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The Next Ten Years

Babson Says Long Range Forecasting Necessary

While I have built my business on the long-pull outlook, I ordinarily confine my newspaper predictions to periods not more than a year in advance. However, in view of the very broad changes which are taking place in U. S. business and political economy, I now feel it advisable to look much further ahead.

Roger W. Babson

General Business Outlook

Re-negotiation in most instances is not the wolf that most war producers thought it would be. Reconversion to peacetime operations is, likewise, well in hand. While this may temporarily disrupt labor and interfere with profits, the change-over will be gradual and

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In This Issue

Special material and items of interest with reference to dealer activities in the State of Pennsylvania appears on page 74.

General index on page 96.

What Price Economic Security?

By PHILIPP H. LOHMAN, Ph. D.

Holding That The "Price Tag" Of Economic Security Is Disregarded, Dr. Lohman Doubts That Farmers, Consumers, Business Men And Workers Can Be Free In Their Economic Decisions And Still Have Economic Security—Predicts Rigid Post-War Interest Rates Will Hamper Capital Markets And States That Socialization Of Bank Credit May Be Around The Corner—Maintains The Price Of Progress Itself Is Insecurity

Oscar Wilde's statement that Americans knew the price of everything and the value of nothing used to be not only widely quoted abroad, but Americans at home referred to it often in an effort to stimulate social consciousness. Nearly five years of war have fundamentally altered American ideas of values. But now the price tag is disregarded. Some do not dare look at the tag. Myopics simply do not see it. Demogogues fear mentioning it lest it should curb their indoctrination attempts.

P. H. Lohman

So far no classification has been worked out for all the post-war plans for so-called full employment. No doubt, it remains as a fertile field for post-war Ph. D. candidates. The almost infinite number of curlicues with which planners have endowed their projects is a tangible monument to the one thing planners implicit-

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Responsibilities In Post-War Problems

By WILLIAM L. BATT *

Vice-Chairman for International Supply, War Production Board

Mr. Batt Foresees Insistence On Maintenance Of National Income Of 140 Billion Dollars—Among Other Things Says Responsibility Of Government Calls For Balancing Savings And Investments And Maintaining Demand And Purchasing Power—Holds Union Leadership Should Be Expected To Support A Policy Of Larger Production At Lower Final Costs

. . . While urging full all-out deliveries of things the Army and Navy so vitally need, there is every reason why people should ask themselves what is going to happen when it is all over. We don't live for war, and the things of peace represent our natural and normal interests. What kind of a country do we want these United States to be in peacetime and what sort of problems are we likely to encounter in getting there? It's not too early now to do some thinking about the character of the national pol-

W. L. Batt

* An address made by Mr. Batt before the Duluth Chamber of Commerce, Duluth, Minn., on June 29, 1944.

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Monetary Conference Under Way

By HERBERT M. BRATTER

Special Correspondent of "The Commercial and Financial Chronicle"

Roster of Delegates Published — Silver Bloc's Demand For Bimetallism First Disturbing Note—Question Of Status Of Gold Crops Out—General Optimism Regarding An Agreement

BRETTON WOODS, N. H., July 5—The United Nations Monetary and Financial Conference formally opened with the sponsor's desire to keep the "wartime united front" as the dominant undercurrent. It already has been cropping out in various ways. Starting with Secretary Morgenthau's initial address (printed elsewhere in this issue) and his "we-are-at-war" plea to the press for co-operation, it is further borne out by the repeated private expressions of "unity" by the delegates, particularly those of the United States. The British delegation, though comprising 15 experts headed by Lord Keynes, has been keeping in the background as far as private expression of opinion goes. Besides the representatives appointed by Great Britain, the delegation of Egypt, Iraq, and India comprise either members who are Britishers or British Advisors. Although the final and complete roster of delegates has not yet been issued, the tentative list, as far as can be ascertained, is published on another

Herbert M. Bratter

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Lord Keynes Outlines Plan For International Bank

