guarantee Of Economic Security Means Loss Of "Every Individual Freedom—No One Can Fix A National Income Figure Or Enforce A Statistical Standard For Employment."

In the opening of the 28th Annual Meeting of the National Industrial Conference Board at the Waldorf-Astoria Hotel, in New York City on May 18, Virgil Jordan, its President, expressed strong opposition to the new philosophies which condemn America's business past record and which would make radical changes in our economic and social structure to bring about full employment and a guarantee of economic security to everyone.

Dr. Virgil Jordan

The address made by Mr. Jordan, who presided at the meeting, follows in full:

In a broad sense it would be true to say that in all the 261 meetings of the Conference Board during the 28 years since it began its work before the last preceding World War we have been discussing one aspect or another of the opportunities and problems of employment, before, during, after and between wars. We talked about the same things a year ago, in this same place, under the imposing title of post-war reconstruction, and in the monthly meetings since we have examined one by one the more important elements in the enigma of post-war employment—inflation, cap-

(Continued on page 2148)

Post-War Outlook For Securities

By RAGNAR D. NAESS*

Investment Counselor Feels It Inadvisable To Count On Post-War National Income Exceeding $90 to $95 Billions—Lower Post-War Prices With Stocks Selling As High And Somewhat Higher Than Now Probable

My assignment is to talk about the "Post-War Outlook for Securities." "Securities" I take to mean common stocks and high-grade bonds with particular emphasis on common stocks. "Post-war" is more difficult to define. The transition from war to peace will be gradual and when all industry is again on a peace basis, many industries will already have been converted for some time.

Ragnar Naess

War will merge into peace. I take "post-war" to mean the period after conversion when industry will be stimulated abnormally by a large deferred demand for many products not now available. In this definition, I am making one important assumption — that a large part of this deferred demand will not be satisfied while we are still at war. It is possible that this

*An address made by Mr. Naess of Naess & Cummings before the Securities and Capital Markets Division of the N. Y. Chapter of the American Statistical Association on May 24, 1944, at the Hotel Sheraton, New York City.

(Continued on page 2145)

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Post-War Employment Opportunities And Problems

By DAVE BECK*

West Coast Labor Leader Sees Federal Fiscal Policies The Answer To Full Employment And Advocates Government Maintaining Our Gross National Income At 165 Billion Dollars By Altering Its Spending And Taxing Policies Every Three Months If Need Be To Make This An Accomplished Fact.

It has been estimated that the coming of peace and the return to conditions of 1939 will find from ten to twenty million individuals—former soldiers and displaced aircraft, shipbuilding, ordnance and other war workers—looking for employment. Whatever the number may be, it is certain that the problem of finding immediate and then permanent employment, for the returning servicemen and for the displaced war workers, will be the No. 1 problem of the nation.

Dave Beck

Only a few months ago a poll of management, conducted by "Fortune" magazine, disclosed that over 70% of our top flight business leaders felt that the end of the war will automatically bring a general boom, with full employment, and an expansion rather than a lessening of production. It is somewhat disheartening to find that businessmen are apparently as complacent about future conditions or as unmindful of the problem of maintaining full employment as this poll indicates might be the fact. I am therefore greatly encouraged to see that as highly a representative business group as is this Conference Board has undertaken a serious study of the problem at this its 28th Annual Meeting.

The subject of post-war employment opportunities and problems is, of course, an extremely broad and complex one, and no adequate treatment of it could possibly be made in the time permitted this evening. As a representative of labor, I offer suggestions with a deep and abiding appreciation of the very fundamental importance of job opportunities to the workers of this country.

It is a truism to assert that the workers' greatest need is full opportunity for employment; unfortunately, the full force of that truism is not always apparent or appreciated, even by workers themselves. For the worker it is not only a question of a loss of livelihood; it is a question of the irreparable loss of dignity and self-respect which comes from sustenance on the dole which, in the past, has been the principal answer of our society to the problem. From the union point of view, unemployment has, of course, a direct and inevitable ef-

(Continued on page 2162)

*An address delivered at the General Session of the 28th Annual Meeting of the National Industrial Conference Board at the Waldorf-Astoria Hotel on May 18, 1944.

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Baker Appoints Morrill Asst. Sales Manager

SAN FRANCISCO, CALIF.—Clifton W. Morrill, Manager of the trading department of H. R. Baker & Co., Russ Building, for the past two years, has been appointed Assistant Sales Manager of the firm.

Mr. Morrill, a graduate of Stanford University, has been identified with the investment business in San Francisco for the past 16 years. In his new position he will assist the supervision of sales activities of the firm in Northern and Central California. H. R. Baker & Co. have offices in 17 cities of California and Nevada.

N. Y. Trust Co. Interesting

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting bulletin discussing the current situation in New York Trust Co. Copies of this bulletin may be had from Laird, Bissell & Meeds upon request.

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R. W. Heward Partner In John G. Hopkins Co.

PHILADELPHIA, PA.—The investment firm of John G. Hopkins & Co., 123 South Broad Street, dealers in Pennsylvania tax-free securities and general market municipal bonds, announces that Richard W. Heward has been admitted to the firm as a general partner. Mr. Heward, who has been associated with Boenning & Co., Philadelphia, for a number of years, is a specialist in tax-free corporate bonds and stocks.

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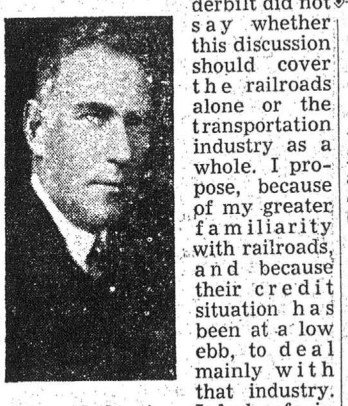
A National Policy To Attract Private Investment In Railroads

By HENRY S. STURGIS*
Vice-President, First National Bank, New York

Says Loss Of Investors' Confidence In Rails Not Due To Excessive Fixed Charges But To "Erosion Of Net Income" Due To Higher Ratio Of Operating Costs—Advocates Higher Rates, Better Wage Adjustments, And Adequate Provisions For Depreciation And Obsolescence—Suggests "Regional Monopolies" System For Railroads

The subject I have been asked to discuss is the national policy which must be adopted in order to attract private capital. Dean Vanderbilt did not say whether this discussion should cover the railroads alone or the transportation industry as a whole. I propose, because of my greater familiarity with railroads, and because their credit situation has been at a low ebb, to deal mainly with that industry. I feel safe in doing so because, after all, the same credit principles which govern the railroads will apply to all members of the transportation industry.



Henry S. Sturgis

The question as to what the national policy must be to gain the desired result might be answered in one sentence. It must be a policy which will restore confidence in railroad earning power.

What, then, is necessary to re-establish that confidence?

False Economic Theory

Before proceeding with constructive suggestions to this end, it seems to me necessary that we accurately diagnose the cause of the loss of confidence. And in making our diagnosis it is essential to sweep aside one of those false theories by so many of which we have been led astray in the last several years.

It is probable that a very large percentage of the people of the country believe that the fundamental trouble with the railroads is too much debt and too large a burden of fixed interest charges.

*An address made by Mr. Sturgis before the Institute of Transportation at the Waldorf-Astoria Hotel, New York City on May 24, 1944.

(Continued on page 2160)

STANY Utility Forum To Be Held Today

The Security Traders Association of New York will hold a Utility Forum on Thursday, May 25, at 4:30 p.m. in the Board of Governors Room of the New York Curb Exchange.

Harry Arnold of Paine, Webber, Jackson & Curtis, will be chairman of this forum and will have as speaker Harold H. Young, utility analyst of Bear, Stearns & Co., who will discuss important facts in the utility industry which might affect security values.

Stern, Frank & Meyer To Be NYSE Members

LOS ANGELES, CAL.—Stern, Frank & Meyer, 325 West 8th Street, will become members of the New York Stock Exchange as of June 1, with the acquisition by Louis Meyer, Jr. of the Exchange membership of John T. Collins. Partners of the firm, which holds membership in the Los Angeles Stock Exchange, are Louis Meyer, Jr., Lawrence P. Frank, and Herman J. Stern.

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, and American Export Airlines.

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Equalization Of Government Subsidies To Transportation

By WILLIAM J. CUNNINGHAM*
Professor of Transportation, Graduate School of Business Administration, Harvard University

Transportation Expert Holds That Each Kind Of Carrier "Should Be Placed On Its Own Feet And Rise And Fall According To Its Own Economy and Fitness." Advocates Fair Charges For Commercial Use Of Highways, Waterways And Airways So That Each Agency "Would Pay Its Way, And Competitive Inequality Disappear."

Among the five forms of transportation—railroads, highways, waterways, airways and pipe lines—the pipe line is the only one that has not received subsidy from the State or Federal Government. In their early days of development many railroads were aided by substantial land grants. The motor carriers in earlier years paid little for the use of the public highways and even now, after a series of increases in gas taxes and registration fees, they are enjoying subsidy in some states where the collections from highway users are less than their fair share of the true cost of the highways. Water carriers on the improved inland waterways are subsidized because they pay nothing for the use of waterways made navigable and maintained by very heavy expenditures of public funds. Air carriers are subsidized by public expenditures in lighted airways, meteorological service, radio beams, and air fields. They are further subsidized in the payments for air mail. As an aid to the development of air transportation the Civil Aeronautics Act provides that the Civil Aeronautics Board shall set the air mail rates on a scale sufficiently high to offset any deficit from the transportation of passengers and air express.

Wm. J. Cunningham

The land grants to railroads were made during their early period of development. No such aid has been extended since 1871. These grants carried with them an obligation on the part of the favored railroads to transport government personnel and commodities at rates substantially lower than those paid by the general public. As a result the government, during the past 75 years, has saved in its transportation bill an amount much greater than the value of the land which the railroads received as an inducement to extend their lines. The railroads, like the pipe lines, own, maintain and pay taxes on their rights of way and are harmfully handicapped in competition with other forms of transportation, which

*An address made by Dr. Cunningham before the Institute of Transportation at the Waldorf-Astoria, New York City, May 23, 1944.

(Continued on page 2166)

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Thomas Price Joins Campbell, Phelps Co.

Thomas E. Price, formerly of Arrowsmith & Co., New York, is now associated with Campbell, Phelps & Co., Inc., 70 Pine Street, New York City. Arrowsmith & Co. will be inactive for the duration of the war. John E. Arrowsmith, a lieutenant in the Navy, has been on active duty in the Southwest Pacific for over a year.

W. E. Hutton Co. Opens Branch In Portland, Me.

PORTLAND, ME.—W. E. Hutton & Co., members of the New York Stock Exchange and other leading Exchanges, has opened an office here at 188 Middle Street. Edward L. Robinson, formerly in charge of Paul & Co., Inc.'s, local office, will be resident manager. Also joining W. E. Hutton & Co. in the Portland office is Robert G. Wade, previously with Frederick M. Swan & Co.

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Dick & Merle-Smith To Admit

Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, will admit Kate Fowler Merle-Smith to limited partnership in the firm as of June 1.

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Real Estate Securities

New York Majestic Interest Distribution Increased As Predicted

Six Months Earnings Through September Should Show Further Improvement

By JOHN WEST

In reporting on these 4% Non-Cumulative Income bonds with stock last October, we called attention to the fact that the rent roll had been increased through additional leases and predicted that larger interest distribution would be the result. Net profit for the six months period ended Mar. 31, 1944 amounted to $53,478.19, an increase of $24,786.25 over the $28,691.94 earned for the previous six months period. Interest is payable in multiples of ¼%, the amount distributable June 1, 1944, will be ½%, the unused portion of $15,596.50, being only $3,344.35 short of a ¼% multiple, will be carried forward into gross income for the succeeding six months period, which will have the benefit of the carryover and of about $20,000 seasonable reduced steam expense. These facts augur well for a larger interest distribution Dec. 1, 1944.

We still believe these securities are underpriced and for additional information in reference to them, we reprint part of the article which appeared in this column last October.

The property owned by the corporation has a frontage of approximately 204 feet on Central Park West, with depth of 177½ feet on 71st Street and 224 feet on 72nd Street. It is improved with a 30-story apartment building containing 1,403 rooms divided into 208 apartments in units of from two to 12 rooms. In addition, there are ten offices. The apartments are both simplex and duplex types. A special construction eliminates the usual corner columns or piers. This space, up to the 19th story, is used for glass-enclosed porches, which can be transformed in the summer into open terraces. In the upper stories the "set backs" are so planned that large terrace space is provided for all apartments located on these floors. All apartments have spacious galleries and ceilings of extra height. There is a large solarium on the roof open in summer and enclosed with vita glass in the winter. Entrances to the buildings are provided on all three streets.

Shortly after the reorganization, the bondholders in referendum vote approved the placing of a first mortgage loan upon the property in the amount of $2,500,000, which provided for the payment of a balance of $94,295.03 of reorganization expenses and a reserve of $50,000 for first mortgage charges and sufficient funds to distribute $230 in cash as a principal reduction of each $1,000 income bond, which now is outstanding in the principal amount of $770.

The original first mortgage placed upon the property in 1937 in the amount of $2,500,000 was held by the Mutual Life Insurance Co. and called for 4½% interest for the first five years, 4¾% for the next five years and for amortization payments of $50,000 per annum.

This mortgage was funded by a new loan from the Aetna Life Insurance Co. in August, 1940; this mortgage runs until Dec. 29, 1947, calls for 4% interest and annual amortization of $50,000. The corporation has accelerated amortization payments. The balance sheet as at March 31, 1944, shows $2,200,000 outstanding.

Provision is made in the trust indenture that the property may be sold, but for not less than $5,000,000 unless 40% in principal amount of bonds dissent thereto within 30 days after notice of such contemplated sale has been mailed to registered holders. In our opinion, the income bonds which carry 100% of the stock of the owning corporation are in a very excellent equity position.

AVAILABLE SECURITY ANALYST

Excellent background, including current experience in analyses and write up of underwritings, deals and general market issues, seeks a part time connection with ultimate permanent possibilities. Box L 24, Commercial & Financial Chronicle, 25 Spruce Street, New York 8, N. Y.

M. A. Hanna Company Makes Exchange Offer

The M. A. Hanna Co. has mailed to holders of its $5 preferred stock a prospectus offering to exchange $5 shares for shares of the newly-authorized issue of $4.25 preferred stock at the rate of one and one-twentieth new shares for each old share. Holders are asked to deposit their $5 shares for exchange with either Bankers Trust Co., New York, the National City Bank of Cleveland or American Trust Co., San Francisco. The exchange offer will remain open through May 31 unless all of the new shares are taken before then.

As but 100,000 new shares are to be issued, only a portion of the present 128,531 $5 shares can be accepted for exchange, and, as explained in the prospectus, exchanges will be accepted by the company in the order received. Upon declaring the plan of exchange operative 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 are Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc.

The Progress And Prospects Of Our Oil Industry

By JOHN A. BROWN*
President, Socony-Vacuum Oil Company, Inc.

Oil Executive Points To Favorable International Position Of American Oil Interests, Accomplished Without Government Participation. Warns U. S. Government Operation Of Foreign Fields Would "Raise Again Cry Of Yankee Imperialism And Would Gain Us Nothing." Sees American Oil Ample And No Hoarding Of Reserves Necessary Or Advisable.

Words express thoughts inexactly. We say "private industry" or "free private enterprise," but we know there is no complete freedom for our lives or business, and there is little privacy for modern corporate enterprise.

John A. Brown

Corporations exist by public approval through the laws of our States. Shares in their debts and their profits (when there are any) are owned by very large numbers of the general public in the form of bonds and stocks. The public, as a whole, through the tax laws (of which the Income Tax Law is but one) takes most of the corporate income remaining after payrolls, materials and administration costs are paid, and requires voluminous reports from management to public authorities.

The money finally distributed to creditors as interest and to stockholders as dividends is again in substantial degree taken for the public as a whole through the income tax. Much of it goes to mutual insurance companies, educational institutions, hospitals and socially valuable organizations.

Society pays an exceedingly low cost in net percentage of sales or capital investment to ownership or management of business enterprise. We are already collectivist to a large degree. A drift to full collectivism is sure to cost more. We would have limitless power over our lives and fortunes placed in the political sphere. We would have less production to distribute. We would all have far less freedom than we now enjoy, if indeed we could have any freedom whatever, and our mental and spiritual life would wither.

Therefore it is our duty to examine with anxious care all suggestions that the Government should take over some of the functions of business, or increase its control over it, or have a proprietary interest in it, or draw off too much of our substance by excessive taxation in peace time, thus crippling its ability to improve products, lower costs and expand to meet growing demand. The regulatory powers of Government have been vastly extended in recent years, and need to be re-examined to see whether some of these extensions promote or retard the welfare of the people. An improvement in the organization of American government could contribute greatly to national progress. We need a highly trained, competent and well-paid group of career civil servants working under sensible laws and holding their authority to the minimum required for the public welfare. With such a truly modern government, modern business could work in harmony, reaching new high levels of achievement.

Our petroleum industry started

*An address delivered by Mr. Brown before the Economic Club, Hotel Astor, New York City, May 9, 1944.

(Continued on page 2164)

N. Y. Security Analysts Elect Chas. Tatham

Charles Tatham, Jr. has been elected President of the New York Society of Security Analysts, Inc., succeeding Lucien O. Hooper, of W. E. Hutton & Co.

Charles Tatham, Jr.

Mr. Tatham was educated in Switzerland and Harvard College, beginning his first business experience with the Boston investment counsel firm of Loomis, Sayles & Co., Inc., in 1928. He subsequently worked as public utility security analyst for the Central Hanover Bank & Trust Co. and Standard Statistics, Inc. In 1934 he became associated with the firm of Institutional Utility Service, Inc., which furnishes a detailed operating and financial service covering public utility companies, and of which he is Vice-President. He became a member of the New York Society of Security Analysts shortly after its organization in 1937.

Other officers elected at the annual meeting of the Society include N. Leonard Jarvis, of Penington, Colket & Co., as Vice-President; Oscar M. Miller, of General American Investors Co., Inc., as Secretary; Lancaster M. Greene, of Lancaster & Norvin Greene, Inc., as Treasurer, and as members of the Executive Committee, Thatcher Jones, of Lehman Bros.; E. Ralph Sterling, of Merrill Lynch, Pierce, Fenner & Beane, and Wm. Hamilton Swartz, of Goodbody & Co.

It was announced at the annual meeting that the membership of the Society has reached a new high of 630 security analysts. The Society holds three luncheon forums each week, usually having as the principal speaker an executive of a major corporation.

At the regular luncheon meeting scheduled for May 26, the Society will hear Pierre R. Bretey, of Baker, Weeks & Harden, who will discuss recent reorganization developments in Soo Line, Western Pacific, North Western and Rock Island.

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 & Troster on written request.

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NASD Inquisition Is On Again

(Continued from page 2139)

of these examinations. The burden of preparing and submitting data is placed upon all NASD members. In this way there is assurance of group annual reports by indirection, for there is grave doubt whether the SEC could compel answers being made by the entire industry to such an inquisition. Such a practice is not equivalent to the right of visitation which the SEC possesses, and up to now no such effort has been attempted by it.

Your next reasonable question will be, "Do you mean to tell us that in some instances the NASD has greater powers than the SEC?"

Indeed we do. This is one of them and here is how it can be explained.

First, there is the erroneous claim, as we have frequently indicated, that the NASD is a voluntary association. The next step in this "logic" is that by applying for membership, one agrees pursuant to Section 4 of the by-laws to comply with the "certificate of incorporation, the by-laws, the rules and regulations of the corporation." Hence, if any of these empower the NASD to send out questionnaires, a member who fails to answer, violates his agreement. Neat, isn't it?

Emphasis on the Gleason case is no coincidence. It is directed towards whipping the membership into answering promptly in an effort to provide the Business Conduct Committees with material for disciplinary proceedings, all of which is made possible by the colorable claim of a voluntary membership.

In its current issue of the "NASD News," the National Association of Securities Dealers may have unwittingly pointed to a possible source of relief. Referring to an appeal from certain disciplinary proceedings, it indicated that the Department of Justice, as Intervenor, attacked the legality of the Maloney Act, the foundation upon which NASD rests.

Some courageous dealer, angered by the injustice of these superimposed inquisitions, and by the autocratic passage and enforcement of the "5% spread philosophy," is bound one day soon to follow the same tack and to settle that issue once and for all.

The attitude of "The Chronicle" on unconscionable mark-ups is unwavering. We have always opposed and will continue to oppose them. Nevertheless, we feel that the securities industry as a whole is composed for the most part of honest men and is no worse than any other industry or profession.

Relief from unfair practices can and should be established by legal means.

Unfortunately, the powers that be in NASD have mistaken their function. In effect, their attempts at regulation have created artificial distinctions between the "big fellow" and the "small dealer."

OUR FIGHT WILL ALWAYS BE TO SEE THAT THE RIGHTS OF BOTH ARE PRESERVED.

Dallas Bond Club To Hold Spring Outing

DALLAS, TEX. — The Dallas Bond Club will hold its annual spring outing on May 30, at 9:00 a.m., at the Glen Lakes Country Club. Reservations, which close Friday, May 26, are $3.50 with golf; $2.50 without golf. The outing is open to all registered securities dealers and employees.

Checks for reservations should be mailed to Rogers Ray, Rauscher, Pierce & Co., Mercantile Bank Building, Dallas.

Recently elected officers of the Bond Club are: James F. Jacques, Dallas Rupe & Son, George T. Hemmingson, Crummer & Company of Texas, Joe M. Callihan, and Judson S. James, James, Stayart & Davis, directors; Rogers Ray, Rauscher, Pierce & Co., Secretary & Treasurer.

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.

Jefferson, Fritz, Rehnstrom Formed In N. Y. City

Jefferson, Fritz & Rehnstrom has been formed, with offices at 29 Broadway, New York City, to engage in a securities business. Partners are Edwin Jefferson, Paul H. Fritz and Aleck Rehnstrom.

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Railroad Securities

Another important step in the simplification of the Allegheny Corporation set-up is in prospect over the immediate future, with the remaining 5s, 1949 and 5s, 1950 expected to be called with the proceeds of a low coupon convertible issue. While financial circles were not surprised by this latest development (refunding of the 5s had been taken for granted ever since sale to the public of a large share of the Chesapeake & Ohio holdings), there was some surprise over the fact that there is apparently to be no competitive bidding for the new issue.

Chesapeake & Ohio interests have been among the leaders in the fight for compulsory competitive bidding for rail financing and among the main critics of the "evils" inherent in negotiated deals. Naturally, the proposed Alleghany refinancing is not covered by the recent ruling by the I.C.C. calling for competitive bidding on most railroad bond financing. Nevertheless, it is considered in many quarters that the principles involved are the same. Be that as it may, the recent and prospective developments in the Alleghany picture have enhanced materially the speculative position and prospects of the preferred stocks.

The company realized close to $32,000,000 from the sale, also without competition, in March of 704,121 shares of Chesapeake & Ohio common. Part of the proceeds was placed in $14,500,000 of short-term U. S. Treasury Certificates. Somewhat more than $10,000,000 was used in the open market purchase of a widely diversified list of securities of reorganization properties, practically blanketing the field. These purchases included the old and new (when-issued) securities of Northwestern, and bonds of St. Paul, Rock Island, Denver, Florida East Coast, all of the Missouri Pacific group, New Haven, Frisco, and Seaboard. Few of the individual items went as high as $1,000,000 par value, with the heaviest dollar investment in the Missouri Pacific situation. The purchases included $3,325,000 of MOP 1st & Refunding 5s.

The two series of Alleghany Corporation 5s are outstanding in the amount of $40,798,000 which, with the redemption premium, will require $41,808,970 for retirement. The new issue is to be in the amount of $30,000,000, so that presumably some of the short-term Treasuries are also to be used. It appears likely, therefore, that the plan does not call for immediate entire elimination of the present bank loan which was reduced to $9,000,000 after sale of the Chesapeake & Ohio common. However, available cash should be sufficient to retire some $4,000,000 of this obligation, leaving a total debt of $35,000,000.

The new $30,000,000 bond issue is, according to present indications, to carry a 3¼% interest rate and mature in ten years. It will be secured by pledge of 1,100,000 shares of Chesapeake & Ohio common, constituting practically all of the stock still held by Alleghany. The bonds will be convertible into the C. & O. stock but at the time of this writing the details of the conversion option have not been announced.

The vast improvement in the Alleghany Corporation debt structure does not presage any immediate action with respect to preferred dividends as it is believed that excess income will still be used for further debt reduction, and eventual complete liquidation. At the recent annual dividend rate of $3.50 a share the Chesapeake & Ohio common to be pledged under the new issue will bring in $3,850,000 in dividend income a year. The interest requirement on the bonds will amount to only $975,000. Income from other holdings should be more than sufficient to take care of general expenses, taxes and what may remain of the bank loan. Thus the average of income from the pledged collateral as against the bond interest requirements would amount to $2,875,000 a year, or nearly enough over the ten-year life of the bonds to retire the entire issue at par without taking into account the possibility of earlier elimination of the bonds through conversion.

The income from the 1,100,000 shares of Chesapeake & Ohio common stock, less annual interest on the proposed bonds and the regular dividend on the prior preferred stock, is alone equivalent to approximately $4.00 a share on the regular 5½% preferred stock. This earning power will be bolstered materially by income received on the diversified list of reorganization securities recently purchased.

Interesting Situations

Mansfield Tire & Rubber and Michigan Public Service offer interesting possibilities at the present time, according to analyses issued by Otis & Co., Terminal Tower, Cleveland, Ohio. Copies of these memoranda may be had from the firm upon request.

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Great American Industries Situation Of Interest

F. H. Koller & Co., Inc., have prepared a comprehensive analysis on Great American Industries which the firm believes appears attractive at current levels. Copies of this interesting analysis as well as a circular on Bartgis Bros. may be had upon request from F. H. Koller & Co.

The firm has announced the removal of its offices to new and larger quarters in the same building at 111 Broadway, New York City.

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Public Utility Securities

National Power & Light

National Power & Light is one of the few holding companies to achieve an all-common stock basis, and the company will be liquidated as soon as final SEC "clearance" is obtained on all problems relating to distribution of its assets. Minor system assets have been largely disposed of, except for Memphis Generating and Edison Illuminating Company of Easton which remain unsold. Important holdings are the common stocks of Birmingham Electric, Carolina Power & Light, and Pennsylvania Power & Light. A number of readjustments have been made in the Carolina and Birmingham companies in order to "streamline" these companies to the satisfaction of the SEC and to readjust their stocks for convenient distribution to stockholders of National—Carolina on the basis of one for six, and Birmingham in the ratio of one for ten shares of National.

The largest holding and the major problem is Pennsylvania Power & Light, whose revenues constitute about 60% of the system total. The company reports a net plant account (after depreciation reserve) of about $198,000,000. Of that amount the Federal Power Commission wants to write off over $66,000,000 (part of which might be amortized out of future earnings). As the common stock equity amounts to only about $27,000,000 this would obviously raise difficulties with the present capital structure, even if a substantial amount could be amortized. Three-quarters of earnings are being "plowed back," but this process of building up surplus is slow. The company on Feb. 12 this year advised the Federal Power Commission that it already had made provision for some $15,845,008 of the write-off and that a considerable amount of the balance was subject to controversy between the company and the commission.

Should the FPC and SEC be unwilling to reduce their estimates of the required write-offs, National Power & Light might be required to make a contribution of approximately $23,000,000 to Pennsylvania, the remaining amount being met through cancellation of the present common stock equity, and future amortization of the $15,668,403 assigned to Account 100.5. This cash might logically be used to reduce funded debt, possibly retiring the $28,500,000 debenture 4½s of 1974. The improvement thus attained in an already strong favorable position might permit refunding the three preferred stock issues ($7, $6 and $5 dividend series).

Assuming that this program were carried out, the balance for the common stock might be nearly doubled, it is estimated, on the basis of 1943 results. This estimate is based on the assumption that no excess profits tax need be paid on the interest savings effected by retirement of the debentures.

Using a "ten times earnings" multiplier, the $22,000,000 estimated contribution which National might have to make to Pennsylvania would about equal the available proceeds from public sale of the Birmingham and Carolina stocks (whose equity earnings currently total about $2,058,000). However, National might be almost reimbursed for this outlay by the increased value of the Pennsylvania stock, assuming that the preferred stock refunding could be worked out as estimated. Tax adjustments for the three companies, which it is impossible to estimate with any accuracy, might throw these calculations awry. However, assuming that the program were consummated as here suggested, the stock of Pennsylvania might be worth about $39,000,000 on a rule-of-thumb estimate—which works out at about $7.15 per share of National (currently selling at 6¼).

In determining whether National Power should be permitted to make a distribution of Carolina and Birmingham (rather than a sale) the SEC might be influenced by the fact that the top holding company is Electric Bond & Share, which in any distribution would receive a substantial part of National's assets. Even if a complete distribution of National's assets were made, including Pennsylvania, the latter would remain a subsidiary of Electric Bond & Share, and thus the clearing up of its capital structure would remain under SEC jurisdiction. However, the Commission may decide that it is better to treat all the stockholders in National on the same basis, and not throw a larger burden of readjustment on the majority stockholder, Electric Bond & Share.

Current Report Available

H. R. Baker & Co., Russ Building, San Francisco, Calif., have issued a current report on Bank of America. Copies of this interesting report may be had from the firm on request.

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Edward G. Budd Letters Involving Right of Employers to Free Speech

In the issue of the "Chronicle" of May 11th (p. 1950) there appeared an item covering the decision of the Third Circuit Court of Appeals at Philadelphia, upholding the right of employers to express their personal views to employees about labor organizations. The case involved Edward G. Budd, President of the Budd Manufacturing Co., who was cited for contempt by the National Labor Relations Board because of the contents of two letters addressed to the employees of the company, the NLRB contending that Mr. Budd "by implications tried to convince employees that an independent union would be better for them," and that this constituted a violation of the section of the Labor Act, which prohibits employers from interfering in the choice of organizations by employees to represent them in making collective bargaining agreements. In view of the widespread interest in this case, and the further implications that might be drawn regarding its application in labor and employer relationships, the "Chronicle" publishes below copies of the letters written by Mr. Budd, and furnished to us by Henry S. Drinker, of Drinker, Biddle & Reath, Philadelphia, attorneys for the company, which were the basis of the War Labor Board's complaint:

Edward G. Budd

Dear

I sincerely believe the attached pages contain information of vital importance to you. Briefly, the facts are as follows:

1. On Monday, the Supreme Court of the United States declined to review the decision of the Labor Board and the United States Court in Philadelphia concerning the Employees' Representation Association.

2. This decision compels the company to withdraw its recognition of the Employees Representation Association as the bargaining agency for its employees.

3. This decision further places upon you and your fellow workers the responsibility of the future. You may decide to:

a. have no union at all in the plant,

b. affiliate with an outside organization,

c. form an independent union of your own.

In any event, yours is the freedom of choice. You should, however, not act without a complete knowledge of the facts concerned, and I am therefore setting forth in the attached pages a detailed statement for your consideration.

I most strongly urge that you read these pages carefully, and give them your mature deliberation before arriving at a decision.

Sincerely yours,
Edward G. Budd
President

The contents of the pages referred to in the above letter follow:

February 29, 1944

On Monday the Supreme Court of the United States declined to review the decision of the Labor Board and of the United States Court in Philadelphia. This will require the Company to withdraw its recognition of the E.R.A. as employees.

The Supreme Court did not itself pass directly on the questions in controversy. Under the law, that Court need not take up every

(Continued on page 2165)

Tomorrow's Markets Walter Whyte Says—

Market trying to get going but lack of interest proves stumbling block—London prices now point down, possibly indicating war news we, so far, know little about —Individual issues act well.

By WALTER WHYTE

With the exception of a few days scattered strength, the market as a unit did little since last week's column was written to cause any jubilation or intensify the nervousness. Saturday's market, for example, was good. At least a respectable number of stocks moved along as if they meant business. But, at the beginning of the new week, Monday, all the good actors of the previous market day, apparently overcome by previous exertions, sank back into lethargy. Even the rails which last week showed an exemplary spirit of independence got all out of breath and dropped in their tracks. Obviously, such action doesn't make for any enthusiasm by any of the board-room crowd. And, so far as the floor is concerned, it is back at the business of sniping for fractions with few carrying stock overnight.

* * *

This was the position that obtained until Monday night. On Tuesday the complexion

(Continued on page 2165)

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Post-War Outlook For Securities

(Continued from page 2139)

assumption will not hold water. Under this definition I bridge the gap of reconversion problems such as cancellation of government contracts, accumulation of government stock piles out of surpluses, disposal of war inventories and many other problems of more immediate importance.

Obviously the level of common stocks in the post-war period will depend upon (1) earnings and dividends at that time and (2) the rate at which investors are willing to capitalize these earnings and dividends. Earnings and dividends depend primarily upon business activity, but two other factors of great importance are profit margins and taxes. The rate of capitalization depends upon the social, political and economic environment which creates the "state of confidence" of the investor.

The difficulties of judging the outlook for post-war common stock prices are evident from a mere recital of these "unknowns." These difficulties are increased many fold since the post-war period is probably two to four years off. To be asked to talk in public about events that may occur in two to four years is indeed being put on the spot!

The Post-War Level of Business

It is easy to build dream castles about the post-war world. Free play of one's imagination can yield highly gratifying results. It is, in fact, becoming fashionable to assume the nearly full utilization of our productive capacity after the war. This is because we dread the possibility of returning to less favorable conditions.

As a result, we hear of estimates of post-war business of 180 upwards in the FRB index with a few observers even expecting a level close to the present figure of about 240.

Such ideas to my mind must be based to a considerable extent upon wishful thinking. It is easy to be optimistic if one starts with the assumption that nearly our entire peactime labor force will have to be employed. In that case business would, of course, be extremely active. Similarly, it is easy to be optimistic if one starts with the size of the post-war public debt and assumes that business will be at a level necessary to support and amortize this debt. It surely is highly desirable to employ nearly our entire peacetime labor force and to maintain a volume of business that can support our immense post-war debt. The desirability of these aims does not secure their fulfilment. Post-war production will be determined to a great extent by the economic forces that dominate our economy at the time, and not by the size of our debt or our peacetime labor force.

The war guarantees a market for goods and services of about $90 billions a year. During war there is no problem of distribution—only one of organization and production. Our resources and technical skill are unparalleled. The war production problem has, therefore, been solved with a magnificent record.

During the post-war period this guaranteed market might shrink to less than $10 billion. The crux of the problem of post-war activity is the extent to which the revival in civilian production will offset this enormous shrinkage in our current production for war.

We are aware of the large deferred demand for certain consumers' goods and for some kinds of producers' capital goods that have not been manufactured in any volume for many months. We know about the tens of billions of dollars that have been saved by industry and labor and we know that these billions will be available to finance, at least in part, the satisfaction of needs and wants that cannot be met now. New and modern plants and equipment will bring an enormous increase in our capacity to produce and our skilled labor force will be unparalleled. Industry has "on ice" and in the "idea stage" an enormous number of new or improved products to whet the appetite and stimulate the desires of consumers. A war-torn world is waiting anxiously for the day of reconstruction and the re-establishment of normal life. Perhaps most important of all, American industry, labor and the consumer are acutely aware not only of the obvious desirability of utilizing as fully as possible our enlarged productive capacity but also of the necessity to do so if we would reap the benefits of our resources in a higher standard of living.

All of these are important, favorable and constructive elements in the post-war economic situation. Apart from these factors, we will maintain a permanent military establishment and a permanent war industry which will help to maintain our economic activities.

Economic laws and forces are stubborn, however, and we still have to reckon with them. The most carefully compiled estimate I have made suggests that despite all these favorable factors, it will be very difficult to offset by increased civilian production and by the maintenance of considerable peacetime armed forces, more than about one-quarter to one-third of the drop in war production. This is because our war production is so gigantic. Even after giving all possible weight to post-war favorable factors, this is the best that I can do. On this basis, post-war national income should run about $90 to $95 billions, and the FRB index should be about 140. Now remember that this volume of business might prevail after complete conversion of American industry and full recovery of civilian production. During the interim period, activity may be lower.

This estimate may prove to be too high. On the other hand, I may not have used my imagination enough to allow for the enormous changes that will be brought about by the war. As a person responsible for advising clients for a fee, I am forced to make important decisions affecting their welfare. In that position I would dislike to use a higher figure and I might prefer a somewhat lower one.

