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Dewey, Bricker Nominated

Gov. Thomas E. Dewey of New York and Gov. John W. Bricker were nominated at the Republican National Convention at Chicago yesterday (June 28) as the candi-

 

Thomas E. Dewey   John W. Bricker

dates for President and Vice-President, respectively, of the Republican party. Gov. Dewey, said the United Press, rode into the Presidential nomination, with a quick first ballot majority. The roll call recorded 1,056 votes for Dewey, with one vote for General

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In This Issue

Special Material pertaining to activities of SAVINGS & LOAN ASSOCIATIONS will be found on page 2705.

Inflation And The Stock Market

By JOSEPH STAGG LAWRENCE*
Vice-President, Empire Trust Company

Economist Urges Investors To Be Cautious Against Blindly Accepting The Thesis That All Prices Are Going Up And That Stock Prices Must Also Go Up—Holds Use Of Securities As A Hedge Vehicle Against Inflation May Prove Illusory

During the past 12 years, the interest in inflation has run in cycles, with alternating crests and bottoms. Early last spring one such peak of interest was reached. It then subsided, only to reach again in recent weeks for a similar crest of interest. Nearly always that interest finds some expression in the stock market, so that a measure of the prevailing strength in the market may be attributed to the factor of inflation.

Jos. Stagg Lawrence

Inflation Sentiment

The course of the New Deal has provided a great deal of fuel for the inflation sentiment that periodically affects the market. This rests roughly upon three pillars. The first consists of the obvious pressures which in past periods have succeeded in raising prices. These pressures may be enum-

*An address made by Mr. Lawrence before the luncheon of the New York Society of Security Analysts in New York City on June 20, 1944.

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The Shape Of Wings To Come

By GEOFFREY F. MORGAN*
Manager Speakers Bureau, Douglas Aircraft Company, Inc.

Says Future Transport Planes Will Carry Up To 100 Passengers With 10 Tons Of Cargo, And Cruise At 250 Miles Per Hour—Says Cargo Will Be Mail And "Express" Freight And Passenger Service To Have Comforts Of Rail Travel With Rates At 3 Cents Per Mile

It was the French Marshal Villars, you may remember who said that if Heaven would only defend him from his friends, he could defend himself from his enemies. I often think, when I read the rash predictions that are being made so freely concerning the future of aviation, that the aircraft industry has good reason to echo the Marshal's sentiments. One can hardly read a paper nowadays or listen to a radio program or scan the illustrated magazines without finding ridiculous and exaggerated claims concerning the probably size, speed, and range of post-war aircraft.

Geoffrey F. Morgan

Of course a part of this confusion is due to the exigencies of war, since the public naturally finds it difficult to distinguish between what is necessary in war and what will be desirable in peace. Increased speed, range, and size would obviously work to our

*An address delivered by Mr. Morgan at the Second Wartime Conference of the American Institute of Banking at St. Louis, Mo., on June 8, 1944.

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Central And Commercial Banking Problems Discussed By Madden

Dean Madden Holds No Need Of Higher Discount Rate To Check Reserve Ratio Decline—Sees Situation Different From 1920 When Banks Raised Discount Rates To Stem Speculation And Price Inflation—Suggests Legislation Permitting Reserve Board To Vary Reserve Requirements Of Individual Reserve Banks Between 20 and 40%

Although the reserve ratio of the Federal Reserve banks and the ratio of capital funds to deposits of the commercial banks have decreased, the banking system is in a strong position, according to a bulletin entitled "Central and Commercial Banking Problems" issued today by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

The outstanding developments in the condition of the Reserve banks during the war have been an increase in the volume of Federal Reserve notes, increased holdings of Government securities, and a moderate decline in the amount of gold certificates owned by the Federal Reserve banks. These factors combined brought about a decline in the ratio of gold to total deposits and

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Four Essentials Of A Sound Monetary And Banking System

By Dr. FREDERIC EDWARD LEE

Professor of Economics, University of Illinois
Member Economists' National Committee on Monetary Policy
Formerly American Financial Trade Commissioner, American Embassay, London

With all the meetings of experts and "so-called experts" which have been held or are about to be held for the purpose of foreign exchange stabilization and the stabilization of currencies throughout the United Nations, it might be worth while to consider briefly some of the essentials or fundamentals of a monetary and banking system that lie behind any type of currency stabilization which is to be in any sense lasting or permanent. Not all monetary economists or experts will agree fully upon all the details and minutia which make up a thorough-going monetary system, but there is more or less general agreement upon some of the essentials of such a system. Each type of monetary and banking system is the peculiar product of the country in which it has grown up, and while it may be pertinent to talk about international currency stabilization or even to proceed to the point of reaching some general understandings or preliminary agreements, the real stabilization of a country's currency and financial system must be worked out by that country itself. Some bilateral agreements between say, two leading countries may be of assistance but that would be mainly in the field of stabilization of exchange rates, particularly the par of exchange, between the currencies of the two countries.


Dr. Frederic E. Lee

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J. Satterfield To Be Hoppin Bros. Partner

John P. Satterfield, member of the New York Stock Exchange, will be admitted to partnership in Hoppin Bros. & Co., 120 Broadway, New York City, members of the Exchange. Mr. Satterfield has been active as an individual floor broker. Prior thereto he was a partner in Satterfield & Lohrke, Hewitt & Satterfield, and in the past was with the Bankers Trust Co.

Should The United States Go Into Partnership With Foreign Powers?

Reader Points To Failure Of Smaller European Countries To Maintain Stable And Democratic Governments Or Keep Peace Among Themselves—Notes Previous Unsympathetic Attitude Of Russia — Holds "Englishmen Are Too Proud And Masterful And Too Shrewd In Trade To Make Good Partners"

Editor, "Commercial and Financial Chronicle":

There is a widespread belief in the practicability and desirability of the United States going into co-operation—almost into partnership—with leading foreign nations when war is over. High and enthusiastic hopes are being pinned upon this idea. But, evidently, so serious and novel a plan as this calls for examination from several different standpoints, no one of them sentimental. It is so radically different from what our country has been doing for the whole course of our national life, that it ought to be subjected to the closest imaginable scrutiny. One line of approach to the subject is extremely helpful. That is, to look at the question as if we were being asked, as individuals, to join with a group of men in forming a firm or corporation for engaging in some line of business. In such a case, one of the first inquiries we would make would be this: How successful have our prospective partners been in the management of their own affairs? How sympathetic are they with our own point of view in life? Have they made money or lost it when they were acting for themselves alone?


Wm. A. Robertson

Let us begin this inquiry by narrowing it down to the nations of Europe. Of these, two at least have forfeited a place in the family of nations, namely Germany and Italy. No thoughtful or patriotic Englishman, Dutchman, Frenchman or American would dream of trusting either of these offenders. Further comment is uncalled for. To this black-list, Bulgaria may well be added, and probably Spain and Portugal.

The Greeks have won our admiration for their courage in this war, but more than courage is needed for success in government. Greek history, since King George of Denmark ascended the throne in 1863 has been one of deep disappointment and disillusionment. Even so able a statesman as M. Venizelos could not secure an orderly administration at home. In spite of the fact that, in classical times, Greece was the home of democratic aspirations, the fact remains that a parliamentary form of government has not seemed to meet the needs of the Grecian people. The years that followed the close of the First World War must bring a blush to the face of every true friend of Greece.

(Continued on page 2704)

Silver & Saperstein, New Law Firm, Opens

Julius Silver and David Saperstein announce the formation of a partnership for the general practice of the law, with offices at 150 Broadway, New York City.

David Saperstein was formerly director of the Trading and Exchange Division of the Securities and Exchange Commission.

Isaac M. Barnett, Jack A. Nadel and Jack L. Rappaport will be associated with the firm.

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British Proposal Of "Imperial Preference" And "Sterling Area" Condemned By D. Stewart Iglehart

President Of W. R. Grace & Co. Offers As A Substitute A Four Point Program Comprising: (1) Adoption Of The Gold Dollar As An International Standard; (2) An Increase In Our Imports To Balance Exports; (3) Creating Facilities For Lending Abroad, And (4) Improvement And Stabilization Of Transportation Services Throughout The World

In an article entitled "World Commerce Open Or Closed?" appearing in the "Grace Log," on June 27, D. Stewart Iglehart, President of W. R. Grace & Co. and Grace Line, discusses the pattern which world trade and international commercial relationships is to take in the years to come. He points out that "there is a national cleavage between the views of the prosperous, buoyant nations of the western hemisphere and the views of the majority of European nations, weakened and discouraged and seeking desperately for guarantees of security and stability," and therefore, agrees that "any plan which even purports to bring Britain prosperity is deserving of the most sympathetic consideration." However, he strongly condemns Mr. Churchill's policy to maintain the British "Imperial Preferences" agreements despite the Atlantic Charter, and to create in the post-war period a "Sterling Area" constituting a "trade group" of the entire United Kingdom and the Colonial Empire.


D. Stewart Iglehart

"In a word," says Mr. Iglehart, "a trading wall is to be built around the British Empire and that wall is to be extended to

(Continued on page 2710)

Briefs Filed With SEC On NASD 5% Mark-Up Rule

Three briefs were filed with the Securities and Exchange Commission on Tuesday, June 27, as a result of the hearing before the Commission on June 13, at which various dealer representatives requested that the SEC abrogate the 5% mark-up rule of the National Association of Securities Dealers. At the conclusion of the hearing, SEC Chairman Ganson Purcell stated that the Commission would take the matter under advisement and gave various parties to the proceedings two weeks in which to file briefs, which are to be exchanged, and an additional week for making rebuttal briefs.

The briefs recently submitted to the Commission were made, according to report, by the following: Edward A. Kole and A. M. Metz, as counsel for the Securities Dealers Committee; James J. Maguire of Albrecht, Maguire & Mills, Esqs., Buffalo, N. Y., on behalf of S. C. Parker & Co., Inc., of that city, and by Joseph C. Hostetler and Stephen C. Thayer, of Messrs. Baker, Hostetler & Patterson of Cleveland, counsel for the NASD. The New York Security Dealers Association, which was represented at the recent hearing by President Frank Dunne, did not enter a brief. (Full account of the preceedings at the SEC hearing on June 13 appeared in the "Chronicle" of June 22, starting on page 2582.)

After The War

Securities Dealers Too Can Serve

By M. R. CONNELL

The juggernaut of Nazi Lebensraum has been stopped.

We look ahead to the day, not far off, when peace will reign again, peace which will have been won at great sacrifice of blood, and resources.

To win the war and to win the peace as well, these are our determinations. Therefore, we are looking ahead. We call it post-war planning.

The problem is truly colossal. We are waging war on a scale heretofore unknown in the world. Correspondingly the problems of peace will be greater. There will be returning millions to challenge our most adept thinking. For these we must provide. That is our promise and our duty.

It is not enough to say that our men will get their jobs back. Many of them had to close going businesses in the first instance in order to serve. The employers of many more discontinued theirs for varying reasons arising out of our united effort, such as lack of manpower, war time shortages, regulations, and allocations.

To most of these men, there will be no return to their old jobs, for there will be no jobs to return to.

Here lies a fixed responsibility to do a whacking good job. In this, securities dealers can and must have, an important part.

True, existing industry will convert from the war effort to peace. This will take time and will not prove adequate to pull in all the slack.

The hope lies in new capital, the setting up of new business, and of new industries. Many recent discoveries will help make this possible.

New capital, new industries, new business—all these spell financing and this brings us directly into the securities field.

Securities dealers are both willing and anxious to do their part; but to do a competent job requires alertness and freedom from worry.

Does the present set up with NASD at the helm of good morals in the securities field lend itself readily to top performance? Our answer is decidedly "No."

Monopoly and good business are opposites. We believe that the

(Continued on page 2707)

U.S.A.—Debtor Nation?

By DR. MAX WINKLER

Excluding United States credits and advances to foreign countries in connection with Lend-Lease, as well as recent heavy grants to and expenditures in the republics South of the Rio Grande, America's stake abroad is exceeded by foreign investments in the United States to the extent of close to three-quarters of a billion dollars. In other words, the United States may once again be said to be a debtor nation to the extent of that amount.

Governmental agencies place foreign investments in the United States at about $14 billion, while an inventory of American investments taken recently under the auspices of the Treasury Department reveals a total of about $13¼ billion, of which "the six enemy countries" account for $1,775 million. Inasmuch as the value of this investment is purely problematical, and since it is reasonable to assume that most of it or at least a great deal of it may remain so after the holocaust, a corresponding downward revision of America's stake abroad would seem in order. If similar allowances are made for American investments in other parts of the world, notably Central and South America, it will be found that the extent to which the United States is once more a debtor nation is substantially in excess of the three-quarters of a billion dollar figure given above.


Dr. Max Winkler

Attention should be called to

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National City Analyzes Britain's Adverse Balance Of Payments

Estimates The Nation's Post-War Short Indebtedness Abroad At Eight Billion Dollars

The June issue of the monthly Letter of the National City Bank of New York contains an interesting and enlightening discussion of the accumulation of sterling balances in London, and the post-war implications of Great Britain's adverse balance of payments. The institution's views on the subject as revealed in their Letter follow:

"The extent of Britain's adverse balance of payments, not covered by the lend-lease arrangements with the United States or the contributions by Canada," says the Letter, "was estimated in the Third White Paper, published in connection with the 1943-44 budget. Using this and other available information, Dr. Nicholas Kaldor of Cambridge University made a rough calculation as to how the adverse balance of payments incurred from the beginning of the war up to the end of 1942 was met. His estimate, published in the June-September, 1943, issue of the Economic Journal, is given below:

BRITAIN'S ADVERSE BALANCE OF PAYMENTS, 1939-1942
(All figures in millions)

	Pounds Sterling	Dollar Equivalent
Loss of gold and foreign exchange	650	2,600
Sales of securities	875	3,500
Accumulation of sterling balances and free loans	825	3,300
	2,350	9,400

"In 1943, according to the Chancellor of the Exchequer's latest budget message, the adverse balance in international payments was £655 millions. Thus the total wartime adverse balance of Great Britain up to the end of 1943 aggregated about £3,000 millions over and above the lend-lease aid received from this country and Canada's mutual-aid appropriation of 1943-44.

"Of this amount somewhat more than one-half probably was covered by drawing on Britain's overseas capital and exchange resources, including the loss of some £650 millions of gold and foreign exchange (largely to the U. S. before lend-lease) and the liquidation of about £1,000 millions of overseas investments. This would leave a balance of about £1,300 millions borrowed at short-term from the sterling area and a few other countries which regularly supplied the British market before the war. In comparison it may be noted that dur-

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Perry Hall Director Of Beekman Hospital

Elisha Walker, Chairman, announced on June 23 the election of Perry E. Hall as a director of Beekman Hospital.

Perry E. Hall

Mr. Walker said: "We are most fortunate in securing Perry E. Hall for this post. His active participation in the affairs of the hospital will be of great value both to Beekman and the community it serves."

Mr. Hall is a partner of Morgan Stanley & Co., a member of the Finance Committee of the Princeton Club of New York, a Graduate Council Representative of the Princeton University Fund, trustee of The Seeing Eye, Inc., a trustee and member of Finance Committee of the United Hospital Fund, and a member of the War Finance Committee of New York State.

J. V. Loewi Acquires Cgo. S. E. Membership

J. Victor Loewi, President of Loewi & Co., 225 East Mason St., Milwaukee, Wis., was elected to membership in the Chicago Stock Exchange by the Executive Committee, it is announced. Loewi & Co. is the eleventh registered member corporation of the exchange.

Arthur Engdahl With Goldman, Sachs & Co.

BOSTON, MASS. — Goldman, Sachs & Co., 75 Federal Street, announce that Arthur E. Engdahl is now associated with them as Manager of their Trading Department. Mr. Engdahl for many years was with White, Weld & Co.

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.

Kahn Elected Member of Put and Call Brokers Ass'n.

L. P. Kahn, 50 Broad Street, New York City, has been elected a member of the Put and Call Brokers and Dealers Association, Inc.

Stimulating Post-War Employment By Creating Incentives

TO LARGER PRODUCTION AND NEW CAPITAL EXPENDITURES

By BENJAMIN F. FELDMAN, Economist

Economist Presents An Incentive Basis For Increased Post-War Employment By Means Of A Graduated Scale Of Corporate Income Tax Reductions For Expanded Output—Also Would Allow Temporary Tax Exemptions On New Capital Outlays And Increased Depreciation Deductions On New Construction

The Problem and Basis of Approach

According to reliable estimates, the post-war Civilian Labor Force of able and willing workers will number between 53 and 55 millions. Post-war Employment should comprehend fairly steady work throughout the year, provide an annual income sufficient to furnish a fair standard of living, and represent real jobs which produce goods and services needed — not manufactured or relief jobs. Moreover, in achieving such employment, resort should not be made to spreading work or shortening hours below the normal because such procedure only conceals some unemployment.

Ben. F. Feldman

The magnitude of the problem is emphasized if we note that even our total maximum production of goods and services attained in the peace year of 1929 would be materially inadequate after the war to provide the necessary amount of employment and to support by tolerable taxation annual expenditures by the Federal Government of roughly 20 billion dollars including around 6 billions for interest.

A fundamental issue concerns the political aspects involved in post-war employment. It is my strong conviction that most of us do not want the Federal Government to wield extensive power and to use totalitarian methods after the war in coping with the employment problem. And so, a basic assumption of my plan is

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Elmer E. Myers Joins Merrill Lynch Staff

Elmer E. Myers has become associated with Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading national exchanges. Mr. Myers has recently been serving in the armed forces in Africa. Before entering the service, he was with L. F. Rothschild & Co., New York City, as manager of the unlisted department and prior thereto with Sutro Bros. & Co. for a number of years in charge of the unlisted trading department.

Elmer E. Myers

He was one of the organizers of the Security Traders Association of New York.

Arbitrage Possibilities

Interesting arbitrage possibilities are offered in the Chicago, Milwaukee, St. Paul & Pacific reorganization according to a detailed study of the situation issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this study may be had from the firm upon request.

Internat'l Monetary Conferences

A Review And A Forecast

By A. M. SAKOLSKI
City College, New York

International monetary conferences are a development of the last century. Previously, nations constructed their monetary systems independently and there were no serious efforts to bring these systems into harmony or to create a mechanism whereby international trade and foreign exchange operations would be promoted or assisted. Following the Napoleonic wars, however, the nations of Europe increased and broadened their commercial interchange, and capital movements and monetary transfers became more continuous and more intensified. Coins and currency of different nations moved about more easily, and whenever there happened to be but fractional discrepancies in the ratios of exchange values between the coins and currency of separate countries, it would result in the local drainage of the supplies of these necessary exchange mediums, and create financial disturbances and inconveniences. This situation became manifest, particularly when the California and Australian gold discoveries not only increased vastly the supply of monetary material, but brought about abrupt and dis-

A. M. Sakolski

(Continued on page 2708)

Frank C. Moore Co. To Open July 1

Frank C. Moore Company, with offices at 42 Broadway, New York City, will be opened on July 1 to do a general over-the-counter securities business specializing in the placement of large blocks of securities. Proprietor of the new firm is Frank C. Moore.

Mr. Moore was formerly with Shearson, Hammill & Co. in charge of the order room and stock trading. Prior thereto he was a partner in Frazier Jelke & Co., and was with E. F. Hutton & Co.

Formation of Frank C. Moore Co. was previously reported in The Financial Chronicle of June 1.

Investment Opportunity

Securities of the Southern Pacific System offer interesting opportunities for investment according to a circular prepared by The First Boston Corporation, 100 Broadway, New York City. Copies of this circular discussing the situation in detail may be had from The First Boston Corporation upon request.

The Boren Bill Explained

By DAVID M. WOOD*

Of Wood, Hoffman, King & Dawson, Attorneys, New York City

Because Of Attempts Of SEC To Place Issuance Of Public Securities Under Federal Control, The Boren Bill Aims To Insure That No Distortion Of The Securities Exchange Act Can Be Used That Defeats Intention Of Congress To Exempt Transactions In Public Securities Bill Checks Transgression On State And Local Autonomy

I have been asked to explain briefly to the members of this organization, the purposes of the Boren Bill and the reasons which prompted Congressman Boren to introduce it. First, let me state what the Boren Bill is not. It is not a bill to relieve any dealer in public securities of penalties for fraudulent transactions in such securities. The dealer who indulges in such practices can be indicted by the Federal authorities regardless of the enactment of the Boren Bill. In order to explain to you just what the Boren Bill is intended to accomplish, it will be necessary for me to review the history of the Federal securities legislation.

David M. Wood

When the bill, which became the Securities Act of 1933, was introduced in Congress, it was applicable to State and municipal bonds, and all of the restrictions placed upon the issuance of corporate bonds by that bill were applicable to State and municipal bonds. This produced a storm of protest from State and municipal officials, with the result that before Congress enacted the bill it exempted such securities from all of its provisions, with the single

*An address made by Mr. Wood before the Municipal Forum of New York, June 25, 1944.

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Additional Gift For N. Y. Dealers Outing

In addition to the cash contributions amounting to $170 made by various members of the New York Security Dealers Association for door and other prizes which were distributed at the outing-dinner on June 15, 1944, and were reported in detail in our issue of June 22, 1944, J. Arthur Warner of J. Arthur Warner & Co., members of the Association, who had been out of town during the period of the outing, upon his return to New York mailed to Alfred E. Loyd, Executive Secretary of the Association, a check of J. Arthur Warner & Co. in the amount of $50, making a total cash contribution by member firms of $220.

Ins. Situations Of Interest

Firemen's Insurance Co. of Newark and Providence Washington Insurance Co. offer interesting situations, according to detailed memoranda issued by Huff, Geyer & Hecht, 67 Wall Street, New York City. Copies of these memoranda may be had from the firm upon request.

Interesting Rail Situation

Adams & Peck, 63 Wall St., New York City, have prepared an interesting circular on Boston & Albany RR., which appears attractive at the present time, the firm believes. Copies of this circular may be had from Adams & Peck upon request.

Public Utility Securities

International Hydro-Electric

International Hydro-Electric System is a New England holding company, formerly controlled by International Paper (the latter's interest was wiped out three years ago when the company's Class B stock was ordered cancelled by the SEC).

About a year ago two of the company's stockholders brought suit against International Paper claiming an accounting or damages in connection with the sale by Paper to Hydro of certain security holdings. In this connection the Federal Court took over exclusive jurisdiction, and appointed a special counsel to investigate the relations between the two companies. Counsel's report is to be made to the court by Sept. 1, 1944. Meanwhile, although the SEC has continued its parallel investigation, the "death sentence" order of dissolution has been suspended by the court's interlocutory decree.

International Hydro's principal assets consist of an 86% equity interest in Gatineau Power of Canada, 88% of the common stock of New England Power Association and 100% interest in the stocks of two hydro-electric operating companies, Hudson River Power Corp. and System Properties, Inc. (plus advances to the latter companies). The value of these assets may be estimated as follows:

	Millions
1,439,024 shs. Gatineau Power, common at 7½	$10.8
821,780 shs. New England Power Assn. at 6	4.9
Advances to Hudson River Power and System Properties, Inc.	5.7
Earnings of Hudson River Power and System Properties, Inc. capitalized at 10 times	9.1
Total	$30.5

This figure is equivalent to about $1,140 per bond on the debenture 6s of 1944, but these figures might be subject to considerable shrinkage before bondholders have their claims liquidated. Hudson River Power reported no Federal tax liability in 1942-43, presumably because of the consolidated system tax return; and if placed on an independent basis Federal taxes might cut sharply into earnings.

Some of the utility companies in Quebec Province are being expropriated by legislative order. Rates have been cut by the Quebec Public Service Board and the attitude of the Quebec authorities seems, like that of Washington, to be distinctly anti-utility. Whether Gatineau Power has felt the full effects of this current campaign is not clear. Some time ago it was rumored that International Hydro might distribute its holdings of Gatineau as an initial "liquidating dividend" to bondholders, but this presumably has been deferred by the court investigation.

New England Power Association common stock in 1942 had a range of ⅝-1½ and it then seemed doubtful whether it could be considered a "real" asset of International Hydro. However, last year the stock advanced from 1 to 5½ and this year's range has been 3-7½. New England Power is itself a holding company and it has four affiliated or sub-holding companies. Under a plan presented several months ago to the SEC, all five companies would be merged in order to simplify the system structure and conform to the Utility Act. Objections to the plan have been raised by representatives of the preferred stockholders of Rhode Island Public Service.

Earnings on the common stock on a consolidated system basis have varied widely, dropping from $1.88 in 1937 to a deficit of 12 cents in 1941. In 1942 81 cents was reported, but in 1943 only about 40 cents was earned. Under the plan presented to the SEC the common stock would receive new common of the merged company, share for share; but the SEC has not as yet indicated its views on the exchange formula. The company in recent years has been paying only two-thirds of the preferred dividends and arrears on the 6% preferred amounts to $12.50. Hence, it is problematical whether the present bid price for the common on the Curb (the stock has been inactive recently) reflects the potential liquidating value of International Hydro's holdings.

Perhaps the key to the future value of New England Power lies in Federal taxes. In presenting its plan to stockholders the management estimated "normal average post-war" share earnings on the new common at $1.15; it is understood that this was based on reduced Federal taxes.

While there may be considerable shrinkage in the liquidating value for Hydro bonds, as estimated above, some of this might be offset by scattered miscellaneous assets not included in our estimate, plus whatever damages or adjustments might be obtained (if any) from the litigation against International Paper.

Stock Exch. Rules On "When Issued" Order

A notice to members of the New York Stock Exchange was issued as follows on June 23 by Edward C. Gray, Director of the Department of Member Firms.

"When member firms accept from customers orders in securities on a "when-issued" basis or when they effect trades in such securities on a dealer basis, it is essential that there be a clear understanding by both parties as to the particular plan under which the securities are to be issued. If any change is made in the plan under which the securities are to be issued, all contracts made after the date of such change must clearly refer to the changed plan, so that if it is determined that the earlier contracts are cancelled both parties can tell which contracts are cancelled. Until a determination is reached as to the status of the contracts made before the change, they are not to be offset against "when-issued" contracts in securities to be issued under the plan as changed.

"It is essential that the confirmations sent to customers, as well as the "when-issued" contracts themselves, clearly specify the particular plan under which the securities, which are the subject of the contract, are to be issued."

Public National Attractive

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

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS.—**Harry S. Middendorf** has become associated with **Paine, Webber, Jackson & Curtis**, 24 Federal Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**John E. Costello** is with **W. F. Rutter, Inc.**, 19 Congress Street.

(Special to The Financial Chronicle)

COLUMBUS, OHIO—**Robert A. Kunz** has been added to the staff of **Wasson & Co.**, Law and Finance Building, Pittsburgh, Pa.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—**Wilbur V. Malkson** has become connected with **Loewi & Company**, 225 East Mason Street. Mr. Malkson in the past was with Bond & Goodwin, Inc., in Portland, Maine, and was with B. E. Buckman & Co. of Madison, Wis.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—**Ralph L. Youngren** has become affiliated with **Adolph G. Thorsen**, 735 North Water Street. Mr. Youngren has recently been in the armed forces. Prior thereto he was with Charles W. Brew.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—**C. W. Phillips** is with **J. W. Goldsbury & Co.**, 807 Marquette Ave.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Ralph A. Endicott** and **Henry E. Schemmer** are now with **Slayton and Company, Inc.**, 111 North Fourth Street.

Louisiana And Kentucky Legislative Bodies Pass Resolutions Favoring The Boren Bill

A resolution urging on Congress the passage of the Boren Bill, introduced by Ambrose M. Smith in the lower branch of the Louisiana Legislature, was adopted by that body and was concurred in by the State Senate. The Boren Bill (H. R. 1502), referred to in the March 9, 1944 issue of the "Chronicle" (page 996), was introduced in Congress by Representative Lyle H. Boren of Oklahoma, on Jan. 23, 1943.