As Chairman Of Commission II, Charged With Drafting A Bank Plan, He Points To International Reconstruction As The First Objective—Holds A Second Duty Is To Develop The Resources And Productive Capacity Of The World—Bank Will Make Direct Loans, Will Guarantee Loans, And Will Borrow From Public For Lending—Admits U. S. Will Be Chief Source Of Funds, But Other Members Become Jointly Responsible For Their Safety

On July 3, at the United Nations Monetary and Financial Conference, Lord Keynes, who was made chairman of Commission II of the Conference, charged with deliberating upon and drafting a plan for a permanent international loan bank, made his opening address to the member delegates of his group. In his remarks, Lord Keynes outlined the general plan of the proposed institution, following the lines of the proposal previously laid down by the Treasury Department. [See Chronicle of Oct. 14, 1943, p. 1486—Editor.]


Lord Keynes

"It is our hope," Lord Keynes stated, "that the institution of the bank for reconstruction and development, to which this commission is to devote its work, will serve the purposes of increasing the wealth, prosperity and friendship of the participating countries in two main respects.

In the first place, it will be authorized in proper cases and with due prudence to make loans to the countries of the world which have suffered from the devastation of war, to enable them to restore their shattered economies and replace the instruments of production which have been lost or destroyed. It is no part of the purpose of UNRRA to provide funds for reconstruction as distinguished from the necessary relief and rehabilitation in the days immediately following liberation. There is, therefore, at present a gap in the proposals of the United and Associated Nations which is not yet filled, and to fill which there is no proposal

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Thos. Sherman With Stein Bros. & Boyce

BALTIMORE, MD.—Thomas H. Sherman has joined the investment department of Stein Bros. & Boyce, 6 South Calvert Street, members of the New York and Baltimore Stock Exchanges and other leading Exhanges. Mr. Sherman was formerly manager of the Baltimore office of Newburger & Hano; prior thereto he was a partner in E. R. Jones & Co. and was with Mackubin, Legg & Co.

Pyramiding Inflation

By ALDEN A. POTTER

Administration's Price Policies Criticized For Squeezing Profits So As To Allow Wage Increases, While Minimizing Price Increases — Author Holds Subsidized Prices Deprive Government Of Taxes And States That Higher Prices Are Less Inflationary Than Subsidies For They Close The Gap Of Purchasing Power — Sees Greatest Danger In Unspendable Money Supply

I. "Opportunity Costs"

The really inevitable spiral of inflation is a matter, not of living costs, but of what economists have called "opportunity costs." It applies, not just to wages, but to every source of income in which better opportunities arise. In the wage field it applies to low-paid, unorganized labor rather than to highly-paid, organized labor; and it develops in time of war first because of the shift from under-employment and lack of opportunity, to labor shortage and abundant opportunity, and second because of inflation in the money supply which pyramids these opportunities and the costs to which they give rise.


Alden A. Potter

The labor union is organized to monopolize its field and prevent competitively low wage rates when under-employment prevails. The union can do nothing to prevent competitively rising wage rates under wartime condi-

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Lazard Freres Admits Singer To Partnership

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange announce that Louis N. Singer who has been associated with the firm for over twenty years has been admitted as a general partner.

Schaack Now Pres. Of Cgo. Trade Board

CHICAGO, ILL. — Harry C. Schaack, Shearson, Hammill & Co., has become president of the Chicago Board of Trade, succeeding Philip R. O'Brien who has resigned. Mr. Schaack became first vice-president of the Board of Trade in 1943.

R. J. Hickey Associated With Kneeland & Co.

CHICAGO, ILL.—Richard J. Hickey has become associated with Kneeland & Co., 141 West Jackson Boulevard. In the past Mr. Hickey was with Langill & Co., Shields & Company, and Rogers & Tracy.

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Other Publications
Bank and Quotation Record—Mth. $20 yr.
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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

New Committee On International Economic Policy Formed

Winthrop W. Aldrich Announces Its Organization In Co-operation With Carnegie Endowment For International Peace—Comprises Leaders Of Business, Industrial, Educational And Religious Groups—Issues A Pamphlet Proposing A United Nations Economic Organization To Act As A Clearing House In Concerted Effort To Promote Mutual Prosperity

Winthrop W. Aldrich, chairman of the board of the Chase National Bank, made public on July 3, the formation of The Committee on International Economic Policy "to further the serious and competent consideration of the issues which confront all the free peoples of the world and which imply their useful co-operation in reconstructing their economy after the victory of the United Nations."