A level of post-war business of 140 in the FRB would be the highest on record in peace times. It would be 30% higher than the level of 1939. Compared with the pre-war record of American business, it would be highly satisfactory. Against the war record, it would be considered unsatisfactory.

Having jumped the hurdle of post-war business, I shall now come to some of the other factors having an important bearing on prices of common stocks.

The Post-War Price Level

I hasten to discuss one subject of great interest—the price level. A lot of arguments of a rather general nature are being used to prove that prices must rise much further. We hear that higher prices are inevitable because of such factors as the enormous public debt, the huge banking deposits, the huge savings that will press on markets and the high hourly wage rates.

Our public debt will be huge but it will certainly not be so great that our people will lose confidence in the dollar and stampede for tangible commodities.

Huge banking deposits may not mean higher prices but rather a slower turnover of dollars. These deposits are available to finance any conceivable needs of industry, but more than huge banking resources is required to encourage greatly expanded bank loans.

The spending of consumers' savings will stimulate the demand for goods. A great part of these savings, however, will be kept for a rainy day. After the war, millions of people will look for work and other millions will have reduced incomes. It is only to be expected that a substantial proportion of their savings will be spent only as needed for necessities. I do not underrate the stabilizing influence that these enormous saving will exert, but I believe it unwise to assume that these savings will be spent on a reckless scale.

Prices of certain goods, particularly of consumers' durable goods, certainly will rise if price controls and rationing should be removed immediately upon the conversion of industry and before such goods are produced in large volume. If controls were immediately removed, prices for such goods would resemble those in some of our second-hand markets and in the black markets of occupied Europe. It would take more than the wisdom of Solomon to decide who should be the lucky recipients of such goods as are available. The pocketbook of the prospective purchaser would undoubtedly have a lot to do with it. No responsible retailer or manufacturer would wish such an unhappy and unfair situation to develop. Necessity will force continuation of rationing and price controls until a long list of "scarce" commodities is again available in large volume.

There will, however, be available for the market an even longer list of "over-abundant" commodities. Agricultural products will be abundant despite large exports of staple foods for reconstruction. Most metals will be in excess of supply and the volume of available steel will be very large. The supplies of many manufactured products will be more than ample to meet post-war demands. We can all think of examples. No rationing or price controls will be needed for such products. On the contrary, the problem will be one of keeping prices of such goods from declining too much. Price "floors" rather than price "ceilings" are bound to become a popular subject for discussion during the next few years. You might say that this overabundance would perhaps arise immediately after the war but that later on surpluses will have been absorbed and the pressure on prices removed. However, American industry at that time would be able to turn out an immense volume of civilian goods to satisfy all requirements.

Prices are likely to be lower rather than higher because of two factors aside from our potential productive capacity, namely greatly increased productivity and keen competition. The record of the last few years gives a clue to the potential productivity of American industry. We had no experience in war production. We started from scratch. Available skilled labor was soon exhausted. Millions of new workers were trained overnight. In face of all difficulties, output per man hour probably increased more than one-sixth in the four years ending 1943. In the post-war period, with a highly modern plant and equipment and with the use of the most skilled of the greatly increased skilled labor supply, who can doubt that there will be a further great gain in productivity? During the last four years increased productivity and higher prices have almost offset increased hourly earnings. They actually did, if allowance is made for overtime pay rates. The genius of American management and the skill of the American workmen made possible this wonderful achievement with an increase of 49% in the average hourly wage rate in manufacturing. In the face of this large rise in wage rates, the wage cost per unit value of output in manufacturing industries in 1943 was only 7% higher than in 1939 and 3% higher than in 1937. Further substantial gains in productivity when new techniques, processes and equipment become available for use with greatly increased skill should, over a period of time, offset higher wage rates and reduce wage costs per value unit of output. It will take time and effort to accomplish this, but there is no reason to expect a basic change in the long-term trend toward improved productivity in American industry.

Competition will be keen after the war because manufacturers will strive to secure the largest possible share of the available market to employ their enlarged facilities and labor force. Someone is bound to attempt this by lowering prices even if profits should be reduced temporarily. Many manufacturers regard the post-war period as providing a real opportunity to improve their relative pre-war position and to enter new markets by supplying a superior product at a low price. Certainly, industry will have the financial resources for this purpose.

In the light of these considerations, I regard it as far more probable that post-war prices will be lower rather than higher than today's prices. In my estimates of post-war business I have assumed a moderate decline of about 10% from present levels.

Apart from economic factors, we must reckon with the power of the government. The political party in power is bound to consider the prevention of a large price rise as among the uppermost problems on the post-war calendar. The peace will not be won if we go through an inflation followed by a serious price collapse with dire consequences. The government will retain large enough powers to prevent a large price rise, but it will probably not be necessary to use them. On the contrary, it will likely become necessary to cope with the problem of stabilizing a declining price structure.

Post-War Profit Margins

During the last four years, rising prices and a huge volume of goods in a seller's market have given industry abnormally high profit margins before taxes. Corporate profits before taxes in manufacturing industries in 1942 were 16.8% of total assets as against 5.7% in 1939. During 1943 the return before taxes on total assets was probably even higher. In 1942, corporate profits before taxes in manufacturing industries were 10.9% of gross receipts as compared with 5.6% in 1939 and 6.4% in 1929. Last year's total corporate profits before taxes in all industry were in excess of $23 billions. This compares with about $5 billion in 1937 and 1939 and with about $9 billion in 1929. The enormous war profits before taxes and the high returns on invested capital and on total receipts before taxes are typical of boom conditions. The less efficient managements are able to show highly satisfactory results before taxes during a boom. In the post-war period the return on capital or on gross receipts will return to a much lower and more normal level. For a while after the war such returns may even be less than normal because of the difficulties of reducing costs within a short period of time. With the same volume of business as in 1940 or in 1941, industry is likely to find that the return on capital before taxes will be much smaller than during those years.

Post-War Corporate Taxes

Federal government expenditures during the post-war period will probably run for $20 billions for the most necessary expenses without allowing for any abnormally large expenditures for public works. This would include interest on the public debt, the ordinary expenditures for running the various departments and agencies, the maintenance of a large military establishment, the expenditures for war veterans and social security, and a considerable amount of public works expenditures. The post-war national income and volume of business that I foresee would not yield enough to meet these expenditures if personal income taxes are

(Continued on page 2157)

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NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number thirty-three of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

A War Correspondent Speaks

High up in the world's tallest sky-scraper, The Empire State Building in New York, we at Schenley have a men's luncheon club. It is called the First Name Club. Each week we have a guest speaker. Some great men have talked to us on many varied subjects during the past few years.

But I am thinking of our last Thursday's meeting, and I am thinking of how strong was my wish that the room where we met might have been big enough to have held a vast throng of people, instead of just a comparatively few members of our luncheon club; and this is why.

We had, as our guest, a famed war correspondent. He has been with the British Army since a month after Great Britain had entered the war. He is an American, and is home on "sick leave" as he put it. The truth is, an hour after he spoke to us, he was scheduled to receive the award of the Purple Heart. He had been wounded in action in Africa.

I said that I wished that the room might have been big enough to have held thousands, instead of a few. I meant just that. I would have had every man and woman, who is working in our war plants, present, to hear our guest speaker pay tribute to the part that American matériel* played in that great, historic drive, in North Africa, from El Alamein to Tunisia.

And what a lot of renewed inspiration in our guest's message to the worker who perhaps spends his or her days or nights putting in single nuts or bolts in tanks or planes or jeeps or gun carriages; a job that seems so monotonous and unheroic. *But there are no unimportant jobs.* Each is a great big one or—a big little one!

From now on, whenever I pass a plant where war work is going on, whether that plant produces planes, or ships, or guns, or tanks, or jeeps, or alcohol for war purposes, or what not, I am going to think of brave men in a disastrous retreat from Tobruk toward Egypt, because of lack of essential equipment. Then I shall picture a miracle stand at El Alamein, followed by a victorious march starting at El Alamein—because matériel*, made by American workers' hands, had arrived in quantity and—in time.

And if you don't mind, I am going to bring up my hand, humbly and perhaps awkwardly—in a respectful salute.

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*P.S. *Matériel—bought and paid for by your and my purchases of War Bonds and Stamps.*

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(Special to The Financial Chronicle)

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CLEVELAND, OHIO—**George D. Schrauf** has been added to the staff of **C. J. Devine & Co.**, Union Commerce Building.

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CLEVELAND, OHIO—**Spencer C. Duty** is now with **Maynard H. Murch & Co.**, Union Commerce Building.

Ohio Brevities

Refinancing of its outstanding funded indebtedness and bank loans has been completed by Republic Steel Corp.

The company has sold $50,000,000 of 3½% first mortgage sinking fund bonds to 11 insurance companies and negotiated $24,500,000 of serial bank loans with its regular commercial banks, the company announced.

It will redeem $57,577,500 outstanding 4½% general mortgage bonds on June 17 and on June 5 will retire $5,748,000 of Gulf States Steel Co. 4½% first mortgage sinking fund bonds. Over $8,000,000 five-year serial notes outstanding have already been paid.

The new bonds, due in 1964, sold at face amount plus a premium of 1½%, and the notes are due in 7 years.

In insurance group were: Metropolitan Life Insurance Co., New York Life Insurance Co., John Hancock Mutual Life Insurance Co., Equitable Life Assurance Society of U. S., Massachusetts Mutual Life Insurance Co., Aetna Life Insurance Co., New England Mutual Life Insurance Co., Sun Life Assurance Co. of Canada, Mutual Life Insurance Co. of New York, Penn Mutual Life Insurance Co. and Connecticut Mutual Life Insurance Co.

Dillon, Read & Co., Glore, Forgan & Co. and Lehman Bros., acting as agents, arranged the sale.

* * *

Ten Cleveland firms were members of a syndicate headed by Kuhn, Loeb & Co. and Harriman, Ripley & Co. which offered a new issue of 100,000 shares ($10,000,000) of $4.50 preferred stock, Series A, of Industrial Rayon Corp.

In the group were Hayden, Miller & Co., Hawley, Shepard & Co., McDonald-Coolidge & Co., now McDonald & Co., Merrill, Turben & Co., Ball, Coons & Co., now Ball, Burge & Co., Curtiss, House & Co., Fahey, Clark & Co., Field, Richards & Co., First Cleveland Corp. and Maynard H. Murch & Co.

Stock was priced at $99 a share to the public and proceeds with other funds, will be used to retire $10,000,000 promissory notes to banks. The notes were issued last Jan. 3, principally to finance part of $14,000,000 expansion program at several of the company's plants. Other principal underwriters were Blyth & Co., Inc., Goldman, Sachs & Co. and Lehman Bros.

* * *

M. A. Hanna Co. stockholders have approved, by a large majority, proposed issuance of 100,000 new $4.25 preferred shares.

The company stated as 100,000 new shares are to be issued, only a portion of the 128,531 outstanding $5 preferred shares can be accepted for exchange and exchanges will be accepted by the company in the order received. The company will make an offer to stockholders to exchange the new shares for each $5 preferred share on the basis of 1 1/20 new share for each old share held. Hanna is an iron ore, coal and shipping company.

* * *

Emil Schram, president of the New York Stock Exchange, addressed members of the Northern Ohio Group of the Investment Bankers Association, Cleveland Security Traders Association, the Bond Club of Cleveland, National Security Dealers, Inc. and heads of Cleveland banks yesterday. Association of Stock Exchange Firms sponsored the meeting at which Percy W. Brown of Hornblower & Weeks, presided.

* * *

Cleveland Trust Co. was among 17 banks headed by the National Bank of Detroit participating in a $30,000,000 "VT" revolving credit to the Continental Motors Corp.

* * *

John E. Dwyer, trustee of the Inland Power & Light Corp. since November, 1940, has become associated with Otis & Co. as vice president and will be located in the company's Chicago office. A director of Pere Marquette Railway, Dwyer has spent most of his business career in the investment banking field. He was vice president of Pearson-Taft Co. of Chicago.

* * *

Alleghany Corp., top holding company of the Chesapeake & Ohio Lines, has filed a lengthy application with the I.C.C. for an order designed to pave the way for eventual merger of the Chesapeake & Ohio Railway, Nickel Plate Road and Pere Marquette Railway.

Robert R. Young, chairman of Alleghany and C. & O. Railway, asserted the corporation is "asking the commission to confirm its position that no authority for control (of the roads) is necessary." Last Feb. 8, the commission ordered an investigation to determine whether Alleghany, Young and Allan P. Kirby, Young's associate, acquired control of the three roads in violation of Section 5 of the Interstate Commerce Act. Hearing on this was scheduled for last week but was postponed until June 26 when the application also will be heard.

* * *

Paul M. Eliot of Mansfield, was moved up from vice president to president of the Ohio Bankers Association at the group's 54th annual meeting in Columbus last week. Rodney P. Lien of the Cleveland Trust was reelected treasurer and Howard C. Hudson of Wilmington was named vice president. Eliot succeeded Emerson L. Boyd of Warren.

* * *

National City Bank of Cleve-
(Continued on page 2151)

William Schradin Now With Merrill Lynch

(Special to The Financial Chronicle)

CINCINNATI, OHIO—William Schradin has become associated with Merrill Lynch, Pierce, Fenner & Beane, 330 Walnut Street. Mr. Schradin in the past was manager of the municipal bond department for Westheimer & Co., and prior thereto was an officer of Field, Richards & Shepard, Inc.

Ohio Municipal Comment

By J. A. WHITE

In a small country town in mid-western Ohio, the cashier of a small national bank related a most interesting story last week of how his national bank examiner had told him to sell all his bonds that were not rated "A" or better. Now, as is typical of the great majority of banks in Ohio, this bank owns only municipal and U. S. Government bonds. Thus, the examiner had told the bank to sell any municipal bonds that were not rated "A" or better.

Three aspects of this story are worthy of mention.

In the first place, one must admire the courage of the examiner. He called the president and cashier of the bank into a conference to give them his verdict on their bond account and graciously told them that he had enough confidence in these men that if they promised they would correct their "deficiencies" in the portfolio, he could accept such assurances. He went further to tell them that if they preferred not to do as he said, they could carry the matter up to higher authorities.

To our knowledge, there is absolutely no legal basis for any such order to sell municipal bonds not rated "A" or better — and probably the examiner realized he had no legal authority to take such a stand. Yet, if it were his intention to improve the quality of the investments held by the banks he examines, then one should admire him for his intention and his courage.

In the second place, the examiner most certainly erred in his method of distinguishing between high grade and second grade bonds. The obvious assumption that a bond rated "A" is a high grade credit, and a bond not rated "A" or better, is a second grade risk, overlooks the fact that many bonds may be rated "A," which should not be in a bank's portfolio, and conversely, there are many high grade bonds which have not been "favored" with such a rating. To illustrate that ratings are inadequate to determine quality, it is sufficient simply to realize that small communities and school districts frequently are not "rated" by anyone, although these small subdivisions may be a better credit risk than most large cities. One organization that rates municipal bonds does not rate cities and school districts of less than 10,000 population, while another organization does not rate a subdivision that has less than $200,000 of debt.

In the third place, and most important, this examiner must be given considerable credit for his desire to have his banks dispose of second grade bonds. While his conception of what constitutes a second grade risk may be incorrect, and while he may not have had legal authority for his action, nevertheless, if such was his desire, his intention was good. He deserves support—not blind support, but cooperation that will assist him properly to determine what is a second grade bond, and cooperation that will assist him in his determination to have his banks improve the quality of their portfolios.

For months we have been urging the sale of second grade bonds and the purchase of high quality, for many reasons which need not be repeated here. But it seems worthy of notice that probably others are making the same recommendation in recent months. If the stand taken by the above bank examiner be an example of what national bank examiners as a whole are doing, then a great impetus will be given to this movement, and, if properly directed it should be a great favor to the banks.

While we have heard no such definite report of action by a state bank examiner, it would appear that the state banking department in Ohio is also giving more attention to the quality of the bonds in the portfolios of state banks, with more attention being paid to municipal bonds. A move to grant legal authority to bank examiners to require the sale of municipal bonds held by banks, or to prevent the purchase by banks of municipal bonds, based upon ratings applied to such bonds, would be fraught with insufficiencies, and would be decidedly inadvisable.

However, a movement by both the national and state supervisory agencies, as well as by the Federal Reserve System and the Federal Deposit Insurance Corporation to encourage the bankers themselves to divest themselves of second grade bonds, and improve the quality of their portfolios, could, if properly directed at bonds of poor quality, be of considerable benefit to the banks.

More and more banks appear to be taking such action, either voluntarily, or because of outside suggestions. It would seem that the time is ripe, therefore, for the movement to be given support.

In justification of such a move, suffice it to say here again, that for many reasons, second grade bonds are today selling for prices very nearly the same as those at which high grade bonds are selling. In the Ohio Municipal Price Index, reported elsewhere
(Continued on page 2152)

Ohio Municipal Price Index

Date—	*	†	‡	§
May 17, 1944	1.31%	1.46%	1.16%	.30%
May 10	1.31	1.46	1.16	.30
May 3	1.32	1.47	1.17	.30
Apr. 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Nov. 17	1.39	1.57	1.22	.35
Oct. 13	1.39	1.58	1.21	.37
Sep. 15	1.43	1.62	1.24	.38
Aug. 18	1.44	1.63	1.25	.38
July 15	1.50	1.63	1.32	.36
Mar. 16	1.76	1.97	1,55	.42
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

Foregoing compiled by J. A. White, Cincinnati.

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

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No representation is made by the underwriters that the interest on the Bonds is or will be exempt from Federal Income Taxes.

New Issue May 24, 1944

$56,000,000

California Toll Bridge Authority

San Francisco-Oakland Bay Toll Bridge Revenue Bonds

(Refunding Issue)

Dated June 1, 1944 Due September 1 and March 1, as shown below:

All of the Bonds, or all of the Sinking Fund Bonds, are redeemable as a whole by the Authority on any date on or after March 1, 1950, and prior to maturity; the Serial Bonds are redeemable prior to maturity in part by the Authority on or after March 1, 1950 (but not prior to said date) in inverse order of maturities but only after or simultaneously with the retirement of all of the Sinking Fund Bonds; the Sinking Fund Bonds are redeemable in part by the Authority on or after September 1, 1945, in each case by lot on any interest payment date, but only out of funds available therefor under the Resolution; all on published notice of not less than 30 nor more than 60 days and at the following prices plus accrued interest: prior to March 1, 1947, 103½%; on or after that date and prior to March 1, 1949, 103%; on or after that date and prior to March 1, 1951, 102½%; on or after that date and prior to March 1, 1954, 102%; on or after that date and prior to March 1, 1957, 101½%; on and after that date and prior to March 1, 1960, 101%; on and after that date and prior to September 1, 1962, 100½%.

$20,000,000 1¾% Sinking Fund Bonds due September 1, 1962

Price To Yield 1.90%

(and accrued interest)

$36,000,000 Serial Bonds

Amount	Rate	Due	Yield to Maturity	Amount	Rate	Due	Yield to Maturity	Amount	Rate	Due	Yield to Maturity
$1,030,000	3¾%	9-1-45	.60%	$1,180,000	2%	9-1-50	1.20%	$1,315,000	2%	3-1-55	1.80%
1,045,000	3¾	3-1-46	.70	1,195,000	2	3-1-51	1.30	1,330,000	2	9-1-55	1.85
1,060,000	3¾	9-1-46	.80	1,210,000	2	9-1-51	1.40	1,345,000	2	3-1-56	1.85
1,075,000	3¾	3-1-47	.90	1,225,000	2	3-1-52	1.50	1,365,000	2	9-1-56	1.90
1,090,000	3¾	9-1-47	1.00	1,240,000	2	9-1-52	1.55	1,380,000	2	3-1-57	1.90
1,105,000	3¾	3-1-48	1.05	1,255,000	2	3-1-53	1.60	1,395,000	2	9-1-57	1.90
1,120,000	3¾	9-1-48	1.10	1,270,000	2	9-1-53	1.65	1,410,000	2	3-1-58	1.95
1,135,000	3¾	3-1-49	1.15	1,285,000	2	3-1-54	1.70	1,425,000	2	9-1-58	1.95
1,150,000	3¾	9-1-49	1.20	1,300,000	2	9-1-54	1.75	1,440,000	2	3-1-59	1.95
1,165,000	3¾	3-1-50	1.25					1,460,000	2	9-1-59	1.95

(and accrued interest)

These Bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. Orrick, Dahlquist, Neff, Brown & Herrington, of San Francisco and Messrs. Hawkins, Delafield & Longfellow, New York, Bond Counsel to the Authority. It is expected that delivery in the form of Temporary Bonds of the Authority will be made on or about June 21, 1944.

Copies of the Prospectus which should be read prior to any purchase of these Bonds may be obtained only from such of the undersigned as are registered dealers in this State:

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Lee Higginson Corporation **Stranahan, Harris & Company** Incorporated **Bear, Stearns & Co.** **Kaiser & Co.** **Coffin & Burr** Incorporated

Bankamerica Company **Equitable Securities Corporation** **Weeden & Co.** Incorporated **Paine, Webber, Jackson & Curtis**

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Canadian Securities

By BRUCE WILLIAMS

The Premier and Treasurer of the Province of Manitoba, Mr. Stuart S. Garson, after having placed the affairs of his own province on the soundest possible basis now turns his constructive eye to the broader national field, and in his recent budget speech emphasizes the necessity of the overhaul of Dominion-provincial relations, especially in view of Canada's ambitious post-war program. As Mr. Garson points out, the Dominion has a ready-made plan, that after a long period of study was finally recommended for adoption by the Rowell-Sirois Royal Commission which commenced its intensive studies in 1936.

Without delving too deeply into the manifold details, the broad result of the adoption of the main recommendations of the report would be a revolutionary improvement in the financial structure of the western provinces, which had to bear the brunt of the depression of the early '30s, and are still struggling under the past burden with varying success.

Not only would all provincial debt be assumed by the Dominion, but the provinces would also be relieved of the whole burden of unemployment relief. An immediate benefit for the western provinces would presumably be the cancellation of the Treasury bills held by the Dominion in connection with past provincial outlay for relief purposes.

In spite of the fact that the western provinces have carried for several years the whole weight of what should have been considered a national obligation, most of these provinces have nevertheless made striking headway in the past few years.

British Columbia, backed by a wealth of varied natural resources and by capable financial management, has placed its credits on a basis which vies with that of the leading eastern provinces. Manitoba's financial record in recent years is second to none in the Dominion, and by planned diversification of its economy has done everything possible to obviate future crises. Saskatchewan, with the help of the central treasury has succeeded in keeping its finances on an orthodox basis, and, although placing an undue reliance on its production of grain, has profited thereby to a considerable extent in the past few years, and, moreover, efforts are now being made to develop its promising mineral resources.

Alberta, the problem child of the Dominion, fell victim in the weak period of the general depression to the alluring possibilities of a specious monetary experiment, which, although never fully carried out, nevertheless did lead to grievous error and provincial debt default. Inevitably, with the return of prosperity and with the growing realization that the tremendous resources of the province can never be fully exploited until its credit is restored, great efforts are now being made both within Alberta and without to find a solution that will be satisfactory to the province and the holders of its obligations.

The leading advocate of immediate debt reorganization, the Provincial Treasurer, Mr. Solon E. Low, is now the national head of the Social Credit Party. In a recent announcement he contradicted the report that "he had been kicked upstairs" and stated that he would retain his Provincial Treasury portfolio and thus continue to work for a debt settlement that, as mentioned in his last two budget speeches, must make provision for higher interest rates than those now being tendered, take into consideration the arrears of interest, and agree to some adjustment with regard to varying coupon rates. Consequently the settlement of this long-standing problem is now definitely in sight.

As a general conclusion, it now appears that the term "prairie" and "western" province or city will soon cease to be used disparagingly, and investors will increasingly appreciate the greater scope for profit afforded in the western section of the markets as compared with the established eastern situations.

During the past week the market generally maintained its firm tone and there was a decided increase in turnover. The new Edmonton issue was well received and it is likely that before long investment demand will concentrate on the profitable opportunities offered in western Canada. Montreal issues were in renewed demand as it now appears certain that the debt reorganization plan will meet with no opposition. The internal issues were again a strong feature and, as anticipated, the Canadian dollar in the "free" market reached the official selling level at 9⅛% discount.

With regard to future prospects, the successful termination of the Sixth Victory Loan (which resulted in a total subscription of approximately $1,400,000,000 and a record number of individual subscribers of over 2,500,000) should lead to period of greater market activity and the maintenance of the present firm undertone.

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Virgil Jordan Defends America's Business Record

(Continued from page 2139)

ital investment, management-labor relations, markets, education and the rest—as today in our round-table sessions we have considered some of the special problems of re-employment, local and technical.

If, after all this discussion, you were to ask what we know about the opportunities and problems of post-war employment that we did not know 25 years ago, or a year ago, it would be hard to say. One feels rather that in the interval we have learned a lot of things that are not true, and forgotten or lost something that we once knew. Everyone senses that there is something new, different, more formidable, menacing and strange in the question today. Never before have we been so self-conscious about post-war employment, or put so much emphasis on the problem. Our anxiety about it might almost be classed as a form of home-front war-neurosis, or civilian shell-shock, specially characteristic of this war.

Why this is so is an interesting and important question in itself, which I shall not pursue tonight, beyond repeating what I have said in past meetings, that this total war employs so much more of the population than ever before, and consumes so much more of its output, that to find its peace-time economic equivalent as an employer and consumer is a much larger problem than ever before, though not necessarily a different one. The magnitude of the problem merely makes war much easier and politically more attractive than peace so long as governments put a premium on employment or income or consumption for their own sake, assume responsibility for these things, and make political capital of them to maintain power. War today is a public works program turned upside down. That is why someone has said that war has become the main instrument of domestic policy, and by a stronge paradox men pursue social or economic security by dropping high explosives on each other.

In a few minutes I shall introduce three speakers who will talk to us, each in his own way, about this post-war riddle which preoccupies us so painfully these days, as we anticipate peace or the subsidence of hostilities. I hope they will tell us what we might do instead that will employ our labor and machines and use up our materials as fully as this war has done. That is what we need to know, unless we are going to maintain war more or less permanently as our major industry. William James, the American philosopher, racked his brains back in the 90's to suggest what he called "a moral equivalent of war"—some peacetime mass activity that would be as inspiring, stimulating or merely as amusing as the martial life—and he came out only with a sort of mid-victorian version of the WPA. Today we are less worried about the emotional than about the economic equivalent of war, but so far we do not seem to have been able to get much farther with our ideas than William did, despite the enormous and entertaining new industries that have developed since his time. The distracted statesmen of every nation in the past quarter century have visited the Soviet Sphinx abroad and consulted the academic oracles at home. One after another the mummies of every ancient economic formula for full employment have been exhumed and exhibited to the masses in modern semantic wrappings, but the statesmen, and businessmen, too, still circle swiftly in their statistical squirrel cages in search of the right answer to the riddle, hoping to discover the Secret of the Pyramids—at least the political secret of permanent prosperity and complete employment apart from war and its peacetime counterpart of fake-work with fake money. One begins to wonder whether, in this ceaseless but so far unsuccessful search for the right answer we may not have been asking the wrong questions.

I do not assume to say so. I only submit, in these few comments by way of setting for our discussion tonight, that we had better begin by making quite clear to ourselves what the questions are, and making quite sure that they are what we in America and the millions of sons and brothers of ours for whom we are offering our answers, want to know. In the hundred or more times I have discussed these matters in these meetings, in the dismal and humiliating decade just ended, I have sometimes sought to amuse you and sometimes to move you, but now I shall tell you as simply as I can what is in my mind about them, for this crucial moment is an occasion more for candor than for eloquence or entertainment.

These ten millions stand tonight on the edge of an inferno of infinite force, facing or suffering torture of flesh and spirit which we can only dimly imagine and which will pursue many of them down the nights and down the days to the end of their lives. They have asked no questions. They know only that in one way or another their lives have been torn up by the roots from the American soil to save themselves and the rest of us from the danger of being driven to work and live for masters we do not choose to serve. Beyond that they do not ask why they are there, removed from the busy scene, outside the stream of life which flows on much as before, with others taking their places on the stage. They do not perceive the tragic paradox that in truth, despite everything, it is these martial masters who command their life and labor today, and, in the end, it was Hitler and Hirohito who put them to work, because no less in America than in England, Russia, Italy, Germany and Japan, there was no other work to do, and no other way to live.

We are framing for them the questions of the future which are rooted in this paradox, and the answers, too, to comfort or encourage them in their trial and ourselves in our fear, against the time when they will return to the stage to take up the parts where they left off. But we are not telling them the truth, which we owe them and which would be the greatest gift our gratitude could give them, because we do not know it ourselves or will not face it. Somewhere along the road that led to this disaster during the decade of delusion and confusion and demoralization just ended we have lost or surrendered that unique and almost instinctive faith which heretofore, in every crisis or difficulty, had framed the questions and the answers for us infallibly. And having lost it we forgot what till that time every American had always known, unconsciously and surely, from the beginning, which is that government at home or elsewhere in the world is ultimately the only enemy of peace or plenty he has to fear, because it has always been the greatest common multiple of the limitless greed for power among men and groups. This war should have reminded us of that, both in business and labor, but so far it has not, and so we face the future and frame our questions and answers for it confused and frustrated as we never were before, believing no longer in ourselves, but in the providence, omnipotence and omniscience of the unlimited State.

The greatest difficulty that faces us is that business itself, along with labor, has lost, or no longer has, any clear coherent conception, conviction or philosophy of its function. During the past decade it has suffered a deep wound to its integrity of spirit, a profound sense of inferiority or guilt, from which it has not been able to recover even despite its spectacular accomplishment in this war, and the great problem of the future for it is to rebuild its self-respect and purpose which were dissipated and demoralized by the humiliations of the Great Depression and the persecution of the past decade. American business is drifting toward the difficult problems of the post-war future without any clear, definite and consistent philosophy of thought or action based upon any candid recognition of the facts about the economic or political consequences of the war, or upon any perspective of past experience, or even any principle other than that of momentary expediency. The confusion and conflict of attitudes toward the crucial issues of post-war continuance of wartime government market controls which crop up daily is disturbing evidence of the demoralization and intellectual devastation wrought in the business community during the past decade. To any disinterested observer of the ideas and behavior of business in face of these fundamental issues of the future it must be evident that its capacity to think or act about them with candor, intelligence and integrity has been seriously damaged by ten years of exposure or surrender to the political word-changers, the academic cake-eaters and public-opinion poll-catchers of our time. Today, in every fundamental matter that affects the future of American life it mistakes a synthetic statistic like a national income estimate for a moral standard or a philosophical truth, and it has no ideas of its own till it has consulted the totem-pole and computed the lowest common denominator of the passing opinion of a random sample of indifferent people on devious questions they know nothing about.

One after another it hopefully follows the ceaseless procession of spouting stooges of Statism who

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have promised some solution of these problems by easy compromise or expert plan. Its supreme conception of policy has been one of appeasement toward organized labor and organized bureaucracy, and today it is beginning to seek escape from its political pessimism and economic despair in a sort of apocalyptic belief in the millennium based on the childish dream that America is a kind of patent cornucopia of automatic plenty or a bottomless well of unlimited wealth; that the war won't really cost anybody anything, and we can start where we left off after it is over as though it never happened. Sometimes it imagines that exhibitions of public self-flagellation and conspicuous displays of synthetic hair shirts, are a sufficient substitute for a rational and self-respecting business or labor philosophy. It still seems to believe that salvation is to be found in spectacular performances of mezzo-soprano hog-calling by professional propagandists and organization promoters, or by offering itself as the sacrificial scape-goat for past economic sins or errors which were obviously universal. Even the business press has nothing to offer as a philosophy for the future except "more government and more gadgets," a warmed-over hash of Hansen's and Keynes' stale and sterile ideas about public spending, and doses of "whether you like it or not" fatalism about permanent public control, collective bargaining and the like, as though tyranny were more inevitable than poverty, or preferable to it.

We must not imagine that organized labor has escaped this process by which expanding government power demoralizes, dissipates and destroys the self-respect and integrity of groups of free citizens in the community. For its part it has been endowed or drugged by the State with a false sense of power which has its roots and nourishment in the same guilt-complex and sense of inferiority which has so profoundly crippled business, and which we may be sure will bring its own bitter disappointment, disillusionment and frustration to organized labor as time marches on.

But I am not attempting tonight to psycho-analyze the confusion, frustration and futility of either business or labor as they face the problems of post-war employment. It seems to me that before either or both can frame the questions and the answers of the future with truth and frankness for the men in the inferno of the far-flung battle line there are some fundamental facts we must face or flasehoods we must fight in ourselves if we are to keep faith with them. We may delude ourselves in these matters for a time, as we have been doing, but let us no longer lie to the men in hell about them. I shall mention a few of these fatal falsehoods briefly and bluntly before I introduce our speakers, and leave them with you till we meet again.

Let us not tell these sons and brothers of ours that we, or labor, or government, are going to guarantee them economic security in any sense and still leave them their civil liberty and personal freedom, if they still want it. It is not true. The governments they are fighting have demonstrated in the past decade, and the whole record of human experience proves that it is a lie. Let us tell them rather that nobody can pledge them full employment as workers or permanent purchasing power as consumers without depriving them one by one of every individual freedom they have. Let us tell them frankly that no one can fix a national income figure for a people or enforce a statistical standard for employment or payrolls or consumption and still leave everything, or anything, about the life, labor or thought of everybody or anybody as it was before. Let us tell them instead that nobody, business or government, can plan tomorrow's employment for anyone without planning his occupation, spending, saving and consumption for him. Let us not conceal from them the rigorous iron chain of cause and effect which has always bound together and still links compulsory security, compulsory saving, compulsory labor, compulsory consumption, compulsory occupation, location, leisure, speech and finally thought. No one yet has broken this chain wherever it has been forged by the hammer of political ambition on the anvil of mass ignorance, indolence and fear, and never will except by force of violent revolution to which it inevitably leads. Let us not pretend to them that, for the first time in human history, something has happened in America while they were gone that makes the words "national planning" mean anything different in the end from personal compulsion. Let us rather tell them the bitter truth that the quarrels and conflicts we have been having here at home about economic rights and privileges are a tragic illusion, and that the ultimate question beneath them all is not whether somebody's plant can be seized for any reason, but whether any business man or labor leader, or anybody whatsoever, can be shot in the back of the head for no reason at all. They may understand that, because, before they emerge from the inferno where they are suffering and crushing the irreversible force they are fighting, they may have seen with their own eyes, and without looking under the bed, the ultimate implications of unlimited government power to do good to others, at home or abroad, in terms of concentration camps, corpse-filled trenches and ruined cities.

Let us tell them these things truly, even though they may not care anything about them. Like Mr. Vargas, who explained it all to his people in Brazil the other day, when he promised that he might allow them to vote for him, if they wanted to, after the war is over, or like many of our own business men who have abandoned the flesh and the devils and the dangers of the world of freedom and bedded down in the bureaucratic lamaseries in Washington, these boys may come back believing that civil liberty is less important, or less problematic in the future than a full belly. Let them choose, but let us not, as economists, business men or labor leaders, lie to them by making them believe that we or government can give them both.

Above all, let us not tell them, that because business or government did not and could not give them both freedom and full employment, either in the Thirties or at any time before in the past century and a half, business betrayed them or the American idea has failed. They are being told this day by day, as we have been during the past decade, not only by the word-changing wizards in Washington but by business men and labor leaders, and it is a falsehood more cruel than any wound of flesh or faith this war will inflict upon them. The self-betrayal that lies beneath any such confession of sin or repudiation of the past on the part of business or labor leaders, is a brutal breach of trust to the millions of sons and brothers who are defending us, for it destroys their faith in America and abandons them to the darkness and despair of dependence on the State which is the spirit of that hopeless purgatory of Europe and Asia where they are.

Let us not confirm to them by our confusion and fear the falsehood that business in the Twenties, or at any other time, was a thing apart from everyone else in America, a collective group of people with complete power and sole responsibility to make prosperity or depression for everyone else, which they were too wicked, selfish or stupid to use with the wisdom, benevolence and purity which has since been permanently established in public office. Though most of these boys may have been too young to remember it, they and their parents were as much a part of business as everybody is today, and as they will be once more, sharing its sins, its virtues, its failures and its achievements with everyone in America. The errors or crimes, the ignorance or greed, the indolence or injustice, which may have brought down the great depression of the Thirties, or any of the past, were the common weaknesses of all, to which none in the community were immune, in America or elsewhere in the world. Those who were above them, or who knew better, may be blamed for silence or for impotence; but the record then, as always before, shows that no group among us and no government had a monopoly of guilt or of innocence, of folly or wisdom in this economic calamity or any others we have endured. To pretend otherwise is worse than falsehood. It is treason to the spirit and faith of American life. It is a shameful incitement to class strife in the American community, and business leaders, above all, should be humiliated that any among them should lend themselves to it, for whatever purpose of passing popularity or power.