[The Kentucky State Senate unanimously approved a similar resolution at a special session on June 14, and a copy of the resolution has been sent to all members of the Congressional Kentucky delegation and to personnel of the Interstate Commerce Commission.] It specifically aims to remove dealings in state and municipal securities from the possibility of regulatory action by the Securities and Exchange Commission, under Section 15, (c) (1) of the Securities Exchange Act of 1934. The bill would also eliminate from the Act the section which gives the SEC the power, under Section 15 (c) to define, by rules and regulations, "such devices or contrivances as are manipulative, deceptive and otherwise fraudulent."

The resolution adopted by the Louisiana Legislature is as follows:

Whereas, there has appeared recently indications on the part of the Securities and Exchange Commission of the United States to assume under their jurisdiction the issuing and sale of municipal bonds under the provisions of the Securities and Exchange Act of 1934; and

Whereas, it is our belief that such surveillance by the Securities and Exchange Commission was not intended under the Act referred to; and

Whereas, it is necessary for the proper expansion and improvement of states, cities and other political subdivisions that bonds issued by them should encounter the least amount of difficulty and delay in their issuance; and

Whereas, we feel that the issuance and sale of bonds by states, cities and other political subdivisions is a right inherent in the states, cities and other political subdivisions of the states, and should not be subjected to the harassing regulations of any federal agency; and

Whereas, there has been introduced into Congress and is now in the hands of Committee a Bill by Congressman L. H. Boren of Oklahoma which would amend the Securities and Exchange Act of 1934 and specifically exempt municipal bonds from the jurisdiction of the Securities and Exchange Commission;

Therefore, Be It Resolved by the House of Representatives of the Legislature of the State of Louisiana, the Senate of the Legislature of the State of Louisiana, concurring, that the Legislature of Louisiana does hereby endorse said Boren Bill, H. R. 1502, and urgently recommends to the Representatives and Senators in Congress that they employ their every effort toward effecting its early passage through Congress.

Be It Further Resolved, that official copies of this resolution be forwarded by the Clerk of the House of Representatives to each Senator and Representative of the State of Louisiana in Congress and to the Speaker of the House of Representatives and the President of the Senate of the Congress of the United States.

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.

Attractive Situation

Panama Coca-Cola offers an interesting situation according to circular being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of this circular may be had from the firm upon request.

Railroad Securities

In the general lackadaisical markets of the past week or so the spectacular action of Pere Marquette and Nickel Plate preferred stocks has stood out in particularly bold relief. As usual the awakening of speculative enthusiasm was accompanied by renewal of the rumors of possible near term action on the much-discussed merger with Chesapeake & Ohio. It is difficult to determine whether the rumors of merger progress set the buying wave in motion or whether orthodox buying based merely on recognition of the fundamental value of the shares gave rise to the rumors. Considering the general background the latter appears as the more plausible explanation. Those close to the situation are inclined to doubt that any tangible merger progress will be announced for some time to come at least.

Regardless of the cause of the recent pronounced market strength, which incidentally was not communicated to the bonds although they would obviously be major beneficiaries of any developments such as those rumored, most rail men are in accord with the opinion that it is fully justified on the basis of the intermediate and long term prospects of the two roads. This is particularly true of Nicket Plate which is considered in a strong position regardless of whether or not the present boom in railroad business is maintained for a further extended period. In point of basic earning power under normal business conditions this preferred stock appears as a thoroughly sound issue even though dividends have not been paid in many years.

In addition to its fundamental investment appeal the stock obviously gets a considerable speculative boost from the dividend arrears. As of July 1, 1944 the dividend arrears will amount to $78.00 a share, which alone are sufficient to cover practically all of the recent market price. Naturally, with the vast improvement in the company's debt structure in recent years, and the high earning power of the railroad properties, the preferred stockholders are going to hold out for very liberal treatment when, and if, merger negotiations actually get under way. There is little question but that Chesapeake & Ohio has missed any change it might once have had to acquire the properties in merger at bargain prices.

From a financial standpoint Nickel Plate has been somewhat hampered in relation to other of the former marginal rails in that it was one of the first of the group to become subject to heavy excess profits taxes. Nevertheless, since the beginning of 1941 it has been able to effect a reduction of more than 26% in its non-equipment debt. Granting that in part this was due to sale of its holdings of Wheeling & Lake Erie prior lien stock, the results are still impressive. This is the most drastic reduction accomplished by any similar carrier. Only two other of the major marginal carriers have reduced their debt as much as 20% and they are Illinois Central and Southern Pacific. For the most part the Nickel Plate debt reduction has been at the financial expense of the preferred stockholders who have witnessed aggregate earnings of more than $100 a share in recent years without any dividend return.

Aside from the financial improvement there are other considerations justifying a constructive attitude towards the stock. For one thing it is one of the most efficient of the country's railroads, exclusive of the coalers. This high rate of efficiency, which has been further improved in the last year through the purchase of heavy motive power, strengthening of bridges, and installation of C. T. C., augus well for maintenance of high earning power in the post-war years of normal business and railroad traffic. In the second place, the road's long-term traffic trends have been notably favorable — about the most favorable among the traditionally second grade credits. By the very nature of things—heavy density, long haul, etc.—the road is relatively less vulnerable than other roads to competitive inroads. This is also a basic factor, tending to give strength to the belief that the preferred stockholders can look forward over the long term to consistent adequate earning power. In the long run the long-term favorable aspects, together with the large dividend accruals should be given even greater market recognition.

James Escher Partner In Dresser & Escher

James H. Escher has been admitted to general partnership in Dresser & Escher, 111 Broadway, New York City. Mr. Escher has been associated with the firm as manager of the trading and FHA Mortgage departments.

Case For N. Y. Bank Stocks

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have issued a circular entitled "The Case for New York Bank Stocks" giving their reasons for favoring this group. Copies of this interesting circular may be had from Laird, Bissell & Meeds upon request.

First Securities Co. Chicago S. E. Member

CHICAGO, ILL. — First Securities Company of Chicago, formerly Ryan-Nichols & Co., announces its admission to membership in the Chicago Stock Exchange.

At the same address, 105 South La Salle Street, and with the same personnel, the company continues as distributors and underwriters of investment securities with complete trading facilities.

Officers are Leston B. Nay, President; Clifton P. Walker, Jr., Executive Vice - President in charge of sales and research; Harry J. Nelson, Vice-President; Fred O. Fleischer, Vice-President; Donald B. Stephens, Secretary, Treasurer and manager of trading department, and George W. Smith, Assistant Secretarry.

Callahan Quits N. Y. Curb Joining Nat. Elks War Com.

John P. Callahan, director of public relations for the New York Curb Exchange since July 1, 1942, has resigned that post to become Public Relations Director of the National Elks War Commission. Mr. Callahan joined the securities department of the Curb Exchange in 1935 and transferred to the public relations department early in 1939.

Edward S. Doyle, who joined the department in April of this year, will be in charge of the public relations of the Exchange. He was publicity and advertising manager from 1929 to 1941 of Doyle & Black, custom shirt makers in New York, and wrote for Florida papers before that time. From 1927 to 1928 he was with the tax department of the Chase National Bank, and was in the securities department of the A. Iselin & Co. prior to 1927.

Real Estate Securities

By JOHN WEST

Good News For Holders Of Real Estate Securities New Tax Rate Of $2.74 Is 15 Points Below Current Level Lowest In Seven Years

Considerable relief has been given owners of real estate and holders of real estate securities by the New York City Council adopting a basic tax rate 15 points lower than the 1943-1944 rate for the 1944-1945 period. Obviously it results in a reduction of expenses for the property owner and should correspondingly increase net income which gives a better leeway of earnings for the protection of those holding mortgages or mortgage bonds secured by the properties.

This tax relief coupled with the fact that earnings of New York City properties have been on the uptrend for some time due to higher occupancy ratios should have the effect of increasing security values considerably above present discounted prices.

The new tax rate is particularly favorable to holders of securities in such liquidating trusts as New York Title & Mortgage Co. Series C-2 as the Trustees hold and operate various properties assessed for approximately $20,000,000 on which the saving would be about $30,000 a year all accruing to the income account of the trust and distributable to certificate holders.

Picking 23 properties at random on which mortgage securities are outstanding and applying the new tax rate to the assessed values, the savings amount to $189,800 annually.

H. H. Covington Wins Bond Club Golf Cup

CLEVELAND, OHIO—Herbert H. Covington, resident manager for Harriman Ripley & Co., Inc., won permanent possession of the Cleveland Bond Club Cup with a score of 77 over the Country Club course. Mr. Covington had previously won two legs of the cup.

Winners of the blind bogey tournament were T. C. Wellsted, Ball, Burge & Co., and R. B. Hays, Federal Reserve Bank, a guest.

John Burge, of Ball, Burge & Co., President of the Club, announced that Walter B. Carleton, of Fahey, Clark & Co., and J. L. Quigley, of Quigley & Co., had been elected governors for three-year terms, succeeding A. H. Richards, of Field, Richards & Co., and Emile A. Le Gros, of the First Cleveland Corporation.

Herman Sheedy, of McDonald & Co., chairman of the Area No. 1 in the Fifth War Bond drive, and Vice-President of the Bond Club, presented $25 War Bonds to the winners of the three door prizes.

James F. Lincoln, head of the Lincoln Electric Co., spoke on 'Incentive vs. Government Control," following dinner, which was attended by about 150 members and guests.

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.

Formation Of Indiana Limestone Bondholders Protective Committee

The Indiana Limestone Corporation Bondholders' Protective Committee, consisting of Eugene M. Matalene, Chairman; Lester S. Miller, and Donald W. Hayden, has been formed for the protection of the general mortgage 6% income bonds (now first mortgage bonds).

The counsel consists of Raymond L. Wise, New York City, and Herbert E. Wilson, Indianapolis, Ind.

William A. Cluff, 111 Broadway, New York City, is the Secretary of the Committee, and all correspondence may be addressed to him.

The committee has been formed with the idea of speeding up the reorganization and retaining the creditor status of the bondholder. It is reported that the committee advocates, in substance, the following plan:

The extension of the maturity of the present bonds to 1964, secured by a first mortgage on the fixed assets of the company, together with the entire stock of the wholly-owned subsidiary, Ilco Ordnance Corp.

The bonds to bear interest at 5%, payable out of 50% of the net annual earnings and cumulative up to 10%.

25% of the net earnings to be used for a sinking fund to acquire bonds. The sum of approximately $236,000, now held by the trustee, to be paid into sinking fund and available for a period of one year to acquire bonds.

In lieu of the accrued interest on the now existent bonds, the bondholders to receive 90% of the common stock and the present stockholders 10% of the common stock.

A. D. Smith Midwest Mgr. For Dow, Jones

CHICAGO, ILL.—Dow, Jones & Co.-Illinois Telegraph News Co., Inc., announces the appointment of Alfred D. Smith as Midwestern Manager. Mr. Smith, who was in charge of the Chicago office of the National Quotation Bureau for many years, will assume direction of news ticker sales operations in the Chicago, Detroit, St. Louis and Cleveland territory. He will make his headquarters at the Chicago office in the Board of Trade Building.

Ramsdell Lasher With Hopkins, Harbach Co.

LOS ANGELES, CALIF. — Ramsdell S. Lasher has become associated with Hopkins, Harbach & Co., brokers in stocks and bonds, located in the Edwards & Wildey Building, 609 So. Grand Ave., and for many years members of the Los Angeles Stock Exchange.

Mr. Lasher brings to the firm 25 years of continuous experience in brokerage, investment counsel and investment banking. He has just returned from six months' residence in Mexico City, where he went upon invitation of the largest brokerage firm in that neighboring capital to take charge of their foreign department and to supervise the reorganization and expansion of their business in American securities.

The Mexican firm acts as correspondent for a member of the New York Stock Exchange and holds membership on the New York Curb and various other American exchanges, with all of which Mr. Lasher has had long experience.

For the past 16 years, Mr. Lasher has specialized in Latin American securities, in connection with which he has made extensive studies of Western Hemisphere economics and potentialities. He has been a member of the Mexico City Stock & Bond Exchange during this period and is the only such member in the U. S. A. Memberships of the Mexican exchange are now limited to citizens of Mexico.

Mr. Lasher's intensive studies of Latin American economics were begun years before much interest in the subject prevailed in financial circles of the United States. During the five-year period, 1933 through 1937, he prepared comprehensive surveys of Mexico at his own expense. These were so outstanding that they evinced much commendation from financial leaders throughout this country and from high officials of both the American and Mexican governments.

Mr. Lasher is a graduate in mechanical engineering from Cornell University and has lived in California since 1915.

The Business Man's Bookshelf

Businessman's Stake in American-Soviet Friendship, The—Harland H. Allen—National Council of American-Soviet Friendship, Inc., 232 Madison Ave., New York 16, N. Y.—paper—10¢ (lower prices in quantity).

Controlling Federal Expenditures—Finance Department, Chamber of Commerce of the United States, Washington, D. C.—paper.

Cotton Year Book of the New York Cotton Exchange for 1943—New York Cotton Exchange, New York City.

What Your Bank Can Do About Wage and Salary Stabilization—New York State Bankers Association, 33 Liberty Street, New York City—paper—$1.00.

Geography of World Air Transport, The—J. Parker Van Zandt—Brookings Institution, 722 Jackson Place, Washington 7, D. C.—cloth—$1.00.

Oil and The Americas—Joseph E. Pogue—The Chase National Bank, Pine Street corner Nassau, New York City—paper.

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.

Tomorrow's Markets Walter Whyte Says——

Good buying dwindles as better selling takes over. Steels now feeling top territory. Isolated stocks show new move possibilities.

By WALTER WHYTE

For the past two weeks practically everything has gone up. The leaders acting like leaders for once, didn't hurt the procession either. The impetus for the breakout came from two factors. The first was D-Day; the second, and perhaps marketwise, the more important, was Congressional action. The fact that this action was loaded with inflation potentials didn't faze the lawmakers.

* * *

Timing of the proposed amendments was ideal. They came at a time when the press was full of invasion news, so little space was given to the didoes of Congress. That many of the measures will help industrial income is granted. But alongside of it is the fact that the passage of such laws sets in motion a spiral that won't do business or the nation any good in the long run.

* * *

Be that as it may, the market isn't concerned with the dim future. Its business is to act on events of immediate importance. This it did. It shot up like a bat out of hell and established new highs all along the line.

* * *

In the last two days this desire to reach the stratosphere has lessened. Not only has it lessened but evidences of poor buying and good selling have appeared on the tape. Whether these incidences point to a change in trend, or simply a halt in the market's upward move, is too early to say. But it isn't too early to begin looking around at some of the company the market has acquired in the last week.

* * *

Stock after stock has now reached old supply levels that were strong enough to stop advances in the past. In the forefront are the steels. Bethlehem comes up against the barrier at 63 to 65. Big Steel starts running against stock from 59 on. The smaller steels are about the same distance away from their supply areas. On the downside, the group shows critical levels which have to hold if the recent strength isn't to be dissipated by a severe reaction. In Bethlehem the figure is 59; in U. S. Steel it is 52.

* * *

Among the secondary stocks the following prices are important as support points: Baldwin—18; Bendix—37;

(Continued on page 2709)

Central And Commercial Banking Problems Discussed By Madden

(Continued from first page)

Federal Reserve note liabilities, the bulletin stated.

In discussing the reserve ratio the bulletin stated:

"The Federal Reserve banks are required by law to maintain a reserve of not less than 40% in gold certificates against Federal Reserve notes in actual circulation and a minimum of 35% in gold certificates or other lawful money against their deposits. The Reserve banks are holding their reserves almost entirely in gold certificates, and only a relatively small amount in Treasury currency. No Federal Reserve notes or Federal Reserve bank notes are included in the reserves. Thus, of a total reserve of $19,361,875,000 on May 31, 1944, gold certificates, including those in the redemption fund with the Treasurer of the United States for the redemption of Federal Reserve notes, amounted to $19,096,799,000 and the balance of only $265,076,000 was 'other cash'; i.e., Treasury currency.

"The reserve ratio increased from 83.9% at the end of August, 1939, to 91.1% on Dec. 3, 1941, and decreased to 55.8% on June 14, 1944. It is quite certain that so long as the volume of currency in circulation continues to mount and the gold holdings of the Federal Reserve banks to decline, the ratio will continue to decrease. This development has caused considerable discussion, for it raised the question as to what effect it may have on the credit policies of the Reserve authorities if the ratio should reach the statutory minimum of 40%. It was pointed out that when in May, 1920, the reserve ratio of the Federal Reserve banks reached 42%, credit restrictive measures were adopted by the Reserve authorities, accompanied by a sharp increase in the discount rate, which was followed by a material decline in prices of Government bonds.

"The conditions which prompted the actions of the Reserve authorities in 1920 were materially different from those that prevail at present and will continue to the end of the war. In 1920 speculation in the United States was rampant and prices of commodities rose sharply. The Bureau of Labor Statistics index of wholesale prices (1913=100) rose from 201 in March, 1919, to 272 in May, 1920. The volume of bills discounted by the member banks with the Reserve banks was very high and amounted on May 14, 1920, to $2,551,290,000. Hence it was obvious at that time that a tightening of bank credit and a material increase in interest rates could be effective in breaking the speculative and inflationary forces. The reason for the measures taken by the Reserve authorities, therefore, was primarily to curb the excessive use of bank credit for speculative purposes which contributed to the sharp increase in prices of commodities.

"Money market conditions are at present entirely different from those which prevailed in 1920. The decline in the ratio is due primarily to the increase in the volume of currency in circulation and to a moderate reduction in the monetary gold stock. Credit restrictive measures such as those taken by the Federal Reserve authorities in 1920 could have no effect on the demand for currency at home or the conversion of dollar balances into gold by foreign central banks or governments. Furthermore, the volume of borrowing of the member banks with the Reserve banks is exceedingly small, while the amount of deposits at the disposal of industry and trade is greater than needed for business purposes. Under these circumstances, therefore, to adopt the same measures as were taken in 1920, when the ratio reached 42%, would not improve the ratio or have any effect on the volume of currency in circulation, on gold, or on demand for credit on the part of industry and trade. It would merely cause an increase in interest rates and thus raise the cost of borrowing by the Government.

"Those who advocate the adoption of a credit restriction policy similar to that of 1920 seem to be unable or unwilling to face the stark reality that the country is in the midst of a war which must be won regardless of cost in life and treasure and the declining reserve ratio. On the other hand, in 1920 the country was at peace after a victorious war and approaching budgetary equilibrium. The deficit of $1,075,177,412 for the fiscal year ended June 30, 1919, had been cut down to $608,099,354 in the year ended June 30, 1920, and converted into a surplus of $772,940,131 in the year of July 1, 1920, to June 30, 1921.

"As the ratio decreases there are various measures at the disposal of the monetary authorities either to increase the ratio or to prevent it from going down. Some of the measures are: (1) Monetization of the idle gold held by the Exchange Stabilization Fund and in the General Fund of the Treasury. (2) Monetization of the silver seigniorage profit through the printing of additional silver certificates. (3) The issue of Federal Reserve Bank notes requiring no gold cover instead of Federal Reserve notes. (4) Lowering the reserve requirements, which would create a substantial amount of excess reserve balances, most of which would be used by the member banks to purchase Treasury bills from the Federal Reserve banks. This would reduce the deposits of the Federal Reserve banks and thus increase the ratio.

"The Congress can, of course, pass legislation relieving the Federal Reserve banks from the obligation of maintaining a fixed ratio of gold against their notes in circulation. Such a measure was actually taken in Canada when an Order in Council of May 1, 1940, released the Bank of Canada from the obligation of maintaining the required minimum gold reserve against its outstanding notes and deposit liabilities. On the same date the Bank sold its gold and foreign-exchange holdings to the Foreign Exchange Control Board, and no gold or foreign-exchange reserve has been maintained since. On Sept. 5, 1939, the Bank of England transferred its gold holdings, except a very small amount, to the Exchange Equalization Account, and since then only fiduciary notes have been in circulation.

"The ratio of gold to demand liabilities of a central bank is of importance so long as a country is on the gold standard and the central bank is under the obligation to redeem its notes in gold or sell gold at a fixed price. Under those circumstances the movement of gold exercises a considerable influence on the credit policies of the central banks. At present, however, no country of importance is on the gold standard and no currency is freely redeemable into gold. In addition the trade of the world is subject to governmental regulations and based to a large extent on special intergovernmental arrangements. Under present conditions gold is used exclusively to pay for the excess of imports over exports and for hoarding in some eastern countries. Hence, to consider the decline of the ratio of the Reserve banks as a serious development in a country which still holds more than 21 billion dollars of gold, an amount far greater than is owned by the rest of the world, is to overlook realities completely. It is, therefore, not likely that the decline in the reserve ratio will in any way interfere with the credit policies of the Reserve authorities.

"Since the reserve ratio is bound to decrease during the war, the best way of solving the problem would be for Congress to enact legislation authorizing the Board of Governors of the Federal Reserve System to vary reserve requirements of the individual Reserve banks between 20 and 40%. Since a material improvement in the ratio may be expected after the war, the proposed amendment to the Federal Reserve Act could be made to expire one or two years after cessation of hostilities."

In analyzing the capital funds—deposit ratio—the bulletin remarked that at the end of the conversion period the ratio of capital funds to deposits will be lower than ever before in the history of the country.

"The traditional ratio of $1 of capital resources to $10 of deposits lacks a scientific basis, as the test of adequacy of capital funds cannot be reduced to a mathematical ratio. Capital resources of a bank are intended to act as a cushion to absorb losses that may be incurred on earning assets. Hence the capital funds of a bank should be correlated to the type of its assets in general and to risk assets in particular.

"The non-risk assets of a bank are: (1) Non-earning assets, i.e., cash on hand and due from the Federal Reserve Bank and other banks. (2) Treasury bills and certificates of indebtedness. Bills have a maturity of about 90 days and hence their price can hardly be affected by a change in interest rates. While certificates of indebtedness are payable in one year, the range of price fluctuation caused by changes in interest rates is obviously limited. Furthermore, since the certificates held by individual banks have spaced maturities resulting in an average maturity of about six to eight months, it may be stated that there is no risk attached to Treasury bills or certificates of indebtedness. The same may be said about prime bankers' acceptances and prime commercial paper. Government securities with a maturity of one to two years may under present conditions also be considered for all practical purposes riskless assets since during the war and the reconversion period interest rates will not be permitted to rise to an extent that would materially depress the price of Government obligations maturing in two years. Short-term obligations of sound political subdivisions such as municipal and State tax warrants may also be treated as riskless assets.

"In endeavoring, therefore, to maintain adequate capital funds against assets subject to depreciation, a bank should relate its capital funds (i.e., capital, surplus, undivided profits and reserves for contingencies less the amount tied up in bank premises and furniture and fixtures) to total risk assets. Since a capital funds-deposit ratio of 1.10 has been the practice for a number of years, many directors and large depositors may become concerned if the ratio in their bank should decline to 1.20. (On Dec. 31, 1943, the capital funds-deposit ratio of operating insured commercial banks was 1.14). Directors may adopt a too conservative lending and investing policy and refuse to undertake legitimate banking risks. Large depositors, unless they are fully informed about the true meaning of the ratio, might be inclined to spread their deposits among too many banking institutions. It is, therefore, desirable that the purpose of capital funds and the significance of the ratio be explained to the public. Where the ratio of capital funds to risk assets of a bank is less than 1.10 or where the composition of the earning assets is such that a 10% reserve cannot be considered as adequate, such an institution should endeavor to increase its capital or change the quality and maturity of its investments."

The post-war banking problems are discussed in the bulletin under the headings: The trend of interest rates; Government competition; capital loans to small and medium-sized business concerns; and new banking legislation.

OUR REPORTER'S REPORT

Under more normal circumstances the underwriting fraternity would appear assured of business sufficient to keep things moving at a satisfactory pace in the months ahead, judging by results of a thumb-nail recapitulation of new issues in prospect.

In the public utility field, taken alone, those who gleaned the record of potentials were able to build up the surprising total of upward of $329,000,000 of refinancing in contemplation by a group of five companies alone. And this takes into account only the really large projects which might be undertaken, conditions permitting, between now and the end of the year.

Topping the list in that particular division of the market is the prospective $130,000,000 operation talked about for the account of the Philadelphia Electric Co.

Next in line in point of size is an $85,000,000 refinancing deal which looms as a possibility for the New Orleans Public Service Co. Close behind comes Toledo Edison with a prospective $51,000,000 consisting of $35,000,000 in bonds and $16,000,000 in preferred stock.

The Texas Electric Service Co. is considered a good possibility for an undertaking which could involve up to $33,000,000 of new securities, while Texas Power & Light Corp. is down in the book of potentials as a prospect for a $30,000,000 operation.

Railroads Offer Prospects

Railroads are down in the future books also as bright prospects for new business in the way of refunding operations. Here we find a group of four companies credited with possibilities, which, if they materialize, would produce something around $185,000,000 in new issues.

Out in front in the rail division is Baltimore & Ohio, which is expected to consider plans for providing for $71,000,000 of notes held by the Reconstruction Finance Corp., perhaps in the next few months. This road plans to redeem $28,500,000 of notes, due Aug. 1, and held by the public. An additional $13,500,000 of the same issue, held by RFC, will be provided for with the aforementioned obligation.

Kansas City Terminal Railway is contemplating a $45,000,000 deal while Chicago Union Station is expected to refund $44,000,000, and Cincinnati Union Terminal is credited with plans looking toward a $24,000,000 refinancing.

New St. Paul Issues Traded

A small trading market has been in course of development in the when-issued securities of the Chicago, Milwaukee, St. Paul & Pacific's new issues since last Friday, and shows signs of broadening out, according to dealers.

The markets are not especially wide involving only about half a dozen houses at the moment, but they are reported substantial in point of interest.

The trade anticipates a real broadening out toward the end of the month as time approaches for the court, which now has the matter under advisement, to hand down its decision on the plan.

An Industrial In List

Filing with the Securities and Exchange Commission recently of a registration statement covering prospective issuance of $10,000,000 Quaker Oats Co. 20-year 2⅝% debentures, marked the first industrial undertaking of consequence in many weeks.

There have been a few smaller emissions, but these in several instances have been provided for by direct placement with institutional investors.

In the case of Quaker Oats, however, arrangements have been made with bankers to make public offering of the securities which will provide the company with working capacity and funds for future expansion.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Mid-year bank statements will soon be appearing, and it is generally expected that they will indicate earnings for the first half of 1944 to be nicely above those for the first half of last year.

Statistically speaking, there is every reason why this expectation should be fulfilled, for the earning assets of leading New York City banks average nearly 20% above their volume of a year ago. On March 31, 1944 the total earning assets of fifteen leading New York City banks aggregated $19,577,794,000, compared with $16,630,338,000 on March 31, 1943, an increase of $2,947,456,000. The largest gain was by Public National, whose earning assets expanded by 43.0%, while the smallest gain was by Chase National, with 10.9%. Figures for each of the 15 banks are shown in the following tabulation:

TOTAL EARNING ASSETS

	March 31, 1943	March 31, 1944	Change	Change
Bank of Manhattan	$667,153,000	$777,622,000	$110,469,000	16.6%
Bank of New York	253,351,000	293,183,000	39,832,000	15.7
Bankers Trust	1,193,568,000	1,472,653,000	279,085,000	23.4
Central Hanover	1,137,774,000	1,341,049,000	203,275,000	17.8
Chase National	3,437,465,000	3,812,905,000	375,440,000	10.9
Chemical Bk. & Tr.	865,026,000	1,036,117,000	171,091,000	19.8
Corn Exchange	406,611,000	486,865,000	80,254,000	19.7
First National	811,012,000	955,572,000	144,560,000	17.8
Guaranty Trust	2,413,040,000	2,745,363,000	332,323,000	13.4
Irving Trust	775,654,000	927,758,000	152,104,000	19.6
Manufacturers Trust	1,059,921,000	1,283,273,000	223,352,000	21.0
National City	2,792,102,000	3,422,210,000	630,108,000	22.6
New York Trust	496,684,000	600,432,000	103,748,000	20.9
Public National	205,003,000	293,064,000	88,061,000	43.0
United States Trust	115,974,000	129,728,000	13,754,000	11.9
Total	$16,630,338,000	$19,577,794,000	$2,947,456,000	
Average				19.6%

Most of this gain in earning assets was represented by an increase in holdings of United States Government securities, which expanded from $11,688,575,000 to $13,886,082,000. Loans and discounts, however, also showed substantial improvement, moving up from $3,508,342,000 to $4,418,645,000. On the other hand cash and cash items declined from $5,001,756,000 to $4,673,888,000. On March 31, 1943 earning assets were 83.5% of reported deposits and on March 31, 1944 they were 88.0%, indicating that the banks' funds are more fully invested today than they were a year ago.

