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Johnston Given Memorial Award

Eric A. Johnston, President of the Chamber of Commerce of the United States, has been selected as this year's recipient of the Captain Robert Dollar Memorial Award. Selection of the recipient of this annual Award was made by a Committee comprising 41 members representing every section of the country and appointed for the purpose by the Trustee of the Award, the Board of the National Foreign Trade Council. The Chairman of the Committee, J. D. Fletcher, Vice-President of the Caterpillar Tractor Company, made the announcement on May 25 at the World Trade Luncheon, in the Hotel Astor, in connection with New York's observance of National Foreign Trade Week, James S. Carson, presiding.

Eric A. Johnston

The Award, which takes the

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In This Issue

Special material and items of interest with reference to dealer activities in the STATE OF PENNSYLVANIA appears on page 2258.

General index on page 2280.

Post-War Problems—Can They Be Solved Only By One?

By DR. IVAN WRIGHT

Professor of Economics, Brooklyn College

Sometime Special Executive of the New York Stock Exchange

Effort to organize post-war economic problems and analyze their possible management and solution leads quickly to the conclusion that there is no one post-war economic problem, but that there are multitudes of post-war economic problems and, like all the economic structure, each is part and parcel of the others. Any attempt to segregate one main problem or one main line of problems and devise solutions for them is doomed to failure unless such efforts are in conjunction with all other economic problems upon which any one problem will depend and in cooperation with which a solution for one is not possible without affecting the solutions of other main economic divisions of society.

Dr. Ivan Wright

Classification of Problems

No organization or classification of post-war economic problems would be complete without enormous detail of subsidiary problems and related problems which might run into many volumes. But a brief classification of the main central divisions which comes to the mind of anyone familiar with current discussions would be as follows:

1. The reconversion from a war economy to a peace time economy. This problem is so large and com-

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Facing Forward

National City Bank Executive And Vice-President Of The ABA Discusses The Problem Of The National Debt In Connection With Fifth War Loan Drive—Urges Bankers To Increase Bond Sales To Investors And Thus Remove Impetus Toward Inflation

In an address before the Convention of the Maryland Bankers Association of Baltimore, on May 26, W. Randolph Burgess, Vice-Chairman of the National City Bank of New York, who is also Vice-President of the American Bankers Association, pointed to two prime problems arising out of the national debt; viz: (1) keeping the debt under control by halting government deficits after the war, and (2) preventing the increase in debt from unduly increasing the volume of bank deposits and thus promoting inflation. "A few years ago," remarked Mr. Burgess in discussing this two-fold problem, "many people shook their heads when Secretary Morgenthau said, in reply to a question put in a Congressional hearing, that he would not be worried to see the national debt go to 50 billion dollars. At present the debt is 185 billion dollars, and is likely to exceed 250 billion before the war is over."

W. R. Burgess

Continuing, he said, "it is not

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Socialized Transport And The Future Of Enterprise

By HERBERT B. DORAU*

Professor of Public Utilities and Transportation, New York University

Economist Points To Trend of Transport Socialization By Means Of Subsidies Rather Than Government Ownership—Says Under Socialization Prices Are Not Based On Costs And Therefore "An Honest Price System Requisite To Free Enterprise" Disappears, So Socialization Will Mean End Of Private Operations Of Transportation Services And Creation Of Government Monopoly

During the last quarter century the people of this country have become increasingly preoccupied with the distribution of their wealth and income and alarmingly unconcerned about increased production. In a less academic vernacular it might be said that we have taken to scalping each other rather than devoting ourselves to producing more of the goods and services which make for a higher level of well-being.

Herbert B. Dorau

Even the necessities of war have not corrected this misemphasis, although we have given a dramatic demonstration of the possibilities of full production which if carried over into peace time would result in such a volume of goods and services as to mock all previous conceptions of a high standard of material well-being.

Socialization is one of the more cultivated, camouflaged and surreptitious means employed to accomplish the economic scalping of one class by another. It is a means

*Address delivered before the Institute of Transportation, at the Waldorf-Astoria Hotel, May 23, 1944.

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Post-War Outlook For Building

By CLYDE SHUTE*

Assistant Vice-President of F. W. Dodge Corporation

Post-War Building Will Proceed Immediately And Rapidly Under Government Controls In A More Orderly Fashion Than After Previous War. Higher Materials And Labor Costs And Heavy Disposals Of Government Properties May Retard Construction. Estimates That Total Construction Volume In Decade After War Will Be $9.6 Billions At Pre-War Price Levels, Or About Twice The 1930-1939 Volume

Rather than devoting a lot of time to the presentation of post-war building volume estimates, I want to try to give you some background data and present some of the problems which will affect, if not actually determine, the contribution construction will make to a successful economy.

Clyde Shute

The post-war period we are all looking forward to will be comparable in many important respects to the period following World War I, because during World War I, as now, a system of government regulations almost stopped all normal civilian building and thus created a large deferred demand. Price inflation and both price and rent controls also became important factors affecting construction demand.

It took six years after World War I to satisfy the accumulated construction demands, but the six-year period—1919 through 1924—however, was not a period of continuous recovery. As you all know, all industry suffered an interruption in late 1920 and 1921 by a depression that accompanied the deflation of all prices which had risen so wildly during 1919 and the early part of 1920. Therefore the actual time consumed in taking care of the accumulated deferred construction demand was about four years. But instead of riding on a plateau, or even declining some, after meeting the

*An address made before the Securities and Capital Markets Division of the New York Chapter of the American Statistical Association, Hotel Sheraton, New York City, on May 24, 1944.

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J. R. Smith Partner In R. W. Proctor Co.

R. W. Proctor & Co., 30 Broad St., New York City, specialists in United States Government securities since 1933, announced today that J. Ryan Smith had been admitted as a general partner in the firm. Mr. Smith has been serving as the Director of the Procurement Control and Redistribution Division of the Lend-Lease Administration at Washington, D. C. Prior to entering the Government service he was President of J. R. Smith & Co., Inc., and before that Vice-President of C. J. Devine & Co., Inc.

"Hard Money" Examined

Herbert Bratter, At Request Of Congressman Bloom, Analyzes Proposals To Establish International Bimetallism—Monetary Expert Holds Silver Advocate's Contentions Confused, His Assumptions Unwarranted, And His Conclusions Unconvincing

In a memorandum addressed to Congressman Sol Bloom, Chairman of the House Foreign Affairs Committee, Herbert M. Bratter who for several years was a Government expert on silver and monetary matters, and who in 1921-23 was in China with the Chinese Government Bureau of Economic Information, analyzed the recent arguments of Mr. Francis H. Brownell in support of international bimetallism. Mr. Brownell, who is Chairman of the Board of American Smelting and Refining Company, appeared before Congressman Bloom's Committee on April 28 and presented his views, the substance of which was published in the "Chronicle" of May 11, page 1920.

Herbert M. Bratter

Mr. Bloom subsequently addressed a letter to Mr. Bratter, requesting the latter's "reaction to Mr. Brownell's views." In his reply, Mr. Bratter submitted the following suplementary memorandum, which we publish in full:

Bimetallism Defined

Bimetallism may be defined as governmental maintenance of an unlimited market for two monetary metals at prices for each fixed in terms of the currency and of each other, coupled with provision for the unlimited sale of the two metals upon demand at the same prices and the exchange of either metal for the other at the official ratio. Under bimetallism the currency is based on the two metals. These metals are convertible into currency upon demand of any person and conversely the currency is freely redeemed upon demand in either of the two metals.

Thus, with gold-silver bimetallism in operation in any country or countries, miners and other sellers of silver and gold would be assured of a fixed price for unlimited quantities of each of these metals, and holders of the national currency or currencies concerned would be assured of obtaining from the government either metal they might desire, upon demand, at the fixed price, and without maximum limit as to quantity.

Mr. Brownell's Recent Arguments For Bimetallism Analyzed

The following analysis is based on Mr. Brownell's testimony of April 28, 1944, before the House Committee on Foreign Affairs; on his prepared statement of that date as distributed to the press; on his pamphlet, Hard Money,

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Bank Developments During And After The War

Dr. Nadler Sees No Significance In Reserve Ratio Decline Since Currency Is No Longer Redeemable In Gold. Holds Post-War Period Will Be Marked By Less Currency And A Gold Inflow. Sees Banks Using Excess Reserves To Acquire Government Securities. Looks For Little Change In Interest Rates And Says Banks Are In Sound Condition

In discussing post-war banking prospects before the 49th Annual Convention of the Maryland Bankers Association at the Lord Baltimore Hotel in Baltimore, Md., on May 25, Dr. Marcus Nadler, Professor of Finance at New York University and Consulting Economist of the Central Hanover Bank & Trust Co. of New York expressed the view that during the remainder of the war period banking developments will be approximately the same as during the last few years. Continuing, he said, "the holding of Government securities by the banks as well as the volume of their deposits will increase. The ratio of capital assets to total deposits will continue to decline while the volume of loans will remain, on the whole, unchanged.


Dr. Marcus Nadler

The Reserve Ratio

"One of the problems which is receiving considerable attention in banking circles today, is the constant decline in the ratio of gold and cash reserves of the Federal Reserve banks to notes in circulation and demand deposits, brought about by the constant increase in the volume of currency in circulation and by the moder-

(Continued on page 2276)

Hearing On NASD "5% Spread"

In our last issue we reported that due to the efforts of the "Securities Dealers Committee" there was every likelihood of an early hearing before the SEC on the "5% spread limitation rule" established by the NASD.

This presents some interesting speculations.

On several occasions we have asked what, if anything, transpired between the respective representatives of NASD and SEC on the subject of the "5% rule" prior to its promulgation. Unfortunately, our editorial inquiries have met with no response, hence the necessity for speculation.

Did these organizations confer on this subject at all? If not, there was gross stupidity somewhere, since the SEC has supervisory power over the NASD, and appellate jurisdiction with respect to its disciplinary proceedings.

We do not incline to the view that stupidity is the long suit of the officials of either the SEC or the NASD.

Hence, our belief that such conferences did in fact take place.

Who spoke with whom, and what was said?

The pity of it is that no official of the NASD has ventured to deny that such conferences took place, or to

(Continued on page 2269)

Monetary Plan Does Not Mean Return to Gold Standard: Keynes

Fears expressed in the House of Lords that the latest version of the proposed international monetary stabilization plan might mean a return to the gold standard were disputed by John Maynard Keynes, author of Britain's original monetary plan, who was reported in advices to the "Wall Street Journal" from its London bureau as saying:

"I should say this plan is the exact opposite," Lord Keynes declared during the debate on the scheme.

From these advices we also quote:

"The British Government, he added, is determined to see to it that the external value of the pound sterling conforms to its internal value, as set by domestic policies, and not the other way around. The Government also intends to retain control of the domestic rate of interest, he said, and while it means to prevent inflation at home, will not accept deflation at the dictate of outside influences.

"Finally, Lord Keynes argued it would be disastrous to discourage this beginning of international cooperation, or to meet it with 'carping suspicions or in a cynical mood,' when there is so much to be done in the way of international collaboration.

"He told his listeners that in waging war without counting the cost, Britain had burdened itself with a huge foreign indebtedness. It already has given to the common cause more than it can afford, and must try in any post-war financial pact to make sure it can carry its burdens.

"Britain and its colonies' share in the proposed international monetary fund will be £325,000,000 ($1,300,000,000), or probably more than double the reserves Britain will hold at the

(Continued on page 2273)

NASD Mark-Up Rule Impediment To Opening Of Venture Capital Marts

Measure Would Curtail Markets For Securities Of Small Business, Dealers Say

One of the most unfavorable characteristics of the nation's economy almost continuously since 1929 has been the unwillingness of so-called venture capital to come out of hiding. The effect of this condition in terms of minute production and large-scale unemployment during pre-war years is still too fresh in mind to require detailed discussion in this space. Neither is it pertinent to the purposes of this discussion to dwell on the vital necessity for a change in attitude on the part of the tax-gatherers and other sources, such as the Securities and Exchange Commission, toward that type of investment.

It is important, however, that attention be called to any program or policy calculated to add to existing difficulties, such as the recently promulgated 5% mark-up rule of the National Association of Securities Dealers. That this measure, arbitrarily imposed by officials of the NASD, will have a detrimental effect on the further development and growth of small business, a major source of venture capital and bulwark of the nation's economy, would appear to be irrefutable. For evidence of this fact, we need only refer

(Continued on page 2274)

Individual Responsibility Alone Can Provide Post-War Jobs

Co-author Of Baruch-Hancock Report Believes "First Step Securing Post-War Employment Is To Get More Employers"—Holds National Prosperity Can Be Restored Only "On The Basis Of The Enterprise System" And That "The Congress Alone Can Provide The Atmosphere In Which Our Economy Can Again Become Dynamic."

John M. Hancock, co-author with Bernard M. Baruch of a plan for transition from a war to a peace economy, in an address delivered at a dinner in honor of the winners of the "Pabst Post-War Employment Awards," emphasized the need for a restoration of individual responsibility in an enterprise economy, and called for a return to "the old proven economic principles to bring about the results which can be brought about in no other way."


John M. Hancock

"When the time for writing and talking ends," stated Mr. Hancock, "when the time for action is here, when we start to deal with post-war employment we are going to be in the position of having thought about the problem in advance. We will not be plowing in a strange field. Those who are interested will have gone through a great course in mental gymnastics. I see still many signs of diversity in the plans. It would be strange if this were not the fact with the multitudes of people and organizations working on post-war employment plans. With some 36,000 people, two big army divisions, occupied in this one contest, one may well wonder how we can win the war, though we can readily understand why, with so many busy on post-war plans, there is no unemployment problem now. The great indoor sport of the nation has been post-war planning during the past six months and I surmise it will again become the great outdoor sport as soon as park benches—in Lafayette Square and elsewhere—can again be used for the purpose.

"With the multitude of planners the probabilities are that there will be no one plan but there should be many elements which will be agreed upon. I can foresee only a great tug-of-war of all of the ideas that could form a part of a complete post-war employment plan. Many of these ideas will be pulling in opposite directions and no one is going to know how much of a pull each will exert, leave alone knowing in all cases in what direction any individual idea was tending. After reading over the winning manuscripts I thought the problem seemed so simple for the cures read so smoothly.

"For some reason the human mind in these days puts great reliance in a 'plan.' Today 'national planning' takes the same place in public thinking as 'industrial efficiency' and 'organization methods' have taken during the past thirty years. Of course, to develop these plans people must have the figures on which to base them. This explains the great thirst for figures on the part of the entire public and the somewhat ready acceptance of such figures just as if they were facts. Those of us who have been spending some time in Washington have to get into a foxhole when we face the barrage of figures. Everyone seems to have a figure at the end of his tongue and few seem concerned about whether the figures represent facts. Having lived for some time facing this barrage of words,

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Arthur J. Messing Is With Herzfeld & Stern

Arthur J. Messing, well known in financial circles for fifteen years as the author of the widely quoted "Reading the Charts," has joined Herzfeld & Stern as co-manager of their 500 Fifth Ave. office, and will continue to write his market letter for them. Mr. Messing was associated with Hirsch, Lilienthal & Co. for several years.

Seeley & Lindley To Be Formed In N. Y. C.

Daniel Allen Lindley, member of the New York Stock Exchange, and de Benneville K. Seeley are forming the Exchange firm of Seeley & Lindley with offices at 61 Broadway, New York City, as of June 8th. Mr. Lindley was recently a partner in Bates & Lindley.

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.

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.

Stewart Back At Desk With Harriman Ripley

R. McLean Stewart, Vice-President and Director of Harriman Ripley & Co., Incorporated, 63 Wall St., New York City, has resumed his activities with the firm upon completion of his special war work as Executive Director of training with the Civil Aeronautics Administration in Washington. More than 200,000 members of the armed forces of the United States received their initial training as pilots in flying schools operating under Mr. Stewart's direction.

Norman J. Powers Is With Leason & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Norman J. Powers has become associated with Leason & Co., Inc., 39 South La Salle Street. Mr. Powers was formerly with Kneeland & Co. in their stock department. In the past he was with Adams & Co. and Brown Brothers Harriman & Co.

A Plan For Post-War Employment*

By HERBERT STEIN

Chief of Economic Analysis Section, War Production Board
Winner, First Prize, Pabst Post-War Employment Awards

First Prize Winner Offers An Immediate Five Point Program, Comprising (1) Prompt Disposal Of Government Surpluses; (2) Prompt Sale Of Government War Plants; (3) Centralization Of Disposals In Single Agency; (4) Maintenance Of Wartime Level Of Taxation; And (5) Termination Of OPA and WPB Within Year After Hostilities—Long Term Reforms Cover Taxation, Fiscal And Monetary Changes

Herbert Stein

The establishment of a high, stable level of employment after the war will require maintenance of output at a level much in excess of any level attained in peace-time — perhaps 40% above the 1939 level. There are two basic methods by which a high level of national output may be attained. One requires a high level of government spending. The operation of this method is visible during the war, when national output reached record levels under the impetus of a huge volume of government spending. The second method requires stimulation of a high level of private expenditure. The plan set forth here proposes measures for solving the employment problem by this method. This method is chosen as the only one consistent with the achievement of other national objectives — political democracy, personal liberty and efficient satisfaction of wants. While recognizing the effectiveness of controlled government spending as an instrument of economic stabilization, the plan recommends a number of more fundamental policies and

*This is the essay that was awarded the first prize of $25,000 by the Pabst Post-War Employment Awards, 551 Fifth Avenue, New York City.

(Continued on page 2278)

Frank C. Moore Forms Own Firm In New York

Frank C. Moore has formed the Frank C. Moore Co., with offices at 42 Broadway, New York City, to engage in an investment business. In the past Mr. Moore was a partner in Frazier Jelke & Co.

Appreciation Possibilities

New England Power Association 6% cumulative preferred stock offers attractive appreciation possibilities, according to a detailed memorandum on the situation issued by G. A. Saxton & Co., Inc., 70 Pine St., New York City. Copies of this memorandum, a circular on Associated Electric Co., and the current issue of the firm's "Preferred Stock Guide," containing quotations and comparative data on public utility preferred and common stocks, may be had from G. A. Saxton & Co. upon request.

Utility Attractive

According to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges, New England Public Service Co. offers attractive possibilities. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

Post-War Employment Must Provide For 45% Increase In Labor Forces: Henry A. Theis

Guaranty Trust Company Official Holds That Before Accepting The Challenge To Make This An Accomplished Fact, "Business Should Insist That It Be Freed From Unreasonable Laws, Rules And Regulations"

Speaking before the Wartime Banking Conference of the California Bankers Association at Pasadena, Cal., on May 25, Henry A. Theis, President of the Trust Division of the American Bankers Association, and Vice-President of the Guaranty Trust Company of New York, pointed out that if business is to undertake successfully in the post-war period the job of full employment that the Government tried and failed to accomplish in the 30's, business must find work for discharged soldiers, redistribute workers now engaged directly and indirectly in war work, and find employment for the growing generation as its members become of age.

Henry A. Theis

"A conservative estimate of the work to be offered to the post-war labor forces will have to be 45% greater than that of 1939, in order to provide full employment," Mr. Theis continued.

"There has been striking evidence in recent months to indicate that the public is turning away from the politician to the business man to solve the post-war employment problems. Business, before accepting the challenge,

(Continued on page 2280)

Schram Salary Rise Refused By Bureau Of Internal Revenue

The application for an increase in the salary of Emil Schram, President of the New York Stock Exchange, has been decided in the negative by the salary stabilization unit of the Bureau of Internal Revenue, on May 26, according to the New York Herald Tribune of May 27, which also said:

Exchange officials replied promptly that, regardless of this decision, Mr. Schram would continue at the present rate of compensation for a term which is now being negotiated.

Mr. Schram's term as President at a salary of $48,000 a year expires on June 30 and the board of governors had made application to the Treasury Department for permission to increase his remuneration to $55,000, which would have been equivalent to a 10% raise net. Mr. Schram has been paid non-member president for the last three years and the new contract to be announced shortly, is expected to cover a similar period.

Hoerlein in Syracuse

SYRACUSE, N. Y.—R. George Hoerlein is engaging in a securities business from offices at 600 James St.

Public Utility Securities

Industry's Use of Electric Power

The Federal Power Commission recently issued a 177-page study on "Electric Power Requirements of Industrial Establishments" from which have been compiled the figures in the accompanying table.

The largest war-time gain in use of electricity was registered by the transportation equipment industry, which in 1944 used nearly sixteen times as much current as in 1939. This of course was due to the transmutation af stagnant industry, with considerable idle capacity, into one working practically all plants twenty-four hours a day. Non-ferrous metals showed the next largest increase, probably due to the huge demand for aluminum; and chemicals third, because of their close relations with munitions and the drug industry. The 217% gain in the machinery industry was to be expected, but the increase of 100% for steel was perhaps smaller than might have been anticipated.

The figures here cited are not on the same basis as those reported for the electric light and power industry by the Edison Electric Institute. They are based on figures reported by some 21,000 establishments for 1939-42, with estimated use for 1943-44. These companies use over 90% of all the electricity consumed by manufacturing and extracting industries in the United States.

Turning to the Commission's table of "Electricity Requirements by States" we find that in 1944 New York State used slightly over 10% of the nation's total, Pennsylvania 9% and Ohio 8%; Michigan and Illinois were about even with 6%; Washington because of its aluminum plants used 5%, and Tennessee and Texas about 4%.

For those interested in war-time shifts of industrial activity, these figures should prove valuable.

	Millions of Kilowatt-Hours 1939	1944	% Increase
Manufacturing industries:			
Chemicals	9,811	32,636	232%
Nonferrous metals	5,956	28,560	380
Iron and steel	12,235	24,329	100
Paper	9,394	11,941	27
Textile	6,805	9,977	47
Food	6,388	8,386	31
Transportation equipment	482	7,635	1,490
Stone, clay and glass	4,852	6,437	33
Petroleum and coal	3,440	6,296	82
Machinery, except electrical	1,985	6,254	217
Automobiles	2,467	4,668	90
Electrical machinery	1,432	3,895	172
Rubber	1,584	2,075	31
Lumber	1,238	1,668	36
Miscellaneous	466	1,005	115
Printing	859	989	15
Furniture	605	904	50
Leather	402	531	32
Apparel	353	454	29
Tobacco	115	153	34
Totals	70,869	158,793	123%
Extracting industries:			
Coal mining	3,523	5,408	54%
Metal mining	2,912	4,380	50
Nonmetallic mining	813	1,291	59
Petroleum and natural gas	837	938	12
Totals extracting industries	8,085	12,017	50%
Totals all industries	78,954	170,810	115%

Baldwin & DeLap Join Staff Of Cruttenden in Los Ang.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Eugene C. Baldwin and Floyd C. DeLap have become associated with Cruttenden & Co., in their recently opened office at 634 South Spring St. Mr. Baldwin was formerly with Sutro & Co., and prior thereto was assistant manager of the bond department of the California Bank. Mr. DeLap was with Crowell, Weedon & Co.; in the past he was an officer of Hartley Rogers & Co., Incorporated.

Bank Stock Earnings

Huff, Geyer & Hecht, 67 Wall Street, New York City, have issued an interesting discussion of the prospective earnings on bank stocks for 1944 and 1945. Copies of this discussion, and memoranda on The Chase National Bank of New York, National City Bank ance Company, and Glens Falls Insurance Company, may be had upon request from Huff, Geyer & Hecht.

Also available are a table of comparative issuance stock values and a detailed memorandum on Employers' Group Associates.

"Our Welfare Is Bound Up With That Of Other Nations": Nelson

Chairman Of War Production Board Advocates Aiding Undeveloped Regions To Build Up Sound Industries—Points To Disappearance Of Isolationism As Favorable Factor In Effecting International Trade Agreements On "A High Volume Of World Trade"—Views Complicated And Perplexing World Economy" After The War

In speaking before the Conference of Commissions of Inter-American Development at the Waldorf-Astoria Hotel, New York City on May 17 Donald M. Nelson, Chairman of the War Production Board, emphasized the immediate need, "at a time when we are coming to close grips with the enemy," for the Governments of the United Nations and all friendly neutrals to "make economic decisions which will touch the life of every man in the world."

Donald M. Nelson

"From the first days of the war," continued Mr. Nelson, "the War Production Board has recognized that in order to tap the full fighting power of the United Nations we had to look beyond our own borders. And we had to look beyond direct military needs. It was not enough to provide vast quantities of weapons for our fighting men and for the fighting men of our Allies. It was not enough to provide an immense volume of essential goods for our civilians. In addition, we had to find means to produce civilian goods for export. We had to help our allies and friendly neutrals avoid serious civilian shortages. For it was clear that such shortages could dislocate their wartime economic life and weaken their contribution to the over-all war effort. As soon as we faced this

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Will We Have An Economic Pearl Harbor After The War?

By LEO H. RICH*

Associate of Walter Dorwin Teague, Industrial Designer

To Avoid Serious Production Gap And Unemployment In Reconversion, Industrial Engineer Urges Immediate Start In Redesigning And Retooling For Post-War Needs. Looks For Larger Consumer Demands For New And Better Products. Advocates Change In Income Tax System To Encourage "Risk Capital"

An Economic Pearl Harbor after the war is not inevitable. The prolongation of hostilities is giving management the opportunity to plan for the reconversion of plants and equipment. Reserves are being set aside to meet the costs of this reconversion. For example, seven automobile companies, excluding Ford, have earmarked 382 million dollars for this purpose.

Leo H. Rich

The transition from war to peace-time production is not a sudden break, but rather a series of gradual and overlapping steps. We are well along in the first of these phases now that the peak of war production has been passed. Cut-backs and contract cancellations are becoming more frequent. Surpluses of materials are being accumulated both because of increased output and because the losses through attrition have been less than expected. Reemployment of large numbers of demobilized service men has proceeded without disruption. Our military program now is one of maintenance of production rather than initial building of plants for making war equipment. Construction now constitutes only 5% of the 1944 war production program compared to 38% in 1941.

Without diverting any effort from war production, it has been possible to do designing and engineering on many new and improved products. Our own organization, while largely engaged in work for the ordnance departments of the Army and Navy, has designed many new models and products which our civilian clients hope to have ready when the war stops.

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*An address made by Mr. Rich at the dinner meeting of the New York Chapter, American Statistical Association, Hotel Sheraton, New York City, on May 24, 1944.

Tomorrow's Markets Walter Whyte Says—

Hot weather and holiday doldrums take effect on market. Rails facing double barrier; industrials up against three or four. Break-out signs, in either direction, lacking.

By WALTER WHYTE

What with the Memorial Day holiday and the warm weather, the stock market didn't do much of anything in the week ended Wednesday night. It had a few starts but they all turned out to be false alarms. Board room customers finding the action dull are either staying away or, if they do come in, are busy discussing war strategy.

* * *

The important news of the week is the advance in Italy made by the Allied forces. The first announcement that the drive had begun was played up so strongly that a great many people saw the beginning of the end right around the corner. The market, acting in sympathy with the news, advanced. But as the news clarified, showing that the going was by no means as easy as first accounts led us to believe, the market declined fractionally, yawned, and went back to sleep again.

* * *

The disappointment of the week was in the rails. So much had been said about them, so many people were either long of them, or favorably inclined, that their inability to show anything resulted in a let down. Fact of the matter is that the rails have been up against a technical obstacle that precluded any further advance. It is possible that the group can take the hurdle but based on present and recent action, signs point the other way. Based on the Dow averages the rails have two stumbling blocks to overcome. The first is a March high of about 41; second is a mid-April high of about 40.50. In both cases the group (when it made those levels), looked as if it was going through to a new high. In both cases it failed. Now they are back to across the 40 figure and the same old hopes and beliefs are being heard. There is a chance that this time the rails will go through with a zip. But buying stocks when they're butting against previous highs is seldom the wise thing to do. Rather than getting in here, I would advise waiting to see if they have enough get-up-and-go to take 'em through.

* * *

But if the rails are up against a double barrier, the industrials are confronted with a whole slew of them. Last March's 141.43 figure is

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Regulated Monopoly Or Competition In Transportation

By SIDNEY L. MILLER*
Professor of Transportation, State University of Ohio

Transportation Expert Rejects Monopoly As Wasteful And As Leading To Government Ownership—Favors Comprehensive Regulation Under A Single Strong Regulatory Body, With A Co-ordination Of All Types "To Recognize And Preserve The Inherent Advantages Of Each"—Places Efficient Public Service As The Supreme Test In A Transportation Policy

The transportation problem, like the poor, is with us always. The nature of that problem and emphasis shift; upon occasion it has been acute, crying for positive action, and upon occasion it has been merely chronic, asking for but mild correctives. Prior to the development of war traffic, the problem was, basically, two-fold: shrinking an over-size transport plant to available traffic, and, at the same time, adapting old and new forms of transport to the pattern of today's need in an effort to utilize to the maximum the particular merits of each form. Post-war, it is quite certain that shrinkage will again be in point, except as we are determined to continue obvious wastes; and it is certain that constructive action is essential if the public is to benefit from the most effective utilization of each of the several forms of transport—constructive action as against a continuation of "muddling through." Lacking such ac-

Sidney L. Miller

*An address delivered by Mr. Miller before the Institute of Transportation at the Waldorf-Astoria Hotel, New York City, May 23, 1944.

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Bache Sees Expansion Of Banking, Brokerage Activities After War

An expansion of brokerage and banking activities after this war similar to that experienced after the last war, was predicted by Harold L. Bache, one of the senior partners of J. S. Bache & Co., 36 Wall Street, New York City, on the occasion of the annual dinner of the Bache Quarter Century Club. The event was a double celebration in that it marked the 25th anniversary of the opening of the Chicago and Schenectady branches of the firm, in addition to honoring the admission of new members.

Among the special guests was Arthur F. Broderick, senior floor partner of the firm and former Governor of the New York Stock Exchange, who joins the club after 25 years of service. Other members were admitted from the Chicago, Schenectady, Troy and Buffalo offices.

In commenting on the opening of the Chicago and Schenectady branches in the spring of 1919, following the first World War, Mr. Bache said: "There will again be an expansion of brokerage and banking activities after this war. The record savings now being accumulated by millions of workers and small business men throughout the country will undoubtedly be seeking profitable investment when peace conditions return. On the demand side, there promises to be unprecedented requirements for new capital from business in this country, as well as from sources throughout the world."

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.

The Post-War Period Of The Railroads

By W. WENDELL REUSS*
Partner, McLaughlin, Baird & Reuss

Basing Estimates On Prospective Post-War Automobile Production, Broker Says The Post-War Rail Revenue Should Be Between \$5 and \$7 Billions Annually—Highest In Peace-Time Since 1929. Believes Increased Post-War Wages Will Be Offset By Greater Efficiency, While Debt Reductions And Refundings, Together With Excess Profits Credits, Will Enable Fixed Charges To Be Met Even With Greatly Reduced Earnings

Able economists are more freely appraising the Post-War prospects for the railroads and, using Gross National Income (Product) as a base, are more readily forecasting annual Gross Operating Revenues for Class 1 Roads for such period ranging between \$5½ and \$7¼ billions.

W. Wendell Reuss

The speaker has no quarrel with the range of the potential Gross Revenues estimates, believing that the figures are reasonably conservative; however, fault is found with the failure of most estimators to give any approximation as to the duration of such revenues estimates.

That is why the speaker still holds to his basis for forecasting the Post-War level for Class 1 Freight Revenues, which embraces the use solely of the Automobile Industry's Production Record. Not only does **THIS** basis reach an accord with the volume figures arrived at by use of Gross National Income (Product), but the results—to the speaker's belief—are much more convincingly arrived at in the eyes of the layman, **BESIDES** providing some measure of duration of the Post-War level of traffic.

Division of the annual rate of U. S. Passenger Car Production into U. S. Freight Revenues for Class 1 Roads for the years 1935 through 1941, results in the following freight revenues annually **IN TERMS** of passenger cars produced.

1941	\$1,184
1940	957
1939	1,134
1938	1,428*
1937	862
1936	903
1935	858

*Influenced, unnaturally, by the impacts of the 1938 year's depression.

Skipping the years 1930-34 inclusive because of a repetition of such depression year's influences, and taking the 1929 showing, it is found that that year's result equalled \$1,052.

Thus, we have a **CONSTANT** of roughly \$1,000 in freight revenues **IN TERMS** of each passenger car produced.

It has been estimated variously that the backlog of automobile production is in the neighborhood of 26,000,000 units; proration of the 1929 peak production rate (4,587,000 units) would indicate the need of such level of productio for very close to six years. However, it is possible that the auto manufacturers, with their prospective excess plant in the Post-War period, would desire to reconvert into extra auto manufacturing facilities, on the basis of which annual output of possibly as high as 6,500,000 units might be arrived at, the backlog thereby theoretically being equal to four years' production.

Thus, we have a minimum and maximum potential output rate range of 4,500,000 and 6,500,000 units annually, good for six to four years!

Multiplication of the **CONSTANT** of roughly \$1,000 in freight revenues per car produced under the minimum-maximum possible annual production rate of 4,500,000-6,500,000 units, results in possible Post-War **FREIGHT REVENUES** (as distinguished from Gross Operating

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*An Address made before the American Statistical Association at Hotel Sheraton, New York City, May 24, 1944.

Officers Of The Kansas City Traders

KANSAS CITY, MO.—The following are officers and committees of Bond Traders Club of Kansas City for 1944:

Manuel R. Mouber, Stern Brothers & Co., President; Kneeland Jones, A. E. Weltner & Co., Vice-President; William B. Prugh, Prugh, Cobest & Land, Inc., Secretary-Treasurer.

Membership Committee: Leonard A. White, Whahler, White & Co.; Edward L. Meyer, Harris, Upham & Co.; H. H. Hunter, Baum Bernheimer & Co.

Program Committee: Earl W. Price, C. W. Price & Co., Chairman; T. F. Wagner, Harris, Upham & Co.; A. W. Sawyer, H. O. Peet & Co.

Publicity Committee: Harry L. Coleman, H. O. Peet & Co., Chairman; William J. Dyer, E. W. Price & Co.; Edward Mader, B. C. Christopher & Co.

Finance Committee: Emma M. Hall, Commerce Trust Co., Chairman; Russell E. Siefert, Stern Bros. & Co.; H. G. Appel, John Nuveen & Co.