It does not matter to me what others may do or say about these things henceforth, but when some smooth-tongued wizard from Washington or elsewhere puts to me the typical twisted question with which the patriotism and pride of the American people has been slowly poisoned during the past decade, and asks whether I want to bring back the days of Harding and Coolidge and Hoover, of Teapot Dome, and Ed Doheny and Albert Fall, and Insull or Musica or Whitney or what not, I shall look him straight in the eye without shame or fear and say: "Yes." And if anyone asks me why, I answer him in the moving words which a Russian immigrant of many years ago, Simeon Strunsky, set down unnoticed sometime since in his column in **The Times:**

"It is not true that the only kind of America worth defending is the 'better' America which we expect to build after the victory has been won. This war is justified if fought only for the deefnse of America as it is in 1943. It would be a justifiable war for the Amer-

(Continued on page 2153)

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Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

This week we discuss a few miscellaneous matters pertinent to stock fire insurance companies, and of interest to investors and dealers in their shares.

Market—The general direction of fire insurance stocks has been downward since July, 1943, and appears to be a secondary reaction from the strong upward trend which started in April, 1942. As measured by Standard & Poor's Index of fire insurance stocks, they moved from a low of 86.8 on April 29, 1942, to 122.5 on July 21, 1943, an appreciation of 41%. Since then they have slowly sagged to the present level of 112.7, which represents a decline of 8%. Inasmuch as this observer believes that the primary long term trend of the stock market is upward, he looks for higher prices for leading fire insurance stocks sooner or later. The previous high of the fire stock index was 124.3 in February, 1936, and the 1929 high was 249.1, to reach which the stocks would have to more than double in price.

Fire Losses—April losses in the United States, according to figures released by the National Board of Fire Underwriters, were $34,746,000. This figure is 11% below the losses for March and 1% above the April figure of last year. Total losses for the first four months aggregated $150,682,000, compared with $134,363,000 and $124,849,000, respectively, for the corresponding periods of 1943 and 1942. This upward "war trend" is likely to continue until high pressure war production in the industrial plants of the country moderates and hazards are reduced. In the post-war years losses should return to the normal level. Annual fire losses in the United States over the past 15 years have been as follows:

1929	$422,215,000
1930	463,613,000
1931	452,017,000
1932	442,143,000
1933	316,897,000
1934	275,652,000
1935	259,160,000
1936	293,357,000
1937	284,720,000
1938	302,050,000
1939	313,499,000
1940	306,470,000
1941	322,357,000
1942	314,849,000
1943	380,235,000

It will be observed that the year of greatest loss was 1930, with $463,613,000, and the year of least loss was 1935, with $259,160,000.

Rates—Although fire losses have been increasing since 1940, rate reductions have recently been effected in two important states, viz., Michigan and New York. Since 1933, average fire premium rates have declined from 78 cents per $100 of insurance to 60 cents, a reduction of 23%. Annual fire premium volume, however, with the 23% lower rates, was approximately $580,000,000 in 1943 compared with $450,000,000 in 1933, an expansion of $130,000,000, or 29%. Some New York State agents "view with alarm" the officially ordered reductions while others look upon them as an opportunity to sell the public more insurance. They point to the "incentive rates" initiated by many public utility companies over the past 20 years and which have invariably resulted in increased sales of electrical energy.

New York Trust Company

Bulletin on request

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Federal Investigation—The South-Eastern Underwriters case is now awaiting a decision by the Supreme Court of the United States. Meanwhile, the Van Nuys-Bailey Senate Bill, which asserts that it never was the intent of Congress that the Sherman and Clayton anti-trust acts should apply to the insurance business, has been referred to the full Senate Judiciary Committee. The companion House bill has been reported out of committee but floor debates have not yet started. In a recent address before the Nebraska Association of Insurance Agents, Mr. Manning W. Heard, Vice-President, Hartford Accident & Indemnity Co., made the following remarks: "And now I should like to refer to the South-Eastern Underwriters case pending in the Supreme Court of the United States. I cannot help but feel that the court, even though it disagrees with the doctrine of Paul vs. Virginia, will recognize the force of precedent and maintain the status quo so far as the application of the anti-trust acts are concerned. Of course, no one can prophesy the court's decision, but I think, and I hope I am correct, it will conclude that public interest dictates that the regulation of insurance should remain with the states unless Congress itself should deem otherwise. But even if I am wrong and the court should strike down precedent, both agents and companies have an obligation to themselves and to the public. We should adapt ourselves to the new conditions in a manner that will justify the continued confidence of our millions of policyholders. We have a great business, we have earned an important place in the life of our country and we do a real service."

Utility Interesting

Delaware Power & Light Common shares offer an interesting situation according to a circular issued by Newburger & Hano, 1419 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this circular may be had upon request from Newburger & Hano.

Can We Spend Ourselves Rich?

(Continued from page 2138)

The pinch-hitter was Marriner Eccles. A snowdrift in Ogden, Utah, changed the course of American history!

Well, perhaps. And again, perhaps not.

An analysis of Administration policy preceding Eccles' visit suggests that recourse to spending would have occurred, anyway.

Roosevelt began his administration with two sound steps: (1) establishing confidence in the banking system by allowing only solvent banks to reopen after the bank holiday; (2) fulfilling his campaign pledge to cut the expenses of the federal government by 25%.

But then without waiting for the normal operations of the economic cycle, which presumably would have brought back prosperity, the President began doping the patient with a series of quack remedies.

First, devaluation of the dollar.

Second, Triple A—killing little pigs, paying farmers not to produce. (Designed, no doubt, for the benefit of one-third of the population that was undernourished.)

Third, NRA—industries being allowed to get together to raise prices and restrict production. Many codes prohibited a second shift. The textile code prohibited installation of new machinery except by permission of the code authority. The petroleum code lacked a price-fixing clause; the President added it in his own handwriting. I own a newspaper and printing firm; our code required us to raise many commercial printing prices 100%. Wages, up 10%; prices, as much as 100%. Ostensibly done to raise the purchasing power of the masses!

The First "Compensation"

Some form of "compensatory spending" had to be devised. If the idea hadn't come from Marriner Eccles, it would have come from someone else.

When large scale government spending—initialed CWA—was started in January, 1943, no important official thought of it as anything else than a stopgap—pump-priming. The President, in fact, kept promising every year up to 1938, that he would "soon balance the budget."

But since 1936, a new school of economics had been born, a school that believes in government spending as a permanent policy. Their program calls for a Compensatory Economy. "Fortune Magazine" is the more respectable of its advocates; Stuart Chase, Alvin Hansen, and Dr. Abba Lerner are its leading spokesmen.

In a Compensatory Economy, the federal government will guarantee to maintain the national income at an agreed-upon figure—let us say, at 160 billions. When the national income falls below that figure, the government will spend enough to bring it back up; when the national income goes above, unless accompanied by additional productive capacity, the government will increase taxes, reduce spending, and resort to other deflationary devices.

Stuart Chase argues: If we lived under perfect competition, unemployment and depression could not occur. But competition has disappeared in 50% of our economy and exists only where business men have been unable to abolish it.

In other words, if the painters' union limits the size of the paint brush and outlaws the spray gun, if a union electrician must be employed every time an electric plug has to be inserted, if a standby orchestra must be hired alongside of every juke box, don't worry; government spending will "compensate."

If cartels are formed to hijack the consumer, government spending will make up his losses.

Some extremists on the Left have no objections to accelerating the movement toward monopoly. Their attitude is expressed by a remark attributed to Rex Tugwell:

"Let monopoly have its head. After Big Business has destroyed little business, we can arouse hatred against Big Business. Then it will be a simple matter for the government to step in and take over."

The import of that remark—that private enterprise will not long endure under monopoly—explains why the heads of the National Association of Manufacturers and the U. S. Chamber of Commerce have been preaching to their members the vital importance of maintaining a competitive system.

The fight against greed—in the form of monopolistic practices—is as old as the fight against sin. The Ten Commandments have never been fully observed and perhaps never will be. But when we give up the Golden Rule as the ideal of human conduct, the human race is done. When we give up the fight for the competitive principle, we have invited totalitarianism into our home.

Seven questions will bring out the functioning of a compensatory economy:

QUESTION 1: **If the government is to keep the national income at a precise level, what mechanism will have to be employed?**

Alvin H. Hansen, Harvard professor, answers: "Congress should establish a Monetary and Fiscal Authority. . . . The Executive, acting under the advice of the Monetary and Fiscal Authority, should be empowered to increase or curtail . . . public improvement expenditures . . . He should, moreover . . . be empowered . . . to determine the imposition and withdrawal of taxes. . . . Admittedly, Congress may be reluctant to delegate power to the Executive on so vital a matter as the timing of the application of tax rates and expenditures. But if we are to make the economy workable under modern conditions, it will be necessary to engage in bold social engineering." (Fiscal Policy and Business Cycles, page 448.)

While Congress would be allowed to establish broad loose limits, the general effect is to take away "the power of the purse." Congress cannot be trusted to act according to Hansen's fiscal principles — instead, would logroll. Furthermore, Congress can not act quickly enough. By the time it has completed the deliberative process, a mild depression might become violent; steps it was debating may be outmoded. The executive—advised by his experts—must be given virtually full authority.

QUESTION 2. **HOW will the money be spent?**

(a) Upon public works, federally controlled; after completion, locally operated.

The National Resources Planning Board, to which Dr. Hansen was economic advisor, says: To provide outlets for government spending, the building of public works should be centered in the Federal Government. A county should not be able to build a bridge except in according with the Federal plan; too many bridges might be built at the wrong time.

To "persuade" local communities to accept centralized control, the Federal Government would pay all costs and after completion, turn over "operation" to the communities.

Distribution of purchasing power may be inadequate if limited to public works. Housing, especially slum clearance, offers infinite possibilities. But sometimes money must be passed out with greater promptness than is possible for long-term construction.

(b) National dividends, therefore, have been proposed by some spenders as a more flexible method—let us say, $100 to every head of family, $50 to every child—whatever precise amount will bring national income back to par.

QUESTION 3: **WHEN will the spending be turned ON?**

When the national income falls below, say, 160 billions. Each 5 billions decline calls for a predetermined distribution of Federal money.

Others—including Chase—would pour out the money primarily as employment falls.

Chase tentatively fixes 3,500,000 unemployed as the danger line. That number may be unemployed during good times—moving from

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one part of the country to another, looking for better jobs, on strike, etc.

When unemployment drops to 4,500,000, perhaps 5 billions in purchasing power will be distributed; at 5,000,000, perhaps 10 billions; at 7,000,000, perhaps 30 billions.

(Spenders sharply criticize the 3 billion dollar deficits of the first two Roosevelt administrations as grossly inadequate; deficits should have been 15, 20, or 30 billions; if circumstances require, there should be no hesitation about incurring deficits of war time proportions like 75 billions.)

QUESTION 4: **WHEN is the money to be turned OFF?**

As the national income and employment rises, the reverse process begins; spending is to be reduced by pre-determined amounts.

QUESTION 5: **WHERE is the money to be turned OFF?**

(This answer applies to the public works method proposed by the National Resources Planning Board.)

Employment has risen, let us say, by a million, but there are still 5 million unemployed. Public works then are not terminated, but merely cut back. What new projects, upon which communities have built high hopes, will be rejected? What communities shall be "discriminated against"—and why, they will bitterly ask?

Centralized power has not only economic, but political "possibilities." An executive with these powers can intimidate as well as bribe. Competition for the favor of the Administration will be feverish. If the executive can keep the Congressional districts back home in fear of the withdrawal of public funds, few Congressmen will be able to hold out against him. (A few well-timed promises of bridges for Florida helped Senator Pepper win the recent primary.)

Boards, of course, will be "independent." But need we look beyond the present boards in Washington, filled with ideological enthusiasts looking to the President as their leader to recognize the instinct to use all power within grasp to aid the "cause"? Experts—men like Leon Henderson, Rex Tugwell, Felix Frankfurter, Tommy Corcoran—sincerely believe their first duty must be to keep the opposing party out of office; depression will automatically follow "the return to reactionary economic methods."

Likewise, if a Republican Administration gained these powers, would not its appointees with equal zeal use every "legitimate" means to prevent "the party of left wing totalitarianism" from ever getting back into the White House?

How long can individual freedom stand up against political use of such weapons to influence voters? Democracy thrives only when individuals and communities can make a living in opposition to the existing regime.

QUESTION 6: **WHY should spending be turned OFF?**

(This answer applies to the Cash Dividend Method.)

The Monetary and Fiscal Authority decides that spending should be reduced. But if dividends of $50 or $100 per person have been passed out, recipients are not going to stand idly by and see them cut off. Having tasted "dividends," they want more and bigger ones!

Pressure blocs rush in to claim that "the statistics of the Monetary and Fiscal Authority are false." If true, they are unsound; the country has plenty of expansive capacity! Build more capacity if it does not exist! The national income should not remain static, but should be raised. The party out of power, having nothing to lose, takes up the cry. Cash dividends **stimulate** the economy; don't cut them off; DOUBLE THEM—and make them **permanent!**

Not long ago, Vice-President Wallace wrote a speech setting 130 billions as the right national income after the war. Copies of his speech were released to the press. Between the distribution of the speech and its delivery, he saw a new light. He upped the desirable income to 200 billion. All in 4-5 hours! Why allow pikers and defeatists to hold down our standard of living?

How difficult it is to end public favors may be seen in the New York foreclosure moratorium. During the Great Depression, home foreclosures were temporarily forbidden. Each year now—for 14 years—the moratorium has been temporarily extended. As far as this privilege is concerned, the Great Depression continues to scrape bottom.

QUESTION 7: **Where IS the money coming from?**

Chase answers: Italy was bankrupt when Mussolini went into Ethiopia. Japan could never finance a major war, said the experts. Hitler would not be able to get the money to attack rich England and France. But they all found the money. Russia, the poorest country in Europe, rebuilt her economy. Twice in our generation—during war—the U. S. has created full employment.

These facile answers by Chase imply that finding the money should not be a problem. But they still do not satisfy those who sincerely want to know the mechanics of getting the money.

Alvin H. Hansen is willing to answer the question; so is Dr. Abba Lerner—each with his own variations.

Hansen would borrow the money. "The attack on chronic unemployment (should be) by means of public expenditures financed by a continually rising public debt." . . .

"We shall come out of the war, debt-free . . . we shall have no external debt, only an internal debt. . . . An internal debt is in fact so different from what we commonly think about as debt . . . that it should scarcely be called a debt at all."

The debt being internal, the amount collected in taxes is equal to the amount paid in interest.

The National City Bank Letter replies: In the case of a private debt, there is never any doubt as to who must pay the debt. In the case of a public debt, the exceedingly knotty problem is raised: who shall pay the taxes.

The higher the national debt, the greater the cost in interest. The more bitter the struggle between conflicting blocs to shift the burden, the greater the necessity for every group to organize, to enforce iron discipline among its members. The plain fact is that a huge debt eventually can bring about a kind of civil war. Ultimate end: the corporative state and dictatorship to resolve the internal conflicts.

Lerner would unhesitatingly print the money, other means failing. (Lernerites regard Hansen as a reactionary.)

A few quotations from Abba Lerner's monograph: "Functional Finance and the Federal Debt."

"Functional Finance rejects completely the traditional doctrines of sound finance. . . . Taxing is *never* to be undertaken merely because the government needs to make money payments. . . . Taxation should be imposed only when it is desirable that the taxpayers shall have less money to spend; for example, when they would otherwise spend enough to bring about inflation. . . .

"As long as the public is willing to keep on lending to the government there is no difficulty, no matter how many zeros are added to the national debt. . . .

"If the public hoards, the Government can print the money to meet its interest and other obligations, and the only effect is that the public holds Government currency instead of Government bonds and the *Government is saved the trouble of making interest payments.* (Italics supplied.)

"The almost instinctive revulsion that we have to the idea of printing money and the tendency to identify it with inflation can be overcome. . . ."

This doctrine that governments need not resort to taxation in order to pay their expenses is presented by Dr. Lerner as a new and astounding discovery. But governments have always known it. In ancient times rulers debased the metals used for exchange. In more recent days, governments turned on the printing presses. Even when the public knew nothing of economics and inflation, the end-result of the outpouring of money was always rising and finally skyrocketing prices.

Lerner's theories completely disregard the psychological and political consequences of an "easy money" policy.

Governments are always eager to turn on the expenditures; but never willing to turn them off. If deficits are not to be feared, you can be sure there are plenty of Huey Longs who will be delighted to promise bigger and better deficits—with every man a King.

Many a program is beautiful in theory. The repetition of a noble objective — however impractical the means proposed of reaching it—will always attract day-dreaming followers. Only after certain cold-blooded questions are asked will a program reveal human failings — sometime infinitely more harmful than those of the system it is designed to supplant.

IBA Governors To Meet In Rye, N. Y., June 1-3

The regular spring meeting of the Board of Governors of the Investment Bankers Association of America will be held in Rye, N. Y., June 1, 2 and 3, or ten days before the opening of the Fifth War Loan drive, it was announced on May 23 through the Association's office at Chicago by J. Clifford Folger of Folger, Nolan & Co., Washington, President. Among other business of the meeting, Mr. Folger said, plans will be perfected for intensifying in the Fifth War Loan the "drive within a drive" which the securities dealers of the nation have conducted in connection with each of the other war bond campaigns by their professional solicitation of the larger investors. Particpating in the meeting will be Ted R. Gamble and Edward B. Hall, both assistants to the Secretary of the Treasury and, respectively, National Director and Assistant National Director of the Treasury's War Finance Division.

Jos. Walker Co. Admits

Paul J. Horne on May 15 was admitted to partnership in Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange. W. Seymour Smith retired from partnership in the firm on May 12.

Ohio Brevities

(Continued from page 2146)

land started its 100th year of business last week. The bank is the oldest in Cleveland, the largest national bank in Ohio and second largest in the Fourth Federal Reserve District. Its deposits total nearly $400,000,000 compared with $184,000,000 five years ago. Sidney B. Congdon is president.

* * *

Frank D. Beale, who has been a railroader for the past 30 years, has been made president of the Virginian Railway Co., one of the country's leading coal carriers. He succeeeds Carl Bucholz, who has retired.

Beal began his railroad career with Chesapeake & Ohio and in 1940 he became assistant vice president and assistant to the president of the C. & O., Nickel Plate and Pere Marquette. In March, 1943 he was made operating vice president of Nickel Plate.

At a meeting of Nickel Plate stockholders early in the month, Rupert T. Zickl of Bartram Corp. of New York, was elected a director, filling a vacancy.

* * *

Harold R. Le Blond, president of Le Blond Engineering Co. of Cincinnati, has been elected president and Colonel James Hammond was made chairman of the board of Cleveland Automatic Machine Co. Hammond is a former publisher of the Memphis Commercial Appeal. Le Blond became a director along with C. M. Jacobs, Cincinnati attorney, and E. G. Schultz, also of Cincinnati. Schultz was elected vice president and treasurer.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Transfer of the exchange membership of the late James C. Colgate to Chester Apy will be considered on June 1. It is understood that Mr. Apy will act as an individual floor broker.

Transfer of the Exchange membreship of William L. Strong, Jr., to Robert L. Gill will be considered on June 1. Both are partners in Mallory, Adee & Co.

Edward S. Moore, member of the Exchange, died on May 17.

Leonard A. Cohn, partner in Spencer B. Koch & Co., New York City, died on May 13.

Newport News Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks Ended March 27, 1944 and March 29, 1943

(Subject to year-end audit, charges and adjustments)

	Thirteen Weeks Ended March 27, 1944	March 29, 1943
New Ship Construction	$30,001,000	$32,733,000
Ship Repairs and Conversions	1,151,000	351,000
Hydraulic Turbines and Accessories and Other Work	2,325,000	677,000
Totals	$33,477,000	$33,761,000

By Order of The Board of Directors

R. I. FLETCHER
Comptroller

May 18, 1944

This advertisement is not, and is under no circumstances to be construed as, an offering of this stock for sale or exchange, or as a solicitation of an offer to buy or exchange any of this stock, or as a solicitation of deposits under the Plan of Exchange mentioned below. Solicitation of such deposits is made only by the Prospectus.

100,000 shares

The M. A. Hanna Company

$4.25 Cumulative Preferred Stock
without par value

The M. A. Hanna Company has offered to the holders of its outstanding 128,531 shares of $5 Cumulative Preferred Stock a Plan of Exchange whereby such $5 Cumulative Preferred Stock may be exchanged for new $4.25 Cumulative Preferred Stock, on the basis of 1 and 1/20 shares of new stock for each one share of present stock held, together with a cash adjustment in lieu of fractional shares, if any, of such $4.25 Cumulative Preferred Stock. Said offer will remain open until the close of business May 31, 1944, unless prior thereto the 100,000 shares of $4.25 Cumulative Preferred Stock available for exchange shall be exhausted. The Company proposes to call for redemption all unexchanged shares of $5 Cumulative Preferred Stock.

Copies of the Prospectus relating to such Plan of Exchange may be obtained from

KUHN, LOEB & CO. HARRIMAN RIPLEY & CO.
Incorporated

May 22, 1944

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Larkin Elected Pres. Of Savs. Loan Inst.

John H. Larkin, Assistant Vice-President of The Franklin Society, of New York, was elected President of the American Savings and Loan Institute, New York City Chapter No. 18, at the annual meeting recently held at the Institute offices, 41 Park Row. The American Savings and Loan Institute is a national, non-profit, educational organization serving more than 3,000 Savings and Loan Associations of the country. Subjects taught are accounting, real estate law, appraising, management, public speaking, basic savings and loan principles and kindred subjects.

Sprague Re-Elected Vice-Chairman Of NYSE

Raymond Sprague was reelected Vice-Chairman of the Board of Governors of the New York Stock Exchange at the organization meeting on May 18 of the Board, which followed the annual election on Monday, May 8. Mr. Sprague, a member of the Exchange for the past 26 years, served as a Governor from 1929 to 1938 and was reelected a member of the Board in 1942, becoming Vice-Chairman the following year.

John Q. Adams, of Chicago, and Robert V. Fleming, of Washington, D. C., were reelected members of the Board of Governors as representatives of the public on May 18. Mr. Adams, prominent in agriculture and business in the Middle West, is a director of the Continental Illinois National Bank & Trust Co. of Chicago, and Mr. Fleming is President and Chairman of the Board of the Riggs National Bank of Washington.

John Rutherfurd, it was reported to the Board, has been reelected Chairman of the Gratuity Fund and William D. Scholle, Secretary and Treasurer. Arthur F. Broderick is Chairman of the new Nominating Committee and Paul H. Klingenstein is Secretary.

The reelection of John A. Coleman as Chairman of the Board of Governors at the annual election of the Exchange on May 8, was noted in our issue of May 11, page 1942.

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Fahey Cautions Against Making Excessive Mortgage Loans

A warning against a threatened runaway price movement in urban homes, accompanied by inflationary mortgage lending on such properties, was issued on May 20, by John H. Fahey, Commissioner of the Federal Home Loan Bank Administration. He drew a parallel between present ascending price levels and the "boom" market of the twenties, which, he said, collapsed in a tide of foreclosures.


John H. Fahey

"The development of inflationary prices for existing houses which attracted attention in some centers of war industry in 1942 has now spread to many sections of the nation," said Mr. Fahey.

"Two years ago, the effects of mass migration of workers and the shortage of housing in many cities began to be apparent. With prices on existing homes far above normal because of the stoppage of the construction of houses for all except war workers, mortgages in unjustifiable amounts are now being made in an increasing list of cities and towns throughout the country. The chief exception to the general trend is in the northeastern group of States, where only in 1942 did home values begin to recover from the extreme deflation of the thirties. Even in these States real estate prices and loans are now climbing to hazardous levels in a few communities.

"Loans based on valuations far beyond a reasonable level are being made by all classes of financial institutions, in growing numbers, in the same States where similar lending practices led the nation into the record-breaking mortgage panic which began in 1930. Just as in the twenties, States well in front in this movement include Michigan, Ohio, California, Arizona, Illinois, Indiana, Wisconsin, Oklahoma, Oregon and Washington. This unhealthy activity is also conspicuous in parts of other States.

"While sale prices indicated by revenue stamps and mortgage recordings in recent months show plainly what is happening, the records of sales of houses by owners whose mortgages had been held by the Home Owners' Loan Corporation reveal disquieting facts. During the first three months of this year, 1,293 properties owned by HOLC borrowers were sold at prices 17 per cent higher than the HOLC valuations made about ten years ago. On the average, these properties are now more than 20 years old. These new prices, of course, do not allow for depreciation or adverse changes in neighborhood conditions over the years.

"In connection with the sales of 4,097 properties on which mortgages were held by the HOLC, new loans were made by private institutions during the past eight months showing an average loan increase of $1,504 per property, or 81 per cent more than the balance owed on them when the HOLC loan was paid off.

"In some of the Pacific coast States recent sales prices represented about 134 per cent of earlier HOLC appraisals. In a number of coast cities and a few in the Southwest, sales prices ran up to 150 per cent and 200 per cent of sound values. In various sections of Ohio, the sales prices are about 122 per cent of old HOLC appraisals. In parts of Michigan, northern Illinois, some sections of Nebraska and the southwestern States, the upward movement in prices and loans is becoming more noticeable each month.

"The records of the Home Owners' Loan Corporation indicate that inflationary sales are more common in and around Detroit, Milwaukee, Cleveland, San Francisco, Los Angeles, Seattle, Phoenix, Tucson, Evansville, Fort Wayne, Gary, and Hammond. Such sales are also numerous in Omaha, Lincoln, Little Rock, Louisville, Shreveport, Kansas City, Missouri, Tulsa, Houston, Salt Lake City and Seattle.

"Unless this dangerous course is arrested, the post-war curtailment of war production may bring a wave of foreclosures and seriously interfere with the resumption of activity in the construction industry, a vital factor in peacetime adjustment."

As prudent counter-inflationary steps by financial institutions, Mr. Fahey recommended adoption of precautions recently urged by the Federal Savings and Loan Advisory Council. These include: downward adjustment of the ratio of loans to appraised values, shortening of repayment periods, accelerated repayment of principal during the first few years of the loan, calculation of loan percentages on the basis of property prices in a pre-war period during which market conditions were reasonably stabilized, and the taking of additional security, in cases where high percentage loans are made on the basis of current market prices.

Henry Abbot Now In Hentz Research Dept.

H. Hentz & Co., 60 Beaver St., New York City, members of the New York Stock Exchange and other Exchanges, announce that Henry W. Abbot has become associated with them in their Research Department.

Mr. Abbot has had 20 years' experience in the financial district and has specialized in the study of bank and insurance shares. He was in charge of this work for many years with G. M.-P. Murphy & Co. Mr. Abbot has also written many articles on financial subjects.

Gov't Housing Official Warns On Runaway Real Estate Prices

Runaway real estate prices and possible later collapse may be the result of inflated prices and excessive appraisals in the existing housing market unless a concerted effort is made now to hold the market in line, Abner H. Ferguson, Commissioner of the Federal Housing Administration, said earlier this month in an address before the Indiana Savings and Loan League at Indianapolis.


Abner H. Ferguson

While evidences of inflated prices on existing houses are already present, the situation is not yet so far out of line as to foretell inevitable collapse, Mr. Ferguson said.

"However, existing houses must be watched with particular care to avoid valuations and mortgage commitments that may be subject to deflation in the post-war period, and to avoid contributing to inflation," he declared.

Indicative of the increased danger of inflation in real estate prices immediately after the war, Mr. Ferguson said, are (1) an estimated national income for 1943 of 147 billion dollars, the highest on record; (2) more than 95 billion dollars in liquid assets in the hands of individuals; (3) an estimated home buying potential of more than 3 billion dollars that may result from present proposals to lend $1,000 to war veterans to use as a down payment on a home; (4) a tremendous pent-up demand for new housing; and (5) a limited production capacity in the building industry during the first year after war-time restrictions have been lifted, which has been estimated by the FHA at 400,000 privately financed homes costing about 2 billion dollars.

With a limited supply and an unusually large demand for housing in the first year after the war, the inflationary possibilities are very great, he said.

"Neither mortgage lenders nor builders alone can control the situation," he added. "By adopting a joint policy of resistance to excessive appraisals, high prices and high pressure salesmanship, they can perhaps have some influence in restraining the market. But most builders and lenders do not have the facilities for determining the precise point at which their own appraisals and prices reach the danger point, and no way of gauging their effect on the national economy."

The best existing means of exerting influence against spiraling home prices is the FHA appraisal system, which is based on long term values rather than short term price increases, Mr. Ferguson said.

"Through widespread use of the FHA system, the individual buyer can be made conscious of the fact that if he pays a high price for a property, he is paying a premium for immediate occupancy," he said. "At the same time, the lender is put on notice that the funds he is advancing may not be completely repaid and that he is taking a greater risk than prudence justifies."

While participation in the FHA insurance program is entirely voluntary on the part of lending institutions and builders, if the system is given proper support by all groups in the real estate and mortgage markets, it will provide machinery for exercising far-reaching influence in preserving stability in the market, Mr. Ferguson declared.

If the situation is not met by FHA and interested groups, there will be strong pressure to continue price control measures, perhaps indefinitely, he said.

"In a completely uncontrolled situation, the mortgage and real estate markets could hardly escape sinking into a depression of long duration," he said. "With over-lending and over-buying at high prices, it is hard to see any result other than an ultimate crash with wholesale foreclosures, new mortgage moratorium laws, and a new HOLC to bail out the lending institutions."

Ohio Municipal Comment

(Continued from page 2146)

in this Ohio section, the current yield on 10 high grade Ohio municipal bonds is only .30% more than the yield on 10 second grade Ohios.

Bank Earnings

At the annual meeting of the Ohio Bankers Association, held in Columbus on May 17-18, some of the most worthwhile comments heard were in informal conversations relating to bank earnings. It was refreshing to note how some of the more alert bankers were quite optimistic about profits. The comments of one, Mr. Robert White, the alert and capable president of the National City Bank of Marion, serve to illustrate how the properly managed bank can make money and yet be conservative. The value of attending any convention lies largely in exchanging such informal comments.

Six or seven years ago it was not uncommon in Ohio for a bank to have 50%, or even 60%, of its deposits in loans. Today, of course, it is uncommon to find even a country bank with loans amounting to as much as 20% of its deposits, and often the loans amount to only 5% or 6%. Moreover, the 50% figure used to be in 6% loans, while now the bank with 20% of its deposits in loans, u-ually has such a large loan account only because it has aggressively sought loans at 4, 4½ or 5% interest.

Yet, despite this discouraging trend bankers have found that profits are growing because they have considerably more money to invest, and their capital structure is usually little more than it was several years ago. Thus declining income from loans, has been more than offset by income from much larger investments, supplemented by income from service charges and by reducing interest paid on savings deposits.

Not only are the more alert bankers giving due attention to the possibilities of keeping fully invested, but they also are giving due attention to the value of a proper distribution of such investments in taxable and tax free income. Most of the increase in income has, of course, come from taxable Government investments, and this fact is reflected, often surprisingly, in much higher income tax payments, all of which gives increasing importance to the value of maintaining a proper proportion of investments in tax free municipals.

Elected to Phila. Exch.

Ralph E. Pendergast, Vice-President and Director of Paul & Co., Inc., and Paul & Co., Inc., were elected to membership of the Philadelphia Stock Exchange.

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The Securities Salesman's Corner

Five New Faces Every Week

Regular readers of this column are aware that two major considerations have always been foremost in our approach to the solution of practically every problem connected with security sales and merchandising. First, we believe that a sound security business is based upon the premise that you must KEEP YOUR CLIENTS. We do not believe that any security dealer can operate upon any other basis and make his business pay. This means giving service, paying attention to the needs of clients, selling the right type of securities to fit the requirements of the investor, and treating the customer fairly as to mark-up. The second fundamental, which we seem to stress even more than the first in our weekly articles, is that every firm and every salesman MUST CONSTANTLY ACQUIRE NEW ACCOUNTS. The reason for so-doing are obvious. Clients die, move away, or become dissatisfied (you can't please everyone no matter how hard you try), and for various other reasons you must not only replace lost clients but constantly expand a clientele. No business can REMAIN STATIC WITHOUT GOING BACKWARD.

The reason we place more emphasis upon the building of new accounts rather than keeping old customers is that we believe that most security dealers find it more difficult to build new business than to keep the old. The average security dealer does a pretty good job for his clients. He keeps them informed as to their holdings—he calls them occasionally on the phone or pays them a personal visit. In many instances he makes up their income tax returns and he takes a fair mark-up on their purchases and sales.

There are short cuts and good ideas that assist salesmen in opening new accounts such as direct mail and newspaper advertising campaigns to procure leads. All these things progressive dealers are willing and anxious to try in seeking the best method of building up a new business. Yet they all boil down to one essential element—THEY MUST BE BACKED UP BY CONSISTENT WORK.

Several weeks ago we were discussing a campaign which drew a 10% reply for a dealer. This was the result of a mailing that went to a stockholders' list, using a double reply card. This dealer was very pleased with the results as to the mail inquiries received. Yet, he seemed disappointed as to the actual sales resulting from this campaign. Further questioning made the answer very simple—HIS SALESMEN HADN'T FOLLOWED UP THE LEADS. Now, it doesn't seem possible that any intelligent human being could possibly expect orders to come in from a single postal card mailing without any further work on the part of the sales organization—but this is almost what this dealer had in mind.

Further questioning indicated that this organization had no plan of regular solicitation of new accounts. Salesmen called on their prospects and clients whenever they felt like it and in a haphazard manner. Here was the suggestion which was made to this dealer. Take the list you circularized. Make personal calls upon every one who replied. Don't try to sell a security on first call—SELL YOUR FIRM, YOUR SERVICE, YOUR PERSONALITY. Pick out the names of everyone who was contacted on the first mailing **and who did not reply** AND CALL UPON THEM TOO.. Those who do not reply to a mailing are sometimes better potential clients than those who do reply. SOME OF THEM ARE AFRAID TO SEE SALESMEN BECAUSE THEY KNOW THEY CANNOT RESIST THEIR APPEALS—MANY OF THEM ARE RIGHT IN THINKING THIS WAY—THEY MAKE GOOD CUSTOMERS. Then call upon these names with the idea in mind of eliminating the dead-wood and selecting the actual and potential customers.

Then make a RULE TO SEE AT LEAST FIVE NEW PEOPLE EVER WEEK. Whether you get them from a list, a campaign for new leads, from radiation, from friends, or out of the telephone book—SEE THEM.

This system will build a business. It's nine-tenths work and one-tenth inspiration—but it can't fail.

Jordan Defends America's Business Record

(Continued from page 2149)

ica of 1939 and of 1925, which is approximately the date of Teapot Dome. It is a justifiable war because it is being fought in defense of the whole American record through the years, white and black.

"What is that record and what is that nation? Our discontented college youth of a few years ago, educated by two decades of savage devaluation of America, complained because we had no flaming American ideal to compete with the dynamic ideal which Hitler and Mussolini and the Japanese official murder fraternities provided for their own youth. But if our young people had looked at the American record in the whole and in its essentials, they would have found an American purpose to enlist their loyalty and stir their pulses. The country which we are defending today was there five years ago, and twenty years ago.

"What is this America that we are now fighting to defend? For more than a year after the collapse of France, England alone held the gate against Hitler. Without the English stand America would have had no time to become the arsenal of democracy. But without the good hope of American aid England might have been unequal to the mighty task. We are the hope of the world today in the sense that we have the final say. We have the casting vote for victory, and we have cast it for humanity and civilization.

"That is the kind of America people are asked to defend—the old hope, the old record. When our young people a few years ago envied the flaming faith in the hearts of Hitler's and Mussolini's young men, did they happen to note the identity of the country to which the victims of Hitler's and Mussolini's crusading faith were fleeing for refuge? The refugees came to America, as the refugees have been coming to America for more than 300 years. The victims of the Hitler terror did not stipulate for a better America before they consented to seek refuge here. Our old American Status Quo was plenty good enough for them. Our old American Status Quo gave them life, liberty and livelihood.

"What, then, do we seriously mean that America of the 12,000,000 unemployed ten years ago is the hope of the world? Yes.

"America of the Economic Royalists and utility pirates the hope of the world? Yes.