Figures for reporting member banks of the Federal Reserve System in New York City also tell a similar story. On March 29, 1944 they reported Government holdings of $13,366,000,000 compared with $10,575,000,000 a year ago, a gain of $2,791,000,000 or 26.4% Commercial loans expanded moderately from $2,293,000,000 to $2,465,000,000, while total loans and investments increased from $16,164,000,000 to $19,007,000,000, a gain of 18.5%.

Member banks for the 101 leading cities reported Government holdings at $37,434,000,000 on March 29, 1944 compared with $26,753,000,000 a year ago. The increase is $10,681,000,000, equivalent to approximately 40%. Commercial loans increased from $5,695,000,000 to $6,305,000,000; total loans and investments expanded from $41,391,000,000 to $52,012,000,000, a gain of $10,621,000,000 or 25.7%.

The bank stock market has been somewhat tardy in recognizing the improved earning condition of the banks. In fact, it could with justice be said that, until lately, it has been very tardy, since the earning position and the operating earnings of leading banks in New York City, and other large cities, have shown steady betterment year by year since 1939.

Standard & Poor's weekly index of New York City bank stocks shows the following record:

	High	Low
1939	101.5	81.9
1940	100.0	74.6
1941	94.0	67.7
1942	76.2	59.2
1943	96.6	76.5

It is of interest to note that the 1942 low of 59.2 was even below the 1932 low of 60.3. This year bank stocks have livened up, the weekly index moving from 94.7 on Dec. 29, 1943 to 104.4 on June 21, 1944, a rise of 9.7 points or 10.2%. This represents the highest level reached since 1937. Even so, many choice bank stocks are now selling at a discount from conservatively stated book values.

Puglies To Be Partner

Louis J. Puglies will be admitted to partnership in Filor, Bullard & Smyth, 39 Broadway, New York City, members of the New York Stock Exchange, as of July 1.

The Shape Of Wings To Come

(Continued from first page)

advantage in attacking both Germany and Japan, but the long range super plane which would be such an asset in bombing Tokyo might obviously prove a corresponding liability in commercial aviation. In short, we in the aircraft industry are convinced that while the realities of flight in 1950 and beyond will greatly exceed our present standards and achievements, they will fall equally short of the extravagant predictions which have been made by aviation enthusiasts with more heat than light.

Before developing the subject further, I must emphasize the fact that there will be at least three separate and distinct classes of airplanes in the post-war world. The first, of course, will be the military planes. If the United States is to preserve any considerable part of its military establishment, it seems obvious that we must have an adequate fleet of ships in the air, just as we now have an adequate fleet of ships on the sea. These fighting planes and bombing planes were all designed for war and with a few exceptions it will not be either profitable or possible to convert them to peacetime use. Presumable the Government will maintain great military air bases which must be adequately staffed with trained personnel and equipment to handle all the mighty war planes which have poured such death and destruction on Germany in recent weeks and months.

The second group, and one which probably deserves a major share of our attention, is the transport plane which will be built for service on the commercial airlines. At the present time, as you probably know, all of the major lines are entirely equipped with the Douglas DC-3, a 21-passenger plane which thus becomes the standard as a public carrier. Only the interruption of war prevented the DC-4—the 42-passenger plane which was designed to be the next model of the series—from coming into equally wide-spread use. The military version of this plane, known as the C-54, is the outstanding carrier of the Army Air Transport Command, and has proved its worth in every theater of the war. Since this plane was originally intended for civilian transport use, it can obviously be readapted to its former purpose immediately after the close of the war.

Despite the outstanding success of this famous transport, however, Douglas engineers are by no means disposed to regard it as the last word in its field. On the contrary, Mr. A. E. Raymond, our Vice-President in charge of Engineering, has stated publicly on various occasions that he believes the standard transport plane of 1950 and beyond will probably be something like this. It will weigh about 150,000 pounds. It will have four superengines and carry from 70-100 passengers, together with about 10 tons of cargo, cruising at about 250 miles an hour and flying at about 20,000 feet.

Opinion is somewhat divided as to whether there will be separate planes for passengers and cargo. Our theory is that the two will be combined in one plane for several reasons. In the first place, carrying two types of load will give the commercial airline two chances for profit, since one stop may involve the handling of people, while another stop provides for the handling of goods. In the second place, the cargo of an airplane has something of the character of express, and you may recall that express always rides the passenger train rather than the freight.

One thing is certain; there will not be any freight airplanes for the reason that airplanes will never carry freight. As long as men haul brick and stone, coal and iron, sand and lumber and cement, they will haul it on land and sea, but they will certainly never try to fly it through the air. As I have said before, airplane cargo will be of the general character of express which will fall in such classes as the following:

First, the letter mail. Many people believe that by 1950 and beyond all first class mail will go by air, especially when the distance is 500 miles or more.

Second, emergency cargo, and this is the only time when the load might take on the character of freight if the emergency were great enough. The breakdown of a printing press, a pumping plant, or a power house might give rise to an emergency so grave that the owner would be justified in transporting even heavy machinery by air. But this would be an exception rather than the rule since the break-down of even the greatest machinery can generally be traced to the failure of some critical part, rather than the whole equipment.

Third, perishable goods, including such items as flowers, fruits, vegetables and sea food. Even at present orchids are sometimes flown across the country, and it seems altogether likely that cut flowers of all kinds may be grown in the open air in our warmer states and then carried north before they have time to fade. The same is true of fruits and vegetables, and already produce wholesalers are calculating the exact reduction in shipping costs which must be made before it will be feasible to transport strawberries from California, peaches from Georgia, or celery from Michigan.

Fourth, the valuable cargo, which includes any item that combines high value with small content. Drugs, watches, fountain pens, Kodaks, jewelry, precious stones, and similar items are all a natural cargo for the plane.

That is enough about the cargo. Now what about the passengers? One thing is certain; they will travel in great comfort and convenience because they are doing that today. The present transport planes, the famous Douglas DC-3 and the Skymaster, or C-54, are so well soundproofed, air conditioned, and free from vibration that air travel is often more comfortable than travel on the ground. High as the safety factor is at present, it will be even higher in the post-war world for the simple reason that some of the secret devices which are now restricted to wartime use will be available in the commercial field.

Since time is of the essence in aviation, many of the transport planes will travel at night. This means that seats can be made up into beds; berths may be let down from the wall, and some of the luxury planes will undoubtedly have separate staterooms for parties of two, three or four people.

Not every plane will be a sleeper plane, however, for the simple reason that you can always carry more people sitting up than lying down, and for this reason some of the transports will have nothing more than reclining chairs, where a passenger may doze through the night, knowing that he will be there in the morning anyhow. Separate dressing rooms will be available for men and women, together with running hot and cold water, electric outlets for the modern razor.

As I have already indicated, these planes will probably cruise at about 250 miles an hour. Of course I realize that this speed falls far short of the 500 and 600 mile speeds which have been so freely predicted. Unhappily there is no airplane in the world today which is capable of making 500 miles an hour, but even if it were possible in time of war, the added wear, together with the extra gasoline consumption, would be highly extravagant and inefficient in times of peace.

Even a rate of 250 miles an hour, however, will widen the horizons of civilian travel to an astonishing degree. One of the great commercial airlines has recently announced a schedule which is doubly interesting in this connection. Typical travel schedules all measured from New York would be: to Los Angeles or San Francisco, 10 hours; to London, 14; to Paris, 15; and to Berlin, 13, while a trip from New York City to Cairo or Jerusalem would require an even 24 hours. Turning our steps to the west, the flight from San Francisco to Hawaii will be 10 hours, and another 24 hours will take you to Australia, while the longest distance which is indicated in the schedule is from New York City to Hong Kong, China, or the Cape of Good Hope, both of which will require less than 48 hours flying time.

I often wonder if people realize

the opportunities for foreign travel which will be available in the age of flight. You will probably agree with me that most of us—and I mean by this most business men and women—have generally taken it for granted that we will never do much foreign travel for the reason that our vacations are generally regulated by considerations of time and cost.

A Los Angeles man who gets a two-week vacation every year could never hope to make a round trip to Europe, even if he never got off the boat; but with 24 hours to go and 24 hours to return, he will still have 12 whole days to spend in England or on the continent, and the same thing is equally true if he wants to linger in Honolulu or make a first hand acquaintance with the Orient.

Under these circumstances it seems quite reasonable to suppose that foreign travel will increase to 10 or 20 times its present volume, and the majority of these new travelers will not be people who used to ride the railway or the steamer; they will be people who never had the time to ride at all until air transportation made it possible.

Aside from the consideration of time, however, we also have the problem of the cost. Mr. Edward Warner, Vice-President of the Civil Aeronautics Board, said recently that we might expect the passenger rate within the United States to drop as low as 3c a mile, within the next few years. This would represent a considerable reduction over the present rate, which is a fraction under 5c a mile, and it would not be out of line with cost of first-class travel on present means of transportation.

The same airline which published the time table estimates that the round trip fare from New York to London by air will be $186; to Paris, $202, and to Moscow, $260. From New York to Honolulu the figure is $272, and the top cost announced was New York City to Hong Kong and return, $594.

Few topics have been the subject of more wide-spread debate than the probable cost of cargo shipment in air transport. Quoting Mr. Warner again, a cargo rate of 18c per ton mile was predicted as a reasonable cost in post-war air haulage. While this figure represents a tremendous reduction from the present average of 70-80c per ton mile, it is still higher than the figures which were advanced by Mr. C. I. Stanton, C.A.A. Administrator, in his recent address to the United States Conference of Mayors in Chicago, when he said we might ultimately anticipate a reduction to somewhere between 10 and 15c per ton mile. These quotations are especially appropriate because they show the difference of opinion that exists even among those who are best qualified to speak. One thing is certain; the costs will always be comparable to express rather than freight rates, and for that reason commercial dealers will doubtless restrict their shipments to certain specialized items of the kind I have indicated.

There is one other point of general interest and that is the probably range of these commercial planes. Just as the speed will probably be less than half the figures which have been so freely predicted, it seems likely that the range will be restricted to 2,500 miles as a maximum. The distance that a plane can fly nonstop is obviously measured by its load of gasoline. All the great four-motored planes in use today average around a mile per gallon of gasoline consumption. In other words, a plane which has to fly 1,000 miles non-stop must lift 1,000 miles of gasoline in its tanks. Long-range flights would obviously require such heavy leads of fuel that there would be no lifting capacity left for a profitable pay load.

At least a part of the misunderstanding concerning the maximum range is due to the belief that planes must fly great distance over water, but this is a mistaken notion. As a matter of fact, the longest water flight on any route is the jump from San Francisco to Hawaii, which is less than 2,400 miles. The old route went from Honolulu to Midway, Wake, Guam, and the Phillipine Islands. The new one turns south to Christmas Island, Canton, and New Caledonia; but in either case, the subsequent jumps are all shorter than the first. Planes flying the great circle from New York to London cover less than 2,000 miles of open water, while the direct flight from Natal across the South Atlantic is 1,600 miles. Thus a range of 2,500 miles over water and 1,000 miles over land prove adequate on every route.

All this is dealing with commercial planes. Now what about the third class, the private craft for individual use? This is a debatable point. Despite the various predictions which have been so freely made, we in the aircraft industry are not at all convinced that airplanes will ever be as common as automobiles are today. Perhaps the best plan would be to take a leaf out of Patrick Henry's book and try to judge the future by the past. Before Pearl Harbor there were about 25,000 private planes in the United States and if, as some authorities believe, there are at least four fliers for every plane, we may suppose there were 100,000 civilian pilots at that time. Many of these men have since become active in the Civil Air Patrol, a more or less voluntary group which has done yeoman service in promoting interest in aviation and recruting members for the Army Air Corps. Of course, the biggest change that has come since Pearl Harbor has been the enlistment of the mighty Air Force which seems lkely to reach a total of three million men before the war is over. About 300,000 of these young men are expert pilots, and while the others may never have held the stick, they certainly have learned the thrill of flying, and some of them will be no more satisfied to drive an automobile than we will be satisfied to drive a horse and buggy.

A third class of probable customers will be the sportsmen, those men who like to hunt big game in Canada, to catch tarpon in Florida, or to race a speed boat at Lake Michigan. Since the obvious attraction of these things is the thrill of doing them, it seems most likely that sportsmen will want to fly a plane and thus enjoy the greatest thrill of all. And there are some business men, especially in the great open spaces of the West, who may find planes extremely useful in the conduct of their business.

Even when we take all these groups into consideration, however, it is evident that they will form only a small minority of the population. Frankly, there are too many considerations involved to allow the airplane ever to come in quite the same class as the automobile. In the first place, its uses are somewhat limited. Few men would want to travel by air unless their journey involved several hundred miles, and most of us do not go so far often enough to justify the cost of owning an airplane for the occasional trip.

In the second place, piloting a plane involves more skill both in operation and navigation than driving an automobile would ever do. Weather is always a hazard in flying and the consequence is that a man might fly a few hundred miles in brilliant sunshine only to find himself in rain, hail, sleet, snow and storm, or fog. Commercial planes fly on established routes with radio beams and automatic signals, two-way radio and every kind of safeguard and protection. Private fliers, on the other hand, would be following uncharted courses, and they would need to be highly expert, both as pilots and navigators.

To sum up the question of private flying, it may be helpful to our thinking if I remind you that the O.W.I. believes that we may easily have 500,000 private planes in the U. S. by 1950. Since everyone agrees that there will certainly be 25 million automobiles by the same year, it is evident that the ratio of planes to cars will be as one to fifty. In other words, if the city, country, or state in which you live has a total of 50,000 automobiles, it seems suitable to plan for a total of 1,000 airplanes in the same area.

The Michigan State Board of Aeronautics has approached the same subject in a little different way, by pointing out that a total of half a million airplanes means one to every 300 of population. Using this method, one has only to count the population of a city, county, or state, divided by 300, and arrive at the probable private planes. The Michigan authorities have actually applied this process to every county in both the upper and lower peninsula, and indicated the exact distribution according to this schedule.

One thing is certain and the rest is lies—as Omar used to say: there is no field in which wise, thoughtful, and long-range postwar planning is more essential than in the whole debated and debatable field of aviation.

Helicopters, or some kind of rotating wing aircraft, will undoubtedly be one of the important types of transport, both for public and private use when once they are perfected. Unhappily, the general public does not realize that the helicopter is still in the experimental stage. In fact, many engineers think that the helicopter stands today where the airplane did in 1910, and if any of you can remember the crude models of 1910, you will agree that the airplane in those days was a mighty sketchy thing.

The reason why the helicopter has captured the imagination of aviation enthusiasts so strongly is that it can rise and descend vertically without requiring any runway. Regardless of how greatly airplanes differ in other ways, they are all alike in one respect at least—they must have a runway to get off the ground, and they must also have a runway to re-establish contact with mother earth.

Airports have come to be regarded as falling in four different classes. Class I involves a runway of 1,500-2,500 feet; class II, 25-3,500 feet; class III, 35-4,500 feet, and class IV, or major airports, 45-5,500 feet, with a standard runway reckoned at one mile. This means, of course, that with few exceptions, the air fields of the country must always be located from 10 to 15 miles away from the business part of the city, which involves corresponding delays for the passengers who have to traverse the crowded city streets. Since helicopters require no runway of any kind, it would be entirely practical for them to take off from the roof of the post office or hotel or from a vacant lot nearby, and provide a direct shuttle service to the airport in a few minutes time.

Construction of even the smaller airports involves considerably outlay, both for initial cost and upkeep, and it is hardly likely that smaller communities could afford to build or maintain adequate equipment; but even the smallest town could furnish a vacant lot and consequently, the helicoper would afford a branch line service to the larger cities with larger facilities.

One of the first things you and I will have to learn after the war is to read a new kind of world map. All our lives we have been accustomed to studying flat maps spread out from right to left with the equator running as a heavy horizontal line across the center of the page.

Tomorrow's map will show that same equator as the circumference of a great circle, which has the north pole as its center point, and the great trade routes of the world, while they will not lie directly across the pole, will lie so near to come well within the Arctic Circle. Instead of traveling east and west, as men do now to reach Europe or Asia, a large proportion of the traffic will be up over the top of the world and down the other side, with way stations at either Greenland or Iceland on one side the pole, or Fairbanks, Alaska, on the other, and air routes fanning out to Moscow, Bombay, Calcutta and Hong Kong.

As you undoubtedly noted, some of the foregoing statements have been purely speculation, and others have been factual. However, the conjectures are based on fairly well accepted facts and may be said to reflect intimate contact with certain top people in Douglas whose hands hold the reins of the future.

Sweden's Economic Condition Worsened By War

STOCKHOLM, June 17—Exception to statements in the foreign press that Sweden has enjoyed "fantastic war profits" is taken in the newspaper "Arbetet" of Malmo by its editor-in-chief, Allan Vougt, who is a Parliamentary Labor Leader in the Riksdag and also a member of the influential Council on Foreign Relations. Such charges are unfair and definitely untrue, he writes. While it is true, he continues, that the people of Sweden are better off than those of the occupied countries and some of the belligerent ones, they have become definitely poorer since the war began, their standard of living has been lowered, the wage-workers have lost 10% of their basic wages, the cost of living has gone up about 50%, the incomes of all categeries have decreased, and the national debt has multiplied. (At present this debt, which at the start of the war was 2,700,000,000 kronor [$675,000,000] is 10,058,000,000 kronor [about $2,515,000,000]. The total war expenditures have been over 10,000,000,000 kronor, or roughly $2,500,000,000. The population of Sweden is 6,450,000.)

"Dealers' Interest" New Bulletin Issued

F. H. Koller & Co., Inc., 111 Broadway, New York City, has inaugurated a new bulletin entitled "Dealers' Interest" with suggestions of interesting situations. In the current issue are contained several suggestions, some of which the firm believes offer real post-war attractiveness to the investor and are sound now, and others which are speculatives. Copies of this interesting bulletin may be had from F. H. Koller & Co. upon request.

Inflation And The Stock Market

(Continued from first page)

erated as an increase in monetary circulation, growth in bank deposits, a rise in national income, and the chronic deficits of the Federal treasury. It has been the conviction of students that past inflationary experiences have had their source in the aforementioned elements.

A second pillar upon which inflationary enthusiasm rests is this proposition. With general pressures operating on prices, all prices rise. If all prices rise, then it becomes prudent and practical to place a capital fund in some vehicle whose price will be carried along on the general tide. When the owner of the capital fund so hedged chooses to liquidate, he can do so at a higher price. The larger proceeds then realized will compensate him for the decline in the value of each unit of currency. This reasoning is made to order for the stock market, since common stocks are an obvious vehicle for a hedge of this type.

A third pillar supporting the confidence of those who expect inflation is the apparent analogy between the present experience of this country and the experience in Germany after the last war and China today. These two countries are cited with increasing frequency to demonstrate the alarming results of inflation and at the same time to prescribe the appropriate remedies.

Not Absolute Axioms

Let us consider these three bases of inflationary thinking. The monetary factors which tend to press prices upward have received much attention. It is not necessary to cite the precise increase in currency circulation. The fact that this country today has a per capita circulation three times the peak of 1919 is of no moment. The fact is there has been a great increase. The same can be said of deposits subject to demand, of the great rise in national income and of the cumulative effect of chronic Federal deficits. It is necessary in this connection to urge a caution. The principles governing prices and money are approximate, probable principles and not the absolute axioms of an established science. It is not possible in this field to reason from precise, concrete cause to definite, ascertainable effect.

Attempts have been made, to be sure, to correlate changes in supply of money and price levels. From the long record of monetary and price experience, it is possible to cull a sufficient amount of evidence which by itself might appear to prove that a rise in the supply of money, other things being equal, will cause prices to go up, and that a decline in the supply of money will cause prices to fall. However, if one departs from the selective presentation of evidence and includes all that has a relevant bearing on the issue, the answer is quite different. The inflationary elements in the fall of 1929, consisting of bank credits and currency, were exceptional in volume. Yet that fact did not prevent a collapse in the stock market. The quantity of currency in circulation and the size of bank deposits, plus Federal deficits, could again be cited in the summer of 1937 as touching new peaks. Yet the market did drop down. Similarly, a low point in the market was reached in the late spring of 1942, although at that time per capita demand deposits, currency and national debt had reached unprecedented levels. Changes, therefore, in prices, be they commodity prices or stock prices, must clearly depend upon other factors than monetary factors alone.

Dollar Turnover

One item that receives insufficient attention in the purely quantitive thinking about inflation is the factor of turnover. Currency, in its broad sense, is a two-dimensional concept. It consists of the total number of dollars, both currency and deposits, multiplied by the average number of times each dollar turns over. In 1929, total debits in centers outside of New York were greater than they are currently, although currency outstanding and deposits subject to demand were much lower. This is due to the fact that those deposits turned over 47 times in 1929 as compared to a current velocity of 17. This varying turnover may be regarded as an automatic adjuster of total supply, tending to diminish as the supply of currency expands, and to increase if the supply of currency is inadequate.

To be sure, when the public is in process of losing faith in the currency, a purely artificial fever is imparted to turnover. A concerted flight from funds occurs at such times, usually following or accompanied by vast emissions of currency. There is not only an increase in supply but also an increase in turnover. That point in American inflation has not been reached and is not in sight. However seriously citizens may question the monetary and fiscal policies of our Government, however alarmed they may be over the growth of the public debt, the fact is that they still retain a great measure of faith in the integrity of the dollar.

If we are to measure the buying power which is effective in producing possible changes in the stock market, attention must be directed to the particular funds which in the past have sought an outlet in the security market. These funds in large part have come from the savings of individuals in the upper income brackets. It is an established fact that the proportion of the income saved varies with the size of that income and it increases far more rapidly than the income itself. The average person with an income of $2,500 a year usually saves less than 10%. As income mounts, the proportion saved increases until by the time an income level of $20,000 is reached the average proportion saved exceeds 50%.

SAVINGS BY INCOME LEVELS 1935-1936

Income Level—	Per Cent of Income For— Current Consumption	Gifts and Personal Taxes	Savings
$2,000-$2,500	86.7	4.4	8.9
5,000-10,000	63.6	6.6	29.8
10,000-15,000	53.0	8.1	38.9
15,000-20,000	51.7	8.1	40.2
20,000 and over	35.1	14.1	50.8

Source—National Resources Committee.

Taxation and Income

The pertinent question in this problem, therefore, is the fate of the savings margin in high incomes. The incomes which in the past have been most productive of the funds available for a capital purpose are precisely those incomes which are currently suffering most from the impact of war-time taxation. Although such incomes on the whole have not shown any great increase in the current period, the Government has nevertheless argued that they must be drastically reduced in order to avoid inflation. The alleged need for inflation control, plus the real need for revenue to carry on the war, has resulted in such an increase in the tax load as to eliminate substantially that portion of higher incomes which in the past has been available for the security market. In 1938 an income of $25,000 paid a Federal tax of 10%, leaving the recipient a net expendable income of $22,500. Today it is necessary to have an initial income of $50,000 a year to have an expendable income left equal to that of the man who started out with a $25,000 salary in 1938.

TAXATION AND EXPENDABLE INCOME

Year—	Net Income	Tax Liability	Income After Tax	Income After Tax as a Per Cent of Net Income
1938	$2,500	$0	$2,500	100.0%
1943	2,500	297	2,203	88.1
1938	5,000	80	4,920	98.4
1943	5,000	894	4,106	82.1
1938	10,000	415	9,585	95.9
1943	10,000	2,467	7,533	75.3
1938	25,000	8,869	41,131	82.3
1943	25,000	10,035	14,965	59.9
1938	50,000	8,869	41,131	82,3
1943	50,000	27,075	22,925	45.9
1938	100,000	32,469	67,531	67.5
1943	100,000	68,584	31,416	31.4
1938	250,000	128,294	121,706	48.7
1943	250,000	206,858	43,142	17.3
1938	1,000,000	679,044	320,956	32.1
1943	1,000,000	899,000	101,000	10.1

Source—Division of Tax Research, Treasury Department.

Note—Individual is married, without dependent.

It must be clear that no inflationary explosive force resides today in the incomes which formerly provided the bulk of market funds.

Inflation Highly Selective

The second syllogism upon which inflation sentiment rests is that all prices are going up and that, therefore, it becomes wise to mount some vehicle which will carry a fund along the road of inflation and thus prevent a relative loss of real buying power. Although it may have been true of certain inflationary experiences in the past that price changes were fairly uniform over a broad field, that certainly is not true of the current experience. Inflation in the United States today is a highly selective phenomenon, with selection actuated primarily by political force.

In illustration of this, consider the experience of labor and agriculture in this war and the last war. In the period 1914-1918, labor won an increase of approximately 46% in hourly wage rates. In this same period, however, the cost of living rose 64%. Translating money earnings per hour into real equivalents showed an actual loss of 10% in the buying power of an hour's work. During the present war to date the money earnings per hour have gone up approximately the same as during the last war, namely, 46%. However, in this war, the cost of living has mounted only 23%, with the result that labor today, for a normal hour's work, enjoys a real increase of 17.6%. Consider the case of the farmer. During the last war the prices of his products rose 105%. Corrected for changes in the cost of living, this showed an increase in real value per unit of product amounting to 33%. In the present war, farm prices have gone up 102% and in real equivalents 63%.

Only when we consider all other commodities, that is to say, manufactured goods and raw materials whose producers do not have sufficient political significance, do we see the real difference between the inflation in World War I and World War II. In World War I these other commodities rose 98%, that is to say, almost as much as farm commodities. During the present war, these other commodities have gone up only 23%, as compared with 102% for farm products. It is clear from these experiences that labor, under ostensible control in the present war, has fared much better than it did in a free market during the last war. Similarly, the farmer, under a system of controlled prices, has fared nominally as well as he did in World War I and in terms of real income has done a great deal better. On the other hand, those producers without political importance have found the prices of their products effectively controlled.

Effect on Earnings

This has a definite bearing on earnings and it is to earnings that the owner or prospective owner of a common stock should look for its value. If inflation—American model, World War II—results in a constriction of earnings and a prospect that they will decline, the effect of that on stock values is injurious. This is true irrespective of what may happen to the general price level, to labor income or farm buying power. If corporate earnings decline and tend to disappear, common stocks will similarly tend to decline in value and that value will tend to disappear no matter what the Federal Reserve Index of Production may be or what level the national income may attain. Nor can the aggregate of demand deposits, money in circulation or the size of the Federal deficit deflect this trend.

Rising Costs

The consequences of this selective character in inflation can easily be discerned today in a number of fields. E. M. Voorhees, Chairman of the Finance Committee of the U. S. Steel Corporation, called attention to these facts in his testimony before the steel panel of the War Labor Board. This body was hearing evidence on the demand of the steel workers for a guaranteed annual wage, a 17¢ an hour increase in wages, and certain other benefits in the aggregate more costly to the Steel Corporation than either of the first two demands. He pointed to the fixed level of steel prices and the rising total of costs. He spoke with the reported earnings of the Steel Corporation for the first quarter of 1944 before him. These earnings of $1.23 a share were compared with earnings of $2.03 a share in the first quarter of 1941. In the interval, there had been an increase of 36% in gross revenue of the Steel Corporation, an increase nevertheless accompanied by a decline of 39% in net. In other words, the break-even point of steel operations had been steadily rising throughout this period. What the effect of these rising costs would be in a normal period he illustrated by turning to the experience of the Corporation in the period 1936-1939. If the output at that time were produced at costs prevailing today, the net of the corporation, reported at $179,000,000, would actually turn to a deficit of $300,000,000 and the U. S. Treasury would lose a tax of $57,000,000 which the Steel Corporation paid in that 4-year period.