W. W. Aldrich

The committee has been organized in cooperation with the Carnegie Endowment for International Peace, he said. He is its chairman, and Dr. Nicholas Murray Butler and Thomas J. Watson are the honorary chairmen. Clark H. Minor, president of International General Electric and chairman of the Foreign Trade Reconstruction Committee of the National Foreign Trade Council, is chairman of the executive committee.

Fifty-four leaders of national business, industrial, educational and religious groups presently compose the new committee. Included in its board of 16 directors are Eric A. Johnston, president of the United States Chamber of Commerce; Robert M. Gay-

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International Monetary Fund Will Promote Exchange Stability: White

U. S. Treasury Expert And Author Of "White Plan" Sees Fund As Means Of Averting Economic Warfare

At the opening meeting of Commission I of the United Nations Monetary and Financial Conference, Harry D. White, the U. S. Treasury Expert, who is Chairman of the Commission, to which is assigned the task of drawing up the final plan for the creation of a Monetary Stabilization Fund, made a brief statement to the members in which he gave a practical illustration of the advantages of the "multilateral approach" in the promotion of international markets and the creation of permanent facilities for international monetary co-operation.

"Each of the United and Associated Nations," Mr. White stated, "has as a fundamental objective the creation of as full production and employment as is possible in its own country. This is the only practical way to improve the standard of living in the peace-loving nations. But this objective is attainable only if there is the fullest trade among the nations based on the interests of all. It cannot be achieved if military warfare is followed by economic warfare—if each country, to the disregard of the interests of other countries, battles solely for its own short-range economic interests. The unrestrained economic

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Significant And Insignificant Happenings At Bretton Woods

BRETTON WOODS, N. H., July 5.—In view of the many difficult problems raised by the selection of the Mount Washington Hotel here as the scene of the United Nations Monetary and Financial Conference, there has been much curiosity among the crowded delegates and newsmen as to just who had selected the site. The answer is: Secretary Morgenthau. One reason was the desire of Lord Keynes, who has not been well, for a cool spot. Certainly Bretton Woods is cool and pleasant, a quiet, green and soothing garden of the gods, circled by mountain ramparts which, until this monetary gathering stormed over the top, sheltered this valley from the turmoil of the war.

* * *

Harry White has been doing a good job of explaining highly complicated features of the two plans to daily press seminars. He compliments the press on the intelligence of their questions, which exceeds that of "some other groups" that have met with him.

* * *

House Committee contest for jurisdiction over monetary fund and world bank legislation which may result from Bretton Woods conference appears certain. This is evident from appointment of House Banking Committee members as delegates. Obviously, the Administration intends for that committee to have jurisdiction, but old rivalry with Coinage Weights and Measures Committee is actively present. Originally it was not intended to have coinage committee members here, but they insisted and Chauncey Reed and

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5% Spread "Policy" Awaiting Decision

SEC To Determine Whether The NASD's "Philosophy" Is A Rule

Pursuant to leave granted on the occasion of the public hearing at Philadelphia before the Securities and Exchange Commission, briefs and replying briefs on the subject of whether the 5% doctrine is a rule and what ought to be done about it have been filed by the Securities Dealers Committee, S. C. Parker & Co., Inc., of Buffalo, and the National Association of Securities Dealers.

July 5th was the last day for all briefs to be in.

The controversy involved was precipitated as a result of the adoption by the NASD Board of Governors of a policy which imposed upon members a 5% spread limitation and a duty to show to the satisfaction of the Business Conduct Committees that no violation has occurred in transactions where this spread is exceeded. Such policy was adopted without its being submitted to the membership for their vote.