"America of the Ku Klux fanatics, of the Negro lynchings, of the Dillingers and the corrupt politicians—this America the hope of the world? Yes.

"One need not take America's word for it. Ask the people of Britain, Russia, China and the conquered and martyred nations of Europe what they think of the American record."

So, gentlemen, though times change and no man can swim in the same river twice, and we can and should admit that we might have done better, and hope to do it, we must take America all together as she was and is and will be, an inseparable whole, priceless and irreplaceable.

When we speak to our sons and brothers on the battlefront or to our comrades at home of the aspirations and problems of the future against the efforts or failures of our past, whether as business or labor leaders, let us not abandon or abate the smallest bit of our integrity, loyalty or self-respect or pride as a group or as a people, or repudiate or bargain away for whatever benefit or favor from the present or the future the least thing, good or bad, in the qualities or the record of the past of our country or our people. To do otherwise for a moment is to leave these millions abroad spiritually homeless, exiles and castaways on alien soil. They may not care, or know now whether they do or not; but let us remember that if we are to win this war, we have not merely to bring these boys back to America, but we have to bring America back to them.

Cabell Named Head Of Exchange Firms Ass'n

Wm. Wymond Cabell, senior partner of the Richmond, Va., firm of Branch, Cabell & Co., has been elected President of the Association of Stock Exchange Firms at a meeting of the Board held in Cincinnati, Ohio. Mr. Cabell, who succeeds John L. Clark, resigned, has been a member of the Exchange since 1936, a Governor of the Exchange for the past two years and is a former President of the Virginia-Carolina Chemical Corp. and a director of the Johnson Publishing Co. He was elected a Governor of the Association upon its reorganization in 1941 and last fall was re-elected. He will continue to make his headquarters in Richmond.

John L. Clark, President of the Association since September, 1942, had indicated some time ago that he would be unable to continue beyond the May meeting. The Board elected Mr. Clark a Governor. He will continue as a partner of Abbott, Proctor & Paine.

Henry C. Merritt, Assistant to the President for the past four months, was elected Executive Vice-President. Before coming to the Association in February of this year, Mr. Merritt was employed by the Republic Aviation Corp., previous to which he had spent 20 years in the investment banking and brokerage business.

Bright Outlook

The Aetna Insurance Company capital stock offers a conservative, high-grade investment security with very interesting growth possibilities, according to a study of the situation issued by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif. Copies of this study may be had upon request from Butler-Huff & Co.

Enhancement Possibilities

PEP Bonds afford interesting possibilities for enhancement with particular appeal to those seeking long-term capital gains according to a summary of recent developments in the situation prepared by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of their interesting circular may be had upon request from Scherck, Richter Co.

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Mutual Funds

Investment Company Gauge

Each quarter **BARRON'S** holds a mirror up to the investment company field and publishes the results for all and sundry to see. It would be difficult to assess the value of these surveys, both to investors and to the investment companies themselves. For, certainly, this "Quarterly Investment Company Gauge" everlastingly continues to place emphasis on **management**—where it rightfully belongs!

The steady and marked improvement in investment company performance during recent years is clearly illustrated by the current issue of the "Gauge," published in the May 1 edition of **BARRON'S**. There it is shown that in the periods from the end of 1936 and the end of 1938 up to March 31, 1944, the 23 common stock funds included in the "Gauge" did not do as well as the Dow-Jones Composite Average—although in the latter period there was a noticeable closing of the "performance gap."

However, in the more recent periods from the end of 1940 and the end of 1942 to March 31, 1944, the 23 common stock funds gave a better account of themselves, beating the Dow-Jones Composite Average by 3.9 percentage points in the first period and trailing by only 1.4 percentage points in the second.

The improved performance of the mutual funds, as measured by the **BARRON'S** "Gauge" has resulted in the wholesale reprinting of these quarterly surveys by the various sponsors. This is another wholesome development, giving as it does widespread publicity to an unbiased measurement of investment company performance. (In the days when the funds had less reason to be proud of their performance, there were fewer reprints of the **BARRON'S** "Gauge.")

In this week's mail three such reprints came to hand. One was issued by **North American Securities Co.**, general distributors of **Commonwealth Investment Co.** Commonwealth has the distinction of standing at the top of the list in performance for both of the longer periods covered by the "Gauge." Another was published by **Hugh W. Long & Co.** in behalf of **Fundamental Investors** which stood high in performance over both of these same periods. **Distributors Group,** sponsor of **Group Securities, Inc.,** published a reprint in which the performance of the various classes of Group Securities Inc. not already included in the **BARRON'S** list were added for comparative purposes.

Railroad Equipment Shares

A Class of Group Securities, Inc.

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A highly interesting "Study in Values" is the subject of **Keystone Corp.'s** current issue of **Keynotes**. This study shows the present earnings of the securities held in the four **Keystone Stock Funds** in relation to their 1936 prices and also in relation to their current prices.

The chart reveals that "net earnings range from slightly above to well over twice 1936, despite high wartime taxes." Prices, on the other hand, are "only 40% to 70% of 1936 price levels."

The bulletin concludes as follows: "While there have been similar deviations in past periods, earnings have always ultimately reasserted themselves as the basic factor in determining stock values and stock prices."

* * *

Investment Timing, published by the Economics & Investment Department of **National Securities & Research Corp.,** is currently carrying a series of articles on "Scientific Developments from the Investor's Viewpoint." The discussion in the current issue is the third in the series and is on **Electronics.** Concludes the article:

"After the war, vigorous impetus is expected in electronic expansion in the fields of improved radio, television, X-ray, radar and a vast number of new industrial applications, stimulating prosperity and increased earnings for the companies in the electronics in-

(Continued on page 2157)

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The Prospects For Post-War Air Cargo

(Continued from First Page)

dominating force in today's vast global war, and which will probably do more in tomorrow's era of peace than any other one thing to preserve peace, and to change the habits of the world.

No other form of transportation has ever experienced such rapid growth. Within 35 years after the invention of the airplane, it had become a factor in the domestic commerce of this and many other countries, and today the Air Age has become a global reality, expedited by the necessities of World War II. Prior to 1939, American pilots made about 33 transatlantic flights. In the one year of 1943, 4 years later, thousands upon thousands of flights were made over the Atlantic alone by planes under the direction of our Army Air Transport Command and the Naval Air Transport Service. Never before has such a great transportation change taken place in so short a span of time. And, almost incredible as it is, it is a mere hint of what is to come. The air-nearness of all people, one to another, is rapidly acquiring new, unprecedented and unpredictable potentials not only in a military sense, but for every phase of human activity. It is toward the post-war aspects of this changing scene, and particularly the cargo aspect, that I intend to direct my comments.

Commerce and industry and trade, and the growth of trade centers, have always been limited by, or stimulated by, the speed of transportation. The history of society, trade, and culture has been one of expanding horizons brought about by increased and speedier means of inter-communication. Water was the first great highway. Because of this the earliest centers of trade grew up on coasts and on great rivers. It took longer for transportation to conquer the land because of the natural barriers that existed in the form of mountains and rivers, and deserts, but eventually land commerce routes linked the interior with the centers of commerce that had grown up on the coasts and on lakes and great rivers. But, ships could not travel on land, and land transport was forced to stop at water boundaries. Hence, surface transportation has always been restricted by the limits of the medium on which it was intended to move and in spite of technological developments which brought increased speed the time of surface transport over distances has been measured in days and weeks rather than in minutes and hours.

Air Transportation brings history's greatest step in speed and gives commerce freedom in the one great universal element in which it can move without the restrictions or boundaries or obstacles which have always beset surface transportation. The great air bridge which covers the earth has made it possible for the airplane to destroy all of the barriers of land and water.

Today, no spot on the globe is more distant than sixty hours in flying time from any other spot. This relatively new form of transportation, just now coming into its own, has forced us to revise all our ideas about distance, to think in terms of hours and minutes instead of weeks and months and miles—to discard all our old yard sticks. It is no longer 11,300 miles, and 31 days, from New York to Chungking. Air reduces the miles to 7,500 and flying cuts the time to 38 hours. Merchandise can reach markets in Moscow in 23 hours after it leaves New York. People and products can go from San Francisco to Brisbane in 35 hours instead of the former 21 days. So, if domestic air transportation in these United States has, as has been said, shrunk our country to the size of Pennsylvania, international air transportation will shrink the world to the size of the Mississippi Valley, in terms of relative improvement of transport speed and with particular reference to the carriage of *goods* by air.

Air Transportation of cargo is too new to be a known quantity in commerce. The airlines of this country, and those abroad, obtained their pre-war growth primarily as carriers of passengers and mail and made no real attempts to invade the cargo field. There are a few records of movements of merchandise by air in the earliest years, but it was not until 1927 that any coordinated and regularly scheduled air cargo service was inaugurated. On September 1st of that year, air cargo took its first real step, in the form of Air Express. At that time only four airlines were operating regularly scheduled air service in the United States, with a total of 4,508 route miles, and only 26 points enjoyed direct air service. In 1928, the first full year of Air Express, approximately 17,000 shipments were carried, weighing a total of 64,000 pounds — an average of three and two-thirds pounds per shipment.

In 1943, only fifteen years later, commercial air transportation had grown to the point where there were 42,000 route miles of scheduled service in the United States with more than 350 cities served directly. Relatively, express volume has grown, too, but the 1,630,000 shipments which were carried, aggregating 32,577,000 pounds, and averaging 20 pounds per shipment, constituted only an infinitesimal part of the total volume of merchandise transported by other forms of transportation.

We can safely say, therefore, that the value of air transportation's speed and flexibility in the cargo field has been really tested only by war, but the results of that still continuing test are indicating that air cargo can take a major role in the post-war carriage of commodities. It is, therefore, not too early for us to translate what war has taught us into terms of peacetime commerce—and to study the place the airplane will have in post-war transportation and the effects it will have on channels of distribution, on methods of selling, and on shipping habits.

Many prophets are lifting their voices to describe their views of the effects of air transportation upon surface transportation. These views vary widely. Some of the more optimistic proponents of air transportation have visualized it as driving great railroads and great steamship companies into bankruptcy. Others have failed to see the possibilities in carriage by air and have accorded to it only a stingy fringe of the things that move in commerce — emergency shipments, and high value—lightweight commodities.

Even in pre-war days airplanes were used at one time or another to move almost every commodity used by man. Mining machinery was carreid by air to points inaccessible to surface transportation. Oil companies shipped supplies into jungle-bound airports. Perishable food products were moved in hours to remote points where weeks would have been required in surface transportation. Drugs and dresses, coats and cut flowers, hardware and repair parts and millinery and machinery all have reached their users by air. Future air cargo will not have to find new commodities to move, but it will have to prove its economic usefulness to each and every commodity that it hopes to carry. It can wrest traffic from surface transportation only to the extent that it can add economic or other real values because of its increased speed and flexibility. Like every other new facility for transport, it must seek the level of its greatest usefulness and it will absorb traffic and create traffic in the fields that it can serve best. Motor vehicles, because they were more useful for short distances, took much short haul traffic from the railroads. They also created other traffic which, in some instances, has been ultimately turned over to the longer haul of the railroads. The airplane will not only take a portion of the long haul traffic of the railroads, but, as did the railroads, will constantly extend the length of the average haul by the creation of new, long haul traffic. In my opinion, the airplane will not take the place of rail or motor, or water carriers, but it *will* divert a large portion of their business that they have retained only because of the *lack* of faster transportation, and, since the advent of the airlines, by virtue of their lower rates. Wherever the speed and flexibility of flight can make money for shipper or for consignee it will replace slower modes of transport, for, as Mr. Pogue, Chairman of the Civil Aeronautics Board, has said, "Services that make money have a habit of becoming popular."

Two major factors are temporarily retarding the growth of commercial air *cargo* transportation in the United States today. Almost two years ago our domestic airlines turned over to the Army nearly one-half of their total fleet of transport planes. Very few of these planes have yet been returned. So, today, when we are faced with more traffic of every kind than at any time in our history, we are terribly short of equipment. Under these conditions cargo cannot be allotted as much space as it needs in the limited service which we operate, and we have been unable to allocate any *appreciable* number of planes to a badly needed exclusive cargo service. After the war these conditions will certainly change, and increased production of planes is already making it possible for the Army to return a very few planes to us and we hope before long to get planes particularly adapted to the exclusive carriage of mail and cargo.

The other retarding factor is rates. Even though Air Express rates have been reduced a number of times tince the service first began, they are still high in comparison with those in effect for the fastest forms of surface transportation. In July of 1943, they were reduced from a base rate of 80c per ton mile to the present figure of 70c per ton mile. Today's rate is still about six times that of rail express.

Further reductions in Air Express rates will come as soon as the airlines can secure enough additional equipment to enable them to handle an expanded cargo volume and to get the benefit of the economies which a specialized cargo operation will give. When that hapepns, the airlines will be anxious to make further reductions in rates. Quite probably, during a post-war transition period of two to three years, the shipping public will see rates for Air Express reduced to approximately 60% of their present level and the inauguration of Air Freight Service at somewhat lower rates. After this transition period, when aircraft manufacturers have had an opportunity to tool up and get into production in quantity on cargo planes built to airline specifications, rates will again be reduced and to a much lower level. Rate reductions can only come, however, as operating costs are reduced, and we have not proceeded far enough in our research and planning for me to be able to give any prediction as to what ultimate air freight rates might be. I feel safe in saying, however, in fairness to the shippers who, in their post-war planning, are trying to intelligently take air transportation into consideration, that the rates to the public of 5 and 7 cents per ton mile, which are being talked about by theorists who have had no practical experience in airline operation, cannot be expected in the foreseeable future. I am also quite certain that Air Freight rates will remain above those of surface transportation, but the advantages of air transportation will offset for many products and for much traffic, the difference in rates.

At the same time that rates come down other changes will come about because of industry's determination to take advantage of and receive the values of air transportation. Packing methods will change and packing costs will be reduced. In international trade today, packing sometimes increases surface shipping costs from 10% to 20% because of the necessity for using heavy crates that can withstand the abuse of trans-shipment and of loading, unloading, and carriage; because of high ocean freight rates on the basis of measurement or weight, whichever is greater, and because internal revenue taxes and customs duties in many countries, being based on the landed cost of the shipment, take additional toll from increased packing costs and the other increases that they bring about. Since carriage by air requires less handling and less rough treatment en route, lighter packing will be possible in both domestic and foreign air commerce. This will be particularly true in international trade where unloading, trans-shipment, lighterage, and reloading will not be necessary in air transportation as it has been in surface transportation.

Probably many industries seeking to use the advantages of air transport to expand markets will use lighter weight materials in the manufacture of their products. Just a few days ago I read of the preparations one manufacturer is making to market, after the war, a 21-pound furnace that will heat a 13-room house. Incidentally, it was military *aviation* that brought about this furnace—the necessity for developing a light weight compact heating unit that would keep bomber crews warm in the sub-zero temperatures encountered at extremely high altitudes. We've never considered furnaces as logical air cargo potential in the past, but such a development as this can change the picture completely. Dehydration will also be used to prepare food products for carriage by air. As an example of the reduction in both weight and space resulting from dehydration, government bureaus have stated that a bushel of potatoes weighing 60 pounds weighs only 8 pounds after dehydration, that cabbage shrinks in weight from 20 to 1, and that dehydrated soup shipped to our allies during the month of May, 1943, alone, saved 20,000 cubic feet of cargo space.

These changes in products and methods, and other changes, will be taken advantage of to further bring down the costs of carriage of commodities by air.

Our present methods of marketing and distribution will feel the specific effects of air cargo in many ways. Companies that have been limited in the markets that they could economically reach by slower surface transportation will reach out into new markets. Others that may be less progressive and do not care to expand may be forced to do so in order to survive, because air transport will make it possible for remote competitors to invade the nearby markets upon which companies of a local nature have always depended for their volume.

New markets will be created. Fruits and vegetables which have always been picked green, to ripen en route, will move over night to market centers, and consumers who, for the first time, are able to enjoy new flavor and new freshness will continue to demand that these products move beyond the limits practicable with slower transportation. In the style market, too, expansion will mean more sales and therefore more traffic.

With faster transportation will come saving in the capital needed to do business. A tremendous amount of capital formerly locked up in inventories of retailers and jobbers will be released when the speed of air transport makes it possible to carry smaller stocks because they can be replenished in hours instead of days or weeks. Perhaps some manufacturers will resist this trend towards hand-to-mouth buying, but once the retailer sees his way clear to take advantage of it the suppliers who fall in line with his desire to do business on lower inventories, and with less investment in storage space, will win the first lap in the race with competition. Furthermore, there will be less of today's great waste of capital invested in goods in transit. Even the most elemental student of business knows that goods in transit are idle goods that can earn no profit through sale, and if a national chain organization that today has an average of a quarter of a million dollars worth of merchandise in transit at all times can use the greater speed of air transportation to cut that average to $50,000, the saving is obvious.

A collateral of saving in capital is turn-over. Air transportation will make it possible to speed up turn-over, and greater turn-over means more profits on more transactions. Nor will profits increase merely because of more transactions; expenses will be lowered because the outlay per unit of product for cost of capital will be less, and because rentals, insurance costs, handling costs, and even salaries of administrative officials, and overhead generally, will be less on each unit sold.

There will be less risk of loss from style, obsolescence, price instability, and seasonability when air transportation speeds the movement of merchandise. When stores carry less stock they become decreasingly vulnerable to changes in style and to whims of public fancy; with less money tied up in inventories manufacturers will be more ready to modify their products to suit changing demands. Many retailers will no longer find it necessary to place orders for merchandise weeks in advance and blind to the actual need they might be experiencing at the time for which they have been ordering. This will make it possible for the retailer to reduce his price risk and his style or deterioration risk.

In the high-priced style field, most "creations" in hats, shoes, and accessories, as well as dresses and coats, originate in style centers like New York. Top notch stores in San Francisco or Mexico City, or Buenos Aires are given exclusive offerings for a few weeks before they are copied and moved down into the medium and low priced shops. It makes a lot of difference, even in Dallas or Kansas City if fewer days of this precious long-profit time are used in transportation rather than in selling.

Losses from price instability can be cut by use of air. In certain perishable fields, shippers frequently start carload movements towards distant market areas before the commodity is sold, expecting to take advantage of an opportunity to divert the shipment to a market where a price advantage can be gained. These "rollers" *may* be sold on an advantageous market, or they may move slowly across the country without the anticipated profit opportunity and end up on the opposite coast after deterioration has taken such a toll that a substantial loss replaces any possible opportunity for profit. Air transportation may make it possible for much of this traffic to be held at the point of production until a

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market rise at a particular point dictates that it be placed there by air in a matter of hours, in fresh condition, and ready for sale at top market prices.

Air cargo transportation may bring about important changes for the wholesaler and the intermediate distribution center. To the extent that more shipments are made direct from manufacturer to retailer, by air, and to the extent that more manufacturers will sell direct to consumers, the need for wholesalers and distribution centers will be diminished.

Public warehousing will unquestionably be affected. Warehouses are, in many ways, a part of the transportation system of the country, and the need for them has arisen to some extent out of the need of distributors to overcome the time lag between the depletion of the dealers' stock and receipt of replacement from the factory. As air transportation makes it possible for wholesalers and retailers to replenish their stocks more quickly, the need for the warehouse will be diminished.

As soon as air freight can make substantial reductions in its rates, it will attract much traffic in the form of perishable food products. In the immediate post-war period, it will probably touch only a marginal part of this traffic because its rates will still be too high to compete for the vast bulk of fruits and vegetables, and meats, which move long distances from producing centers to centers of consumer population. Even in that period, however, the airplane will move a goodly portion of the more perishable and higher priced products to distant markets where fine restaurants and first-class hotels will attract trade by advertising top grade fruits and vegetables, and seafood, fresh from distant producing areas. Later, as rates drop further, these products will move in greater quantities, because overnight movement will eliminate the need for, and the cost of, refrigeration and because producers can take advantage of momentary price rises through the ability to ship quickly to any point. It is not likely that airplanes will have to be encumbered with heavy and costly refrigeration equipment. Since they can move, in the domestic market, entirely across the country even today in 18 hours, it appears that precooling of the product and proper insulation will suffice.

The value of air transportation increases in almost direct ratio with the distance between the points served, and it therefore follows that the international field is one of its broadest opportunities, because of the greater distances and the longer times en route. In international trade, there is an even greater spread between the price that the producer gets for his product and the price the consumer in the foreign country pays, than there is in the domestic field. This "spread" is enhanced because of several factors peculiar to international trade. These include, in surface transportation, the greater cost of export packing, the expenses of trans-shipment at ports, consular fees, marine insurance, export and import duties, port charges, and the cost of financing the shipment for a longer time en route. Many of these costs may be cut materially by air transportation, and some eliminated entirely. With air freight moving at a speed approximately 25 times that of ocean freight, interest charges on inventories in transit will be greatly reduced. The greater cost for export packing, as has been previously pointed out, will be eliminated. Since airplanes will leave from interior points and land at interior points, all of the expensive features of trans-shipment at land-water borders will be eliminated. Very probably, insurance costs will come down because goods in transit a shorter time are subjected to less opportunity for deterioration, because less handling and rehandling lowers the opportunity for pilferage, and because wear and tear and breakage are diminished when shipments are carried by air instead of by rail and steamship.

There is a very definite certainty that the end of this war will signal great expansion in commercial air transportation, and as that expansion progresses the changes I have mentioned will follow. So, in its post-war planning, almost *every* type of business must consider how its methods and its profits and its existence will be affected by these changes, and the rapidity with which they come about. The domestic airlines of the United States or formulating *their* plans for *expansion*, are searching for ways to improve service and reduce operating costs, and are analyzing market potentials and traffic characteristics in their *own* future planning. American business and the airlines of the United States must move forward together in their efforts to stimulate the growth of this newest form of transportation, and to take every possible advantage of the dominant place our country holds today in the field of aviation. If we do *this*, and if we can *establish American competitive principles in international air transportation*, we will have done much to guarantee our territorial security and our social, cultural and economic welfare in the post-war world.

Shortcomings Of United Nations' Porposed Stabilization Fund

(Continued from first page)

high level of employment and real income, which must be a primary objective of economic policy.

(3) To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(4) To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.

(5) To assist in the establishment among member countries of multilateral payments facilities on current transactions and to aid in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(6) To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

With number one there should be no disagreement because it is generally believed that a permanent institution devoted to international monetary matters would be productive of much good as it would provide a meeting place for the representatives of the various nations to discuss their monetary and financial problems. Such an organization could also gather statistics on those subjects and by disseminating the information acquired enable Treasury officials and the business world generally to keep informed on trade and financial movements throughout the world. This would be of special value to exporters and importers in all countries. But the machinery for this already exists in the Bank for International Settlements. By amendments to its charter when Germany is defeated it can be made to perform the services described.

Number two is a generalization of the objectives sought with which all will agree and again I say the Bank for International Settlements can be successfully and practically used to facilitate and expedite the flow of world trade.

Number three is the kernel of the proposal for the International Monetary Fund and with this there are serious objections. In the first place it proposes the creation of a Super Bank to cooperate with another World Bank for Reconstruction, and these together with other international bodies, to be organized, will unite to form the Super Government. Now idealistically perhaps the Planners are drawing a beautiful picture, but they seem to leave out the practical question; will it work in this distraught world? Imagine for a moment that this great International Super Bank has been created and is at work. The stockholders are the 30 or more United Nations. They have selected their representatives to serve on the board of directors. The Board is in session and is considering the post-war problems before it. They are many and pressing. One director represents a great creditor nation, the United States of America, which by good fortune has great natural resources, a great industrial and agricultural plant, an intelligent and industrious population of 130 million people and about two-thirds of the monetary gold of the world. Another director also represents a great country, but it has by reason of two exhausting wars changed from a creditor position to one of a debtor in substantial amounts to other countries. That is the United Kingdom of Great Britain and Northern Ireland.

There are a few of the smaller countries represented by directors who sit in creditor seats but the large majority of the directors represent nations which either from the ravages of war or unfavorable economic conditions at home are indebted abroad. The reconstruction of many devastated countries is desired and large amounts of materials of all kinds must be imported so that the debtor nations need more credit for those purposes. It is but natural that the majority will be favorable to the liberal use of the resources of the Fund, and the creditor countries will want to be helpful of course, but as a matter of fact they must acquiesce. If they refuse or if they withdraw, as they may, they will create great ill will and defeat the very purpose for which the Fund was created. And furthermore, it is not unreasonable to expect that when the resources of the Fund shall have been exhausted, demands will be made for further assessments against the members and it is easy to see that the nation declining to contribute would be pointed out as defeating the program for reconstruction. So we would find ourselves in the position of having our original contribution frozen in the Fund, and if we didn't pay up again we would see a serious derangement in the exchanges which is the very thing we want to correct. So it seems to me to be a very impractical approach to a problem, which, all agree, should be solved if possible. Furthermore, I feel that a survey of the work that the Planners have carried out in the international field, such as the Board of Economic Warfare, does not cause one to feel that the degree of success is sufficient to create confidence in their ability to carry a larger project to a prosperous or profitable end. As a matter of fact, there is considerable doubt in the minds of many that the Planners have done such a good job on the domestic front. The philosophy behind them all is the same, namely, that a few men at the seat of government can successfully plan the affairs of the people for them and then getting together with similar groups of Planners from other countries map out the course for all mankind. Well, I think it is too big a job even for the brightest minds, with human nature what it is.

Another bad feature in the proposed Fund is one that you find in all programs of the Planners. In order to make the plan work they provide for the exercise of power, for they instinctively feel the difficulties inherent in the plan and they intend to see that it works by forcing compliance if necessary. In the instant case the plan provides "Changes (in the par value of a member's currency—expressed in terms of gold) shall be made only with the approval of the Fund, subject to the provisions below" and then it provides the conditions under which changes can be made. While member countries may not give up their sovereign right to fix their currencies to suit themselves they are placed in a position where the finger of scorn and opprobium of the other nations would be pointed at one which did not comply with the clear intent of the plan, namely cooperative action. For example, our Congress would find it embarrassing to take any action concerning our currency or monetary matters without the approval of the Fund. It is clearly the intent of the framers that member countries to a degree surrender their economic sovereignty. This is further borne out by the evident intention in the plan for the directors of the Fund to have the power to change the value of the currencies uniformly, even though a country having 10% of the aggregate quotas could veto the proposal because the hesitant country would feel the pressure of world opinion to force it into agreement. If our country should find itself in that position we would see our Congress faced with world opinion demanding that it conform to the program of the Fund even though it might be inimical to our best interests.

And further, "The Fund may require a member country to exercise controls to prevent such uses of the resources of the Fund." This refers to capital transactions and it goes on "Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange provided such capital movements are in accordance with the purpose of the Fund." Other examples can be cited to show the intent of the framers of the plan to put the Fund in a position to punish any member country which does not subordinate its sovereignty in such matters to the Fund. It is so drawn as to enclose the fist in the velvet glove but it is there to strike if desired.

The fourth, fifth and sixth statements could apply equally well to the Bank for International Settlements because the carrying out of these aims requires no Super Bank, but merely machinery already existing and of accumulated experience.

Now it has been said that bankers are prone to criticize but lacking in constructive proposals. That cannot fairly be said on this subject because the excellent report of the Economic Policy Commission of the American Bankers Association has laid down the fundamental principles which should guide any program for the stabilization of currencies and defined the boundaries within which it should be confined. Furthermore, Mr. Leon Fraser, the able President of the First National Bank of New York who has probably had more experience in international monetary affairs than any person in this country, has offered a definite proposal for the stabilization of currencies. This plan has met with general approval of the American banking profession because it is believed to be practical and sound. If adopted it would lead to an early improvement in exchanges throughout the world based on the dollar and pound sterling redeemable in gold at a stated value.

It is reasonable to assume that under the Fraser plan a sound international medium of exchange, namely the dollar and the pound, will be quickly realized after the termination of hostilities in Europe. Under the proposed International Monetary Fund it is specifically provided that during the period of transition following the war member countries would be permitted to retain their exchange controls with the expectation that these would gradually be relaxed. If as is argued by the proponents of the Fund the stabilization of currencies is believed to be a prerequisite to post-war recovery, then the quicker it is accomplished the better. Their plan certainly does not hurry it up.

Mr. Fraser recommends that the Bank for International Settlements be enlarged and its functions extended to enable it to perform the services heretofore referred to. It should be emphasized, however, that the Bank for International Settlements in comparison to International Monetary Fund is a small institution and while it can be very useful in helping to stabilize currencies and effect settlements between the central banks and treasuries of the various countries it does not have the large size or the political power to exert the pressure it is intended the International Monetary Fund shall do. Its activities would complement the ordinary day to day transactions in order to render more stable the operations in foreign exchange, but it would not be in a position to dominate the operations to the extent of affecting any country's internal economy. And it could very effectively provide a meeting place for the representatives of the nations "for consultation on international monetary problems." Mr. Fraser's recommendations seem to me to be so much more practical and capable of accomplishment than the program outlined by the technicians of the United Nations that I hope the Congress will substitute the one for the other, or as it may be expressed the practical for the idealistic.

It is easy to see, however, that the authors of the Treasury plan do not want the advice of practical men. Last October I asked Mr. Bell, Under Secretary of the Treasury, to give the American Bankers Association an opportunity to discuss the proposed plan for the stabilization of currencies with their technical men before the plan was made public and I told him that I had appointed a committee to study post-war financial problems, which could be called together whenever he advised that his men were ready. He readily agreed and phoned Doctor White to act accordingly — but nothing further has been heard from them. Now I do not charge Mr. Bell with bad faith. I think he left it with Doctor White, who either forgot it or purposely avoided carrying out the agreement. In either case, it is apparent that he did not want to call in the committee of the American Bankers Association which represents over 90% of the banks of this country and has within its membership some very able men familiar with the subject of foreign trade, foreign exchange and stabilization of currencies. It is very unfortunate that our Government would at a critical time like this fail to utilize the experience and judgment of such a large body of trained men in its efforts to meet the perplexing problems with which we are faced.

Interesting Possibilities

The post-war outlook for the stove, shoe, and brewing industries appears attractive according to interesting statistical analyses of these fields prepared by Lester & Co., 621 South Spring Street, Los Angeles, Calif., members of the Los Angeles Stock Exchange. Copies of these interesting analyses may be had upon request from Lester & Co.

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Post-War Jobs

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marily as his political agent, reserving to himself the right and privilege of wealth getting and distributing—in short, of making a living. To that end he should require of his Government only that by legislation and administration, and with special privileges or favors to no group or class, it shall establish fair and clear-cut "rules of the game," and keep clear the field of private competitive enterprise. The term "free enterprise," has been given many definitions and meanings. For the present purpose we shall consider it as that economic system under which the individual has access to the raw materials of nature, to labor and capital (tools, machinery, etc.), and to managerial skill and experience, under conditions of open competition, in order to produce and distribute the goods and services needed by **consumers,** at a profit to himself, and to the economic and social advantage of all. The motive, the drive, of all enterprise is **profit.** It thus differs basically from the motive of "production for use" of most socialistic schemes and theories. Our system of capitalism or free enterprise has not only made us the richest nation in the world, the most powerful in peace and war alike, but it has given us the highest standard of living anywhere in history. As the Baruch Report says: "The war has been a crucible for all of the economic systems of the world, for our own, for Communism, Fascism, Nazism—all the others. And the American system has out-produced the world."

It is true, of course, that when as now free democratic peoples are compelled to fight for their liberty free enterprise, competition, and most peacetime functions and motives must of necessity be subordinated, but only "for the duration." Our marvellous war production has been devoted primarily to **destructive** purposes. Aside from technological advances, new materials and processes, war spells destruction, waste, economic exhaustion, debt (mortgage on future production), and in the case of ravaged and defeated countries long years of sacrifice, low living standards, painful reconstruction. These are the costs, current and future, of war—the killing or maiming of millions of young men and workers, the burdens and privations of non-combatants, the normal gains of peacetime production, the suspension or ruin of numerous small enterprises. The generation that wages a war has to pay for it.

And in waging war there can be no thought either of cost or of profit. Of necessity the Government becomes the big producer, buyer, seller, borrower, spender, employer, director. This is a clear case of production for use, destructive use, with no consideration of profit to anybody. To be sure there will always be a few unpatriotic, sordid chiselers who find opportunity to make a contemptible profit from war through black markets (in which selfish buyers are equally culpable with sellers), strikes and stoppages on war production, "get mine now" grabbers in both industry and labor, and pressure groups resisting adequate war taxes and efforts to keep prices stabilized and so to prevent inflation which would be vastly more burdensome than the heaviest taxes. These almost inevitable evils of war, which nothing short of Gestapo methods would wholly eliminate, do not, however, affect any large proportion of our people. Most of us recognize the necessity in war times of such Government controls as priorities, price-fixing, rationing, and other restrictions upon our normal way of living, even though we may exercise our democratic privilege of grouching about them and sounding off about how much better it could be done.

To our almost incredible achievement in war production history will credit no small part of the victory for freedom. In this achievement, culminating in an annual aggregate war output exceeding that of all the rest of the world, valued in terms of money at over $90 billion, there is enough "glory" (though this word should be reserved for those who risked their lives to preserve our freedoms) to go around—to agriculture, labor, industry, and the scores of coordinating agencies set up for specific war tasks. It may not be inappropriate, however, to point out that in the main these agencies, organizations and activities have been directed and coordinated by executives whose business genius, organizing and managerial skill and experience, had demonstrated in private enterprise their capacity to organize American industry for the biggest production job in history, a job that has made America "the arsenal of democracy."

It can be asserted with confidence that an overwhelming majority of the people of this country believe firmly in restoring our system of free enterprise as quickly and fully as is possible after the war ends. And, perhaps, it is later than some of us think. Even as the war effort rises to its peak, raining destruction and defeat upon the enemy, partial demobilization and reconversion have begun. Though production of some types of war supplies is still rising it is tapering off in others. War contracts are being cut back, renegotiated; some war plants are curtailing maximum operations; some dribbles are being released from the huge accumulated reserves for civilian use. A trickle of overseas fighting men are coming home and an increasing number of discharged men are looking for work. Soon the full tide of the employment problem will set in.

Above the confusion of voices, surveys, reports and plans concerning post-war employment, some simple but basic economic considerations stand out clearly. In the first place, we must be reminded that the purpose and end of all production is **consumption.** Laborers and capital and management work on natural resources to produce goods and services that consumers want and are able to pay for. Business consists essentially of the exchange of goods and services for other goods and services by means of an intricate network of mechanisms, processes and devices. None of the prime factors in production—land, labor, capital, management—will or should work without reward, that is, getting its proper share of what is produced according to its or his contribution to the cooperative effort. And at the end of the line it is the consumer who pays the bill, pays it by exchanging his goods or services for those of others.

The important point here is that the consumer will not get what he wants unless he is willing and able to pay for it, including a profit to producers and distributors. In the distribution or dividing up of the total product the largest share (more than one-half) goes to "wages and salaries." Normally, fewer than a half of our total population are "gainfully employed," and of these only about 13,000,000 are members of organized labor unions, leaving three times as many voiceless, voteless, without collective influence in bargaining with employers. In other words, collective bargaining functions for only about a quarter of the country's workers. Again, the obvious but significant point here is that the worker whether organized or unorganized does not employ himself but is employed by industry, and that to enjoy a stable, balanced economy their total joint production must be adjusted to the demands of total consumption. Too much production of particular commodities at a given time or place causes a glut, so-called "over-production," and loss to producers. Too little production or faulty distribution has the opposite result, with unemployment and lowering standards of living. Only through increased production and expanding business with resulting lower unit costs can labor get better wages, that is, more goods and services for a day's work. And the same principle applies to agriculture, industry and public treasuries. There is only one well, the total national income, from which can be drawn wages, profits, interest, dividends, taxes and public revenues. Productive enterprise feeds this well; orderly consumption under a steadily increasing standard of living keeps it from overflowing. This free flow of wealth and income from producer to consumer activates our whole system of free enterprise.

Under the compelling drive of war our productive capacity and our national income have doubled in three years, furnishing enough to support the mightiest military outlay in history and still leaving more than enough to supply all the necessities, most of the comforts, and many of the luxuries, of normal living. Aside from a few types of consumers' goods (new automobiles, homes, furnishings, etc.) we have lacked but little. Only those called upon to do the actual fighting and their families have had to make real sacrifices. Despite the strains and exactions of war we have "lived better" on the whole than ever before. We have earned more and, despite higher taxes and some increase in living costs, have saved more. We have paid off billions of mortgage, installment, and other debt. We have greatly increased our savings accounts, bank deposits, and insurance policies, and at the same time have carried every bond drive over the top. In these various ways we have accumulated an unparalleled buying power.