A similar illustration, showing the effect of rising costs on stationary prices, was given by the Bureau of Transportation of the I. C. C. This Bureau, examining the effect of present costs on normal traffic volume, turned, for the purpose of hypothesis, to the traffic level of 1940. It credited the operating statements of the Class I carriers with the saving in interest charges resulting from reduction of debt in the interval. It also assumed a 10% increase in passenger traffic over 1940. Applying to that hypothetical traffic present costs, it found that the total cost of operations would be increased $695,000,000, and that net reported income of $249,000,000 would be converted to a deficit of $447,000,000. The Bureau made it clear that these figures represented merely an exploratory hypothesis and not an official forecast. The current reports of the railroads document the lesson which the illustration of the Bureau of Transportation presents. Gross revenue of the reporting Class I carriers in recent months is still ahead of the corresponding months of last year. In spite of this fact, costs are moving ahead so much more rapidly that net is actually lower.

The experience of U. S. Steel Corporation and the railroad industry is represented in thousands of corporate instances throughout the country. Profits are definitely being squeezed in a vice, one jaw of which consists of inflexible prices for finished products and the other jaw rising costs, mostly labor and taxes. That corporate earnings in the aggregate have made the creditable record which they have is due entirely to the enormous increase in total output.

The investor, therefore, should be cautioned against blindly accepting the thesis that all prices are going up, that stock prices must also go up. The use of securities as a hedge vehicle against inflation may prove illusory.

Germany No Parallel

The third prop of inflation psychology is the alleged similarity of current American experience in Germany after the last war and possibly China during the present war. This similarity is without reasonable foundation. Germany under no circumstances at any time has had the economic potential of this country. After the last war it was a defeated nation, its leadership discredited, its Government weak. It did not have the authority at home to levy the taxes necessary to meet its obligations, nor did it have the credit among its own citizens to borrow the necessary amounts. Its credit abroad was non-existent. Consequently, the only recourse left to a weak and desperate Government was the printing press. This does not present a proper guide for American thinking about inflation today. China similarly lacks any authentic similarity. Economically the country is still in its infancy. The authority of the Chungking Government is questioned in large areas of China. Again, this Government does not have the authority to levy adequate taxes. It is without the credit to borrow at home and abroad to meet its needs. The only option left to the Government is the printing press. As a result, China's price level today is 250 times as high as it was in the pre-war period. It is rising at a monthly rate of 10%. To cite these two examples as possible guides to America in meeting the problem of inflation is to invite deliberate self-deception.

In thinking of securities as a possible hedge against inflation, it is necessary to see a sound reason for increased value in the market place. Such increase in value has always been predicated on an increase in earnings or a more generous discount of the prospect. It is clear from the foregoing that the earnings attributable to shares have not increased pari passu with the increase in prices and that the whole burden of inflation control has been directed toward restriction of corporate profits and the absorption of excess income among individuals in the upper income brackets. This combination does not warrant confidence in an inflation stock market.

Prospects After the War

What are the prospects after the war? Is it not likely that a tremendous spending splurge will take place, that the great pressure of accumulated needs and hoarded savings will break out in the form of higher prices after the war? It is true that the American public has accumulated an astonishing total of savings, a total which by the end of this year may reach $100 billion. A part of this, consisting of reduced debt and added insurance protection, is not directly available for spending in the post-war period. Nor is it a safe conclusion that the balance is merely awaiting availability of goods in the post-war period; that individuals with the will power and foresight to set aside a part of their current earnings will embark on a buying binge as soon as goods are available. It is not true that such individuals are saving today solely because they cannot spend. There are ample opportunities for the expenditure of income, as is fully attested by the ability of war workers to get rid currently of their entire earnings. Night clubs and race tracks have succeeded silk shirts as the sponges absorbing surplus incomes. Those who are saving today are doing so because of a wholesome sense of personal caution, a desire to fortify themselves against a possible rainy day in the post-war period. It is not reasonable to suppose that the carefully husbanded hostages of the prudent against adversity will be squandered irrespective of values and prices in the post-war period.

As against this, it is said that prices must be raised, that the burden of the public debt requires a higher price level, that industrial costs, consisting largely of wages, cannot be cut and, therefore, prices must rise. We do not know how the Government or business can raise prices without affecting consumption. The consumer is not bound absolutely to buy the goods that business produces. He will have a choice after the war to buy or not to buy, just as he had before the war. Every manufacturer and merchant is conscious of saturation levels in consumption, levels that are determined in part by the incomes of consumers and in part by the prices of goods offered for sale. Is it proposed in the period after the war to raise wages still higher and, if so, what happens to industrial costs? On the other hand, if the prices of manufactured goods are raised, each item will encounter a lower saturation level. There is a market for just so many $800 automobiles. If the price of such cars is raised, the amount bought, other things being equal, will decline. This is a fairly fundamental rule of the market place and we know of nothing in the war period that has modified or repealed it. Furthermore, in terms of available supply and productive capacity, it is entirely unlikely that manufactured goods will be offered at higher prices than they were before the war. Some exception to this statement may be granted in the early post-war years for particular items which are in great demand, a demand that cannot immediately be satisfied. This list, however, is not long. After all, the American public during the war period, on the whole, has been living as well or better than it did before the war. There have been no serious denials on a large scale. In a figurative sense, the country has been able to produce both guns and butter.

Surplus Capacity

When the war ends, a vast amount of surplus war materiel, partly useable for peace purposes, will be available. Estimates range from $12 billion to $50 billion. The Government has developed immense facilities for the production of war goods. A substantial percentage of these facilities will be available for the production of peace-time goods. This capacity will be distress capacity in the sense that it would never have been built under normal circumstances and, being available today, it represents a surplus capacity far beyond the ordinary needs of the community. It may become a serious competitive factor. Its influence cannot possibly be construed as a stimulating force upon the price structure.

World War I Contrast

In considering capacity and surplus supplies, it is well to bear in mind the difference between this and the last war. World War I was a conflict involving tremendous and continuous attrition of manpower and materiel on both sides. The end of the war found both antagonists with empty bins, so to speak, and a great need for replenishment. Also, World War I did not call for the economic mobilization, the complete realization of economic potential that this war has demanded. As a result, output never reached the fantastic levels in relation to normal output that has characterized this war. The peak year 1916 showed a level of production approximately 20% above the lowest year, 1911, in the pre-war period. As against that, a comparison of 1943 output with 1938 shows a rise of approximately 170%. In spite of the comparatively mild distortion of the economic machine in the last war, there was nevertheless a 25% decline below normal levels in 1921. Such being the case in this prior experience, how much greater will be the drop in production from a vastly distorted war level on the present occasion. Such a retreat in production does not portend rising prices.

Ample Supply

This prospect of ample capacity is further buttressed by large stocks of the principal raw materials available after the war ends. The situation here hardly requires documentation. Certainly there will be no scarcity in rubber or oil, nor will we lack in textiles, cotton, wool and rayon. The metals — aluminum, magnesium, copper, zinc and lead, are already present in amply supply. Steel will present a serious surplus problem. The same point may be made of capacity to produce food. The principal agricultural areas of the world have hardly been touched by the war. It will require certainly no more than a year for most of the world to restore its food production to normal levels. At that time we can be certain that surplus farm products will again present serious price problems, definitely not rising price problems.

The market investor or speculator should bear these sober considerations carefully in mind in buying securities. If he intends to place his funds in stocks, let him be certain that the action is fully justified on other grounds than inflation.

Congress Recesses Until August 1—Informal Agreement For Vacation To Sept. 1

Congress recessed on June 23 until Aug. 1 after clearing its calendar of all urgent legislation, including more than $67,000,000,000 in new appropriations for the Government's fiscal 1945 operations. The recess, which according to the United Press may be extended to Sept. 1, enables legislators to attend the National Political Conventions, sound out home town sentiment, and rest after being in almost continuous session since Jan. 10. The press advices also said:

The recess resolution called for a formal recess until Aug. 1 but provides that legislators may be summoned back before then if war and homefront developments require "legislative expediency."

House and Senate leaders informally have agreed on the vacation to about Sept. 1 under a plan whereby the chambers would meet only on Mondays and Thursdays.

Regarding the legislation passed on the day Congress recessed, the United Press stated:

The money bills, topped by the $49,000,000,000 War Department appropriation, provide $67,192,237,127 in new funds for a long list of Government agencies during the fiscal year beginning July 1. The total represents a $47,371,771,467 cut in funds provided during the current year, Senator McKellar (D., Tenn.) of the Appropriations Committee revealed.

The Army Bill, one of the last to clear both Houses, carries $15,434,814,795 in new funds and close to $25,000,000,000 in reappropriations. Together with the $27,569,789,301 Navy appropriation which President Roosevelt signed Thursday, it brought to $390,000,000,000 the total for defense and war provided since June, 1940.

Few members were on the floor when the chambers cleared their last hurdles and formally adjourned.

The last bill passed was a compromise version of the $245,728,000 second Deficiency Bill carrying supplemental funds for numerous agencies, including the Office of Price Administration.

The House adjourned at 4:47 P.M. and the Senate at 5:01 P.M.

State St. Inv. Corp. To Merge Trask Fund

States Street Investment Corp., a Boston-type investment fund with net assets of approximately $50,000,000, announces that it has entered into a agreement for the acquisition of the assets of Spencer Trask Fund, Inc., subject to a vote of stockholders of that Fund. Net assets of the Spencer Trask Fund amount to approximately $1,700,000. It is planned to effect the merger through an exchange of shares.

Vance, Sanders & Co., underwriters for a block of shares of State Street Investment Corp., state in a letter to members of the selling group:

"The consummation of the merger through the issuance of State Street Investment Corp. shares at liquidating value will, in all probability, require the termination of our underwriting agreement as of a date which is prior to the time that it would otherwise expire. In order to give adequate notification to the members of our selling group in this event, we have mutually agreed to the termination of our underwriting contract with the State Street Investment Corporation not earlier than July 31, 1944, or later than Sept. 1, 1944, provided that the requisite approval of the Spencer Trask Fund, Inc., stockholders is obtained, and that the merger will require the use of all of the shares available for sale at that time.

"As of June 15, 1944, the sale of shares under our underwriting contract and those previously sold under the contract of Massachusetts Distributors, Inc., totaled 211,215 shares. This left a balance of 16,559 shares of treasury and unissued stock available under our agreement, plus of course, any additional shares which might be redeemed by the corporation before the termination date.

"If these shares have not previously been sold, we will accept orders placed with us until 4 p.m. (Boston time), on the termination date."

Mutual Funds

A Planned Investment Program

Fast-growing, highly specialized **Keystone Custodian Funds** (with total assets of over $80,000,000 held by more than 40,000 investors) can be presented to prospects as a "Planned Investment Program" with the new material currently being distributed to dealers by the sponsor, **Keystone Corp. of Boston.** The new literature takes the form of a folder in which two schedules—one listing the investments and the other showing distributions—are set up to be filled in according to the needs of the individual investor.

"Monthly Checks From Your Investment Account" is the goal expressed in caption. The folder comments as follows:

"Most investors receive their business income on a monthly basis. They pay their bills on a monthly basis.

"When these investors plan for the future, they aim to provide a regular monthly income for themselves—and for those who are dependent upon them.

"And now—taxes have been put on a monthly basis.

"More than ever before people must do their financial thinking and planning in terms of monthly income and outgo. The investment program will therefore best serve its purpose if it is arranged so that it will produce a series of regular monthly checks to supplement other income and fit into the monthly income and outgo program. This is particularly true when investment income is needed for current living expenses."

A planned investment program in Keystone funds can be made to provide a check each month throughout the year. Not only does such a program provide monthly income to the investor but, through the Keystone funds, he enjoys the many other advantages and safeguards embodied in the mutual fund form.

* * *

Brevits indulges in "A Pleasant Speculation" based on the current trend toward revision of Federal income taxes as applied to corporations. While the sponsors of **MIT** have no illusions but what corporate taxes will remain at a relatively high level for a number of years to come, they find it rather pleasant to speculate on the position of common stocks from an investment standpoint **if and when corporate taxes are reduced and if and when corporate earnings are taxed but once.**

A table showing 1943 income taxes per share and net earnings after taxes for a number of leading corporations illustrates the point. DuPont, for example paid $10.98 per share in taxes and had $5.59 per share of net income left. International Business Machines paid $26.70 per share in taxes and had $8.35 per share left. The list contains many other examples.

* * *

National Securities & Research Corp. devotes the current issue of **Investment Timing** to a discussion of Aerodynamics. The helicopter and jet propulsion are commented on briefly.

In conclusion, the article states: "Current prices of stocks of leading companies in the industry are reasonable and are in line with the prospective contraction in wartime volume; their earnings are not expected to begin to benefit from new scientific developments until a few years after the war's end, when the business is established on a firm peacetime basis."

* * *

Lord, Abbett, in the current issue of **Abstracts** discusses the advantages of leverage in a rising stock market. Two tables are shown, one covering the period from April 24, 1942, through July 15, 1943, and the other covering a longer period from April 24, 1942, through June 15, 1944.

The relative performance of Barron's stock groups during these two periods is shown together with the performance of Aces and a group of leverage investment companies.

In the earlier period all groups showed advances ranging from a low of 15.6% for aircraft manufacturing stocks to a high of 203.41% for air transport stocks. In this period Aces showed a gain of 109.72% and the leverage investment company group showed a gain of 181.96%.

In the longer period the range of performance was even wider,

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Four Essentials Of A Sound Monetary And Banking System

(Continued from page 2690)

No "Typical" Monetary System

At the outset it may be pointed out that there is no such thing as a "typical" monetary system. In many countries where various types of currencies have been in use for centuries or even millenia, it has been difficult to designate the position of such currencies under any of the heads known to experts in this field. In China, for instance, at no time has there been anything approaching or corresponding to a real monetary system, and to a certain extent this generalization still holds good for that country, despite the work of the Kemmerer Commission of Financial Experts in 1929-30 which attempted to bring some order out of the chaos which has characterized that country's currency for centuries.[1]

The monetary system of a given country frequently takes on the pattern of a patch-work quilt, and grows up, much as money itself develops, in a haphazard fashion through the process of trial and error. The banking system of a given country is so closely interwoven with and forms such a definite part of its monetary system that the two, of necessity, must be considered together. But unfortunately in the monetary and banking system of a country many of the "errors" persist, and are not selected out or eliminated after the emergency which called certain types of money and bank notes into existence has disappeared. This is particularly true of the monetary system of the United States, as is evidenced by such currencies as "greenbacks," Treasury Notes of 1890, Federal Reserve Bank Notes, silver dollars, silver certificates, etc., all of which were called into being under circumstances which seemed to warrant their issue, but all of which have become redundant today.

In modern currency systems metallic money occupies only a subordinate place, and, while a certain amount of metallic money, particularly in the form of fractional or subsidiary coins, is necessary to an adequate monetary system, such metallic money accounts for a relatively small portion of the actual media of exchange and of payment used in a given country or in a given economic area. But at least one of the fundamentals of a sound monetary system has to do with such metallic money as is used in the country in question.

What Are the Four "Essentials"?

There are at least four fundamentals or essentials of a sound monetary and banking system. Other items might be suggested which would be desirable in carrying out the perfect or quasi-perfect functioning of such a system, but these would be, for the most part, only important corrollaries to the essentials, or even non-essentials in some instances. The fundamentals, without which, in my opinion, no monetary system can be satisfactory are as follows:

1. An adequate **monetary standard.**
2. An **elastic bank-note issue,** issued by a central bank free from government control and the influence of politics.
3. A **satisfactory subsidiary coinage.**
4. A **deposit** or **check currency,** based upon bank deposits in a **free** banking system.

Some of these essentials we have previously had in our American monetary and banking system; one of them we have now; and some we have never had. But if all four can be established or restored within the comparatively near future, say in two years, or even four or five years, many of the patriarchs in the field of monetary science, such as Dr. David Kinley—now 83—Professor of Economics and President, **emeritus,** University of Illinois, and others not quite so old but **emeritus** professors in their respective institutions, such as Professors O. M. W. Sprague, of Harvard and Edwin W. Kemmerer, of Princeton, can spend their remaining years in the realization that their labors in behalf of sound monetary and banking systems have not been in vain. All of these men, and several others who might be mentioned, are without question recognized as experts in the academic and in the financial world, yet some of them, who are still going strong, are conspicuous by their absence in the galaxy of near-experts or so-called "experts" who are being assembled to work out the kind of monetary and exchange stabilization which happens to strike the fancy of those who are responsible for our present monetary policy.

An Adequate Standard

In other periods of attempt at monetary stabilization such as at the London Economic Conference in 1933, and in the "Tri-partite Agreement" between Great Britain, United States and France, announced by Secretary Morgenthau on Oct. 12, 1936—Columbus Day, a bank and stock exchange holiday in many American cities—questions as to what might be the ultimate monetary standard of the countries involved have come to the fore. But in recent years such questions have been confused with the introduction of new terms and concepts. Early in October, 1936, I told my classes in money and banking that they should be prepared for a dramatic move at any time in the monetary area, one that might be almost, if not as important as the original change in the gold content of the dollar. Furthermore, I added that, due to the penchant of the present administration for making "surprise moves," it might come suddenly and at any time.

A few days after the terms of the Tri-Partite Agreements were released, the Chicago "Journal of Commerce" stated: "'Stabilization' of world currencies—what does this comparatively new term mean to the average mind? And 'devaluation' which is not in the dictionary? And 'stabilization fund', which had never been heard of until 1932, a short time after that momentous autumn when Great Britain retired from the gold standard?" These terms have become more familiar in the intervening years but we will be hearing much more of them during the coming weeks and months. Mr. Morgenthau told us in 1936, that beginning with Oct. 13, the United States, Great Britain and France would be on "a new gold standard." "It is a new gold standard," he said, "a way of doing business which has never been tried before." But he added, it will operate on a day-to-day basis. It may be canceled by any of the participants on 24 hours' notice. And this was to be considered "monetary stabilization!"

Different and more realistic attitudes were taken to this agreement by the different countries involved. With us it was to be looked upon as a **de novo** standard, "a new gold standard—never tried before." But to France it was a different matter. The then Deputy Reynaud, in the debate upon the original agreement in the French Chamber of Deputies, dismissed this stabilization agreement as of minor importance, "not worth the breath with which it was spoken . . . but, on the whole, harmless." He added "We must play devaluation — which is France's last card—and we must play it well! Is France to be the only country in the world in which devaluation fails to promote a return to prosperity?" This attitude might be looked for in the forthcoming conference of the experts of some 40 nations.

In Great Britain, however, the then Chancellor of the Exchequer—Mr. Neville Chamberlain—referred to the agreement as a step looking toward "the eventual restoration of the only monetary standard that inspires real confidence," a true gold standard. That language sounds very much like the recent pronouncement by the United States Chamber of Commerce on May 1, last, when its statement included, among other things, ". . . The gold standard is the only international monetary standard which has commanded any general acceptance and . . . any restoration and maintenance of a satisfactory standard are dependent upon the development of confidence, the balancing of public budgets and the ultimate removal of restraints upon foreign exchange."

A few days before, Dr. Edwin W. Kemmerer, referred to by the New York "Times" on May 12, as "one of the world's leading monetary authorities . . . who has probably been called in by more governments than any other living man to help set their currencies on a stable basis," was testifying before a Congressional Committee in Washington.[2] Quoting from the Macmillan Committee Report of England, he said, "'There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as a result of a process of evolution starting from the historic gold standard'." Professor Kemmerer then gave as one of his own comments the following statement: "The first requirements of any post-war monetary standard that can be wisely adopted internationally and maintained for any considerable time is that it shall have the confidence of the people. Like Ceasar's wife, the standard should be above suspicion. To this end it should be simple and be a development out of a long, common experience. The people distrust what they do not understand . . . No other kind of currency system in a distracted post-war world will so quickly restore the confidence of the public as a true gold standard." Why aren't Eric Johnson, of the United States Chamber of Commerce, and Dr. Kemmerer, whose positions on sound monetary developments are known, on the current body of experts assembling at Bretton Woods, New Hampshire? Probably it is because their position **is known** that they are not included.

My "adequate standard" is, therefore, a real gold standard, embracing three factors, all of which are considered essential to the proper maintenance of such a standard. These are:

1. The standard unit of valuation must be a unit of fixed weight of gold of specified fineness.

2. There must be a free movement of gold into and out of the currency system— i.e., free and unlimited coinage of gold (although coins might be confined to those of large denominations) and convertibility of other types of money into the standard (into bullion or coins), and the free use of gold currency or bullion obtained from melting gold coins or bullion bars in the industrial arts.

3. There must be free movement of gold into and out of the country—i. e., no embargoes or exchange restrictions which prohibit the free export or import of gold.

Of these three factors, our "new gold standard" has only one, No. 1 above. Our standard units of value is a unit of 13.714 grains of fine gold, or 15 5/21 grains of gold, nine-tenths fine. For approximately 100 years—1834-37 to 1934—our monetary unit, expressed in terms of gold, was 23.22 grains of fine gold, or 25.8 grains of standard gold. The second and third of the above factors were in effect from 1878 to 1933 until President Roosevelt, by Executive Order on April 20, proclaimed an embargo of indefinite duration on gold exports. That order, which was one of a series of acts or orders which took us off the gold standard, is still in effect. If these latter conditions were restored, we would be in position to establish definite rates between the dollar and the pound sterling, which is probably one of the prerequisites to more general currency and exchange stabilization.

It is not absolutely essential that the standard unit under a gold standard be coined. A gold bullion standard might be used, where other types of money would be convertible into gold bars, but a gold coin standard has the advantage that it serves as a sort of check upon the free spending of a profligate government. When gold coin can be hoarded by the individual, if he loses faith in the government's program or policy, it allows him to set on foot deflationary measures to check the government's spending.

An Elastic Bank Note Issue

Our second essential is that of an elastic bank-note issue, issued by a central bank which is free from government control and the influence of politics. If the volume of currency in a country is to expand and contract with the needs of industry and trade then some form of elastic note issue is important. As Alexander Hamilton wisely pointed out in the early days of our monetary history, while advocating the establishment of the First Bank of the United States, when a government undertakes to supply paper currency the tendency is to over-issue and to keep the issue in circulation indefinitely, without any reference to the changing needs of the country for a currency supply. With banks issuing their bank notes, on the other hand, he pointed out that they, being nearer to the pulse of commerce and industry, and having the responsibility of redeeming their notes when presented, would make their note issues more truly elastic.

But if a central bank is to have the power to issue notes for a country, it should follow certain general precepts for sound central banking. Two of these were stated some time ago by Sir Ernest Harvey, then Comptroller and later Deputy-Governor of the Bank of England, as follows:

"1. A central bank should have the exclusive right of note issue (for the country in which it operates). (**Parentheses** added by the writer.)

2. A central bank in its management and policy should be free from government control and the influence of politics."

I have shown in a recent article in the "Commercial and Financial Chronicle,"[3] how and why our Federal Reserve Banks have never followed these fundamental principles, and how freedom from such political domination and control as does exist might be secured. But if any central banking authority is to be entrusted with the task of creating and maintaining a truely elastic bank-note issue, then government issues of paper currency should be removed. Our Federal Reserve Notes were designed to be elastic, based as they were upon gold and commercial paper, but since, under the Glass-Steagall Act of 1932, periodically renewed, government bonds have been allowed as a substitute for commercial paper, such a bond-backed and gold certificate-backed note issue has become perversely elastic, as was the case with our national bank notes. Real elasticity could be restored, however, if the Reserve Banks were permitted to follow such fundamentals of central banking as those mentioned above. But government competition in this field should be brought to a halt by a thorough-going monetary reform which would eliminate all of our government paper issues. This is a matter, however, which should be handled by Congressional authorities and not by an international monetary conference.

Our Subsidiary Coinage Is Satisfactory

We do have in this country a satisfactory subsidiary coinage, if kept on a truly subsidiary basis and not over-issued. As long as it is coined solely on government account, and issued only through the Federal Reserve Banks when the other banks of the country need and request it, our present system should work well. For the past few years, with a Director of the Mint from one of the silver-producing States, there probably has been some over-coinage of fractional silver, but this has been due probably to the desire to use up more of the domestically-produced silver, bought by the government from American producers at the subsidy price of 71.11¢ per fine ounce. The President apparently still has the power, under the Gold Reserve Act of Jan. 30, 1934, to devalue the silver in the subsidiary coins to the same extent that the gold dollar was devalued, but such a step, for the purpose of making a paper "profit," might seriously interfere with the present fairly satisfactory condition of our subsidiary coinage. This power should be done away with at an early date before some executive might be tempted to use it.

What of Our Bank Deposit Currency?

One of the principal functions of our commercial banking system is that of furnishing a bank deposit or check currency, which is our principal medium of exchange and payment. On Dec. 31, 1943, total deposits in the 13,274 insured banks in the FDIC amounted to $104,115,777,000—an all-time record. The sum of $10,700,000,000 of these were inter-bank deposits and should not be counted. Another $19,200,000,000 represented time and savings accounts, not usually subject to checks. But this leaves some $74,000,000,000 of demand deposits subject to check in the hands of individual and corporate depositors, as the principal circulating currency in our monetary and banking system.

Coming into being as it did, out of a system or lack of system of "wild-cat banks," almost wholly unregulated or controlled, our banking system had to have some measures of control extended to it. But we have already gone much too far in this respect. We regulate by law matters of bank practice which in other countries are handled by the bankers themselves in their practice and experience of working out a sound banking tradition, such as, for instance, the amount which can be lent to one borrower; the percentage of reserves the banks must keep with the central bank; the time loans may run or the maturity dates of rediscountable items, etc., etc. In the old days the French used to be amused at us in this respect. They said we had more banking restrictions and regulations by law than any other country in the world yet we had also a higher percentage of bank failures, suspensions, and other

[1] Cf., Lee, Frederic E., *Currency, Banking and Finance in China,* 1926, pp. 1-8.

[2] See "Commercial and Financial Chronicle" for Thursday, May 14, 1944.

[3] "Our Post-War Banking Systems?" in issue of June 15, 1944.

banking difficulties than any other country.

A "free" banking system, referred to above, would not necessarily mean a system freed from all regulation and control, but a system of **free enterprise** in banking, where the bankers themselves, in the light of sound banking tradition, might be free to work out their own policies and build up, out of practice, a banking tradition and practical methodology which would contribute an element of strength to our financial set-up. A first step in making this possible would be to get or take the government itself out of banking, particularly in the field of production and intermediate credit, allowing the rural bank to be the chief source of meeting the credit needs of agriculture and the rural community. A continuation of present trends might drive us into 100% reserve banking, with the government doing all the lending and taking its losses out of taxpayers' money, allowing the banks to perform only the function of furnishing a deposit currency. This would hardly be a free banking system or a free economy.

Monetary change or perhaps even monetary reform will come in the early post-war period. It is to be hoped that such reforms or changes as are brought about will not ignore such fundamentals or essentials of a sound monetary and banking system as have been enumerated here. The methods and the final results may not be the ones I have indicated, but in my opinion, the restoration or the primary establishment of these fundamentals are steps that should be taken with the least possible delay.

Canada Crop Prospects Generally Favorable

The Bank of Montreal, head office, made public on June 22, a brief synopsis of telegraphic crop reports received from the managers of its branches, who have knowledge of each local situation and are in touch with crop conditions in all of the sections covered. We give below the general summary:

"As the result of recent good rains over most of the prairies, crop prospects generally are favorable. The moisture supply is now adequate for the present, except in extreme west-central Saskatchewan and east-central and south-eastern Alberta where further precipitation is needed. Elsewhere crops are, on the whole, well-stooled and healthy. Early-sown wheat is entering the shot-blade stage. Weed infestation is heavy in some districts and insects have been active, but little damage is reported. Pastures are in good condition in Manitoba and Saskatchewan and have improved in Alberta. In Quebec, seeding and planting have been practically completed under favorable conditions, but germination and growth have been slow, owing to lack of moisture. Pastures and hay lands have also suffered and it would seem that the hay crop will be light. Following some damage by late frosts, it would appear that the yield of apples and strawberries will be lower than average. Root crops show progress, but growth has been slow. Recent rains should prove beneficial to all crops, but additional moisture is required in many districts. In Ontario, crops continue to make rapid progress under satisfactory weather conditions and the outlook generally is promising. Fall wheat and spring grains are developing well and good yields are indicated, although in a few districts heavy rains have caused considerable lodging. Haying has commenced and a heavy crop of good quality seems assured in most areas. Corn and roots are progressing favorably. In the Maritime Provinces, seeding and planting have been practically completed and progress is satisfactory in most districts. Hay and pasture lands are in good condition, except in sections of New Brunswick and Nova Scotia where lack of moisture has affected growth. Further rain and warm weather are required. In Prince Edward Island, conditions are generally promising. In British Columbia, prospects for tree-fruit and small-fruit crops generally continue good. Field crops, while late, have been much improved by recent warm rains. The irrigation water supply is considered sufficient."