Donald Nichols V.-P. Of Ames, Emerich Co.

CHICAGO, Ill.—Announcement is made that Donald E. Nichols has become associated as a Vice-President, with the Chicago investment firm of Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Chicago Stock Exchange.

Mr. Nichols, who has been active on La Salle Street for the past twenty-two years, was formerly President of Ryan-Nichols & Co.

Dernbach in Chicago

CHICAGO, ILL.—William A. Dernbach is engaging in an investment business from offices at 122 South Michigan Avenue.

Real Estate Securities

By JOHN WEST

CAUTION

This Column for the most part has been bullish on real estate securities and rightly so. Individual issues which we recommended have in the majority risen in price after such recommendation. Occasionally, however, we have interposed a note of caution. Caution is one of the fundamental elements in security buying. It is predominately a necessary pre-requisite when investing or suggesting an investment. As far as real estate securities go, they have had a very sharp increase in market value. This fact is not the reason alone for our advice of caution. Despite the price, we feel that many issues are still selling far below their intrinsic value and that current prices are only a partial correction of the unequitable low prices at which this type of security has sold in the past. There are some issues of course that have been carried up in price by this corrective move which are now selling higher than they should. These can easily be weeded out by a simple study of the value of the property in relation to the value put on its mortgage by the market price of the mortgage securities. Our suggestion of caution concerns itself rather with several situations of peculiar and especial circumstances that require specific recognition.

Lack of help and materials has become a serious factor in the operation of improved real estate. Depreciation charges have heretofore been considered a bookkeeping item to be used as an allowable tax deduction. Incidental painting and minor repairs were formerly made when necessary and charged to current operating expenses. Now, in many cases, these small details are being neglected or put off because of the help or material situation. No longer can the axiom of "a stitch in time saving nine" always be followed and the result is actual depreciation.

Indentures of many real estate issues provide for the payment of interest to the bondholders from net receipts of the properties **before** depreciation has been deducted. These issues are generally the result of a reorganization and in many cases the bondholders are also the actual owners of the property securing the bond issues. It would behoove present bondholders of these issues to give serious consideration to their situation and think about setting up a cash reserve for depreciation so that after the war, funds would be available to rehabilitate their property for their ultimate benefit. A new investor in the same securities would exercise caution were he to assure himself of one of two things; either to make sure that a cash reserve was being set up should necessary repairs be postponed, or if an examination of the financial statement of the property reveal no cash surplus, then, either make, or have made, a personal inspection of the property to make sure that it was physically being kept in first class shape.

Real estate securities usually offer yields higher than that of other corporate securities. But, when the yield seems too high, caution would suggest an investigation to determine that part of the earnings of the property are being used to retire your debt. The Government does not allow a tax deduction for depreciation just out of the goodness of their hearts. Improved real estate does become obsolete in time and an investment in an issue that doesn't amortize its debt is not as good as one that does.

Caution also suggests the advisability of considering the effect of new construction after the war. New construction is bound to have an adverse effect on some present real estate ventures. For instance, let us consider tenements. Some real estate experts claim that the best real estate to own is "bread and butter" realty. They place tenement property in this category on the theory that it caters to the very low wage earner and that no matter how great a depression, enough people will be found to locate and live in housing if the price is cheap enough. Another feature of this type of real estate is that some of it consists of "cold water flats" eliminating the expense of furnishing heat and hot water. Title certificates secured by mortgages on this type of property have been popular and have been commanding fairly good prices despite the questionability of the security. Some of these properties are as much as 40 years old and their obsolescence is decidedly apparent. After the war, many of these properties and the title certificates secured by them are bound to be injured by the competition of low cost "slum clearance" projects scheduled to be erected by the large insurance companies. This new modern housing will not only outmode the properties mentioned above, but will also outadvantage them with tax exemption.

Real estate bond issues securing properties in the Garment Center section of New York City have recently moved upwards in price because of the demand for this type of space resulting in higher rents and better income for the bond issues. In this section, we would also like to call attention to an "after the war" caution. A group of enterprising real estate men, a short while ago purchased a very large plot of ground in this locality. It is said that they plan after the war to construct an ultra-modern mercantile building that will have three features not currently enjoyed by the present buildings constructed here. The features are: complete air conditioning, an interior loading platform and a garage underneath the building for the tenants cars. We doubt if the present buildings will be able to make the structural changes to compete with the latter two features of this proposed building, but they will in all probabilities be forced to install air conditioning. This will be an expensive proposition, but no doubt necessary to retain their tenants. Buyers of bonds in this locality should, therefore, be careful to buy only those whose earnings are sufficient to stand unusual expenses after the war or at least those where the financial condition of the ownership corporation is good.

Some operators of properties have had the foresight to improve their properties to compete with almost any condition. For instance, the operators of London Terrace, whose bonds are paying 2% fixed interest today, in addition to the regular fixed interest, have been continually furnishing the apartments of this property out of current income. A furnished apartment is usually more saleable than an unfurnished apartment and the percentage of occupancy of the apartments in this house has been conclusive proof of this wisdom. Proof enough, to make the extra interest distribution.

Another example of this method was used by the operators of 1088 Park Avenue, another bond issue. The situation here is quite different than London Terrace, because the suites of this house are large and those at London Terrace small. Because of their size, the apartments at 1088 Park Avenue were difficult to rent. It was impossible to reconstruct them into smaller apartments because of war priorities. While it is the intention of the management to make such an alteration after the war, they were resourceful enough to furnish some of these large apartments in the interim. Their adroitness was successful in reducing the vacancies to the extent of paying carrying charges of the building and making small interest payments on the bond issue.

Hotels are currently having such an over-abundance of business that most of them have been able to reduce their funded debt considerably. This is an attractive situation. Lower interest charges for the future as a result of the reduction of debt should make extra funds available in the future for necessary replacements.

A. E. Higgins With Nat'l Sec. & Research

Douglas Laird, Vice-President in Charge of Sales of National Securities & Research Corporation, 120 Broadway, New York City, announces that Arthur E. Higgins has joined that organization as wholesale representative in Greater New York. Mr. Higgins was formerly associated with Bond & Goodwin, Inc.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, 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 circulars on Bartgis Bros. and United States Lumber may be had upon request from F. H. Koller & Co.

New York Stock Exchange Weekly Firm Changes

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

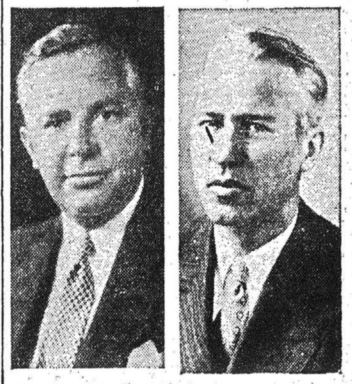
Rodney W. Williams, general and special partner in Tucker, Anthony & Co., New York City, retired as a general partner in the firm as of May 31st. He continues as a special partner. Mr. Williams will no longer act as alternate on the floor of the Exchange for Page Chapman, Jr.

John D. Warren retired from partnership in Gammack & Co., New York City, on May 31st.

Washington Dodge withdrew as a partner in Arthur Wiesenberger & Co., New York City, On May 31st.

Cole, Hoisington Co., Investment Counsel

Formation of the firm of Cole, Hoisington & Company, Incorporated with offices at 120 Broadway, New York City, to act as investment counselors and economic consultants is announced by



Franklin Cole H. W. Hoisington

Franklin Cole and Harland W. Hoisington, together with a number of their former associates in the investment counsel organization of Lionel D. Edie & Co., Inc.

Mr. Cole for the last eight years has served as Executive Vice-President of Lionel D. Edie & Co., Inc., his association with that firm dating back to 1933. Prior to that he was for ten years with the Baltimore investment banking firm of W. W. Lanahan & Company, recently merged with Alexander Brown & Sons of that city. Educated at Johns Hopkins University, Mr. Cole served as ensign in the United States Naval Reserve in the last war. He has interested himself broadly in tax legislation and foreign and domestic economic conditions and has gained recognition as an authority in these fields.

Mr. Hoisington has been active in the investment banking and the investment counsel business for more than twenty years, serving as manager of the Pittsburgh and Newark offices of the Guaranty Company of New York, and for seven years was with Lazard Freres & Co., supervising sales and research. He joined the Edie organization two years ago.

Also associated with the organization of the new firm are: Thomas B. Comstock, Herman U. Clark, D. Fremont Bearer, Raymond Ziesmer and Edward S. Flash. Mr. Comstock was associated with Calvin Bullock before joining the Edie organization nine years ago, while Mr. Clark was with Halle & Steiglitz for seventeen years. Mr. Bearer and Mr. Ziesmer will represent the firm in Pennsylvania and California, respectively, and will be located in Pittsburgh and Los Angeles where they were with the Edie organization for a number of years.

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.

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.

Facing Forward

(Continued from first page)

strange that many people are seriously concerned about this debt,—how we can ever pay it, and what it will do to us in the meantime. This debt is a dominant feature of the economic landscape. It is the central element in the relation of the banks and the government. Discussions of the subject range from terror-stricken fear to the happy nonchalance of some of the theorists who appear to believe there is practically no limit to debt expansion.

"The problem of the debt eventually boils down to two principal questions. The first of these is whether we have the common sense and determination to halt the long succession of deficits after the war, and thus check the growth of debt. Already we have had nearly fourteen years of running a deficit, and we have to look out that we don't get the deficit habit. Placing restraint upon spending will take a lot of guts, and may disappoint a good many people, but it's got to be done if we are to keep the debt problem under control, hold our currency sound, and inspire people with confidence to do business and give employment.

"The second question has to do with carrying the debt we shall have. There are two parts to this question—(1) the question of paying the interest, and (2) the question of the effect upon the volume of purchasing power, and hence upon prices.

"As to (1), interest at present rates may be something like 6 billion dollars a year; and that is not an impossible sum, though it means a larger national budget than we like to contemplate, especially in view of the need to maintain our armed services, take care of war veterans, and run the peacetime government. The budget prospect is not hopeless but it is bad enough, so that every added proposal for government spending ought to be put to the acid test. A most serious danger is that the high level of taxes, necessary to meet this post-war budget will act as a damper on enterprise and employment. The character of the taxes will have to be judged from this point of view.

"The second part of the question of carrying the debt is the danger a big debt involves of a tremendous increase in the outstanding volume of money—principally of course in the form of bank deposits. This increase in money means an increase in purchasing power. Based on past experiences, such an increase means inflation unless we are very careful and wise indeed.

"Government debts are different from private debts by reason of the fact that the government controls the creation of money. That is the reason why governments very seldom default when they find themselves heavily in debt. Instead of doing that, they increase the amount of money in the country and pay their debts with this extra money, which is usually depreciated in value. This is the old familiar process of inflation.

"The whole operation of government finance in these days is so gigantic, and apparently so out of our control that most of us feel pretty helpless about it. But the real fact is that we are not helpless at all. It is we, the people, who really determine how much the government spends and whether this huge government debt will unbalance our whole economy, or whether we take it in our stride, as this great country has in the past taken in its stride so many extraordinary economic developments.

"There are, of course, certain things which government has to do with preventing inflation. Its whole policy of price control, spending, method of financing, taxes, all these are basic to resisting inflation, but over and beyond them, are many fields of action where the people themselves make the decision. Let me mention a few.

"First, price controls and rationing cannot work without the cooperation of the people, and there are many prices that are largely beyond government control. For example, there is the price of farm land. Since 1939 the price of farm real estate in the United States has risen 36%, and this is exactly the same percentage increase as in the years 1914 to 1919. While it is true that the rise started this time from a lower level, the trend lately has been accelerating, and will bear watching. The farmer went broke after the last war largely because he went in debt to buy land at constantly rising prices. It would be a good idea this time to buy bonds instead of land.

"That leads me to the second great area in which the voluntary action of the people is supreme, and that is the sale of war bonds. To the extent we can sell war bonds to investors we avoid the increase in bank deposits which is the great cause of inflation. Here is where the banker can make his most effective war effort.

"As bankers, we can take great pride in our part in the sale of bonds. A substantial proportion of the State and County chairmen of Treasury Committees are bankers. The Treasury tells us that something like 80% of the bonds sold in the last drive were sold through the banks, either by the efforts of the banks themselves, or by the efforts of others whose work was made easier because the banks handled the mechanical operations of issuing the bonds.

"From the very beginning of the war the Treasury has consulted with a committee of bankers in its war financing program, and I think it is fair to say that our recommendations have been helpful to the Treasury. Generally speaking, the program of great war bond drives has been a magnificent success.

"In the Fifth War Loan, the banks want to do a finer job than ever before. We want to sell more bonds to the people, so it will not be necessary for us, as banks, to buy as many. This is because when banks buy the bonds it adds to the fuel of inflation, for it creates bank deposits. It is not a healthy thing for the banks, either, to be so swollen with government bonds. In the long run that is not a normal banking business.

"The committee of the American Bankers Association has been discussing with the Treasury methods of cooperation, in order that our work in the Fifth War Loan may be effective. A program has been worked out by this committee, the essence of which is that every bank will be asked to canvass its own depositors and sell them bonds. As far as possible, this should be done by face to face interviews. The Bankers Association is sending to every bank a plan of action, which we believe will be generally followed.

"Every bank will be asked to fix a quota for itself in the War Loan and then will be asked to report several times during the drive the number of sales and the dollar amount of sales made through it. These figures will be collected by the local War Finance Committee who will send the results back to the participating banks. It will be a competition in service.

"While our boys are fighting in every corner of the world, this will be our primary task toward winning the war, for our success in selling bonds will go far toward determining what kind of world our boys will have to live in when they come back.

"There is something about these War Loan drives, also, that is bigger than the economic effects. They are more than an effort to raise money. They are an opportunity to stimulate and renew the loyalty of the American people to their country and to its ideals. They are one national enterprise in which there is no minority, and in which there can be complete unity of feeling and action. They are a vital expression of patriotism. We bankers can be proud that we have a leading place in this great enterprise."

Louis Groch Becomes Res. Mgr. In Detroit Of Hornblower & Weeks

DETROIT, MICH.—Louis J. Groch has been appointed Resident Manager of the Detroit Office of Hornblower & Weeks, Penobscot Building.

Mr. Groch has formerly managed the Detroit and Albany offices of J. S. Bache & Company. Have started in 1916 with an Ohio municipal firm Mr. Groch has had a broad experience in the securities business including the handling of stock accounts, the underwriting and distribution of corporate and municipal issues.

After returning from France where he was in the Army Air Services in World War I, he represented securities firms in Minneapolis, Duluth, Chicago, Philadelphia, and most of the past 15 years in New York.

Hornblower & Weeks, among the first New York Stock Exchange houses in Detroit, opened their office here in 1908 and have been located in the Penobscot Building for about 35 years. The firm was established in 1888.

Since January, 1943, Charles R. Perrigo, a Chicago partner has been in charge of the office during the absence of the Resident Partner, James J. Phelan, Jr. who is a Captain in the Army Finance Corps and now serving in India.

Pennsylvania Brevities

The Investment Traders Association of Philadelphia will hold its annual Spring Outing at Manufacturers' Country Club, Oreland, Penna., on June 16. Golf, softball, tennis and swimming will comprise the afternoon activities. President George J. Muller, Janney & Co., announces that competition in golf will center in a contest for the I.T.A.P. Cup, offered this year for the first time. Alfred W. Tryder, H. T. Greenwood & Co., is chairman of the Outing and William J. McCullen, F. J. Morrissey & Co., is in charge of reservations. About 400 are expected.

The Philadelphia Bankers and Brokers Bowling League completed its 1943-44 season with a banquet last week. Teams finished in the following order: Hecker & Co., Montgomery, Scott & Co. "A," E. H. Rollins & Sons, Butcher & Sherrerd, Reynolds & Co. and Montgomery; Scott & Co. "B." Harry Strickler, Buckley Brothers, was elected president of the League for the 1944-45 season.

At the closing session of the golden anniversary meeting of the Pennsylvania Bankers Association, held in Pittsburgh last week, Dr. Harold Stonier, executive manager of the American Bankers Association, stated that the nation's banks are planning tremendous credit pools to meet post-war financing needs, which will provide their own insurance against credit risks and will make Government loans and guarantees not only unnecessary "but actually contrary to sound financial policy." T. C. Swarts, Woodlawn Trust Co., Aliquippa, succeeded Charles W. Bothwell as President of P.B.A.

According to Roy G. Bostwick, Pittsburgh attorney, who is representing public security holders of the Pittsburgh Railways Co. system, the Philadelphia Company is approximately 30 days behind schedule in collating data to form the basis of tentative bids for publicly held issues. The delay was occasioned by the illness of a member of Philadelphia Company's legal staff. In a letter, Mr. Bostwick assures security holders that Philadelphia Company is still highly desirous of concluding negotiations.

Lukens Steel Co., announces the purchase of a Coatesville property formerly owned and operated by the Bethlehem Steel Co. since 1923. Sale included the Bethlehem office building, the old charcoal boiler tube plant, Corey Field and approximately 1,523 acres of land including railroad tracks and storage yards.

The Pennsylvania Co. has been authorized by the Interstate Commerce Commission to issue $35,000,000 of secured notes, proceeds to be used to provide a part of the funds required for redemption Aug. 1 of $44,779,000 of 4¾% secured bonds now outstanding. The new notes are to consist of $15,000,000 series A and $20,000,000 25-year 3⅛% sinking fund notes, series B, the former to be sold to banks and the latter to insurance companies without public offering.

In approving the issue the Commission held that a fee of $87,500 to be paid Kuhn, Loeb & Co. for services is not excessive. Payment of the fee had been protested by a stockholder of the Pennsylvania RR. and by Senator Shipstead of Minnesota.

George H. Pabst Jr., Vice-President of the Pennsylvania RR., in defending the fee of $87,500 paid to Kuhn, Loeb & Co., stated that this was less expensive than competitive bidding would have been. Mr. Pabst stated that Kuhn, Loeb & Co. did not fix the fee, but left this to the issuing concern. The information was submitted to the Commission after the protagonists of competitive bidding had complained of the fee of the banking house, and reached the Commission close on the heels of that body's decision, May 10, requiring competitive bidding for most rail security issues after June 30.

Mr. Pabst in his letter said: "It seemed to the company that it should not offer, as the minimum for this service, an amount that would be less than the customary brokerage commission on sale of securities. If the company had $35,000,000 of securities for sale through a broker, the customary brokerage commission would amount to ¼ of 1%, or a total of $87,500.

"It is obvious that if these notes had been sold to an investment house, with or without competitive bidding, the spread to the investment house would have been largely in excess of ¼ of 1%. Moreover, if the notes had been sold at a public offering, requiring registration with the Securities and Exchange Commission, the preparation of a registration statement and prospectus, the listing of the securities, etc., the fees and expenses incidental thereto would have been in excess of $40,000."

The Philadelphia Electric Co., in a notice to the holders of scrip for $1 dividend preference common stock and common stock, announced that the privilege of exchanging such scrip for whole shares will expire at 3 p.m. on June 12. Scrip should be presented to the company's transfer office, 900 Sansom Street, Philadelphia.

Elk Horn Coal Corp. for the first quarter of 1944 reported an estimated net profit of $17,797 after taxes, depreciation, depletion and amortization of leasehold equities. The corresponding figure in 1943 was $65,188.

The Rheem Manufacturing Co., maker of sheet steel products, has bought a large stock interest in the Platt-Le Page Aircraft Co. of Eddystone, Pa., and by arrangement with other large stockholders is taking an active part in the management of the concern. Platt-Le Page has produced two helicopters for the United States

(Continued on page 2259)

Pennsylvania Municipals

By EDWARD W. KLING

The Pennsylvania Market, particularly with respect to newer issues, has been rather quiet. Now and again a new issue comes out and bidding is terrible. If it is small and reasonably short, it disappears almost immediately, but if large and long, about two-thirds sell fairly rapidly and the balance drags on and on and eventually peters out. There is no weakness on the part of the banker and also no lack of patience, but rather apathy on the buyers' part. By and large, the latter yearns for other names besides Philadelphia's, Allegheny's, and Pittsburgh's, and when new ones appear they are generally well received but the supply is woefully small.

There seems to be some widening in the field for premium bonds. One thousand dollars invested at 1¼% brings in $12.50, no more and no less. Fourteen hundred dollars may bring in $40 or $45, and the difference of tangible cash is something worth while these days.

The belated recognition of Philadelphia credit has made its bonds a fairly bright spot in an otherwise drab setting. Besides inter-dealer jockeying, large retail orders have come into the market and taken a great many bonds.

Pennsylvania Turnpike Commission and Delaware River Bridge bonds have advanced with a meager amount of activity. As hindsight is perfect, it seems doubtful if the Bridge Commissioners did so well on the 2.70% rate. A little waiting might have been more profitable. In any case, now buyers are looking at the yield to the call date, rather than to maturity; and if present conditions prevail, a call is inevitable.

Several years ago underwriting houses were seriously worried about the problem of supply. Priorities eliminated the possibil-

(Continued on page 2259)

Kentucky Municipal League Urges Passage Of Boren Bill

The Board of Directors of the Kentucky Municipal League, meeting at Lexington, Kentucky, on May 16, passed a resolution urging Congress to immediately act on the Boren Bill. This is H. R. 1502, introduced on January 23, 1943, by Lyle H. Boren, Representative in Congress from Oklahoma, which specifically aims to remove dealings in State and municipal securities from the possibility of regulatory action by the SEC under Section 15 (c) (1) of the Securities and Exchange Act of 1934. The bill would simply amend this section by adding the words "exempted securities" to the clause which lists commercial papers, bankers' acceptances and commercial bills as excluded from the prohibition against "the use of manipulative, deceptive or other fraudulent devices or contrivances" in dealers' transactions. In addition, however, the bill would eliminate from the above mentioned section the sentence which reads:

"The Commission shall, for the purposes of this sub-section, by rules and regulations, define such devices or contrivances as are manipulative, deceptive or otherwise fraudulent."

Hearings on these amendments are scheduled to be held in September. The full text of the resolution as passed by the Board of Directors of the Kentucky Municipal League is as follows:

WHEREAS, There has been introduced a bill in the Congress of the United States (H. R. 1502) amending the Securities and Exchange Act of 1934; and

WHEREAS, the purpose of said bill is to eliminate ambiguities in that Act and to make clear the intent of Congress to deny to the Securities and Exchange Commission the power to regulate securities issued by States or political subdivisions or instrumentalities of States and transactions in such securities; and

WHEREAS, public financing by States or subdivisions or instrumentalities thereof are matters of purely State policy and should not be subject to restriction or regulation by any bureau of the Federal Government; and any restriction or regulation by any bureau of the Federal Government would interfere with the financing by States or political subdivisions or instrumentalities thereof, and would materially increase the cost of such financing;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KENTUCKY MUNICIPAL LEAGUE:

That the Congress of the United States be urged to enact the aforesaid bill (H. R. 1502) in order that public financing by States and the subdivisions and instrumentalities thereof may be freed from the adverse effects of the ambiguities of the existing statute; and

BE IT FURTHER RESOLVED that the Secretary of the Kentucky Municipal League is hereby directed to send, immediately, a copy of this resolution to the Representatives and Senators representing the State of Kentucky in the Congress of the United States.

WILSON W. WYATT,
President

ATTEST:
CARL B. WACHS,
Executive Secretary

Adopted May 16, 1944.

The action of the Kentucky Municipal League in endorsing the Boren Bill follows similar action of the Municipal Securities Committee of the Investment Bankers Association, referred to in the issue of the "Chronicle" of March 9, 1944, on page 996.

Pennsylvania Brevities

(Continued from page 2258)

Army and has orders for others, which Rheem is helping to develop, it was learned. As a part of the arrangements, Rheem is licensed to use the patents and designs of the helicopter company.

Once standards have been set by the Federal Communications Commission, every major city in the United States will have a television station just as quickly as transmitter deliveries can be made at the end of the war, it was predicted May 26 by James H. Carmine, Vice-President in charge of merchandising for Philco Corp., in an address on television before the Poor Richard Club at the Franklin Institute, Philadelphia.

It may be possible to produce and sell table model television receivers for as little as $125 after the war, Mr. Carmine said. Larger "projection-type" sets, giving a picture 24 inches by 18 inches, may cost up to $400, he indicated.

Philco was one of the first major companies in the United States to undertake television research and development. It began work in this field in 1928, almost simultaneously with its entry into radio.

Since 1928 Philco has spent several million dollars in television research and development, Mr. Carmine said. With many of the outstanding research and development engineers in the country on its staff, Philco has pioneered in a large number of the major developments in television.

Among the major Philco developments demonstrated to the Poor Richard Club was the "Plane-O-Scope," a new kind of picture tube with a completely flat surface, which allows the television picture to be viewed from any angle, avoids the distortion characteristic of all older-type bulbous tubes, and eliminates light reflections.

Mr. Carmine also explained a Philco invention known as the "ion-trap" which removes the ion blemish from the screen of the picture tube.

The Island Creek Coal Co. for the first three months of the current year reported a profit of $534,900, or 84 cents per share on the common stock, after charges of $1,400,000 for Federal income taxes. This compares with a profit of $415,864, or 64 cents per common share, for the similar quarter in 1943, after allowing $1,175,000 for Federal income taxes.

The directors of The Baldwin Locomotive Works, at their meeting held May 25, declared a dividend of 75 cents per share on the $13 par value common stock, payable June 30 to shareholders of record June 15. This is at the same rate as paid on June 30 and Dec. 20, last year.

The majority of the refunding first mortgage holders and debenture owners and general creditors of the Philadelphia & Reading Coal & Iron Co. have accepted the amended reorganization plan submitted jointly by the company and its four major bondholders committees June 1, 1942, Howard Benton Lewis, bankruptcy referee, reported in United States District Court May 22.

Mr. Lewis said that a final vote, delayed for more than a year by the uncertainty of the outcome of tax legislation under consideration by Congress, showed more than the legally required two-thirds in favor of the plan.

Outstanding refunding bonds amount to $24,411,866; debentures total $29,148,000, in addition to which there are unsecured claims against the company of $787,116.

Out of $19,367,700 refunding bonds filed to vote, $16,475,100 voted for the plan, Mr. Lewis said in his report; $15,520,000 of debentures out of a total of $16,307,000 filed, and all of the unsecured claims favored the plan.

Delaware Power & Light Co. has declared a dividend of 20 cents on the common, payable July 31 to stock of record July 1. This is an initial dividend on company's 1,162,600 shares of common stock presently outstanding. This stock was issued as a result of merger and recapitalization of the company on Oct. 15, 1942, to its sole stockholder, United Gas Improvement Co. A large part of it was subsequently distributed by that company direct to its stockholders as one step in UGI's proceedings to comply with requirements of Public Utility Holding Company Act. This distribution was completed May 18, 1944. The company states: "In declaring this dividend the directors recognized not only the uncertainties of the immediate future inherent in the present war economy and its related taxation, but also recognized the fact that recapitalization of the company on Oct. 15, 1943, resulting in the elimination from the accounts of the company and its subsidiaries of all surplus balances, placed it in the same position in respect to earned surplus as a company starting its business new on that date. The directors, in deciding upon this initial dividend, pursued a policy which in their judgment will assure as far as possible regularity as to the dates and amounts of future dividends."

The Autocar Co. announced May 26 that it will call all outstanding preferred stock on July 1 at $115 a share plus accrued dividends in connection with a plan to merge the company and Autocar Trucks, Inc. According to the announcement, each share of preferred stock is convertible into 10 shares of Autocar Co. common stock through June 16.

FIC Banks Place Debs.

A successful offering of two issues of debentures for the Federal International Credit Banks was concluded May 16 by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of $14,900,000 0.80% consolidated debentures dated June 1, 1944, due Dec. 1, 1944, and $17,975,000 0.90% consolidated debentures dated June 1, 1944, and due March 1, 1945. The issues were placed at par. Of the proceeds, $32,875,000 was used to retire a like amount of debentures due June 1, 1944, the balance, $605,000, being new money as of June 1, 1944, the total amount of debentures outstanding was $285,040,000.

Utility Stock Looks Good

Delaware Power & Light Common offers an attractive situation at the present time according to a detailed memorandum prepared by Nemburger & Hano, 1419 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be had from the firm upon request.

Also available for the asking is a list of corporate bonds regarded as legal investments in the State of Pennsylvania.

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.

Pennsylvania Municipals

(Continued from page 2258)

ities of getting materials for future work and even in some cases, work already started, had to be held in abeyance. The outlook looked bleak, and in a falling market would have stayed so. The answer, of course, was that the strength of the market made refunding possible on a large scale; institutional selling for reinvestment in Government issues has amounted to a good many million dollars and new revenue projects a great many million more. All of which has served to largely compensate for the enforced lull in new borrowings during the war period.

In Pennsylvania, the amount of new revenue issues was quite brisk for a time, but although apparently some are in the offing, no new issues have been offered for quite a while. The last session of the Legislature passed an act putting all Authority bonds under the supervision of the Public Utilities Commission. This probably accounts for the lack, as no doubt they insist that the project benefit the present taxpayer as well as his successors.

The question of supply in the future is a decidedly different matter. When Germany is knocked out of the war, military demands for the products of heavy industry should be definitely alleviated. Municipalities who have been holding off will want materials and the money to purchase them for various purposes, not the least of which will be to keep the discharged soldier gainfully occupied between the termination of his military career and his absorption into our general industrial life. Industry must have a breathing spell to reequip and retool for peacetime articles, and this period can be and should be taken care of by the various municipalities. In addition, there undoubtedly will be an even greater conversion of utilities from private to public ownership.

While the market in Government bonds will probably be steady for some time to come for very obvious reasons the yields on municipal and quasi-municipal bonds could very easily increase to some degree so that they would be more attractive to investors. There probably will be no radical change but an orderly and healthy readjustment that will be welcomed by investors and bankers together.

N. Y. Supreme Court Dismisses Claim By Mexico Anent Distribution Of $7,000,000 To Creditors

The Appellate Division of the State Supreme Court unanimously affirmed on May 26 a decision of the Supreme Court of New York dismissing a claim by the Mexican Government involving the distribution of about $7,000,000 to holders of defaulted Mexican bonds. This was reported in the New York "Times" of May 27, in which it was further stated:

"Thomas W. Lamont of J. P. Morgan & Co. Incorporated, as Chairman of the International Committee of Bankers on Mexico, contended that his committee acted as a trustee for the bondholders and not as a fiscal agent for the Mexican Government. The committee, in connection with a deposit agreement arranged in 1922, had received $45,000,000 from the Mexican Government, all of which was distributed to the bondholders except $7,000,000. These funds are still on deposit here. The committee thus has successfully resisted the effort of the Mexican Government to obtain control of the funds.

"The action concerns the claims of more than 200,000 individual holders of Mexican Government railway bonds. In upholding Mr. Lamont's claim as valid, it also supported the findings of Charles Poletti, official referee, which later were confirmed by Supreme Court Justice Ferdinand Pecora.

"I nan effort to clear up defaults on Mexican bonds, the Mexican Government and the International Committee entered into an agreement as of Nov. 5, 1942, providing for settlements on the basis of about 20 cents to the dollar on some classifications of securities, and more on others.

Sugar Stocks Attractive

Amalgamated Sugar Company and Utah-Idaho Sugar Company offer attractive possibilities, according to detailed financial analyses of the situations prepared by Edward L. Burton & Company, 160 South Main Street, Salt Lake City, Utah. Copies of these interesting studies may be had from Edward L. Burton & Company upon request.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

The Dow-Jones Industrial Average has been in a secondary decline since July 14, 1943, on which date it stood at 145.82, compared with 140.48 on May 24, 1944. This represents a loss of 5.34 points or 3.7%. Over the same period New York City bank stocks, as measured by Standard & Poor's Weekly index, have, on the other hand, moved up from 95.3 to 101.4, an appreciation of 6.1 points or 6.4%.

The percent divergence between these two classes of stocks is also quite pronounced when their current prices are measured against the April, 1942, lows, as the following figures indicate: The Dow-Jones Industrial Average on April 28, 1942, was 92.92, thus its present gain from that level is 47.56 points or 51.1%. Standard & Poor's Weekly bank stock index on April 29, 1942, was 59.3, and its gain from that level is 42.1 points or 71.0%.

In order for the Dow-Jones industrials to reach their 1937 high of 194.40, they must advance 53.92 points or 38.4% from their present position. In order for New York City bank stocks to reach their 1937 high, they must advance 53.1 points to 154.5 or 52.4%. Thus despite the latter's 71.0% advance from the 1942 low as compared with 51.1% for the industrials, their potential percent appreciation to the 1937 level is 52.4% against 38.4%, or 36.5% better.

Turning now to individual bank stocks, the following table should be of interest:

	Asked Price 5-24-44	Asked Price Feb. 1937 (high)	Appreciation to Reach 1937 high
Bank of Manhattan	$23¼	$41½	78.5%
Bank of New York	405	550	35.8
Bankers Trust	52¼	86½	65.6
Central Hanover	103¾	153½	48.0
Chase National	40½	65½	61.7
Chemical B. & T.	51⅝	86	66.6
Corn Exchange B. T.	50½	77¼	53.0
First National	1,610	2,710	68.3
Guaranty Trust	330	394	19.4
Irving Trust	15¾	20¾	31.7
Manufacturers Trust	51¾	71	37.2
National City	36⅞	61½	66.8
New York Trust	94½	164	73.5
Public National	39⅝	58	46.4
U. S. Trust	1,490	2,150	44.3

At the time of the 1937 highs, the total deposits, earning assets and Government securities of these 15 banks aggregated as follows: Deposits, $11,655,352,000; earning assets, $9,359,592,000; Governments, $4,058,587,000. Currently, with the market for their shares 34.5% lower, their aggregate figures are as follows: Deposits, $21,818,561,000; earning assets, $18,670,596,000; Governments, $13,381,989,000. From these figures it will be observed that deposits are 87.2% higher, earning assets 99.5% higher and Government securities 229.7% higher.