In this pent-up buying power of 135 million people and in the peacetime capacity of agriculture, industry, capital, and labor to maintain production at a high level lies the hope of sustained post-war employment. It is less than realistic to expect peacetime production and the national income to hold to the high levels reached in war, though some well-supported estimates maintain that the latter goal can be reached and held within a few years after peace comes. Other studies estimate a decline in the national income of from a half to a third. (The President's budget of last January assumed an annual post-war national income of $125 billion.) But whether it will be $100 billion or $200 billion will depend in large measure upon the encouragement, the incentive, for private enterprise to produce and distribute the goods and services needed to absorb this pent-up purchasing power of our own people and to meet the enormous and urgent needs of millions in other lands where a normal economy will have to be rebuilt from the ground up.

Industry which has made such a magnificent war production record can be depended upon to "throw all its weight" into post-war production and employment if given a fair chance to make a profit (or take a loss). For a decade before the war "big business" especially was subjected to restrictions, controls, Government competition, and burdensome taxation which greatly weakened this incentive and handicapped it in the fulfillment of its function and responsibility. This observation is not to suggest the abandonment of all Government regulation of business, or its withdrawal from active participation in the tremendous tasks of reconversion directly ahead. It is to urge that wherever possible and as soon as possible the Government get out of business and devote itself to its proper and essential function of insuring a fair field for competitive enterprise, and of umpiring the game.

Abrupt retirement of the Government from all its war-business activities would be very shortsighted and, perhaps, calamitous. The war has forced the Government to become a giant monopoly, buying and selling, borrowing, lend-leasing, producing, allocating, spending, and employing, setting prices, regulating our very "way of living". To cite a single example of Government control of war production, our $50 billion of pre-war privately-owned manufacturing plant and equipment has been increased by about $15 billion worth of Government-owned plant and equipment plus some $50 billion of stock piles of all sorts of supplies all over this country and in foreign lands. Visualized in terms of plant, machinery and materials the physical job of reconversion seems and is "gigantic".

To avoid the shock, loss, confusion, and price disturbances of an "auction sale" of these vast Government holdings and inventories liquidation must be gradual and orderly pending the time when business can take over safely and profitably. As Secretary of Commerce Jesse Jones has recently said: "This does not mean that business should look for the end of collaboration with Government in the post-war period. Private enterprise alone cannot meet the challenge of reconstruction at home and abroad and in many instances Government must have a hand in business." To the same effect the Baruch Report says: "Basic wartime controls must be retained as long as necessary, but all controls and the war agencies administering these controls should be liquidated when no longer necessary."

In blueprinting the considerations of first importance "in preparation for peace to follow victory," the Baruch Report emphasizes two main objectives: (1) "getting us all back to work in peacetime enterprises," and suggests a special authority "to give its entire attention to the problem of bringing jobs to all workers, with emphasis laid upon the returning service men and women who are our first concern," and (2) "taking the Government out of business," and offers a "Complete Kit" to meet the varying needs of war contracts while fully protecting the Government.

In recent meetings, panel discussions, periodicals, and public addresses executives of "big business" have expressed confidence in their ability to cope with the admittedly grave problems confronting industry in the transition period and after if they are assured that "atmosphere" of enterprise that is really free,—free from unnecessary choking restrictions and controls, free to compete under reasonable and clear-cut "rules of the game," free to seek venture and investment capital without undue red tape limitations. In general big business has been more completely converted to war production than have small businesses. Their reconversion to peacetime production, therefore, may be expected to require more time, more rearrangement of mechanical, plant and distributive facilities, more financing, yet all of them while concentrating upon the one great job of finishing the war as quickly as possible are making plans for post-war developments. One large corporation has recently announced post-war plans involving the expenditure of half a billion dollars.

But what of the thousands of small businesses throughout the country,—the retail store, the service, repair, and specialty shops which could not get into war work and by the hundreds have had to close up shop because of lack of help or materials to fabricate or sell? These small businesses, ranging from the one man (or woman) grocery, repair, or service shop to the store or small manufacturing "works" employing a dozen to a hundred workers, outnumber big businesses many times and constitute the very heart of our industrial democracy. Dr. Beckman of Ohio State University has recently stated that of the 3 million business concerns before the war over 90% were small enterprises. Even in manufacturing 82% of all plants were single unit businesses employing less than 200 persons each. He thinks it quite possible that a half million small businesses may disappear as war casualties.

As a consequence of depressions and wars small business tends to become relatively smaller and big business larger. Both are essential to the preservation and strengthening of our American system of competitive enterprise. Moreover, "small business is essential to the maintenance of big business." For example, General Motors states that over 18,000 separate organizations supply them with parts and materials on a sub-contracting basis and 43% of them employed less than 100 workers each. Beckman cites facts which "challenge the contention that big business is relatively more efficient and that small business is inherently inefficient." Moreover, there are the "broader economic considerations of preserving the traditional American system of competitive capitalism, of protecting freedom of enterprise, and insuring 'ownership with responsibility'." He submits that even under present conditions small business does not need "crutches in the form of subsidies or special favors." What it does sorely need is "action to remove the principal institutional and artifical pressures which unfairly burden small business and which grossly discriminate against it."

Among other suggestions for protecting and stimulating small business Dr. Beckman proposes "effective machinery for enforcement of existing antitrust laws, including patent reforms; establishment of a Bureau of Small Business Research and Education; and protection of small business not only from large corporations but from Government itself, just as the farmer is protected by the Department of Agriculture, labor by the Department of Labor, and big business by several well-known governmental and private agencies; and alleviation of the capital stringencies facing small enterprise by providing the necessary sources of risk capital and long time credit, thus putting small business more on a par in that respect with its bigger rivals."

When after Pearl Harbor this country knew that we were actually "in the war" and that mass production of every kind of war equipment would have to be speeded up to unparalleled capacity, big business naturally was expected to do the major part of the job. How well it met, is still meeting that assignment the enemy now know. There could be no thought of an equitable allotment of war contracts but only of what concerns could turn out the imperatively needed equipment most quickly and in the largest volume. As war production got into high gear smaller businesses began to get a share of the work by means of sub-contracts, and specialty products through the Smaller War Plants Corporation and otherwise. In post-war planning this all-important group must be given primary

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consideration and in many cases some financial aid to enable them to get back into normal business. Specifically, they should have first call upon materials, tools, and the like which will be released from Government stock piles and other reserves as soon as the war need permits.

Most of the reconversion programs and post-war plans, including those of the Government, recognize the necessity of restoring small business to its rightful place in our American system of free enterprise. Thus, the Baruch Report: "The particular problems of small business have been constantly in our mind. . . . As production controls are relaxed particular care should be taken to protect the competitive positions of small business (the broad backbone of enterprises scattered throughout the country which rely largely on the initiative and resourcefulness of their individual proprietors) as far as practicable within the needs of the war. Cancellation of war contracts can be guided to permit the earliest releasing of small concerns which can convert back to peacetime production." Legislative measures, such as the Murray bill, looking to the retention and expansion of the SWPC, would do much to effectuate this purpose and might well prove to be "one of the most important effects of the war on long-range American economy."

Finally, let it be reiterated that a high level of employment can be attained in the post-war period only through a high level of profitable production, and that this objective must be achieved if we are to avoid the dangers of inflation on one side and business depression with heavy unemployment on the other. Solution of the complex and difficult problems of the reconversion and post-war period will require the greatest business statesmanship in planning for the future and the greatest boldness in putting those plans into execution. Above all it will call for cooperation and coordination of the best thinking and planning and doing of which we as a free people under free enterprise are capable. As a leading industrialist has recently said:

"We shall emerge from this war with the greatest productive capacity, the largest and best-trained labor force, and the greatest pent-up effective demand for goods and services in all history. Given a favorable 'atmosphere' in which free enterprise can function freely without competition by Government and unnecessary restrictions upon competitive business, the future expansion and prosperity of our system of free enterprise is boundless."

Yes, this can be "an adventure in prosperity," the greatest since the adoption of the Federal Constitution, provided industry, agriculture, labor, Government, and every community, every citizen in the land unite in an intelligent, coordinated effort to that end and work for its accomplishment.

Meantime, let us get on with our immediate job of winning the war.

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Dr. Holdsworth's teaching, writing, lecturing and research are backed by practical experience. For five years he was Vice-President of The Bank of Pittsburgh, N. A., where he organized and operated the foreign relations (foreign trade and foreign exchange) department; and was President of the Pennsylvania Joint Stock Land Bank.

Post-War Outlook For Securities

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reduced more than slightly, and if the corporate excess profits tax is eliminated. The deficit, however, would probably not be very large. Congress will have to decide whether the present tax rates can be reduced to any considerable extent if the budget cannot be balanced. Every effort will undoubtedly be made to encourage private industry, including all possible corporate tax reduction. This problem of the Federal budget and the post-war structure is, indeed, a serious one. Furthermore, it is likely to be complicated by other considerations.

The government will probably be forced to make efforts to maintain business at a higher level than the prevailing economic forces seem likely to provide. On the basis of my estimates the volume of production might run between the 1940 and 1941 levels. Civilian non-agricultural employment in those years averaged just under 39 millions with an average work week in manufacturing of just over 39 hours. After the war we will certainly employ several million fewer people at this level of production because of improved methods of operation throughout industry. Even including a military force of several million, civilian and military employment, excluding agriculture, will probably be less than 39 million.

Adding agricultural employment of 8 to 9 millions gives a total civilian and military employment of no more than 47 million and possibly less. The total labor force available for employment under peace conditions several years hence should be 56 to 58 million. Unemployment may therefore be 10 million anyway.

It will, indeed, be difficult to get along with such unemployment without starting very large progams of additional Federal, State and local public works. Such public works will be largely financed by the Federal Government. The additional expenditures will probably run the budget up by several billion dollars to at least $25 billion. In that case the deficit would run so large that substantial tax reduction will be difficult to accomplish.

Under the circumstances, it remains questionable that corporate taxes will be as low as 40% in the post-war period. Some form of additional taxes to take the place of excess profits taxes may be evolved. On the other hand, a system of incentive taxation for corporations may be instituted which will encourage capital investments.

The government may be forced to go beyond public works to attempt to meet the problem of unemployment. The possible avenues of approach are many but they are difficult to visualize and discuss so far in advance. Much evidence is gathering that one of these avenues of approach may be huge government or government-guaranteed private credits to foreign countries for reconstruction. I believe that foreign markets will be important during the post-war period as one potential source of stimulating domestic business. The difficulty is to find a sufficient volume of imports without disturbing domestic industry. Also, the world market will be very competitive. Huge American credits could, of course, temporarily solve these problems. I have allowed for a very large increase in foreign trade from the pre-war level in making my post-war estimates, but not on a scale that may be possible under the stimulus of credits running into many billions of dollars.

The first requirement for a greatly enlarged foreign trade is assurance of a prolonged peace. This can only come about by close cooperation among the leading United Nations. Stability of exchanges and elimination of trade barriers are also indispensable. At the present time there is reason to believe that the international machinery and organization will be established that will insure peace and that will provide the foundation for an enormous revival in peacetime foreign trade in the post-war world. Future war and political developments may, of course, alter this prospect.

I shall not take the time to discuss other possible steps that may be taken by the government to stimulate business. It is evident enough that there may be many and varied demands for government funds beyond those that I have enumerated in compiling budget expenditures. This all leads to the same conclusion—do not take it for granted that the corporate tax rate of 40% is in the bag.

Earnings for Common Stocks

It is difficult to generalize about earnings for common stocks in the post-war period. It may be dangerous and misleading. I have indicated that we should enjoy a substantial expansion of business from pre-war levels while deferred demand is being filled even though business may not be nearly as good as some observers hope and believe. Profit margins will probably be lower than at the corresponding volume of business in the past and the corporate tax rates may exceed 40% although they will be substantially below the present rates.

I think there is a good chance that under these circumstances common stock earnings after taxes will at worst not be much lower than those of 1943 and at best possibly 20% higher. I will translate this into more specific terms. The Dow-Jones industrial average earnings were almost $10 per share in 1943. Post-war they should not be much lower at worst and they may be as high as $12 per share.

Dividend payments have been conservative during the war and corporate reserves are large. American industry will emerge from the war in a strong financial position. If earnings should rise, dividends may rise correspondingly more from the 1943 level. Also, dividends should drop less if earnings should be lower than I estimate. I see no reason to suppose that Dow-Jones dividends will be lower by any important amount in the post-war period than about $6 per share, the level of 1943.

The really important feature of the post-war common stock earnings will be the divergence between individual industries and companies. Some will show larger earnings than in 1943, others about the same, and some companies will show lower earnings. It is obvious that post-war economic and tax factors will affect individual corporations in varying ways. The outlook for the automobile companies, for example, is far more assured than the outlook for the steel and copper producers. The impact of the coming changes in the corporate tax structure will vary from company to company. Competitive conditions, Government policy and changes in cost and price relationships will differ between and within industries. Foreign markets will be more important to some companies than to others. The element of growth of individual companies into the post-war period is also of great importance.

Since the war started in Europe, our economy has been in a state of contstant flux. There is every reason to believe that the next few years, including the post-war period, will also be ones of great changes and economic adjustments which will result in a strong divergence between the experience among individual companies and industries. I am stressing this because normally in peacetime earnings and dividends in most industries tend to move with fair uniformity as economic conditions change. That is not likely to prove true in the next few years.

Post-War Stock Prices

If earnings and dividends for common stocks as a group in the post-war period should be within a range moderately below and somewhat above those of 1943, chances are that common stock prices will be as high or somewhat higher than at the present time. This would be true if their rates of capitalization should improve moderately. Earnings and dividends are now being capitalized at rates that are neither very liberal nor very conservative. Some improvement post-war could therefore easily take place. It is true that in the world that I have outlined there will be many difficult problems. The Government will be an important factor to be reckoned with and some of our pre-war problems will reappear in a modified form and under different conditions. I hope and believe that it will be possible to arrive at a favorable working relationship between government, industry and labor. We have a good chance of creating harmonious relations between them under the conditions that will prevail. If that is done, most of our post-war problems could be solved without too much friction. As already mentioned, world conditions could be far more favorable than in the pre-war years if we take advantage of the opportunity that is offered to really establish the basis for a lasting peace.

Unless we handle ourselves badly, therefore, I believe investors' confidence in the future will be sufficient to give us a level of stock prices at least as high and probably somewhat higher than present prices. This conclusion may not square with some very high projections I have heard. You can see that it is difficult for me to accept some of the underlying assumptions necessary to obtain these very high projections.

The divergence in the rates of capitalization of earnings and dividends that has prevailed during the war will probably continue into the post-war period. This divergence has been even more marked than that of earnings and dividends among industrial companies. The result is likely to be a great divergence in the action of individual issues.

As an investment counselor, therefore, I take a constructive point of view towards the post-war level of common stocks on a highly selective basis. If this is too conservative a position, I shall be happily surprised and my clients handsomely rewarded.

Post-War High Grade Bond Prices

From the discussion so far it is apparent that I believe money will continue cheap. There appears to be no reason to fear higher bond yields after the war or to fear that price inflation will depress high grade bonds. It is quite possible that interest rates will be lower. The ending of the war will re-establish certain economic forces that tended to increase our monetary reserves in the pre-war period. Among these I will mention two of importance. The large gold and dollar balances accumulated here by foreign nations will probably be used for purchases here of much-needed goods. This will add to our gold reserves. We will also again take gold in payment for our exports. Secondly, money will return from circulation after the war which will also augment our banking reserves.

Any conceivable increase in bank loans should not be large enough to necessitate heavy liquidation of bank holdings of bonds. Much has been said about the possibility of large-scale liquidation of savings bonds having a depressing effect upon bond prices. The government has many ways of meeting this problem if it should occur but chances are that this problem will not become a serious one. There will, of course, be liquidation of savings bonds, but the government should be able to finance such requirements for funds without much difficulty under the conditions that I visualize.

I therefore expect high grade bond prices to remain high in the post-war period.

Mutual Funds

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dustry on a greater scale than ever before. Careful selection is a requisite for successful long-term investment."

* * *

Considerable encouragement for investors holding common stocks is to be found in the current issue of **Brevits.** As "Next on the Program," it is pointed out that simplification and revision of the Federal corporate tax structure should take place. With passage of the individual tax simplification bill by the House, investors have reason to hope that before long a way will be found to eliminate present inequities in our corporate tax structure.

* * *

The mid-May issue of **The New York Letter,** published by **Hugh W. Long & Co.,** summarizes the "Anti-Inflation Bulletin" recently issued by the Life Insurance Companies of America, in which a group of the nation's leading economists scan the post-war outlook. **These economists are in substantial agreement on the likelihood of a post-war boom.**

* * *

Calling attention to "London Leadership" in the stock market during recent years, **Lord, Abbett** points out in the current issue of **Abstracts** that the New York market is substantially behind London, making allowances for the two-year price lag here. States the bulletin: "Our prices, from the middle of this year to the middle of 1945, if the London pattern is followed, will rise from 136 to 162 on the Dow-Jones Industrial Average, and advance further in the third quarter next year."

* * *

Boston Fund reports total net assets of $11,863,738 on April 31, 1944, as compared with $10,333,881 a year earlier. During this period net asset value per share rose from $15.74 to $16.49.

Mutual Fund Literature

Calvin Bullock—The May 15 issue of **Perspective,** discussing "Trends in Utility Regulation." . . . **Distributors Group**—A Current Information Letter and a revised folder on **Institutional Bond Shares** together with a portfolio sheet showing present holdings of that fund. . . . **National Securities & Research Corp.**—Revised folders on **National Bond Series** and **National Low-Priced Bond Series.** Also suggested letters for dealer mailings on these two series. . . . **Selected Investments Co.**—A current portfolio on **Selected American Shares** and the current issue of "These Things Seemed Important." . . . **Broad Street Sales Corp.** —Current issue of **The Broad Street Letter** and a study of "Doubled-Barreled Potentialities of Growth Stocks."

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After The War—What?

(Continued from page 2138)

Most Americans need five kinds of material things—the Big Five, I sometimes call them: Plenty of nourishing food, a decent house, adequate clothing, competent medical care, and education, at least through high school.

Have we the manpower, the know-how, and the industrial plant to provide the Big Five for every American? We have, indeed. We had enough before the war. After the war we are going to have more than enough. Think of that 20 billion dollars' worth of new industrial plant we are building now, both public and private—synthetic rubber, aluminum, steel. . . . We have stepped up our manufacturing capacity somewhere between 35 and 50%.

In this year, 1944, we are going to produce almost as much in the way of civilian goods as we did in 1939. We won't consume quite as much because of Lend-Lease, but we will produce about as much. On **top of that,** if you please, we are going to produce as much more in the way of war goods, tanks, ships and guns. That means that we can **double** the 1939 standard of living any time we care to. In financial terms, it means an increase in the National Income from around $80 billions to $160 billions.

The "Big Five," as you all know, do not come out of a hat. They come out of our labor, yours and mine. Work for everyone who can work probably will be the strongest demand there is after the war. Let your imagination rest for a moment upon those 12 million lean, hard fighting men of ours completely uninterested in selling lemons, watermelons, apples, or any other fruit on street corners. I have been to Fort Hamilton, "G. I. bull sessions," and talked to the boys just before they were to go overseas, and I think I can make that statement emphatically.

Full employment isn't just a job. It is the feeling that you belong, that you have a place, that your work amounts to something. When children are shut up with nothing to do for any length of time, as any mother knows, they are quite likely to start pulling the house down. And when grown men and women are long deprived of any useful work for hands and brains, they are quite likely to start pulling down the social order in which they live. Hitler came to power when one man out of three in Germany was unemployed.

Quite apart from the necessity of full employment and an expanding economy for our own country, there is the effect on the world at large. "If you fall into a deep depression after the war," a noted Englishman told me, "you will drag the whole world down with you." I think you will agree with me that he is right—so great is our economic leverage.

When the war ends there will be at least 65 million Americans at work or in the armed services. The Federal government, spending $100 billions a year, will be meeting the payrolls, directly or indirectly, of around 70% of everyone employed. That means if Government orders stopped cold on the morning after Demobilization Day, theoretically 45 million Americans would be without work. Nothing so extreme as this will happen, of course; but it gives us a measure of how far the American community at the present time is deliberately underwriting its own employment, quite outside the normal course of supply and demand. It gives us a measure of the task of reconversion that lies before us, to shift 60% to 70% of all economic activity from war to peace.

We believe that private business sooner or later will have a place for most of those demobilized; but if economic history has anything to tell us, it tells us that it will not have a place for all of those demobilized, especially before factory re-tooling is completed.

It isn't a matter, however, of finding 65 million jobs—say, 55 to 60 million. I think Mr. Paul Hoffman's estimate of 57 million is approximately correct. Many in the armed services will go back to school. Many women will go back to their homes—but some will be damned if they do! Full employment furthermore does not mean everybody on the job on Monday morning. There will always be 2 or 3 million in the ranks of the frictionally unemployed. If you want to use the term "high" employment, that is all right, too.

Private business men, as a matter of fact, have never employed all of our people. There have always been considerable numbers in the Government, and in the non-profit groups, including many in the ranks of the self-employed, the cooperatives, the churches, clubs, foundations, the colleges.

For the twelve years from the stock market crash in 1929 to Pearl Harbor, private business, plus the government, plus these non-profit enterprises, all three combined, fell short of providing full employment by 100 million man-years of labor. The labor lost during that grim period would probably pay for the war. The worst unemployment came when private business was almost completely unhampered from 1930 to 1933. So it is dangerous to believe that private business can automatically employ 57 millions after demobilization day.

What will be the shape of American economy on demobilization day? A few months ago, nearly everybody was prophesying a great boom to come out of these tremendous banked up savings. Now the pointer seems to be swinging toward a great depression. The Post-war Division of the Bureau of Labor Statistics warns that 12 million will be unemployed a few months after demobilization day, if no adequate plans are laid. The stock market, of course, is an eloquent index of deflation. Every time Hitler was driven back in the Russian campaign, the stock market had a sinking spell. People were afraid of what will happen to the earnings when peace came. "Peace scares" was the Wall Street term. The Governor of Michigan is reported as saying: "Michigan will be confronted with the worst unemployment in its history when automobile and aircraft industries change to peacetime operation." Mayor LaGuardia is afraid there will be a million unemployed swarming around New York City. A writer in "Fortune" went so far as to say that Repubicans might let Mr. Roosevelt win next election without much of a fight, so that he, and not GOP, would have the onus of coming terrible depression upon his shoulders!

I never took much stock in the great automatic boom theory, and am equally unimpressed by great Republican strategy theory. I doubt if anyone knows how many unemployed there will be when the war ends. No one really knows when the war is going to end, for that matter, or how long it will take to knock out Japan after Germany is knocked out. It would be one on military experts if Japan should be knocked out first! It wouldn't be the first one on military experts though.

In trying to construct a picture of the post-war employment, I have prepared a rough balance sheet of pluses and minuses. As your Chairman has said, I am a C.P.A. — Massachusetts and New York. My mind runs naturally to balance sheets. Here are some of the pluses, assets, if you want to call them that—conditions which should **aid** employment when the war ends.

1. The pent-up demand of consumers for goods, especially durable goods. We must remember however that demand will not be cumulative. Supposing you were in the habit of buying a new car every year; supposing the war lasts five years. Would you then buy five cars? There is another thing that our friends in Detroit should have been a little more careful about. Some of their designers, in Time, Fortune, and other magazines, gave us pictures of a beautiful post-war car, engine in the rear, plastic top, sixty miles to a gallon, $300. Boy! And then they said, "No, you can't have that dream car, you will have to make your 1942 Model do." If I cannot get one of these beautiful "tear-drop" jobs I am going to make my present car do. Perhaps a great many other Americans are going to feel like that.

2. There will be a widespread demand for housing after the war, and for deferred public works and maintenance generally.

3. The vast savings in the hands of people on D Day. Somewhere around 60 billion dollars is the present estimate for cash and War Bonds.

4. There will be quantities of new materials available—plastics, synthetics, light metal products and the like, to stimulate markets.

5. There will be the demand from abroad for food and supplies. That will help employment, though it may only be an emergency demand of limited duration.

6. The return of many women to their homes will take pressure off the labor market.

7. The reduction of hours from 50 a week to 40 will help employment.

8. Insofar as the armed forces exert a political demand for jobs as they will be likely to do through their organizations, that will put the heat on Congress and help employment.

9. If the policing of vanquished nations is necessary, that will keep men in the army and in the war industries and help employment. Also if we have a post-war program of universal military training that will keep young men from entering the labor market until later.

So much for the assets.

Now, let us look over on the other side of the balance sheet and examine the liabilities—conditions which are likely to **depress** post-war employment:

1. A wholesale cancellation of war contracts in a bungling fashion, as you know better than I do, will create unemployment. Mr. Baruch has laid down certain principles which seem to be admirable for handling that situation.

2. The dumping of surplus stocks bankrupted a lot of firms in 1918, and can do it again, unless released in an orderly fashion.

3. Mass discharges of workers from the war boom industries, like shipbuilding, machine tools, aircraft, are bound to create unemployment. Take the aircraft complex alone. I say "complex" rather than "industry," because complex involves all activity connected with aircraft, the making of planes, ground crews, bases, training pilots, everything. The complex this year is going to account for some $30 billions. That is not far from our entire national income in 1932, which was $40 billion. It must mean, directly or indirectly, at least 10 million workers. Now, is there any way we can absorb 10 million workers in the aircraft complex after the war? Of course there isn't. On the day Pearl Harbor was attacked, we had less than 400 transports for all our commercial needs.

4. Then, there will be 10 million soldiers coming back on the market. They are off the market now, in the fox-holes and camps.

5. There will be the emergency workers in government services who will have no place to go when the war ends. Some people will say, "Well, good riddance,"—but even a bureaucrat must eat. There are said to be 1,600,000 of them, and many are your friends and mine.

6. Then there is the retooling period in various industries, when no goods are made for people to buy, and only a few skilled machinists are needed in the factories for the retooling job itself. Take a look at the chart of Business Activity during the 1920's. In 1927, we find a little dip. Why? Ford changed over from Model-T to Model-A, and he created a minor depression.

7. A very important liability is the increase in mechanical efficiency, requiring fewer workers per unit of output. The cost of a medium bomber, for instance, has been cut from 70,000 man-hours, to 13,000 and is still going down. The last war, as you know, put mass production on the map. This war is carrying it to heights undreamed of.

8. In the international field there will be all kinds of uncertainties. What is going to happen to Lend-Lease? What is Russia going to do? What is Britain going to do? This will not make for employment in the export industries.

9. Finally there is the psychological factor — the fear which may seize war-boom towns like Detroit, Seattle, Bridgeport. I live only 20 miles from Bridgeport, and the other day Remington Arms found they had piled up enough small arms to last for ten years, and five thousand people went out on the street. Some of them I know. They were scared.

You see, if people believe there is a **plan** which they can trust; if industry, government and labor together work out a plan for full employment, people would not mind a period of temporary unemployment. They will spend their savings. But if people are **afraid,** the fear of depression can bring a depression.

Where the balance will lie, nobody can know exactly, but these lists of pluses and minuses do not warrant any too much optimism about allowing nature to take her course.

We must plan now. We mustn't let people become afraid.

It is a task of timing. If our timing is wrong, then we can get into a dreadful downswing, as we did after the stock market crash —only worse. As Chester Bowles has said: "If we permit the economy to sag immediately after the war we face a tailspin. We face the menace of deflation feeding on itself, with no one knowing how fast the economy will fall, or how far. It seems to me imperative that we must not permit this to happen.

Assuming full employment is the aim of our National Policy, theoretically there are four ways to achieve it:

First, by a completely rationed economy, in which citizens are assigned to work, as in the Army, and then go to the mess hall and get their supplies. Money isn't used at all. If you don't like strawberries, you've got to eat 'em, just the same.

Second, by completely socialized economy, where the State owns most of the industrial and agricultural plant and appoints managers to operate it. Money is used, consumeers have some free choices. Perhaps you can get blueberries instead of strawberries. But the Government runs nearly everything, and free enterprise just about disappears.

Thirdly, be compensatory economy, where business men largely own and operate the means of production, but where Government underwrites full employment through the control of financial machinery, through social security measures, and public works.

Fourthly, by free competitive economy, where savings are so promptly invested that the dollar circuit is always closed, and plant and labor resources fully used. In this society the Government acts as umpire only.

Of these four theoretical societies, all but the first, have been applied to some extent in practice. No national economy to my knowledge has operated under total rationing, but Russia was close to being completely socialized in the 1930's, and she did have full employment. We know she is going to have it after this war.

The fourth method—a smoothly running competitive system—was approached by some countries for certain periods during the nineteenth century, but for the last generation every nation on earth has been getting farther away from it. It is unworkable if opportunities for investment fail to keep pace with our national savings. It is unworkable if prices are taken out of the free market to be administered or fixed in a big way by corporate groups, monopolies, trade associations, farm blocs or labor unions.

Today the chances for the complete reestablishment of free competition look about as good as for reestablishment of the high-wheeled bicycle. As Walter Lippman has said, "Competition has survived only where men were unable to abolish it." About 50% of all U. S. goods have been taken out of the free market at some point or other in their flow from natural resource to ultimate consumer.

As for rationed and socialized economies, such proposals are highly unpopular with the American people. They might give us groceries, but we would lose our Bill of Rights. They have been rejected by large majorities in poll after poll. Even larger majorities, however, have demanded full employment after the war. If full employment is long denied, their opposition to more radical proposals may presently weaken. People in mass, I have observed, are less interested in economic theory than in results. They prefer bread and work, whatever the theory, to no bread and no jobs on most exalted ideological grounds.

A compensatory economy, method No. 3, offers a compromise between free enterprise and State regulation. The State is a kind of a banker under this system, not a producer, not a distributor.

Fortune magazine, in its famous supplement of December, 1942, develops the thesis that the choice is no longer between free competition and more or less rigorous forms of State control, but between the State as financial underwriter and State as production manager. With the State as underwriter, says Fortune, large areas of free enterprise can be maintained and perhaps expanded over what we had before the war. Fortune then goes on to outline a compensatory economy.

Advocates of such an economy define it by these three basic principles:

First, encourage business men to carry the maximum possible load production and distribution so long as output is sound, in demand, and able to pay its way. The free market should be expanded to practicable limit, using incentive taxation and other encouragements. We have tended to use the reverse policy—discouragement, in recent years. We have made it more difficult for the business man to take a chance in the hope of a profitable venture. We have thrown obstacles in his way. As Geoffry Crowther, Editor of the London Economist, says: "The business man's risks have been increased by the great load of prior charges put upon him in the way of rigid wage rates and the like, while his incentive to take these risks has been dulled by all manner of inspectors, controls, regulations, inquisitions, prohibitions and indictments." The approach has been negative when it hasn't been punitive. The compensatory economy idea is to make the approach positive, encourage production and encourage employment.

The second principle is that the Federal Government, in cooperation with local governments and local groups, undertakes to fill

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any serious gaps in employment left vacant by ordinary business activity. Hence, the term "compensatory." We might call it a "thermostat" economy. Say a research group in the universities counted the unemployed, and gave us a monthly figure on the 10th of the month. Say the danger mark was established at 3.5 million. Say on May 10, it was 2.7; on June 10, 3.1; on July 10, 3.6. . . . Pull the lever and let in your public works! It would be operated in a goldfish bowl.

Public works, I believe, should be locally administered as far as possible. Housing, slum clearance, parks, schools, urban redevelopments, the integration of transportation, conservation, come under this head. No more raking of leaves; pay standard wages, make the worker, especially the returning soldier, feel important.

The third plank in our program is that the Federal Government insures minimum standards of health and decency by the extension of social security to every citizen. The Beveridge Plan in Britain, and the Wagner bill here, indicate how this can be done. It also gives us a steady pull of purchasing power on which business men can count.

Ever since prosperity coyly refused to materialize from round the corner in 1930, the era has been a pretty bad one for economic prophecies. Do you remember how we were supposed to be in a death grip of inflation in 1935? Do you remember how a debt of $40 billion was going to lead us to pauper's grave? Forty billions—chicken feed! Tonight it is $185 billions. Do you remember the master minds who said that Germany couldn't afford to re-arm? Do you remember when it was almost universally agreed that we could not spend our way out of a depression? Well, $200 billions for war certainly took us out.

Despite this sad record, I am going to venture a prediction. I predict, as Mr. Drew Pearson is wont to say, I predict that in the next year or two everybody will be talking about incentive taxation, as loudly as they talked about the Ruml Plan last Spring. Incentive taxation, broadly speaking, as you Controllers already know, is a generalized name for any tax system which promotes investment in job-making enterprises; which encourages venture capital. Narrowly speaking, it is a specific tax plan invented by my neighbor Mr. C. William Hazelett, of Greenwich, Connecticut. He claims to have originated the term, and he believes incentive taxation will help achieve the first point in our compensatory economy program as mentioned before, namely, that business men carry the maximum possible load of production and distribution.

It is a method whereby the state, through its power of taxation, fold idle savings into the kind of investment which puts men to work. Most students now agree that idle dollars breed idle men. A rough way to remember it is that one idle dollar means one idle man-hour. Under Mr. Hazelett's plan, unless you keep your dollars moving at a certain rate per year, you will have the daylights taxed out of you. But if you do keep them moving, you don't pay any tax at all. That goes for corporations as well as for individuals. He would have it the only tax on corporations. I think there is a good deal to be said for it.

In the compensatory economy, as I picture it, the state is responsible for full employment and social security, guided and checked by the measuring-rod of a regular count of the unemployed. It relies heavily on taxation to keep the dollar circuit in active motion. Public works programs—with accent on local initiative and administration — are on file, ready for emergencies, as they are now in New York City. The community is also committed to permanent public works program in their own right and necessity as heretofore. The Government stands on the pivot of the economic see-saw. When the economy starts down, the Government throws its weight up, and when the economy starts up in a runaway inflation, the Government throws its weight down.

Now I am going to emphasize the most important thing I have to say tonight. A compensatory economy allows for **both** the profit incentive and the service incentive. In the war we have practically nothing but the service incentive.

"The democracies have been deadlocked for a generation," says Geoffry Crowther. "The business man has been constantly checked in trying to follow the profit incentive. But when the Government has tried to follow the service incentive, as in the depression, every step is taken to the accompaniment of charges ranging from corruption and dictatorsnip to red ruin!"

In this struggle neither side can win. We can just make the economy impotent. The right course is to take the brakes off both the profit incentive and the service incentive. This is what a compensatory economy tries to do.

Some people may object. They may quote Abraham Lincoln — "You can't have society half slave and half free." If this is true, the outlook for democracy is black indeed. There is no road back to using the profit incentive for everything. There is no possibility of using the service incentive for everything, without going 100% totalitarian.

This argument anyway, is verbal and academic. Sweden has used a middle-of-the-road economy for many years, where both the service and profit incentives are deliberately encouraged. Marquis Childs, of the St. Louis **Post-Dispatch**, has written a book entitled, "Sweden, the Middle Way," which demonstrates that beyond all peradventure. Walter Nash can tell you, as he has told me for hours at a time, how New Zealand has cultivated both incentives.

Day by day, hour by hour, the war is molding the post-war economic system. All of us are being conditioned in new habits, new behavior, new ways of looking at men, materials, money and debt.

If we do not develop some modern concepts for handling the national debt, for instance, it can get us into a great deal of trouble. If we try to handle it on strictly orthodox lines, the resulting depression might well lead to repudiation. Our economy is like a Flying Fortress, it can't suddenly stop without cracking up. It must maintain a national income of $150 billions, or it will crack up. If we try to handle the debt on a "live frugally" basis, then may the Lord have mercy on our souls. It will be unmanageable if the national income falls much below $150 billions. The British rule is that a debt which is not more than twice the national income, is manageable. We may well come out of the war with a $300 billion debt.

This compensatory economy is all very well, it may be objected, but where is the political pressure coming from to get what may be a conservative administration and a gun-shy Congress to sponsor any such program? I think the political pressure is coming from six directions;

From the men in the armed services.

From the war workers who must find new jobs.

From organized labor.

From farmers faced with prices falling head-long, as they did in 1920.

From organized business. The leaders of our great business organizations have said repeatedly that if we do not maintain a level of high employment after the war, our free enterprise system will be in great peril.

From the man on the street, who has not failed to notice when war spending started, unemployment presently vanished. He began to realize that unemployment was not something sent like the weather, but something man-made, something which could be controlled.