Mutual Funds

(Continued from page 2701)

with aircraft manufacturing stocks showing a net decline of 10.35% as against a gain of 252.33% for the rubber stocks. In this period Aces advanced 132.43% and the leverage investment company group rose 206.64%.

The point is emphasized that although the performance of the individual stock groups varied widely in the two periods, Aces performed well in both, being among the top five performers in each case.

* * *

"When steel stocks have lagged behind the market," writes **Distributors Group** in the current issue of **Steel News, "their next move upward has been sharp and substantial."**

The memorandum is accompanied by an unusual chart showing the relationship between steel stock prices and the market averages. In every major advance during the past 10 years steel stocks lagged until near the end of the upward move. But once the steel stocks got going they advanced in every case more than twice as fast as the market averages. The memorandum concludes:

"This is the first opportunity in the past five years to buy the steel stocks after they have lagged for a long period behind the market."

* * *

Broad Street Investing Corp., as pointed out in the current issue of **Items**, has now recovered in price to the point where the current bid price (plus profit distributions) is higher than the Jan. 1, 1930, offering price. While the stockholder who purchased Broad Street as of Jan. 1, 1930, is now slightly in the black, the Dow-Jones Industrial Average in the same period is off 101 points.

* * *

Total net assets of **Massachusetts Investors Second Fund** on May 31, 1944, were $10,202,439, compared with $9,623,705 three months earlier. The number of shares outstanding during this period rose to 962,746.

* * *

On May 31, 1944, the net assets of **Maryland Fund** were $6,302,904, of which 15% were invested in bonds, 76% in common and preferred stocks and the remaining 9% in cash.

Mutual Fund Literature

Lord, Abbett—Revised portfolio folders on Union Common Stock Fund A and Union Common Stock Fund B. . . . **Selected Investments Co.**—The current issue of "These Things Seemed Important." . . . **Keystone Corp.**—An issue of **Keynotes** discussing the monthly dividend checks available under that sponsor's new planned investment program. Also a memorandum containing instructions to dealers with regard to the program.

Dividends

Massachusetts Investors Trust—A dividend of 24 cents per share payable July 20, 1944, to shareholders of record June 30.

* * *

N. B.—As this goes to press, my friend with the Stock Market Price Trend Indicator, reports that for the first time in many months he has gotten a down-signal on the intermediate trend index. The signal was given on June 27, and while it does not preclude another week or 10 days of further advance, by past indications it puts the market on the defensive beyond that point.

Cincinnati S. E. Plan For "Special Offerings" Declared Effective

The Securities and Exchange Commission announced on June 25 that it had declared effective a plan of the Cincinnati Stock Exchange for "special offerings." The effect of the action taken by the Commission, said the announcement, will be to exempt distributions conducted in accordance with the plan from rules of the Commission prohibiting the payment of compensation for inducing purchases on the Exchange under certain conditions. The advices from the Commission also said:

"The Cincinnati Stock Exchange is the seventh National Securities Exchange to file and to have declared effective by the Commission a plan for special offerings. The plan of the Cincinnati Stock Exchange is generally similar to the plans heretofore declared effective for the New York Stock Exchange, New York Curb Exchange, San Francisco Stock Exchange, Philadelphia Stock Exchange, Detroit Stock Exchange and the Chicago Stock Exchange.

"The Cincinnati plan, like that of the Chicago Stock Exchange, contains certain provisions relating to offerings of stocks traded on that exchange which are neither listed nor have a primary market on a New York exchange. In offerings of local stocks, the Cincinnati plan permits a higher scale of special commissions to be paid by the offeror and permits offerings of smaller blocks of stock. Also, in the event buying orders exceed the amount available in offerings of local stocks by the offeror on a principal basis, a maximum of 25 of the offered stock may, under certain conditions, be first allocated to the offeror to fill subscriptions for the account of his customers."

Nat'l Library Ass'n Elects New Officers

Walter Hausdorfer, Librarian, School of Business, Columbia University, was elected President of the Special Libraries Association, succeeding Eleanor S. Cavanaugh, Standard & Poor's Corporation, New York, at its Annual Business Meeting here on June 21.

Herman H. Henkle, Director, Processing Department, Library of Congress, Washington, was elected First Vice-President succeeding Walter Hausdorfer; Jean Norcross, Librarian, Dun & Bradstreet's, New York, was elected Second Vice-President succeeding Phillips Temple, Georgetown University, Washington; Mary P. McLean, Librarian, American Bankers Association, New York, was elected Treasurer succeeding Jean Norcross, and Dr. Mary Duncan Carter, Director, Graduate School of Library Science, University of Southern California, Los Angeles, was elected Director.

Mrs. Kathleen B. Stebbins was reappointed Secretary of the Association.

Election of Mr. Hausdorfer as President of the Association was previously reported in The "Financial Chronicle" of June 22.

N. J. Municipal Handbook

Ira Haupt, 111 Broadway, New York City, members of the New York Stock Exchange, have prepared a statistical handbook for New Jersey municipal bonds. Copies of this interesting handbook may be obtained from Ira Haupt & Co.

Canadian Securities

By BRUCE WILLIAMS

The much delayed 1944-45 budget has at last been brought down and, generally speaking, contained no great surprises. The overall picture is encouraging.

From the domestic angle, the suspension of the compulsory savings feature of individual income tax will give welcome relief in the lower wage brackets. From the external angle, the lifting of the ban on a long list of American imports following the easing of the restrictions on Canadian travel in this country gives ample proof of the Dominion's strong foreign exchange position and demonstrates that Canada, even without the assistance of the Hyde Park Agreement, can stand firmly on her own feet. It is also a clear indication that Canada is going to make proper use of her position as a leading creditor nation, and realies that in order to sell abroad she must also deliberately increase her volume of imports.

Looking towards the future, the encouraging conclusion can be drawn that the close economic relations which have been so successfully maintained during the war will be extended into the post-war era.

In some quarters, the unusual delay in presentation was interpreted as possibly indicating that some announcement of profound importance touching on the intriguing problem of the Canadian dollar might be made, especially in view of the impending International Monetary Conference at Bretton Woods. This was never more than a very remote possibility, and the reason for the delay was the preoccupation of the Department of Finance with the revision of the Bank Act.

However, it might be well to consider at this point the growing feeling in financial circles that the restoration of the Canadian dollar to parity is now just around the corner.

Although it appears inevitable that as soon as conditions become more normal, Canada's strong creditor position will be reflected in the foreign exchange market, it is unlikely that the forthcoming discussions at Bretton Woods will precipitate any immediate revision of currency values. Little more can be expected from this meeting than a very broad outline of intentions and a general airing of the many national views.

The composition of the delegations would also indicate the preliminary nature of the discussions, and it is hoped that whenever binding decisions are made at any future conference, our representation will include bankers of practical international experience who, in any case, will be directly responsible for the proper working of any resulting currency scheme.

To revert to the immediate prospects with regard to the Canadian dollar, it is a possibility that any decision to restore the Canadian dollar to parity will be postponed to the post-war period. The Dominion would be wise in any case to make sure that its economy after the war would be able to sustain its currency at parity, and also to be better informed as to the equally vital question of the tariff intentions of its customers.

With regard to the market for the past week, there was a further slight weakening of prices, but the slightly lower levels induced some investment demand, thus creating a healthier undertone.

Both in Canada and in this country, after a short period of doubt, there was a disposition not to attach too much importance to the results of the recent Saskatchewan elections, and even to believe that the situation has been clarified in such a way that con-

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Should The United States Go Into Partnership With Foreign Powers?

(Continued from page 2690)

As for the Balkan States in general, it is not too much to say that they have been to the rest of Europe what Ireland has been to England for centuries, a hotbed of trouble. Their utter failure to agree among themselves in the hour of victory, in 1912-13, when successful against their common enemy, Turkey, robbed them of any semblance of good sense or self-control, and cost them the respect of the world. We pass on to others.

Russia and Poland: What may truthfully be said of two other nations which, today, loom large in the eyes of so many, namely Russia and Poland? The first thought that occurs to us is that at this very time they are themselves on very bad terms with each other. At the close of the last World War they presently became engaged in terrific encounter, not far from the very gates of Warsaw. Throughout the whole of the 19th Century, the people of Poland looked upon Russia with anything but kindly eyes. To them she was scarcely a whit better than the other two robbers, Prussia and Austria. Going still further back in Polish history, into the 18th Century, Poland was an outstanding example of internal confusion, unrest and disorder. Her constitution of that day was probably the worst in Europe. But what about Russia? Today it is unfashionable to even suggest anything to her discredit. Did we think this way four or five years ago? In her war with little Finland of that time, where did we place our sympathy? When in 1940, she struck hands with Hitler and agreed to leave Germany alone, in return for like treatment by Germany to herself, who could be found in either England or the United States that wished to suggest a partnership or alliance of any kind with Russia? To be sure, she has fought splendidly against the Germans since those days; but this only shows her patriotism and courage. Russia has been fighting for Russia. High and honorable as that is, must we be blind to the fact that her government is a dictatorship, and her aspirations are those of communism; that she dislikes, and perhaps despises, us Americans as bourgeois? Her government has been a fierce persecutor of the Russian Church; only recently has she declared for religious freedom. She is as far removed as Hitler is from such fundamentals as freedom of the press, freedom of speech, free enterprise, and freedom of thought. The heritage of thought and custom from the days of the Czar is alive today, and is as different from everything we Americans hold dear, as can well be imagined. Let the pressure of the war be removed, and we are likely to be on almost as bad terms with Russia as our worst enemies could desire. Forty years ago, Russia and Japan were deadly enemies. But how does Russia stand in this matter today? Just now Russia stands in great need of American munitions of war, American money, American trade. The Germans are hardly driven off her soil. But when the picture is changed, will not the observation of the late Colonel House, writing to his friend President Wilson in August, 1917, be entirely applicable? Col. House then said:

"As long as we have money to lend, those wishing to borrow will be agreeable, but when the bottom of the barrel is reached, it may be a different story."—(Intimate Papers of Col. House, Vol. 2, p. 112.)

France: As this letter is being written, France is so low down in her fortunes that it is hard to speak of her at all as an important power in some commonwealth of European countries. No doubt this will not always be the case, by any means. The French have been a great people, and have shown extraordinary powers of recuperance and revival in the past. But no one any longer thinks of France as "the arbiter of Europe." The Third French Republic has not been a kind of government which one can speak of with anything but the deepest regret, if not with much positive shame. "Unstable as water, thou shalt not excel" applies as much to France as it did to the oldest son of the patriarch Jacob.

The remaining nations: Thus, so far as our thoughts turn toward anything like a desirable political compact with the nations of Europe, we are left to consider the following: Brave England, brave little Holland, Belgium and Switzerland, with the northern group, Norway, Sweden and Denmark. We do not forget either Ireland or Czechoslovakia. But Ireland is on such very poor terms wtih her other partners in the limited Commonwealth of British nations, that she does not offer much chance for cooperation with foreign countries of any sort. She is seldom at peace with herself. Czechoslovakia is so very recent a creation, and her relations with Poland have been so strained, or at least so cool, that it is not safe to pin very much hope on her as a good partner or comrade in world politics.

We pass on to Holland and Belgium. It might be thought that these two little countries, having so much in common both in the history of the past, and in ordinary every-day interests, might be glad to be united with each other. But when at the close of the Napoleonic Wars, the Congress of Vienna made a statesmanlike attempt to bring the two little countries under one government, it produced the most violent disapproval, culminating in 1830 to 1831 in something so close to war that only the intervention of the great powers of Europe saved actual conflict. So it became necessary to create two small and rather weak States out of what might have been one fair-sized country. Does an episode like this inspire one with hope that either country could cooperate in a combination with people like us Americans, who have so little intelligent and sympathetic understanding with the traditions and prejudices of foreigners?

England: Passing on now to England, we find ourselves on very different ground. Here is a great people, of our own language, and from whom we have inherited so much of our political principles and business habits. Since we parted from England more than 150 years ago, have we found that it was easy to live on good terms with her? In 1812 we went to war with her. Some thirty years later, in 1844 and 1845, she was most anxious to prevent our securing Texas as part of our Union. In the days of our Civil War, Lord Palmerston's Cabinet was almost ready to recognize the Southern Confederacy, being prevented only by the opposition of a portion of the Ministry. As late as President Cleveland's Second Administration, our relations with England were anything but cordial over the question of Venezuela. During the World War, she was glad to receive, first, our money, and then our military and naval aid. But as soon as that war ended, we had the utmost difficulty in bringing about anything like a financial settlement with her for the money we had loaned. Both of our political parties were of a mind in believing that we should not forgive or excuse payment of the immense sums due us from Great Britain, and that repayment should not be made to depend on whether other countries repaid to England what she had loaned them. But after 1931, England coolly discarded anything like an effort to pay her debts to the United States. She almost ceased to mention the subject. Evidently, the money which we advanced in the First World War has gone forever, to say nothing of our gifts or loans of very recent date.

More than this, there are disturbing signs of future trouble with Great Britain. Our huge increase in shipping, both as respects war ships and merchant vessels, is awakening unfriendly observation in England. Britannia has so long ruled the waves that the possible rise of another and greater naval power gives to thoughtful and patriotic Englishmen the deepest concern. Still further, English bankers and merchants must realize that, with such a national debt as even England never had before, she has lost her proud position of being the creditor nation of the whole world. Instead of annual dividends running up to, perhaps, 200 million pounds, coming into England for the benefit of Englishmen, as in days gone by, nothing of the sort is to be looked for in the years just ahead. England must expect to occupy a different position in the future, from what she has held in the past. If we are to go into partnership with her, what has she to offer in the way of positive advantage to us? The two partners would be sure to quarrel over details of administration. The firm would have to be dissolved ere long. Englishmen are too proud and masterful, and too shrewd in trade, to make good partners with such a people as ourselves. Separated, we may be on fairly good terms; united, we are like to be in a constant state of disagreement.

What remains: Thus our examination of the European outlook simmers down to this: We have left to us for associates, the two powers of Norway and Sweden, and little Denmark, and landlocked Switzerland. Let us not forget that Norway and Sweden parted company from each other some 40 years ago. They preferred to live apart, or at least Norway was anxious to manage her own affairs by herself. But if they wished to join us, would such a combination be worth while? Would any one of the group, Norway, Sweden, Denmark, Switzerland, think seriously of such an unbalanced arrangement as a partnership with the big Western Republic across the seas? The inequality would be so glaring—glaring as to size, wealth, population and capacity.

If you think we have drawn a very sober picture, is it not worth while, none the less, to scrutinize it closely before we make any commitments? History ought to teach us something. "Today is yesterdays pupil."

WILLIAM A. ROBERTSON.
East Orange, N. J., May 30, 1944.

Brazil Dollar Bonds

New York Hanseatic Corp., 120 Broadway, New York City, have issued an interesting circular on Brazilian Dollar Bonds, discussing the most pertinent data of the two plans offered to holders for the readjustment of the issues. Interesting comparative tables on the two plans are also contained in the circular, copies of which may be had from the firm upon request.

Marshall Forrest Dies

Marshall Forrest, Executive Vice-President and Director of Ames, Emerich & Co., Inc., 105 South La Salle Street, Chicago, Ill., died on June 23rd after a long illness. He had been with the company since 1911.

The Securities Salesman's Corner

There Are More Ways Than One To Skin A Cat

At times past we have voiced the truism that "securities must be sold." It would be a miracle if every person who buys securities, and knows so little about the science of investment, would realize their lack of knowledge—such could not be expected. Usually the most recalcitrant, obstinate investor that the conscientious securities salesman runs up against is this very type who believe because they are successful school teachers, doctors, preachers or business men that they KNOW HOW TO TAKE CARE OF THEIR MONEY. It is safe to say that THEY DON'T.

Yet these people need conscientious guidance even more than any other type of investor. They have a psychological complex rather than a basic lack of knowledge. Most of them know they don't know, so they become suspicious of advice given to them by others. They use their outer bravado and unbending stiffness as a protection—they are intelligent enough to understand that gullibility in regard to their investments might be very costly.

Since it is the job of an efficient securities salesman to render a service to every investor that comes within his province it goes without saying that this type of investor must be SOLD. They will not buy securities unless they have become convinced of one thing, and that is THAT THEY CAN RELY FULLY UPON THE PERSON WITH WHOM THEY ARE GOING TO DO BUSINESS. So it all sums up again in the one word CONFIDENCE.

Since most of these cases run true to a mold, the following case history of how one salesman handled this type of customer may serve as a guide to the proper sales technique whenever future situations arise of a similar nature.

Originally, the salesman made the acquaintance of this customer through the recommendation of a friend. He received a telephone call one day asking him if he could sell a few hundred shares of a low-priced over-the-counter security for this customer. He consummated the sale, sent a confirmation and made a small mark-up. The customer questioned the price she received almost immediately as being too low. The salesman pointed out that it was a fair price, but DID NOT GO ON THE DEFENSIVE, OFFER TO CANCEL THE TRADE, OR REDUCE HIS PRICE. It was finally accepted and the transaction was completed over the telephone and through the mails.

Several times during the next year he would call this client on the telephone. In fact, he never made a personal call, but DID invite her to the office. However, the invitation was never accepted. During every conversation the salesman would be placed upon the defensive but HE NEVER DEFENDED. For instance, if he would suggest that it was a good time in his opinion to purchase certain securities she would disagree—he did not press the point. He made a habit of agreeing—he disarmed—he showed he wasn't anxious to make a sale—the customer was always right—SHE FINALLY GOT TO THE POINT WHERE SHE THOUGHT SHE HAD SOMETHING TO FIGHT ABOUT WHEN THIS SALESMAN CALLED HER ON THE TELEPHONE. After a while his calls became more of a pleasure to this investor—she stopped arguing.

After almost a year of this sort of effort the salesman finally received a call one day, and out of a blue sky this investor told him she wanted to invest about $5,000 in a real estate mortgage. This was the first time real estate mortgages had ever been discussed. Sensing the fact that someone probably had sold an idea to the fair lady he ONCE AGAIN AGREED. Surely he could try and find a good first mortgage BUT SHE MUST BE PATIENT, THEY WERE HARD TO FIND, IT WOULD TAKE SEVERAL WEEKS. She didn't mind and said go ahead. The salesman did try, but it was difficult to find one that would meet her investment requirements. After several weeks he called up and asked for more time—he said he found one mortgage but that he had to act so fast that it was gone before he had a chance to send her the information. There were several others, but after he looked into them he saw THEY WERE NOT FOR HER. By this time our "know-it-all" investor was beginning to wear her own patience pretty thin and finally she said: "You know, I think maybe I could do just about as well with those bonds you told me about several weeks ago. WHAT DO YOU THINK?"

From there on, the sale was made, the customer became an investor, and the salesman now has an account. She WAS SOLD, BUT TO THIS DAY SHE WON'T ADMIT IT. WHO SAYS A SECURITY SALESMAN DOESN'T EARN, AND ISN'T ENTITLED TO HIS BREAD AND KEEP, AND HIS WEEKLY STIPEND, WHATEVER IT MAY BE?

Calvin Bullock Dead

Calvin Bullock, founder and head of the investment banking firm of Calvin Bullock, with offices at 1 Wall Street, New York City, and in principal cities in the United States, Canada and Great Britain, died of a heart ailment on June 22, at the age of 76.

Mr. Bullock, who was also President of several investment trusts, began his career in the investment business in 1894 in Denver, Colo. From there he established firms in other American cities, Canada and England.

Now A Partnership

BOSTON, MASS. — Whiting, Weeks & Stubbs, 36 Federal Street, is now doing business as a partnership. Partners of the firm are Max O. Whiting, Robert S. Weeks, John O. Stubbs, Warren D. Arnold, E. Ellery Bright, Jr., Henry B. Rising, officers of the predecessor corporation, Howard M. Biscoe, Jr., Chester C. Spring, and William Chisholm.

Canadian Securities

(Continued from page 2703)

structive action on the part of the Dominion government can be expected.

Although activity in the issues of the western provinces was considerably restricted, Nationals and Ontarios were in renewed demand. The internal issues were very quiet following the easing of the free Canadian dollar in the "free" market from its peak level of 9⅛% to 9¾%. Any further depreciation in the rate, however, should precipitate further buying of internals which appear attractive investments whenever cheap exchange is available.

Turning to future prospects, there is every possibility that the steadying out process that has already commenced will become more marked as soon as activities in connection with the current loan drive are terminated.

United States Savings And Loan League Offers Post-War Home Ownership Plan

Proposes A Flexible Scheme For Instalment Repayment Of Mortgage Loans At Low Average Interest Rates—Work The Result Of Eleven Months Study By Thirty-Five Savings And Loan Executives

A new home loan plan providing a new low in monthly payments and contracting to give the borrower many new privileges was proposed the latter part of last month by the Post-war Savings and Loan Program Committee of the United States Savings and Loan League. Called the U. S. Loan Plan, it is the result of 11 months study by the 35 savings and loan executives on the committee, and is designed to give post-war homeseekers, both returning service men and those who stayed on the home front, an unprecedented stimulus to home ownership.

The new plan is in the form of a proposal, submitted for the study of the 3,500 savings and loan associations and cooperative banks which constitute the League's nationwide membership, Gardner W. Taylor, New York City, chairman of the committee, explained. He felt that in whatever form the U. S. Loan Plan is finally adopted, today's proposals will have a major influence on all post-war home financing plans. Only minor amendments to laws and supervisory regulations would be necessary to pave the way for its countrywide adoption, he said.

Under the U. S. Loan Plan a 20-year loan can cost the borrower as little as $6.40 for $1,000 of the original debt.

The borrower would have the contract right to defer as many as six monthly payments, after the first three years, whenever he requested it in financial emergencies. For example, a man might be sick or his income temporarily decreased or his employment remove him to another city with the attendant expense thereon. Also most significant among the contract rights of a borrower moving out of the city because his job changes is the provision for the association to assist him in realizing the most possible out of the property he is leaving behind. Either to manage the property for him, or to appoint in his behalf a responsible agent locally to manage disposal of the property is the association's agreement under the U. S. Loan.

Furthermore if a loan is paid ahead of the contractual payments, the borrower has a right at any time to lapse payments without his loan being considered in arrears. This is a companion feature to the right of the borrower to repay any part or all of the principal at any time without penalty and immediately reducing his interest costs by that much.

In the U. S. Loan the cost to the borrower automatically drops in the course of the contract, since the interest rate goes down by at least three reductions, each of ½ of 1%, during the life of the loan, with the average rate over the whole period required to be 5% or lower.

In order to accommodate families living in apartments while their houses are being built, the U. S. Loan Plan provides that payments on the home loan need not begin until after occupancy of the new house in such case.

Some of the features of the proposed new plan have been used before by savings and loan institutions and other lenders, but their incorporation into the full U. S. Loan Plan, along with the new features, gives them a new value to the borrower seeking the best possible contract for his home financing, it was pointed out by Walter W. McAllister, San Antonio, Texas, Vice-Chairman of the Committee.

Among these are: Maximum percentage of loan to value of property (this implies a 90% loan, under certain conditions); loan terms up to 12, 16 and 20 years; budgeting of taxes and insurance on monthly basis; provision for additional advances for repairs, equipment, modernization and other purposes without the necessity or expense of refinancing; minimum title costs and service charges; promptness in loan commitment, closing and disbursement of funds.

Beyond these factors which apply to the benefit of the home-owner borrower, the draftsmen of the U. S. Loan Plan have gone several steps farther in their application of the principles of consumers' rights to the financing of contractors and operative builders, including those which are building rental housing.

Listed among the features of the Plan are: Advances for labor and material to build, with interest to be charged only from the date of each periodic advance of funds in the course of building; assistance to operative builders by making one blanket mortgage on an entire project of homes he has built so that money to pay for labor and material in building the project can be paid out but properties sold can be released to purchasers; and multiple-unit loans to encourage rental housing.

The Committee is convinced that the institution which makes this new proposal available to tomorrow's home borrowers will be giving them more nearly what they want in the way of loan terms than has ever been attempted or worked out on a practical basis before.

Plan Today For Tomorrow's Home

Melvin H. Baker Calls For Realistic Post-War Planning

Construction can become the spearhead to prosperity for all business if those industries and professions directly dependent upon home building approach the post-war period realistically, Melvin H. Baker, President of National Gypsum Company, declared in an address made last week before the New York State League of Savings and Loan Associations at Saranac Inn, N. Y.

Melvin H. Baker

Pointing out that building in the amount of investment led in giving this nation its prosperity in the '20s, Mr. Baker declared that "once more it seems certain to provide the nation's economic impetus again." He spoke at the annual meeting of the New York State League of Savings and Loan Association being held here this week.

Because of the demand for housing, "new, improved and repaired, dammed up by the war and the long-standing need for better shelter by low-bracket income class, the building industry has its post-war market ready made," he said.

"Practically all those connected with building agree that residential building will start up as soon as materials and manpower are available. There are estimates ranging from 400,000 up to 2,000,000 dwellings per year, depending on the willingness of people to invest their savings in new homes. I believe that there will be a gradual increase from about 500,000 units in the first peace year to a higher level that will amount to at least 10,000,000 new homes within the first 10 years following peace.

"Cautious statisticians figure it out this way . . . families now living doubled up because of housing shortages will provide a demand for something like 2,500,000 dwellings. This, however, does not include new homes required for 3,000,000 new families that resulted from wartime marriages.

"That is the post-war challenge. The challenge to all those who produce materials for home construction, manufacturers of furnishings and equipment, architects, contractors and, yes, you bankers.

"Here is a big opportunity for leadership and organized ability in the many industries and professions directly dependent on home construction. Yes, building can easily become the spearhead to prosperity for all business. Its potentials for good are sufficient to command the united efforts of all.

"There is a great desire in the hearts of everyone 'to go home after the war,' a greater desire for better living. One survey showed that 5,000,000 people employed in war plants are saving their money for down payment on a new home. The reason is quite obvious. Here are a few figures from recent Government census:

"Of the 37,000,000 homes, 50% of them are more than 40 years old, 6,500,000 need repairs, 5,000,000 are not fit to live in and 15,000,000 have no bath facilities. Certainly, we cannot have a better America under such living conditions.

"America today is underhoused, and there is much work to be done. From increasing population and depreciation alone there will be a continuing annual need for 870,000 additional homes. And when appraising the accumulated shortage compare this figure with an averge of 415,000 homes built in each of the past 14 years.

"This great need for more and better homes brings into focus the banker . . . he can make possible home ownership through a plan that would make available money on terms, for the millions now poorly housed.

"The family with an income of $175 a month should be able to own a $5,000 home. The kind of home that would be a good investment for the owner and a safe risk for long-term mortgage by the bank.

"But to come within the means of this income, the monthly outlay for interest, payment on principal, taxes, repairs and insurance should not exceed $45. This then directs the kind of planning necessary to induce home ownership and better living for our people.

"I recommend a program that would include low interest rate, deferment of payments over a period of six months, after three years in case of an emergency, and where a change in residence becomes necessary, resale facilities without cost. I would supplement this with the suggestion that you urge the need for extending a 30-year period over which the home mortgage would be amortized.

"In considering the credit risk, you might well study the kind of home that will be possible for $5,000 after the war. It will be built better than those in the late '30s. There will be improved materials with greater protection against depreciation from decay and obsolescence.