While earning assets have been moving up, so also have the net operating profits of these banks, despite rising costs and higher taxes. In 1938 aggregate net operating profits were $82,474,086, while in 1943 they were $110,954,247, an increase of $28,480,161 or 34.7%. In addition to these regular operating profits, very substantial security profits have been realized and also recoveries on items previously written down. It is also of significance that their capital funds have expanded from $1,434,355,000 to $1,643,831,000, a growth of $209,476,000 or 14.6%.

On average these 15 stocks are selling at approximately book value, the average ratio of current market to book as of March 31, 1944, being 1.04. First National sells at the highest premium with a ratio of 1.29, and Irving at the maximum discount with a ratio of 0.74. Four other stocks are also selling at a discount, viz.: U. S. Trust, 0.98; National City, 0.96; Bank of Manhattan, 0.92 and Public National, 0.81.

The current dividend yield averages 3.8%, and ranges from 2.7% for Bankers Trust and National City to 4.8% for Corn Exchange and 5.0% for First National. In view of the generally conservative investment character of choice New York City bank stocks, this appears to be a very attractive yield, especially when the favorable post-war outlook for banking is also taken into consideration.

With Kingsbury & Alvis

NEW ORLEANS, LA. — Lee Henry Cotten is acting as South Mississippi sales representative for Kingsbury & Alvis, Hibernia Building.

"Hard Money" Examined

(Continued from page 2250)

which he distributed to members of the committee; and on his pamphlet, International Bimetallism, which was the basis of his press release of Sept. 27, 1943.

(1) **Preference for "hard money."**—Of Mr. Brownell's several points, this one seems to be the easiest to agree with. Yet it needs careful examination when it is used as an argument for bimetallism. In times of severe stress, certainly, people anywhere have more faith in metal than in paper currency. In peaceful and orderly times it is different.

Consider the United States. When gold coin was still freely obtainable here, most people preferred to use paper; and, as between silver dollars and silver certificates, paper is still today preferred, while silver-dollar coins are rejected. When, in 1933, the run on gold and flight of capital to foreign countries became severe in this country, gold convertibility of the currency was ended. In part that run reflected anticipation of official suspension of the gold standard as an economic fillip, rather than a desire to have and cherish gold per se.

The traditional respect for gold, however, is so ingrained that many Americans still are comforted to know that the Treasury holds the yellow metal, even though citizens cannot get any of it. But for everyday business use Americans distinctly prefer paper currency and bank checks rather than hard money, as the Treasury's hoard of $1,500,000,000 in silver in reserve against outstanding silver certificates proves.

At the other extreme from the American attitude toward hard money are those peoples abroad who know from sad experience the losses that may come from paper currencies and who therefore prefer coin for their daily use or for hoarding. In such countries, therefore, it is correct to say that the masses prefer hard money and, as Mr. Brownell correctly states, the particular hard money usually sought is the cheapest one, silver.

From the facts that gold is still highly esteemed in the Occident for monetary reserves if not always for coin and that silver is in demand among the masses of continental Asia we are told, in effect, that international bimetallism will provide a bridge for trade between West and East. For bimetallism to do this, however, the people of the East should be willing to part with their silver and those of the West should be willing to receive silver from the East in payment of trade obligations; and conversely the East should be willing to take gold from the West. It is not enough to pass a law on the subject. Unless the people are willing and interested, it won't work. Moreover, there must exist in the countries of the world adequate supplies of gold and silver, adequately distributed in amounts and places where they may be needed. Mr. Brownell lets the reader assume that these conditions will prevail if bimetallism is enacted, but he does not prove that they will prevail.

Speaking for this country, it is clear that the silver already in the Treasury is surplus and that no more is needed or wanted. We might sell it to the Orient, except for the restrictions which the silver bloc has put in the law. Our gold stock far exceeds our need for a settler of balances. In terms of hard money, Uncle Sam is a Croesus. Mr. Brownell argues, in spots, that gold is unsuited to the needs of Asia. If this is true, then a basis for workable international bimetallism as between ourselves and Asia is lacking; for how can we use our gold to buy goods from the Orient, if gold is not suitable to the Orient, as Mr. Brownell states?

As for other occidental countries—unless it should be our gold-and-silver-mining neighbor south of the border—they do not want bimetallism, and have rejected it again and again.

Many countries, indeed, are practically devoid of both gold and silver for international trading purposes, and for this reason alone are not candidates for bimetallism. Where, indeed, is there a country that does not want to manage its own money, including check-book money?

Since there can never be enough "hard money" on hand to effect more than a fraction of the transactions of any country outside of, say, Saudi Arabia, and since part or most of the money used must therefore be accepted on trust in the issuing power, this plausible talk about "hard money" addressed to modern people has a distinct counterfeit ring.

As for the wartime premia at which bullion has sold in the East, cited by Mr. Brownell, much could be written. Two facts stand out. The premia are in terms of currencies artificially pegged at high "official" rates of exchange. There are no free international movements of bullion and the prices Mr. Brownell cites reflect local situations. It may not be without significance that during World War I the price of silver soared when demand in India and China increased, but after the war collapsed, notwithstanding the subsidy which American Pittman Act purchases gave to the silver sellers until 1923.

Mr. Brownell, like other silver advocates, makes frequent use of the term "silver-using countries," and since that has a direct bearing on the question of a preference for hard money, we may take a few moments to examine it.

Probably no country is a greater silver-using country than the United States, with millions of dollars in subsidiary silver coin in circulation and tons of other silver in the Treasury vaults. In peacetime every modern country uses much silver in its coinage system. The United Kingdom is a great silver-using country. In modern coinage systems, silver coins of varying fineness are used without regard to the fluctuating value of their silver content, provided only the market price of silver is not so high as to drive the coins to the melting pot. But, by "silver using," Mr. Brownell does not mean the United States or the United Kingdom. He means such countries as China, India, and Mexico. We may in passing record that China gave up the silver standard a decade ago, India in 1893, and Mexico in 1905.

Mr. Brownell states that China "still uses silver predominantly." None of the news from China in recent years substantiates that statement. China, unfortunately, is suffering from paper-money depreciation. The severe inflation is rapidly depriving China's paper currency of all value. Whatever one may conclude from that fact, I have seen no evidence that the Chungking Government intends ever to return to a silver standard. All the evidence rather indicates its intention to manage China's economy after the war, for good or for ill.

Representative of the viewpoint of educated Chinese, Dr. Henry C. Chen of the Bank of China in the course of a long article on the post-war stabilization of China's currency nowhere even mentions silver.[1] Dr. Chen merely suggests that China start out afresh with "a new currency or new unit of account." He adds that "the economic ills of the world cannot be laid entirely at the door of the monetary system" and that "it

1 Henry C. Chen, The Prospect for the Stabilization of the Chinese Dollar, in The Commercial and Financial Chronicle, Dec. 16, 1943.

(Continued on page 2266)

Louisville Bond Club Annual Outing June 9

LOUISVILLE, KY.—The Louisville Bond Club will hold its annual Summer outing and election of officers on June 9th at the Louisville Country Club. Out of town guests are welcome.

N. Allan Watts of W. L. Lyons Co. is President of the Club.

Interesting Situations

The first National Bank of Boston and Providence Washington Insurance Company offer attractive possibilities according to summaries of these situations prepared by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, California. Copies of these summaries may be had upon request from the firm.

Mutual Funds

Income vs. Capital Gains

Distributors Group has published a new folder on **Low Priced Shares,** a class of **Group Securities, Inc.** The folder contains a chart showing the present market position of the 55 stocks held by Low Priced Shares as compared with that of several higher priced shares including General Motors, Standard Oil of New Jersey, DuPont, Eastman Kodak and International Business Machines.

The covering letter point out that:

(1) On the down-side the price risk in Low Priced Shares compares favorably witn that of high-priced stocks.

(2) On the up-side the appreciation possibilities in Low Priced Shares range from over three times to over nine times that of the high-priced shares shown in the chart.

The letter then makes the following point:

"Under present tax laws, the investor pays at least twice as much taxes on a given amount of dividends as he does on the same amount of long-term capital gains. And if he has a large income the tax savings on capital gains becomes even greater."

With capital gains worth so much more than dividends under present tax laws, the attractiveness of securities with larger-than-average appreciation possibilities is greatly enhanced.

* * *

Keystone Corp. presents a chart in the current issue of **Keynotes,** comparing interest coverage and bond prices over the past seven years on the issues included in the four **Keystone Bond Funds.** The chart shows that all classes are currently enjoying interest coverage of from 2.17 to 3.81 times—the highest in years.

It is also pointed out that a large majority of the companies in all classes have (1) reduced bonded debt and fixed charges and (2) substantially improved net working capital position.

"Despite these improvements in fundamental position and generous interest coverage, three of these four classes of bonds are still available to investors at discounts from par value ranging from 7% to 32%."

* * *

The current issue of **Brevits** contains "A Statement of Policy" in which Merrill Griswold, Chairman of the Board of Trustees of **Massachusetts Investors Trust,** discusses the general investment philosophy of **MIT.**

"It is the established policy of the trustees of Massachusetts Investors Trust to maintain a very high percentage of the assets of the Trust in high-grade common stocks of the type which would be considered as suitable investments for funds managed by individual and corporate trustees. That is what the Trust offers its shareholders: Participation predominantly in sound companies whose shares possess ithe high qualities of trustee investments."

Mr. Griswold points out that this policy will not produce the capital appreciation in times of good business that is generally available in the more speculative securities. "On the other hand, in periods of declining business or of depression, it is to be expected that the shares of Massachusetts Investors Trust will show a far greater resistance to declining earnings and lower dividend payments."

* * *

Mr. Henry J. Simonson, Jr., President of **National Securities & Research Corp.,** reports total net assets of **National Securities Series** at $9,802,026 on April 30, 1944, the fiscal year-end, compared with $5,012,896 a year ago, an increase of 96%.

The current issue of **Investment Timing** contains the fourth article in its series on "Scientific Developments from the Investor's Viewpoint." The subject of the article is "New Drugs," and the conclusion states that: "Following a period of readjustment, as inflated wartime demands are replaced by expanded civilian consumption and the exploitation of new markets, increased sales volumes and earnings are in prospect for leading drug manufacturing concerns."

* * *

Calvin Bullock's current bulletin contains an interesting chart showing the composite investments of 10 leading universities. Harvard, Princeton, Yale, Johns Hopkins, Dartmouth, Cornell, Chicago, Northwestern, Stanford and Vanderbilt make up the list. As last reported, 42.9% of their composite investments were in stocks, with 38.4% in bonds and 18.7% in real estate.

* * *

Woodford Matlock of the **Broad Street Sales Corp.,** in the current **Items** gives one answer to the question: "Is 150 FRB Index-Postwar Wishful Thinking?" The conclusion expressed in the memorandum is that such a level of industrial activity after this war is not unreasonable.

* * *

Mutual Fund Literature

Hugh W. Long & Co.—A new folder, "The Automobile Investor," to be available soon. . . . **Lord, Abbott & Co.**—The current issue of **Abstracts,** discussing life companies' investments, the high cost of living and taxes. . . . **Selected Investments Co.**—The current issue of "These Things Seemed Important." . . . **Keystone Corp.**—A revised edition of the folder, "Ten Securities That Satisfy a Wide Variety of Investment Requirements." . . . **Knickerbocker Distributors, Inc.**—A prospectus on the **Knickerbocker Fund** revised to April 1, 1944.

Post-War Problems—Can They Be Solved Only By One?

(Continued from first page)

plicated that the able report of Messrs. Baruch and Hancock only pretends to be an outline of some of its more important aspects. It includes such vital problems as the termination of war contracts; the disposal of war surpluses; the resumption of peace time production; providing for the many needs of the returning soldiers, and the readjustment and relocation of workers in peace time occupations.

2. The readjustment of prices and costs to restore balanced economic conditions. It is well known to every business man and tradesman that when costs exceed prices businss declines. Producers withdraw. Newcomers wait. Those who remain in the business lose money, avoid any expansion, curb employment, cut down their volume, and the result is depression. At the present time the maladjustment between costs and prices in most peace time business has not been exceeded since the readjustment period following World War I, in spite of the efforts at price control. Costs have risen sharply in such essentials as wages, taxes, services, imported raw materials and the regimentation costs of compliance with government requirements. Representatives of the motor car industry have indicated that post-war cars will be priced from 25% to 50% higher than in 1940. Manufacturers in electrical industry have announced that post-war prices will have to be 33 1-3% to 50% higher than in 1940. Many other manufacturers have made it clear that they cannot continue in business at present costs unless prices are increased or costs greatly reduced. Such large industries as the United States Steel Corporation last year had a substantial decline in net earnings, in spite of a large increase in the volume of business. As a result, this corporation of course was required to pay less taxes by many millions and, unfortunately, was unable to set aside any satisfactory reserves for post-war reconversion and employment. Will wages and taxes come down and will the prices of imported raw materials come down, or will the prices of domestic products have to be increased to bring about the necessary balance between prices and costs to keep production and employment going and encourage newcomers to take their chances in enterprise? If prices are raised then we must lose by post-war readjustment all that is claimed to have been gained by holding prices down during the war.

3. Jobs and employment are definitely tied up with the reconversion problems and cost-price adjustments. In fact, jobs depend upon bringing about a balance between costs and prices so that industry can continue to operate without a loss and provide expansion for newcomers. These problems are so interrelated that any attempt to separate them and solve them one by one is clearly a little worse than academic. The domestic price situation seems to have a great variety of complications involved in it. Prices have been held down while costs have risen. Capital and reserves for post-war reconversion, expansion and employment seem entirely inadequate. The huge government surpluses to be disposed of will not help domestic prices. One copper producer estimates the government surplus in copper will be adequate to meet industry's needs for three to five years. It is well known that the condition in aluminum is even more excessive. The situation in machine tools has been estimated to be a surplus production adequate for eight to ten years. Recent trends in the prices of agricultural products indicate the possibilities of great surpluses occurring in many lines. For some time the market has been throughly demoralized and prices well below ceiling prices in eggs, fish, potatoes, and there has been great spoilage in butter, canned milk and meats. These conditions are not conducive to adjusting prices upward, even though costs may exceed present prices. It seems clear, therefore, that costs must come down or unemployment and declining production take place to bring about a balance between costs and prices. This is the hard way and the uncomfortable way to solve this problem. Is it the only way? World prices dominate domestic prices. It is not possible for us to hold the prices of products of which we have a surplus above the prices in world markets. Of course we can hold the prices up for domestic consumers and subsidize foreign consumers, but this is economically unsound and it would seem that the taxpayers' burden would be large enough without much of this sort of thing. Will world prices rise or decline in the post-war era? For a short time they may rise, due to scarcity in certain areas, but if past history is any guide, the trend of world prices will be downward. Of course, world prices may be increased in terms of cheap money, but that would not necessarily be a rise in world prices. It would be a depreciation in the value of money, and the countries that maintained sound money would still buy products on the international markets at declining prices.

4. The national debts. Estimates generally from authoritative sources indicate that our federal debts at the end of this war will be about 1000% of the federal debts at the end of World War I. This monstrous problem is inseparable from taxes, money and credit, prices and costs, exchange stabilization, capital for business, and all their economic interrelations. The cost of servicing the debt alone may be almost as much as the national budget and total tax collections in an average good year following World War I. In 1920 Liberty Bonds bearing a 4¼% coupon sold below 80. With an almost 1000% increase in Government Bonds, at what price will bonds bearing 1½%, 2% and 2½% coupons sell for? Can we hold the price of Government Bonds up to par to protect banks and other institutions? What would be the effect of the proposed Thomas amendment, which would allow banks and other institutions to carry Government Bonds at par, regardless of their price? What would be the effect on the confidence of the people, and without confidence business never makes progress. From where is the new capital to come to finance reconversion and business expansion? Will we, after this war, be prepared to repeat the experience following World War I, when both the Government and private enterprise loaned billions to Europe for reconstruction and to make a market for American goods? Unfortunately, much of this has never been repaid. Will we accept the goods of foreign countries in payment for the goods we wish to sell them? Will farmers and laborers demand protection for their jobs and shut out foreign goods?

5. The money, credit and banking problem. What is the money, credit and banking problem? The principal assets of banks to pay their demand depositors are Government debts. Bank deposits and cash exceed all peace time needs. A very large part of bank deposits have been created out of Government debt to finance the war needs. The money, credit and banking problem is, therefore, tied up with the national debt problem and its related economic aspects. A solution to one of these problems cannot be forthcoming and succeed without a solution to the other. While we have held prices down, inflation of bank credit and the currency have run wild and every rule of sound banking has been thoroughly violated. Now it must be set right, or the consequences endured. This is not a problem alone by itself. It is a part of the economic and financial organization of problems, all of which are interdependent, and success in managing one will necessarily mean success in managing the others. Failure to successfully manage one of these large problems will mean failure in all of them.

6. Taxes. Taxes to service the national debt and finance the Government and its post-war needs will certainly remain with us. Estimates claim that the minimum needs will be about $20 billion a year. In order to collect this amount of taxes it is claimed that we need a gross national income of at least $125 to $150 billion a year. How can such national income be maintained? If we fail in this matter, we fail in collecting the national taxes to service the debts and pay the Government's bills, and if we fail in these we most assuredly will fail in managing the banking situation and in providing employment. It would seem, therefore, that every inkling of evidence that any law, restriction, price or wage condition that restrained or affected production and trade unfavorably would be removed, and such impediments to raising our national production and income are menaces to our whole system and to our very economic existence. Some of us are still anxiously waiting to understand how this national income is going to be produced in peace time. It seems not worth the space to take up the foolish proposals, such as suggested by those who would remove the interest on the national debt, or even cancel the national debt, or those who say the debt makes no difference—we owe it to ourselves, or those who say we must continue to spend and not save and further increase the debt. Unfortunately, however, these doctrines which would destroy our whole economy have a large following, and it seems highly important that sound national economic policies be promulgated.

7. International exchange and trade problems. Our international trade problems with the rest of the world will be conditioned upon the solution of our domestic economic problems and how other countries solve their money, debt, price and tax problems. Liquid capital will seek safety and quickly flow where it can buy most and have the greatest security. The rest of the world cannot buy from us unless we buy from them.

Our purchases from other countries or our sales to other countries will be very definitely determined by the purchasing power of the respective moneys, price relationships, tariffs and trade regulations. The international gold standard will be restored, but its working depends upon the freedom of the markets. Countries that wish to sell their surplus goods must be willing to buy, and any country that provides for itself an advantage for a short time by cheapening its money is an enemy in the international community, and sooner or later economic maladjustments will prove this, as it has to every country that has depreciated its currency or otherwise manipulated its price and trade relations.

8. Public education for economic democracy. It has been the purpose here to try to indicate that no one of these large economic problems can be solved as separate from the general scheme of economic problems as a whole. The interrelation of all of these economic problems bars the solution of any one of them, either with respect to the United States alone or with respect to the international economic relationships. Do we have a national understanding of these economic problems and how the solutions to each and all of them are interdependent one upon the other, or are we economically unschooled in the management of these problems in a democracy? Unfortunately, a large percentage of the people do not well understand the elementary economic principles of money, credit, price and cost relations, exchange relations between countries, and other fundamental soundness which dominate the whole structure of the economic system and penetrate every economic relationship of production, distribution and employment. If put to a vote on almost any of these problems, the majority of people would vote for what they believe to be to their best interests, but in almost every case would be contrary to their best interests in the long run. The writer has tried this by simple statements of these problems and has taken votes in public audiences including well known clubs, business societies, college students and even college faculties. The conclusion quite evidently is that we do not have any national or international clear cut economic policies which are generally understood by the masses of the people and recognized by them as sound principles upon which we can depend.

Is this true of other countries? It may be true of many other countries, but I believe it is not true of such countries as England and Canada, Sweden and Switzerland, and I know that before the war it was not true of such countries as Denmark, Holland and Norway. It is highly important that we arrive at simple, clear-cut principles which the masses of people will understand and which we know to be sound. For the past hundred years those countries that have based their economic policies and practices upon doctrines in which they have believed have, by and large, followed such principles as those laid down by Adam Smith, John Stuart Mill and David Ricardo. Apparently we have had no such leaders of economic knowledge. At least, none have left their imprint so firmly upon society and upon government policies in this country.

Timber Stock Attractive

Grande & Co., Incorporated, Hoge Building, Seattle, Washington, have issued a very interesting and comphrehensive pamphlet on Weyerhaeuser Timber Company, which offers an attractive inflationary hedge with tremendous post-war possibilities, the firm believes. Copies of this pamphlet may be had upon request from Grande & Co.

Canadian Securities

By BRUCE WILLIAMS

Some interesting figures on Canadian bank earnings were presented in the House of Commons recently by Douglas C. Abbott, Parliamentary Assistant to the Minister of Finance, during the debate on the Bank Act. Mr. Abbott's figures show the net profits of the 10 Canadian chartered banks in recent years in relation to total shareholders' investment or equity.

Aside from Barclays Bank, whose figure of .23% is not representative, earnings of the nine chartered banks last year ranged from 3.36% of total shareholders' equity for Nova Scotia to 4.56% for the Royal Bank of Canada.

Finance Minister Ilsley, in introducing the bill to revise the Bank Act, estimated the shareholders' net income at 5.09% of total shareholders' equity over the last 15 years. However, this higher figure was arrived at on a slightly different basis from those reported by Mr. Abbott, whose figures show the published net profits after making full provision for bad and doubtful debts. Mr. Ilsley's figure included the earnings set aside for losses less the amount actually required to pay those losses.

A significant feature of Canadian chartered bank earnings, as revealed by the figures presented by Mr. Abbott, is the rather substantial decline in net profits in relation to total shareholders' equity since the outbreak of the war in 1939. In that year one bank earned 6.61% and another 5.50% of the total shareholders' equity and six of the remaining eight banks earned between 4% and 5%. In contrast, as stated above, the highest figure last year was 4.56% for the Royal Bank of Canada.

There is good reason to believe that this protracted and war-induced downtrend has about run its course and that the characteristic stability of Canadian bank earnings is about to reassert itself.

* * *

A welcome development to American investors in Canadian equity securities is the important decision by the Supreme Court of the Province of Ontario, denying the right of the province to levy inheritance taxes on Canadian corporate shares registered and located in the United States. The position taken by the court was that the wills of both deceased owners of the shares were probated outside the province and that the Canadian companies in question maintain registrars and transfer agents outside the province, giving evidence that the legal "situs" of the equities was outside the province also.

This decision involved two blocs of shares of International Nickel Co. of Canada, Ltd., and of Lake Shore Mines, Ltd. Not only will these decisions tend to operate to the benefit of American holders of Canadian securities, particularly those of the Province of Ontario, but they are likely to have some influence on the interpretations of Federal and State taxing authorities in this country.

It is expected that the case will be appealed and will be reviewed by the Privy Council. In a 1942 decision, this highest tribunal established the precedent that shares owned and transferable in New York were not subject to "succession duties" in Ontario.

While these decisions help to clarify the Canadian estate tax muddle as it affects American investors, they do not offer a satisfactory solution to the problem. It is to be hoped, however, that the action taken by the Ontario Supreme Court will stimulate the Canadian authorities now at work on an over-all revision of estate taxes to push their efforts through to a satisfactory conclusion.

* * *

Turning to the market last week, activity in Canadian bonds was small with prices firm. There exists a broad demand for Dominion internal issues here which cannot be filled at the moment, although top prices are bid for these issues. The fact that a satisfactory supply of Dominion internal issues cannot be found at even 1/16 off the official rate is one indication of the conviction of investors that the discount in the Canadian dollar will sooner or later be removed and its pre-war parity with United States dollar restored.

There was good demand for Quebec and Saskatchewan bonds at firm prices. A bloc of British Columbia 5s was disposed of quickly at the offering side of the market. **Nothing in the present situation can be perceived which is likely to alter the trend of recent weeks toward general firmness in a market confronted with a steadily diminishing supply.**

Socialized Transport And The Future of Enterprise

(Continued from first page)

of obscuring the true cost of goods and services, a device for making it appear that goods and services cost less than they actually cost and again by discriminatory taxation make it appear that the cost of some things is greater than it actually is, and in general a hocus pocus by which the people as a whole are misled into thinking that they are getting something for nothing.

It is probably true that social progress at all times has been measurable by the extent to which the achievements of the few have been shared by the many, but the phony gains by the method of socialization must be clearly distinguished from the real social dividends made possible by the successive and large reductions in the actual social cost of desired goods and services. They are as different as night and day, as different as a stock dividend which but redivides, and the real thing, income which will buy a loaf of bread. The real social gains from improved efficiency and increased economy are not excusably confused with the gross make-believe gains which are offset somewhere else in the economic system by an equal or larger loss. This sort of social check kiting may work for awhile and on a small scale but eventually there will be a slip up in this robbing of Peter to pay Paul and then Paul won't be subsidized anymore because Peter has given up the economic ghost.

Socialized transport probably means government ownership to most people and obviously government ownership is one of the most common means of socialization, but the full implication and true nature of socialization as the favorite political legerdemain of our times can only be appreciated if it is understood that, (1) socialization may and does proceed without government ownership or operation and (2) that government ownership and operation do not of necessity mean socialization of the goods or services produced. And when the import of this distinction dawns, it will be understood that socialization is the more important, the far more pervasive as well as the less easily detected and resisted means of departure from a system of private responsibility and freedom from economic choice.

We have good illustrations of both in the metropolitan New York area. Subway transportation has been socialized under both private and public operation. On the other hand we can here pay our respects to the management of a great public transport facility, the Port of New York Authority, which has paid its own way and successfully resisted efforts to socialize its services.

It is high time that those who fear for the future of the traditional American system of private enterprise, free themselves of the fixation which the bogy of government ownership is to so many, and become aware of the fact that the ends of socialization are being achieved under many other forms and in many other ways. Also when and if it is realized that government ownership is not necessarily synonymous with socialization, we can free ourselves of stupid resistance to government ownership where and when the totality of all circumstances make it the only alternative, and apply the same energy and attention to seeing to it that unnecessary socialization does not occur under government ownership when it becomes the unavoidable form of economic organization and administration.

If socialization under Government ownership could be prevented much of the socialist fervor for that form of organization would disappear; on the other hand, much opposition to the assumption of certain public functions would also disappear if people were assured that public ownership and operation were not going to be used as a means of socialization of the cost of the service.

Government ownership as such is no longer the sine qua non of socialism. In the step-by-step American trek toward communism the method is socialization under old forms and traditions. We have as yet but little Government ownership in the transport industries in this country, but the socialization of all transport has gone a very long way already and may proceed much further before it takes the form of Government ownership on a large scale. It is not even a foregone conclusion that extensive Government ownership *in form* will be the eventual outcome of increased Government interference in the economic life of the people.

The art of politico-economic revolutionizing has developed remarkably in recent years. The method of indirection has been substituted for the straight-forward proposals of the original Socialist party. The purposeful managers of our transition from the horse-and-buggy era, in which we thought that cost and income should stand in a respectable relation to each other, to the planned economy, in which cost is an afterthought, do not confuse means and ends. Their aims and ends are fixed but the means are alternate. Government ownership is no longer an end—it is a means; the end is socialization. In more recent political practice the highest respect has been shown for the old axiom of statesmanship which the successful founders of tyranny have understood and acted upon in all ages, namely, "that great changes can best be brought about under old forms."

The true nature of socialization is no longer merely an academic question. Those who had most at stake have unfortunately treated it as such. In fact, so effectively have depressions and wars served as false fires and diversions that there is little public realization how far we have been following fellow-traveler as a guide.

There is no fixed pattern and no simple mark of identification by which socialization can be easily recognized. The business man is often confused. Often also he lends his support particularly when the proposal appears advantageous to his particular business. In fact, cupidity among business men as among other citizens seems to be the basis of distinction between desirable socialization and undesirable socialization. It seems for few to be a matter of principle or of the common good in the long run, but simply a question of whose ox is gored now. It certainly behooves the business men who fear the rising momentum of the drift toward a socialized society, to acquaint themselves with its characteristics and manifestations and to forego the opportunities of selfish gain and special advantage when the opportunity comes. Otherwise business, one by one, will fall before the temptation to fatten at the public expense, not realizing that what is doled out with the right hand must be recovered out of the pockets of others with the left, with a fat commission for the service of taking and giving.

The business mind, not trained in the tricks of the semantic shell game by which old isms are sold under new names, is peculiarly handicapped in discerning his own and the public long-term interest. Effective resistance to the onward march of socialization has not been forthcoming because business men in their own interest and citizens generally in the common interest have not been able to recognize the substance of socialization in the forms in which it appears; have been scanning the skies on the watch for a cataclysmic change while the rising tide slowly engulfs them.

After the substantial socialization of enterprise, it will prove to be a relatively simple matter then to eliminate the shell, according to the best of Marxian prescriptions. Only by a critical awareness as to the essential nature and character of the devices of socialization can those who view such ultimate changes in the character of our economic organization with alarm defend the traditional American system of economic freedom.

So much for the necessity of distinguishing between the form and the substance of socialization. What if any are the discernible earmarks and identifying features of socialization? Socialization is not a one or two front attack; its manifestations are numerous and its variations endless, and that is probably the explanation of its siren appeal on one point or another to almost every industry. It is amazing to one who stands somewhat aside, if not aloof, to note the substantial lack of cohesiveness of business in a common resistance to the relentless reduction of the area of economic freedom. The explanation is not only in ordinary apathy but in the fact that each step forward in the socialization of one industry affords some promise of special advantage to other industrial groups; everyone for himself, and the devil take the hindmost remains the code of business action. To the business mind there are two kinds of socialization: that which hits him and that which hits the other fellow, and the latter is of no concern and may indeed have some short-term favorable by-products. The use of the favor and finances of Government by one industry to improve itself in the indirect competitive struggles with another is the kiss of death for individual initiative and private enterprise.

One circumstance, in my opinion, is always present in any scheme or form of socialization, and that is a departure, to a greater or lesser degree, from the responsibility of meeting the full cost of production of goods or services. It is the stubborn fact of cost that stands in the way of making the land of promises come true. Cost is the awkward unyielding fact that makes it impossible to bring the economic dream world into reality. Those who promise miracles ultimately feel the pressure to deliver. Knowing, probably as well if not better than we do, that cost can only be reduced by improved efficiency and increased economy, and that total cost will have to be covered by total revenue, and that there is after all no magic in coal fired into a Government-owned boiler or a higher B.t.u. value in oil from a Government-subsidized pipe line, some method must be found for getting out of the dilemma. The answer is socialization in its broadest sense, and the means for its effective employment is now at hand in the form of the unlimited spending power of Congress, unlimited as to amount and purpose.

The essence of socialization is subsidy. The purpose of subsidy is to avoid the restraining discipline of cost on the character and amount of goods and services produced. Since all would admit that the total cost of all goods and services must be covered by total revenue or price, we can easily see that socialization is a means of making us pay the cost of some goods in the price of other goods, and balancing out with a tax payment which it is wholly impossible to trace or allocate to any particular goods or service. It is a means for making us think some things are relatively cheap and other things are relatively expensive. As a means of economic obfuscation, the theory of socialization is nearly perfect and its practice affords almost unlimited opportunity for political plundering of industry, and with particular ease if one segment of industry allows itself to be played off against others until our entire economic system is shot through with subsidy and counter-subsidy and we are all subsidizing and being subsidized until no one knows, no one can find out, and possibly no one will care, whether the goods and services we want are the ones we are getting or whether our limited resources of materials and labor are being directed to the production of the relative amounts of the goods we want most.

Coming at our subject somewhat in reverse, we have probably made clear why Government ownership as a form of enterprise organization is so popular in some quarters. The appeal of Government ownership is certainly not as an end but because of its usefulness as a means of avoiding the stubborn fact of cost. The greatest attraction in Government ownership is its availability as a means of socializing goods and services by not recognizing their full cost of production, as a means of making goods and services appear to cost less than they actually cost. Government ownership serves as a heavy curtain drawn between the to-be-seen and the not-to-be-seen costs. Witness, for example, the almost desperate efforts of the sponsors of publicly-owned utility operations to avoid responsibility for the full cost of the service so as to make a favorable comparison as to rates charged. You may recall the testimony of a director of a large Federally financed electric undertaking in answer to the question: do you include interest on the investment in calculating your cost, to the effect that interest was not included because no interest was *paid*—the United States Treasury paid the interest.

Private enterprise, in contrast, must respect its most critical and severe master, the cost for which the consumer is willing to reimburse the producer. Private enterprise is under considerable pressure to try to remain solvent, to balance cost and income. Intelligent private enterprise attempts to recover its costs from the purchasers of its products in such a manner as to interfere the least with the widest possible use of those products and services which can be made to pay their way, i.e., to meet cost but let cost interfere as little as possible with the widest range of social economic service.

An honest price system is an indispensable requisite, to the successful and continued operation of a system of free enterprise, for the heart of a system of free enterprise is the freedom of choice among consumers as to how their claim on the social income shall be met. Prices which do not reflect the present comparative cost of goods and services available to the consumers are economically dishonest prices because they mislead consumption and destroy the ability of prices to function as the guide posts or quotation boards of the economic system, directing consumption to the more available goods and away from the less available more costly goods.

Thus the true social concern about the effects of socialization are not really as to the comparative merits of the scalped or "scalpee" or the ethics of legalized robbery, but with the effect of the destruction of a price system which operates to achieve the largest overall economy and the substitution therefore of prices which have no meaning as reflectors of comparative social cost. From the long-term public point of view I would view public conduct of essential services on the business basis of meeting all costs with less alarm than a widespread system of subsidies and counter subsidies of private enterprise in form, with all the Government interference which such a partnership brings. There is, however, little probability that we shall have such an option, for Government ownership without socialization of cost will evoke little enthusiasm and keep very little support, and the ultimate outcome of extended socialization of cost under private ownership in form will be an extension of the area of public ownership and operation.

Socialization of transport is a particularly significant aspect of the general trend away from a free economy in this country. In some sense all economic activity is interdependent, but upon no industry, is all other industry so substantially and continuously dependent as on the transportation industries. Therefore what happens to transportation is not only and merely important to that industrial group, but to all business and all industry. In the same way we find all types and kinds of industries important to our national economy, but no other industry of the pervasive and intense significance of transportation.