Never forget the war has taught us that what is physically possible is financially possible. We can build all the tanks we have the manpower and materials for. Money is secondary, as you all know. Many soldiers and many civilians are now asking why we cannot keep prosperous making houses for people to live in as well as by making tanks for people to die in. The honest answer is that we can. Disaster is not the only way to maintain full employment.

OUR REPORTER'S REPORT

New business reaching market this week, including the biggest municipal refunding in several years, served to keep underwriters and their dealer organizations busy for a change.

In the first place all three of the larger offerings were subject to competitive bidding so that as is usual in such circumstances a good part of the work was already done when the bonds reached market by way of public offering.

The major underwriting, embracing $56,000,000 of term and serial revenue bonds of the California Toll Bridge Authority and issued against the San Francisco-Oakland Bay Toll Bridge occasioned another merger of large banking syndicates.

Two groups originally were scheduled to compete for the issue but, presumably because of its size and the desire to assure its placement well in advance of the Treasury's Fifth War Loan Drive, these syndicates consolidated just before bid time and made a joint tender for the bonds.

The four large banking houses reoffered the bonds through a group of 232 associates. And, it was indicated in market circles, both the serials and the term bonds were moving out to investors in remarkably good fashion.

Competition Is Keen

There is no gainsaying the fact that competition is keen these days especially when the issue up for sale is of comfortable proportions such as that sold by the West Penn Power Co. on Tuesday.

Four groups were in the running when the company opened bids for its $12,500,000 of first mortgage 3% bonds and it developed that the tenders were surprisingly close.

Barely half a point separated the lowest bid from the tender which took the bonds. The winning syndicate paid 103.6499 while the lowest of the four bids was 103.1599. And sandwiched in between were two other bids one of 103.629 and the other 103.42.

With the succesful syndicate pricing the issue at 104½ for reoffering subject to approval of price and spread by the SEC, it was reported inquiry indicated a quick disposition of the bonds.

Virginia Electric Power 3s

Three bids were received on Monday for the Virginia Electric & Power Co.'s $23,000,000 of first mortgage 3%s, and here again the bidding was rather close, suggesting that investment bankers are really getting the feel of the auction game.

The top bid was 102.2999 while the lowest of the three was 101.7699, and judging from the comments of some of those who have the job of setting up the bids this business of carrying through to the fourth decimal is getting a trifle disconcerting.

Subject to SEC approval of price and spread the winning syndicate fixed a price of 103.25 for offering to the public with a good inquiry indicated.

There Should Be No Question

Here's one prospective offering emanating from the railroad field which should go to competitive bidding without necessity of having the Interstate Commerce Commission rule on the matter.

Alleghany Corp. has registered with the Securities and Exchange Commission for an issue of $30,000,000 of 3¼% secured convertible notes, due in 1954.

Proceeds, together with other funds will be applied to redemption of some $40,700,000 of the company's outstanding obligations.

Since backers of Alleghany are among the strongest advocates of competitive bidding for railroad securities this seems to be an open and shut case.

Too Many Cooks

In view of the trend of discussion in some investment banking quarters, it appears that selling groups may be somewhat smaller in size as time wears along.

Several recent incidents lead to the conclusion that the effort to set up widest possible groups does not always pay off.

For example two prospects dropped out of one syndicate early this week, rather than agree with the price views of the managers, thus making a bit of readjustment necessary at the last moment.

Brewster's Fighter Contract With Navy To Terminate July 1, Next

The Navy, on May 22, announced termination of its contract with the Brewster Aeronautical Corp. as part of an overall cutback in fighter plane production, according to Associated Press dispatches from Washington, D. C. The Navy said this reduction "in the immediate future" will be applied chiefly to the Corsair planes now being produced by Brewster with reduction in the production of Goodyear Aircraft Corp. and the Chance Vought division of United Aircraft Corp.

The Brewster contract for production of Corsairs will be terminated at Brewster's Long Island, N. Y., and Johnsville, Pa., plants effective July 1.

The Navy announcement said that in terminating the Brewster contract there "is no dissatisfaction" with either the recent management of the company by Henry Kaiser or with the new management which has just taken office.

"In view of the fact that the Brewster company is the smallest producer of Corsairs, has no additional Navy contract, or prospects of any, and further because of its higher production costs than either of the two other companies in this particular production field, it was selected to bear the major impact of this curtailment in the Navy's aircraft program," the announcement added.

The original contract with Brewster called for production of 1,500 Corsairs, the Navy said, and added it was estimated that by July 1 approximately one-half of the original contract would be completed.

The Navy estimated this cutback in the fighter plane program will make possible total savings of $180,000,000.

Preston Lockwood, the new President of the Brewster Aeronautical Corp., is credited with saying that the Navy Department's decision to terminate contracts for planes being built at the company's Long Island City, N. Y., and Johnsville, Pa., plants was "unjust to the company's 12,250 employees and nearly 3,000 stockholders."

The company was notified, said Mr. Lockwood, that the contract for the planes would be terminated. He added that while this action would make substantial layoffs at both plants inevitable, "the company is not going out of business." The company has encouraging prospects for new business, Mr. Lockwood declared, but he did not elaborate on that statement.

Both plants can be readily converted to shell production, according to William Fulton Kurtz, a director.

$23,000,000 Bonds Or Virginia Electric And Power Offered

An underwriting syndicate headed by Stone & Webster and Blodget, Inc. offered publicly May 24 $23,000,000 of first and refunding mortgage bonds series D 3% of the Virginia Electric and Power Co. at 103¼ and accrued interest.

The issuance of the bonds is part of a plan under which the Virginia Public Service Co. a unit in the Associated Gas and Electric Corp. system, is being merged into Virginia Electric and Power Co. Also under the plan, 289,491 shares of $5 preferred stock are being issued to present holders of preferred stocks in the two companies.

Net proceeds from the sale of the bonds, together with $9,000,000 to be derived from the sale of new notes, and other general funds, will be applied toward refinancing debt securities of Virginia Public Service which will be assumed by the merged company. It is planned to use these funds to redeem $26,000,000 of bonds and $10,500,000 of debentures and also to pay $2,012,296 to holders of Virginia Public Service 7% and 6% preferred stocks who convert their holdings into the new preferred stock.

Giving effect to the financing, the capitalization of the new consolidated company will consist of $37,500,000 of 3½s; $3,000,000 of 3⅛s and $23,000,000 of 3s, all first and refunding mortgage bonds; $9,000,000 in new notes; $6,020,000 in old bank loans; 289,491 shares of preferred stock and 2,938,445 shares of common stock.

Other members of the offering group are: Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Lazard Freres & Co.; Glore, Forgan & Co.; W. C. Langley & Co.; Shields & Co.; White, Weld & Co.; Harris, Hall & Co.; Lee Higginson Corp.; Coffin & Burr, Inc.; Estabrook & Co.; Hayden, Stone & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Paine, Webber, Jackson & Curtis; Tucker, Anthony & Co.; The Wisconsin Co.; Bosworth, Chanute, Loughridge & Co.; H. M. Byllesby & Co.; Scott & Stringfellow; Whiting, Weeks & Stubbs, Inc.; R. S. Dickson & Co.; Riter & Co.; C. F. Cassell & Co.; Davenport & Co.; Folger, Nolan & Co., Inc.; Mason-Hagan, Inc.; and Scott, Horner & Mason, Inc.

Interesting Growth Stock

Panhandle Eastern Pipe Line Company offers an interesting growth stock according to a detailed circular on the situation issued by Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York City. Copies of this comprehensive discussion may be had on request from Arnhold and S. Bleichroeder, Inc.

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A National Policy To Attract Private Investment In Railroads

(Continued from page 2141)

It seems to be the common belief, shared by many railroad men, and even investors, that if we can reduce fixed charges everything on the railroads will be all right.

This view has been encouraged by the politicians. The drastic reductions in fixed debt required by the Interstate Commerce Commission in its reorganization plans, coupled with that body's continued pressure on other railroads to reduce debt, have done much to solidify the belief. It is true, of course, that failure to meet fixed charges has been the immediate precipitant of our epidemic of receiverships, but this failure is in fact the result of other factors which lie deeper.

Perhaps it is an evidence of colossal nerve on my part to go counter to such a preponderance of opinion. However, I propose to join my friend, Mr. Fairman Dick, who has so ably asserted the contrary view. That debt and fixed charges are the fundamental trouble with the railroads, I believe, is just as false as the economic theory that low production will provide more for all of us to divide. To deal with debt and fixed charges only is to deal more with the result than with the cause.

Naturally, you are going to ask me to prove my case. This I shall endeavor to do, and I shall rely in part on figures compiled by Mr. Dick for a portion of my proof.

Fifty years ago there was another epidemic of railroad receiverships. At that time some of the roads had outstanding issues of first mortgage bonds, which bonds are outstanding today. All during those receiverships interest was earned and paid on these bonds and they commanded high prices in the market in spite of the fact that the properties were in the bankruptcy courts.

Let us trace the record of the General Mortgage 4s of the Chicago, Rock Island & Pacific. They were outstanding in the 90's in the amount of $100,000,000, and the interest burden was $4,000,000. In 1894, the Rock Island had gross revenues of $21,000,000, and earned the interest on these bonds one and a half times over. Since then, the Rock Island has increased substantially the size of its property, its gross revenues have multiplied several times, and it has been operated with more and more efficiency. With what result? In 1938, having gross revenues of $77,000,000, it failed to earn the $4,000,000 of interest which had been earned in every year until then. Since this mortgage was no larger, and the interest burden was the same, who can say that this debt was responsible for the receivership?

Let me repeat. This is only one of several examples of bonds which were good 50 years ago and which are being drastically pared today.

Figures taken from more recent years may throw more light on the subject. In 1929 and in 1942, the Erie Railroad had about the same volume of business. Gross revenues were larger in 1942 by $4,000,000, in round figures, and expenses were less by nearly $13,000,000. Here is a fine improvement, totaling $17,000,000, an amount larger than all fixed charges of the road before its recent reorganization and equal to nearly three times the present charges of the road. At this point we should be very happy with our showing. But the tax authorities then stepped in and increased their take over $13,000,000, an amount equal to all the savings which the management had contrived to make in 13 years. Surely, the size of the debt, either before or after reorganization, had nothing to do with this.

Turning now to the future, and again using the Erie, the management has constructed an income account on the assumption that after the war gross revenues may return to those of 1941, namely $106,845,000. With present wage costs and material prices, they figure that expenses will be $11,679,000 higher than they were in 1941. This is nearly twice the present fixed debt burden of the road.

The point I want to make in using the last two examples from the Erie is that these big swings in the income account take place before we deal with interest.

The truth of the matter is that in the last 50 years railroad debt has been a steadily declining percentage of railroad property values, and interest charges have absorbed a steadily declining portion of the gross revenues. If other factors had remained the same, railroad credit would now be at a higher level than ever before instead of being only recently at its lowest point in history.

We must look elsewhere for the real trouble, and national policy must focus on some other angle of the railroad financial picture if capital is to be attracted again to that industry.

The Real Cause of Lack of Credit

What then is the true cause of the current bad credit of the railroads?

Going back again 50 years in railroad financial history, we find that in the 90's the railroads were able to bring down into net income about 35 cents of the gross dollar. At that time, interest charges consumed over 30 cents. Obviously, this was too much. Many of the bond issues then outstanding had been issued to the full cost of the properties. A resort to the wringer was absolutely necessary. Perhaps it is because that was true then that we have jumped to the conclusion that the same is true now. But the trouble now lies in those elements before fixed charges.

Since the 90's, the percentage of gross carried to net railway operating income has steadily declined, and this decline has been particularly noticeable since the Interstate Commerce Commission was given control over rates in 1906. From 1900 to 1906, net averaged 31% of gross. In 1914, it was 22%. In the so-called boom period from 1921 to 1929, net averaged under 17%. And in 1932 and 1938, it was under 10%. These figures mean that never mind the growth in the railroads' gross business, in spite of continued increases in efficiency, and regardless of the billions of dollars poured into these properties, both from earnings and new capital, they have been able to save less and less of their income. No wonder the industry has lost its stability and its credit.

Finally, let us suppose that net railway operating income should become a red instead of a black figure. Suppose also that all debt were completely wiped out. Do you think that under such circumstances the investor would buy railroad stocks or the institutions lend them money?

I conclude, therefore, that a national policy which will attract capital must be directed toward the restoration of net railway operating income.

What To Do

Railway net operating income results largely from five factors—rates, wages, materials and supplies, depreciation, and taxes. Since the cost of materials and supplies cannot be controlled, I shall limit my discussion to the other four factors.

Rates

There is no question in my mind that railroad freight rates can be increased without the slightest impairment of our national economy. Freight rates in this country are among the lowest in the world. They have been higher than they now are without disturbing the economy. Other industries can, and do, even under the OPA, increase the prices of their products when their costs rise. Why not the railroads?

I have been much disturbed at hearing the theory put forward that the present war situation proves the value of traffic volume to the roads. True, volume is helpful. But an even more important lesson learned is that the heavy loading of cars reduces the cost per hundredweight. If, in order to attract volume, we experiment with lower rates, I would then expect to see all the railroads in the hands of the courts. However, I do think we can experiment with rates based upon some scale that will encourage heavy loading. Whatever we do, rates must be at a level which, either directly or through the encouragement of operating economies, increases net railway operating income.

The responsibility for rates lies primarily in the hands of the Interstate Commerce Commission. It is an unfortunate fact, however, that many of the rate reductions have been initiated by managements in their severe competition with each other. They must share with the Commission a large part of the responsibility for the plight in which they find themselves. Of course, as guardians of the public interest, it is not as easy politically for the Commission to protect the railroads against themselves in the matter of rate making as it is in debt reduction, but that does not reduce their responsibility to do so.

This proposal for higher rates will undoubtedly be met with the argument that competitive conditions will not permit them. I do not believe that this is so.

Let us look at the competitive situation for a moment. Pipe lines are so economical that the railroads cannot in any case compete with them. Instead, the railroads should encourage the pipe lines to use railroad rights of way and thus obtain at least some rent out of the oil that is moving. Trucks have taken quite a slice of the railroad tonnage, but in a great measure this was possible because the roads have permitted the trucks to take the high rate "cream" commodities. If the rates on these "cream" items, which constitute only a small percentage of railway ton-miles, were reduced, truck competition would be far less effective. And it is common knowledge that trucking costs have risen and that they are not as effective competition as they were some time ago.

Waterway competition is serious. It is made possible by a national policy which provides and maintains the right of way without cost to the user. In truth, the waterways are subsidized. National policy should take this burden from the shoulders of the taxpayer and put it on those who profit by it. That would make waterway competition more fair, and less difficult to meet. Such a policy would be sound national policy.

Airplane competition will grow. Surely it will be severe in its effect on the first class passenger business. It will be years, however, I believe, before it can seriously cut into the freight business, particularly if air freight competition is dealt with as the trucks should have been, that is, by lowering the rates on the light-loading, high-rate commodities.

Fear of competition, then, should not stand in the way of a freight rate structure which will bring adequate net railway operating income.

Passenger fares is another matter. In this category of the railway business, heavy loading of cars is so very important, and the competition of the privately owned automobile is so severe, that rates will probably have to be lower rather than higher.

But the sum total of both freight and passenger rates must be designed to provide adequate net railway operating income. It is my belief that rates should be based in some measure on costs and that they should be designed to bring into net an average over the years of not less than 20% of gross revenues. Otherwise, capital will not be attracted to the industry, and our national policy will inevitably be one involving government ownership.

This whole subject of competition requires analysis along another line, and this I will discuss shortly.

Wages

Wages constitute the largest single item of railroad expense. It may surprise you to know that the railroad wage bill in 1943 was approximately equal to the entire gross revenues of the carriers in 1938, and exceeded the year's total revenues of 1934 and 1935. The last two wage increases alone exceed all railroad fixed charges.

Inasmuch as efficient operation requires that a high type of man be attracted to the railroads, I would be the last to advocate low wages. On the other hand, there are some aspects of the wage situation that should be better known, particularly by the workers themselves.

The moment the daily wage rate is raised, it becomes profitable to make expenditures aimed at cost reduction, which expenditures could not be justified prior to the wage increase. This continued process brought about a decrease in railroad employment from 2,000,000 men in 1920 to 1,100,000 in 1941 when the ton-miles carried were very much larger. Over those years, 900,000 men lost their jobs. We hear much today of full employment after the war. Is it in the interest of the nation, or of the workers themselves, that this process be continued indefinitely?

The serious aspect of this situation, from the point of view of the investor, and from the point of view of the shipper as well, is that under the prevailing seniority rules it is the younger men who have had to turn elsewhere for work. The railroad industry is becoming an industry of old men. When one sees the youth which is making such a success of air transport, one cannot but be sad that more is not done to attract youth to the railroads.

National policy from every standpoint should encourage youth to enter the railroad business. Surely, youth will not be attracted to an industry that cannot earn adequately, for in such an industry there is little future to be seen.

Depreciation

One of the elements of cost is the bookkeeping item of depreciation, the laying aside of funds with which to restore expended capital. I have long believed that these reserves set aside by the railroads have been inadequate. In fact, I believe that many of the present railroad ills can be traced to this shortsighted policy. Until recently they set aside depreciation reserves only for equipment, none for structures. And those for equipment were ridiculously low. Equipment is being depreciated on the basis of a life of 25 to 30 years, although a modern locomotive is far more efficient and economical than one built only 15 years ago, and an engineering firm of high repute has esitmated that it is uneconomical to repair freight cars over 18 years old. Nor, in the face of the development of Diesel road engines and light-weight freight cars, is there any allowance for obsolescence.

The effect of inadequate depreciation reserves has been to overstate earnings, thus permitting pressure to be brought both for lower rates and for more wages; it has forced the raising of more new money than would otherwise have been necessary; but worst of all, it has meant retaining in operation old, inefficient motive power and cars which would otherwise have been replaced by new, modern tools. If any of our large industries had followed such a policy, they would have been forced out of business long ago.

It is extremely important, in my judgment, not only that national policy should provide for adequate net earnings but that such net income should be after providing for depreciation and obsolescence on a realistic basis.

Interest of the Shipper

At this point, I can imagine shippers saying, "All this is very well for the investor, but how can I be expected to pay rates that will bring such a result?"

My answer is that it is about time that the shipper, in his own interest, should look at the railroads as he does his own business and consider them not as parasites but as an essential element in his business, that is, the agency which takes his goods to market. The extraordinary advances which this country has made industrially have been due very largely to a constant reduction of costs permitting steady reductions in prices, and a widening of markets. This has been the result of the reinvestment of earnings. However, I wish most strongly to point out that the earnings were there before the cost and price reductions could be made.

It seems to me that the same policy, if adopted, will hold true for the transportation division of the national economy, and that there lies the surest way permanently to lower rates and obtain the utmost in transportation efficiency. First, allow the carriers to earn money. Let them, as they surely will, use a part of their earnings for improvements. As their costs come down, so also will rates. Allow them to keep some of the fruits of their investments and efficiency. Others do, why not the railroads? After all, if you would attract capital to the railroads, you must give it in that industry the same break it would get elsewhere.

Rates, too, could well be put on a business basis. In good times, prices rise. Then is the time to raise railroad rates. The national economy can stand it. Railroads could then, as others do, and as they are now doing, put something away for the inevitable rainy day. In bad times, rates should decline. The national economy needs that boost. This would be a far better policy than that of reducing rates when it is easy to carry them, and then raising them when the economy can least bear them, and usually too late to do the roads much good. Surely the method of dealing with railroad freight rates up to now has brought the result "too little and too late."

It is an unpleasant fact that while shippers generally work and plead for the restoration of free enterprise, they somehow just cannot bring themselves to apply the same principles to their own transportation agencies.

Taxes

The last element in the railroad cost picture, and a most important one, is taxes. Long they have been unfairly laid and the burden on the railroads has been excessive. A former county assessor once told me that as the people of the country swore off their taxes, the assessments were kept up by the mere transfer of the sworn off assessments to the local railroad. National policy as far as railroad taxes are concerned should be, in all fairness, to ask them to bear their share of the burden, but no more.

There are two other factors in the situation which can help restore investor confidence. I need to dwell on these briefly. One is the Interstate Commerce Commission policy on reorganization and

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the other is the national policy regarding competition.

Reorganizations

Over many years the investor has been involved in railroad receiverships which have resulted from unwise or foolish financial policies. The owners, or stockholders, have paid the price for their lack of wisdom. But those who loaned their money, the bondholders, have usually come out whole in the end. It is all different today.

Although the Interstate Commerce Commission itself has stated that fixed charges are not the root of the railroad problem, that body is forcing reductions of fixed charges, and total capitalizations, which are going to leave many bondholders with little or nothing, and no chance whatever of ultimate recovery. This is a serious blow to confidence in railroad securities generally. The Commission has apparently given no consideration whatever to the fact that in its own hands lies the power, and, under the law, the duty to increase rates and thus save many of these values now being destroyed. One is almost impelled to ask whether, having permitted the erosion of net income, the Commission might unconsciously by saving its face by now stressing the need for reduction of debt. Truly it is hard to understand what is now happening to many investors unless it be the confiscation of their properties in the interest of the shipper, labor, and the tax authorities. A prompt about face, to the extent that it is feasible, would be sound national policy if the railroads are to attract the large amounts of new money which they will surely need after the war. The least the Commission can do is to soft pedal its constant pressure on solvent railroads, including those just out of receivership, to retire debt. Not that I do not favor the retirement of debt, because I do. But constant Commission pressure on this subject is leading many away from sound thinking on the subject of railroad credit.

Competition

Earlier I stated that I would like to discuss further the matter of competition. I do so again from the point of view of increasing net railway operating income. This time I approach it not from increasing gross revenues, but from reducing expenses. If the views here expressed should be adopted, not only would capital be attracted to the industry, but the shipper would have lower rates and more efficient service, railroad labor more permanent and steady work, and the government a more assured source of taxes.

Back in 1887, the Interstate Commerce Act was adopted in order to stop the destructive and wasteful competition that was then current. It seems to me now that unless we change our policy we shall again have competition which will be just as wasteful and just as destructive. The competition will be not between railroads, one with another—which is still wasteful enough—but between the several transportation industries, the railways, the trucks, the waterways, buses, and airplanes. Before such competition has run its course, all transportation industries are likely to be in financial difficulties, having in the meantime dissipated large sums of capital. We will have repeated the mistakes of 50 and 60 years ago.

Each of these industries has a special place in our transportation system. The airplane will almost surely carry the first class passenger, to whom speed is either desirable or important. Airplanes may well carry all the mail, a good part of the express, and some of the L.C.L. railroad business. The truck has its definite place in short hauls. There is no competitor to the railroad in mass transportation, except the subsidized waterways, where speed is of no importance.

The shipper does not care how his goods travel, except that they move over the most efficient route at the lowest rates. The worker does not care who hands him his pay envelope so long as the pay is good. The government has a definite interest in having all earn enough to pay taxes. And the investor will always be wooed to an industry which makes money.

I am convinced that national policy should be directed to the formation of transportation systems equipped to haul passengers and freight by the most suitable and economical means available.

I would myself advocate regional monopolies under proper governmental regulation. Transportation is the only regulated public utility enterprise in the country which is not a monopoly. Under such regulated monopolies we have had constant reductions in electric rates, coupled with constantly improved service. We have practically a national monopoly in telephone communication, characterized by outstanding efficiency and service, steadily declining rates, and sufficient income to attract the investor, not only to its bonds but to its stock. Finally, within recent months the Congress has permitted the combination of the only two telegraph companies we had into one.

I am unable to see why the same principle should not be applied to the transportation industry with great advantage to the national economy, shippers, labor, the government, and the investor.

Conclusions

My conclusions are that a national policy which will attract capital must first of all contemplate adequate net earnings. The bugaboo of fixed charges should be put in its proper place, directed to those few roads which are unwisely financed, but not applied to the industry generally. The Congress should reaffirm the position it took in the Transportation Act of 1920, and again in 1940, and issue a mandate to the Interstate Commerce Commission to initiate and approve rates that will yield adequate net railway operating income under efficient and economical management. Labor should be asked to consider the effect on total employment of steadily increasing rates of pay. Surely it should abandon the old rules which base pay on the assumption that trains now move only 12½ miles per hour, and give a full day's work for a full day's pay. Management should do more to encourage youth to enter railroading for a career. Reserves for depreciation and obsolescence should be realistic. Taxes should be no more than are paid by other industries. Reorganizations should be speeded—and they can be, I know—and an attempt made to bring the bondholder out whole. Finally, the theory of competition should be modified in the light of our successful experience with regulated public utilities, to provide for regulated regional monopolies equipped to furnish any and all kinds of transportation.

Then we shall have the lowest cost, most efficient transportation system that can be devised.

Interesting Situation

Common stock of Federal Water & Gas offers an attractive situation, according to a memorandum issued by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa. Copies of this interesting memorandum may be had from Boenning & Co. upon request.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad Street, New York. Copies of this interesting study may be had from the firm upon request.

Halsey Stuart & Co. Offers West Penn Power Bonds

Halsey Stuart & Co., Inc., heads a group that is offering today (Thursday) $12,500,000 of West Penn Power Co. first mortgage bonds, series L, 3%, due May 1, 1974. The offering price is 104½, plus accrued interest. Net proceeds from the sale of the bonds, together with additional funds that may be required, will be used for the redemption of $12,500,000 principal amount of first mortgage gold bonds, series E, 5%, on Sept. 1, 1944, at 105% and accrued interest to the redemption date.

In addition to Halsey Stuart & Co., Inc., the offering group comprises: Bear, Stearns & Co.; Equitable Securities Corp; Otis & Co. (Inc.); Hornblower & Weeks; Stroud & Co., Inc.; Graham Parsons & Co.; Newton Abbe & Co.; Arthur Perry & Co., Inc.; First of Michigan Corp.; Gregory & Son, Inc.; R. L. Day & Co.; Schwabacher & Co.; A. E. Master & Co.; Thomas & Co.; Cohu & Torrey, and Minsch, Monell & Co.

Capitalization of the company as of Dec. 31, 1943, after giving effect to the present financing, consists of: $27,000,000 of series I 3½% bonds; $17,000,000 of series J 3¼s; $3,500,000 of series K 3s; the series L bonds; 297,077 shares of 4½% preferred stock, and 2,935,000 shares of common stock.

Consolidated operating revenues for 1943 were $29,855,344, and gross income, before interest and other income deductions, was $8,798,561. For 1942 the corresponding figures were $28,648,406 and $8,980,855, and for 1941 they were $27,288,267 and $8,170,825. Total annual interest requirements on all the first mortgage bonds to be outstanding, and after the redemption of the series E bonds, will be $1,977,500.

West Penn Power Co. is engaged in the production, distribution and sale of electric energy, and the territory it is authorized to serve covers 8,775 square miles in the general vicinity of Pittsburgh, with a population estimated at more than 1,100,000. The physical property of the company includes eight electric generating stations with an aggregate generating capacity of 481,475 kw., as rated by the company, the larger part of which has been installed since 1920.

The Business Man's Bookshelf

International Conciliation—May, 1944—Carnegie Endowment for International Peace, 405 West 117th Street, New York 27, N. Y.—single copies, 5¢; subscription price, 25¢ for one year.

Nazi War Finance and Banking—Otto Nathan—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50¢.

Postwar Employment Opportunities—National Industrial Conference Board, Inc., 247 Park Avenue, New York City—paper.

Report on the Work of the League, 1942-43—League of Nations Publication 1943.1—Columbia University Press, New York 27, N. Y.—paper—50¢.

World Economic Development—Eugene Staley—International Labour Office, 3480 University Street, Montreal, Canada (734 Jackson Place, Washington 6, D. C.)—board—$1.75.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of 50c per share on the Common Stock of the Company Both payable July 1, 1944 to Stockholders of Record at the close of business June 15, 1944. The stock record books will be closed for the purpose of transfer of stock at the close of business June 15, 1944 until July 1, 1944.

ROBERT B. BROWN, Treasurer.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a quarterly dividend of sixty-five cents (65c) per share on the common stock payable July 15, 1944, to all holders of record at the close of business on June 19, 1944.

SANFORD B. WHITE.

INTERNATIONAL SALT COMPANY
475 Fifth Avenue, New York 17, N. Y.

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable July 1, 1944, to stockholders of record at the close of business on June 15, 1944. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, Secretary.

JM Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 50c per share on the Common Stock payable June 9, 1944, to holders of record May 27, 1944.

ROGER HACKNEY, *Treasurer*

KANSAS CITY POWER & LIGHT COMPANY
First Preferred Series B Dividend No. 70
Kansas City, Missouri May 17, 1944

The regular quarterly dividend of $1.50 per share on the First Preferred, Series "B", Stock of the Kansas City Power & Light Company has been declared payable July 1, 1944, to stockholders of record at the close of business June 14, 1944.

All persons holding stock of the company are requested to transfer on or before June 14, 1944, such stock to the persons who are entitled to receive the dividends.

H. C. DAVIS, Assistant Secretary.

KENNECOTT COPPER CORPORATION
120 Broadway, New York 5, N. Y.

May 19, 1944.

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of twenty-five cents (25c) a share have today been declared by Kennecott Copper Corporation, payable on June 30, 1944 to stockholders of record at the close of business on June 2, 1944.

A. S. CHEROUNY, Secretary.

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)

The board of directors of Northern States Power Company (Wisconsin), at a meeting held on May 16, 1944, declared a dividend of one and one-quarter per cent (1¼%) per share on the Preferred Stock of the Company, payable by check June 1, 1944, to stockholders of record as of the close of business May 20, 1944, for the quarter ending May 31, 1944.

N. H. BUCKSTAFF, Treasurer.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share and an addtional dividend of 25 cents per share on the Company's capital stock, payable June 15, 1944, to stockholders of record at the close of business June 1, 1944.

H. F. J. KNOBLOCH, Treasurer.

THE YALE & TOWNE MFG. CO.

On May 23, 1944, a dividend No. 217 of fifteen cents (15c) per share was declared by the Board of Directors out of past earnings, payable July 1, 1944, to stockholders of record at the close of business June 9, 1944.

F. DUNNING, *Secretary.*

Nat'l City Of Cleveland Situation Attractive

National City Bank of Cleveland offers an interesting situation, according to a descriptive circular prepared by Merrill, Turben & Co., Union Commerce Building, Cleveland, Ohio, members of the Cleveland Stock Exchange. Copies of this interesting circular may be had from Merrill, Turben & Co. upon request.

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.

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.

DIVIDEND NOTICES

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of this Corporation was declared payable June 15, 1944, to stockholders of record May 31, 1944.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
May 19, 1944

MAKERS OF PHILLIES

DUPONT **E. I. DU PONT DE NEMOURS & COMPANY**

WILMINGTON, DELAWARE: *May 15, 1944*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable July 25, 1944, to stockholders of record at the close of business on July 10, 1944; also $1.25 a share, as the second "interim" dividend for 1944; on the outstanding Common Stock, payable June 14, 1944, to stockholders of record at the close of business on May 22, 1944.

W. F. RASKOB, *Secretary*

ELECTRIC BOAT ★ COMPANY ★
33 Pine Street, New York 5, N. Y.

The Board of Directors has this day declared a dividend of twenty-five cents per share and a special dividend of twenty-five cents per share on the Capital Stock of the Company, payable June 10, 1944 to stockholders of record at the close of business May 27, 1944.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer

May 18, 1944.

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

175th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 30, 1944, to stockholders of record at the close of business on June 9, 1944. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, May 19, 1944

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 106

A QUARTERLY DIVIDEND of Fifty Cents ($.50) and an EXTRA DIVIDEND of Twenty-five cents ($.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Wednesday, June 21, 1944, to stockholders of record at three o'clock P.M., on Monday, May 29, 1944. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., May 18, 1944.

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1944, to stockholders of record at the close of business June 2, 1944.

ROBERT W. WHITE, Vice-President

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Post-War Employment Opportunities And Problems

(Continued from page 2140)

fect in the lowering of union standards which have been built up in years of sacrifice and struggle. Closely related to this is the issue of discrimination in job opportunity, with the profound social effects of such discrimination. Unemployment following the war would mean the ushering in of a period of discrimination and bitter group feelings between all the component parts which then would compose our industrial society. Antagonisms and tensions would draw the line between returned servicemen and civilians, men and women, older workers and younger workers, native born and foreign born, skilled and unskilled. Principles of fair play, fraternity and equal opportunity, to which everyone, and trade unions above all, owe the deepest allegiance, will be at stake, with the outcome depending upon the existence or absence of complete job opportunity. I don't believe it is necessary to elaborate on that aspect any further. Your very presence here indicates your profound appreciation of the problem of job opportunities, and your earnest desire to find a solution.

To many, a solution, or a partial solution, is to be found in the development of new fields of endeavor — the aircraft, television, plastics, and other industries brought to the fore during the war. I am not one of those who put hope for the future in dreams of a sky spangled with helicopters, or highways covered with superconveyances, with resulting full employment for all. To me the problem is a great deal more fundamental one, at least in terms of the maintenance of long-range full employment. I believe that our resources, existing plant facilities, managerial abilities, and skilled and unskilled labor energies, plus our unfilled demands, are sufficient in themselves and without the need for the development of new industries to insure adequate employment for all and a progressively higher standard of living, assuming certain conditions are met.

Before proceeding to a discussion of those conditions, I want to explain my position of what many may think should be the principal subject of discussion under the topic "Post-War Employment Opportunities"—namely, new vistas for industrial development or expansion. By thus dismissing the effect of the opening of new fields of economic development by a brief reference, I do not mean to minimize the importance of this aspect, or to imply that any opportunities for such development should be neglected. Development of new industrial fields is of particular importance in a period of transition such as we will go through following the coming of peace. Coming from the Pacific Coast, and particularly from the Pacific Northwest where I believe we have one of the new great frontiers for future industrial development, I should be the last to overlook the great contribution to the solution of the employment problem which can come through the development of such new fields as television, aircraft and many others. Nor do I overlook the fact that the inevitable role of this nation in building up a shattered world will play a very important part in solving the question of employment. It will be the capital goods of this country, made by the workers of this country, which will be used, in great part, to rebuild a broken Europe and a torn Asia: and it will be the food produced by our farmers which will supply vast millions of the world's homeless and destitute. It will be our consumer goods which will find markets in the newly awakened Orient and in India, and all of these goods will be carried in ships and planes again made and manned by American workers. I have the conviction that the growing development and importance of Alaska and future trade in the Orient will be a tremendous factor in the post-war employment situation in the Pacific Northwest. This war has awakened the West Coast to the possibility of its industrial development; it is not likely that the managerial ability and labor skill that have existed and been attracted to that area will be wasted in the post-war period.

I could go on enumerating the possibilities and openings for post-war employment indefinitely —a nation-wide need for adequate housing, for instance, in itself offers unlimited possibilities. Unfortunately, however, as has been proved many times in the past, the answer to unemployment is not to visualize vistas opened by the inventiveness of our scientists and engineers. The real problem is to make those employment **opportunities**, of which, as I have already said, we have no lack even without new industrial fields, **available as a practical matter and as a permanent matter** to those millions of persons who, with the end of war production and a cessation of hostilities, will be in need of employment.

To speak of job opportunities or to worry about new fields of employment in a country whose productive capacity is the greatest the world has ever seen, and the demands and needs of whose people are still far from filled, seems to me to be greatly anomalous. In the short space of three years, unity of effort has increased the total productive facilities of this county by one-half, and the total national income has been doubled. A record such as this calls for a revision of all former estimates of what is possible and desirable. It is now certain that our productive capacity can provide better homes, better food, more adequate clothing and medical care, finer communities, and richer educational and cultural opportunities for all. Certainly, there is not lack of demand for such improvements, and certainly, it would take the employment of every able-bodied individual to fulfill all such demands. To my mind, nothing could be more paradoxical than with the facilities available to produce an abundance for all, and with a labor supply sufficiently skilled and sufficiently energetic to achieve material welfare for all, there should be any problem of employment **opportunities.**

This war has conclusively shown that it is possible under the existing resources of this nation to maintain a gross national income of 165 billion dollars per year at 1939 prices; our economists tell us that such a national income is sufficient to maintain 55,000,000 jobs at 40 hours per week, at decent wage levels for employees and reasonable profits for employers. The working population after the war will approximate that 55,000,000. Accordingly, any solution of the employment problem must contemplate maintenance of national income at the 165 billion dollar level. Is this possible in time of peace?