"It will be well insulated to conserve fuel in winter and to provide greater comfort in summer. It will be constructed with more fire-resisting materials. It will be attractive in appearance and fashioned to embody the owner's individual ideas. Yes, it will be a much safer risk than the home you financed 10 years ago.

"A larger investment will be needed for the post-war home. The cost of labor and materials will be higher, however; this will be partially offset through careful planning for use of unit sizes in structural materials and equipment, and thus benefit from new techniques in design and construction. There will be less expense for mortgage financing, interest charges and monthly layout for amortization. Cost will not be the only consideration. More money will go to buy conveniences and appearances in the kitchen and bathroom. In the end, more capital will be needed, but this home will truly be a bargain compared with those built in the '20s.

"There will be many new appliances and gadgets—but the post-war house isn't going to be a miracle house as envisioned by some. The war has brought about rapid improvement in steel, aluminum, plastics, and many other materials useful in building and these improvements will all be found in the home of tomorrow. But the push-button fantasy is

(Continued on page 2711)

Standart Named Head Of Mich. S. & L. League

DETROIT, MICH.—Joseph G. Standart, President of the Surety Savings and Loan Association of Detroit, was chosen as President of the Michigan Savings and Loan League by the delegates at their 57th annual meeting in Detroit, June 23.

Other officers and directors elected were Don W. Seaton, Hancock, as First Vice-President; W. R. Crissey, Midland, as Second Vice-President, and Grant H. Longenecker, Lansing, Secretary-Treasurer and Executive Manager of the League. Other directors elected were Thomas C. Mason, Grand Rapids, Immediate Past President; James I. Van Keuren, of Lansing; Wendell C. Gates, of Battle Creek; J. B. Mikel, of Three Rivers, and Wade Van Valkenburg, of Kalamazoo.

Growth in Assets

Assets of the Franklin Federal Savings and Loan Association of Richmond, Va. have grown from $2,500 in 1934 to $4,723,531.75 in 1943. Latest statement may be had upon request from Franklin Federal Savings and Loan Association, 616 East Franklin Street, Richmond, Va.

Stimulating Post-War Employment By Creating Incentives

(Continued from page 2693)

that it shall be operative under a framework of private capitalism and relatively free enterprise, with government and private industry (as represented by agriculture, labor and management) cooperating voluntarily and realistically towards attaining the common goal of a better and more productive life for the entire nation.

Factors in Private Capitalism Which My Plan Deals With

Owing to the desirability of limiting the discussion to fundamental aspects, it is impossible to discuss here important elements in the complex structure and functioning of our private business economy which have a bearing on the problems. To keep our "economic machine" of human and material resources running continuously during peacetimes at or near capacity, we should deal with its basic driving and dynamic forces; and these are essentially the Competitive Factor, the Risk Factor and the Incentive Factor.

The Competitive Factor in private industry, while involving many elements, usually expresses itself when and where possible in the efforts of each company to exceed the production of goods and services of its competitors in order to reap for itself larger profits. The absence of sufficient profit incentives or the existence of actual or pending risks which loom large relative to possible profits—during peacetimes—usually brings about situations of restricted or controlled volume of business.

The Risk Factor is inherent in all business operations, whether in the production of goods and services which utilizes existing facilities or in new capital investments. Significant thereto is the knowledge that in our limited peacetime business recovery which followed the severe and protracted depression of the early Thirties, the yearly average of new capital investments were of substantially smaller amount than in the good business era of the Twenties.

The Incentive Factor is a prerequisite both for the expansion of production or volume of business and for new capital investments; and, consequently must be reasonably encouraged and stimulated in any plan for post-war employment under free private enterprise.

Aspects of My Plan

In essence, my plan is concerned with providing equitable, practical and permanent incentives after the war for the production of goods and services, and for the undertaking of new capital investments. These incentives are not intended to be a panacea for all our economic ills and maladjustments, some of which require practical compromise and cooperation by the various segments of our economy while others need separate consideration. My plan proposes to outline a fundamental way of approaching the basic problems of—

(1) rewarding individual business companies practically for "extra good" accomplishments in production or volume of goods and services viz., accomplishments above the average or above a norm;

(2) rewarding both individual investors and business companies for the extra risks usually incurred in undertaking new capital investments.

Since the nation as a whole benefits in peacetime both from exceptionally high production or volume of business in one or more industries or by many individual companies, and from new capital investments, — it alone can and should reward such results. This reward can be given through certain tax deductions as explained in my plan.

While monetary rewards or their equivalent are the prime essentials, the elements of praise and special mention are of supplemental value provided the standard is set high enough. This principle has been utilized during the war by the Army-Navy "E" award to individual companies for outstanding achievement.

Applications Under My Plan

A—Production or Volume Incentives for Individual Business Companies.

Incentive Basis: Under my plan each business company will be rewarded practically whenever its production (or volume) of goods and services in a post-war year exceeds the norm or standard set for a pre-war year. The highest production or volume of business in a peacetime year is recommended as a norm or standard because (a) it is most urgent that our yearly national income after the war (allowing for important price changes) substantially exceed our maximum peacetime results if we are to successfully solve post-war employment, and (b) the reward, to be effective, should be predicated on bettering previous peacetime accomplishments.

The dollar value naturally is the most uniform unit by which to measure the increase in production or volume of business in a post-war year over the norm or standard set, but in using this unit it is necessary to make some adjustments for important price changes because we are aiming at increased volume in terms of physical units. Wherever feasible, it would be preferable to use physical units to measure volume of business such as tons, bushels, kilowatt hours, etc.; but even here some price adjustment may be necessary to allow for important differences in the selling prices of various products and services. However, each industry is thoroughly competent to determine the proper basis for measuring its volume or production with respect to changes over norm.

The Incentive and Its Application: The reward to an individual company (corporate or otherwise) for post-war production or volume above the norm should be by way of a specified allowable tax deduction for the year where applicable. The procedure would be to calculate the total income tax liability in any given year under the then existing tax laws, from which a specified percentage of incentive deductions would be allowed to give the net "income tax" liability.

The amount of tax incentive deduction allowed in a post-war year should be commensurate with the percentage gain in volume over the norm. The "tax incentive" should be further related to the magnitude of a company's volume because it would be much easier for a company having a $1,000,000 volume as norm to show a many-fold increase after the war than for a company with a $100,000,000 volume as norm to show a 50% rise.

The following tabulation illustrates the application of the volume tax incentive to a large company with a norm or maximum yearly peacetime volume of say $50,000,000 or $100,000,000.

VOLUME OR PRODUCTION TAX INCENTIVE FOR LARGE COMPANIES

% Volume Increase in post-war year over norm	Rate of Allowable Tax Deduction for each 1% Rise in Volume	Corresponding Rates: Volume Rise	Corresponding Rates: Tax Deduction
From 1% to 16%	⅜%	16%	6%
Over 16% to 48%	½	48	22
Over 48%	⅝	72	37

Obviously, some limit should be set on the maximum allowable tax deduction given as Production or Volume Incentive. Assuming a 37% maximum for large companies, this group would have to show a 72% rise in their yearly post-war volume over norm to earn the 37% tax deduction.

The incentive tax rates for small companies could be similarly devised, the initial rates beginning, for example, with ⅛% tax deduction allowed for each 1% rise in volume over norm, etc.

Justification and Cost of Production or Volume Incentive: Under my plan, the "tax cost" to the nation would be commensurate with the rise in volume or production above the norm or standard set. Consequently, a large expansion in the amount of employment provided by private industry would reduce the amount of financial expenditures and intervention imposed on the Federal Government in filling the unemployment gap; and this situation would seem to justify "in general terms" a reasonable cost of the Volume Incentive.

As a rough indication of the "tax cost," assume a yearly national income after the war of 120 billion dollars at the 1929 price level—which would be 45% above the 1929 national income of 83 billions. If corporate income taxes were set so as to yield in the aggregate an amount equivalent to 8% of the national income—approximately the situation in the year 1941—the total tax deduction allowed for volume or production incentive purposes would be around two billion dollars, leaving a balance of 8 billion dollars of corporate income taxes accruing to the federal government —a sizable sum for peace years when compared with actual corporate income tax collections of 7.1 billions in 1941 and 11.9 billions in 1942.

Some Administrative Considerations of Plan: As a practical matter it would be desirable to eliminate from the "Volume or Production Incentive Plan" very small business units whose yearly pre-war volume did not exceed $50,000 or $100,000. (Small companies receive special income tax treatment through lower rates.) However, provision should be made so that when small or new companies attain a yearly volume after the war in excess of the minimum set ($50,000 or $100,000), they would become eligible to receive the benefits under the Volume Incentve Plan at a rate schedule designed to deal with such situations.

For agriculture where the tax incentive might not be sufficiently attractive, it might be necessary to work out a scheme of bonuses for exceptionally high production taking into account the "price parity" factor.

For companies expanding via merger or acquisition, the volume figures of former constituent companies would serve as a base.

B—Incentives for New Private Capital Investments made in "Transition" or Post-War Period.

For purposes of my plan, new private capital investments are classified into two categories:

New Capital Expenditures by private business for fixed capital assets such as buildings, plants, equipment and machinery which have long life.

New Capital Investments — equity or long-term debt capital, made by individuals in established or newly organized private enterprises.

New Capital Expenditures: Under my plan, yearly new capital expenditures of a company would be defined as the amount by which cash expenditures for fixed assets in a "transition" or postwar year exceeded the depreciation allowed on existing fixed assets for income tax purposes. If more feasible, the basis could be the excess of cash expenditures over a stated percentage — say 70% or 80%—of such allowable depreciation.

Two methods are submitted for determining adequate incentives. Following completion of such new capital expenditures,—

(a) Allow for 5 years a yearly deduction from taxable earnings equivalent to a fair rate of return on such new capital expenditures. The rate can be set, for example, at 5% for large companies and 7% for small companies, with 8% for companies established under 5 years.

(b) Permit for income tax calculations an accelerated rate of depreciation on such new capital expenditures viz., a 14-year basis for established companies and a 9-year basis for companies under 5 years old. The principle of accelerated depreciation has been allowed in income tax returns on emergency plant construction.

New Capital Investments by Individuals: Although life insurance companies are an important source for new capital funds—chiefly of the funded debt type—my plan initially contemplates providing adequate incentives to individual investors for making new capital investments in established or newly organized companies.

The incentive would be that dividends or interest received on such new capital investments should be exempt from income taxes for a period varying with the "newness" of the company and its size. Favorable tax adjustments might also be made for undistributed earnings applicable to new risk capital for a specified period, etc.

For proper safeguards against abuses and to avoid administrative difficulties, the incentives to new capital investors should be restricted to the original investor who takes the initial risk, thereby eliminating from "incentive eligibility" or substantially reducing the benefits therefrom as to "second-hand" investors who acquire the original investments by purchase or transfer.

SUPPLEMENTARY INFORMATION TO ARTICLE

The following data and comments are intended to amplify and support the factors dealt with in preceding discussion.

Supporting Data For Calculation of Tax Deduction on Volume Incentive

	1929	1937	1939	1940	1941	1942
National income (in billions)	$83.4	$71.4	$70.8	$77.8	$95.6	$119.8
Corporate Profits and Income Taxes (in millions)						
Profits before taxes	$9,153	$5,173	$5,320	$7,390	$13,938	$18,784
Income taxes	1,181	1,276	1,232	2,543	7,081	11,900
Profits after taxes	7,972	3,897	4,088	4,847	6,857	6,884
Ratio of Income Taxes to (Ratios—in %)						
Profits before taxes	12.9	24.6	23.2	34.4	50.8	63.3
National income	1.4	1.8	1.7	3.3	7.4	9.9
Average Price Levels						
Wholesale commodity prices 1926 as 100	95.3	86.3	77.1	78.6	87.3	98.8
Cost of living index 1935-1939 as 100	122.5	102.7	99.4	100.1	105.2	116.5

(Column heading: Calendar Years)

CALCULATION OF TAX DEDUCTION FOR VOLUME INCENTIVES

National Income at various levels with 1929 prices (Billions)	% Change over 1929	Corporate Income Taxes equiv. to 8% of Nat'l Income (Billions)	Aggregate Tax Deduction *Avg. Rate	Aggregate Tax Deduction Amount (Millions)
†$83.4	--	$6.68	--	--
90	+7.9	7.48	3.0%	$224
100	+19.9	8.28	8.0	662
110	+31.8	9.08	15.9	1,444
120	+43.7	9.88	19.9	1,966
130	+50.8	10.68	23.8	2,542
140	+67.8	11.48	34.4	3,938

*Corresponding with percentage rise in volume as per text. †Actual for 1929.
Note—Ratio of 8% for taxes to national income is roughly the 1941 basis.

Volume Incentive—The rates of tax deduction allowed as a "Volume Incentive" should be commensurate with the degree of the "Tax Burden." Thus, if the overall corporate income tax structure were such as to produce an aggregate amount of taxes equivalent to only 5% of national income, the rates of tax deduction might have to be raised so as to make the Volume Incentive "worth while"; and the reverse situation would also hold true.

My fundamental thesis is that profits should be commensurate with volume or production. A very high level of business (and therefore employment) in itself implies a fairly successful solution of the serious distortions in the overall price structure which frequently retard economic activity.

Additional Data for New Capital Expenditures

Recent government figures ("Markets after the War") show that in the four years 1937-1940 an average of between 7 and 8 billion dollars was spent on producers' plant and equipment yearly, distributed approximately as follows:

	Billions
Manufacturing and mining	$2.5
Public utilities	1.5
Agriculture	1.0
Trade, services and miscellaneous	2.5
Total	7.5

If, for example, half of the foregoing capital expenditures represented annual depreciation allowed as income tax deductions, then only about 4 billion dollars would constitute New Capital Expenditures as defined and thus eligible for the tax incentive deduction under my plan. Rough estimates as to possible tax deductions resulting from incentives for New Capital Expenditures of 4 billions yearly would be somewhat as follows according to methods outlined:

Method (a)—Using an average rate of return of 5½% for all corporations, the sum of $220,000,000 annually would be deductible from taxable earnings and on a 40% average corporate tax rate, this would result in an aggregate "tax cost" to the nation of $88,000,000 for 5 consecutive years on new capital expenditures (as defined) of 4 billion dollars for one year.

Method (b)—Using an average accelerated rate of depreciation based on 12 years as against normal of say 24 years, the extra depreciation allowed as a deduction from earnings would be $167,000,000 yearly and on a 40% average corporate tax rate, this would result in an aggregate "tax cost" to the nation of $67,000,000 for 12 consecutive years on new capital expenditures (as defined) of 4 billion dollars for one year.

Comment: Obviously, the overall tax cost would be cumulative so that if new capital expenditures of 4 billion dollars annually (net of depreciation) were maintained for 5 consecutive years, the tax cost (or allowable tax deduction) in the 5th year would be $440,000,000 under method (a) and $335,000,000 under method (b).

The stimulus to the entire economy from industry capital investment expenditures is of inestimable value as well as necessary for a high national income owing to the large savings aspects of our economy. The problem of stimulating residential housing construction which can cater to the average yearly income of most of our population (around $2,500) seems to require special consideration in the overall problem of incentives for new capital expenditures.

To avoid administrative difficulties it would be necessary to set a minimum amount of new capital expenditures which would be eligible under the plan.

Additional Data for New Capital Investments by Individuals—

The incentives for new capital investments by individual investors is especially necessary to meet the demands for new venture capital for small and medium sized business enterprises which cannot readily "tap" the established investment channels. Recognition of this situation is evidenced in the very recent announcement of plans for setting up a National Industrial Credit Corporation of at least $500,000,000 to be subscribed by financial institutions and individuals, which will endeavor to supply the new capital needs, particularly of venture capital, of moderate sized business units.

As a rough yardstick, it is noteworthy that new capital financing by private industry (excluding investment trust and holding companies) averaged $5,360 millions annually during the 4-year period 1927-1930 and only $722 millions during the 10-year period 1931-1940. There are no compilations showing what percentages of these new capital funds were supplied by individual investors, although it is known that in the past few years financial institutions have absorbed directly from one-third to two-fifths of the aggregate corporate financing of refunding and new capital.

Assuming that new capital investments by individuals were to average 2½ billion dollars annually for a few years and that the average return (average to debt and equity capital) was 5%, the annual sum of $125,000,000 would be exempt from individual income tax returns and assuming an average tax bracket of 50% for such exemptions, this would mean a "tax cost" of $62,500,000 yearly for "x" years and a sum of $312,500,000 in the 5th year if 2½ billions of new capital investments by individual investors were maintained for 5 consecutive years.

The incentive to new capital investments by individals duplicates only partly the incentive to new capital expenditures by industry because the latter have been financed chiefly by internal sources, besides which new capital funds provided by financial institutions are not eligible under the plan. (Government figures show that expenditures for plant and equipment by business enterprises were financed from funds accumulated from internal sources to the extent of 74% from 1923-1929 and 83% from 1935-1939.)

Summary Comment

The foregoing tax incentives for high production and new investments could run around 3 billion dollars annually under very favorable conditions, which "tax cost" could be readily absorbed by the high level of employment or national income created by private industry under such favorable conditions,—without taking into account other social and political benefits to be derived therefrom.

Permanently Enjoined

Thomas W. Durkin and George Javana, former officers and directors of the Atlantic Investing Corp., have been permanently enjoined from further dealings as "brokers or dealers in securities with the public" in New York State, it was announced by the Attorney General, who added the defendants had consented to the injunction but denied they were guilty of fraud.

The complaint charged illegal transactions between October, 1940, and October, 1941, for which complete restitution had been made, the Attorney General said.

Interesting Rail

Raymond & Co., 148 State Street, Boston, Mass., have issued a special analytical letter of Baltimore & Ohio 4½s of 1960. Copies of this interesting letter on the situation may be had from Raymond & Co. upon request.

DIVIDEND NOTICE

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The Chase National Bank of the City of New York has declared a dividend of 70¢ per share on the 7,400,000 shares of the capital stock of the Bank, payable August 1, 1944 to holders of record at the close of business July 7, 1944.

The transfer books will not be closed in connection with the payment of this dividend.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
W. H. Moorhead
Vice President and Cashier

After The War

(Continued from page 2691)

NASD is designedly tending towards a complete monopoly of dealers in the securities field.

Permitted to continue the establishing of "philosophies" under the guise of its rule-making power, there is no telling what the handful of men running the Association may do next that will force many dealers out of business.

The statutory liaison arrangement between SEC and NASD forgetting for the moment their behind-the-scenes cooperation, is an unhealthy condition that will hamper reconstruction.

As our readers know, we are, and have always been opposed to unconscionable profits. This opposition we believe, too, to be characteristic of the investment banking fraternity generally. Nevertheless, we do not believe that those in the investment field will be heartened in the great task which lies before them, by such "principles" as ceilings on profits, trials by competitors, and increase of penalties on appeals.

These are but a few of our objections to the existence of NASD. There are many others.

We feel strongly that at a time when the financing of small business is vital to our reconstruction plans, to the employment of our returning soldiers, the existence of an entity which assesses its members to plague them, which creates fear in a world promised freedom from fear, and which, in our opinion, will hamper freedom of action in rehabilitation, is, to say the least, most unfortunate.

MEETING NOTICE

THE BRILL CORPORATION
30 CHURCH STREET
NEW YORK 7, N. Y.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Notice is hereby given that a Special Meeting of the Stockholders of The Brill Corporation, a Delaware corporation, will be held at its office, No. 30 Church Street, New York, N. Y., on the 26th of July, 1944, at 2 o'clock P.M., Eastern War Time, for the following purposes:

(1) to consider and take action upon the Plan of Merger of The Brill Corporation and American Car and Foundry Motors Company and Recapitalization of the Surviving Corporation, dated June 26, 1944, and to consider and take action upon a proposed merger, pursuant to the laws of the State of Delaware, of American Car and Foundry Motors Company, a Delaware corporation, with and into The Brill Corporation, which will be the Surviving Corporation, and shall thereafter be known as ACF-BRILL MOTORS COMPANY, substantially in accordance with said Plan of Merger and Recapitalization and the Agreement of Merger attached to said Plan as Exhibit A thereto;

(2) to consider and take action upon the Agreement of Merger between American Car and Foundry Motors Company and The Brill Corporation, dated June 19, 1944;

(3) if said merger shall be authorized, adopted and approved by the Stockholders of The Brill Corporation and by the stockholders of American Car and Foundry Motors Company, as required by the laws of the State of Delaware, to authorize its Board of Directors and the Board of Directors of the Surviving Corporation to take or cause to be taken all such action as shall be deemed to be necessary or advisable in order to carry out said merger and said recapitalization; and

(4) to transact such other business as may properly come before said meeting or any adjournment or adjournments thereof.

Pursuant to the action of the Board of Directors, the books for the transfer of shares of the Preferred Stock, Class A Stock and Class B Stock of The Brill Corporation will be closed at 3 o'clock P.M. on June 28, 1944 and will be reopened at 10 o'clock A.M. on July 28, 1944. Only those who are record holders of shares of such stock at the time of the meeting specified herein will be entitled to vote thereat.

If you cannot be personally present at the meeting, please be good enough to sign and return the enclosed proxy.

BY ORDER OF THE BOARD OF DIRECTORS
H. C. WICK, *Secretary.*

New York, N. Y., June 26, 1944.

A copy of the above mentioned Plan of Merger and Recapitalization, dated June 26, 1944, to which is annexed a copy of said Merger Agreement designated as Exhibit A, may be examined by any stockholder at the principal office of The Brill Corporation, at 100 West 10th Street, Wilmington, Delaware, and at Room 2000, 30 Church Street, Borough of Manhattan, New York, N. Y.

DIVIDEND NOTICES

CITY INVESTING COMPANY
30 Broad Street, New York

June 22, 1944

The Board of Directors has this day declared, out of surplus of the Company, a dividend for the three months ending June 30, 1944, of one and three quarters (1¾%) per centum upon the issued and outstanding Preferred Capital stock of the Company, other than Preferred stock owned by the Company, payable July 1, 1944, to holders (other than the Company), of the Preferred Capital stock of record on the books of the Company at the close of business on June 24, 1944. Checks will be mailed.

G. F. GUNTHER, Secretary

JOHN MORRELL & CO.

Morrell PRIDE meats

DIVIDEND NO. 60

A dividend of Fifty Cents ($0.50) per share on the capital stock of John Morrell & Co., will be paid July 31, 1944, to stockholders of record July 15, 1944, as shown on the books of the Company.

Ottumwa, Iowa. Geo. A. Morrell, Treas.

The Western Union Telegraph Co.

DIVIDEND NO. 269

A dividend of 50 cents a share on the Class A stock of this company has been declared, payable July 15, 1944, to stockholders of record at the close of business on June 23, 1944.

G. K. HUNTINGTON,
June 13, 1944. Treasurer.

Post-War Possibilities

Du Mont Laboratories offer interesting post-war possibilities according to a circular on the situation issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this circular and also comprehensive releases on Moxie Co. and Majestic Radio may be had from J. F. Reilly & Co. upon request.

DIVIDEND NOTICES

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 114

A cash dividend declared by the Board of Directors on June 14, 1944, for the second quarter of the year 1944, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on July 15, 1944, to shareholders of record at the close of business June 29, 1944. The Transfer Books will not be closed.

E. J. BECKETT, *Treasurer*

San Francisco, California

UNITED STATES SMELTING REFINING AND MINING COMPANY

The Directors have declared a quarterly dividend of 1¾% (87½ cents per share) on the Preferred Capital Stock, and a dividend of fifty cents (50¢) per share on the Common Capital Stock, both payable on July 15, 1944 to stockholders of record at the close of business June 30, 1944.

GEORGE MIXTER,
June 21, 1944 *Treasurer.*

Attractive Situations

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 and also circular on Bartgis Bros. and Federal Screw Works may be obtained from Herzog & Co. upon request.

MEETING NOTICES

AMERICAN CAR AND FOUNDRY MOTORS COMPANY
30 CHURCH STREET
NEW YORK 7, N. Y.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Notice is hereby given that a Special Meeting of the Stockholders of American Car and Foundry Motors Company, a Delaware corporation, will be held at its office, No. 30 Church Street, New York, N. Y., on the 26th day of July, 1944, at 11 o'clock A.M., Eastern War Time, for the following purposes:

(1) to consider and take action upon the Plan of Merger of The Brill Corporation and American Car and Foundry Motors Company and Recapitalization of the Surviving Corporation, dated June 26, 1944, and to consider and take action upon a proposed merger, pursuant to the laws of the State of Delaware, of American Car and Foundry Motors Company, with and into The Brill Corporation, a Delaware corporation, which will be the Surviving Corporation, and shall thereafter be known as ACF-BRILL MOTORS COMPANY, substantially in accordance with said Plan of Merger and Recapitalization and the Agreement of Merger attached to said Plan as Exhibit A thereto;

(2) to consider and take action upon the Agreement of Merger between American Car and Foundry Motors Company and The Brill Corporation, dated June 19, 1944;

(3) if said merger shall be authorized, adopted and approved by the Stockholders of The Brill Corporation and by the stockholders of American Car and Foundry Motors Company, as required by the laws of the State of Delaware, to authorize its Board of Directors and the Board of Directors of the Surviving Corporation to take or cause to be taken all such action as shall be deemed to be necessary or advisable in order to carry out said merger and said recapitalization; and

(4) to transact such other business as may properly come before said meeting or any adjournment or adjournments thereof.

Pursuant to the action of the Board of Directors, the books for the transfer of shares of the Preferred Stock, and Common Stock of American Car and Foundry Motors Company will be closed at 3 o'clock P.M. on June 28, 1944 and will be reopened at 10 o'clock A.M. on July 28, 1944. Only those who are record holders of shares of such stock at the time of the meeting specified herein will be entitled to vote thereat.

If you cannot be personally present at the meeting, please be good enough to sign and return the enclosed proxy.

BY ORDER OF THE BOARD OF DIRECTORS
H. C. WICK, *Secretary.*

New York, N. Y., June 26, 1944.

A copy of the above mentioned Plan of Merger and Recapitalization, dated June 26, 1944, to which is annexed a copy of said Merger Agreement designated as Exhibit A, may be examined by any stockholder at the principal office of American Car and Foundry Motors Company, at 100 West 10th Street, Wilmington, Delaware, and at Room 2000, 30 Church Street, Borough of Manhattan, New York, N. Y.

Internat'l Monetary Conferences

(Continued from page 2693)

turbing alterations in the market ratios of gold and silver.

The first step taken internationally to bring about a monetary unification was the formation in 1865 of the Latin Monetary Union. Through the influence of France, which was then dominated by the imperialist designs of Napoleon III, France, Belgium and Italy agreed upon a plan for a uniform coinage of standard silver coins, which would be given legal tender and other circulation privileges in the countries that were members of the union. Greece and Spain joined the Union later. Partly through the influence of this arrangement and partly from a desire to ease the inconveniences and commercial disruptions in foreign and domestic trade arising from difficulties in fixing foreign exchange rates, there arose considerable discussion among European economists and statesmen regarding the advantages of an international coinage system. This agitation, in a way, resulted in the convocation in Paris in 1867 of the first important international monetary conference, under the leadership of Napoleon III of France. This conference was attended by delegates from the leading nations of the period. The United States was represented by Samuel B. Ruggles, who had been active in political and commercial affairs in New York City for many years, during which he had manifested a deep interest in economic problems. Inasmuch as the German Empire had not yet come into existence, only a few of the German States and principalities were represented at the gathering. Neither Russia nor Italy was represented. The deliberations of the delegates were devoted mainly to the problems arising from the alterations of the different national standard coins which came about in large part because of the fluctuations in the market ratios of gold and silver. Some plans were suggested to bring about a coinage uniformity in order to eliminate the evils arising out of international bullion transactions, which intermittently drained undervalued coins from each of the different countries.