The 5% Policy, a Rule

In behalf of S. C. Parker & Co., Inc., Frank J. Maguire, of counsel, urged the following propositions:

I. The "5% Rule," so-called, is in law and in fact a rule.

II. The grant of legislative power to the NASD is an invalid grant, unless so restricted as to protect the members of the association.

III. The Board of Governors had no power to adopt or amend any rule without submission of the proposal to the members for their vote.

IV. The rule, on its merits, is uneconomic and an improper restriction on a member dealer's freedom of action in his business.

V. The Securities and Exchange Commission should by order abrogate forthwith the so-called "5% Rule."

Dealing with the merits of the 5% spread, Mr. Maguire said:

"The dealer on whose behalf this brief is filed seeks no license to make unwarranted or uncon-

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Unitive Clearing

By J. H. CLIFFORD JOHNSTON

Chairman, Guardian Investment Trust Co., Ltd., London, Eng.

Prominent Investment Trust Official Proposes An International Clearing System, With A Resumption Of The Minting Of The British Gold Sovereign And The Re-Distribution Of Gold In America By Means Of Loans Safe-garded By An Insurance Policy—Attacks Keynes And White Plans As "Mixing Up Banking With Clearing"—Urges Re-adoption Of International Gold Standard

In 1770 a few bank clerks, just to save themselves trouble, determined to meet for luncheon and a glass of beer at a Lombard Street tavern, and there to exchange the cheques that they should have left at the various offices. This led to a most remarkable evolution in our banking system—the clearing house. Today the central banks can inaugurate a similar revolution in international banking by meeting in an agreed clearing house day by day to make their exchanges in like manner.

The object of the following suggestion is to persuade the nations to give up devaluing their currencies, and to stabilize money on the pre-1914 basis.

This would be accomplished by means of a clearing house for international trade—which would enormously economize gold—and a gold coinage as the official yardstick of a stable currency.

A clearing house for international trade would be merely a machine and, therefore, could be established by the central banks of the nations on their own initiative straight away, without reference to anyone, so the first step towards providing free access to raw materials is for bankers to:

(1) Create a separate department of the bankers' clearing house for international trade and place it at the disposal of the central banks of the cooperating nations.

(2) The clearing balances to be settled by credit and debit entries in a branch of the Federal Reserve Bank or a bank nominated thereby.

Note—No banking capital would be involved, as each debit balance would have its corresponding credit entry. The credit entries would earn interest and could, if desired, be withdrawn by purchasing gold or goods, thus creating new credits in their places.

(3) The par of exchanges existing before 1914 to be taken as the basis on which the various currencies are translated into terms of gold within the clearing house.

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M. B. Starring With Graham, Parsons & Co.

Graham, Parsons & Co., members of the New York Stock Exchange, announced today the appointment of Mason B. Starring, Jr., as head of the stock department in the firm's New York office, 14 Wall Street. For the last seven years Mr. Starring has been in charge of the stock department at Kidder, Peabody & Co., and before that served in a similar capacity with R. W. Pressprich & Co. From 1926 to 1929 he was a partner in the Stock Exchange house of Campbell, Starring & Co. Formerly a governor of the Bond Club, Mr. Starring is now a director in several corporations, including Virginia-Carolina Chemical Co. and Standard Safe Deposit Co.

M. B. Starring, Jr.

Pell & Co. Will Admit William Erb As Partner

Pell & Co., 14 Wall Street, New York City, members of the New York Stock and Curb Exchanges, will admit William M. Erb to partnership in their firm as of July 15. Mr. Erb was formerly in charge of the uptown New York office of Granberry & Co., Frazier Jelke & Co., Dyer, Hudson & Co., and was with other Stock Exchange firms in a similar capacity.

Ganson Purcell Again Chairman Of SEC

Ganson Purcell has been re-elected Chairman of the Securities and Exchange Commission for the year ending June 30, 1945.

Ganson Purcell

Appointed to the Commission's staff as an attorney in August, 1934, Mr. Purcell served as a director of the Trading and Exchange Division from 1937 to June, 1941, when he became a Commission member. He became Chairman of the Commission in 1942.