This audience does not need to be told of the significance of the cost of transportation to industry and businesss in general or of the even greater significance of stable and non-discriminatory rate structures and possibly also understands that a less than perfect old rate structure to which business location and markets have adjusted themselves may be better than the perfection of a change which disrupts relationships of long standing on which the value of large past expenditures depends. All of that simply means that the socialization of the cost of transportation, by whatever means achieved, can have more far-reaching results than similar developments in any other industry. We are all aware of the great sensitivity of industry in general to changes in relative transportation costs and therefore realize that relatively minor changes can have large-scale economic repercussions in general industry.

The very dependency of industry on transport calls attention to the possibilities of economic regimentation through socialization, with or without Government ownership, of the agencies of transportation. Now that we have a firmly established monopoly of credit in the Federal Government, all that remains to perfect the means of general industrial regimentation is a monopoly of transportation.

Socialization in transport, or any of the major means of transport, leads readily to transportation monopoly. As long as there is private ownership in theory and in fact, public policy resists integration, even demonstrably desirable and economic integration, but when Government interest in any agency of transport becomes proprietary the attitude changes. Assume, for instance, Government ownership actual or in effect, of the railroad industry. How long might the other agencies of transport expect to enjoy the freedom of competition with a Government-owned railway? I know of no country in which Government-owned agencies are willing to face the competition of alternative modes of transport; often, indeed, even private transport is restrained and restricted in favor of the social monopoly. Governments, like gods, are jealous. Government ownership of one means of transport is most likely followed by Government ownership of all competitive public means of transport or the imposition of such restraints and controls as will amount to the same thing. It is an old adage of political economy, where Government steps in, enterprise steps out. No business can compete with governments of unlimited spending power, and no business can long or effectively compete with other industries operating with the benefit of socialized cost.

The moral of the story, of course, is that those industries which, with the benefit of socialized cost, undermine the independence and integrity of competitors so that Government ownership comes per force of necessity, are arranging for their own early demise.

Brewster "Sit-In" Protest Ended As President Roosevelt Asks New Contract

The "sit-in" demonstration, in which more than 5,000 employees in Long Island City, N. Y., participated in protest against the recent cancellation by the Navy of its Corsair fighter contract with the Brewster Aeronautical Corp., and which lasted for two days, ended on May 30 following Government assurance that new work would be sought for the corporation, an Associated Press dispatch says. Approximately 3,300 workers employed in the Brewster plant at Johnsville, Pa., also obeyed an order of their union representatives to end their "sit-in" demonstration. The Brewster contract for production of Corsairs will be terminated at both plants as of July 1.

James F. Byrnes, Director of the Office of War Mobilization, ordered the Joint Contract Termination Board to meet on June 1 to determine whether any procurement agencies have contracts that might be placed with the Brewster concern and also to devise a procedure for handling such cases in the future. He further asked the board to see to it that the requirements of all procurement agencies first be canvassed before terminating contracts affecting whole plants, and that steps be taken to "insure adequate notice" to such plants upon contract termination.

President Roosevelt said he had asked the Navy and other government agencies to determine whether they could give further contracts to the Brewster corporation, according to the Associated Press dispatch, which further added:

"President Roosevelt declared the action in halting plane building by Brewster was taken for economic reasons, but that possible insufficient notice had been given.

"The plant meanwhile continued in operation with workers not scheduled for layoffs staying at their posts on their regular shifts."

Further reference to termination of Navy contract will be found in last week's "Chronicle", page 2159.

"Hard Money" Examined

(Continued from page 2260)

would be folly if we sought the panacea for the deep-seated international economic disequilibrium solely through monetary policies."

Notwithstanding these views Dr. Chen, this writer is quite willing to grant Mr. Brownell that there exists among the uneducated masses in India, China, and various other peoples — such as the Indians of Latin America—a desire to own silver. Some may desire it as currency or as a store of value; others, primarily in articles of personal adornment. Such people, however, are accustomed to changes in the price of silver and I am not aware of any demands from them that the price be pegged through bimetallism or otherwise. The cheaper and more plentiful silver is, the more they can acquire.

It is quite easy to supply this desire for silver without putting currencies on the silver standard, without pegging the market price of silver, and without introducing international bimetallism. For many years before the war Indians and Chinese bought silver without any such governmental arrangements.

For the sake of the argument, grant Mr. Brownell that the Chinese Government after the war goes on a silver standard and seeks to acquire silver. Would it not be throwing obstacles in her path for us to adopt Mr. Brownell's policy of making silver dearer and harder to get? Would we not rather help China get silver if we lowered our selling price for silver, or if we lent China the silver, or gave China silver? Perhaps this is in any case beside the point, for when this war ends China will probably be less willing to devote precious foreign exchange to buying silver, and more desirous of buying rehabilitation and reconstruction supplies.

For whatever it is worth in this connection, we may note that China is one of the countries reported as subscribing to the United Nations currency-stabilization plan of April 1944, a plan which expresses the intention to fix the par values of members' currency units in gold.

In citing the traditional Chinese and Indian liking for silver, Mr. Brownell lays special emphasis on the fact that those peoples constitute a great part of the world's population. After telling us that the peoples of not only Asia, but Africa as well, are "silver using," he states:

> The average Asiatic does not aspire to the possession of gold, which is beyond his reach. Silver is what he wants, because silver is the gold of the masses. Any post-war monetary system must recognize the situation of these people, who constitute approximately 1 billion human beings, or nearly one-half of the estimated population of the earth.

Not only can the Chinese and Indians more readily supply their silver wants at a low if fluctuating price than at a fixed and high one such as Mr. Brownell's $1.29-an-ounce plan, but they can do so, in the future as in the past, without international bimetallism. If they do not ask for bimetallism or for the silver standard, it is not up to us to adopt it for them. In any case, Mr. Brownell seems to overstress the economic importance of the Asiatic half of the world's population. In 1936—the last pre-war year in Asia—their international trade constituted only 13% of the world's foreign trade.[2]

(2) **The "shortage of gold."**—The "shortage of gold" argument now being used featured the silver discussions of the last century. It was given wide circulation by Mr. Brownell during the silver agitation of the 1930's. It is not a new argument.

Whether there is "enough" gold depends on the purpose one has in mind. Certainly there is not enough gold to supply a 100% reserve for every dollar of United States currency outstanding and for every bank-deposit dollar subject to check. Outside the United States this is equally true, for some countries have little or no gold at all. Can there ever be "enough" gold to satisfy anyone who has a "good as gold" substitute to sell?

Mr. Brownell supports his contention of the inadequacy of physical gold by quoting some 1930 predictions of the League of Nations gold delegation as to a gold shortage. What the gold delegation's unrealized predictions mean to this writer is, chiefly, that predictions are risky. The gold delegation could not foresee the steps that would be taken to economize gold, including the increase in price enacted by various governments. Similarly, we cannot today rely too much on Mr. Brownell's predictions.

The accompanying table compares the 1930 predictions of the gold delegation, covering world gold production, including the important gold-mining U. S. S. R., and 1943 estimates of the Federal Reserve Board for the same years, omitting U. S. S. R. data. Despite this important omission and despite the retarding effects of the war on gold mining, the actual output in 1940 was 130% greater than the gold delegation had forecast.

2 According to Foreign Commerce Yearbook data.

Gold production—Forecast and fact

Year	Estimated world gold production, in millions of 1944 dollars, according to— Gold delegation of the financial committee, League of Nations, 1930 (including U.S.S.R.) 1.	Federal Reserve Board (excluding U.S.S.R.) 2	Year	Estimated world gold production, in millions of 1944 dollars, according to— Gold delegation of the financial committee, League of Nations, 1930 (including U.S.S.R.) 1	Federal Reserve Board (excluding U.S.S.R.) 2
1930	683	432	1936	671	1,153
1931	679	461	1937	662	1,229
1932	693	498	1938	649	1,320
1933	688	525	1939	625	1,384
1934	681	958	1940	625	1,437
1935	673	1,050			

1 These figures taken from C. O. Hardy's Is There Enough Gold?, Bookings Institution, 1936, p. 85, and here converted into dollars of the present weight, i. e., 1 ounce gold equals $35.

2 From Banking and Monetary Statistics, 1943, p. 543.

In 1932 Mr. Brownell himself made some predictions when testifying in Washington in behalf of silver-purchase legislation. He then stated:

> The more one studies the situation of gold, the more one is convinced of the grave danger that the future production of gold will not be in quantity anything like as much as it is today. And that is regardless of the fact that in the next 1, 2, or 3 years the production of gold will increase to some extent.

And as to China and the silver standard Mr. Brownell predicted:

> It is highly improbable, if not impossible, within the next 100 years, to get India and China to abandon the use of silver.

The silver-purchase law Mr. Brownell wanted was soon afterward enacted. But the above predictions were not realized. The mine production of gold was greatly increased by early developments Mr. Brownell could not foresee. And, within 3 years of his prediction, China gave up the silver standard, being driven off it by the very American silver-purchase legislation for the enactment of which Mr. Brownell so busily worked. Only a few years later the Government of British India found the people willing to accept a large reduction in the fineness of the silver coins.

Dr. C. O. Hardy, the well-known economist who in 1936 wrote for Brookings Institution a study called Is There Enough Gold?, in 1944 has the following to say on this question:

> All fears are over with respect to the adequacy of the total gold supply to meet total demand for monetary reserves or for international payments. In the late twenties there was much anxiety lest within a few years a dwindling supply of new gold, combined with rigid reserve requirements, would put deflationary pressure on all the monetary systems. The writer has elsewhere indicated his grounds for concluding that even under the conditions that existed in 1925-30 the facts did not warrant any such apprehension. In any case it is clear that such apprehensions are not likely to revive within the next decade or two, unless the whole level of incomes and prices rises far above present levels. In the past decade the monetary gold stock of the world as measured in dollars has trebled, partly by upward revaluation, partly by transfer of large amounts of gold from the hoards of India into the reserves of the western world, and partly by an enormous increase in the scale of production. In 1930 the gold reserves of central banks and governments amounted to something over 10 billion dollars, or about 17 billion dollars at the present price; now they total over 32 billion dollars. Gold production amounted to 1,250 million dollars in 1941 as compared with about 600 million (at the present price of gold) in 1926-30. The most noteworthy increases of output were in the United States, where production doubled between 1934 and 1940, in Canada where the increase was nearly as great, and in Russia.[3]

Since the last real use for gold is to settle adverse international balances, of which we have none, and since our gold stock is several times as valuable as it was when gold coin still circulated here, our $22,000,000,000 gold stock ought to last us quite a while.

For the United States, which supported a great boom in the 1920's on a $4,000,000,000 gold stock, our present holdings certainly are not too little. Besides, since the 1920's we have found various devices for economizing the use of gold. So when Mr. Brownell says there is not enough gold, he surely canot mean here.

Have we, then, too large a fraction of the world's monetary gold? Putting an increased value on the world's silver, as Mr. Brownell desires, whether by international or by United States action alone, will not correct the concentration of gold here. Rather, it will increase the existing idle concentration of the bulk of the world's silver here, a concentration itself the result of earlier silver-purchase acts. In other words, a higher United States Treasury price for silver, under the device of bimetallism, far from correcting the concentration of gold here is certain to follow the pattern of the Silver Purchase Act of 1934 and concentrate still more of the world's silver here.

3 From the Post-War Role of Gold, by Charles O. Hardy, Vice President, Federal Reserve Bank, Kansas City, pp. 12-13. The Monetary Standards Inquiry, No. 8, New York, January, 1944.

(3) **The price of gold.**—Mr. Brownell states that an increase in the price of gold would be equivalent, in dollars, to an increase in the supply of that metal, but he is opposed to such a course for the present. Perhaps he has that in mind for a later date. He gives us this impression when, in discussing an increase in the price of gold, he writes that it "should only be done when clearly necessary." He seems willing enough to have the price of gold increase, once bimetallism is established, "should that [gold price increase] still seem desirable for the purpose of affording a sufficient amount of hard money." From the viewpoint of a gold-and-silver mining company this is an understandable flexibility of attitude. But from the standpoint of a theoretical bimetallist who elsewhere argues that the prices of gold and silver should be "pegged," this flexibility is utterly inconsistent.

As a mining man Mr. Brownell is rightly interested in the long-run future of gold. He asks how long mankind will preserve its belief in the value of gold if it is no longer in circulation and in common use as money. The fact is that almost everywhere a generation has been growing up that has not seen a gold coin in use—in the United States, in Britain, in Europe generally, in the Union of Soviet Socialist Republics, and in most other countries. If the people of the world do indeed change their views about gold, what of it? Most of us in this country have discarded red-flannel underwear. Should we pass a law making red-flannel underwear compulsory for all, just because a few do not wish to change?

The fact is that, with us, gold has practically but one real remaining monetary use, the "settlement of international balances." It still has an important psychological value when mentioned in connection with monetary and banking statistics. But in this country gold is no longer the individual's medium of exchange or store of value. Even in jewelry and dentistry it has been losing out to other metals.

(4) **Stocks of silver abroad.**—Mr. Brownell states that bimetallism can be launched with an estimated 6,000,000,000 ounces of monetary silver in the world, plus an estimated 5,000,000,000 ounces of nonmonetary silver that at a sufficiently attractive price might be sold by its present owners and so become monetary silver. As to the theory that there exists a very great store of old silver which could be readily melted down and turned into money, Mr. Dickson H. Leavens, long a student of the silver question and author of the book, Silver Money, in March this year expressed a contrary view. He sees no "great likelihood of large additions to monetary stocks" from such a source.

Mr. Brownell estimates that there is 6,000,000,000 ounces of monetary silver in the world. There is in this country alone—according to the Treasury Department — 3,193,000,000 ounces. Compared with the latter, we have Leavens' estimate of monetary silver in the world in 1933—4,940,000,000 ounces. On this basis, apart from any changes in the past decade, there is only about 1,750,000,000 ounces of monetary silver abroad. Most of our stock consists of bars or $1 coins stored indefinitely in Treasury vaults. The smaller part of our vast silver hoard is in circulation as fractional currency, plus a sprinkling of dollar coins. Abroad no government I know of holds an idle silver hoard. Whatever the amount of monetary silver held abroad may be, practically the whole of it is sure to be in active internal use as coin and therefore unavailable for use to settle international transactions under a bimetallic system. If we adopt a course that materially lifts the price of silver above the present United States-controlled level, foreign silver coins may be melted down again and shipped here, but only if they are replaced by fractional money of some other kind, including perhaps paper notes, the disadvantages of which Mr. Brownell carefully details. If there is a great amount of silver abroad in monetary use as subsidiary coin, either it will remain in such use, or it will be attracted here. In neither event will it contribute to true international bimetallism.

(5) **One-country "international" bimetallism.**—While the announced aim of many prosilver proposals is international bimetallism, their advocates are usually quite ready to accept something short of it, provided only the price of silver is enhanced. "Bimetallists" have various suggestions as to the ratio at which they want silver pegged to gold—16 to 1 or the like—but I cannot recall one who suggests taking as a bimetallic ratio the existing market ratio. Rather, they always demand a ratio that will lift the price of silver above its current price, as if you could not have bimetallism at the current price of silver as readily as at a higher price.

Throughout his recent pamphlet, International Bimetallism, Mr. Brownell lays special emphasis on the word "international," and in his newest pamphlet, Hard Money, he develops at length a line of argument which he calls "supplementing gold by **international** bimetallism" [bold mine]. Yet, as I see it, the give-away is when he states the fact that the job can be done "by **one** or more prominent nations." He suggests the United States and Great Britain. Just as in the 1930's the few avowed bimetallists and silver advocates were quite content in the end with a mere subsidy to silver sellers, so in my opinion they today seek merely to insure and improve the existing subsidy, for they are well aware of the congressional attempts to repeal the silver purchase acts now on the books. What in reality is being suggested, then, is protection of these acts. They are suggesting not enhancement and stabilization of the price of silver by true international action, which is unobtainable, but enhancement and stabilization of the world price by the United States Government alone. Only the United States would entertain such an idea.

We have had one recent experience with international action on behalf of silver: The London Silver Agreement of 1933. Eight governments were parties to that agreement, which was devised by Senator Key Pittman, of Nevada. The purchase of silver by five of these governments tended to raise the price of silver over a 4-year period.[4] Most of the silver bought during those 4 years was bought by the United States Government. The Mexican Government, also a party to the agreement, bought the second largest amount. And when the 4 years were up, the United States Government bought from the Mexican Government its full 4 years' accumulations, and paid it a profit of 9 cents an ounce to boot. An international agreement on silver could be obtained today only at our expense and would leave us holding the bag again. There is no demand from foreign governments for bimetallism, unless perchance the Mexican Government has made one, unannounced.

In connection with Mr. Brownell's willingness to see the United States institute bimetallism all by itself, it is worth recalling that in

4 For details concerning the London Silver Agreement, see my article. The Silver Episode, in the Journal of Political Economy, October and December 1938.

the last century, while there was still a chance to get an international agreement on bimetallism, the pressure of western mining interests and their willingness to see this country do it all alone led the European nations to step aside and let us do it all alone.[5]

The argument for bimetallism seems to assume that the American Congress can legislate into the people of the world a desire for silver. If this argument is really meant to be taken seriously, a good ansewer to it is contained in an editorial in the Wall Street Journal of September 28, 1942, which states:

> The cessation of free coinage was a governmental action. The rejection of silver as an ultimate price unit was the cause of the governmental action and was an instinctive reaction of the people itself. The people detached silver from gold as a full monetary metal and the governments merely registered that decision. * * *
>
> Governments, in short, do not make a metal a true monetary metal; only the people's consciousness can do that.

(6) **A higher price of silver through bimetallism.**—That Mr. Brownell has in mind a higher price of silver is clear from his pamphlets. In Hard Money he suggests $1.29 per ounce for silver because it "would fit most readily into various United States statutes." It would also, we may note, help the earnings of the American Smelting & Refining Co., but Mr. Brownell, its chairman of the board, does not mention that. The present price of silver, which was established by our Government and which rules in the world markets because we are the residual buyer, is only 45 cents an ounce. For years before the war this Government kept the price of silver artificially high.

Incidentally, the suggested price of $1.29 an ounce, high as it is, is modest compared with the $1.75, $3.50, and $5 an ounce, suggested by Mr. Brownell last fall in his pamphlet, International Bimetallism.

For us to confer upon silver, by the device of bimetallism or any more obvious Government subsidy, value which that metal does not unaided obtain in the market place, is just a way of cheapening the dollar. We make the dollar easier for silver sellers, including silver-mining interests to acquire. If we are to supplement our already immense gold stock artificially, why not frankly inflate in a manner that will not limit the benefits of the dollar cheapening to just those who have silver to sell? (I am not here advocating cheapening the dollar.)

Mr. Brownell strangely complains that the American Government "will not freely sell [silver] at the buying price" and has changed the buying price at times. We should note that the Silver Purchase Act of 1934, passed to appease the unappeasable silver bloc, forbids the sale of silver under present conditions. To obtain the silver bloc's consent to a temporary war measure — endorsed by the Army and Navy—permitting the sale of only some of the Treasury's idle silver bullion to metal-starved war industries took more than a year of struggle with congressional silver interests, and then the price was fixed more than 40% higher than the Treasury Department had recommended.[6] The changes in the price of silver Mr. Brownell mentions so regretfully were occasioned by the greed of silver interests and its aftermath.

Again, Mr. Brownell states that "the price of silver was never stabilized nor pegged by any nation." Yet, within three paragraphs he admits "that the United States alone, ever since 1934, has maintained a **pegged minimum** price of gold and silver." The fact is that the world price of silver has been controlled by the United States Treasury ever since it commenced operations under the wasteful Silver Purchase Act of 1934. Moreover, every country that ever had bimetallism automatically pegged the price of silver within its own borders.

Mr. Brownell cites the high recent quotations on gold and silver in India and elsewhere abroad as equivalent to a discount on the United States paper dollar. It needs to be understood that these high prices reflect the wartime restrictions on bullion, trade, and other movements and represent the local situations of the time. For example, a premium on gold in Bombay reflects such developments as: The limited supply of gold available on the market; the abundance of rupee funds created by expenditures of British and American forces in India; agricultural, political, and military developments; and the like. One might even conclude that the price of bullion in Bombay is the local market's estimate of the post-war depreciation of the rupee—a local discount on the paper rupee—but not on the United States dollar. No one should expect the price of bullion or anything else in wartime to be the same all over the world, when whole areas are isolated.[7]

Referring to Britain's adoption of the gold standard in 1816, Mr. Brownell wants us now to "correct a mere accident of history." He tells us that before 1800 bimetallism prevailed generally; after the Napoleonic wars, England adopted the gold standard, "in the horse and buggy age." Yet Mr. Brownell wants us now to go right back to the horse and buggy age by adopting bimetallism.

Mr. Brownell argues that sooner or later "over centuries of time" governments and their paper moneys end, but that gold and silver survive all such vicissitudes. If bimetallism is being offered as insurance against the demise of this nation, count me out.

Or does Mr. Brownell want me to have an opportunity to hoard gold and silver coins? Even if the nationalization of gold were revoked and gold coins issued, I should continue fearful that Uncle Sam would later change his mind and again take away the people's metal.

(7) **Other arguments—Subsidiary coins.**—Mr. Brownell's treatise makes a novel and special point of the supposed virtue, under his plan of bimetallism, of subsidiary coins having the same "intrinsic value" as face value. Such full-value subsidiary coins, he asserts, are "necessary." The obvious fact is that people pay no attention to the intrinsic value of their subsidiary coins in this country, which is the only country with which we need to be concerned. In every country a certain minimum amount of subsidiary coins is indispensable for everyday business, and up to that minimum the coins may be made of any metal at all and they will pass at face value. To put more "value" in them than is necesary would be simply wasteful. If some backward people in a foreign country do not trust their own government's subsidiary coins or paper currency, surely it is not our business to step in and rearrange matters. That is entirely a matter for the nation concerned.

"Poor man's gold."—One of Mr. Brownell's arguments for bimetallism is that it would protect the interests of the "poorer classes," but his reasoning here is hard to follow: The "poor man" argument is an old one and sounds philanthropic enough. Through bimetallism Mr. Brownell says we would avoid "depriving most of the poorer classes of the protection of gold." Instead, bimetallism would stabilize the price of silver and thereby "satisfy the needs of the poorer classes and of silver-using peoples." This is all rather meaningless.

If by "poorer classes" Mr. Brownell refers to Americans. I can see no possible relationship between their welfare or happiness and a stabilized price of silver. In any event, the price of silver already is being stabilized under the indefensible silver-purchase legislation which continues on the statute books.

If Mr. Brownell is today concerned for the silver-using people of China and India, I wonder what he thinks of the depression and distress which the greed of the American silver bloc inflicted on China in 1934 and 1935. At that time this Government boosted the price of silver until the silver coins of more than a dozen foreign countries were drawn to the melting pot and exported to us as bullion. I do not recall that any bimetallist then offered a protest on behalf of the poor man. Instead, when China officially protested, Senator Key Pittman simply wired Washington that nothing must be done to interfere with the prosperity of the western silver States.

Bimetallism and a dollar bloc.—Mr. Brownell says that, if we adopted bimetallism, Latin America and many other nations would tend to tie their currencies to the dollar. We should note that this is already the case in many instances. Adoption of bimetallism by us would have nothing to do with this situation. Currencies are linked by reason of important economic or sometimes political relationships, but between independent countries they cannot be tied by mere unilateral legislative action alone. We could and do peg the foreign-exchange value of the pound sterling in terms of the dollar today, but only at much cost in lend-lease and other aid.

As for the argument that, if we adopt bimetallism other nations will follow our example, we need only recall our sad experience with the Silver Purchase Acts of 1878, 1890, 1934, and 1939. No one followed our example.

Bimetallism and security of loans.—Mr. Brownell's contention that with bimetallism in force we "could then safely make supervised loans to other nations, to enable them to stabilize their currencies" I cannot follow. We could do that quite as successfully or unsuccessfully without bimetallism. Under bimetallism, Mr. Brownell adds, "It would become possible for the United States safely to assist in solving the otherwise very difficult problem of London's blocked sterling foreign balances." If it is so utterly simple, why did not the British originate the Brownell plan? I see no relationship between the bimetallism proposal and the questions of post-war reconstruction loans or blocked balances.

Political pressures. — Mr. Brownell states that silver "would be real hard money as good as gold" and not subject like managed currency to "political and other pressures." Well of all things! And this from such a close and active friend of silver!

Conclusion

The one-country "international bimetallism" which Mr. Brownell would have this country adopt by congressional action in the last analysis boils down to simply this: A unilateral stabilization of the world silver market after the war at a price of silver sufficiently high, in my judgment, to put the white metal out of the reach of the only peoples who may still desire to own some of it and instead to attract to the vaults of the United States Treasury whatever silver the outside world and our own silver-mining interests can scrape up and sell.

[5] See Henry B. Russell, International Monetary Conferences, New York and London, 1898, passim.

[6] Mr. Brownell himself came to Washington and "objected to the price" the Treasury had recommended.

[7] See my article on the gold premium in the Commercial and Financial Chronicle of Apr. 27, 1944.

Roosevelt Takes Issue With Churchill On Spain

President Roosevelt on May 30 at his press conference took issue with Prime Minister Churchill's conciliatory attitude toward the Franco government of Spain as voiced in his speech to the House of Commons on May 23. Mrs. Roosevelt also at her press conference the same day likewise dissented from the views of the Prime Minister, as to which we quote the following from advices May 30 to the New York "Herald Tribune" from its Washington bureau:

Whereas Mr. Churchill had said, "I am here to speak kindly words about Spain," President Roosevelt indicated dissatisfaction over Spain's role as a neutral in the war. Although movement of material, such as wolfram, to Germany from Spain has been reduced, the President said in his judgment Spain had not sufficiently reduced the volume of the shipments. Saying he did not want to make an issue of the point, he remarked in answer to a question that there had been no essential change in our relations with Spain.

Mrs. Roosevelt, at her morning press conference, was asked her opinion of Mr. Churchill's theory that Spain's attitude in ignoring preparations for the North African invasion compensated for the shipments of wolfram shipped to Germany. Mrs. Roosevelt's cryptic comment on Mr. Churchill's general attitude toward Spain was, "Mr. Churchill has thought that way for 60 years and that's the way he thinks on Spain, and I don't think he wants to change."

She did not define just what she meant by Mr. Churchill's thinking for 60 years, but she spoke forthrightly with a slight touch of sarcasm. The Commons speech in general, she said, was "very characteristic of Mr. Churchill."

The Prime Minister's attitude toward Spain—his apparent lack of interest in Spain's internal policies—has been severely criticized in many quarters. Also Great Britain's lenient attitude toward Spain has particularly irritated American officials who, it was learned, gave Britain a free hand with Spain, while the United States took a similar course with Argentina. American-Argentinean relations have not been as satisfactory as Britain's with Spain.

Although she was not commenting on Mr. Churchill's speech, Mrs. Roosevelt discussed the effect of the threat of unconditional surrender of the Nazis. She said that regardless of the terms of the surrender, the Germans feared more than anything the rage of the persons freed from the now occupied nations. Russia, she said, "will be more bitter toward Germany than either Great Britain or the United States and Germany fears her most, because Russia has been occupied, whereas we have not."

The Post-War Period Of The Railroads

(Continued from page 2255)

Revenues) of between $4½-$6½ billions!

In arriving at the Gross Operating Revenues level for the Post-War Period, consideration must be given to Mail, Express and Dining Car Revenues, Incidentals and Passenger Revenues. In order to be ultra-conservative, let us leave out entirely **ALL** Mail and Express Revenues (ceding them to the Post-War Aviation enthusiasts), at the same time discarding **ALL** Dining Car Revenues and Incidentals. In connection with Passenger Revenues, let us deflate the current approximate $1.7 billions level to the 1938 level of around $500 millions — thereby giving heed to the Aviation and Omnibus Post-War zealots!

Thus, we would discard **COMPLETELY** all Mail, Express and Dining Car Revenues, together with Incidentals, and also yield $1.2 billions of the present level of Passenger Revenues, thereby leaving only $500 millions (the 1938 depression-year rate of Passenger Traffic to be added to the previously-arrived-at Freight Revenues minimum-maximum of $4½-$6½ billions.

In other words a Post-War level of Gross Revenues for the Class 1 Roads of between the limits of $5.0-$7.0 billions finally results.

See how this amount checks with other estimates, reached by using other bases of statistical approach!

The speaker holds that the **MEAN** of his minimum-maximum levels, of $6.0 billions, is a figure that should be used in future calculations, since it is held to be most conservative — especially in the light of the knowledge that not **ALL** Mail, Express and Dining Car Revenues will be lost; furthermore, it is inconceivable that Passenger Revenues **IN THE EARLY PART** of the Post-War Period will sink to anywhere near the 1938 level!

Comparison of such potential $6.0 billion level of Gross Revenues with "highs" for years to date since 1926, shows clearly the fallacy of any doubt concerning the vitality of the railroad industry in the Post-War Period:

A $6.0 billion annual Gross would approximate the four-year showing of the pre-depression years 1926-1929, inclusive, AND BE THE HIGHEST OF ANY YEAR TO DATE SINCE 1929, excepting the two War-Influenced years of 1942 and 1943! As a matter of fact, such a $6.0 billion Gross showing would be somewhere near midway between the 1941 and 1942 levels!! . . .

Naturally, the question will arise, granted such a "Gross" showing, how about the effects of higher costs (especially wages) and taxes on "net"?

A real study of the factors contributing to efficiency, among others, will disclose the following selected observations:

Year	Miles Operated	Rev. Ton Miles in Billions	Frt. Cars	Locomotives Operated	Avg. Capac. Frt. Car	No. of Employees	Ton Miles Per Employee
1916	254,037	362,444	2,329,476	65,595	40.9	1,647,097	220,000
1943	229,085	727,048	*1,746,995	*41,907	50.8	1,355,129	536,000

*As of Oct. 1, 1943.

This efficiency should be very closely correlated with the record for 1916-1943 of the Annual Average Compensation Per Employee, which discloses:

	Hourly Wage	Wage Per Year
1916	28.3c	$892
1943	92.5c	$2,605

The offsetting influence of **far greater efficiency of operations** against steeper hourly and annual wage payments, is **INDELIBLY** proven by the following observations:

(1) In the period of 1916-1920, inclusive, which includes Government operation, the ratio of wages paid to annual gross revenues rose from a low of 40.8% to a high of 59.9%.

(2) **Following the return of railroad operations to private hands, the ratio quickly declined to 50.1% for 1921, and for subsequent years 1922 through 1929 NEVER EXCEEDED 47.7% NOR FELL BELOW 46.1%.**

(3) This eight-year record of excellent control was naturally interrupted by the early influences of the succeeding Business Depression, wherein for 1930 the ratio rose to 48.3% and further to 50.0% for 1931;

(4) But, in 1932 the exercise of control once more made its influence and together with the influence of a 10% wage deduction —effective during 1932 and 1933 —the ratio dropped back to 48.4%, following which the range for the years 1933-1937 inclusive never varied beyond 47.7%-45.4%, despite the return of 25% of the wage deduction on July 1, 1934, another 25% on Jan. 1, 1935 and the remaining 50% on April 1, 1935;

(5) In 1938, yet another recurring depression year, the ratio fell "out of bound" for just the one year — to 49.0% — influenced, no doubt, by the 7% wage rise effected in late 1937;

(6) But in 1939, the ratio dropped back to 46.6%, followed by 45.7% for 1940, 43.7% for 1941, 39.3% for 1942 and 39.0% for 1943—the latter showing notwithstanding the wage increase and retroactive wage awards granted late last year!

Certainly, this ability — outside of occasional lapses until the "reins had been pulled in" — to govern the ratio of wages paid to gross revenues for the past 28 years is no mere "happening," nor "chance showing"!

Contributing factors include a more intensive use during the recent years of Centralized Traffic Control, aluminum-alloy freight cars, Diesel engines, together with intensification of the policy of eliminations of curves and grades, laying of heavier rail and treated ties, strengthening of roadbeds and buttressing of bridges. Greater concentration along these lines is confidently expected in the Post-War Period; moreover, in this connection, your speaker could devote an hour alone to the "things to come" in the realm of innovations in passenger travel which he has witnessed with his own eyes, aside from that which he has heard about from qualified informers, concerning the speed, comfort and probable lowered fares in the Post-War Period.

Management which in 1943 handled **DOUBLE** the number of passenger miles carried in 1916, did so under the handicap of operating with only 44,000 passenger carrying cars (including Pullman) in 1943, contrasted with 62,606 **SMALLER CAPACITY** units in 1916; more than which management also learned in 1943 **HOW** to handle **DOUBLE** the ton-miles transported in 1916, with only 1,746,995 freight cars (as of October 31, 1943), or 75% of the 2,329,475 freight cars available in 1916, at the same time using (as of October 31, 1943) only 63% of the locomotives in service in 1916!

This new experience will not have been forgotten so quickly! . . .

Concerning taxes, much emphasis has been laid on the steep increase in accruals by the carriers of late, and the stupendous rises shown are perfectly true.

However, the speaker maintains that the carriers as an industry are not without some relief; credits from abandonments or retirements of property and equipment are factors of no small importance; use of the capitalization base in computing Excess Profits Tax Credits is a cloak of considerable relief; ability to purchase and retire debt at a large discount from parity **TAX-FREE** through the year 1945 is an allowance of great significance; permission for reorganized roads to figure their Excess Profits Tax based on the investment of the predecessor company is a boon enjoyed by the carriers solely until this year.

Looking to the future, when earnings drop below the Excess Profits Tax Exemption the ability to draw down a portion of those large Excess Profits Taxes heretofore paid, in many cases results in many roads being able to show Fixed Charges **COMFORTABLY EARNED,** even though the balance available prior to such "throwback" was barely equal to or even as much as 25% below the requirements.

Time does not permit a thorough analysis of this subject, but let us examine just two Roads with a record for large past Excess Profits Tax payments, as an example:

As the first illustration, your speaker uses the Chicago, Burlington & Quincy: for 1943 earnings available for fixed charges **before all taxes** covered Fixed Charges 9.05 times; coverage **after all taxes** was 4.15 times. It is indicated that 1944 results will be approximately the same, if not a trifle higher. If the earnings in 1945 or 1946, or both years, decline to the extent that annual Fixed Charges are just covered, the carryback provisions of the Revenue Act of 1943 would entitle the Road to a refund of an amount which would result in a coverage of Fixed Charges on a recalculated basis **after Federal Income Taxes** of about 1.75 times. On the other hand, were the earnings to decline for either or both of such years so substantial that the available balance for fixed charges equalled only 75% of the Fixed Charges (before recalculations), the carryback provision would allow for a Fixed Charge Coverage showing of nearly 1.50 times.