The conference, which was regarded merely as a preliminary gathering, accomplished nothing in the way of positive remedial action, though it did recommend the adoption of an international unified currency system, such as prevailed among members of the Latin Monetary Union. It was intended that another assembly should be called in the near future, but the Franco-Prussian War of 1870-71 and the fall of Napoleon III made it difficult. The whole scheme of an international currency system was, for a time, forgotten. In the meantime, owing to the abandonment of bimetallism by the new German Empire, the demonetization of silver by the United States, and the vast increase in silver production as compared to gold, serious disturbances were produced in national and international monetary transactions throughout most of the civilized world. There were commercial crises in 1873 and in the years immediately following in both the United States and in Europe. At this time, because of the importance of its silver production, and the agitation for "cheap money," the "silver question" became a permanent feature on the "agenda" of the United States Congress. It continued to disturb the political and economic progress of the nation for two decades thereafter.

Accordingly, it was suggested that the United States make representations to other governments for an international monetary conference. Congress passed an Act to this effect in February, 1878. Paris was selected as the place of meeting, and the conference convened there on Aug. 10, 1878. Twelve countries were represented. The delegates comprised the leading economists, financiers and statesmen of the time. The American delegation, consisting of four members, was headed by General Francis A. Walker, then the most widely known American economist, who had just written a learned treatise entitled "Money," in which the bimetallic standard was favored. The other American delegates were Senator R. E. Fenton, W. S. Groesbeck and S. Dana Horton, the latter a strong silver advocate.

The ostensible purpose of the International Monetary Conference of 1878 was the promotion or establishment of a uniform system of international bimetallism. Although several European representatives, in addition to the American delegates, were confirmed bimetallists, the conference, in spite of its serious deliberations, refused to commit itself on the question. Germany did not take part in the proceedings on the ground that the Empire was already committed to the gold standard and desired no change. Great Britain, represented by the distinguished banker, economist and statesman, Viscount Goschen, and Henry Hicks Gibbs, ex-Governor of the Bank of England, gave no indication of assisting the United States in fostering a greater use of silver money, despite the fact that its India was on a silver basis, and the fluctuations in the London-Bombay exchange rates were a serious menace to the trade with this colonial Empire. It is generally believed, and it is perhaps true, that Great Britain desired the restoration of bimetallism in the United States, while remaining itself on a gold basis, since this situation would enable the Bank of England more easily to draw off the American gold supplies when it needed them to protect its diminished reserves.

Despite the arguments and eloquence of General Walker and his associates, the International Monetary Conference of 1878 accomplished nothing. There was a feeling, however, that the project of international bimetallism had gained some headway. The meetings ended after a period of less than three weeks, and the disappointed Americans returned and reported the deliberations to the President. Congress had the proceedings and the documents printed in detail. General Walker, in turn, published on his own accord a book entitled "International Bimetallism," which told of the action of the conference and reiterated his arguments for the universal adoption of a fixed mint ratio for gold and silver. But later he seems to have abandoned the feasibility of the doctrine, since he took no part in future discussions of the subject.

Yet the agitation for international bimetallism continued both in and outside the United States. Another conference was called in February, 1881, on the joint invitation of France and the United States. Eighteen nations responded by sending delegates, and the assembly took place in Paris on April 19, 1881. The American delegation was headed by William M. Evarts, ex-Secretary of State. His fellow delegates were Allen J. Thurman, ex-Senator from Ohio, Timothy O. Howe, ex-Senator from Wisconsin, and S. Dana Horton, a delegate to the previous conference, who also acted as recorder.

The Conference of 1881 accomplished little more, if anything, than its predecessor. It was, for the most part, a debate on the relative merits of monometallism and bimetallism, with ardent advocates on both sides. The "silver question" continued to be the leading topic of discussion in the United States, where, despite the enactment of the Bland-Allison and the Sherman Silver Purchase Acts, the value of silver, in terms of gold, was declining almost without interruption. The country was threatened with a disappearance of its gold reserves. In view of the necessity of keeping a stipulated amount of this metal in the Treasury to redeem the "greenbacks" and to carry out the policy (enunciated by Congress) of maintaining gold and silver coins on a parity, a movement was again initiated for another international monetary conference. In this the United States again took the lead. Twenty nations responded by sending delegates. The American contingent consisted of the two leading silver advocates in the Senate, William B. Allison and John P. Jones, the United States Minister to Belgium, Edwin H. Terrell, and B. McCreary, member of Congress, Henry W. Cannon, President of the Chase National Bank, and E. Benjamin Andrews, President of Brown University, one of the few American economists that favored the free coinage of silver.

The conference began deliberations in Brussels on Nov. 22, 1892. The United States delegation submitted a general plan of international bimetallism, and proposed, if this could not be accomplished, united action be taken to increase the monetary use of silver. Plans were submitted by other delegates, including that of Lord Rothschild, a British representative, who maintained that Great Britain could not go on a bimetallic basis. Germany, on the other hand, refused to consider adopting bimetallism unless England took this step. The smaller nations contended that they could take no action which was not generally adhered to by the larger commercial countries.

As in all the preceding conferences, the deliberations adjourned without any positive action. There was not even unanimity among the members of the individual delegations. The American delegates returned thoroughly disappointed, since the hope of solving the silver question by international agreement was considered hopeless. A new President, Grover Cleveland, a Democrat with strong "sound money" principles, had just been elected, and his inauguration was shortly followed by a financial crisis and a severe business depression. The new President, still desirous of securing international cooperation, sent Edward Atkinson as a special commissioner to Europe to inquire regarding the possibility of the re-establishment of bimetallism. Atkinson reported, on his return, that there was no likelihood of it whatever. In the meantime the Sherman Silver Purchase Act had been repealed, and a stop put to the gold drain from the Treasury's coffers. The project of establishing international bimetallism was apparently abandoned. Practically all the leading nations of the world resorted to a gold basis currency.

For more than four decades after the International Monetary Conference of 1892 there were no serious attempts to bring about an agreement on monetary systems or to improve international exchange operations. Even the peace negotiations after the First World War, and the plan of the League of Nations, were not concerned with the question. Such matters were regarded as domestic problems, to be settled independently by each nation for itself. However, the chaotic conditions brought about by the hyperinflation following the war, together with the resulting economic and political disturbances, and particularly the disruptions of foreign trade and international financial relationships, again indicated the necessity for some mechanism to foster monetary stability. Following the unsuccessful efforts of the European and South American countries to reestablish themselves permanently on a gold currency basis, a movement spread throughout the world to abolish altogether the precious metals as a monetary base. Thus such prominent economists as Gustav Cassel, in Sweden; John Maynard Keynes, in England, and Irving Fisher, in the United States, denounced the gold standard as unsatisfactory and urged its abandonment. The struggle for adequate gold reserves among the various note-issuing central banks, with its inevitable restrictions on international trade and overseas payments, brought in its wake a series of economic and political disturbances, and finally produced another condition of world-wide monetary disruptions. These threatened to become as disastrous as those which followed the period of hostilities. Thus Great Britain having, after much effort and expense, succeeded in restoring Sterling to the old gold basis in 1925, but in September, 1931, was forced again on a paper currency basis. This it did by prohibiting the Bank of England from redeeming its notes. Similar action was shortly followed by other countries, particularly those included in "the Sterling area." Ostensibly with intent to favor Great Britain's export position, the British Government permitted the exchange value of Sterling to slump to the levels of its post-war period. An international currency war was in the offing. France struggled desperately to keep the franc at its restored standard, but the struggle was hopeless. In the meantime the severest banking crisis on record developed in the United States, and the new political party in power abandoned its pre-election ideals and resorted to "a cheap money" policy. The dollar, the franc, and the pound were again in a tangle.

With a view to arriving at some agreement regarding stabilization, a World Economic Conference, largely through the initiation of President Roosevelt, was organized in London during the summer of 1933. This was the closest resemblance to the former international monetary conferences that had taken place since 1892. But it was a "still-born" affair. The representatives of Great Britain desired assurances that President Roosevelt would cease his policy of progressively depreciating the dollar. This request was refused by the President. The American delegation was withdrawn, and the so-called conference collapsed without even having a formal assembly.

The international currency war continued intermittently for about two years more. Finally, in September, 1936, an armistice was announced. It was in the form of a tripartite agreement between Great Britain, France and the United States to use their available resources so as to avoid as far as possible disturbances of international exchanges, and to bring about some sort of equilibrium in foreign exchange rates. But it was merely a provisional arrangement. The outbreak of the Second World War three years later practically ended it. When prospects of peace became brighter, the fear of a renewal of chaos in monetary matters and international trade relationship again pervaded the civilized world.

It was in order to prevent this calamity that plans for international monetary stabilization were prepared both in Great Britain and the United States even while the war was still in a dubious stage and when the restoration of peace was still considered remote. In the early months of the present year, following the publication of the Keynes (British) and the White (American) plans, an informal and unannounced conference of representatives of the United Nations took place in Washington. The outcome was the publication by Secretary Morgenthau of what he termed "the United Nations Technical Experts' Plan," printed in "The Chronicle," issue of May 27, 1944, page 1237. This plan is reported as having the unanimous approval of the experts of 30 nations. As had been expected, President Roosevelt, in line with the establishment of the UNRRA following a formal conference, issued a call for an International Monetary Stabilization Conference to convene at Bretton Woods, N. H., on July 1.

What will be the outcome of this conference? Will it fail as previous monetary conferences have failed? Or will it produce results which will ward off the calamitous and chaotic monetary situation which existed after the First World War?

Certainly the conditions and the auspices under which the conference assembles differs considerably from any previous international congress of the same character. The leading commercial nations, who are allies in this great war, recognize fully their interdependence in restoring the world to stable economic and financial conditions. There is not, as in the case of several previous conferences, irreconcilable conflicts of interests among them or secret endeavors to foster individual advantages. There is undoubtedly a spirit of "give and take." Moreover, the present effort concerns a more serious international situation than has existed previously. It means the building of the very foundation upon which international commerce and financial relationships can be resumed following the war. Despite widespread differences of opinion regarding the plans of action to be taken and the remedies proposed, and despite the improbability of universal acceptance of measures adopted, something of value in restoring the mechanism of international exchange and monetary stability may come from the present conference. It would be, however, sad indulgence in over-optimism to say the final result will accomplish all that may be expected of it.

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, Mohawk Rubber, and American Export Airlines.

Toronto, Montreal Exchs. Close Saturdays In Summer

TORONTO, ONT., CANADA—The management of the Toronto Stock Exchange has announced that the Exchange will not operate on Saturdays through the summer months, starting July 1 and probably continuing until September, although no decision has been reached on the latter date. The move was made because the majority of member firms are under-staffed.

The Montreal Stock Exchange and Curb managements also announced Saturday closings during the summer.

NYSE Firm Changes

The New York Stock Exchange has announced that the interest of the late Thomas Hitchcock in Lehman Brothers, New York City, ceased as of June 17th.

National City Bank Analyzes Britain's Adverse Balance of Payments

(Continued from page 2692)

ing the first World War, Britain liquidated about £900 millions of her foreign investments, largely U. S. railroad stocks and bonds, and contracted a war debt of about £1,250 millions to this country.

Britain's Short-Term Debt Over £1.5 Billions

The growth of Britain's short-term indebtedness to individual countries is compiled by the Bank in the accompanying table.

"It seems," continues the Bank's Letter, "on the basis of published data, unfortunately far from complete, that at the end of 1943 London was a debtor on short-term account to the extent of at least £1,500 millions, equivalent to about $6 billions. Though the figures given for individual countries may not be precise, it will be noted that between 1939 and the end of 1942 the table shows roughly about the same aggregate accumulation of short-term balances as estimated by Dr. Kaldor.

LONDON BALANCES OF STERLING AREA AND LATIN AMERICA

(In millions of pounds sterling)

	Dec. 1939	Dec. 1941	Dec. 1942	Dec. 1943
Stering Area—				
India: Reserve Bank	£86	£207	£358	£644
Canada: Interest-free loan	*	44	159	159
Eire: Currency Com. and Irish Banks	75	100	125	†147
Malaya	*	60	60	60
Australia: Commonwealth Bank	35	48	63	82
New Zealand: Reserve and Trading Bks.	13	20	33	35
South Africa: Reserve Bank	8	--	1	13
Palestine: Currency Bd., & Trading Bks.	§5	§10	§23	67
West Africa: Currency Board	‡12	‡15	‡17	‡23
East Africa: Currency Board	‡3	‡4	‡9	‡16
Egypt: National Bank	22	53	83	106
Iraq: Currency Board	6	12	22	†32
Total Sterling Area	£265	£573	£953	£1,384
Other Countries—				
Argentina: Central Bank	*	*	19	54
Brazil: Banco do Brasil	*	*	*	¶30
Uruguay	*	*	*	4
Grand Total	£265	£573	£972	£1,472
Dollar Equivalent	$1,060	$2,292	$3,888	$5,888

*Not available. †September, 1943. ‡As of the middle of the year. §March, 1940, 1942 and 1943 respectively. ¶Estimated

Note—In the absence of complete data, the liquidation of British overseas investments may be estimated as follows: India, £350 millions; South Africa, £155 millions; United States, £145 millions (as reported up to the end of 1941); Canada, £185 millions; Egypt, £14 millions; Argentina, £23 millions, and Australia and New Zealand, about £10 millions; total of above, £878 millions. In addition securities and direct investments worth about £125 millions, as well as earnings of branches of British insurance companies in this country, valued at about £50 millions were pledged in July, 1941, againet Reconstruction Finance Corporation loans in the United States.

"This total is understated. It does not include, for example, balances of the Belgian Congo and Iceland—both sterling area countries—nor those of the Dutch and French possessions included in the sterling areas until this spring. Nor does it include the sterling balances of many non-sterling area countries, such as Canada, Sweden, Turkey, Portugal, or sterling earnings and compensation for shipping losses of the Norwegian, Greek and Dutch merchant marines. The Bank of Portugal alone holds foreign exchange equivalent to some $500 millions, some of which undoubtedly is in sterling.

"In considering these figures, it should not be thought that sterling balances of non-sterling countries are 'blocked' in the sense of being wholly inconvertible into other currencies. The British Government has entered into special arrangements with various non-sterling area countries whereby considerable latitude of withdrawal is permitted. In some cases residents of such countries are allowed free conversion of their normal sterling balances on demand at the usual rate, while in others the conditions are more complicated and restricted.

"As to the gold and dollar assets of the sterling area countries, the published figures credit them with about $1,000 millions of gold at the end of 1943. By far the largest holder of these disclosed gold holdings was the Union of South Africa with about $700 millions to its credit. The $275 millions held by the Indian Reserve Bank was a part of the currency backing.

"In addition, London has acquired some amount of gold and dollar assets in exchange for sterling from the sterling area countries and from the expenditures of American troops in Great Britain.

Repatriation of Sterling Area Debts

"The largest short-term sterling debt was owed by Britain to India. In 1943 it was increased by almost £300 millions and was around £700 millions at the end of March, 1944. With the repatriation of £350 millions of Indian Government sterling obligations, the possibility of further repatriation of Indian public debt has been practically exhausted. Thus there is no longer any check on the accumulation of sterling funds except perhaps repatriation of British investments in private-owned Indian enterprises.

"In the meantime British expenditures on Indian defense and payments to the Indian troops outside of India continue at a high level. India's export surplus is running at the rate of about £75 millions a year. While a substantial portion of the export surplus is with the United States, the proceeds together with large expenditures of our armed forces have been credited to India in sterling. Reference has been made above to the recently inaugurated policy of setting aside part of the dollars accruing from U. S. expenditures and purchases in India for Indian post-war uses.

"Even if no further accumulation of sterling were to take place, India will emerge from the war in a creditor position. A similar shift is taking place in South Africa which has been selling gold in London to pay for the repatriation of her overseas Government debt of about £100 millions. In addition, the country has repurchased more than £50 millions worth of gold shares since 1939, according to a London Economist estimate.

"Last September Egypt decided to convert its sterling debt into internal loans, and in the course of this operation presumably £14 million of this debt held in London has been repaid.

Reduction of Long-Term Investments

"In addition to increasing this huge short-term debt, Great Britain during the war has liquidated some £1,000 millions of her overseas long-term investments. Because of these changes, the Chancellor of the Exchequer in presenting the current budget on April 25 warned that Great Britain will emerge from this war, for the first time in modern history, no longer a creditor nation.

"Great Britain's long-term investments were estimated by Lord Kindersley at the nominal value of about £3,725 millions in 1938, exclusive of investments in Eire. The reduction of £1,000 millions in her holdings represented a greater proportion of her actual income-producing investments than the figures indicate. Moreover, the income from the £250 millions of investments in the occupied countries of Europe and the £400 millions in Southeastern Asia has been lost, at least temporarily. Of the remaining investments, those of Latin American government and railway securities in particular (over £650 millions) have yielded little return. In the last pre-war years, 1936-38, the income from investments averaged about £200 millions, but British sources estimate that in the post-war period this may be reduced to about £125 millions.

"The reduction of the income from investments is only a part of the story of the change in Britain's international position. With the enlarged merchant marine of this country, of Canada, and some other countries, many doubt that Britain's shipping earnings can recover to the pre-war levels. This may also be true of commissions earned by brokers, banks and insurance companies, whose business may be diminished if exchange and trade controls are maintained.

"As the Committee on Post-War Problems of the Conservative Party estimated in a report published last January, there is likely to be an adverse balance of payments of at least £200 millions a year in the immediate post-war period, which must be made up by a greater volume of exports of merchandise and services.

Post-War Implications

"The accumulation by Great Britain of a huge short-term debt, which on the basis of the table, may aggregate close to £2 billions ($8 billions) by the end of this year, poses one of the great problems of the post-war period. If the abnormal sterling balances built up in London are to be liquidated and the purchasing power which they represent released, it will have to be done, in the long run, through an expansion of British exports and services to the rest of the world. Great Britain must achieve a surplus in her post-war international payments, despite heavy shrinkage in income from foreign investments and possible reductions in other credit items in her international accounts as mentioned above. It has been estimated by some British authorities that Great Britain will have to increase her exports in the post-war period by at least 50% compared with pre-war.

"It is concern over the magnitude of this problem that has led to discussion in Great Britain of the possibility of more extended use of Empire trade preferences, bilateral agreements, cartelization of industry, greater participation by government in foreign trade, and other devices and policies to stimulate exports and enable the country to pay for the imports of food and raw materials essential to maintain the people and provide employment. It explains also why other sections of British opinion which still adhere to the traditional British philosophy of liberal trade policies are so much interested in monetary stabilization plans regarded as holding forth hope of greater international cooperation in expanding trade and as providing assurance of some degree of financial support in bridging over periods of international adjustments.

"Not all of the vast accumulation of sterling balances is, however, likely to be a problem. The main task will be in the settling of India's sterling claims amounting to almost one-half the total. But India as well as other countries both within and without the Empire will be wanting to maintain substantial balances in London for clearing and other purposes, especially if post-war developments are such as to create confidence in sterling. After all, London was one of the great international money markets before the war—for many years the greatest — and there seems no doubt but that she will continue to be a great international money market in the future. Sterling balances in excess of what countries will want to carry will be drawn upon as a more normal flow of goods is restored. The tremendous shortage of goods that has grown up during the war and that is reflected in the unexpended sterling and dollar balances as well as accumulations of gold will unquestionably create a huge demand for goods of all types, particularly in the first post-war years, that seems certain to tax the export capacity of both the United States and the United Kingdom to the full.

"A difficulty of course in the British situation will be in meeting the extra strain upon the balance of payments in the interval of industrial reconversion and restocking of raw materials and foodstuffs before a satisfactory outflow of exports can be established. It is expected that Great Britain will have to retain some form of exchange control and rationing of imports, at least during the transition period; and there may be need for other measures such as the funding of a portion of the sterling balances into long-term obligations, perhaps with the aid of loans extended from this country.

"The solution of these problems cannot be regarded as matters solely of British or even British Empire concern. The United States and all other countries are interested in seeing reestablished a healthy flow of trade both into and out of Britain and in freeing the large volume of purchasing power now held in sterling to seek goods in the most advantageous markets, wherever they may be.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2696)

Canada Dry—28; Continental Oil—30.

* * *

But all stocks don't show tops. Some of them actually act as if they are in the first stages on a new advance. Among these the following stand out:

Borg Warner has no old stock ahead of it (though this is seldom a sinecure) but its behavior seems to point to higher rather than lower immediate prices. Stock's support point is 38. Anything it does above it is so much gravy.

* * *

Distillers-Seagram is another which looks ready to shove up again. But in its case it is an isolated stock in a group that doesn't act any too well. Issue would signal an up-move if it passes through 36; a down move on breaking 32.

* * *

Readers are long of two stocks, Crane and National Gypsum. The former was bought at 22½, latter at 9¾. Crane is now about 27¾ which is about high enough for the time being. Suggest taking half profits at 27 or better, stopping the rest at 25. National Gypsum is currently about 13¾. Suggest partial profits at 14 to 15 stopping the rest at 12.

* * *

For the time being market eyes are fastened on Chicago. Up to this writing it looks like Dewey will be the GOP choice. It is taken for granted that Roosevelt will run again. During the months to come there will be considerable pointing with pride and viewing with alarm by both parties. The fact there is a war on will probably be relegated to second place, unless we have outstanding new successes or severe setbacks.

* * *

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.]

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.

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.

R. Hoe Interesting

Aigeltinger & Co., 76 William Street, New York City, have prepared an interesting study of R. Hoe & Co., Inc. common stock. Copies of this study may be had from the firm upon request.

Interesting Situation

H. R. Baker & Co., Russ Bldg., San Francisco, Calif., have available an interesting report on Transamerica Corp. Copies of this report may be had from the firm upon request.

The Boren Bill Explained

(Continued from page 2694)

exception of Section 17, which made fraudulent transactions in State and municipal securities Federal crimes. In 1934 a bill was introduced which later became the Securities Exchange Act of 1934, and, again, this bill was made applicable to State and municipal securities. Again the State and municipal officials protested, and Congress determined to exempt such securities from the burdensome provisions of the bill, of which the State and municipal officials had complained. But unlike the Securities Act of 1933, which was made inapplicable to State and municipal securities unless a section expressly declared that it was applicable, the Securities Exchange Act of 1934 was made applicable to all securities unless the several sections expressly provided that they should be inapplicable to State and municipal securities. This difference in the technical manner in which Congress exempted State and municipal bonds from the two statutes was unfortunate for reasons which I will point out.

In 1936, the SEC again sought from Congress the power to regulate transactions in State and municipal securities. Congress denied it that power, but instead it enacted an amendment to the Securities Exchange Act declaring that fraudulent transactions in such securities should constitute Federal crimes and giving to the SEC the power to define what were fraudulent transactions. This was merely a power of definition and it evidently was not satisfactory to the SEC because, in 1938, the Commission presented to Congress, through Senator Maloney, a bill to amend the Act of 1936 so as to give it regulatory powers over transactions in State and municipal securities. Congress refused to pass that bill.

Nevertheless acting under the power to define what constituted a fraudulent transaction, the SEC recently proposed a rule known as Rule X-15C1-10, which declared that transactions in State and municipal securities must be conducted in a specified manner under the pretext that any other method constituted a fraudulent transaction. This, of course, was regulation in the guise of definition. The proposed rule met with a storm of protest and to date it has not been promulgated. The proposed rule, however, came to the attention of Congressman Boren of Oklahoma, who for years has been a member of the House Committee on Interstate and Foreign Commerce, the Committee which has jurisdiction over the Federal securities legislation, and he wrote a letter to Mr. Purcell, the Chairman of the SEC, inquiring where the Commission found its authority to promulgate such a regulation with reference to State and municipal bonds. Mr. Purcell answered that letter and asserted that the Commission had the power to promulgate the regulation under the section of the Securities Exchange Act giving it the power to define fraudulent transactions and under certain obscure language in other sections which had not been expressly made inapplicable to State and municipal bonds. Thereupon Congressman Boren introduced his bill, the purpose of which is to declare that the Securities Exchange Act of 1934 shall be inapplicable to State and municipal bonds excepting those sections which expressly declare that they shall apply to such securities. In other words it is proposed now to make the Securities Exchange Act of 1934 conform to the Securities Act of 1933 so far as the mechanics of exemption are concerned. Thus it will only be those provisions which Congress has deliberately intended to make applicable to State and municipal bonds that will apply to such securities, and no distortion of the language of other sections can be resorted to by the SEC in order to defeat the manifest intent of Congress to deprive it of regulatory jurisdiction over transactions in public securities.

The bill also repeals so much of Section 15c of the Securities Act of 1934 which gives to the Commission the power to define what shall constitute a fraudulent transaction. The repeal of this provision was thought necessary because the SEC construed it as giving it a power of regulation. Moreover, it should be repealed because it attempts to give to an administrative board the power to define a crime, and for that reason, in my opinion, it is unconstitutional. The courts have repeatedly held that crimes must be defined with reasonable certainty by the legislative body and that the definition of crimes cannot be left to an administrative agency.

I am often asked why municipal officials are so much interested in the Boren Bill if the Federal securities legislation does not apply to States and to the municipalities. The reason is that the State and municipal officials are quite conscious of the fact that they can be effectively controlled by Federal legislation which nominally exempts them from its provisions. Any commerce, which passes through two or more bottlenecks, can be controlled at any one of those points. The State and municipal corporations of the country finance themselves through the issuance of bonds which are sold to the investing public. In this commerce there are two bottlenecks, first the issuance of securities by the municipalities and, second, the reoffering of those securities by the investment bankers to the investing public. If the Federal Government can control the transaction at the point of the reoffering of the bonds by the investment bankers, it can completely control the entire financial operation. For instance, if the SEC should undertake to rule that, before reoffering State and municipal bonds, the dealer — not the issuing body but the dealer—must file a registration statement with the SEC, no dealer could take delivery and pay for any bonds which he had purchased from a municipality until he had obtained from the public officials all of the data necessary to secure registration of the bonds and had succeeded in getting the bonds registered. The effect would be exactly as though the municipality was itself required to register the securities before advertising them for sale. In fact every burden put upon the dealer in reoffering the securities would be passed back to the issuing municipality.

The States and municipalities are very conscious of the fact that the control of their finances by the Federal Government would result in the complete subordination of the States and municipalities to the Federal Government, and it is for that reason that State legislatures, organizations of public officials and individual public officers have been calling upon Congress to enact the Boren Bill.

To those of you who are neither public officials nor bond dealers I want to say that it is important to you because this bill represents a part in the struggle now being waged to maintain the autonomy of State and local government. The great centralization of power which has taken place in the last twelve years has reached dangerous proportions. A tremendous Federal bureaucracy has come into existence which is continually usurping powers which the people have never granted to it. The Constitution of the United States conferred only certain limited powers upon the Federal Government and expressly declared that all powers not granted to the Federal Government were reserved to the States respectively, or to the people. The people, however, are an unorganized mass. Such an unorganized mass cannot successfully cope with these persistent usurpations of power by the central bureaucracy. The States, however, provide focal points around which the people can rally to protect themselves against any threat of autocracy on the part of the National Government. You hear a lot of talk about States' rights nowadays. That is a catch phrase which seems to me to obscure the real issue. In reality what is at issue is the **people's** rights against the National Government. The people assert these rights through the States because the States are the convenient, organized instrumentalities through which the people can assert the rights which they have withheld from the Federal Government. It is not surprising, therefore, that it is always the party out of power that raises the issue of States' rights. The so-called States' rights issue is always a conflict between the **people** and the political group in control of the National Government, regardless of the political affiliations of that group.

We are today confronted in this government with two mutually antagonistic principles; one is what I call the Verboten Principle. You all recall that before the war American travelers were amused by the fact that nearly everything in Germany was verboten. This, however, is characteristic of bureaucratic government. It is based upon the principle that the government should regulate the daily life of the people from the cradle to the grave. You may do only what the government permits you to do and then only in the way the government specifies. The American principle is quite the contrary. It defines certain types of unsocial conduct which we call crimes, the commission of which is punishable, but everything else is permitted to the citizen, and he may live his life and conduct his business in any way he pleases so long as he does not commit any of these crimes. To illustrate what I mean, under the American system those few men who commit breaches of the peace are prosecuted. Under the Verboten system **everyone** would be obliged to give a bond to keep the peace.