The attainment of full employment, accompanied by the preservation of the democratic and civil rights of all concerned, is a much more difficult task in this country than it would be in a totalitarian system. It must be predicated on the principle of voluntarism, of a mutual give and take, with the emphasis on the give rather than on the take—on the part of industry, the giving of higher wages to make possible and effective the demand for the products of industry; on the part of labor, the giving of its fullest energies at all times so as to raise productivity to the highest possible level.

I have two specific proposals for maintaining full employment. The proposals fall into two classes. The first relates to immediate post-war conversion problems. The second involves proposals for the maintenance of full employment after conversion has been achieved and the returning soldiers and discharged war workers have been absorbed into the productive system.

To my mind, it is unthinkable that reconversion be attempted with any less active participation on the part of government in reconversion policies than has been necessary to create and maintain our war production; we will need to fight just as hard on the production front, and be willing to undergo the same sacrifices, to put free enterprise in full production for peacetime consumption as was necessary to supply our war demands. Industrial reconversion calls for orderly, coordinated, planned action under a single federal reconversion agency on which management and labor are fully represented. This agency is to have the same duty of guiding and assisting the nation in the problems of reconversion that the War Production Board, for instance, had in guiding and assisting the nation to meet the demands of the war effort. This public reconversion agency should be so constituted as to make the best use of the experiences and resources of all war agencies in assisting private enterprise to take over its responsibility for production in a war which makes for full and stable employment at fair wages. None but a public agency could undertake the termination of war contracts, the disposal of war inventories and surplus materials, and the reconversion of production facilities.

Since, in my opinion, some and perhaps a great amount of unemployment during the reconversion period is inevitable, I believe that the government should provide demobilization allowances for returning soldiers, and interim replacement benefits, plus training opportunities, for all in the labor market. Such allowances, however, should be recognized as purely provisional measures; the demobilized can have economic security only as they are employed in productive work.

Another interim program which it is plainly incumbent upon the government to initiate, and which will have the effect of occupying thousands who might otherwise be unemployed in the reconversion period is the providing of educational opportunities for returned service men — both for those whose schooling has been interrupted, and for those who never were able to start. The fact that a service man has become married during the war should be no bar to affording him a chance for education; government educational allowances should be sufficiently adequate to permit both the schooling of the service man and the maintenance of his family during the period of schooling.

A special feature of the reconversion program with which I am particularly concerned is the problem of reconversion of war plants designed solely to produce war materials or other products for which there will be no postwar need or demand, and where large populations have been assembled in otherwise remote areas who are entirely dependent on production at such plant for employment. The cost to private industry of reconverting such plants and facilities into peacetime production of a product for which there is or may be a demand would in most instances be prohibitive. Yet to fail to convert would make large segments of our country into distress areas. This problem is particularly acute on the West Coast where much of the ship and airplane building has been concentrated. It is my conviction that the social cost to the country as a whole of obtaining reconversion through government subsidies would be much less than the social loss if plants were allowed to remain idle, the area to become a distress one, and present expenditures on plant, equipment, housing and schools to be completely lost. Of course, the granting of necessary subsidies to free enterprise to convert plants such as Boeing and Douglas in my area, for instance, will have to be preceded by careful study and planning under the government, with the participation of all interested, to determine what to convert into, consistent with the best interests of the national economy.

As a further means of insuring employment during the reconversion period, a program of needed public works and services should be planned and made available whenever and wherever unemployment conditions occur. Surely, a small portion of the billions we found it necessary to spend unproductively in terms of social benefit in the present world conflict could be spent in making needed internal improvements, such as better roads and schools, if, thereby, employment to the returned soldier could be assured at least temporarily.

The improvement of existing highways and the building of a vast network of additional highways affords an excellent field for such public works. There are some 54,000 towns in this country with no access to railroads and many of them with very inadequate road transportation. If we are to bring to inhabitants of these towns the abundance which our economy can produce, it must be through a system of highways which will permit our trucking industry to extend its facilities to regions heretofore inaccessible to it.

The foregoing are proposals applicable to the immediate postwar reconversion period. My proposals for the maintenance of full employment and a high national income thereafter involve the same elements of cooperation between capital and labor that has been found necessary to maintain a high national income in time of war, together with somewhat the same element of cooperative planning for purposes of coordination, but without such planning being under the same degree of governmental direction and control.

The key to total employment is the maintenance in time of peace of the same 165 billion dollar gross national income which has been proven possible in time of war. The maintenance of such a national income will provide the assurance of an over-all 165 billion dollar market. Enterprising American business, if freed from inhibiting restraints, will provide the jobs necessary to produce the goods to fill the demands created by such a market. The payment of adequate wages and the assurance of reasonable profits will make effective these demands.

But these conditions will not come of themselves. What is required primarily is bold initial impulse, and thereafter reasonable assurance of continuation, plus a regulator to see that the demand for goods and services and their production do not get so far apart as to cause inflation or deflation. The initial purchasing power is now in the hands of our consumers as a result of savings and the high national income of the last few years. The potential effective demand is there also because of deferment of many types of purchases under wartime restrictions. All that is lacking is the initiative and the courage to provide the jobs to produce the goods to fulfill this potential demand.

This is the great challenge to industry of our post-war era; the initiative to create a prosperous future lies with it. Industry must have sufficient confidence in free enterprise to invest in and produce for a minimum 165 billion dollar peacetime free American economy. Paul G. Hoffman, Chairman of the Committee for Economic Development, said recently:

"In the final analysis, the question of whether we achieve an economy of abundance depends on whether we have courage and faith in ourselves. And faith in ourselves must mean a large measure of faith in one another—a faith justified by our works. With such courage and faith we can make ourselves strong to conquer the post-war economy number one—unemployment."

I would be less than a realist, however, if I expected that confidence and that enterprise to be entirely forthcoming on its own, without outside assistance and assurance, any more than the initiative and enterprise to produce the necessary war materials was forthcoming without outside impetus. Without that assistance, it is fairly certain that more businessmen will talk of enterprise, of taking risks, and of taking initiative, than will practice them. Until there is some assurance that the bottom will not drop out of the market, that industry will cooperate among itself and with labor, and that investments will be secure with prospects for continued success in busines ventures, there will not be the investment necessary to produce for a minimum 165 billion dollar economy.

The reconversion effort must, to a large extent, supply the necessary stimulus before that effort can be considered completed. If this stimulus calls for government subsidies and for widespread long-term loans to private industry, then subsidies and loans should be forthcoming. But the government cannot be expected to provide the whole impetus if free enterprise is to remain free. American initiative, confident in our free enterprise system, must produce great capital investment. If under the assurances of government support and the full cooperation of labor, full production is achieved, it devolves upon industry and upon the free enterprise system to maintain that production, with industry and labor working together to that end.

Two steps appear to me to be necessary to the maintaining of this necessary high national economy. The first step is the establishment of a government fiscal policy that will insure a 165 billion dollar gross income. This can be done in the following manner. We are able to make accurate quarterly estimates of national income and expenditures. Whenever national income tends to fall below the insured figure, government can make up the deficiency through expenditures on public works or through subsidies or through other means designed to stimulate, and not compete with or deter, private enterprise. On the other hand, if income seems to be outrunning possible production, government could take up the excess through appropriate taxation. There is nothing frightening about such a program. What it does is to provide an insured market for American industry at something near its capacity to produce at full employment levels.

The extent of government activity under this fiscal policy will be the measure of the deficiency of the confidence of business in the ability of a free enterprise system to provide full employment on the one hand, and its shortcomings in proper planning on the other hand. Such a fiscal policy is entirely consistent with lowering or the complete abolition of corporate and other taxes which curb the ability of business to make jobs. Nothing is so de-

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signed to lower tax rates in general than a sustained high income at full employment levels.

The ability of free enterprise to produce and provide for full employment will measure the extent to which government intervenes or interferes in the affairs of either industry or labor. Labor wants no more government direction of its affairs than does industry; thus labor and industry have a further joint interest in maintaining full production and full employment through cooperative action. It is my hope that the extent of government intervention into the affairs of business and labor will be limited to the maintenance of the free enterprise system. If full production and full employment do obtain, it is my belief that the function of government should be limited to the prevention of monopolies as the principal deterrent to free enterprise. Monopolies have ever tended to restrict production, raise prices, concentrate wealth, and destroy the initiative which is the mainspring of our well-being. By monopoly I do not mean only the acquisition by capital of control of a particular industry; I include also the acquisition of control of competing branches or services in the same industry, such as acquisition in the transportation industry of trucking by railroads, or airplanes by trucking. It is important to the maintenance of our free enterprise system that neither the transportation industry nor the several of its branches nor any one branch be brought under single financial and capital control. The same is true of all industries. Government cannot play too strong a part in preventing such a possibility.

This does not mean that there should not be some attempt at coordination among industry in the total production necessary for total employment. A second step which, to my mind, is a necessary concomitant of the maintenance of a high national income and full employment is the establishment of some central coordinating agency on a national basis, composed of representatives of private industry, labor and the government, for the purpose of giving broad general direction to the production of goods and services. This coordination and guidance will be obtained by voluntary agreement among industry, by cooperation from labor, and by suggestions and advice from the government. The purpose of this central coordination is to diminish complete anarchy of production, to make available information which will permit intelligent and non-wasteful extension of facilities, to formulate general plans, and to apprise of conflicting plans.

The necessity for participation of labor in some such coordinating agency at the national level, as well as at the local level, through something akin to the present labor-management committees, canot be overstressed. One of the great lessons of this war has been the increase in productivity per worker, which, to my mind, was made possible by the effort labor was willing to expend when it was treated as a partner rather than as a raw material. It is indeed significant that the physical output of industry has increased 80% since 1939, while the number of persons employed has risen only 18%. The experience of such industrialists as the Kaiser Shipbuilding Company on the West Coast, and a great many other outstanding business organizations in America, of the results in increased production of an enlightened labor policy indicate conclusively what is possible when labor and management meet in a spirit of cooperation rather than hostility. The contribution to production made through the War Production Board Labor-Management Committees afford further proof of what can be expected. It is certain that to obtain the goal of a national income sufficient to provide jobs for all, the utmost cooperation between capital and labor is a first essential. Neither can do the job alone; each is entirely dependent on the other.

If the cost to industry of full employment is loss of chance for spectacular profits in specific instances, surely the goal is worth it, particularly when the maintenance of full employment conditions will insure a more steady flow and perhaps a greater sum total of profits. If the cost to labor is a willingness to forego excessive wage demands and to undergo other disabilities that were necessary during the war, I for one, and I know many like me, would be willing to pledge labor's full support if thereby the spectre most feared by labor—unemployment—were eliminated.

If industry and labor together do not assume responsibility for full employment, then government will have to. The people have tasted of the horn of plenty, know that an economy of abundance is possible. If it was worth the expenditure of many lives and billions of dollars to smash and destroy a distant enemy, it is worth the spending of billions to rehabilitate our fighting men and the men on the war production front, and put our economy on a basis to supply them and their families with jobs.

It may be thought by the pessimists that much of what I have said is idealistic, can never be fully achieved, and that we cannot expect economic and social well-being in the post-war world. That may be their view, but it can hardly be comforting to them to know that failure to achieve the goal I have described will be because of that very pessimism, because of refusing even to try to realize our potentialities. If the pessimists are right, it will be solely because defeatism, selfishness and intolerance have once again had their way. Even the most pessimistic cannot doubt the capacity of this nation to produce, and must acknowledge the genius of our management and the skill and energy of our workers. Properly coordinated, these factors proved more than sufficient during the last few years to give employment to all willing to work and to sustain a national income of at least 165 billion dollars. If in time of peace, as well as in time of war, we are willing to do whatever serves the common interests of all of the people of this country, it is entirely possible to make available as a practical matter the jobs for which opportunity was never lacking. Granted that it takes more vision than has previously been manifested, and more willingness to give rather than to take, still the alternatives of a failure to achieve what an awakened people know is possible are not pleasant to contemplate.

The world is at the crossroads, and the free enterprise system is about to face its greatest test. The success of that system, as the success of other systems with which it must compete, will be measured in terms of the abundance with which it is able to supply those who are dependent upon the system for their well-being. I have no doubt of the ability of our system to triumph over all others under this test. This means, however, that the abundance must be provided to all in this country and not just to certain geographical areas. Until all are provided with the standard of living and opportunities for educational and cultural advancement, our system shall not have met the test. It therefore behooves industry, in fact it is incumbent upon it, to go to the depressed areas of this country, there to make its investments, and there to raise living standards, so that this nation will indeed have equality for all, and so that no nation can point with deprecation to what our system has failed to provide.

In conclusion, I want to again emphasize that I am an advocate of our system of free enterprise. If that system is to be fully accepted, however, it must assume all of its responsibilities to the welfare of the common man. Free enterprise in a free government must demonstrate by actual performance that it can produce a finer standard of living than any other system of government has as yet devised. It must search the highways and byways of Amercia, and go into the backward as well as the forward communities. It must give to every child in this country the right to education and to full opportunity to make his fullest contribution to our social and economic world. Wherever local communities contend that cost prohibits these opportunities of education and development to young America, we must find a solution in the same degree as we are ready to contribute in time of war to national emergency and welfare. If we accept the full responsibility that evolves from free enterprise, and we do develop the fairest standard of living for the common people of this country, we need have no fear that our people will ever listen to other theories of production or government. We will have conclusively demonstrated, as we have demonstrated up to now, the finest government in terms of serving the interests of all of its people, comes from a free and voluntary cooperation of industry and labor. This is our biggest post-war opportunity.

Municipal News & Notes

A nation-wide banking group headed by Blyth & Co., Inc.; Mellon Securities Corp.; Harriman Ripley & Co., Inc., and Lehman Bros., and comprising 232 associates, made formal public offering yesterday of the new issue of $56,000,000 California Toll Bridge Authority, San Francisco-Oakland Bay Toll Bridge revenue bonds. Representing one of the largest refunding operations in many years, the issue was awarded to the group on Monday on a bid figuring a net interest cost to the authority of 1.96%. This was the only offer submitted, although two separate groups originally intended to compete for the issue. In order to facilitate rapid distribution of the bonds, the two accounts joined forces and the accepted tender was submitted on behalf of the combined syndicate. The wisdom of this action was immediately apparent in the large volume of bonds placed by the underwriters shortly after the initial offering.

In reoffering the issue to investors, the banking group priced the $20,000,000 1¾% sinking fund bonds of Sept. 1, 1962, at a price to yield 1.90%, and the balance of $36,000,000 serials, maturing semi-annually from Sept. 1, 1945 to Sept. 1, 1959, were scaled at yields ranging from 0.60% to 1.95%, according to interest rate and maturity. The serials include $10,975,000 3¾s, due from Sept. 1, 1945 to March 1, 1950, inclusive, and $25,025,000 2s maturing from Sept. 1, 1950 through Sept. 1, 1959. All of the $56,000,000 bonds are optionally callable.

The Toll Bridge Authority will employ the proceeds of the current issue, together with other available funds, in the redemption on March 1, 1945, of all of its then outstanding 4% bonds, currently totaling $57,070,000, and to the pay interest on the refundings from June 1, 1944 to March 1, next. The extremely favorable cost basis on which the Authority effected the refunding, and the heavy investment demand that prevailed for the new bonds, testified to the exceptionally fine record of operations achieved by the bridge since its inception. The project is considered one of the most successful revenue undertakings in the country.

Consumers Public Power District Issue Awaited

Although not quite the size of the California toll bridge issue, the forthcoming offering of $41,533,000 Consumers Public Power District refunding bonds is expected to attract no less attention by underwriters and dealers. Bids on this undertaking will be opened on May 31 and, according to present indications, at least two syndicates will participate in the bidding. Purpose of financing is to arrange for consolidation of the outstanding debts of a number of the district's operating divisions.

The Consumers District offering is the largest of the several issues of general market interest scheduled to develop in advance of the opening of the Fifth War Loan drive on June 12. Others include the $6,040,000 Chattanooga, Tenn., electric power revenue refundings for which offers will be considered on May 31. On June 7 Houston, Texas, will place $2,040,000 various municipal improvement bonds and Kanawha County, W. Va., will dispose of $3,000,000 airport bonds.

Personnel Items

(Special to The Financial Chronicle)

BOSTON, MASS.—**Joseph W. McGaragle** has become associated with **Amott, Baker & Co., Inc.,** 30 State Street. In the past Mr. McGaragle conducted his own investment business in Boston.

(Special to The Financial Chronicle)

BOSTON, MASS.—**William H. Goodwin** is now connected with **William H. Coburn & Co.,** 68 Devonshire Street. In the past he was with Elmer H. Bright & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Edward A. Gigelow** has joined the staff of **Donald B. Litchard,** 70 State Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Albert C. Day** is with **Trust Funds, Inc.,** 89 Broad Street.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Lawrence J. Gareau** has become associated with **Smith, Hague, & Co.,** Penobscot Building. Mr. Gareau was previously with Watling, Lercher & Co. and Dominick & Dominick.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—**Stanley A. Kemmeter** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane,** 710 North Water Street.

(Special to The Financial Chronicle)

ST. JOSEPH, MO.—**George H. Gee** is with **Atlas Investment Company,** 708 Francis Street.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Don E. Morrill,** formerly with Barrett Herrick & Co., is now connected with **Slayton and Company, Inc.,** 111 North Fourth Street.

(Special to The Financial Chronicle)

SPRINGFIELD, MASS.—**Robert P. Clark** has become associated with **Percy O. Dorr & Co., Inc.,** Third National Bank Building.

Assoc. Elec. Attractive

Recent developments are combining to give a "quality" rating to Associated Electric Co. debenture 4½s, due Jan. 1, 1953, and debenture 5s, due Jan. 1, 1961, according to a descriptive memorandum on the situation prepared by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of this interesting memorandum may be had from G. A. Saxton & Co. upon request.

Wire Bids on

VIRGINIA—WEST VIRGINIA

NORTH and SOUTH

CAROLINA

MUNICIPAL BONDS

F. W.

CRAIGIE & CO.

RICHMOND, VIRGINIA

Bell System Teletype: RH 83 & 84

Telephone 3-9137

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.

Forms A. W. Porter & Co.

A. W. Porter & Co., a partnership, has been formed, with offices at 52 William Street, New York City. Partners are A. W. Porter, G. E. Porter, M. A. Seibert and N. A. Porter. Mr. Porter was formerly President of Porter Associates, Inc.

Attractive Situation

Western Light & Telephone common offers interesting possibilities, according to a memorandum being distributed by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

REDEMPTION NOTICE

TO THE TREASURER OF THE STATE OF TEXAS, AUSTIN, TEXAS, AND ALL OTHER INTERESTED PARTIES:

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT, Nueces County, Texas, by order of its Board of Trustees, has called for redemption its following bonds:
$50,000.00 2¼% School Bonds dated July 15, 1939, and,
$92,000.00 3% School Bonds dated October 15, 1939,
the date of redemption being JULY 15, 1944.

IF BONDS ARE NOT PRESENTED for redemption on that date, at AMERICAN NATIONAL BANK, AUSTIN, TEXAS, they will cease to bear interest after such redemption date.

EXECUTED at Corpus Christi, Texas, this 17th day of May, 1944.

CORPUS CHRISTI BANK AND TRUST COMPANY
By C. D. JOHNS, Vice-President
Treasurer, Corpus Christi Independent School District.

ATTEST:
W. P. PITTMAN,
Cashier and Secretary

FINANCIAL NOTICE

CITY OF MONTREAL

Notice of Payment of Interest Coupons

Notice is hereby given that under the provisions of Paragraph 11 of Article 4 of By-law No. 1735 (By-law providing for the financial reorganization of the City of Montreal) the City of Montreal intends to and will pay upon presentation as they severally become due the interest coupons maturing on and between May 15th 1944 and October 15th 1944 inclusive and annexed to the bonds and debentures of the City and annexed municipal corporations maturing on or after May 15th 1944.

Accordingly, the securities to be given in exchange by the City under the said By-law will bear interest only from the last interest payment date preceding October 16th 1944 of the old bonds and debentures to be replaced.

MONTREAL, May 10, 1944.

Director of Finance
L. ROBERGE

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The Progress And Prospects Of Our Oil Industry

(Continued from page 2142)

only 85 years ago with a shallow well in Pennsylvania, and with lamp oil as its main product. It has kept pace with, and in great part made possible, the growth of motorized transportation and the airplane. Ever since gasoline in great volume became important, the industry has met the constantly growing demands, increased its underground inventory of raw material, paid better wages with shorter hours, continually improved its products, and lowered costs to the public.

Today, despite the failure of four out of five "wildcat wells," each of which may cost from $20,000 to $100,000, we go on exploring and drilling, finding new crude oil and gas fields, producing oil from two to three miles deep in the ground, advancing the science of finding, drilling and producing, reducing the cost of transportation, improving the technology of refining to get more valuable fractions from each barrel of crude oil and to make products thought impossible at times in the past. No industry is more competitive. There are thousands of aggressive companies and individuals engaged in it, and no one company (according to prewar figures) sells quite 10% of the branded gasoline distributed to the public of the United States. The industry made possible the winning of the former World War. It is assuring victory in this war, which uses petroleum in quantities unimagined by Army and Navy men as little as three years ago, and which requires such variety and quality of products that our refineries and technicians have had to work miracles to produce them.

The record is one of marvelous achievement by private industry. Since the former war, we have quadrupled our crude oil producing capacity, found and put to use enormous volumes of gas, increased our yield of gasoline from a barrel of crude oil by 75%, built 100,000 miles of pipelines, not only quadrupled refinery capacity, but changed refinery technology to an amazing degree.

During the 23 years, 1919 through 1941, we drilled 551,676 wells in the United States, of which 136,381 were failures. In 1918, technical men of the industry estimated the crude oil of the United States, both "proved" and "to be discovered" at only 7,000,000,000 barrels, and the automobile industry feared that oil shortage would hamper its growth. Since then, our private oil industry has produced 23,000,000,000 barrels of oil and still has "proved" reserves of 20 billion barrels, while we continue to discover new fields.

The great network of highways and roads covering the United States was built by Federal and State governments largely out of special taxes levied on the use of automobiles and on the consumption of oil products. In the case of gasoline alone, the States were collecting taxes at the rate of $948,038,000 yearly in 1941.

Along these roads and highways, the oil industry has established the greatest distribution system in the world, so that in normal peace time, in America, known as "a nation on wheels," the motorist is rarely, if ever, out of reach of a service station where he is assured of fine products and exceptionally efficient service.

A business dealing with so vital a product, organized so efficiently and enjoying so rapid and constant an increase in consumption, might be expected, perhaps, to earn a great rate of profit and pay dividends at high percentages on the investment. On the contrary, the industry's profits, large in total dollars, have been small in relation to the investment, because the investment in dollars has grown great. It has been able to pay dividends to its stockholders at only modest rates. In the past 20 years, the industry's dividends have averaged only 4% on its net depreciated investment.

The world-wide progress of the American oil industry has been accomplished without government participation, but with some government encouragement. The record, with few exceptions, is a tribute to the sound relationship which has usually prevailed between the industry and the Government.

For exmaple, for over ten years, oil fields in some of our States have been operated on a conservation basis, administered through the various State commissions and coordinated through the Interstate Oil Compact Commission, with the approval of the Congress. This enables the industry to produce oil at what is known as the optimum rate — that production sufficient to meet market demand while avoiding waste in recovery. During the war, this cooperation has been extended through the Petroleum Administration for War, representing the Government, and the Petroleum Industry War Council, representing the industry—both working together to make this critical material efficiently available for war and essential civilian use. Of course, we all expect that the special regulations which appear to be needed in war time will be discontinued in peace time.

Outside the United States, the "Open Door" policy of our Department of State, although not completely successful with all countries, has helped American oil companies to compete in the development of oil areas in other parts of the world. Without threat of force, and without force ever being exercised, our nationals have been able to hold their own with foreign enterprises, whether private or governmental partnerships, even in those regious of the world designated as some other country's "sphere of influence." Recently there seems to have been an impression that our nationals have not done as well as others in getting foreign oil reserves. The truth is the contrary. We have done better than any other nation during the past 25 years.

With this amazingly successful history of the American oil industry, we ought first to examine the oil policies of the past when we think of possible change in policy. The results have been good. It is a natural presumption, therefore, that the past policies have been sound.

Recently, however, you may have heard much about the need for a drastic change in oil policy, which would increase government control to an extraordinary degree. We hear that our oil reserves are dwindling at an alarming rate; that we must look to other countries for sufficient oil for peace-time economy and for national defense; that this means the Federal Government must own and operate a corporation, chartered to engage abroad in all forms of oil activity—production, transportation, refining and marketing.

At home, we have heard intimations that Government should suppress the production rate of our oil fields to make room for large imports, so that this suppressed production will be there for emergency use — that proven developed oil fields might be condemned and locked up in Government ownership reserve as a national defense measure—that the Government and not private industry should try to develop oil on the public lands—that billions of barrels of crude oil should be stored by Government above or below ground, or that there should be equally costly storage of a huge volume of products.

If such ideas should be put into effect, the American private oil industry at home and abroad would be gradually throttled. A system of underground hoarding for emergency use would have to provide for a daily production rate of at least a million barrels for emergency (one-fourth of our present production). This would mean locking up proved and developed reserves of about seven billions of barrels, with all the necessary completed wells and field installations ready to produce immediately when called upon, if the reserve is to be of real value in the emergency.

The suppression of production at home would kill the spirit of venture necessary for discovering new reserves — the first and indispensable necessity for a live and growing oil industry. Such a restriction by Government would require a great number of Federal employees, exercising rigid control of the operation of nearly half a million oil wells. Another great number would be required to maintain in workable condition the wells and installations in those proven oil fields taken over and locked up by the Government and to drill up the partially developed fields as they are expropriated.

Storage above ground would be equally costly and impractical. For example, if the above ground storage should be adequate to provide an emergency supply of one million barrels a day for only three years, the total volume would amount to over a billion barrels. If stored as crude, this would cost, over a 20-year period, about four billion dollars, and if stored as products, it would cost over six and one-half billion dollars. This does not take into account the difficulties of transportation to assemble the storage nor the disturbance of normal business operation caused by taking such a volume out of the regular stream of commerce, nor the extra refinery capacity necessary to provide the products.

Aside from these cost factors, this locking up of a reserve supply, one way or another, would weaken or destroy incentive for the discovery or "wildcat" effort of small and large producers. When we remember that only one "wildcat" well out of every five is a producer, we may ask ourselves the question: who will be willing to face the loss of 80% of his venture for the sake of a dubious 20% success, when he faces, on the one hand, possible Government expropriation of his property at a low price before he can prove the real value of his discovery by additional drilling, and, on the other, the danger that the Government might release a flood of oil at any time upon the market, upsetting all the value which induced the explorer to run his great risk?

The way to provide for defense reserves of oil at home is not to set aside certain areas or fields for the Army and Navy to be drilled up and maintained in idleness between wars, at great public expense. Our national defense reserve at home will always comprise all the oil of the entire United States owned by all the citizens. The freer we are to find and develop oil, the greater these national defense reserves will be. A great emergency production is always available for war by producing fields for a time at a rate higher than the best engineering practice would dictate, plus some restriction of war-time civilian use. Locked up reserves mean decreasing reserves for the reasons previously given.

To this home defense reserve we can also add the fields geographically close to us in friendly nations in northern South America where oil discoveries are certain to increase, and also the fields of all the rest of the world to which we can have access with overseas transportation, protected by our military forces. In the Maracaibo Basin of Venezuela alone there are proved reserves of at least five billion barrels of crude oil which will be drawn on relatively slowly and which, by their nature, can be largely adapted to fuel for our Navy.

Today our well established position in the foreign field is threatened by the recently organized Government agency, the Petroleum Reserves Corporation, which, under its charter, has the power to put the Government in any oil activity of any kind abroad.

The entrance of this Government into other nations' territory as owner and operator of oil fields or transportation systems, in whole or in partnership, will create tension in the countries thus invaded and in all other producing or potentially producing countries, who would fear such foreign government invasion. It would raise again the cry of Yankee imperialism, which we have been at such pains to disavow, and would gain us nothing that could not be gained without such a policy.

The results of all this well-meant planning will insure the coming of the very disaster that the planners seek to avoid. Both the planning and the fear of oil shortage which prompt it have a familiar ring to the older men of the industry, like some discredited legend from the past. As far back as 1908, the Chief of the United States Geological Survey expressed great concern over the coming oil shortage, saying that practically all good geological prospects had been tested, and he wanted the Government to prevent further entry on public lands. Predictions of oil shortage made headlines after the last World War, and the proposals that seem to be going the rounds today are, unfortunately, similar to those made then.

In 1920 a bill was introduced into the Senate to form a United States Oil Corporation to operate in all foreign countries with capital supplied by the oil industry and a directorate of nine appointed by the President of the United States. Dollar gasoline was predicted as an immediate calamity. The then Secretary of the Navy wanted to nationalize the oil industry. With the benefit of hindsight, we see clearly how fortunate we were to avoid the dreadful mistake of adopting these plans, which would have stopped the industry's progress, and might easily have reduced greatly our chances of winning the present war.

There is no necessity or urgency which should compel such dangerous and revolutionary changes in the policy of our Government toward oil. Considering our total oil resources—not only in crude petroleum, but in all forms—we have in the United States alone, regardless of any other oil area, nearby or far away—a supply sufficient to meet our needs for an indefinite period. These oil resources are as follows:

(1) That part of the discovered crude recoverable by today's practices, called "Proved Reserves,"—the smallest part of our total oil resources, but just as great today after two years of enormous war demands as they were the day of Pearl Harbor. They are figured at 20,000,000,000 barrels under severe rules of measurement and bases of calculation. From this figure has come the often quoted but quite wrong statement that we have only 14 years' supply of oil.

(2) Crude oil to be discovered through the years by constant exploration and wild-catting if private industry is not stopped from doing this job by ill-devised plans that destroy incentive. All the crude oil produced in our country to date, plus the "proved reserves," would occupy only about two cubic miles of space, whereas we have at least 2,100,000 cubic miles of sedimentary strata in which to look for oil, and undoubtedly shall find a lot more of oil.

(3) Crude oil not included in calculating the first two classes of reserves, but which will be added thereto by improvement in the technology of production methods, both primary and secondary. These improvements may easily increase by 50% our estimate of the first two classifications of reserves.

(4) Natural gas—now proven in volume great enough to produce by known conversion technique as much gasoline as the present average refinery yield is likely to produce from the "proved reserves." Although more than half of our proven gas is contracted to move for fuel, it is certain that great additional volumes of gas will be found.

(5) Shales containing material convertible into oil. These exist in vast volume. Estimates, based on using only the richest and most easily mined shales, indicate they should provide 50,000,000,000 barrels of gasoline, or enough at probable post-war consumption for about 65 years. Cost of gasoline from shale is probably no higher than gasoline from coal.

(6) Coal. The amount of coal in North America is calculated in the trillions of tons. It has been estimated that this could supply 6,000,000,000,000 barrels of gasoline, which at probable post-war consumption would provide enough gasoline for 8,000 years—a volume which would obviously make possible a large oil supply without interfering with other uses for coal. Even today coal can be mined, converted to oil, and then to gasoline, and be sold at a price to the dealer, excluding tax, no higher than the price of 1918-22, excluding tax. The technology of this conversion has, naturally, had little attention in the United States, and when our able research talent really gets to work on it the cost will be greatly reduced. The prices of 1918-22 would seem high to our people today, because our private oil industry has continually reduced the cost of gasoline.

Finally, we have our greatest oil resource of all in the ability, energy and brains of American operating, engineering and research talent linked together in the American private oil industry. This combination of courage, energy and technology created the oil industry here and abroad; if permitted, it will constantly recreate this industry and make all these sources of oil available to the country in sufficient volume and at reasonable cost. Without this American daring and technological ability, our crude oil resources would have lagged and almost disappeared from the scene long ago.

Crude oil cannot be obtained by building a factory and installing machinery to make it. It does not occur in solid beds close to the surface to be had by simply digging it out. It is not running in surface channels, needing only to be harnessed to a pump and a refinery. You cannot get it by planting seeds or saplings and letting nature mature the crop. Go among the hills and to the plains and the seashore, and you will see nothing but perhaps a little seepage here and there to show that crude oil resources exist. Only by technological brains, great courage and persistence is crude oil brought into being from nature's hidden accumulations, a mile or two or three below an unpromising looking ground surface.

The role of private industry in the development of oil resources is that of a creator. Unless the search for oil goes on ceaselessly, despite uncertainties and difficulties, the resources cease to exist for mankind. If this forceful American enterprise is preserved, we have enough oil resources at

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home to carry us through generations to come—undoubtedly until the advancing technology of the machine no longer requires a large volume of oil. Oil will continue to be a vital product only as long as it continues to provide the best and most convenient service at lost cost. When it no longer does this it will be gradually superseded. Until then our oil resources are adequate, unless the initiative to find and to develop them is destroyed.

These resources which I have mentioned are domestic. They represent the natural desire of a great nation to have its own supply. But we do not have to insist upon this self-sufficiency. Our production of crude oil may fall behind our country's enormous consumption. The costs of finding oil, which, according to the Petroleum Administration for War, have quadrupled in the past 10 years or so, may continue costly, so that a higher price will be necessary. It may take a few years before the cost of making oil from shale and coal is reduced to the cost of making it from crude petroleum. If we are unwilling to pay a slightly higher price to find oil in our country, or to get our surplus needs from shale or coal, we can import from other countries. There is no immediate shortage of crude oil in the world as a whole. The known fields are vast, and those yet to be found are sure to be very great. In these fields our nationals have so strong a position that we can import all we want, for as far ahead as is sensible to look. Even without ownership abroad by our nationals, we could always import our oil needs by buying from others in peace-time. In wartime, of course, the oil can be had by the buyer who has the transportation facilities to go for it, and who can protect the transportation. During the war British and American nationals owned oil in Rumania, and the British owned oil in Iran, but with Rumania an enemy and during the time that the Mediterranean Sea route was unsafe, these ownerships meant little.

So we can see no need for a change in the Government's policy toward the American oil industry, and we can see grave dangers. Our industry fears that the Government may put into effect policies which could mean the destruction of the private oil industry and a real shortage of crude oil. The first definite sign of taking the primrose path to ruin is the Petroleum Reserves Corporation. The oil industry has gone on record in condemning the policy, indicated by that company's charter, of having our Government rove the world in search of oil adventures with proprietary interest in territories of other nations. We have asked for a clarification of Government policy, with the people participating in the determination of that policy through their elected representatives. We all hope that the special committee of the Senate which is now investigating oil policy will clear this problem constructively. The recently concluded exploratory conversations between a United States and a British committee may also point towards international cooperation.

The oil industry recently presented to the Government two documents, one entitled "A Foreign Oil Policy for the United States," and the other a preliminary report entitled "A National Oil Policy for the United States." These put forward statesmanlike proposals which can be summarized as follows:

(1) First and foremost, our domestic oil industry should be encouraged to continue to search actively for more crude oil and gas fields. All measures encouraging to this finding effort should be continued and improved, and new encouragements found. Any suggested policy that would be discouraging to oil finding should be rejected.

(2) Our nationals engaged in oil operations abroad should receive the full diplomatic support of our Government, but our Government should not take any proprietary interest in the business.

(3) Our Government should promote the world's prosperity, understanding and peace by seeking international cooperation in oil, with arbitration of disputes.

(4) The domestic oil industry needs no further Federal administrative machinery, but the Federal assistance proven sound in the past should be continued, and States without conservation laws should be encouraged to adopt them.

(5) The public interest in oil can best be served by a vigorous competitive industry, guided by private initiative.

(6) The Government should avoid the dangers of hastily conceived measures, and if any new oil policies are needed they should be based upon mature study and knowledge, and adopted only with the aid and counsel of the private oil industry.

If our recommendations are heeded, we need have no fear for the security of this country in so far as its oil supply is concerned.

The Edward G. Budd Letters Involving The Right Of Employers To Free Speech

(Continued from page 2144)

case which is brought before it, but only those cases which it considers of sufficient importance, or of sufficient public interest to make this advisable.

In order that you may understand what has happened, and what you may lawfully do, I am going to state this to you as simply as I can.

In September, 1933 our employees, desiring to form an Association of their own for collective bargaining, asked the Company to help them to draw up its By-laws, and to hold an election for Representatives. This we did,—to use the words of the Philadelphia Court,—in a spirit of "friendly interest" and cooperation. The Company paid for printing the By-laws and the ballots, and cooperated in holding the elections in the plant.