The Nickel Plate is used as the second example: for 1943 the Road showed earnings available for fixed charges **before all taxes** sufficient to cover Fixed Charges 6.6 times, with the showing **after all taxes** equal to 2.64 times; on the same basis of recalculation. Were earnings in 1945 or 1946, or both years, reduced to the point where Fixed Charges were just earned, then the credit as a result of the carryback provision would show Fixed Charge coverage **after Income Taxes** of 1.40 times. By the same token, if the earnings decline for either or both of such years was so drastic that the coverage was only 75% before recalculations, the carryback provision would allow for a refigured Fixed Charge Coverage showing of 1.25 times. . . .

In connection with the prospect for 4-6 years of Gross Revenues at at least the 1941 levels, with labor costs attuned to gross as in the past and tax rates being no worse, there is the concomitant influential factor of past debt retirement and that yet to be experienced, the weight of attendant fixed charge reduction and, notwithstanding, effects of substantial upbuilding of cash resources.

Since 1941, debt retirement (net) has been an estimated $1.1 billions, the current total of Funded Debt being estimated at $10.1 billions, vs. $11.2 billions at the close of 1941; in keeping therewith, fixed charges are down from $620 millions to roughly $547 millions (on an annual basis) now. Giving effect to only the known I.C.C. or Compromise Reorganization Plans — and to no further debt retirement — Fixed Debt will be reduced to in the neighborhood of $8.0 billions, and the annual Fixed Charges would then be approximately $442 millions.

Earnings available for Fixed Charges for the lean years since 1929 equalled $528 millions for 1938, $687 millions for 1935, $665 millions for 1934, $685 millions for 1933 and $550 millions for 1932.

Thus, it can be seen on the basis of present annual fixed charges, plus the future effects only of known I.C.C. or Compromise Reorganization Plans, that a return to the "low" earnings level of 1932-1933-1934-1935 and 1938 would show the total requirements comfortably earned. Naturally this observation is purely an "overall" condition.

In the light of the debt retirement and reduction in annual fixed charges so far experienced, note the outstanding growth in cash resources:

	12-31-43	12-31-41
Fixed and contingent debt	*$10,100,000,000	$11,200,000,000
Annual fixed charges	†547,000,000	620,000,000
Cash, temp. cash invest. and spl. deposits	$3,011,000,000	$1,100,000,000
Current assets	*$4,468,000,000	$1,914,000,000
Current liabilities	2,917,000,000	1,098,000,000
Net current assets	$1,551,000,000	$816,000,000

*Estimated. †Estimated on an annual basis currently.

In other words, notwithstanding a slash of $1.1 billions in funded debt in the two years, net current assets have increased by $735 millions, while cash has jumped $1.9 billions.

This brief discourse on the "Post-War Period and the Railroads" would not be complete without some comment about what appears to be an inauguration of a refunding trend for railroad securities.

I do believe that the Pennsylvania Company "showed the way" by refunding $46,000,000 of 4s into a combination of $20,000,000 3⅛s and $15,000,000 serials, carrying an average coupon of 1.96%; the annual saving in interest of approximately $919,000 (net of tax effects) goes a long way towards meeting the $1,500,000 annual serials.

Then, the Burlington announced its program of refinancing $56,773,000 total of 1949 maturities, carrying 4% and 3½% coupons, with a combination of $30,000,000 3½s and $10,000,000 of five-year Serials, carrying 1½% interest — resulting in the substitution of a $1,200,000 annual interest requirement for $2,105,000 formerly. This $905,000 annual interest saving (again net of tax effects) goes a long way, likewise, toward meeting the $2,000,000 annual maturities for five years.

The Southern Pacific last week announced the call for redemption late this year of approximately $25,000,000 of debt, of which roughly $16,000,000 matures in 1949 and $9,000,000 in 1954. This, no doubt, is part of that System's step-by-step program of coping with its nearby debt maturities, which include approximately $24,000,000 of San Francisco Terminal 4s of 1950 (callable at 105) and $90,000,000 of Central Pacific First 4s of 1949 (non-callable before maturity) — a total of $114,000,000 debt due 1949-1950.

I feel confident that it is not too much to expect refunding action in the not-too-far-distant future on a total of as much as $94,000,000 of combined Louisville & Nashville Collateral 3½s - 1950, Collateral 4s-1960 and Refunding 4s, 4½s and 5s of 2003—along the lines of the Pennsylvania and Burlington financing program, whereby present annual interest requirements thereon of roundly $4,000,000 might well be cut as much as possibly 50%.

With the splendid Post-War outlook for the automobile industry and thus the steel industry and **THEREBY** the iron ore industry, plus the present excellent position of its treasury, what is to stop the Great Northern from contemplating the substitution of possibly a relatively small amount of low-coupon serials for a total of $25.139,000 of Series "G" 4s-1946, the annual interest saving (net of taxes) going a long distance toward offsetting the annual Serial maturities; as a matter of fact, the Road might even be in the position of retiring the entire issue without recourse to financing!

In the case of Atlantic Coast Line, the Road's approximate $30,000,000 of Collateral Trust 4s-1952 lend themselves easily to a refunding operation whereby a substantial portion of the annual serial maturity needs (**IF** a Serial Collateral issue were used as the financing vehicle) could be met from the saving in interest charges; as an alternative, in view of the excellent state of finances and earnings prospects, a series of block-by-block redemptions could very easily eliminate the entire issue within the reasonably near future, thereby resulting in a $1,200,000 annual reduction in interest charges, currently running around $5,200,000.

New York, Chicago & St. Louis looks to be in a specially advantageous spot to be able to accomplish a major refunding program; a total of $47,746,000 of Combined First 3⅛s, "Clover Leaf" 4s and Refunding 5½s, with annual interest requirements of $2,225,000, might reasonably be expected to be refunded, whereby **IF** a possible combination of serials and lower coupon mortgage issues were used, there would result not only a sharp reduced annual interest requirement but also provide for a substantial portion of the serial maturities.

These are just a few of the **POSSIBILITIES** among the non-reorganization issues; there is even the prospect that among the reorganized group, Wabash First 4s (currently selling around 104) and Erie First Consolidated 4s (currently selling around 105) might eventually be refunded into lower coupon-bearing issues. . . .

Your speaker feels that the best summary of the Post-War Outlook for the Railroads can be given by repeating the observations made some four weeks ago at an address before the Association of Customers Brokers at the New York Stock Exchange, wherein he summarized:

"With no reconversion problems, no inventories which **MIGHT** have to be liquidated in the Post-War Period at a loss, nor excess plants which **MIGHT** have to be disposed of at a sacrifice; with the prospects for as much as four-six years of traffic levels somewhere between the 1942 and 1941 showings and earnings results at satisfactory levels and, in keeping therewith, a further inflow of cash, concurrent with added debt reduction, the railroad industry seems possessed of a continuing optimistic outlook.

"In fact, the speaker can confidently foresee an eventual return of investor confidence in railroad securities, to the extent where once more they will command the same high respect and compensatingly low yield as that experienced in the yesteryear; naturally, war developments will provide occasional interruption in this general direction but the overall trend appears positively onward!"

Petersen With H. R. Baker

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Fred J. Petersen has become associated with R. H. Baker & Co., Bank of America Building. Mr. Petersen was formerly in business for himself in Los Angeles.

Hearing On NASD "5% Spread"

(Continued from page 2251)

give a statement of the facts. We are, therefore, compelled to resort to conjecture.

Suppose a representative, or representatives, of the NASD conferred with a representative or representatives of the SEC. Time—prior to the promulgation of the "5% philosophy." Subject—the manner of such promulgation.

Is this supposition far-fetched? In view of the set-up, the interrelation between the SEC, the Maloney Act, and the NASD, the interlocking duties and responsibilities, we don't think so.

When so radical a step as the "5% spread limitation rule" was contemplated, in view of the supervisory power of the SEC, we believe there was a duty on the part of the NASD to get some expression of the latter's views on the subject.

Supposing further, the representatives of both groups, with full knowledge that a prospective "rule" under its by-laws had to meet the test of a vote by the NASD membership, agreed upon the establishment of the "5% philosophy" as an "interpretation" rather than a "rule," because all felt that the "rule" would not survive such test.

Supposing this by-pass was the subject of a sub-rosa understanding in the hope that the facts may not come to light.

Continuing our speculation on future events, if these suppositions have any foundation in fact, then the hearing on the "5% spread philosophy," when it comes, promises some interesting possibilities and we believe more than one face will be red before all of it is over.

We have already been notified by the attorneys for the "Securities Dealers Committee" that our Poll on the "5% rule" will be subpoenaed. We have no objection to giving the result of that poll for the nation and by state, but, will claim privilege with respect to the individual ballots, so that there may be no reprisals, and so that the balloting may be secret as intended. We, however, will be prepared to give competent testimony of the safeguards taken to insure accuracy of the results.

Our task as a witness will be a simple one.

Other witnesses, some of whom participated in the 5% set-up, we have reason to believe, will meet with considerable discomfiture. There will be a lot of tall explaining to do, and it requires no expert crystal gazer to foresee, that the subject matter of some of it will deal with our current "suppositions."

How about the Securities and Exchange Commission? If its members who are called upon to hear and determine the 5% controversy took part in conferences, if any, which gave rise to that "philosophy" and had a share in advising its passage, clearly they are disqualified from acting in an appellate capacity. To do so would be to sit in appeal on one's own judgment.

Here is the evil of SEC and NASD inter-relations. As auxiliary policemen, they have the duty of cooperative strategy, whilst one has appellate jurisdiction over the other, in matters where the policy involved may have been fixed by both.

THERE IS YET TIME FOR THE EXERCISE OF COMMON SENSE. THE FEELINGS OF SOME WELL-INTENTIONED, BUT SHORTSIGHTED PEOPLE MAY BE SPARED, AND THE ENTIRE SECURITIES INDUSTRY SERVED BY THE REVOCATION OF THE "5% SPREAD PHILOSOPHY." THIS REVOCATION, THE BOARD OF GOVERNORS OF THE NASD SHOULD EFFECT PROMPTLY. FORESIGHT, AND FAIR DEALING, DEMAND IT. THERE WOULD THEN BE NO NEED FOR AN EMBARRASSING HEARING.

Failing in this, the Board of Governors in the future will wish by hindsight, that it had exercised more foresight.

Ins. & Bank Stock Data

White & Company, Mississippi Valley Trust Building, St. Louis, Mo. have issued an interesting comparative table of insurance and bank stocks, giving liquidating value as of December 31st, 1943, approximate offering price, indicated annual dividend including extras, approximate yield at offering price, age of company, and number of years during which dividends have been paid.

Copies of this table and also a year-by-year accumulative record of Home Insurance Company showing assets, premiums written, losses paid, and dividends for ninety-one years may be had from White & Company upon request.

Attractive Situations

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

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

Secretary Hull Plans Discussions With Britain, Russia And China On World Peace And Security

Announcement was made by Secretary of State Hull on May 29 that the United States is ready to open informal conversations with Great Britain, Russia and China on the establishment of an international peace and security organization. Secretary Hull indicated that he was proceeding with the approval of President Roosevelt, and that in addition to the three countries named, informal discussions would follow with Governments of other United Nations.

In United Press accounts from Washington May 30 it was stated that Secretary Hull has never described specifically the type of post-war international organization he is planning. But other officials in the Department have revealed that it is similar to the one outlined May 24 by British Prime Minister Winston Churchill — a League of Nations armed with "overwhelming military force" to keep the peace. These advices added:

The structure of the organization now being considered would follow the outlines of the old League:

A world council of the major nations endowed with adequate powers and means to arrange for maintaining peace.

A general body in which all member states would be equally represented to serve as a world assembly of nations.

A court of international justice.

That has been described as the "minimum of machinery" which the new international organization should have. The key to it will be the allocation of power to the world council making it possible for such a body to call upon the military forces of the great powers for the suppression of future aggression.

Pointing out that it was made known by Mr. Hull that the "first phase" of his talks with the Senate Post-War Advisory Committee on Foreign Policy has been concluded, Associated Press said:

The Senate Committee evidently did not commit itself to any specific line of procedure or to any particular kind of organization but rather told Mr. Hull, it is understood, that it approved generally of the preliminary work he has done and desires him to continue with it.

When an international agreement is arrived at, that will have to be submitted for approval on its merits.

Secretary Hull's statement of May 29 follows:

"The first phase of the informal conversations with the eight senators has been concluded.

"We had frank and fruitful discussions on the general principles, questions and plans relating to the establishment of an international peace and security organization in accordance with the principles contained in the Moscow four-nation declaration, the Connally resolution and other similar declarations made in this country.

"I am definitely encouraged and am ready to proceed, with the approval of the President, with informal discussions on this subject with Great Britain, Russia and China and then with governments of other United Nations.

"Meanwhile, I shall have further discussions with these and other leaders of both parties in the two Houses of Congress, and with others.

"The door of non-partisanship will continue to be wide open here at the Department of State, especially when any phase of the planning for a post-war security organization is under consideration."

From Associated Press advices May 29 as given in the New York "Times" we take the following:

Secretary Hull's discussions with the Senate subcommittee were generally frank and as detailed as plans can be at this stage, it was learned tonight. A clear majority of the eight-man group, headed by Chairman Tom Connally, Tex., of the Senate Foreign Relations Committee, swung to support of the Secretary's program.

Senator Warren R. Austin, Republican, of Vermont, said he was "very much pleased to have the announcement that Mr. Hull is going to proceed with his negotiations and make the American proposal."

Senator Wallace H. White, Jr., Maine Republican, said he approved Mr. Hull's program so far as it had been explained to him. "I fully approve of the Secretary's plan to discuss it with other nations and I hope that from the discussions good will come."

Senator Guy M. Gillette, Democrat, of Iowa, said, "I think the statement rather clearly summarizes the results of our conferences to the present time."

N. Y. Analysts To Hear

At its luncheon meeting to be held June 1st, the New York Society of Security Analysts, Inc. will hear Leftenant Colonel Edward Behrens, President of Ocean Trust, speak on "Present and Post-War Financial Conditions in England."

On Monday meeting, Geoffrey Smith of the British Supply Mission will speak on jet-proppelled aircraft.

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

Lehman Bros. Offer RKO Preferred Stocks

A banking group headed by Lehman Brothers and Goldman, Sachs & Co. is making public offering today of 57,337 shares of Radio-Keith-Orpheum Corp. 6% preferred stock, cumulative, $100 par, priced at $91.25 a share.

Amounting to 44.7% of the Radio-Keith-Orpheum preferred shares issued and outstanding, the offering represents the preferred stock holdings of Atlas Corp. in the movie company and does not represent new financing. Atlas will get the proceeds, less the commissions to the underwriting group, and it will still remain the biggest single holder of R-K-O securities through ownership of 1,329,020 of the corporation's common shares, or 46.26% of this issue.

Each preferred share is convertible into eight shares of common stock on or before April 11, 1947. Preferred holders are entitled to vote on the basis of one vote for each share. The preferred may be redeemed, at the option of the corporation's board of directors, in whole or in part, at any time at $105 a share plus accrued dividends. The corporation has set up a preferred stock retirement fund, consisting of 10% of consolidated net earnings after preferred stock dividends. This fund may be used by directors for acquisition of shares for retirement at a maximum price of $100 a share plus accrued dividends.

Regulated Monopoly Or Competition In Transportation

(Continued from page 2255)

tion, confusion and inconsistency must persist, even grow, at heavy cost to all.

Fundamental to that action is a clear understanding as to what interest is basic in transport. There are times when emphasis suggests that the prime purpose of transport is to provide profitable employment for capital—that of first significance is a fair return. Again, there are times when emphasis suggests that the most important end to be served is low rates to users, quite without regard to the effect of such rates upon other groups at interest. And there are times, increasingly frequent in recent years, when it might appear that the basic function of domestic transport is to provide employment for more and more at steadily rising rates of pay.

What is the basic function of our system of transport, then? The answer to that is surprisingly simple: public service. Be it in peace or in war, transportation is fundamental: its importance is unlikely to be over-stressed. Stated broadly, the public is entitled to that maximum service at minimum rates which, with due regard to the state of the art, is in the long-run feasible. Rates so low as to deny an adequate return upon capital invested or an adequate wage scale may for a period serve the interest of a major segment of the public, but a day of reckoning comes. Such a day is inevitable, too, if investor or worker, or both, profit excessively at the expense of the users. The body politic, not one nor several special-interest groups, must be served.

This is quite as true, when applied to **types** of transport as those special-interest groups. Too often, in discussions of policy, the matter of vital concern might seem to be preservation and promotion of transport by rail, or by highway, or by water or air, even pipe-line —that all other considerations are but secondary. Yet here again public service, not special interest, should control; except as a particular form of transport serves that public interest, it loses its reason for being. No modern form of transport has more of a vested interest than the Conestoga wagon, the stage coach, the pony express, or the flat boat and batteau.

I am asked to consider regulated monopoly versus competition — and, in event I reject monopoly, the manner in which competition should function. Obviously, choice again must be made upon the basis of broad public interest. Preliminary to judgment, let us examine the forms which monopoly and competition may take. Monopoly, as here used, I interpret to mean monopoly in an economic sense, rather than to connote "bigness," or to constitute an epithet. Such monopoly of transport might be built upon a regional basis, or it might be national in scope; some, who stress the wastes of competition and the possible savings of unification, envision an increase in those savings as the unit is enlarged; others, fearing that excessive size will occasion inefficiency or being merely timid, believe monopoly should be limited in scope geographically.

Thirty, even twenty-five years ago, the one form of domestic transport of consequence was rail; no effective competition was faced, except in restricted areas served by water. Today that situation is wholly changed. Active and aggressive competition functions upon the highways, where both for-hire and private vehicles operate in great numbers. Commercial air transport has already attained a considerable stature, with both commercial and private flying certain to expand sharply, post-war. And both pipe-line and water transport have been materially extended, commercial and private services being offered. If we choose monopoly, it would be essential that all for-hire services, at least, be subject to a single control—so monopoly, regional or national in scope, must obviously at a minimum embrace all rail, highway, air, water, and pipe-line facilities devoted to public use. But could such monopoly permit even the private carrier to continue free of major restraints—or refrain from strong and harrying efforts, at least, to impose those restraints?

Management of a transport monopoly, even though but regional in scope, would experience great difficulty in its efforts to utilize each type of transport to maximum advantage, alone, and in conjunction with others. Except as such enterprise evolved slowly and experience in management were accumulated, it is quite certain serious errors would be made, the public "paying the piper." But monopoly in the field of transport would raise soon, perhaps at once, the question of ownership. Should that ownership continue in private hands, or be vested in government? The resolution of that question cannot with certainty be known to us, but assuredly a long step would be taken toward government ownership of transport if the principle of monopoly in that field were accepted. While regulation might accomplish much to overcome and counter certain dangers of private monopoly, it is improbable that major goals could be attained except as the regulatory body assumed broad managerial functions —with a consequent deterioration in the strength of management and further drift toward public ownership. Monopoly of modern transport presents some particularly disturbing problems.

But what forms may competition take? Obviously, it may continue along present lines with little modification: some hundreds of railways of varying economic and financial strength, thousands of for-hire operators upon the highways of even more widely varying strength, water carriers, pipe-lines and airlines may continue without major change the struggle of the past fifteen years. Such continuance will result, as it has in the past, in losses to all over a period of years.

As alternatives to the current policy, I shall mention two other quite diverse plans. One would involve unification of particular types of transport agencies—the regional consolidation of railways, perhaps, and unification by type of motor, of water, of air. This would be followed by unrestricted, even compulsory, competition among types of transport. A second plan would, in sharp contrast, instead of arraying type against type, permit and encourage a coordination of types, thus making possible **a transportation service** to users, as against the specialized and restricted service any single type of transport may offer. Under such a program, the competitive transport systems developed would be built largely about the railways, and logically so; our railways are today, and for the predictable future promise to remain, the major agency of domestic transport, and private capital invested in them materially exceeds that invested in for-hire service by highway, water, pipe-line, or air.

For me the choice upon economic grounds between monopoly and competition in the field of transport falls, unhesitatingly, upon the latter. I recognize that competition may result in demonstrable wastes. That waste may sometimes be so great, or the inconvenience of competition so serious to the public, as to justify resort to monopoly with its danger of stagnation, its threat of increasing inertia. Because of the excessive wastes and inconveniences of competition in the local utility field, monopoly has there been accepted as proper, as in telephone and telegraph: monopoly, subject generally to close regulation to protect public interest.

No convincing evidence has been adduced to show that, under competition, the wastes in the field of transport exceed the gains. Furthermore, it is clear that many of the wastes, to which attention is drawn by those who challenge a competitive policy, could be reduced sharply by changes in that policy falling far short of monopoly. As against the wastes condemned by many, and even those that might continue under a more logical competitive regime, are the gains that may be expected to flow from competition through the years: gains to producing groups, gains to consumers of goods, gains to the public at large. Simple it is, and this has been done by the many who delight in the finger of scorn, to picture the evils of competition; discrimination among persons and places and duplication of services are conspicuous charges. Less evident, but highly important among the gains, are reductions in the level of rates, stimulation of enterprise, and improvement of service.

Perhaps most obvious of recent gains is the advance in railway service under the spur of highway competition. A steady but slow advance in railway service resulted under the stimulus of inter-railway competition. Spurred and inspired by highway competition, however, railway service has improved greatly within a brief span of years: quality of service as well as speeds have been sharply advanced. Highway competition has been financially costly to the railways, an economic "hair shirt," but it has been helpful, too—not the least of its services being to make a larger portion of the rising generation of railway executives more definitely **transportation**, instead of merely **rail**, minded.

Upon economic grounds, we have rejected monopoly. What, if any, is declared public policy with respect to monopoly as against competition in the field of transport? To that question the answer is unmistakable: monopoly stands condemned—even the word is one with which the demagogue can effectively conjure. True, during the half century past there have been strong advocates of monopoly in the form of government ownership and operation of railways. Some advocates of this policy were influenced strongly, doubtless, by the seeming success of government ownership and operation in certain European countries; some were actuated basically by self-interest, perhaps, as in the case of the Plumb Plan, actively advocated by the railway Brotherhoods some twenty-five years ago. Still others were led to its advocacy by resentment against conspicuous abuses, by an idealistic approach, or by a mere bookkeeping judgment that ignored essential elements in human nature.

An early champion of government ownership and operation of railways was William Jennings Bryan. Whether intellectual conviction or desire to discover a helpful political issue prompted his advocacy, we may not know, but his proposal gained acceptance from a mere handful, so failed completely to gain status as an issue. Later, government ownership and operation of railways became a major plank in the platform of an independent candidate for the Presidency. There is no evidence, however, that one who stood upon that platform, and is still in public life, now adheres to the principle. Rather, he seems to advocate competition so sharp as to approach, in the minds of many, destructive.

But perhaps the most quoted, and one of the most distinguished advocates of government ownership and operation of railways was the late and beloved Joseph B. Eastman. Appointed to the Interstate Commerce Commission with a background as public advocate, with accurate knowledge of Morgan-Mellon exploitation of the New Haven, and approaching the problems as an idealist, Mr. Eastman was for many years the respected spokesman for the advocates of this program. Yet, after years of experience and the benefit of a broader knowledge, he refused as Federal Coordinator of Transportation to recommend government ownership and operation of railways as a solution of the "railway problem" when the rails were in sore straits and the outlook for private control at its nadir. In answer to a question concerning his stand, Mr. Eastman said to me some years ago, "Government ownership and operation does not seem to be a sound solution now." Then he added with a smile, a smile both humorous and wry, "But I'm afraid I've been a great disappointment to some of my friends."

While never disavowing formally his belief in government ownership and operation of railways, he ceased to become an advocate, and the small group of adherents to this plan have in recent years had no genuine leader. Indeed, I think it can be safely said that this group grows progressively smaller as other forms of domestic transport develop—as competition has sharpened, as regulation in public interest has become more effective, and as the problem of transport becomes progressively complex.

The advocate of a national railway monopoly under private ownership and operation who has won widest hearing was one Nathan Amster. Some twenty-five years ago his so-called Amster Plan gained adherents among both political leaders and economists, but it was brushed aside without consideration when action was taken by the Congress in 1919 and 1920, and soon disappeared. More recently Mr. Carroll Miller, member of the Interstate Commerce Commission, proposed the consolidation of railways upon a national basis under private control, but the proposal made no strong impress.

Consolidation of railways into a single national system, under private ownership and operation, may well be dismissed as unacceptable to the public, and there is no doubt but that a monopoly of **all types** of transport in the United States under private direction would be even less acceptable, however much regulation. Similarly, there is small likelihood of public willingness to approve government ownership and operation, upon any basis or under any plan, of all forms of domestic transport. In principle and as a practical possibility, therefore, a monopoly of transport may well be dismissed unless revived by some unforeseen circumstances.

With the rejection of monopoly, it remains to examine competition as a force operating in public interest. A full presentation is precluded by time, so certain conclusions must be offered without the detailed analysis upon which those conclusions rest. But, first I desire to draw your attention to some significant statements and actions which merit consideration in connection with any study of policy in the field of transport. The Anti-Trust Division, United States Department of Justice, has been of late most aggressive in its attacks upon all evidences of cooperative action among agencies of transport and upon all other arrangements affecting transport that might be interpreted by them as restraint of trade under the Sherman Act.

The Vice-President, specifically in one address and incidentally in later ones, has attacked the railways with a bitterness characteristic of Granger days or of Populism. The gamut of his charge is broad, and skeletons are vigorously rattled, but of concern here are his assertions that touch curbs upon competition. Briefly stated, he asserts that public transport is again being brought under monopoly control, and he enumerates specifically the evil consequences; excessive rates; control of rates that denies to the public the benefits of more efficient and cheaper forms of transport; discrimination against major geographical areas; extension of rail control over newer forms of transport to create a "transportation monopoly"; and development of industrial monopolies, fostered by "monopolistic conditions in transportation." The essence of the Vice-President's demand in compulsory competition upon a broad front, with, seemingly, all those forms of cooperation barred which have contributed to stability of rates and all coordination of different types of transport facilities suspect.

An influential member of Congress, in a recent address, commenting upon those limitations upon uncontrolled competition which flow from the certificates of convenience and necessity, said, "I think there is a very serious question as to whether or not such limits (as imposed by administrative action) have not already become too rigid and whether we do not need more transportation enterprises, rather than less. . . . I simply suggest that possibly the Interstate Commerce Commission may have gone farther than necessary in discouraging the entry of new blood into the body of our transportation system."

Multiplication, not consolidation, would seem to be the desired goal—and specific comment by this gentleman upon proposals to consolidate railways suggests underlying opposition. Sharply critical is he, too, of any movement toward coordination of the various forms of transport under common ownership — though friendly to such coordination under voluntary agreements that safeguard public interest, albeit indefinite as to how such agreements are to be effectuated. Two attitudes seemed to dominate this speaker: a fear of monopoly or approach thereto in the field of transport, and a belief that, in public interest, more competition is desirable rather than that now existing, or less.

Another member of Congress in a position of importance urges legislative action that would bar any one type of transportation agency from control of another type. Not only would he apply this principle in the future, but he would revoke all actions already taken to unify diverse types of operation under common ownership. A third member of Congress in a position of equal importance has introduced a bill to bar all other types of transport from common-carrier air operations by making it unlawful to issue certificates to them. And, without mandate in law, the Civil Aeronautics Board refuses certificates covering air operations to carriers now operating surface transport — rail, highway, or water.

With the acceptance of competition as a controlling principle in the field of transport, a basic question arises: shall entire dependence be placed upon competition to safeguard all parties at interest, or is regulation in some form essential? Regulatory control was forced upon the railways: the forty years from 1870 witnessed a continuous struggle, with only an occasional and brief truce, between the railways and a determined public, with the former being driven steadily backward until by the Mann-Elkins Act restrictive control was largely complete. In striking contrast, however, have been extensions of the Interstate Commerce Act to cover other types of transport. Said the Interstate Commerce Commission in 1938, "The Motor Carrier Act, 1935, was favored by the organizations of both the truck and bus industries, and since its passage our rate-making powers have been invoked much more often by the motor carriers themselves than by the shippers. Similarly, the air carriers were urgent in their support of the Civil Aeronautics Act of 1938. These two acts provide for the motor carriers and the air carriers, respectively, a system of regulation which is, if anything, more comprehensive than that which has been provided for the railroads." And it was the established carriers by water that gave strong support to the timid extension of Federal regulatory control to water transport under the Transportation Act of 1940.

Shipper demand made railway regulation a reality, yet the strongest opponents of comprehensive regulation of highway and water transport were, curiously, shippers, actuated by the fear that regulation here might deprive them of advantages hitherto enjoyed. But, once adopted, there are few in any group—shippers, carriers, labor—who would eliminate regulation or materially lessen its scope, and regulation has strong public support. Whatever the manner or degree in which competition may function, comprehensive regulation should be continued under a strong regulatory body—**one**, not several. Except as this policy is followed, conflicts, wastes, abuses, confusion, are certain to become evident, to the ultimate loss of all. Indeed, it is only when public interest is safeguarded by strong and comprehensive regulation that certain paths may be opened to agencies of transport under a competitive scheme.

Assuming a continuance of regulation, how should competition operate? An infinite number of variations can here be conceived; for the sake of simplicity, I shall comment only upon the three definite and contrasting plans previously mentioned, however. Under one, as indicated, a definite prohibition would rest upon ownership or operation of instrumentalities of one type of transport by another type, and, to spur competition, voluntary coordination might well be held at a minimum, even barred. Under this plan, consolidation of separate corporate units of like type might be encouraged or atomistic competition compelled, but consolidations would be restricted within a single field, if approved—as rail and rail, highway and highway. The basic purpose of consolidation would be to increase the power of one type of transport to compete against others.

Such a plan is weak, I hold. Thus to array type against type would stimulate rivalry, it is true, but it would tend to increase the costs of competition through encouragement of duplications, through burdensome rivalries in the fields of both service and rates. Furthermore, such sharp competition would make any considerable degree of voluntary coordination of types difficult to obtain, yet it is an admitted fact that each type of transport has, with respect to particular traffic, advantages over other types. A clear and inescapable result of competition of types would be failure to meet one of the elements of a national transportation policy, as stated in the Transportation Act of 1940: so to act with respect to all modes of transport as "to recognize and preserve the inherent advantages of each." Technical progress has given us types of transport particularly adapted to various needs; there is no reason to believe that coordinated use will in any wise lessen or retard further progress. Any transport plan which denies opportunity for the effective utilization of each type of transport falls short of public interest. And, since the program here sketched does fall short, it should be rejected.

A second course that may be pursued is that which has been followed during years just past—an ill-defined course, lacking clear goal, and marked by confusion and conflict. Under the Interstate Commerce Act as amended, provision is made for the consolidation of railways and for the unification of highway operations—yet with respect to the latter, at least, the Department of Justice has shown clearly an unwillingness to accept Commission interpretation of public interest. Provision is made, likewise, for acquisition of highway operations by rail, express, or water carriers, but special restrictions are imposed which impede such action—and even the conservative policy of the Interstate Commerce Commission in "acquisition of control" applications has been subjected to sharp criticism in influential quarters because it allegedly "abets monopoly." The Panama Canal Act remains in effect, sharply limiting the coordination of inland and coastwise transport with other competing types. And a limiting provision of the Civil Aeronautics Act has been used by the Board as a means of enforcing a policy for which no statutory basis exists.

Under laws now in effect competition is subject to certain limits, the determination of which rests with regulatory authority. For common carriers by rail, by highway, by air, and by water maximum and minimum rates may be set; for contract operators by highway and water minimums can be fixed. Broad controls also exist with respect to service by rail, by highway, and by air. Other controls reside in regulatory bodies, as a consequence of extensive permissive powers—among those being provisions that relate to consolidation, pooling, interlocking directorates, certificates of convenience and necessity, and securities. Speaking broadly, I believe that these controls over competition have been exercised wisely by Federal regulatory bodies, and should be continued. With few exceptions, those regulatory actions subject to question are a consequence of statutory defect rather than of regulatory unwisdom or desire to trespass upon the legislative prerogative of policy determination.

This second, and our present, course is a feasible one and may reasonably be expected in time to yield acceptable results—a system of transport capable of rendering that service to which the public is entitled at reasonable cost. But it represents a course plotted by "rule of thumb," slow, fumbling, circuitous—in sharp contrast with a course clearly drawn and fixed in accord with principle rather than expediency. Progress toward a system of transport capable of maximum service will be delayed by conflicts and antagonisms, by innumerable efforts of parties at interest to serve selfish ends, and the cost of progress will be heavy, in terms both of wasteful duplications and of a transportation service that falls far short of that which the public might reasonably expect under a considered plan.

A third and, in my judgment, preferred "way" under a competitive regime contrasts sharply with the first suggested because it envisions the close coordination of all types of transport, in contrast to a plan which would pit type against type. It contrasts with the second course, with procedure under existing statutes and existing lack of plan, in that action would be in accordance with an accepted program. Basic to this program would be preservation of competition in all areas where demand for service justified the operation of more than a single carrier—but competition in **transport** would be the goal, without regard to types or combinations of types serving. The elimination of wasteful competition would be sought, with regulatory authority empowered to act upon a broad front to give to the public the best possible service at minimum cost. Essential to the development of that maximum service at minimum cost is the coordination of all available forms of transport so that each, separately and in conjunction with others, may serve the public most effectively.

In the development of this program, opposition is most likely to proceed from two sources. The shipping public, even when close control is exercised as to rates charged by all agencies in the field, often opposes reductions in competition that are socially wasteful because of a desire to hold service competition at high pitch: it is this opposition which prompts many political and organization leaders to decry restrictions that are wholly justified, the allegation of monopoly often being wrongly made to discredit. Yet, in the long run, wasteful competition will react to the disadvantage not only of the carrier but of the shipper and the public also.