The SEC has never presented to Congress, or to anyone else, any evidence of such widespread abuses in the field of public securities as to require regulation by a national bureaucracy. There is no demand for such regulation by the investing public, by the States or municipalities or by the dealers. It is demanded only by the SEC. It is an instance of regulation for regulation's sake.

The Boren Bill is a step in the right direction. It is intended to check attempts of the SEC to usurp powers which Congress repeatedly has indicated it should not have.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products, Indiana Limestone, and United States Lumber which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

British Proposal Of "Imperial Preference" And "Sterling Area" Condemned By D. S. Iglehart

(Continued from page 2691)

include the countries of western Europe, excluding Spain, along with their overseas dependencies. This area, which includes about 40% of the world's surface, is to be called a 'Sterling Area' and to better appreciate the meaning of the term the two ideas involved, namely Sterling and Area, which of course bear directly upon one another, may be considered separately.

"When Britain, some time ago, following the Schacht pattern of askimarks, put into force the so-called Sterling bloc, we in America, and I think the world in general, considered it as an emergency measure necessary to carry Britain along during the extreme pressure of a war period. The preference given to the Empire movement, the restrictions on other trade, and the arbitrary fixing of exchange rates so as to groove commercial movement in the direction that suited Britain, were suffered and tolerated by all nations, including America, and I think many of the nations of the British Commonwealth, because in a spirit of helpfulness it was thought that this sacrifice was necessary."

Mr. Iglehart next considers the question of currency regulations and points out the defects of managed currencies without gold backing as a means of effecting international exchange of commodities, and, particularly, as a medium of establishing "a trading area."

"Economists," he points out, "have been discussing this question of 'managed' money and even among them there is considerable division of opinion. However, in its final analysis the world at large will decide it. No one who has constant international experience or has observed the steadily decreasing value of every single managed currency throughout the world can contend that such currencies have up to the present time been particularly successful, in fact, quite the contrary is true. The best evidence of their failure is the fact that throughout the world men are turning not **from** the orthodox but **to** the orthodox, from paper to gold.

"There is an unquestionably greater belief in gold and in sound money today than at any time in recent generations. No one who watches the free markets for gold or the black markets, who feels the pulse of the producing and the selling nations of the world can doubt the fact that there is an unlimited demand for gold and for U. S. dollars which are looked upon as the nearest monetary equivalent of gold."

Mr. Iglehart next outlines his program whereby he believes America can make the greatest contribution to the welfare of the world and be most influential in maintaining peace in the world.

"**In the first place,**" he says, "we could offer to the world a money of permanent and absolute value in terms of gold and credit, which money, within a reasonable time could be made convertible. Our gold, our wealth and our credit are a basis for offering to the world a standard of value that the whole world would believe in. To accomplish this it would be necessary for us to put and to keep our financial house in order. This is a political problem of no easy solution. It could, however, be accomplished. We are in a position to offer to the world a sound money.

"This money should be allowed the freest possible circulation so that the nations of the world would have a stable element to which their currencies might be tied and which might give a fair and adequate measure of value. This, on broad lines, is in the interest of all nations of the world, including the British Commonwealth.

"**In the second place,** I believe we can and should build up our imports to a point where they are equal to our exports. We have been taking too much gold in payment for our exports. Obviously the necessary expansion of our export trade cannot continue unless we are ready to receive goods in compensation. We appreciate the fact that this question has important political implications but there can be little doubt that Congress and the nation are daily becoming more conscious of the need of making more jobs by building up our foreign trade. There is greater inclination now than at any time in recent generations to buy foreign materials to balance the sale of our products.

"**In the third place,** we can use our wealth and our credit for extending credit facilities to nations which are entitled to receive them. We may render a great service to the world if we avail of our great Federal Reserve System and of our gigantic banking strength to finance the movement of goods throughout the world, to offer credit to borrowing nations which are entitled to receive aid and which will scrupulously repay loans. In addition to granting credit we can export our wealth and our industrial capacity by investments abroad in a constantly increasing measure, tending in this way to balance payments and at the same time making great contributions, as we have made in recent years, to the industrial development and the economic welfare of nations throughout the world. This far-reaching international activity should surely develop trade of such huge proportions as to make possible a relative balance of payments. It should also make available for our own use a large part of the raw materials and manufactured goods whose production would be made possible through our assistance.

"The extension of credit and the collaboration between our banks and those of Britain and other great nations may conceivably bring about a basis for helping those nations to stabilize their currencies. In the same way, the collaboration of our industries and our transport enterprises may lead to close collaboration in a way that might be beneficial to Britain.

"**In the fourth place,** we can help to improve and stabilize transportation services throughout the world. Apart from the construction of a few luxurious passenger ships that mean little to the merchant marines of the world, sea transportation services in the last two generations have made very little progress. The important service of taking the fruit of a man's labor in one corner of the world and delivering it to the consumer in another corner has not been done too well. Ships have been slow and with some exceptions, this whole problem has not been handled any too well.

"Having built a great fleet, including the C-1, C-2 and C-3 types that are the best designed and most efficient freight ships that have ever been built in quantities by any nation, and having had the experience of handling a great merchant fleet on all the seas of the world, the United States, when the war ceases, will be prepared to give to the world a better transportation service than was formerly provided. What is true on the sea is also true in the air. If intelligently handled, this marine and air development should be not only a great contribution to the welfare of the world but also a stabilizing influence of incalculable importance.

"In the working out of our destiny there are endless opportun-

Plan Today For Tomorrow's Home

(Continued from page 2705)

still a figment of wishful thinking. Anyone who expects to build the so-called 'miracle house' is in for a long wait.

"And what will the post-war house look like? Recent survey by a leading publication sums it up: 'Livability is the keynote of the average post-war home, with a new emphasis on comfort, beauty, efficiency and economy—both in cost of operation and maintenance, and in woman and man-hours.' As would be expected, more attention will be directed to orientation. There will be more interest in the neighborhood surroundings and landscaping.

"Already there have appeared many improvements in building materials and equipment — but nothing radically new. As an example, National Gypsum Co., which I head up, will be ready to supply certain basic materials as soon as their wartime use has been completed. We now have in production weather-protected sheathing made from fire-proof gypsum, a vapor-proof mineral wool that will fireproof and insulate walls and roofs at low cost, a crack-resisting base for plaster and a low-cost washable paint that will make sanitary and colorful interiors. These are not new, the pre-war product has simply been improved under pressure of mass production for military use.

Need for Planning

"I, for one, am a firm believer in planning, preceded with a study that will clearly indicate a purpose for such planning. But the post-war period must be approached realistically with a philosophy of hard work and tested rules. Each of us will literally have to roll up our sleeves with even greater efforts if we would have a dynamic economy.

"In this there will be little room for those who would change the American system, under which came the highest standard of living ever known in the history of man. Their number will be small, but their efforts will be powerful and they must be constantly resisted. Study carefully their intentions and you will find they lead to some form of fascism—the very thing that our boys, you son and mine, are fighting to destroy.

"You and I, and 137 million others are America, and we can make this country what we will...

"It is generally accepted that building construction offers our greatest opportunity to jobs and prosperity. Then it follows the quicker a widespread construction program begins, the sooner jobs will be available after demobilization. By encouraging home ownership, we not only make jobs but will make better citizens. As owner of a home, he pays taxes and assumes an obligation in the community. And he will then take a greater interest in local, State and Federal governments.

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ities for a mutually helpful cooperation between the United States and Britain. It is desirable that such cooperation should take place in a steadily increasing measure. If the policies of the British Commonwealth of Nations follow the course so wisely advocated by Mackenzie King, Prime Minister of Canada, this collaboration will come as the natural consequence of the inclusive character of such policies, whereas if the practice of imperial preference and still more exclusive philosophy of the Sterling Area are adopted, then serious barriers to mutual understanding and mutual benefit will have been set up."

Calendar Of New Security Flotations

OFFERINGS

AMERICAN BAKERIES CO. — Company filed with the SEC a registration statement as amended with respect to 26,000 shares of class B stock (no par). The stock offered for sale is that of L. A. Cushman, Lewis A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Courts & Co. are named principal underwriters. Filed March 29, 1944. Details in "Chronicle," April 6, 1944. Issue offered and oversubscribed (before inauguration of Fifth War Loan) at $37.50 per share by Courts & Co., and ten other associates.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $29 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 ($404,750) are to be used for working capital. Kirkpatrick-Pettis Co. are underwriters. Filed March 30, 1944. Details in "Chronicle," April 6, 1944.

Offered June 9, 1944 by Kirkpatrick-Pettis & Co. at $29 per share.

NEW FILINGS

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

SATURDAY, JULY 1

MIDLAND COOPERATIVE WHOLESALE has filed a registration statement for $250,000 subordinated debenture notes, bearing interest at rate of 4% per annum and maturing in five and ten years from date of issue. Notes are to be sold at their face value, only to members of the issuing corporation and individual members of its corporate stockholders. Proceeds will be used to increase working capital and reduce bank loans. Filed June 12, 1944. Details in "Chronicle," June 22, 1944.

SUNDAY, JULY 2

IDAHO POWER CO. has filed a registration statement for 60,587 shares of 4% preferred stock, $100 par value. Underwriters are Blyth & Co., Inc., and Lazard Freres & Co., New York, 45% each, and Wegener & Daly, Inc., Boise, 10%. Company will offer to holders if its 7% and $6 preferred stock the opportunity to exchange their shares for new 4% preferred stock on a share for share basis together with a sum of cash (to be filed by amendment) and accrued dividends to Aug. 1, 1944. The exchange offer will be open from about July 1 to July 22. The new preferred stock will be cumulative from Aug. 1, 1944. Any shares of the 7% and $6 preferred stock not deposited for exchange will be redeemed on Aug. 1, 1944, at $110 per share plus accrued dividends to that date. The underwriters have agreed to purchase any of the 4% preferred shares not issued pursuant to the exchange offer. Filed June 13, 1944. Details in "Chronicle," June 22, 1944.

TUESDAY, JULY 4

BENGUET CONSOLIDATED MINING CO. has filed a registration statement for American depositary certificates representing 1,010,000 shares of its capital stock, par value one peso per share, equivalent in United States currency to the par value of 50 cents per share. The registration does not represent new financing on the part of the company.

Address—Port Area Building, Manila, P. I.

Business—Gold mining.

Underwriting—Allen & Co., New York, is named underwriter.

Offering—Price to the public is $1.62½.

Proceeds—No part of the proceeds from the sale of the American depositary certificates is to be received by the company. The shares are to be sold by certain vendor trusts to Allen & Co.

Registration Statement No. 2-5397. Form S-1. (6-15-44).

BENGUET CONSOLIDATED MINING CO. Jessie M. Haussermann, trustee, has filed a registration statement for American depositary certificates to represent a beneficial interest in the shares of Benguet Consolidated Mining Co. capital stock.

Address—Pond Run Farm, New Richmond, Ohio.

Business—The registrant is the sole trustee of five vendor trusts mentioned in the registration statement.

Offering and Proceeds—See foregoing registration statement.

Registration Statement No. 2-5398. Form C-2. (6-15-44).

THURSDAY, JULY 6

NATIONAL SECURITIES AND RESEARCH CORP. has filed a registration statement for 2,500,000 shares in investment trust fund, open-end diversified management type. The shares registered include bond series, low-priced bond series, preferred stock series, income series, stock series, industrial stocks series, low-priced common stocks series, and 1,000 shares of international series.

Address—120 Broadway, New York City.

Business—Investment trust.

Underwriting — National Securities and Research Corp. is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5399. Form C-1. (6-17-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 2,000,000 shares of investment trust—full certificates of participation, Keystone Custodian Fund, series S-2.

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriter—Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5400. Form C-1. (6-17-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 1,000,000 shares of investment trust—full certificates of participation, Keystone Custodian Fund, series S-3.

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5401. Form C-1. (6-17-44).

GENERAL PRINTING INK CORP. has registered 35,000 shares of $4.50 preferred stock, series A, cumulative, without par value.

Address—100 Sixth Avenue, New York City.

Business—Manufacture and sale of various types of inks.

Underwriting—Shields & Co., New York, is named principal underwriter, with names of others to be supplied by amendment.

Offering—The company is offering to the holders of the 33,926 shares of outstanding $6 cumulative preferred stock the privilege of exchanging their shares on a share for share basis for the new $4.50 preferred stock plus an amount in cash per share equal to the excess of the redemption price per share of the $6 preferred stock, $105 plus accrued dividends from July 1, 1944, to the redemption date, over the initial public offering price of the $4.50 preferred stock. Offering price to the public of stock not issued in exchange will be filed by amendment.

Proceeds—Cash proceeds from the sale of any unexchanged shares, with treasury cash, will be used to redeem, at $105 per share plus accrued dividends, all unexchanged shares of the $6 preferred stock, and to the payment of the cash adjustment payable to holders of the $6 preferred stock making the exchange.

Registration Statement No. 2-5402. Form A-2. (6-17-44).

SATURDAY, JULY 8

WILLBRIDGE CORP.—Albert F. Beringer, Clarence E. Hale, Laurence M. Symmes, Henry Cron, Harry Merdinger, John H. Livingston as voting trustees of the class A voting stock of Willbridge Corp. have filed a registration statement for voting trust certificates covering 4,928 shares of such stock.

Address — Company owns building at southwest corner of Willoughby Street and Bridge Street, Brooklyn.

Purpose—To extend voting trust agreement from April 15, 1944, to April 15, 1949.

Registration Statement No. 2-5403. Form F-1. (6-19-44).

SUNDAY, JULY 9

QUAKER OATS CO. has filed a registration statement for $10,000,000 20-year 2⅝% debentures due July 1, 1964.

Address—141 West Jackson Boulevard, Chicago, Ill.

Business—Manufacture and marketing of cereal products and feeds.

Underwriting—Harriman Ripley & Co., Inc., $2,500,000; Mellon Securities Corp., $2,000,000; Merrill Lynch, Pierce, Fenner & Beane, $1,250,000; Glore, Forgan & Co., $1,000,000; William Blair & Co., $500,000; Harris, Hall & Co., Inc., Hornblower & Weeks and Wisconsin Company, $400,000 each; Bacon, Whipple & Co., and Alex. Brown & Sons, $300,000 each; Estabrook & Co., $250,000; Stein Bros. & Boyce and Whiting, Weeks & Stubbs, Inc., $200,000 each, Farwell, Chapman & Co., and Kebbon, McCormick & Co., $150,000 each.

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

Proceeds—The net proceeds from the sale of the debentures together with $5,000,000 to be received from the sale of serial notes will be added to working capital and used as future developments of the business may require.

Registration Statement No. 2-5404. Form S-1. (6-20-44).

KEYSTONE CUSTODIAN FUNDS, INC., filed a registration statement for 150,000 shares of investment trust—full certificates of participation, for Keystone Custodian Fund, series B-2.

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5405. Form C-1. (6-20-44).

KEYSTONE CUSTODIAN FUNDS, INC., filed a registration statement for 600,000 shares of investment trust—full certificates of participation, for Keystone Custodian Fund, series B-4.

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5406. Form C-1. (6-20-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 150,000 shares investment trust—full certificates of participation, for Keystone Custodian Fund, series S-1.

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5407. Form C-1. (6-20-44).

MONDAY, JULY 10

LERNER STORES CORP. has filed a registration statement for 35,000 shares of common stock, without par value. The shares are issued and outstanding and do not represent new financing by the company.

Address—7 East Redwood Street, Baltimore, Md.

Business—Operates, through subsidiaries, a chain of 180 retail stores selling women's apparel.

Underwriting — Merrill Lynch, Pierce, Fenner & Beane head the group of underwriters. Others will be named by amendment.

Offering—Offering price to the public will be supplied by amendment. Of the shares registered 30,000 shares are being sold to the underwriters by Joseph J. Lerner, president, and 5,000 shares by Associated Lerner Shops of America, Inc., a wholly-owned subsidiary of the corporation.

Proceeds—Proceeds will go to the selling stockholders.

Registration Statement No. 2-5408. Form S-1. (6-21-44).

ARDEN FARMS CO. has registered 35,714 shares of $3 cumulative and participating preferred stock, without par value.

Address—1900 West Slauson Avenue, Los Angeles, Cal.

Business — Dairy business and related businesses.

Underwriting—None named.

Offering—The company has offered to holders of its preferred stock rights to subscribe for shares of the new preferred at the rate of one share for each 2½ shares held. The subscription price will be filed by amendment. Company proposes to sell to the public any shares not subscribed at a price to be named by amendment.

Proceeds—Net proceeds will be used to improve the cash and working capital positions of the company and to the acquisition of additional plants in connection with the development of a larger supply of dairy products.

Registration Statement No. 2-5409. Form S-1. (6-21-44).

TUESDAY, JULY 11

NEW ORLEANS PUBLIC SERVICE INC. has filed a registration statement for $34,500,000 first mortgage bonds series due 1974 and 77,798 shares of preferred stock, par $100. The interest rate on the bonds and dividend rate on the stock will be filed by amendment.

Address—317 Baronne Street, New Orleans, La.

Business—Public utility company.

Underwriting—The bonds and stock are to be offered for sale pursuant to the Commission's competitive bidding Rule U-50. Names of underwriters will be filed by amendment.

Offering—Price to the public on the bonds and preferred stock will be filed by amendment.

Proceeds — Net proceeds from sale of bonds and stock, together with such additional cash from company's treasury as may be required will be used to redeem following securities: 77,798 shares of $7 preferred stock; $11,849,500 first and refunding mortgage gold bonds, series A, 5% due Oct. 1, 1952; $17,856,000 first and refunding mortgage gold bonds, series B, 5% due June 1, 1955; $4,625,380 6% mortgage gold income bonds, series A and series B, due Nov. 1, 1949; $392,000 Canal & Claiborne Railroad Co., 6% gold mortgage bonds due May 1, 1946, and $283,000 Saint Charles Street Railway Co. first mortgage 4% gold bonds due Jan. 1, 1952. The total required, exclusive of accrued interest and dividends, is $44,039,275.

Registration Statement No. 2-5411. Form S-1. (6-22-44).

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 MACHINE & METALS, INC. filed a registration statement for $2,000,000 15-year sinking fund debentures, due June, 1959, and 68,450 shares of capital stock, without par value. The 68,450 shares of capital stock are to be offered for subscription to the holders of capital stock at the rate of one share for each four shares held. The subscription price as well as the record date and time when subscription warrants will be filed by amendment. The public offering price of the debentures will be filed by amendment. The net proceeds from the sale of the debentures and stock will be applied, together with additional funds from the company's treasury, to repay a $3,000,000 temporary bank loan which was incurred in the purchase last March of control of the United States Gauge Co. Hornblower & Weeks are principal underwriters. Filed May 31, 1944. Details in "Chronicle," June 8, 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.

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.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLEMING COMPANY, INC., has filed a registration statement for 2,500 shares of preferred stock, 5% cumulative ($100 par). Price to public $103 per share. Proceeds will be used to increase working capital through the reduction of bank loans. Beecroft, Cole & Co., Columbian Securities Corp. and Seltsam & Co., Inc., are underwriters. Filed June 3, 1944. Details in "Chronicle," June 8, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HAWAIIAN ELECTRIC CO., LTD., filed a registration statement for $5,000,000 first mortgage bonds, series D, 3½%, due Feb. 1, 1964. Proceeds will be used to pay company's $3,500,000 3% collateral promissory notes due June 1, 1948; to pay for additions, improvements and betterments of plant and properties to be made prior to the close of 1945. Dillon, Read & Co., New York, and Dean Witter & Co., San Francisco, underwriters. Filed May 23, 1944. Details in "Chronicle," June 8, 1944.

HAYES MANUFACTURING CO. has registered 100,000 shares of common stock $2 par value. 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. Porter Associates, Inc., underwriters. Details in "Chronicle," May 31. Filed May 25.

HOWARD STORES CORPORATION filed a registration statement for 27,736 shares 5¼% cumulative preferred stock, par value $100, and 50,000 shares common stock, par $1. The shares registered are issued and outstanding and do not represent new financing by the company.

Underwriting—Underwriters are A. G. Becker & Co., Inc., Chicago; Merrill Lynch, Pierce, Fenner & Beane, New York; H. M. Byllesby & Co., Inc., Chicago; Central Republic Co., Inc., Chicago; Graham, Parsons & Co., Phila.; Hallgarten & Co., New York; Shields & Co., New York; Stroud & Co., Inc., Phila.; A. E. Masten & Co., Pittsburgh; Milwaukee Company, Milwaukee; Moore, Leonard & Lynch, Pittsburgh; William R. Staats Co., Los Angeles; Stein Bros. & Boyce, Baltimore; Edward D. Jones & Co., St. Louis; Singer, Deane & Scribner, Pittsburgh; Frank B. Cahn & Co., Baltimore, and Newhard, Cook & Co., St. Louis. Filed June 9, 1944. Details in "Chronicle," June 15, 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.

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $200,000 series K 5% preferred stock and $300,000 series L 6% preferred stock, both $100 par value. 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. Company in an amendment filed June 10 proposes to offer $100,000 4% series F demand certificates and $100,000 4% series Y certificates at $100. Proceeds for working capital. Details in "Chronicle," May 31. Filed May 23.

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.

(This list is incomplete this week)

"Our Reporter On Governments"

By E. P. TEE

The commercial banks bought less new Government securities during the past six months than in any other comparable period since our entry into the war. The record is really impressive and a tribute to the management of the war financing program. . . .

Taking the weekly statement of reporting banks in 101 cities, we find that up to June 14, this year, the net increase in Government holdings has been about $1,000,000,000. . . . Compare this with the $5,500,000,000 increase reported during the first six months of 1943. . . . This 80% drop in purchases may not hold true for the entire banking system since the country institutions are not included in these figures, and they have been steady buyers recently, as indicated by the declining excess reserve position. . . .

However, a conservative guess would be that on the basis of these figures, all banks added about $2,500,000,000 to their Government security holdings during the past six months. . . . At this rate the increase for the full year should be in the neighborhood of $5,000,000,000, unless, of course, the Treasury decides to make a limited offering to the banks some time this summer. . . .

Compare this with the $19,000,000,000 addition to bank portfolios in 1942 and the same large gain in 1943, and you begin to see how largely inflationary bank financing has been eliminated from the fiscal necessities of the war. . . .

CENTRAL BANK PURCHASES

The other side of this picture has been the activities of the Federal Reserve Banks which have found it necessary to step up the amount of their Government purchases. . . . Thus, for example, the 12 central banks added about $3,500,000,000 during the first six months of this year, against only $1,200,000,000 during the first six months of 1943. . . . The increase has been largely in Treasury bills, and the reasons for the purchases have been the continued increase in currency in circulation and the necessity of keeping the banking system supplied with reserves. . . .

While there are some who may view this as central bank financing, and hence a dangerous trend, an objective appraisal should recognize the Treasury bill and circulation figure pair-off. . . . Thus, should we have a reversal in the steady increase in money in circulation, for any reason whatsoever, the Federal can allow some of its bills to run off. . . . Likewise, the Federal can continue to meet the money market's needs for credit through additional bill purchases. . . .

The Federal Reserve Board, in its June Bulletin, indicated that the currency increase will provide the main necessity for any additional central bank purchases of Governments. . . .

Discussing the prospect that the financial needs of the Government will continue to be met in larger part by individual and corporate purchases, the Bulletin declared:

"In this event additional Government security purchases by the Reserve Banks will largely be for the purpose of meeting the currency demands rather than to support further expansion in bank credit and deposits."

PUBLIC DEBT

The gross public debt on June 19 stood at $190,057,000,000, an increase of about $20,000,000,000 since Dec. 31, 1943. . . . Now if we add the estimated $2,500,000,000 commercial bank purchases and $3,500,000,000 Federal Reserve buying we get $6,000,000,000. . . . The balance of the increase, or $14,000,000,000, was raised from the public. . . . This is 70% of the total and quite the best showing made thus far in meeting the war deficit outside the banking system. . . .

It compares with 58% raised outside the banks, including the Federal, in 1943, and only 51% raised from these sources in 1942. . . .

It is well to keep these figures in mind, because we are likely to hear considerable talk over the next few weeks, in the event the Fifth War Loan goal of $6,000,000,000 in sales to individuals is not attained. . . . The main point is, the bulk of the war financing is now being accomplished outside the banking system, as figures for the first six months indicate. . . .

Although individuals did not respond to D-Day news by purchasing Fifth War Loan securities in as large volume as many competent observers expected, the drive gives every indication of being a big success, with an impressive oversubscription now likely. . . .

THE FUTURE

There is no reason to anticipate that the recent favorable trends in war financing should not be continued. . . . There is a distinct possibility that some tapering off in the volume of Government expenditures may be witnessed shortly as a result of cutbacks in war production. The speed in this direction will largely depend on the speed of our armies in France. . . .

The tax take remains at a high level and will continue so for a time at least after any cutbacks are instituted, except, of course, for payroll deductions. . . . This means that some further closing of the gap between income and outgo may develop later in the year. . . . This, of course, will call for less immediate new financings. . . .

Satisfactory progress can be reported from all fronts, including the home financing front.

Dewey, Bricker Nominated

(Continued from first page)

Douglas MacArthur; the one vote, it is said, was that of Grant Ritter of Beloit, Wis. Gov. Dewey, notified at Albany, of his nomination yesterday afternoon, left immediately by plane for Chicago, and was scheduled to reach that city at 6:30 p.m. (EWT) and to deliver his speech of acceptance last night. The name of Lt.-Commander Harold E. Stassen of Minnesota was withdrawn yesterday as a candidate for President.

A night of persuasion finally won Gov. John W. Bricker's consent to accept the Vice-Presidential nomination, said United Press advices from the Chicago Stadium by staff correspondent Lyle C. Wilson, which added that the Ohioan's withdrawal from the Presidential contest was disclosed before it was formalized when Representative George H. Bender (R., O.) announced that Bricker would make the last seconding speech for Dewey.

From the same advices we quote:

"J. Russell Sprague, New York National Committeeman, who helped to manage Gov. Dewey to a draft nomination, announced on the convention floor that Bricker was willing.

"This dramatic development, clearing the last vestige of dissidence among the Republicans, came shortly before Gov. Dwight Griswold of Nebraska placed the 42-year-old New Yorker in nomination as the one man best qualified to sink the New Deal because he is headed 'in the direction the American people want to go.'

"On the roll call of States preceding Gov. Griswold's speech, Alabama yielded to Nebraska and all other delegations passed except Minnesota and Wisconsin.

"Minnesota announced that it had a candidate—Lt.-Commander Harold E. Stassen—and Chairman George R. Cady of the Wisconsin delegation said a member from that State would put Gen. Douglas MacArthur in nomination.

"These were the only obstacles, apparently, to nomination of a Presidential ticket by acclamation.

"Gov. Griswold's speech stirred the delegates to applause. His declaration that Dewey will 're-store the Presidency of the United States to the American people' was just the kind of victory meat the delegates had been hungering for."

U. S. A.—Debtor Nation?

(Continued from page 2691)

the fact that considerable portions of foreign investments in this country are owned by foreigners temporarily domiciled in the United States, so that America's stake aboard would have to be reduced by such amount as is represented by property owned by foreign nationals who now reside in this country, thereby increasing further the extent to which the United States constitutes a debtor country.

Since a good deal of the money which is now pouring into the countries South of the Rio Grande under the auspices of the various governmental agencies is not expected to be repaid in full or in part, it would not seem advisable to include such amounts within any estimate of American investments in foreign countries. The same applies to the many billions of dollars which are now being advanced to America's allies in connection with the war effort under Lend-Lease and other aid and relief programs.

Since future currency and trade policies will of necessity depend upon whether or not this country is a debtor or a creditor country, it is apparent that governmental authorities charged with guiding the financial destinies of the American people should take into consideration the changed status of this country and formulate their future programs accordingly.

In view of the fact that in the past the United States was looked upon as a creditor nation **par excellance**, relatively little attention was paid to the attitude which America's debtor countries displayed towards their United States creditors. With the profound change which is now taking place, the attitude of debtors will play an increasingly important role in the economic and fiscal structure of the nation.

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