Later the Representatives thoroughly revised the Proposed By-laws, had them approved by Wm. H. Davis, the Director under General Johnson of the N.R.A., and distributed them to the employees, after which another election was held in March 1944. In this election the employees, by a vote of 3,152 to 1,995, chose, in a secret ballot, the E.R.A. over the Local of the A. F. L. This Local had been conducting a strike, which, while it seriously interfered with production, was unsuccessful in inducing the men to choose the A. F. of L. as their bargaining representative.

Since then for 10 years the Company has dealt with Representatives on all questions involving wages, hours and working conditions. How well they have bargained is indicated by the fact that in that time the hourly wage-rate has increased from 55 cents in 1933 to $1.19 in 1943 and the average annual wages have increased from $1,092.64 in 1933 to $2,795.00 in 1943. During this time the Company has not paid any dividend at all on its Common Stock, and none on its Preferred Stock except the two quarterly dividends paid since last summer.

It has always been the Company's policy and desire to pay wages as high as it can and at the same time preserve its credit, keep its plant thoroughly up to date and sell its products in competition with other manufacturers. The present average earnings per hour are 45% above that paid in January, 1941.

During the period of the annual contracts negotiated by the E.R.A. with the Company, there has been 10 years of industrial peace in our plants. This has made it possible for the employees to have steady earnings and has enabled the Company to develop its new products and thus expand employment.

In the spring of 1941 the C.I.O. made an unsuccessful drive to induce the employees to desert the E.R.A., to which no one apparently had objected from 1934 to 1941, and to choose and pay dues to the C.I.O. Local as their bargaining representative. At the same time the C.I.O. filed a charge with the Labor Board, claiming that the E.R.A. was "company dominated" and hence unlawful. The Labor Board decided in March, 1942, that, because of the assistance given the E.R.A. in its formation ten years ago, and also because of its later having secured a share in the receipts of the Employees' Exchange (which operates the candy and tobacco booths) the Association was unlawful in its beginning and so continued in spite of the 1934 election and of all its successful operation since then.

Last fall the United States Court in Philadelphia decided that, under the Wagner Act, the Labor Board was the sole judge of the facts, and the Court was bound by its decision.

Since the Supreme Court has now declined to take up the case, we will of course obey the Labor Board's order in good faith, even though we still believe it to be wrong, unfair and contrary to the best interests of the employees. We are, therefore, posting the notices which the Board requires, and are discontiuing all further negotiations with the E.R.A.

You must now decide whether you want to have a bargaining agency, and if you do, whether it will be more to your advantage to choose one of the outside unions or, on the other hand, to form your own organization. This you have a perfect legal right to do. The Wagner Act says:

"Sec. 7—Employees shall have the right to self-organization, to form, join or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection."

The Company fully recognizes this right of its employees, and such membership in any organization that you may choose to join or to form will not affect the position or prospects in the Company of any employee. On the other hand, I feel that it should be made clear to each employee that it is not at all necessary for him to join any particular labor organization, n spte of anythng he may be told to the contrary. Certainly there is no law that requires or is intended to compel you to pay dues to or to join any organization.

If you decide to form an independent union here in the plant, the Company, although entirely agreeable to this plan, can and will do nothing whatever to assist you, but would recognize such an association as your accredited bargaining agency when satisfied that it was properly formed and had the support of a majority of the employees.

In deciding whether you prefer to join an outside organization or to form a new Association of your own, you will make up your mind which form of representation will be better for you as an employee of this Company, and which one will be more likely to enable your Company to operate most efficiently and continue to be able to pay you the highest wages. Of the Company's willingness to pay the highest wages it can afford you have had ample proof over the past ten years.

To what kind of leadership are you going to entrust your future with this Company? Is it unselfish leadership, or is it not? Is it interested in your personal, individual welfare, or is it self-seeking? If an outside organization, on the basis of its past record is it open and above board and dependable, or don't you know? These are questions you should think about and talk over at home.

One thing more. We are all now engaged in making munitions and appliances for use in carrying on the War and finishing it just as fast as we can. Let us allow nothing that we may do to interfere with our maximum effort to this end.

Sincerely yours,
Edward G. Budd,
President

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2144)

changed again. Tape began active and prices strong. Ordinarily, such a condition should make the average Wall Streeter's eye glisten in anticipation. But, paradoxically, it didn't. Instead, it resulted in confusion. The bulls, with their chests puffed out, went around saying, I told you so. The bears merely increased their doleful shaking of their heads, saying, it was just a flash in the pan which would result in a greater decline. Strange to say, neither side, no matter how strong its convictions, had any position to speak of. The bulls, while optimistic speak ramblingly about the the long term, secretly waiting for a set-back to buy stocks. The bears are simply out of stocks, though telling everybody this one and that is a good sale but doing nothing about it themselves.

* * *

It might be wise to point out in passing that practically everybody is bullish for something described as the long term. Only on the near term is there any difference of opinion (I'm referring to market letter writers and advisors). This unanimity of opinion carries with it the seeds of reaction. For no post-SEC market can stand prosperity. But while our market is down one day and up the next, the London Exchange is going through what some people describe as a profit-taking stage and others as a decline. But whatever it is called, the London market is going down.

* * *

Disregarding the market as a unit and limiting this discussion to individual stocks, we find that things are acting nicely. For example: Crane, recommended (and available) at 22½, is now at a new high of about 24. Granted, the profit, in points, is nothing to crow about, still the fact that it's up in a so-so market points to still better levels once the market itself shows any sustained advance. When stock was advised a stop of 20 was suggested. I now suggest it be raised to 22. On up-side, Crane looks capable of getting to about 26 before any serious offerings are met.

* * *

Another one is National Gypsum, advised as switch from Servel. NG was bought at 9¾ and is now about a point better, 10¾. A gain of a point is quite small, but the fact that this one point was made against old offerings which go back to June, 1943, is nothing to be sneered at. About a half a point more (across 11½) and stock will be in new high ground. Stop, however, should be raised to 9½.

* * *

On the news front there is little to report. The big news is of course invasion, and, for all I know, it may occur before the next column appears. But D-Day and all its implications is something everybody has a guess about. All I know about it is what I read in the papers. But I do know that once it is underway then all the market prognosticators will be wrong—including myself.

* * *

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.]

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.

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.

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Equalization Of Government Subsidies To Transportation

(Continued from page 2141)

have the free or partially free use of publicly owned and maintained rights of way.

In smaller degree the carriers by highway are at a disadvantage in competition with waterways and airways. The subsidy to water and air carriers is certain and substantial. They pay nothing for the use of publicly owned and publicly maintained rights of way. The highway carriers, on the other hand, pay substantially for the privilege of operating on highways and streets but there is doubt as to whether the commercial carirers, as distinguished from private carriers and automobile owners, are bearing their full share of the burden of joint costs. The degree of subsidy to commercial carriers by highway, however, is uncertain and is yet to be convincingly established.

It appears, therefore, that the subsidy to the several modes of transportation is unequal in degree. No one can fairly find fault with the principle that if government largesse is to be bestowed on commercial transportation no one form should be favored in greater degree than others. An exception to this principle may be justified during the early years as an aid to development of a new form. Commercial carriers by water and highway, however, are not "infant industries" and air transportation is now emerging from childhood to adolescence. Each form should now be placed on its own feet, to rise or fall according to its own economy and fitness, its inherent advantages protected from uneconomic and destructive competition by fair and impartial regulation.

While the attainment of precise equality between modes of transportation in the degree of subsidy is not practicable, an approximation of equality may be achieved in three ways. One is suggested in the recent report of the National Resources Planning Board. It would not disturb the present policy of subsidy to highway, water and air carriers but would extend a form of subsidy to railroads by purchasing or leasing the railroad fixed property, financing the needed additions and betterments, and permitting the railroad companies to operate their trains over the government owned right of way under user charges.

A second method is found as an element in the plan of the Transportation Association of America. Under it the many individual carriers by all forms of transportation would be put together in a limited number of transportation systems. Each of approximately 24 systems would be built around a group of railroads as now organized and would embrace also carriers by highway, water, and air. Each system would, therefore, share in the subsidy to the subsidized forms and would maintain its own railroad rights of way and structures without subsidy.

The third method would in effect withdraw all transportation subsidies by requiring the carriers now subsidized to pay user charges which would fully reimburse the government for the carrying charges on and amortization of the capital expenditures in transportation facilities, and for the cost of maintaining those facilities. Each of the three methods will be discussed in the order named.

The suggestion offered in the report of the National Resources Planning Board, that the railroad fixed plant should be purchased or leased by the government, was included in the body of the text and in the summary, both written by the Board's economists, but it was not mentioned in the letter of transmittal by Chairman Owen D. Young of the Advisory Committee to Chairman Frederic A. Delano of the Board, nor in Mr. Delano's letter to President Roosevelt. As a matter of fact, Mr. Young specifically relieved the Advisory Committee of responsibility for the recommendations and findings in the report by stating that it must not be understood that the members of the Advisory Committee necessarily endorse the views set forth in the report, since full liberty of expression was accorded to the writers. He recommended, however, that the report be made available as a guide to thinking and an aid to planning. The specific suggestion that the railroad fixed property be purchased, therefore, may not properly be considered as one approved by the Board, even though it appears in the summary written by Dr. Watkins, the Director of the Transportation Study. Following a discussion of charges for the use of publicly owned transportation facilities, and differences in methods of determining the costs of private and of public facilities, Dr. Watkins suggested:

"Under existing investment conditions these differences in supplying capital may balance well enough for all practical purposes to insure equity, but because of changing circumstances the ultimate solution may lie in the public ownership or leasing of all basic transportation facilities, with the railroad fixed plant placed in the same category as public highways, waterways, and airways and paid for according to use. This step would establish a basis of equality in the provision of all transport facilities. Likewise, it would overcome the difficult problems arising from the railroad's burden of fixed indebtedness, for the user charge would be based on the volume of traffic, thus substituting a variable for a fixed obligation. In addition it would permit more effective provision of transportation plant because it would facilitate joint use of rights-of-way and structures, coordinated terminal arrangements, and over-all plans directed to transportation requirements as a whole."

This statement was followed by one which may indicate that the principal thought in Dr. Watkins' mind was social rather than economic. This is what he wrote:

"Still another advantage of public ownership or leasing of all the fixed transportation plant would be realized in connection with emergency public works programs which now apply only to highways, waterways and airways. In the future the extension of such programs to the railroads would have the advantage not only of creating a more equitable competitive condition, but of tapping a large new reservoir of useful and needed construction projects."

We need not consider the Watkins suggestion from the social or unemployment relief viewpoint. We are here concerned only with its bearing on equalization of subsidy. Unfortunately the only description of the plan is that contained in the above quotations from the summary of the report. The railroad property to be purchased or leased by the government is described at one point as the "fixed plant" and at another point reference is made to "rights-of-way and structures." It may be assumed that the track structure and bridges are to be included but we are not sure about terminal and station buildings, enginehouses, repair shops and other such buildings. Nor is anything said as to whether the work of maintenance would be done by the government or by the railroads. The report is silent on questions affecting the purchase price or the terms of the lease, the legal rights of the holders of mortgage bonds, and the means of reimbursing cities, towns and counties for losses in tax revenues.

Reference is made to joint use of rights of way and structures. We do not know whether this means, for example, that the Atlantic Coast Line could operate its trains between Richmond and New York over the R.F.&P. and Pennsylvania or whether the Pennsylvania could operate over the New Haven between New York and Boston. We do not know whether operators of vehicles, such as the auto-rail car, equipped with ruber tires for use on highways and flanged metal wheels for use on steel rails, would have the right to operate on the railroads.

One very important question has to do with the basis on which the user charge would be determined. If the government were to purchase the railroad fixed property at a fair price, and in the determination of the user charge had to deal only with the railroad corporations, it may be assumed that the charge would be set so that the government would not sustain a loss on its investment. If the charge would cover the full cost of ownership by the government, a charge now borne by the railroads, the only way in which the railroad would be better off financially would be in the lower interest rate on government bonds. That advantage, however, would be more than offset by the additional interest charges on expenditures for uneconomic government-made improvements and by higher operating expenses in providing service not justified by earnings. The political pressure to spend money lavishly on expansion and improvements in facilities, and in going beyond reasonable bounds in adequacy of service on lines with light traffic, is almost certain to be intense.

The sugar-coating of the Watkins plan is in its promise that the user charge, which impliedly would be proportional to the quantity of use, would substitute a variable cost for a fixed cost, so that the burden on the railroads in a period of depression would be lightened by government assumption of loss. There is no certainty, however, that the terms to be imposed by the government would be as liberal as Dr. Watkins suggests. The greater likelihood is that the government would make sure that its interests would be protected by a provision in the agreement that the user charge would be subject to periodic revision to take account of changing conditions.

In view of the many difficult legal, financial and operating problems inherent in the Watkins plan, and the valid doubt as to whether it would in fact be a subsidy, it is easy to understand why the railroads strongly object to the proposal. There is sound basis for the belief that the dominant thought in the plan is to bring the railroads in with the highways, waterways and airways as a very large field in which public expenditures of the make-work type could be undertaken in the post-war period to relieve unemployment. More sinister than that, from the viewpoint of economic and efficient transportation service and the probable effect on other large industries, is the practical certainty that if the government were to purchase or lease railroad fixed property, and had the power to dictate the manner and extent of post-war rehabilitation and modernization, the calamity of government ownership would quickly follow. The Watkins plan then may be disposed of by the statement that it is a wolf in sheep's clothing.

Having rejected the plan of the National Resources Planning Board as both dangerous and impractical, as well as deficient in its remedial application to our immediate problem of equalization of subsidy to transportation agencies, we may now consider the second of the three alternatives—the plan sponsored by the Transportation Association of America. Other speakers on this program may discuss its underlying philosophy and objectives. Here we may discuss it solely from the viewpoint of equalization of transportation subsidy.

Briefly stated, the plan of the Association contemplates that instead of continuing the present wasteful competition between modes of transportation, the railroads would be grouped into a limited number of competitive systems and each system would be permitted to have its highway, water and air department by acquiring present carriers in those fields. Within each system the servcies of all four forms of transportation would be coordinated or integrated so that the service by each type of transportation would be confined to the field in which it has economic superiority and fitness. Within each system there would be no competition between its four types of service. Instead the services would be integrated in such manner as to provide the public with the maxmium of efficiency at the minimum of cost. There would, however, be competition between systems and the aim would be to serve all important cities by at least two of the integrated systems.

Such integration is not now possible except in a severely restricted degree. The Interstate Commerce Commission permits railroad ownership of a highway carrier only when the highway service is complementary to but not competitive with the railroad. The Panama Canal Act forbids railroad control of water lines with which there might be competition, and the Civil Aeronautics Board is carrying out a policy under which an air line may not be owned or controlled by a railroad, highway, or water carrier. The plan of the Association, therefore, would require the removal of such restrictions.

The principal objective of the plan is to assure a continuation of private ownership and management of transportation agencies and to avert the dangerous alternative of government ownership. The creation of integrated transportation companies would eliminate in greater part the wastes in destructive and uneconomic competition, would reduce the overall cost of transportation to the public, and by the improvement in net income would avert the threatened bankruptcy of all transportation agencies in the post-war period if with it should come a slump in business activity and an accentuation of the present degree of wasteful competition.

The theory under which the Association asserts that integration would bring about an equalization of government subsidy rests on the premise that each of the integrated companies would embrace railroads, which are not now subsidized; highway carriers, which may be subsidized but probably in small degree; and water and air carriers, which enjoy substantial subsidy. The railroad department of each system would constitute the greater part of the total investment, produce the greater part of the transportation units, and earn the greater part of net operating income. The remainder of the system net income would come from the operation of its subsidized agencies of transportation and the benefits of the subsidy to those agencies would flow to the integrated companies rather than to the separate and independent individual agencies.

The soundness of the theory that integration would bring about equalization of subsidy depends in large part on the equality in the distribution of the subsidized agencies among the integrated companies, and the relation between the number and transportation product of the subsidized agencies which become parts of the integrated systems and the number and transportation product of the subsidized carriers which prefer to operate independently in competition with the integrated systems. It is not unlikely that the present unfriendly attitude of those carriers toward railroads would continue and would breed distrust toward any plan which would require them to surrender their freedom and virtually put the future of their enterprise in the hands of their erstwhile enemy. And even if they were induced to surrender their independence, the water carriers and air carriers are not sufficient in number to permit an equal distribution by number and importance among the integrated companies. How would the American, the United, the T.W.A. and the Eastern — the "Big Four" among the air lines—be allotted to the larger number of integrated systems? Would they be broken into parts to fit the needs of the integrated systems, or would integration be effected by a distribution of stock ownership? What water lines could be allotted to an integrated system such as might be built around the Union Pacific Railroad?

These and other questions raise serious doubts as to whether the plan of the Association, meritorious though it is in many other respects, offers an adequate solution of the problem of unequal distribution of government subsidy among transportation agencies.

Having rejected the plan of the National Resources Planning Board and having found that the plan of the Transportation Association of America is inadequate in so far as it relates to equalization of subsidy, we are left with the last named of the three alternatives, that is, the elimination of subsidy to any and all transportation agencies by imposing adequate charges for the use of government - owned facilities and services. Parenthetically it may be noted here that the solution of the subsidy problem by adequate user charges would strengthen rather than weaken the integration plan of the Transportation Association.

User charges are already applied in principle to commercial and private carriers by highway. They pay registration fees and gasoline taxes in all states and additional charges, such as vehicle mile or ton mile taxes, in a few states. Every state has its own basis for charges and the differences are extreme. The carriers on inland waterways pay nothing in reimbursement to the government for its heavy expenditures in making the inland waterways navigable, in maintaining them, and in providing lighthouse service; and they pay little to the cities and towns for the use of loading and unloading facilities. The air carriers pay nothing to the government for its capital expenditures and maintenance costs on the lighted airways or for the weather bureau and radio beam service, and they pay little for the use of municipal air fields. Besides, most of them are subsidized by payments for transportation of mail, even though the air mail payments to a few of the larger air lines have recently been reduced by the Civil Aeronautics Board.

The principal difficulty in the determination of fair user charges lies in the fact that the government expenditures were made and the maintenance expenses are being incurred for the benefit of the general public as well as for the benefit of the commercial carriers. The highways and streets offer the most difficult problem of apportionment because they would be maintained, although not to present standards, even if there were no commercial vehicles. They are necessary for national defense, for mail service, for police and fire protection, and for other forms of community use. They are used by horse-drawn vehicles, farm equipment, cyclists, and pedestrians. The improvement of inland waterways is linked with power projects, irri-

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gation, flood control, and the prevention of soil erosion, and the waterways are used by government and private vessels. The lighted airways are used to a large extent, and the public airports to a small extent, by the military air forces and are therefore chargeable in part to national defense. In all cases, therefore, there are troublesome problems in the apportionment of joint costs along functional lines.

No less difficult are the problems in the determination of cost. Many of them call for decisions in public policy. Should the use of the public ways commercially for private gain in the service of transportation be looked upon as a by-product of investments made and expenses borne by the government for the general public weal, or should the commercial carriers assume their full proportion of all costs, with possibly an addition thereto in the nature of a fee for privilege? In the building up of costs what should be done about interest on capital expenditures? Should the treatment of interest charges be the same on expenditures financed from current tax income as on those financed by the sale of government bonds? What basis should be used for amortization? From what date should costs be computed? Should the costs of lighting and patrolling, and the administration of the highway department, be included with the unquestioned costs of highway maintenance? How are costs, when finally determined, to be divided among motor vehicles, vessels and airplanes of different weights or capacities?

A mere statement of these problems explains why there is extreme divergence of view and why thus far there has been no reconciliation of differences between the users and those who have attempted to find and allocate the cost. Yet, notwithstanding the difficulties, formidable though they may be, it should be possible for qualified experts in government service, federal and state, to work out a formula that may be used to determine a reasonably fair scale of charges for commercial users of highways, waterways and airways.

The Board of Investigation and Research, created under the authority of the Transportation Act of 1940, was charged with the task of making studies and reaching conclusions on (1) the relative economy and fitness of the several forms of transportation, (2) the degree in which each form has been and is being subsidized, and (3) the relative taxation imposed on each. The report on subsidies is likely soon to be released. We hope that it will have definite and soundly supported facts and recommendations from which the Federal Government and the individual states may fairly determine the extent to which commercial carriers by highway, waterway, and airway should reimburse the government for their share of costs of providing rights of way and services. The fact that the allocation of joint cost is surrounded by difficulties is recognized. These difficulties, however, are not insurmountable. An earnest effort on the part of the government to overcome them should be made because the collection of fair user charges would eliminate the subsidy, each agency of transportation would pay its way, and the present competitive inequality would disappear.

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.

Calendar Of New Security Flotations

OFFERINGS

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.

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.

Offered May 23 at 100 and interest by Central Republic Co., A. C. Allyn & Co., Inc. and H. M. Byllesby & Co., Inc.

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 on the basis of 1 and 1-20th share of $4.25 preferred for each share of $5 preferred. This offer remains open until the close of business May 31 unless the 100,000 shares of $4.25 preference stock shall be exhausted. 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.

SYLVANIA ELECTRIC PRODUCTS, INC. has filed a registration statement for 150,526 shares of common stock, without par value. Of the 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. Proceeds of the 100,000 shares will be used as additional working capital. Filed May 11, 1944. Details in "Chronicle," May 18, 1944. Underwriters are 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.

Offered (100,000 shares) May 23 by above underwriters at $28.50 per share.

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.

Stock Offered—15,008 shares of $5 dividend preferred stock (par $100) offered May 19 by Stone & Webster and Blodget, Inc., The First Boston Corp., Harriman Ripley & Co., Inc. and associates.

Bonds Offered—$23,000,000 first and refunding mortgage bonds, series D 3%, offered May 24 by Stone & Webster and Blodget, Inc., The First Boston Corp., Harriman Ripley & Co., Inc., Blyth & Co., Inc., Goldman, Sachs & Co. and associates. The bonds were awarded to the bankers May 22 on a bid of 102.2999.

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.

Bonds awarded to Halsey, Stuart & Co. Inc. and associates May 23 on bid of 103.6499.

Offered May 25 by Halsey, Stuart & Co., Inc., Otis & Co., Hornblower & Weeks and associates at 104½ and interest.

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.

TUESDAY, MAY 30

BURRY BISCUIT CORPORATION has filed a registration statement for 200,000 shares of common stock, par value 12½ cents. Proceeds will be used to augment working capital and for other corporate purposes. Van Alstyne, Noel & Co., and Carlton M. Higbie Corp. are named representatives of the underwriters. Filed May 11, 1944. Details in "Chronicle," May 18, 1944.

THURSDAY, JUNE 1

PARKEDGE CORP.—Barnet L. Rosset, William Gross and Charles J. Young, as trustees, have filed a registration statement for voting trust certificates relating to a maximum of 2,548 shares of Parkedge Corp.

Address—Owns building located at Euclid Avenue and West Pine Boulevard, St. Louis, Mo.

Business—Operating apartment building.

Purpose—Certificates are already outstanding in hands of registered holders, and it is proposed to extend the trust for seven years from April 30, 1945, with certain modifications in agreement.

Registration Statement No. 2-5372. Form F-1. (5-13-44).

GEORGIAN-DEMING BUILDING CORP.—Barnet L. Rosset, Daniel J. Brumley and John T. Dempsey, as trustees, have filed a registration statement for voting trust certificates for a maximum of 2,370 shares of Georgian-Deming Building Corp.

Address—Owns building located at 537-39 Deming Place, Chicago.

Business—Operating apartment building.

Purpose—Certificates are already outstanding in hands of registered holders, and it is proposed to extend the trust for seven years from Nov. 14, 1944, with certain amendments in the agreement.

Registration Statement No. 2-5373. Form F-1. (5-13-44).

SUNDAY, JUNE 4

ROCKY RIVER APARTMENTS, INC.—Barnet L. Rosset, Louis J. Borinstein and Charles J. Young as trustees have filed a registration statement for voting trust certificates for a maximum of 6,713 shares of Rocky River Apartments, Inc.

Address — Building located in Rocky River, near Cleveland, Ohio.

Business—Operating an apartment building.

Purpose—Certificates are already outstanding in the hands of registered holders, and it is proposed to extend the trust for seven years from Jan. 24, 1944.

Registration Statement No. 2-5374. Form F-1. (5-16-44).

MONDAY, JUNE 5

RADIO - KEITH - ORPHEUM CORP. has filed a registration statement for 57,337 shares of 6% preferred stock, cumulative, $100 par, convertible on or before April 11, 1947, and 458,696 shares of common stock, $1 par, reserved for issuance upon the conversion of the 6% preferred stock registered. The preferred shares are issued and outstanding and do not represent new financing by the company.

Address—1270 Sixth Avenue, New York.

Business — Holding company controlling subsidiary companies engaged in motion picture business.

Proceeds — The shares registered are owned and are to be sold by the Atlas Corporation which will receive the proceeds from the sale.

Underwriting — Lehman Brothers and Goldman, Sachs & Co. are principal underwriters, with others to be named by amendment.

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

Registration Statement No. 2-5375. Form A-2. (5-17-44).

TUESDAY, JUNE 6

SUNRAY OIL CORP. has filed a registration statement for $13,000,000 sinking fund debentures. The interest rate, maturity date and redemption provisions will be filed by amendment.

Address—Philtower Building, Tulsa, Okla.

Business—Development of oil and gas lands.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—The proceeds of the new financing is to provide the funds required for the consummation of the proposed merger of Darby Petroleum Corp., of Tulsa, Okla., into Sunray Oil Corp., and to retire mortgage indebtedness.

Underwriting—Eastman, Dillon & Co., is named principal underwriter, with names of others to be filed by amendment.

Registration Statement No. 2-5376. Form S-1. (5-18-44).

WEDNESDAY, JUNE 7

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par value $100 per share.

Address—Chicago, Ill.

Business—All of the business of the company, except in the case of the acquisition of certain trucks owned by employees of the Curtiss Candy Co., an affiliate and parent company of registrant, have been transacted directly with Curtiss Candy and its subsidiaries.

Underwriting—None named.

Offering—Price to the public $100 per share.

Proceeds—For acquisition of factory and warehouse buildings and additional trucks.

Registration Statement No. 2-5377. Form S-1. (5-19-44).

ALLEGHANY CORP. has filed a registration statement for $30,000,000 3¼% secured convertible notes due April 15, 1954.

Address—704-5 Equitable Building, Wilmington, Del.

Business—Investment company.

Underwriting—To be supplied by amendment.

Offering—Price to public to be supplied by amendment.

Proceeds—Net proceeds, together with other funds of company, will be used for the redemption of all of the outstanding bonds of Alleghany within 60 days from the date of issuance of the notes, including $21,661,000 face amount of 20-year collateral trust convertible 5s due June 1, 1949, and $19,137,000 face amount of 20-year collateral trust convertible 5s due April 1, 1950. The notes are to be convertible into shares of the pledged common stock of the Chesapeake & Ohio Railway on a basis to be filed by amendment (or into substituted units of collateral as provided in the indenture.)

Registration Statement No. 2-5378. Form S-4. (5-19-44).

THURSDAY, JUNE 8

NATIONAL RESEARCH CORP. has filed a registration statement for 50,000 shares of common stock, par value $1 per share.

Address—100 Brookline Avenue, Boston, Mass.

Business—Research work.

Offering—Offering price to the public $11 per share.

Proceeds—For working capital.

Underwriting—Paine, Webber, Jackson & Curtis and First Boston Corporation.

Registration Statement No. 2-5379. Form S-1. (5-20-44).

B. B. SEMLER, INC., has filed a registration statement for 101,300 shares of common stock, par $1. Of the total 15,000 represent stock to be sold by the company and the remaining 86,300 shares to be sold by present stockholders.

Address—60 Elm Street, New Canaan, Conn.

Business—Owns the trade-mark "Kreml" in the United States and Canada, and distributes two proprietary products.

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

Proceeds—Net proceeds from sale of 15,000 shares by the company are to be used for general corporate purposes. Balance of proceeds will be received by the selling stockholders.

Underwriting—F. Eberstadt & Co., heads the list of underwriters.

Registration Statement No. 2-5380. Form S-2. (5-20-44).

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.

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.

Bids for the purchase of the bonds will be received by the company at 2 Rector St., New York City, until June 5, 12 noon, the bidders to specify the interest rate.

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.

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.

Rails Offer Interest

Gary Railways common and Memphis Street Railway preferred offer interesting possibilities, according to memoranda issued by Bittner & Co., 80 Broad Street, New York City. Copies of these memoranda, into which are incorporated news of recent developments in the situations and earnings, may be had from Bittner & Co. on request.

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"Our Reporter On Governments"

By DONALD MacKINNON

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

On May 8 the Ways and Means Committee reported a bill to increase the statutory limit of the public debt from $210,000,000,000 $240,000,000,000. . . . The Treasury had previously requested an increase of the limit to $260,000,000,000. . . . The Administration thus yielded to Republican demands for a slash of $20,000,000,000 from the originally proposed new ceiling. . . .

Under-Secretary of the Treasury Daniel W. Bell, answering a question by Representative Charles S. Dewey, Republican, of Illinois, as to whether the reduced figure would be acceptable to the Treasury said that, "It would be all right with us," but that a request for a still larger ceiling would be made early in 1945 if the higher rate of war expenditures continues. . . . Mr. Bell also said, "We would not need this new limitation if the war should end this year. . . . The request is based on the assumption that the war will continue another year. . . .

The House and Senate subsequently passed the Doughton bill which provides for an increase in the national debt limit to $240,000,000,000. . . . Certain political implications were emphasized when, it is reported, Representative Jere Cooper of Tennessee, for the Democratic majority of the Ways and Means Committee, warned that the Roosevelt Administration would be back in January asking for further increases in the debt limit. . . . It is alleged that Representative Harold Knutson of Minnesota, for the Republican minority of the Committee replied that this Administration would not be in power then to make such a request. . . .

Representative Doughton, Chairman of the Ways and Means Committee, made a statement to the effect that the increase of the public debt limitation to $240 billions will be sufficient "in the opinion of the Committee to cover necessary public debt issues until March 31, 1945." . . .

On May 10, the President submitted to Congress a request for $15,676,000,000 in new appropriations for the War Department for the fiscal year beginning July 1, 1945. . . . As of that date, figures available indicated that unobligated and unexpended balances of the War Department for the current fiscal year amount to $33,607,000,000. . . . If passed, the new appropriation would make available to the War Department a total of $49,283,000,000 through the fiscal year ending June 30, 1945. . . .

BALANCES EXPLAINED

At least two reasons are given for the existence of the huge amount of unexpended funds: One, over estimates last year regarding the size of the Army, and two, the War Department did not spend as much as was anticipated originally. . . . One may wonder whether the War Department will spend that amount through June 30, 1945. . . . Currently the Treasury deficit is roughly four and one-half billions less than it was for the same period a year ago. . . . We simply wish to point out that, even though Mr. Bell's assumption is correct, and the war does continue for another year, the requirements of the Treasury may decrease. . . .

Everyone, in one way or another, is vitally concerned with the possibility, however remote, of any decreases in Treasury requirements, for obvious reasons. . . . We are not attempting to attach any significance to Mr. Doughton's statement referred to in a foregoing paragraph. . . . We are not concerned with the political aspects or the implications of this legislation as such. . . . But everyone of us must be concerned with this or any legislation that may affect the continued stability in market values of Treasury obligations both during the time up to the successful termination of our two wars, and the period of adjustment which must follow over an indeterminate number of years. . . .

POST-WAR PRICE PROSPECTS

We believe that even the longest term taxable Treasuries will continue to sell at par or at slight premiums during post-war years. . . . Changes in corporation taxes would obviously affect the prices of partially exempt Treasuries. . . . It is probable that corporation taxes will be changed for simplification. . . . It is possible that excess profits taxes will be reduced. . . . But most emphatically, we do not believe that any important changes will be effected until after the war, or that will materially alter the privileges now enjoyed by partially exempt Treasuries. . . .

On May 23, Senator Walter F. George, Chairman of the Senate Finance Committee and Chairman of the special Post-War Planning Committee, said that any reduction in taxes depended largely upon the federal budget. . . . He admitted the possibility that the federal government could operate on a $20 billion dollar budget, and that on that basis, taxes might be reduced by about 40%. . . . He stated that a reasonable and fair tax is the hope for the post-war period, but does not see how there can be any reduction in the federal budget **for at least a full year after the war. . . .**

PRESENT MARKET ACTION

What with invasion jitters, and in the face of the Fifth War Loan, the Government market has behaved very well indeed. . . . We expect it to continue to do so. . . . Some selling of partially exempts by Mutual institutions during the next few weeks is to be expected in preparation for the Fifth War Loan, but we feel that strength in such issues will develop about the latter part of June or the early part of July. . . . Certain taxable twos may sell off slightly because of exchanges into the new 2's of 54/52, but any such declines will be temporary, with advances to follow which should carry most 2% issues to new highs prior to the end of 1944. . . .

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Electronics And Television In The Post-War World

(Continued from first page)

"The present war has caused a great acceleration of research and development work in radio and the ultrahigh frequencies—so much so that our technicians tell us that ten or fifteen years of research work have been compressed into the thirty months since Pearl Harbor.

"It is still too early to foretell what revolutionary peacetime applications may result from these scientific advances. Much of the work is still surrounded by wartime secrecy in the interests of national security. But it is not too much to hope and believe that electronics will make for greater safety in sea and air navigation and, in many respects, profoundly change our ways of life."

In addition to the normal replacement demand for radio sets, FM will become increasingly important in the post-war years, Mr. Gubb said. "Until a few months ago, we were not too enthusiastic about FM," he continued. "Only a few FM stations, mostly of low power, were on the air, and the number of FM programs was very limited. This whole picture was radically changed in January when the major broadcasting chains announced an entirely new policy of making their top-hit programs available to the FM audience and suggested to the owners of network stations that they apply for FM transmitting licenses to be ready for post-war. This new policy will have very far-reaching effects as soon as the material situation eases to the point where new FM transmitters can be built.

"Then, too, an equally important consideration is that many more FM stations can be licensed than the 900 AM stations now on the air. The fact that FM will make it possible to license several thousand more broadcasting stations should be a great relief to the Federal Communications Commission, which has had the difficult job of rationing the available number of licenses and has had the unpleasant task of turning down many applicants because of the limited number available.

"One further important effect of FM broadcasting may be to make more national programs available to the public through the possible development of additional chains. Radio set owners would be benefited by all these developments which should, therefore, result in a tremendous demand for FM receivers in the post-war period."

The greatest application of all for electronics is television, Mr. Gubb said. "Television provides a new kind of service to the public," he pointed out. "Even prior to the war, television was so far advanced that it was bringing pleasure and enjoyment to thousands of receiving set owners. Developments growing out of the vast electronic research of the war period will result in even further improvements."

"The rate at which television will grow in the next few years is somewhat a matter of conjecture," Mr. Gubb continued. "Some groups think it will progress rather slowly at first, others believe much more rapidly. The significant fact is that the revenues from television, whether they become large immediately after the war, or over a period, will add further to the proven earning power of the well-established radio companies.

"In any projection of television's future, I am reminded of the tremendous growth of radio in the years after it was first introduced. Radio had a vitality that offered the kind of new interest and excitement that gets public attention. Television gives an even better service—one with far more popular appeal. Unquestionably television will make a great place for itself and I see no reason why, when the standards are set, television should not demonstrate as great and as romantic a story of growth as radio.

"The radio-electronic industry should be extremely busy for some years to come catching up on deferred demands for radio sets, developing the great new market that FM is opening, and beginning to make television available to 135,000,000 Americans."

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Chicago Bond Traders Appoint Directors; Annual Spring Outing

CHICAGO, ILL.—At a recent meeting of the officers of the Bond Traders Club of Chicago the following were appointed to serve for one year on the board of directors: Richard W. Simmons, Lee Higginson Corp.; Jules Fellegi, Farwell, Chapman & Co.; Robert B. Krell, Bacon, Whipple & Co., and Charles G. Scheuer, Valiquet & Co.

The Annual Field Day of the Club will be held on June 24 at the Mohawk Country Club in Bensenville, Ill. Guests are welcome. Reservations should be made with Peter J. Conlan of Hornblower & Weeks.

Allen K. Sparks, F. A. Carlton & Co., is Program Chairman.

George J. Bourg With Scharff & Jones, Inc.

NEW ORLEANS, LA.—Scharff & Jones, Inc., Whitney Building, announce that George J. Bourg is now associated with them as their South Louisiana representative. Mr. Bourg was formerly with White, Hattier & Sanford and the Whitney National Bank.

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