A second point at which opposition will continue strong is against the coordination of various types of transport. This opposition proceeds primarily from three fears: a deep and underlying fear on the part of many that coordination may prove, as a consequence of manipulations that are "devious and dark," but another name for monopolistic controls; a fear that the coordination of older, established forms of transport and the newer forms will result in retarding growth of the latter, particularly where that coordination comes through common ownership; and, finally and perhaps basically, the fear of the newer forms of transport that through coordination the railways will come to dominate all fields.

Fear of monopoly has been characteristic of our people from colonial days and "monopoly" has always been a word to stir public wrath. Yet, if a plan with competition as its corner stone were developed and a strong regulatory body enjoined to administer that plan, the fear of monopoly should no longer be justified—though the cry would undoubtedly be raised from time to time not only by the demagogue but also by such as might disagree with regulatory judgment.

Fear that coordination upon a broad scale might retard the progress of the newer forms of transport has some basis in theory, but I doubt if any basis in fact can be shown for such fear. Even though coordination were possible only through common ownership, there is little reason to believe that one type of transport would stifle and retard another utilized by it. Furthermore, it is certain that exclusive control of air transport, or water, for example, would be not vested in or closely coordinated with another type of transport—so there would be important segments free to function without interference and spurred to maximum endeavor by competitive rivalry.

That those engaged in highway and water transport should fear railway encroachment is not strange. The record of the railways in relation to competitive water transport is a record of bitter conflict, with right not all on one side—but, until Congress acted to safeguard water operations, victory was invariably with the railways. The relationship between railway and highway operator has likewise been one of conflict, with most railways too long blind to the worth and future of highway transport, too long determined to destroy rather than to utilize. In consequence of this antagonism, as well as of the individual operator's natural desire to maintain upon an independent basis an enterprise established by him, the highway industry's fear of rail domination is both real and understandable. From the standpoint of the public this fear is regrettable, as is regrettable the antagonism shown by the railways generally toward highway operations. This mutual antagonism, stemming from fear, has served as a significant bar to that coordination of highway and rail which would have reduced competitive wastes greatly and greatly improved public service.

Earlier in this discussion the statement was made which is so obvious, yet of which sight is so often lost in the welter of demands and counter demands from interested groups, that the purpose of transportation is public service, **not** the advantage of particular groups. Except as one challenges that proposition, I see no possible basis for opposition to that coordination of types of transport essential to maximum service. Such coordination may be secured through voluntary cooperation or through common ownership. Because I believe strongly in the social value of individual enterprise and that individual enterprise should therefore be preserved insofar as possible, I have a definite preference for coordination by voluntary cooperation. I am certain that, if those who determine policy in the various fields of transport approach this problem with an honest desire to develop plans for effective coordination in public interest, material progress can be made. In such negotiations, regulatory authority and shippers should have a voice—and can doubtless contribute much by counsel and guidance. Given by statute adequate powers to compel cooperation among all types and agencies of transport along lines found by it to be in public interest, regulatory authority can do much to stimulate voluntary cooperation by willingness to act positively as necessity arises.

But, though I prefer voluntary cooperation as an approach, I have no doubt but that under certain circumstances resort must be had to the consolidation of various types of transport under common ownership, if public need is to be best served. There will be situations in which voluntary action and regulatory authority fall short, sometimes because of the recalcitrance of those carriers whose cooperation is in a particular instance essential to effective coordination, sometimes for economic reasons. A properly coordinated system of transport will at times be of greater worth to society than a continuance of a multiplicity of independent transport undertakings. Belief in individual enterprise does not compel me to insist, for example, upon retention of the village shoemaker or the hand weaver toiling at home. Yet, under common ownership, with supplementary services often directed by those who formerly operated independently, many of the advantages of individual enterprise can be maintained, while the public benefits from that complete transportation service to which it is entitled.

In passing upon all applications intended to effect coordination, be they rested upon voluntary cooperation or common ownership, and in weighing any proposed orders that have coordination as a goal, regulatory authority should at all times seek to maintain healthy competition. There will be situations, of course, where the volume of traffic or other considerations may not justify competitive services; there are today many limited areas, many communities and traffic sources, served by but a single carrier. Furthermore, regulatory authority should not hesitate to modify terms under which an application to coordinate was approved, if actual performance under existing terms is found prejudicial to public interest. And, always, unless the gains expected to flow from the reduction or elimination of competition in a particular case are both considerable and clear, applications should be denied: it must be recognized that the benefits of competition have a price.

Essential to healthy competition and effective coordination of the various types of transport, is a single Federal regulatory body with an adequate and trained staff. This body must, to meet its responsibility be composed of men not only of unquestioned probity but of high capacity, also. Present broad powers over all forms of domestic transport must be continued with certain extensions—particularly with respect to coordination. And, that there may be no uncertainty as to what is public policy, the Congress should by statute define with clarity the desired goals and indicate the paths to be followed by the administrative authority in reaching them. This statement of policy should be formulated upon the basis of broad public interest alone; bias, group interest, political advantage, and other objectionable influences cannot safely be given weight. Then, under strong leadership, genuine progress should be made toward a solution of problems of transport now pressing.

Before closing, I believe it desirable, to minimize confusion, that I comment briefly upon the use of terms. Coordination, as here employed, concerns **service**, and in this discussion involves the utilization of two or more agencies of transport of different types to render a complete transport service. Coordination may be secured in any one of three ways: by voluntary cooperation, by order of regulatory authority under statutory enactment, or by common ownership. By some the term **integration** has been used in the same sense that I have used coordination; by others it has been used as the equivalent of coordination by common ownership. This confusion in meaning and use has made it possible for those who fear coordination by any means to bring into disfavor with many the broad concept of unified service, when opposition is basically to such service under common ownership—an opposition which stems from the old fear of monopoly. If the use of the term integration be continued, I suggest that stress be put upon **service**, with the manner in which integration is to be attained to be determined by regulatory authority upon the basis of facts in the particular situation.

I recognize that the statements made herein concerning competition and coordination constitute no detailed blue-print for future action. In no one mind and in no combination of minds, does the wisdom reside to determine today the detailed pattern that competition or that coordination should follow tomorrow. Goals can be set and general principles stated by the Congress for guidance, however. Decision in each particular case must then be left to regulatory authority. Heavy dependence must be placed upon that authority in developing a program designed to give maximum public benefit; upon the sound judgment of that body and its faithful stewardship we must rely through the years more largely than upon a growing mass of detailed and complex legislative enactments, giving small latitude for judgment.

Long years ago, so the story runs, an old painter, who so mixed his paints that they adhered to all surfaces, was asked by a rival workman with what he mixed those paints to yield invariable success. Came the testy reply, "With brains, sir! With brains!" And it is a generous measure of that same ingredient which the American people and regulatory authority must mix with tolerance, with knowledge, with determination, with faith, and with purposeful action, if from the confusion of today is to emerge a system of transport capable of serving the public as technical progress and experience permit.

Post-War Outlook For Building

(Continued from page 2250)

deferred demand, building increased sharply and was at record volume for the following four years—1925 through 1928.

This occurred because new building demands arose out of the wave of general economic expansion the country experienced. Outstanding, of course, in that period was the rapid growth of the automobile industry. The automobile revoluitonized transportation and extended the daily traveling radius of the average man from 5 to 15 miles. The expansion of the auto industry carried along with it the need for new factories, for service stations, for garages and for highways. Also, due to the extension of the daily traveling radius of the individual a much larger area was subject to urbanization. People were decentralizing and this movement created a demand for many types of community construction.

Now I want to discuss some of the factors that almost assuredly will affect the volume of construction in the post-war period.

First, We have the problem of transition, and this is an important post-war factor, because if we do not handle it properly industry will not have a running start for the big job and we may find ourselves with mass unemployment that will not augur well for the private-enterprise system. I do not believe that the construction industry has a conversion problem as such because the members of the industry are accustomed to switching from one type or size of project to another. The switch from wartime projects to peacetime projects is just a routine adjustment.

There will be, however, during this transition period certain definite problems affecting the rate with which the industry will switch over to its full peacetime volume. It may be anticipated that transition to peace will be in two stages. The first stage will be immediately following the end of hostilities in Europe or possibly earlier when the determination is made that the end in Europe is in sight, and the second stage will be the period following the defeat of Japan. On the assumption that the second stage will follow the first by about a year, it has been unofficially stated that probably 80% of the necessary reconversion of manufacturing industry will be completed at the start of the first full peacetime year. The period of transition will be largely controlled by Government, and I do not expect, nor do I think, that all wartime economic controls will be suddenly abolished the day after the first phase starts. The disastrous post-war price inflation after World War I is well remembered and there is the general agreement that repetition of it must be avoided. Thus you can appreciate that the speed with which the construction industry can get into high gear will depend mainly on the program of relaxation of government controls.

What will be the policy toward release of critical raw material? At present WPB is determined to maintain wartime restrictions on non-essential civilian construction without relaxation, with the exception of a slightly little more liberal attitude toward the release of materials for deferred maintenance. In view of the fact that total construction volume for 1943 was 50% below the 1942 peak, and for 1944 will probably be 75% below 1942, it is obvious that the strain on critical war materials has been greatly relieved, however, the manpower situation is still critical—and you can't build without labor.

It is quite possible that WPB may further modify its restrictions as the tempo of cancellations of war contracts is accelerated and more men become available, because it is generally recognized that there is a backlog of construction demand and that an early resumption of construction is highly desirable for balancing our whole economy. Unquestionably Government authorities may be expected to give ample consideration to the claims of the industry for raw materials in programing all phases of the transition.

What will be the policy toward release of price, wage and rent controls? Naturally, none of us know today, but again I say that it is expected that the release will be gradual in order to ease the transition to a free economy and avoid, if possible, a period of chaos. Whenever ceilings are finally lifted, I believe that the demand for construction as well as for practically all classes of consumer goods will tend to rise and reach a new peacetime level substantially higher than the prewar level. One well-known economist estimates conservatively that the BLS index of wholesale prices of all commodities will be perhaps 75% above the 1939 average by the end of 1946. Others have estimated the increase as high as 100%. A few anticipate lower prices, although I cannot reconcile myself to this viewpoint.

The program followed in releasing controls, I think, will determine whether the post-war price level will be reached in an orderly manner or, as after World War I, by way of spectacular inflation, deflation and reflation.

At all stages the relationship between construction costs, involving both material prices and wage rates, and general commodity prices and, to an even greater extent, the relationship between construction costs to rents will affect current construction demand either favorably or unfavorably. The importance of these relationships cannot be overlooked because confusion as to probable price trends was a principal factor causing hesitation about new building ventures directly after World War I, and it is most likely that the future post-war construction market will be very sensitive to disproportionate rises in construction costs. In that previous post-war period construction costs moved further, percentagewise, above pre-war levels than did general commodity prices, and it is doubtful that this can happen again without serious affect on construction demands.

Now another question involving Government decision—how will surplus properties be disposed of? Not only will the program affect the construction market, but until the policies and the program are known, uncertainty will hang over the market and will cause hesitation as how such disposal will affect prices, values and the actual extent of local construction demand. To illustrate: Manufacturers or individuals may be inclined to delay building a new plant in the hope of picking up a war plant adaptable to their purpose; builders of houses might be reluctant to proceed with new projects in some areas if war housing has created a surplus due to elimination of second and third shifts in the factories if they didn't have assurance that the war-housing which was of temporary construction would be removed. This, of course, was the intention in many cases when the houses were built, but the builders will want a restatement of the policy. Then there is the question of disposition of Government-owned inventories of ocnstruction materials. Will they be released for civilian use in the early stages of construction revival, when new production is low, and through normal trade channels? And then there is the matter of disposition of land owned by the Federal Government, which, by the way, is said to exceed the entire New England States area. The Government's program of disposal of this land and making suitable acreage available for peacetime development will affect construction demand and real estate values in the affected localities.

In addition to the transition problems I have already referred to there are several other problems that will be receiving much attention at the same time.

One of the problems I have in mind is the matter of emergency Federal spending in the post-war period. Unnecessary Federal spending at that time would increase the inflation pressure that will exist and aggravate a major economic problem rather than solving any. I think we can agree that inflation control will be a major post-war problem. In both the transition period and in the post-war period the biggest problems of the Federal Government, in managing its fiscal policy for maximum benefit to our economy, will be controlling inflation and controlling the post-war boom. Purchasing power will be distributed through systematic redemption of war bonds, by ordinary distribution of income to persons working and possibly to some extent by payment of unemployment benefits. Whenever restrictions are lifted, purchasing power will continue to be as it is today, greatly in excess of available goods and services, and therefore the threat of inflation will be far greater after the war than during the war. If the problem of transition are considered as constituting an emergency, it will not be a purchasing power emergency to be met with lavish spending but an emergency whose solution will depend upon good management—good management by Government and industry in making the speediest possible adjustment to peacetime conditions. Awkwardness and delay in effecting the transition could result in distress situations that would strengthen political pressures for unsound relief measures contrary to the actual economic necessities of the situation.

Another problem that is being given considerable attention has to do with the large-scale rehabilitation of blighted areas in cities and towns because it is a major real estate problem of long standing. Some are approaching this problem as a post-war construction opportunity while others see it as a convenient vehicle for large Federal spending. The earliest attack on this problem was with the program of Federally-subsidized public housing—sometimes called "slum-clearance." The dual purpose of the program (economic on the real estate rehabilitation side and philanthropic on the family welfare side) led to confusion in policy. It has become evident that much blighted property should be redeveloped for purpose other than housing. To this end, some States have enacted legislation which will encourage the rehabilitation by private capital, but the existing lows should be studied further in order to assure their workability in the post-war period.

One other pertinent problem worthy of the most intense study relates to taxation. But public and private construction demand are strangely affected by local as well as by Federal taxation. States and local governments seeking new sources of revenue to offset desirable reductions in real estate taxes find most of these sources are preempted by the Federal Government. One argument being advanced for heavy Federal subsidies for local public works and urban redevelopment in the post-war period is, that since the Federal Government will continue to preempt most of the tax revenue, the only hope for States and local governments is to lobby for as generous handouts from Congress as they can get. The impact of high income surtaxes, high taxes on corporate income and capital gains taxes, upon investment incentives, must be considered. These tax burdens tend to discourage investment in various types of private construction such as utility improvements, industrial plants, commercial buildings and rental housing, just as they discourage investment of risk capital in new enterprises. The program and policies Congress will adopt with respect to Federal taxation in the post-war period will greatly affect the volume of such private construction as represents new business ventures of any kind.

Well, enough of the "problems" for the moment, and let me tell you about our post-war construction volume estimates and why we think they are conservative in spite of the many problems facing the industry which I have just related to you.

As we see it, a decade of high-volume construction activity is indicated by a realistic analysis of the following factors:

(a) Measures of deferred demands.
(b) Housing needs of new families and probable replacement demand.
(c) Prospects of industrial and commercial expansion.
(d) Anticipated needs for community developments and public improvements.
(e) Prospective post-war national income.
(f) (As a check) comparisons with the post-war decade following World War I (1920-29) with careful consideration of similarities and differences.

Against the prospects of much higher national income and the carryover of greater accumulations of purchasing power than after World War I must be balanced by the fact that 1920-1929 was the decade of largest numerical increase in population this country ever had, and it was also the decade of largest increase in urban population. The decade 1940-1949 will have only half the numerical increase in total population that actually took place between 1920 and 1929. According to the Department of Commerce estimates, new family formations will be one-sixth less in number during the current decade than in the decade 1920-1929. These population factors have a direct bearing on residential building demand and an indirect bearing on construction of facilities that supplement home building.

The F. W. Dodge Corp. has estimated that total construction volume in the 10 years following the war will be approximately twice the volume of the 1930-1939 decade. This total would be about 5% ahead of the prosperous 1920-1929 decade. The estimate for post-war volume is in terms of pre-war cost levels.

Within this increase, residential building volume is expected to triple the 1930-1939 period and would be about 8% ahead of the 1920-1929 period; non-residential building would increase probably 70% over the '30s but would be about 20% under the decade of the '20s; heavy-engineering work would be approximately 50% over both the decade of the '20s and the '30s.

If the estimated rates of increase shown by our estimates, which are on the basis of the 37 eastern States, are applied to the Department of Commerce figures, which purport to cover the entire country, we would have an annual average volume for the post-war decade of $9,600,000,000 as compared with the annual average for 1920-1929 of $9,200,000,000 and of $4,800,000,000 for the decade of the '30s. The assumed post-war annual average was exceeded in each of the boom years of 1925 and 1929 and also in the war years of 1941 and 1942. It was not reached in any other year. Therefore it has taken, up to the present time, either a construction boom accompanying a great wave of economic expansion or a vast Government program of preparation for a global war to cause this assumed post-war figure to be equalled or exceeded.

Well, there is the Dodge estimate—but if you want a bigger one you won't have any trouble finding it. We won't argue about the rightness of advance estimates because estimates are not predictions and therefore argument would be futile. All we say is that:

1. We believe that there is evidence today that Government will adopt policies that will stimulate construction activity and all other business activities.

2. We believe strongly that the post-war economy will hold opportunity for broad economic expansion after wartime shortages have been caught up, but that we do not see at this time any clear indication as to what set of economic factors will dominate such expansion or as to the character and volume of construction demand that will accompany it.

3. We believe that given the adaptability and flexibility of construction industry, programs made now for the post-war period, on the basis of moderate estimates, can later be stepped up if necessary much easier and with less danger of trouble than would be the case if plans were laid for a much larger volume than later realized.

Eric Johnston Given Dollar Memorial Award

(Continued from first page)

form of a gold plaque, was founded in 1937 by the family of the late Captain Robert Dollar, to be presented annually to the American citizen chosen for his "distinguished contribution to the advancement of American foreign trade." The recipients of the Award in previous years were: the Secretary of State Cordell Hull, James A. Farrell, Thomas J. Watson, Eugene P. Thomas, the former Under Secretary of State, Sumner Welles, and Juan T. Trippe.

In making the announcement, Mr. Fletcher said in part:

"This annual Award had its inception in a resolution passed at the Twenty-fourth National Foreign Trade Convention of the National Foreign Trade Council, held in Cleveland in 1937. The National Foreign Trade Council, by resolution of the Convention was appointed Trustee of the Award. The Award Committee, appointed by the Board of the Council, comprises 41 members, selected from all sections of the country.

"It is in keeping with the sound judgment exhibited in previous selections for this high honor that a man so outstanding in the business life of the nation, as the President for the third term of the Chamber of Commerce of the United States, has been chosen this year as the recipient of the Award by those who are qualified to represent the foreign trade opinion of the nation.

"Mr. Johnston is a man of action who has infused into the discussion of national and international affairs something of the spirit and initiative he has displayed in his successful business career."

The presentation of the Award to Mr. Johnston will be made at the World Trade Dinner of the Thirty-first National Foreign Trade Convention, to be held in the Hotel Pennsylvania, New York, on October 10.

June Rail Prospects

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have issued an interesting bulletin discussing possibilites during June of several rail situations. A brief company by company synopsis of prospects in the reorganization field are also given. Copies of this bulletin may be had from Vilas & Hickey on request.

"Our Welfare Is Bound Up With That Of Other Nations": Nelson

(Continued from page 2254)

problem, questions of international supply forced themselves on us, and we had to penetrate deeply into them, and to take an active part in decisions which lie at the heart of our relations with other countries.

"What I have seen in the past few years has convinced me that a great change is taking place in the outlook of the American people on world economics. The war has made us aware as never before that our own future welfare is bound up with the welfare of other nations. We see that our own resources of raw materials are not unlimited. We see that we must look to foreign sources, particularly to sources in this hemisphere, for many materials. We see that we must have dependable overseas markets if we are to maintain high production and full employment. Moreover, it is plain to all that the years of high tariffs and extreme economic nationalism which followed the last war led directly to world-wide misery and strife. Increasingly we recognize that unless we build the world economy on the basis of sound and expanding trade among the nations, we must expect the next generation to reap such another harvest of war as has come in our time.

"As a result of what we have learned, in my judgment, isolationism is rapidly ceasing to be a major issue in American life. The good neighbor policy itself is a clear sign of the change. Our people know that we must have trade with other countries. And they know that in the modern world trade between nations requires clear understandings as to the nature and volume of exchange, credits and methods of payment. There is no theory about this. There is no sentiment about it. It is plain business sense. The question that the United States must face is not whether to have isolationism or internationalism. It is only a question of the character of the international agreements which we, like every other people in the world, must make in our own interest, in order to get the things we need, and get a fair return and active markets for the things we grow and make and sell.

"I want to stress the words 'in our own interest.' The prosperity of the United States, as well as that of the rest of the world, is closely bound up with the character and extent of our foreign trade. The periods of good business in America, when everybody who wants a job can get one, are also the periods when our exports are large, and when we import great quantities of materials and products from abroad. Every informed person agrees that widely spread purchasing power in other countries, and a high volume of world trade, are bulwarks of America's industrial welfare.

"The United States cannot afford to put off until the end of the war the problem of insuring post-war prosperity. We do not know when the Nazi collapse will come. We cannot now say with certainty how great a cut in war production will follow that collapse. The essential points is that whenever Germany's collapse comes, and whatever its impact upon our economy, we must be prepared. Only wise preparation now can prevent a serious post-war business depression, and a great wave of unemployment which would inevitably spread throughout the world.

"In preparing our internal economy to withstand the shock of large cutbacks in war production we have vital need for a backlog of orders from abroad. And these orders need to be of a kind that will aid in creating not a temporary boom in foreign trade but a sustained expansion, a healthy expansion growing naturally out of an increase of the world's wealth and purchasing power.

"It is becoming ever clearer that the best method by which we can promote a sustained and healthy expansion of foreign trade is to aid undeveloped regions build up sound industries of their own. In the past 10 years the development of the Tennessee Valley has taught America how swiftly a great area can be improved through intelligent use of its industrial resources. We have seen how the rising standard of living and the growing purchasing power of the people in that and other areas have strengthened the nation as a whole. Moreover, the evidence is unmistakable that the United States would be wise to encourage the sound industrialization, not only of her own undeveloped regions but of other nations as well. We have learned that when we help other peoples build healthy industries we make them better customers for America. Canada is a good example. At one time many Americans feared that the industrialization of Canada would hurt our own industries. Today we can plainly see that as Canada's industries grew, so did the demand for goods among her people, their ability to pay, and the volume of their trade with the United States. We do not jeopardize our economic leadership but rather we insure that leadership when we work with friendly nations to bring about a sound increase in their productive wealth and purchasing power. We have much to gain and nothing to lose by supplying the materials and the new or used machinery and equipment which other countries need and which they can pay for in materials, goods or services.

"Wartime experience has already taught us techniques by which export sales of capital goods can readily be arranged. We have learned that we make progress when, instead of considering separate, unrelated requests for industrial goods, we put our heads together with the informed representatives of another country to consider a unified, comprehensive and carefully worked-out program of industrialization. The first such program to reach us came only two months ago from our very good neighbor Mexico. Working in close cooperation with our Department of State, the Foreign Economic Administration and the Coordinator for Inter-American Affairs, the War Production Board analyzed this program. Each proposed industrial project was considered on its wartime and post-war merits. Then we determined how and when the materials required for approved projects could be produced without interference with our own essential production. Orders for materials approved in the final arrangement will be placed at appropriate times by business concerns in Mexico with business concerns in this country.

"Although its scale is relatively small, if the results of this arrangement with Mexico fulfill expectations, it may indicate a sound line for action for other countries in whose welfare we have an equal interest and with whom we will be happy to work.

"There can be no question of the advantages of building healthy industries abroad, not only for the foreign nation concerned, but for the United States. Because of the tremendous demands of our armed forces and war industries, manpower in this country is now in short supply. In Mexico and other countries, however, manpower is available, and these countries in fact have generously responded to our requests for men to work on our farms and railroads. By increasing industrial facilities beyond our borders we can achieve greater over-all war output and thereby relieve the strain on our own resources. As soon as the war is over further benefits will accrue to us. Orders and jobs in heavy industries will be made more promptly available for our returning soldiers and trained workers, and over the long term our foreign trade position will be strengthened by steady improvement in the purchasing power of friendly peoples. At the same time the status of private enterprise is preserved. The Governments concerned need provide just enough regulation to make sure that the action taken is to their mutual long-range advantage.

"I feel deeply that only realistic collaboration along these lines will enable the Governments of the world to bring about a sustained expansion of trade and find peaceful solutions to their difficult economic problems. For after the war we must expect to see a complicated and perplexing world economy. You will have one or more socialist countries side by side with capitalist countries, while in yet other nations there are deeply-imbedded strains of feudalism. You will have private international cartels operating abroad side by side with free enterprise, and an element of government regulation as well. You will have industrial nations and agricultural nations, each with their special interests; and you will have victorious nations and conquered nations and neutral nations, with intricate emotional relationships carried over from the war. The world order will not look like an engineeing blueprint. Rather it will look like a jigsaw puzzle. The statesmen of the world will need to pool all their practical intelligence to put that puzzle together in a pattern of peace and prosperity.

"Perhaps even more important, they will need all their good-will. I am convinced that one of the main keys to a protected and lasting peace is the attitude of the men who negotiate the world's economic agreements in the period ahead. Only an attitude of fair play can succeed. If the great powers are willing to play fair with each other as they adjust their differences, and if they are willing to play fair with the weaker nations, then the end of this war cannot fail to usher in an era of constructive achievement on a world scale.

"To me this conception of fair play in international relations is no mere dream. I have seen it in action. I have seen it during this war, in the economic discussions of the United States with all the other United Nations. In these discussions each country has recognized that its own best interests are served by the wellbeing of the others. The result is that every problem, every controversy, even the most serious, has proved capable of reasonable solution. The agreements which we have made with one another are not mere wishful promises but straightforward statements of workable programs which are fully and effectively carried out.

"After the emotional pressures of the war are relaxed, it will undoubtedly be harder to reach workable international agreements. It will tax our patience and our ingenuity. But it must be done. We must see to it that the same attitude of patient fair play which has characterized the relations of the United Nations in wartime is carried over into the post-war period. Given that spirit of fair play, and given a sustained expression of the good neighbor policy in terms of healthy industrial development, I believe we can lay the foundation of security, freedom and economic democracy for all the people of the earth."

The Securities Salesman's Corner

An Opportunity In Your Community To Make Your Firm The Place To Go To Buy Or Sell Securities

The retail security dealers of this country are located in practically every city of any consequence throughout the land. In most of these cities there is a daily paper. People read every other type of advertisement—and advertisers of every product under the sun have found that CONSISTENT, intelligent advertising PAYS. It will also pay the security dealer—and the field is wide open.

The first and most lasting benefit that a security dealer can obtain from the proper use of publicity that gets his name and his PHILOSOPHY OF DOING BUSINESS before the public is that it paves the way for his salesmen. In communities ranging from 10,000 to 150,000 population, the newspaper rates are not high. If dealers used one ad a week and kept it up for 52 weeks—even if they did no more than put their name in the space and said WE BUY AND SELL STOCKS AND BONDS—there would hardly be a person who owned securities in their locality who wouldn't have an idea of who they were and what they did. This means a lot to a salesman. It's the difference between trying to sell a nameless product against one that everybody knows. After all, in this business, we don't sell a security—we sell a service—a reputation—in fact we sell ourselves. It is true that sometimes salesmen have found it worthwhile to use a big name security to open an account. They do this just because they have to overcome their own lack of reputation or that of the firm whom they represent. For the small cost involved, the PRESTIGE, CONSTANT REPETITION, AND THE CERTAIN AMOUNT OF MAIL ORDER BUSINESS AND DIRECT LEADS THAT COME ABOUT FROM A PROPERLY PREPARED ADVERTISING CAMPAIGN, THERE IS NO BETTER WAY TO BUILD UP A BUSINESS.

Then there is the convenience of such a campaign. If lead attracting advertisements are used, it is only necessary to prepare the copy, turn it over to the local paper, and the job is done until the leads appear. When it comes to comparing the simplicity of this method of attracting leads with the use of direct mail, the elimination of mailing list preparation, mimeographing, stamping, sealing, and sending out letters, the newspaper ads are made to order for these times of office help shortage.

It is not necessary to use large space to attract attention. Human copy, attention arresting headlines, special situation prepared in an interesting manner, use of coupons to be clipped and returned for additional information, these are the basic principles of successful newspaper advertising. Incidentally, we know of one dealer who has taken up newspaper advertising and kept at it consistently for the past several months. The direct results that he could trace to his advertising were negligible. However, several weeks ago he received a telephone call from an investor who said he would like to come in to this dealer's office and, of course, an appointment was made. It developed that this investor had been prompted to call by the newspaper ads. He has become an excellent account and this dealer feels that the business he will receive from this one source alone will more than repay him for the cost of his campaign. It was not so much what this dealer said in any particular ad which impressed this customer. When asked what caused him to telephone in the first place he said, "I have been reading your ads in the paper and somehow they appealed to me, so I though I would come in and see for myself if you could do anything for me."

Newspaper advertising should not be used exclusively nor to take the place of direct mail campaigns. Both have their place. In fact, direct mail campaigns if properly prepared should pull a greater percentage of inquiries than newspaper ads. However, a good newspaper campaign will also bring in leads if that is what you are after. Industry ads—electronics, railroad bonds, household equipment, fire-insurance stocks, plastics, automotive stocks, air-transport companies—these are the industries and securities the investor who has from $1,000 to $10,000 available for investment seem to be looking for today. Tell them you can help them select the right ones NOW—tell it to them in a short, concise, and interesting ad. Put a coupon on it for reply AND LET YOUR HOME TOWN PAPER TELL THEM THIS STORY WEEK AFTER WEEK FOR THE NEXT SIX MONTHS. If your ads are right—your profits will surely be on the right side of the ledger.

Keynes Disputes View That Monetary Plan Might Mean Return To Gold Standard

(Continued from page 2251)

close of the transitional period. Separate quotas for the remainder of the sterling areas will make a large addition.

"One major improvement now in the plan, said Lord Keynes, is that a proper share of the responsibility for maintaining the equilibrium of international payments is squarely placed on the shoulders of creditor countries. Americans, who are most likely to be affected, have offered, he said, a far-reaching form of protection against the recurrence of the main cause of deflation between wars. This is a tremendous extension of international cooperation.

"He said that during the post-war transitional period he hoped Britain's policy would be to develop the field wherein sterling would be freely available as rapidly as possible. This could be done under the plan without incurring any charge of action contrary to any general obligations plan."

Oxford Paper Attractive

Oxford Paper offers an attractive situation, according to a circular prepared by Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other principal Exchanges. Copies of this circular may be had upon request from Goodbody & Co.

Post-War & Railroads

McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange, have prepared an interesting discussion of "The Post-War Period and the Railroads." Copies of this discussion may be had from McLaughlin, Baird & Reuss upon request.

OUR REPORTER'S REPORT

The Wall Street Division of the War Finance Committee of New York is getting off to a flying start in its preparations for the approaching Fifth War Loan Drive.

Out to surpass their performance during the preceding campaign, which drew commendations of the Treasury Department, the leaders of the Wall Street aggregation are hard at work and have been for several weeks getting along with the preliminaries.

It is to be a race of teams again this time and that the competition will be extremely keen goes without saying. As a matter of fact banks, underwriting firms, brokerage houses and the Street in general are now in process of clearing their decks.

With the emphasis this time more than ever on sales to individuals, the financial community's teams might well adopt as their slogan that famous passage "None Shall Escape."

Leaders of the various banking and brokerage house teams have been hard at it in the matter of instructing employees of various houses which will make up their groups. They have been moving from firm to firm holding lectures and giving "pep" talks.

So when the whistle blows on June 12 next the financial district groups, as they have been in the past, will be found toeing the barrier and ready to go.

Ordered to Competition

Another potential deal was upset, at least temporarily, when the Securities and Exchange Commission late last week denied the request of the Capital Transit Co., of Washington, D. C., for exemption of its proposed financing from competitive bidding.

The company is an affiliate of the Washington Railway & Electric Co. which in turn is a subsidiary of the North American Co. The program outlined by Capital projected issuance and sale of $16,000,000 of 20-year 4% first mortgage bonds to refinance outstanding debt, as suggested by financial advisers.

Unless the company decides to let the matter drop for the time being, it will, of necessity, have to call for bids under Rule U-50.

Another Issue Deferred

Reports were current this week that the financing contemplated by the Greyhound Corporation would be permitted to go over until early next Fall.

Bankers are understood to have pretty well completed plans for the marketing of this operation which was to have involved some $10,000,000 of new securities.

But evidently delay on the part of the Interstate Commerce Commission in handing down its approval of the undertaking up to this time, and the proximity of the new War Loan Drive, have resulted in pushing the business back into the "futures" list.

One Issue This Week

Only one issue loomed as a possibility in the corporate market this week, namely the $6,040,000 of 30-year mortgage bonds on which the Texas-Missouri Pacific Terminal Railroad of New Orleans was scheduled to open bids late yesterday.

Several groups were known to be in the running for this piece of business and it was expected that barring any unforeseen developments marketwise, the successful bankers would proceed with public offering subject, of course, to formal approval by the Interstate Commerce Commission.

Guaranteed by the Texas & Pacific Railway and Missouri Pacific Railroad, the proceeds from the new issue would be applied to redemption on Sept. 1, at 107½ of an equal amount of outstanding first 5s due Sept. 1, 1964.

Recent Issues Strong

By and large the majority of recent new issues are commanding premiums over their offering prices, substantial in several instances.

Dealers find the situation aided materially by the absence of any sizeable corporate undertakings and report loose ends cleaning up nicely.

Utah Power & Light 3¾s due 1968, have proven the star performers, in the grouping, commanding a premium of practically a full 6 points over the offering price of 100⅝.

NASD Mark-Up Rule Impediment To Opening of Venture Capital Marts

(Continued from page 2251)

the reader to the large number of expressions on the subject which have appeared in these columns in each issue since April 13. These views were made by dealers in all parts of the country and the overwhelming majority contend that the 5% rule will seriously interfere with the marketing and retailing of the capital issues of the nation's smaller enterprises. Accordingly, small business, which is expected to shoulder a large share of the task of maintaining full employment and a high national income in the post-war period, will be largely deprived of the very ingredient essential to its functioning, namely, ability to obtain capital accommodation. In this connection, we give herewith some more comments of securities dealers on the subject.

It should be noted that the name of the city or town preceding the dealer's comments was obtained from the postmark appearing on the envelope in which the questionnaire was returned. In cases where publication of the name of the community would tend to identify the firm (as in places where only one firm exists), the point of origin is indicated by using the phrase, "A Small Maine Town," as an example, or its equivalent.

NEW YORK CITY

I believe that the market for securities of smaller corporations will practically cease to exist.

NEW YORK CITY

I think the 5% mark-up rule will hinder the smaller corporations from getting money.

NEW YORK CITY

Any regulation must have a bad effect. It is my belief that if they did away with the NASD it would be better for all concerned.

SALT LAKE CITY, UTAH

A very narrow market with little demand of the issue.

NEW YORK CITY

It must eventually decline for lack of sponsorship.

NEW YORK CITY

It will limit the channels through which capital can be raised by the smaller corporations. After all, the distribution of securities cannot be accomplished without an outlay of time, effort and expense, and these factors have to be compensated for as well as a reasonable profit to the salesman and the dealer. Besides all these pertinent facts, it does not appear to be the **American democratic way** of trying to force upon a majority, the apparent ideas and opinions of a minority supported by a bureaucratic agency, which in turn is exceeding the powers and anything granted it by congressional legislation.

NEW YORK CITY

Wider quotations due to lack of interest.

ELMIRA, N. Y.

In my belief it will kill it. In fact if present conditions and control continue I am pessimistic. There won't be any securities market as we have known it in past years and free enterprise in every line of business will cease to exist. And permit me to add, although it is getting away from your question, that while the NASD is supposed to be an association of over-the-counter dealers it is too much under the direction of N.Y. Stock Exchange members through the Board of Governors of NASD.

A SMALL PENNSYLVANIA TOWN

I am positive it cannot help the market in any way.

A SMALL PENNSYLVANIA TOWN

This mark-up rule, in conjunction with other rules and regulations of the NASD and the SEC will result in ruling out the smaller corporations and the smaller dealers from the investment markets and thereby deny the investor the service and protection on his investment funds that up to now he has had and expected.

NEW YORK CITY

Adverse, I favor 10% to 12½% spread especially on unlisted and over-the-counter securities.

A SMALL PENNSYLVANIA TOWN

Drastic (lack of incentive). What are we dealers in business for? We can't all be New York Stock Exchange members and be in the select chamber of Finance. Why can't the dealers all over the country be given a break on commissions for business turned over to Exchange firms? They want this business, but the dealers can't exist on "thanks yous." They have to act as "principal" most of the time—unless their volume through prestige advertising, etc., is such that they can easily afford to act as brokers.

This 5% figure is asinine on small transactions. We dealers can't all become large syndicate managers or promoters in handling large blocks of stocks and bonds. The NASD would find themselves with a much lower membership if they examined 100% all members in this 5% rule. Perhaps that is what some of them are working for.

UTICA, N .Y.

It will definitely deter if not entirely halt the issuance through investment houses of new securities of the smaller corporations.

BOSTON, MASS.

Such a rule would naturally place drastic limitation on such markets.

CHICAGO, ILL.

(From firm favoring rule)

None.

BOSTON, MASS.

Decidedly adverse. Due to lack of broad market and hence probably slowness of distribution it is necessary to inventory for a larger period and cost more to distribute. Definitely it should have much wider spread to encourage dealers to make markets profitable. Did you ever see fur coats, diamond rings, etc. within the 5% mark-up?

MINNEAPOLIS, MINN.

Believe small dealers will be unwilling to work on unknown items with consequent market difficulties in small situations. Such companies will probably go to R.F.C. for relief.

KALAMAZOO, MICH.

In my opinion in regards to markets on smaller corporations will be inactive and dead for the simple reason it will be impossible to hire salesmen to work and travel on a commission basis according to the 5% rule. By the time we take out social security and other taxes, there is nothing left to make it interesting for a salesman to spend his time working.

I, personally, do not believe many security dealers have deliberately overstepped in charging excessive commissions for their services and do not understand why we should all suffer for the mistakes of possibly a few. The competition today is too keen and the public are becoming too educated to be taken advantage of to any great extent and responsible brokers are too interested in the welfare of their own clients. I have been in the brokerage business over 30 years and am doing business with the same people that I started to do business with 20 years back. I congratulate you on the stand you are taking and believe you are 100% right.

PITTSBURGH, PA.

We are opposed to the enforcement of the so-called 5% mark-up rule or any rules by any governmental agency which attempts to limit or restrict anyone's profits.

If the trader or dealer in securities is to be limited as to his profits then all business and professions should likewise be limited as to the gross mark-up they could take. You cannot legislate honesty. The dealer or broker should be required to investigate all prospective salesmen, customers men and closely supervise their activities at all times. Only by careful investigation and constant supervision after employment begins can our business be safeguarded.

NEW YORK CITY

It is so obviously biased, by large houses, and unfair, that I have no words to express my feelings unless I wrote a book.

NEW YORK CITY

There is in my opinion no doubt that the 5% mark-up rule will have not only a tremendous damaging effect on the market of securities of the smaller corporations, but also on all the over-the-counter securities.

Under the 5% mark-up rule it simply does not pay for the retailer to do any extensive and necessary merchandising and selling job, involving a lot of time, travelling expenses, and so on and so forth.

The 5% mark-up rule in my opinion can only mean one thing: to kick the thousands of small houses out of business, whereby not only the bread of the little fellow is being taken away, but in the course of time the small corporations which depend on the over-the-counter market, as well as the few large wholesale houses will suffer a tremendous damaging effect. I definitely underwrite all the various comments in the "Financial Chronicle" against the 5% mark-up rule. In the interest of the smaller corporations as well as of the entire Security Industry I hope that the retail firms unite and do away with the autocrats of NASD.

SEATTLE, WASH.

Feel convinced it would become almost impossible to do new financing because of lack of incentive unless the remaining large houses are going to do all the business after the smaller operations are forced to quit business.

A SMALL INDIANA TOWN

It will ruin the market for smaller corporations.

LITTLE ROCK, ARK.

There just would not be any market and if there would be a market true value would not have any consideration.

A SMALL NEW JERSEY TOWN

As dealers in unlisted securities, operating almost entirely with a sales organization working on commission, it has practically forced us out of business.

SPOKANE, WASH.

Believe it would be unfavorable.

YAKIMA, WASH.

Will eliminate small broker who are the markets for smaller corporations securities. Am opposed to the entire crazy New Deal setup.

WALLACE, IDAHO

It would kill the effort.

MINNESOTA, MINN.

(From firm favoring rule)

None.

LOS ANGELES, CALIF.

Definite lack of interest on part of dealers resulting in widespread and hard to find markets.

CITY NOT KNOWN

In time it would cause a fold-up of the securities markets. That goes for either large or small corporations. Within my memory American Can and General Motors were small. Within the same memory, Kreuger and Toll was big. Look at it now. I'm going to scramble some eggs: the bigger they are the harder they fall. Great oaks from little acorns grow.

BIRMINGHAM, ALA.

The effect of 5% mark-up of securities will not affect us very much. That is, if we understand what the 5% mark-up means. In running a business what one makes on anything he sells is after all expenses are paid and what is left from the gross sale is his profit which I dare say is not 5%. We object to it on account of the lack of agreement on the part of any two firms agreeing as to what the profits should be on any one transaction. If the SEC and the NASD intends to fix prices then something definite and far reaching should be determined, and that definitely, so that people engaged in the business would know what to expect and how to proceed in their operations. If people engaged in this business are to receive a commission then state the commissions definitely on everything so that we will know what to do and what to expect.

CHICAGO, ILL.

There will be **no** market for such securities and no "interest" or possible growth possibilities for such companies. The rule is legally **unconstitutional.**

CINCINNATI, OHIO

It will more or less kill the market. We do not often handle the above type of security, but we do know they need a market and it can't be done often on a 5% mark-up.

BUFFALO, N. Y.

Neglected with a consequent drop (a precipitous drop) in market value regardless of intrinsic value.

CINCINNATI, OHIO

Will restrict distribution and limit markets.

SYRACUSE, N. Y.

Very bad.

CHICAGO, ILL.

It will adversely affect the markets for securities of smaller corporations, as a larger mark-up than 5% is needed to distribute them in competition with the securities of the larger corporations.

BIRMINGHAM, ALA.

I don't believe there will be any market left.

NEWARK, N. J.

Will provide no funds for advertising, overhead and sales expense in obtaining a market for the sale of securities of small corporations. Without a market and the interest of the public in the purchase of securities of small corporations through advertising and personal solicitation the distributions of these securities must go out of business.

PHILADELPHIA, PA.

I am uncompromisingly opposed to the 5% mark-up rule. It will prove ruinous to individuals such as myself.

PORTLAND, MAINE

Actually, I do not believe the 5% rule will have much effect on prices. As you note, we are not members of the NASD so that the expressions of opinion that you request on the other side of the sheet are purely academic with us. It happens that our firm ceased to be a member of the NASD when the head of the firm thought he was going into the armed services, and in the light of the way in which the NASD has harassed its membership during the last two years, we have never seen anything that would cause us to wish to become a member of the organization. It is our belief that our business should ultimately become a profession, and that it should be composed of men of good education, and that under these conditions, it, as a profession, should be just as capable of determining what its compensation should be for services rendered as any other profession. We have also felt that the whole procedure that the NASD has used has been very un-American and that there was only one purpose that could possibly be in mind and that was to drive out the small private dealer.

SOUTH BEND, IND.

A very depressing and limiting effect. Would be impossible for new concerns to finance themselves.

Will We Have An Economic Pearl Harbor After The War?

(Continued from page 2254)

However, two stumbling blocks to furthering reconversion should be removed. The slight amount of materials necessary for making new models and samples should be released to industry. New tools and dies should be started. Cut-backs in the machine tool field have released men for this work. If this work can be started now, we will ease one of the chief bottlenecks in our readjustment program.

The Baruch-Hancock report says: "Reconversion will be quickened and possible unemployment offset proportionately if those industries which have retooling problems in connection with peacetime output are permitted to secure tools in advance of the end of the war. . . . Reasonable quantities of materials that will be wanted for testing new products should be released."

A readjustment policy based on old models of consumer durable goods may hamper the transition from war to peacetime production and lead to unemployment. There may be considerable resistance to these old models if the consumer feels the manufacturer is holding back. The program of reconversion facing the automobile industry does not apply to manufacturers in many other fields and must not be used by them as an excuse to bring out old models.

The public, aware of the magnificent record of industry during the war, wants prompt advantage of the recent advances in skills and technique and the many new materials. While not expecting any of the fantastic fantasies drawn from thin air, it certainly does expect some progress.

However, unless the suggestions in the Baruch-Hancock report are carried out soon, many manufacturers will be forced to delay production of new products. They will have to do this if they have not been allowed materials or tools for the preparation of new models. When war contracts are terminated, it is absolutely necessary to start production quickly in order to maintain employment and increase the flow of civilian goods.

Management has achieved a remarkable record for wartime production, and can produce staggering quantities of goods. It must find the necessary markets for them, and a dynamic selling program must be prepared at once. All the new plants, new models and new materials won't be worth much unless it can move the products.

We must not be misled by a replacement boom, which is apt to be short-lived. The big post-war market will be a discriminating buyer's market. Instead of a wild scramble, the public will exercise its freedom of choice when it has time to spend its wartime earnings. Of course, there will be folks desperately in need of transportation and equipment. They will buy any old model, and along with their rush for nylon stockings, they will cause the first flurry in the market. But replacement demand is not the same as new demand and only affords a chance to get production started. However, this momentum might be carried on with new and better things, and some of the post-war goals might then be realized.

Our post-war markets will be world wide, and as long as Europe needs rebuilding, we shall have little competition. Our men in the armed services stationed in 58 countries and scattered throughout the world are introducing American products to an extent never known before. Russia is inquiring already about the products which American manufacturers can supply after the war.

The 10,800,000 men in the armed services, handling the latest and most efficient equipment, cannot help but have a pronounced effect upon out post-war products and markets. Fellows who were soda jerkers, truck drivers, statisticians and stockbrokers before the war, today are experts in radar, aviation or ordnance. The young pilot handling a Flying Fortress will not be satisfied with inefficent office equipment or farm machinery. The soldier familiar with the Walkie-Talkie will want the latest in radio. The G. I., wearing clothing and shoes which fit him as well as his job in every climate, will expect the same comfort after the war. Men who have had experience with planes expect to enter the various phases of the aviation business after the war and may bring about a mass production of planes.

To get a clue, recall the influence of a much smaller army after the last war. They accounted for the acceptance by men of wrist watches, ready-made clothing, and cigarettes (the three brands that were most popular with the soldiers, namely Camels, Lucky Strikes and Chesterfields, are still the leading brands). According to John Shepherd of "Esquire," they squashed a 23 million dollar stiff-collar business, and changed underwear from the BVD type to shirts and shorts. The service men were introduced to the automobile and brought about the boom in that industry. These changes took place quickly because the armed services offered a chance to sample and test new things. Imagine what this mechanical and scientific war will do to our post-war products and markets!

As always, there's the woman. Mollie the machinist and her friends in the war plants will know whether a vacuum cleaner is well made and looks right. Mrs. Housewife, who hasn't had a maid since the war began, will look for labor - saving, time - saving and automatic features — although she'd prefer the maid. The inconvenience of repairs today, and her unsatisfactory experience with Victory models, have made her critical and will cause her to select products which stand up better. With the elimination of low-priced lines, she has found that higher quality and higher-priced goods are often more economical and better buys. Rationing has caused sampling of new things and is changing habits and tastes.

During the war we have experienced a boom in marriages. In 1942, there were 1,800,000 marriages and two-thirds were war marriages. As many as 40% of these couples have not established homes of their own to date, and when they do, they will want advanced and efficient housing and home furnishings.

Let's look at another angle. In the middle thirties, 85% of all the families in this country had incomes of less than $3,000 per year. Yet this group bought three quarters of all the consumer products of industry, whether automobiles, electrical equipment, home furnishings or food; and then the average family with a yearly income between $2,000 and $3,000 spent four times as much for consumer goods as a family with an income of less than $1,000 spent for these goods.

During the war, several million low-income families—wage earners' families rather than statisticians'—increased their income one thousand dollars, two thousand dollars, or more per year. That means the group constituting the great mass market has more money than ever before for the purchase of consumer goods, but it can't get many of them because of war-time restrictions.

In the post-war period, the incomes of these people may not be as large. Overtime has accounted for some of the war-time increases: overtime in 1943 totaled 12 billion dollars. But these people have accumulated savings. In 1943 alone these savings amounted to 37 billion dollars and, for the four years 1940 through 1943, according to the SEC, they totaled $125,400,000,000, which sounds like a whale of a lot of money to me. Many of these families have a nest egg put away for the first time in their lives, or have earmarked funds for special items. And it is interesting to note that a private in the Army getting $600 a year is just as well off from the saving angle as a family with an income of $3,000 a year. It seems to me that after the war when people have time to spend some of this money, they are going to apply their wartime education and be discriminating in their selection of products.

However, many people do not intend to spend all their money for products. Recently a survey made by the Citizens Union Bank of Louisville, Ky., covered wage earners and found that, after the war, 30% of this group intends to invest their savings in ways that will earn additional profits for them. They expect to buy stocks and bonds or real estate to rent to others. That 30% figure is even more impressive when you realize that only 17% of this group intends to buy new automobiles, and only 29% plans to purchase new refrigerators or other home furnishings after the war. This desire to invest and share indicates a forward-looking and contructive attitude on the part of wage earners.

Our tax and fiscal policies should be designed to meet the needs of this generation. It seems to me there is a comparison between our present policies and some machine tools which have not been redesigned. Over the course of many years, gadgets and accessories have been added and new controls placed out of reach. The machine looks both complex and involved and does not appeal to young workers. Company officials who have grown up with the machine and are accustomed to its appearance hestitate to make any changes. A successful redesigning job simplifies the machine and makes it more efficient. It correlates the parts, eliminiates useless gadgets, and places controls within easy reach. It is a source of pride to the worker and leads to greater productivity.

Along with high levels of employment in the post-war period, there should be rewards for taking risks. It is the expectation of profits which makes the wheels of industry go around, and adequate returns are needed for high peacetime employment. Under our present income tax system there is double taxation—first on the corporation and then on the individual. It is the small stockholder who suffers most, for the same percentage is first taken from his share of the earnings as that taken from the large stockholder's. Without giving the corporate set-up any undue advantage, there should be some way to practically eliminate this corporate tax and pass the earnings on to the stockholder. Management could then plan more efficiently and this may mean price benefits for the consumer, and more money for the worker.

Financing will be needed for new productive facilities to bring increased purchasing power, and investment in existing securities will not bring this about. Balance sheets appear substantial, but under the increased price level there is some question whether corporations have sufficient working capital. However, private industries are going concerns and their balance sheets should not be looked upon by banks and investment companies as if they were about to be liquidated.

The desirable shift to more equity ownership will be slow in coming; most people still prefer income-bearing securities. Millions of workers who are now buying War Bonds every month may want to continue this form of investment after the war. Possibly some new bonds in small denominations can be issued monthly for private financing of public improvements and benefits such as housing and transportation developments. The carrying out of these projects should be done by private industry in keeping with regional plans, but the money invested by the public might be protected by local or State government. In this way, people can not only have their desired form of investment, but participate in the building of better communities, and they will be conscious of the expenditure of their money. Financing of individual homes should be made as simple as buying a car was before the war. The antiquated fees and expenses in the initial stages of purchase should be eliminated.

The shift from war to peacetime production can be made with a minimum amount of friction under adequate preparation. Material should be made available for making models and for experimental purposes. Tools and dies for new products should be started. The desire of the people for better things is symbolic of their desire for a better world. Will they fulfill these desires through some Government agency, or will industry get more and better goods into the hands of a greater number of people; thereby maintaining employment and raising the standard of living? Will we adjust our tax and fiscal policy so that there will be incentive for all?

To meet this challenge requires our full creative energies in peace as well as in war.

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.

Bank Developments During And After The War

(Continued from page 2251)

ate reduction in the monetary stock of gold in this country. Since these tendencies are bound to continue during the war it is almost certain that the ratio will continue to decline.

"When the reserve ratio of the Federal Reserve banks approached the statutory limit of 40% in 1920, it was followed by the adoption of credit restrictive measures by the Reserve authorities and a sharp increase in the discount rates of the Reserve banks, followed in turn by a material decline in prices of high-grade bonds, including Government obligations. Anxiety has been expressed that if the ratio should again approach the statutory limit the consequences will be the same as in 1920.

"There is no similarity between conditions as they exist today and those which prevailed shortly after the end of the last war. At that time the country was in the midst of a wave of speculation and a rapid increase in commodity prices, accompanied by a substantial expansion in the volume of bank loans. The member banks were heavily indebted to the Reserve banks and there was evidence that bank credit was being abused. Credit restrictive measures imposed at that time and particularly the sharp increase in the discount rate were intended to break the speculative forces. But at the present time the adoption of the same credit restrictive measures as in 1920 could not affect the volume of currency in circulation or the earmarking of gold for foreign account. It would merely bring about a rise in interest rates and increase the cost of borrowing by the Government. Since credit restrictive measures could not eliminate the causes which brought about the decline in the reserve ratio their adoption would be not only unnecessary but unwise.

"In all likelihood, therefore, the decline in the ratio will not affect the credit policies of the Reserve authorities. Although there are various measures at the disposal of the monetary authorities to either increase the ratio or to prevent it from declining further, the measures suggested so far are merely palliatives. If the ratio should continue to decline, as in all probability it will, the most effective solution would be for the Congress of the United States to pass legislation which would authorize the Board of Governors of the Federal Reserve System to raise and lower the ratio requirements of the Reserve banks within the range of 20 to 40%. The ratio was of considerable importance at the time when the world at large was on the gold standard, when the currency was freely redeemable into gold, and when the amount of gold held by a country exercised considerable influence on the expansion power of its banking system as well as on money rates. At present the currency of no country of importance is redeemable into gold and the yellow metal is used primarily for the purpose of paying for the excess of imports over exports and for hoarding purposes. For a nation which still holds 21 billion dollars of gold to worry over the decline in the ratio or over a moderate outflow of gold, is, to say the least, highly academic.

Banking Developments After the War

"Banking in the post-war period will be marked by a further increase in the holding of Government securities accompanied by an increase in the volume of bank deposits. It is almost certain that the deficit of the Government will not end with the cessation of hostilities. Furthermore, it is reasonable to assume that a number of corporations which have accumulated a substantial amount of short-term Government obligations will convert them into cash in order to finance the conversion from war to peace production. In all likelihood the securities thus redeemed by corporations will be absorbed by the banks.

"The post-war period should also be marked by a return flow of currency from circulation as well as by an inflow of gold or a release of the yellow metal from earmark. Both these developments will lead to an increase in the volume of deposits as well as of excess reserve balances. Since the banks, particularly in the larger cities, have learned to operate without success reserve balances, it is quite likely that they will use their excess funds to buy short-term Government securities. This will offer the Reserve banks the opportunity to reduce their holdings of short-term Government obligations.

"The economy of the country will be marked by great liquidity at the end of the war. Hence the demand for bank credit cannot be so great as is generally expected. Furthermore, the needs of the Treasury to control the money market will continue to be great. One may, therefore, conclude that money rates will not undergo considerable changes in the post-war period. There is, however, a possibility that the spread between short-term and medium and long-term Government obligations will be somewhat narrowed by a moderate increase in the return on short-term Government obligations.

Banking Legislation

"The post-war period will also witness considerable important legislation dealing with banking and finance in general," Nadler continued. "Efforts will undoubtedly be made to establish financial institutions to finance the capital requirements of small and medium-sized business concerns. Efforts will also be made to increase the banking facilities of the country and there will be a demand to widen branch banking laws. The country will also be confronted with the task of passing legislation dealing with the stabilization of currencies, the establishment of institutions for this purpose, as well as with financing reconstruction of the battle-scarred countries of the world. This legislation will have a abroad effect on the operations of the banks. It is highly desirable that the banks, through their various associations, give these problems careful thought and evolve ways and means of solving them along sound lines.

"The huge public debt and the possibility that the interest service alone thereon may amount to 5 or 6 billion dollars and the fact that about one-third of the total debt may be held by the banks of the country will undoubtedly stimulate agitation for the purpose of relieving the debt burden at the expense of the banks. The fact should not be overlooked that credit is the life blood of a nation and that the banks are the cells through which this life blood flows. Any tinkering with the public debt or any effort to solve it at the expense of the banks or through sleight-of-hand measures, is bound to lead to economic and political disaster.

"There is only one way of solving the public debt burden and that is through increased production, enlarged national income and the practice of economy by all public bodies. The fact, however, that a large portion of the public debt will be held by the commercial banks of the country will make it exceedingly dangerous for them if they should individually or collectively endeavor to increase interest rates, thereby further increasing the debt burden of the country.

"The banks of the country are in a favorable position. They are not confronted with an inventory or conversion problem. Their assets are perhaps sounder and more liquid today than ever before in the history of the nation. They have the resources not merely to finance all the legitimate business needs of the country but to contribute their share in restoring sound international trade and financial conditions throughout the world."

Churchill Sees Need Of World Assembly Of Powers And Controlling Council To Keep Peace

Declares Atlantic Charter Remains Guiding Post

Addressing the House of Commons on May 24 on the British foreign policy, Prime Minister Winston Churchill declared that "we intend to set up a world order and an organization equipped with all necessary attributes of power in order to prevent future wars or the planning of them in advance by restless and ambitious nations." "For this purpose of preventing wars," he said, "there must be a world-controlling council. I am not talking about our purposes, but for the purpose of preventing wars there must be a world council comprising the greatest states which emerge victorious from this war who will be obligated to keep within certain minimum standards armaments for the purpose of preserving peace." Mr. Churchill went on to say:

"There must also be a world assembly of powers whose relation to the world executive or controlling power for the purpose of maintaining peace I am in no position to define. If I did I should be stepping outside the bounds which are proper to us and our allies.

"The establishment of these bodies and their relations with each other can only be settled after the formidable foes we are now facing have been beaten and reduced to complete submission. It would be presumption for any one power to try to prescribe in precise detail exactly what solution should be found. The mere attempt for us to do so and to put forward what is a majority view on this and that might prejudice us in gaining consideration for our arguments when the time comes, and I shall not even attempt to parade the many questions and difficulties which will arise and which are at present in all our minds."

The Prime Minister in his address asserted that the "Atlantic Charter remains the Guide Post," stating in his remarks that "consultations always are proceeding between the three great powers and others, and every effort is being made to explore the future to resolve difficulties and to obtain the greatest measure of common agreement. A few things have already become quite clear and were very prominent at the conference just concluded.

"The first is that we must fight on all together until Germany is forced to capitulate and until Nazidom is extirpated and the Nazi Party is stripped of all continuing power of doing evil. Next is that the Atlantic Charter remains the guiding sign-post, expressing the vast body of opinion among all the powers now fighting together against tyranny.

"The third point is that the Atlantic Charter in no way binds us about the future of Germany. It has no quality of a bargain or contract with our enemy. It was no offer to the Germans to surrender. If it had been an offer, that offer was rejected. But the principle of unconditional surrender which has also been promulgated will be adhered to as far as Nazi Germany and Japan are concerned, and that principle itself wipes away all idea of anything like Mr. Wilson's 14 points being brought up by the Germans after their defeat, claiming they surrendered in consideration of those 14 points."

In part, Mr. Churchill also said:

"It is clear that the Germans will be driven out of Italy by the Allies, but that will happen on moving battlefronts; and what the Germans will do on their way out in the way of destruction to a people they hate and despise, and who they allege have betrayed them—that cannot be imagined or forecast. All I can say is we shall do our utmost to make the ordeal as short and as little destructive as possible. We have great hopes that the city of Rome will be preserved from the struggle of our armies. . . .

"From Italy one turns naturally to Spain, once the most famous empire in the world and down to this day a strong community in a wide land with marked personality and distinguished culture among the nations of Europe. . . .

"I am here today to speak kindly words about Spain. Let me add this hope, that she will be a strong influence for the peace of the Mediterranean after the war. The internal political arrangements in Spain are a matter for Spaniards themselves. It is not for us to meddle in these affairs as a Government."

Other points brought out in his address we note in Associated Press advices from London, May 24:

"He told Commons that the Allies, after giving Turkey $80,000,000 worth of American and British arms 'have suspended the process of trying to exhort Turkey to range herself with the victorious United Powers.' He called Turkey's recent suspension of chrome shipments to the Nazis a 'generous gesture,' but made it clear it would not win her 'a strong position at the peace table which she would have had had she joined the Allies.'

"He proclaimed the British Commonwealth and Empire in complete unity to go on with the Allies 'to beat the enemy as soon as possible.'

"In touching on British and Russian relations, the Prime Minister said it seemed to be the great desire of the peoples of both countries to be friends, and referred to the 'marked departures from conceptions which were held years ago for reasons we can all understand.'

"He reported that peace terms had been offered to Rumania by Russia and described them as 'remarkably generous' in many respects, saying they 'made no suggestions of altering the standards of society in that country.' Similarly, he said, the Soviet had been 'very patient' with Finland.

"As for Greece, where the British have been trying to end internal strife, he reported 'complete unity' was reached at the Lebanon conference and 'all parties will be represented in the new Greek Government, which will devote itself to formation of a national army, in which all guerrilla bands be incorporated.'

"He told Commons he had received a message from King Peter of Yugoslavia saying the Prime Minister and Cabinet had resigned and a new Cabinet was being formed to assist all active resistance in that country. Mr. Churchill said he understood this meant severance of General Draja Mihailovic, War Minister and Chetnik leader, from the Government.

"Swinging into the delicate subject of French relationships, Mr. Churchill said the reason the United States and Britain have not been able to recognize the National Liberation Committee as the country's provisional government 'is because we are not sure it represents the French nation as the governments of Great Britain, United States and the Soviet represent their countries.'

"He argued that 'we do not wish to commit ourselves at this stage to imposing the government of the French committee upon France, which may fall under our control, without more knowledge than we now possess of the situation in interior France.'

"But he emphasized that 'we shall have no dealings with the Vichy Government or anyone tainted with that association,' and disclosed that with President Roosevelt's approval he had invited General Charles de Gaulle to 'pay us a visit over here in the near future.'"

From the Associated Press we also quote further from the remarks of Mr. Churchill:

"We must undoubtedly in our world structure embody a great deal of all we have gained for the world by the structure and form of the League of Nations. We must arm our world organization and make sure that within the limits assigned to it, it has overwhelming military power.

"We must remember we shall all be hard put to it to gain a living, repair the devastation which has been wrought and to give all that wider life and more comfortable life which is so deeply desired.

"We must respect the thoughts and opinions of others while holding firmly to our own faith and conviction. There must be room in this new great structure of the world for the happiness and prosperity of all, and in the end it must be capable of giving happiness and prosperity even to the guilty and vanquished nations. There must be room within this great world organization for an organism like the British Empire and Commonwealth, as we now call it, and I trust there will be room also for the fraternal association of the British Commonwealth and the United States."

Attractive Situation

Laclede-Christy Clay Products Co. common, which is listed on the St. Louis Stock Exchange, offers an interesting situation, according to a memorandum issued by Herzog & Co., 170 Broadway, New York City. Copies of this memorandum may be obtained from Herzog & Co. upon request.

Attractive Situations

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.

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.

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.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2254)

one; September 1943 is another. And going back to July, 1943 we see the toughest one of all—the 146.41 figure from which they nosedived sixteen points. In order to take care of these levels a lot more volume has to be generated than has been seen for many a long month. What the spark will be that will set it off is anybody's guess. The most popular one is D-Day. Another one is the election.

* * *

Both of the above events, invasion and election, will play a major role in the market trend. But all the pushing and prying in the world won't give us the answer to either. The market taking its cue from the lack of important news is acting accordingly—by doing nothing. For unlike many of us it doesn't have to be doing something every day.

Individual stocks, in the meanwhile, have also had their false starts. But unlike the averages they manage to get through their old highs without too much trouble. But getting through such highs isn't enough. For once they get through the stodginess of the market as a whole takes hold. In a bull market a stock making a new high is usually good for an additional five to seven points, and quickly too. In a market, between hay and grass, as it were, the long term effect of the averages catches up with a stock and knocks it off. So instead of a new move starting in a stock after it has registered a new high we see dullness, frequently followed by a minor reaction.

Currently you have two stocks, Crane at 22½ (now 24½) and National Gypsum at 9¾ (now 10¾). Both have made new highs but neither acts particularly spry now. In the former the stop at 22, and the latter stop of 9½ still applies.

I don't recommend new buys at present because the market itself doesn't show anything. Yes, they look good. But they always look good near a top.

* * *

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.]

Municipal News & Notes

Two large syndicates, including between them most of the important investment banking and dealer firms of the country, submitted bids yesterday for $41,533,000 bonds of the Consumers Public Power District of Nebraska, a municipal entity. A group headed by Smith, Barney & Co. was awarded the issue, naming a combination of coupon rates which figured out to an interest cost basis of about 2.17%. Halsey Stuart & Co., Inc., and associates, offered a tender which represented a basis of about 2.32%. The bonds mature in semi-annual instalments from Jan. 1, 1946, to Jan. 1, 1972. Purpose of the financing is to refund a like amount of presently outstanding district bonds.

Smith, Barney & Co., Blyth & Co., Inc.; The First Boston Corp., Harriman Ripley & Co., Inc., and Lehman Brothers and associate underwriters are making public re-offering of the issue today.

The financing is divided into two issues—$36,324,000 of Consolidated Eastern System bonds and $5,209,000 Western System bonds. Both issues will be dated July 1.

The bonds of both Systems will carry coupons as follows: 3½% for maturities January, 1946, through July, 1949; 2½% for maturities January, 1950, through July, 1961; 2% January, 1962, through July, 1969; 1¾% January, 2¼% for bonds due January, 1972.

All of the bonds due 1946-1954 are reported to have been placed with institutions. The remaining bonds are being publicly re-offered at prices scaled to provide to maturity yields from 1.80% for bonds due January, 1955, to 2.25% for bonds due 1972.

Sale of the new bonds will enable the District to redeem all the presently outstanding bonds of the District, consisting of eight "divisional" issues.

Texas County Bonds Optional Status Analyzed

An analysis of the optional status of Texas county bonds in light of the State Supreme Court's recent decision in the Jefferson County cases (referred to in these columns on May 18) and its earlier rulings in the Cochran County and Bexar County proceedings, is being distributed by B. V. Christie & Co., of Houston. The analysis was prepared for the bond house by Messrs. Vinson, Elkins, Weems & Francis, municipal bond attorneys of Houston.

The memorandum issued by the bond house sets forth the type of county bonds, according to popular name, purpose of issue and statutory authority, which are believed to be callable and non-callable. Space limitations preclude our giving the full text of the memorandum today, it will be given in our issue of Monday, June 5.

Mutual Life Asks Bids On $17,565,000 Municipals

Additional evidence of the imminence of the forthcoming Fifth War Loan drive, which opens June 12, is seen in the announcement yesterday by the Mutual Life Insurance Company of New York, of an offering of $17,565,000 of its holdings of State and municipal bonds. The offering consists of 40 individual lots, on which sealed bids will be received at the company's offices, 34 Nassau St., New York 5, until noon on June 6. Bids will be considered only for the full amount of each lot and the company states that all awards will be made for cash payment in New York funds and delivery will be made in that city on June 13. No good faith deposits will be required of bidders and individual bids must be made on each lot.

Among the blocks of bonds included in the sale are $2,394,000 City of Detroit, $2,000,000 State of Louisiana Highway bonds, $1,800,000 City of Chicago Water Works, $1,000,000 Boston Metropolitan District, $1,000,000 Nashville, Tenn. Electric Revenue bonds, $840,000 State of Illinois Highway bonds, $805,000 City of Los Angeles Electric Plant bonds, $605,000 City of San Francisco and $500,000 State of Tennessee Highway bonds.

The offering is the largest single transaction of its kind ever announced and is being undertaken by the Mutual Life presumably for the purpose of permitting reinvestment of the proceeds in the coming Fifth War Loan offering. Operations of this character have been rather numerous in recent years, particularly when war loan programs are in the offing. They have been proved profitable to both sellers and municipal dealers, the former cashing in on extremely high prices prevailing for tax-exempts and the latter finding them a source of activity not otherwise available because of war-induced restrictions on new State and local borrowing.

The current offering, however, comes at a time when the volume of bonds overhanging the market is rather large as a result of recent large awards. While the largest of these, the $56,000,000 California Toll Bridge refundings were readily placed, there probably remain substantial balances from other issues. In addition, several important undertakings are scheduled to reach the market today, such as the $41,533,000 Consumers Public Power District, Neb., refundings, and the $6,040,000 Chattanooga, Tenn., electric power refundings.

The latter is particularly interesting as it involves the refunding of debt which was refunded only six months ago. As in the previous instance, the municipal power board will be required to pay a substantial premium in order to call existing liens.

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.

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.

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 33

At a meeting of the Board of Directors held May 29, 1944, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable August 1, 1944, to stockholders of record at the close of business July 5, 1944. Checks will be mailed.

May 29, 1944 W. M. O'CONNOR, Secretary

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

Allied Chemical & Dye Corporation
61 Broadway, New York

May 31, 1944

Allied Chemical & Dye Corporation has declared quarterly dividend No. 93 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable June 20, 1944, to common stockholders of record at the close of business June 10, 1944.

W. C. KING, *Secretary*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, May 23, 1944.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 91, on the Preferred Capital Stock of this Company, payable August 1, 1944, out of undivided net profits for the year ending June 30, 1944, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 30, 1944.

Dividend checks will be mailed to holders of Preferred Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

ANACONDA COPPER MINING CO.
25 Broadway,
New York 4, N. Y. May 25, 1944.

DIVIDEND NO. 144

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50 per share, payable June 26, 1944, to holders of such shares of record at the close of business at 3 o'clock P. M., on June 6, 1944.

JAS. DICKSON, Secretary & Treasurer.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

DIVIDEND NO. 48

A dividend of twenty cents ($0.20) per share will be paid on June 20, 1944, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business June 10, 1944. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary.

Boston, May 25, 1944.

Likes Liberty Baking

Liberty Baking Corp. $4 cumulative preferred offers an interesting situation at the present time according to a memorandum issued by Caswell & Co., 120 South La Salle Street, Chicago, Ill. Copies of this memorandum may be had from the firm upon request (send attention of Harold Barclay).

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 153
Common Dividend No. 137

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending June 30, 1944, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable July 1, 1944, to holders of record June 9, 1944. The stock transfer books will remain open.

J. P. TREADWELL, JR.

May 24, 1944 *Secretary*

CONSOL

The Board of Directors of the **CONSOLIDATION COAL COMPANY** *(Incorporated in Delaware)* has this day declared the regular quarterly dividend of 62½ cents per share on the $2.50 Cumulative Preferred Stock, payable on July 1, 1944, to stockholders of record at the close of business on June 17, 1944. Checks will be mailed.

C. E. BEACHLEY, *Secretary-Treasurer*

May 23, 1944

COMMERCIAL INVESTMENT TRUST CORPORATION

Common Stock, Dividend

A quarterly dividend of 60 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable July 1, 1944, to stockholders of record at the close of business June 10, 1944. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*

May 25, 1944.

DU PONT **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*

A. HOLLANDER & SON, INC.
COMMON DIVIDEND

HOLLANDER BLENDED FURS

A dividend of 25c per share on the Common Stock has been declared payable June 15, 1944, to stockholders of record at the close of business on June 5, 1944, Checks will be mailed.

Newark, N. J. Albert J. Feldman
May 22, 1944 *Secretary*

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held May 31, 1944, declared the regular quarterly dividend of $1.75 per share on the Prior Preference stock, payable July 1, 1944, to stockholders of record June 10, 1944.

C. CAMERON, *Treasurer.*

New York, May 31, 1944.

The Chesapeake and Ohio Railway Co.

A dividend for the second quarter of 1944 of seventy-five cents per share on $25 par common stock will be paid July 1, 1944, to stockholders of record at close of business June 8, 1944. Transfer books will not close.

H. F. Lohmeyer, Secretary

A Plan For Post-War Employment

(Continued from page 2253)

would minimize the amount of public spending necessary for this purpose.

Specific policies are proposed below to provide stable full employment by:

(1) Removing some of the basic uncertainties which repress the general level of private expenditure and particularly private capital expenditure.

(2) Removing the powerful factors which discriminate against the assumption of risk.

(3) Counteracting some of the fluctuations in private capital expenditures.

(4) Preventing such fluctuations from exerting a cumulative effect upon the economy.

Consideration must first be given to the transition from war to peace, which will fundamentally influence the possibility of attaining stability in the longer run. It must be demonstrated in this transition period that the economy can provide full employment in peace-time and, that the political atmosphere will be conducive to the functioning of private, competitive enterprise. Such a demonstration would create the necessary psychological foundation for the maintenance of stable, high-level private business activity and employment in the future.

The transition period will begin with any substantial decline in munitions production, presumably following the defeat of Germany. The initial danger of unemployment during this period will not be in the inadequacy of total demand. The demands of the government, of producers, of consumers and of foreign purchasers will be very large. Unemployment will be threatened by the difficulty of making the economic rearrangements necessary for a major change in the character of production. For example, although there will be a great demand for refrigerators, producers of refrigerators may be unable to hire workers because their remaining munitions work prevents freeing one complete assembly line, or because their ordinary suppliers of refrigerator components are tied up with war work, or because potential suppliers of a few special-purpose machine tools are otherwise engaged, or because the producers do not have sufficient liquid funds to make necessary plant alterations. Subject to the continuing needs of war production, the following policies should be followed in the transition:

A. Policies to prevent "bottleneck unemployment."

1. Cuts in the munitions production schedules of any contractor should be either small enough to be absorbed by a reduction in working hours or large enough to release an entire plant or other complete productive unit. Cuts which will force the discharge of workers without releasing usable productive facilities should be avoided.

2. Cuts should be made simultaneously in the finished munitions schedules of plants which in peacetime made final assemblies, components and machinery, to prevent the emergence of bottlenecks in the production process.

3. Cuts should be made first in the munitions schedules of plants situated in tight labor areas. This will assist in the completion of the remaining military program. Also, an unusually large proportion of the workers in such areas will be women, the aged or the young, many of whom will withdraw from the labor market.

4. To implement the above three policies, the miltiary procurement agencies should notify the War Production Board and the War Manpower Commission promptly of any schedule cuts (above a minimum size) which are under consideration, listing the contractors involved. The WPB and the WMC should be given an opportunity to make recommendations and to comment upon any proposed distribution of cuts among contractors.

5. Contractors' claims upon termination of war contracts should be promptly and finally settled by negotiation with the contracting agencies.

B. Policies to define the post-war relation of government to business.

1. Goods in government possession should be promptly sold at competitive bidding after sufficient description of the goods to be offered has been made public. This will assist the prevention of inflation during the transition. It will also substitute a clear policy for what might otherwise be a major uncertainty.

2. Subject to existing options, government owned productive facilities not required for military production should be sold to the highest bidder after six months notice. No facility should be sold to a firm which is found to control, directly or indirectly, more than twenty percent of the capacity in the industry in which the facility operates. Resale of facilities acquired from the government to any such firm should be prohibited for a period of years.

3. Disposition of commodities and of facilities should each be centralized in a single agency. Policy in both programs should be formulated by a board representing the procurement and economic policy agencies of the Federal Government.

4. The wartime level of taxation should be retained to prevent a run-away inflation. The reform in the tax structure outlined below should be initiated in the transition period. A high level of taxes will facilitate the abolition of direct government controls of prices and production.

5. Regulation of prices and distribution as typified by the functions of the OPA and WPB should end within one year after the termination of hostilities. Promptness in this respect will greatly influence business interpretation of the political environment in which it is to act. Fiscal and monetary measures should be prepared to restrain inflationary pressures which will develop upon elimination of direct controls.

Even during the transition period beginnings must be made on the development of political and economic institutions which will eliminate the closely related dangers of repeated economic fluctuations and of a continued low average level of economic activity — the dangers of cyclical fluctuations and of secular stagnation. The program to develop such institutions has six basic features:

A. Tax reform.

1. Surtax rates in the highest brackets should be reduced; the averaging of income over a period of years, say five, for computation of income tax should be permitted; the tax-exemption privilege of government bonds should be eliminated. These measures will all encourage the continued assumption of risk. They will reduce the artificial attractiveness of risk-free government bonds to persons who are best able, and otherwise most likely, to assume risk. They will reduce the discrimination against risk-taking which is inherent in steeply rising surtax rates combined with the annual calculation of income for tax purposes.

2. Excise taxes should be abolished, except for a few which are long-established on monopolistically controlled goods (e.g. cigarettes) and the rates of income tax in the middle brackets should be increased. This policy will contribute to increasing and stabilizing expenditure by reducing the tax burden in the lowest income groups, where consumption is large and level in relation to income and by increasing the tax burden in the middle income groups, where savings are relatively larger and where savings do not easily flow into risky investment. Also, by placing chief reliance upon the income tax as a source of revenue, it will add to the automatic flexibility of tax receipts and tax liabilities with fluctuations in the national income.

3. Taxation of corporate profits as stockholders' income should be substituted for the corporate excess profits and income taxes. (This will require allocation of all corporate earnings to stockholders, but not necessarily full distribution.) Such a step would eliminate the present discrimination of the tax system in favor of debt financing as against equity financing and would make the economic structure more willing to assume risks and better able to withstand fluctuations.

4. Existing tax loopholes should be closed to permit the desired revenue to be secured with lower, less repressive tax rates.

B. Present anti-monopoly legislation must be vigorously enforced; the Anti-Trust Division of the Department of Justice should become one of the largest and most active branches of the Federal Government. Additional legislation will be necessary to prevent the development of gigantism by holding companies, interlocking stock ownership and similar means. Drastic reduction of the tariff, which will be more feasible in the immediate post-war period than ever before in this century, will help restore competition in the American market.

The objectives of the anti-monopoly program are threefold.

(1) To prevent the price dislocations and unemployment which result from the monopolistic practice of maintaining prices at the expense of output when prices are declining.

(2) To expand output and employment by stimulating the competitive flow of new capital, new enterprise and new techniques into markets which are now monopolized.

(3) To reduce the need or tendency of government to intervene in production and prices as a means of counteracting monopoly, and thus to reduce the uncertainties and fears which repress private investment.

C. Government budgetary and monetary policy should be directed to stabilizing within narrow limits the movement of some general level of prices, such as the level of wholesale prices. This can be accomplished by operating at a deficit and relaxing credit when necessary to support the price level, and by converse action when necessary to restrain the rise of prices. The deficit should be created by a combination of increased expenditure and reduced taxes; the surplus should be created by the converse methods. It is important to recognize the role of adjusting taxes in this process. Government spending should be confined to functions in which government operation is efficient and clearly preferable to private operation. This is a large sphere — including health and education — but it is not indefinitely expansible.

Elimination of fluctuations in the general level of prices will eliminate the major economic uncertainty which represses expenditure on durable goods and the major factor which magnifies business fluctuations and transmits them cumulatively throughout the economy. A precisely stated guide to budgetary policy is essential to realize the full advantages of eliminating uncertainty and to prevent public spending from expanding to levels which defeat the goal of encouraging private expenditures.

D. The unemployment insurance system should be broadened in coverage, liberalized in benefits and unified on a Federal basis. This will maintain consumers' expenditures when any unemployment appears, and reduce one of the chief uncertainties affecting consumption at all times.

E. The U. S. should support international arrangements for the settlement of short-term balances of payments without precipitating financial crises or necessitating restrictions on the movement of funds. Suh a policy, together with reduction of the tariff, would increase world economic and political stability, promote world trade and stimulate U. S. investment abroad.

F. The basis for the successful operation of a free market economy within a political democracy is popular understanding of the proper and possible relations between free government and free business. The system cannot operate at high levels if the government makes frequent incursions into the market mechanism in pursuit of the temporary or imagined interests of particular groups. The system will not operate at high levels if the government neglects its responsibility to prevent monopoly and to stabilize the general level of prices. The only enduring safeguard against such incursions or such neglect is public alertness, foresight and self-control. The development of such qualities is the great challenge to all who see that the high operation of a free, private, competitive economy is a necessary condition for the existence of political and personal liberties.

Individual Responsibility Alone Can Provide Post-War Jobs

(Continued from page 2252)

ideas, and figures, I venture to come out long enough to suggest a simple answer.

"The first step in securing post-war employment is to get more employers. We are out of balance for we have more employees than we seem to have jobs for. Of course, that mere statement doesn't solve the problem but I hope it points it up for I believe the only answer to this post-war employment problem is to induce men to become employers. I am sure that the Government cannot compel men to become employers and I think it is about time that we made the attempt to lead the natural leaders of men to become employers. We cannot make new employers by coercing them to become such, nor can we induce men to become employers if we are going to coerce present employers.

"No one can know what is required in the way of reasonably full employment for creating the best economic health in the nation, but I think we can all agree that many things have to be done before we can expect reasonably full employment to take hold after we have stopped making war goods. Each will have his own ideas about how to bring this about. In reviewing all of the plans, not only among the contestants but among the thousands who have expressed their views, I think it is becoming entirely clear that the clear trend today is toward private enterprise.

"Many of our young people, certainly all of those under thirty, know of the enterprise system only as a theory. They have been interested for years in new economic theories rather than old economic principles. To those of us who have lived in a free enterprise system we can see it in perspective because of its distance back from where we are. If we look forward we probably can still see it in perspective because of its distance from where we are. It is going to take time and a great deal of effort before the broad idea will gain public understanding and wide public approval. We haven't found the way to describe it in ringing words, but in spite of that it seems clear today that as a nation we are going in that direction — the right direction. The political observers and the essayists and commentators all seem to agree. If the present trend continues the only question is whether we will accept the old proven economic principles soon enough to bring about the results which, in my opinion, can be brought about in no other way. When the young men come back from the war they are going to want the door of opportunity open and they are going to live in the hope of a profit. I think that platform will suit most of us who have not gone to war. I believe we are all going to be interested far more in our liberty than in any plans of a paternal government to solve our problems for us. I hope we have learned to accept the jolts of life if at the same time we realize the great benefits of a release of the power that rests in a free people producing for free consumers.

"In short, I believe that on a basis of individual responsibility alone can American employment be widely spread, and on the basis of the enterprise system alone can national prosperity be restored. I know of nothing else which offers any hope for the post-war America. The boldest and the most daring opening of the door to opportunity alone holds promise for the future. Recognizing that we cannot drive Americans but that they can be led, we are going to have to abandon the habit of mind which induces whole groups to lean upon Washington. We are going to have to reward the individual leadership among those who make what we want and supply it to us at the price we are willing to pay. With all of our efforts to level up for our whole people we are going to have to provide the kind of leadership we need, with the kind of reward such leadership deserves. In the efforts to level up we must be equally careful not to level down. If we persist in leveling down, we will not add new employers and we will not have enough new employment.

"Too much of our time in late years has been taken up in asserting our rights and in fighting for them. Too little has been given to thinking about and defining our responsibilities and our obligations. It always seems so easy for us to regulate the conduct of others and on the basis of my observations over recent years I have no hope of finding the man who can prepare a full plan for self regulation. Since the days of NRA, all codes and attempts at codes have outlined plans for regulating the action of others, but I recall no codes in which industries or groups proposed self regulation, nor have I seen any attempts in Congress on the part of any group to propose statutes which would enlarge or define responsibilities and obligations. I have seen plenty of effort to secure legislation to widen so-called rights. There will be struggles over this problem but if we have good sense we will solve them peacefully. We should see that the underwriting by Government —all the people—of the wishes of all classes of our population will certainly destroy Government itself.

"Having lived through the problems of several small businesses where all of the facts were readily available, where all of the staff were within the influence of my acts, I have felt very modest about the possibility of making good operating plans for these small businesses. When I see the difficulties in the larger companies and larger groups I get very modest about the possibility of accomplishing much, and I get positively frightened when I see some men trying to plan for the whole country — men who have undoubtedly great mental agility but men who have never been able to make even small plans work in a big way.

"Each of us thinks he knows what is best for him, but few of us are wise enough to say what is best for all. Most of us see our immediate benefits clearly and we are inclined to grab them. We do not see clearly the long-time programs for at best a long-time gain seems uncertain and remote. All of us can be depended upon to see what is to our immediate benefit and we can be depended upon to take action to secure it, but so few of us are satisfied to forego for today when that is necessary to reap tomorrow. Now, how is this philosophy of enterprise going to take shape? I can picture hopefully a good job being done by the Congress. Congress alone is responsible and it alone has the authority. Even if it should do too little and too late, I think it can be expected to go in the right direction for that is the way America is going now. In my mind the place for the Congress is on the policy level and not on the operating level. Operations in this field demand decentralization. Unless they are decentralized the plan will not work. If the operations are regimented neither will the plan work. The Congress alone can provide the atmosphere in which our economy can again become dynamic instead of remaining defeatist—where people will be interested in producing national wealth for the benefits which will come to them, where industry will be interested in doing a better job than it has ever done before and where it may get as its profit a part of the savings it has brought to our nation and where it will pay for its mistakes. I know of no other course of action which bears even a remote hope of success in dealing with this problem of post-war employment; in other words, the first need is to get more employers. Let America put its mind to that problem and marshal its courage to carry through with its convictions.

"Nearly every plan which I see these days is giving eloquent lip service to the idea of free enterprise and the open door to opportunity, and likewise nearly all of the same plans embody some element of Federal or State compulsion or some element of State socialism. When I see all of the difficulties in developing a plan I become more convinced than ever that the need of the country is to have each individual accept the responsibility for himself. Long ago I learned that what is everybody's business is nobody's business. In spite of many statements to the contrary I do not believe that government should take on the responsibility of providing jobs. Admittedly it can do so in an emergency, but government never seems to know what is a real emergency, nor when an emergency ends. It can only subject itself to every selfish interest in America and in turn yield to many of the pressures. As long as we as a people are going to think about ourselves as producers or in our professional groups we are going to have pressure groups in government.

"Until we all give major attention to our problems from the point of view of ourselves as consumers where our interests are identical we are not going to get the results we want. We consumers will decide by our acts whether we are going to have reasonably full employment in this country and no pressure group is going to decide it for us. As long as government is going to listen to and yield to pressure groups, and as long as it leaves itself in the position of doing so, the pressure groups are going to survive in American government and in the national economy. In the end the responsibility is going to have to rest on the individual, or the group which he joins, to make the goods or the services which the world wants, and to do this at the price which the world is willing to pay. Until we can accept this philosophy that it is our individual responsibility to make for others or do for others what they want done at the price they are willing to pay, we are not going to have a healthy industry in this country. To sell this idea to our people is going to call for a degree and a character of spiritual leadership and a courage which hasn't arisen as yet. A modern crusade is needed.

"At the end of the war the nation is going to face a definite clear-cut issue. It is going to aim to survive on its choice of low tax rates on high volume, or high taxes and low volume. The first plan may win and the second will surely lose. The first may release enough positive drive to provide reasonably full employment, enough Federal revenue and enough profits for the growth of industry. This ideal can be attained by our thinking about the people as consumers. No business would think of being harsh toward its customers. It wouldn't be good business and it wouldn't be good sense. Yet that is the course which we are forced to follow if we allow government to yield to pressure groups thinking only of their position in the economy as producers. Every man in business knows that there is a price which will bring the largest attainable volume, the greatest employment and the greatest profit. America is going to wind up this war with the greatest productive capacity in the world. Whether or not it is going to be able to compete in world markets is going to depend upon the attitude of mind of our people. If we are determined to produce goods efficiently at low costs we are going to have a great chance, not only in our home markets but also in world markets, with benefits to all—labor and industry and everybody engaged in service, industries and the professions. If we hold up prices or wages beyond the right price, if we don't accept the philosophy that it is our individual job to sell our goods and our services at the price the buyer is willing to pay, we will not last long in our home market nor in world competition.

"I believe America can have an adventure in prosperity. I am encouraged by the buoyant, hopeful attitude as expressed by the contestants for this prize. I wonder upon what they base their confidence. It must be that they are convinced that the America we knew is better than any other part of the world and that what America has done once it can do again. I don't believe we are going to build any complete national plan with all of its operating details. I am hopeful that Congress with its post-war planning committees will be able to find the **proper scope** of government in the field of post-war planning. That is the most important question before our country today — the proper scope of government.

"I do not believe that we have to arrive at a complete restoration of private initiative and a wide opening of the door of opportunity all at once. Too many things in the existing situation will have to be changed to bring that about completely and they will never be done in a hurry. I do believe the spirit of American initiative can be restored if we can see that we are put on the one path to recovery, and if we can see progress being made as the days go by. We learned long ago that confidence exists in business as long as the hope of a profit exists. I think we shall find a widespread restoration of confidence in our people just as long as the hope survives that we are going to continue along the path on which we are now traveling in our thinking.

"After all the plans are presented and all the philosophies are debated, and after all the possible Congressional acts have been taken, there will still remain the responsibility on each one of us to make our own plan for making our own lives successful in the post-war period.

"There will be need for some selling of these philosophies on the part of the self reliant to those who have been inclined to rely upon others, and particularly those who have wished to rely upon government. I look with hope to the accomplishment of this because I believe the men in the services are going to return to this country at the end of the war with a well-developed resourcefulness and a strong self confidence. These men are going to have seen the utter failures of other philosophies and even if they haven't a full understanding of what is meant by the America we knew our enthusiasm will affect them and I believe they are going to aid all to go toward that goal."

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 are given right to subscribe for one additional share for each four shares held at $27.50 per share. Rights expire June 1. Proceeds, together with other treasury funds, will be used to redeem on Aug. 1, 1944 approximately 29,788 shares (33⅓%) 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.

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. Offered May 30 at 100 and interest by Wyeth & Co., Pacific Co. of Calif. and Bateman, Eichler & Co. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

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 owned by Atlas Corp. and do not represent new financing by the company. Lehman Brothers and Goldman, Sachs & Co. are principal underwriters. Filed May 17, 1944. Details in "Chronicle," May 25.

Offered—June 1, 1944, by Lehman Bros. and associates at $91.25 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

TUESDAY, JUNE 6

SUNRAY OIL CORP. has filed a registration statement for $13,000,000 sinking fund debentures. The interest rate, maturity date, redemption provisions and price to public will be filed by amendment. 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. Eastman, Dillon & Co., principal underwriter. Filed May 18, 1944. Details in "Chronicle," May 25.

WEDNESDAY, JUNE 7

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

ALLEGHANY CORP. has filed a registration statement for $30,000,000 3¼% secured convertible notes due April 15, 1954. 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 of 20-year collateral trust convertible 5s due June 1, 1949, and $19,137,000 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.) Price to public and names of underwriters to be supplied by amendment. Filed May 19, 1944. Details in "Chronicle," May 25.

THURSDAY, JUNE 8

R. 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. Net proceeds from sale of 15,000 shares by the company are to be used for general corporate purposes. F. Eberstadt & Co., heads the list of underwriters. Price to public to be supplied by amendment. Filed May 20, 1944. Details in "Chronicle," May 25.

THE DRACKETT CO. filed a registration statement ofr $1,500,000 5% 15-year sinking fund debentures due June 1, 1959, and 85,000 shares of common stock, par $1 per share.

Address — 5020 Spring Grove Avenue, Cincinnati, Ohio.

Business—Chemical manufacturing.

Offering—Price of the debentures to the public is given as 100 and of the common stock $8 per share.

Proceeds—Payment of serial promissory notes $411,045, plant and equipment $430,000, to reimburse treasury for improvements made $110,000 and for general corporate purposes $1,033,955.

Underwriting—Van Alstyne, Noel & Co., New York, is named principal underwriter.

Registration Statement No. 2-5381. Form S-1. (5-20-44).

SUNDAY, JUNE 11

NATIONAL AIRLINES, INC., filed a registration statement for 113,333⅓ shares of common stock, par $1 per share.

Address—Municipal Airport, Jacksonville, Fla.

Business — Transportation of persons, property and mail by airplane.

Offering—Price to be filed by amendment.

Proceeds—Will be available for general corporate purposes pending specific application of such funds.

Underwriting — Lehman Brothers is named principal underwriter.

Registration Statement No. 2-5382. Form S-1. (5-23-44).

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $300,000 series K 5% preferred stock and $200,000 series L 6% preferred stock, both $100 par value.

Address—319 Broadway, Boise, Idaho.

Business—Construction business.

Offering—Securities will be offered by Morrison-Knudsen Co., Inc., at par. Any part of the issue not sold by company officials will be sold through Wegener & Daly, Inc., Boise, Idaho as underwriters.

Registration Statement No. 2-5384. Form S-1. (5-23-44).

TUESDAY, JUNE 13

HAYES MANUFACTURING CO. has registration 100,000 shares of common stock, $2 par value.

Address — Muskegon and Seventh Avenues, Grand Rapids, Mich.

Business—Sheet metal stampings, etc.

Offering—To be supplied by amendment.

Proceeds—Net proceeds will be received by Porter Associates, Inc. The moneys paid to the corporation by Porter Associates, Inc., on account of the purchase of said shares will, in the estimated amount of $187,500, reimburse the corporation in part for the $200,000 expended by it in purchasing such shares.

Underwriting—Porter Associates, Inc.

Registration Statement No. 2-5385. Form A-2. (5-25-44).

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.

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.

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. Kirkpatrick-Pettis Co. are underwriters. Filed March 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. Proceds 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.

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.

"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.)

The Mutual Life Insurance Company of New York yesterday disclosed that sealed bids had been asked for a total of about $17,-565,000 principal amount of various municipal and other fully exempt bonds. . . . With the Fifth War Loan opening June 12, the question naturally arises concerning the possibility of any substantial sales of partially exempt Treasuries by investors who do not need partially exempt income, and who would reinvest the proceeds of any such sales in fully taxable Treasuries available by subscription at par during the Fifth War Loan. . . .

The following tabulation reveals the amount of sales and purchases of certain partially exempts from Dec. 31, 1942 through Feb. 29, 1944. Please remember that under column "C" and with reference to savings banks, the figures involved exclude certain banks which accept demand deposits, and which have been classified as commercial banks. . . . The change from "mutual savings banks" to "savings banks" was made in the Treasury survey for Nov. 30, 1943. . . .

SUMMARY DATA FROM TREASURY SURVEY OF OWNERSHIP OF CERTAIN SECURITIES ISSUED BY THE UNITED STATES—(000,000 omitted)

	(A)	(B)		(C)		(D)		(E)		(F)		(G)	
As of Dec. 31, 1942													
		*5,751		*490		*199		*557					
2¼% Jun. 1954-56	681	399		11		91		34		51		95	
2⅞% Mar. 1955-60	2,611	471		117		463		112		445		1,003	
2¾% Sep. 1956-59	982	320		41		187		65		184		185	
2¾% Jun. 1958-63	919	237		43		332		78		92		137	
2¾% Dec. 1960-65	1,485	355		38		535		125		147		285	
As of Dec. 31, 1943													
		*6,239		*510		*209		*546					
2¼% Jun. 1954-56	681	446	+ 47	11	NC	48	— 43	36	+ 2	50	— 1	89	— 6
2⅞% Mar. 1955-60	2,611	795	—324	105	—12	252	—211	126	+14	361	—84	973	—30
2¾% Sep. 1956-59	982	422	+102	32	— 9	156	— 31	69	+ 4	128	—56	175	—10
2¾% Jun. 1958-63	919	368	+131	41	— 2	250	— 82	68	—10	69	—23	123	—14
2¾% Dec. 1960-65	1,485	622	+267	88	+50	243	—292	107	—18	108	—39	317	+32
As of Jan. 31, 1943													
		*6,290		*511		*209		*545					
2¼% Jun. 1954-56	681	468	+ 22	10	— 1	48	NC	36	NC	44	— 6	75	—14
2⅞% Mar. 1955-60	2,611	832	+ 37	106	+ 1	229	— 23	131	+ 5	362	+ 1	952	—21
2¾% Sep. 1956-59	982	440	+ 18	35	+ 3	151	+ 5	70	+ 1	128	NC	159	—16
2¾% Jun. 1958-63	919	385	+ 17	42	+ 1	240	— 10	68	NC	69	NC	114	— 9
2¾% Dec. 1960-65	1,485	645	+ 23	86	— 2	226	— 17	105	— 2	109	+ 1	315	— 2
As of Feb. 29, 1944													
		*6,398		*513		*209		*545					
2¼% Jun. 1954-56	681	466	— 2	9	— 1	47	— 1	36	NC	44	NC	78	+ 3
2⅞% Mar. 1955-60	2,611	853	+ 21	100	— 6	221	— 8	131	NC	362	NC	944	— 8
2¾% Sep. 1956-59	982	428	— 12	42	+ 7	148	— 3	71	+ 1	128	NC	166	+ 7
2¾% Jun. 1958-63	919	396	+ 11	41	— 1	221	— 19	73	+ 5	69	NC	118	+ 4
2¾% Dec. 1960-65	1,485	684	+ 39	61	—25	211	— 15	103	— 2	109	NC	318	+ 3

(A) Total amount outstanding. (B) Held by commercial banks. (C) Held by savings banks. (D) Held by life insurance companies. (E) Held by fire, casualty, and marine insurance companies. (F) Held by U. S. Government agencies and trust funds, and Federal Reserve Banks. (G) Held by all other investors. *Number of institutions in each classification.

Thus, commercial banks bought about $1,045,000,000 par amount of the five largest partially exempt Treasuries sold by all other investors, during the periods specified. . . . It is reasonable to expect additional purchases by commercial banks as time goes on, because increasing numbers of such institutions are subject to higher tax liabilities, and need more partially exempt Treasuries or other fully exempt obligations. . . .

It is just as reasonable to anticipate some selling of partially exempts by mutual institutions either prior to or during the Fifth War Loan. . . . One recalls that such issues declined slightly during the second week of the Fourth War Loan, and then, starting about Feb. 1, staged an advance which carried the longest issues up at least a full point from their previously established lows of the year. . . . However, we do not believe that sales will develop to the point where markets will be affected to any important degree. . . . Weighing most of the probabilities involved, we believe that the prices of the longest partially exempts will be higher immediately following the Fifth War Loan than is the case to-day.

Post-War Employment Must Provide For 45% Increase In Labor Forces: Henry A. Thies

(Continued from page 2253)

should insist that it be freed from unreasonable laws, rules, and regulations; capricious, contradictory, and incompetent administration.

"The Wagner Labor Relations Act has proved to be one-sided. It puts management in a strait-jacket and prevents it from functioning normally. It should be revised so that its provisions will be fair and reasonable to industry and labor alike.

"The tendency to create bureaus, commissions, government owned corporations, and authorities; some by legislation, others by executive order as a solution for all our ills, and the clothing of bureaucrats with legislative, administrative, and judicial powers has gone too far. We have become a nation ruled by man, instead of by law. The trend should be reversed, and the legislative and judicial powers should be taken away, leaving only the administrative powers.

"In time of war it is necessary to give government essential powers of control. It is incumbent upon the people to be ever watchful that these powers are not used for purposes other than promotion of the war. Congress, in granting many of the war-time powers, has provided that they are to lapse at the end of the war. It seems possible that the present world conflict will not end like other wars in the past. Therefore, it is all the more important that the people should take back the powers which they have temporarily released, at the earliest possible moment.

"As an illustration of the magnitude of the difficulties of the problem of finding work for discharged soldiers, redistributing war workers and finding employment for the coming generations, let us consider a comparison of the facts of the last pre-war year, 1939, with recent facts and figures, and a reasonable projection of the latter.

"The average employment in 1939 was approximaetly 45 million. This includes labor engaged in agriculture, forestry, fishing, and so on—approximately 11 million, leaving 34 million employed in all other pursuits, which for the purpose of this discussion may be called 'industrial' employment.

"The high in 1943 employment, including the armed forces, was about 64 million. Allowing 12 million for agriculture, etc., this leaves us with a total of 52 million engaged in industrial employment. These latter figures include about 16 million women employed. In 1940, 11 million women were employed.

"Proceeding on the reasonable assumption that after the war women labor forces will be smaller, the following calculation and estimate would result:

1939 Average

Total employment—45 million

Less agriculture, etc.—11 million

Total industrial employment — 34 million

1943 High

Total employment — 64 million

Less agriculture, etc. — 12 million

Total industrial employment — 52 million

Post-War Estimate

1943 Industrial employment—52 million

Decline in women employed—2½ million

Post-war labor, industrial forces —49½ million

Estimate industrial employables over 1939—15½ million

Excess in percentage over 1939 employment—45.5%

"It should be further considered that the estimated excess over 1939 is probably an under-statement, for since that time productivity per unit of labor has materially increased. Consequently, the 1939 national production can now be duplicated with a smaller number of employed. Furthermore, in estimating the post-war labor forces, the element of yearly increment in labor population was not allowed for. This was done purposely to compensate for a possible standing army after the war. The labor increment of one year would possibly be sufficient to produce such compensation. At any rate, after the possible standing army has once been compensated for, the yearly increment occurring thereafter would appear on the labor market and compete for jobs.

"All in all, it is obvious that the foregoing estimate of the number of jobs to be provided after the war, and expressed as ratio to actual employment in 1939, is not likely to be an over-statement."

Stock Exchange Rules On Carrying Govt. Securities On Margin

In conformance with the spirit of the statement issued by the Secretary of the Treasury announcing the Fifth War Loan Drive, the New York Stock Exchange has ruled that prior to Aug. 1, 1944, no member firm may carry on margin securities offered during the Fifth War Loan Drive unless the customer

(1) agrees to pay off the debit balance against such securities within a period of six months or less, and

(2) does not contemplate selling the securities prior to making such full payment.

The spirit of this ruling applies also to speculative purchases of members, partners and member firms.

Inquiries regarding this circular should be directed to the Department of Member Firms, Hanover 2-4200, Extension 272.

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