Post-War Possibilities

Moxie offers interesting possibilities according to a circular on the situation issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this circular may be had from J. F. Reilly & Co. upon request.

Carter Corbrey Co. To Open L. A. Branch

Carter H. Corbrey & Co., wholesale distributors, of 135 South La Salle Street, Chicago, Ill., are planning to open an office in Los Angeles, to service Pacific Coast dealers.

Mr. Corbrey will be at the Los Angeles Biltmore Hotel for the next few weeks in this connection.

Mitchell, Hutchins & Co. Honor 25-Yr. Employees

CHICAGO, ILL. — Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges and other exchanges, are honoring Fred Lang, A. L. Wilson, Jack Sutherland and Miss Catherine Kennedy who have completed 25 years in the firm's service.

Hugh W. Long & Co. Moves To New York

Effective July 1st the firm of Hugh W. Long and Company, originally at 44 Wall Street and more recently in Jersey City, has occupied the entire 22nd floor of the Bank of New York building at 48 Wall Street, New York City.

Organized in 1936, Hugh W. Long and Company is national distributor of the shares of New York Stocks, Inc., Manhattan Bond Fund, Inc., Fundamental Investors, Inc. and Investors Fund "C", Inc. These open-end investment companies have total assets exceeding $43,000,000.

The firm is headed by Hugh W. Long, President, who has been actively identified with the investment security business since 1918. Formerly associated with several of the leading underwriting and banking organizations of the country, as well as having headed his own general investment distributing firm, Mr. Long in more recent years has confined his investment activities to the rapidly growing investment company field.

Other officers of the firm include Ernest J. Lewis, Executive Vice-President (Los Angeles); Vernon S. Vivian; C. Elwood Kalbach; Arthur M. Hoagland (Cincinnati); Harry L. Sebel (Chicago) and John A. Straley, Vice Presidents; Thomas F. Chalker, Treasurer and L. C. McDannel, Secretary.

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.

Richardson, Secretary Of Sec. Commissioners

Allan S. Richardson, Commissioner of Securities for Colorado, has been elected Secretary of the National Association of Securities Commissioners, succeeding Vern G. Zeller, resigned.

Allan S. Richardson

Mr. Zeller, who was also director of the Department of Securities of Wisconsin, has resigned that post also and is now with Ray-O-Vac Company of Madison, Wis. Edward J. Samp has been appointed Director of the Wisconsin Securities Department to succeed Mr. Zeller.

Theodore N. Ofstadahl has been appointed Securities Commissioner for Minnesota, succeeding Robert L. Smith, Jr., who has resigned.

Richard B. McEntire has been appointed Chairman of the Kansas State Corporation Commission, to succeed Clarence V. Beck, resigned.

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.

Delegates To The United Nations Monetary And Financial Conference

At Bretton Woods, N. H., July 1 to July 20, 1944

The following list of delegates is "provisional" and the names do not include advisors, secretaries and other attaches. The Denmark representatives appear only as "observers," and not as delegates.

Australia

Leslie G. Melville, Economic Adviser to the Commonwealth Bank of Australia, *Chairman;* J. B. Brigden, Financial Counselor, Australian Legation, Washington; Frederick H. Wheeler, Commonwealth Department of the Treasury; Arthur H. Tange, Commonwealth Department of Post-War Reconstruction.

Belgium

Camille Gutt, Minister of Finance and Economic Affairs, *Chairman;* Georges Theunis, Minister of State, Ambassador at Large on Special Mission in the United States, Governor of the National Bank of Belgium; Baron Herve De Gruben, Counselor, Belgian Embassy, Washington; Baron Rene Boel, Counselor of the Belgian Government.

Bolivia

Rene Ballivian Calderon, Financial Counselor, Bolivian Embassy, Washington, *Chairman.*

Brazil

Arthur de Souza Costa, Minister of Finance, *Chairman;* Valentim Boucas, Special Adviser to the President of Brazil, Commission to Control the Washington Agreements; Francisco Alves dos Santos Filho, Director, Exchange Bank of Brazil; Octavio Bulhoes, Chief, Division of Economic and Financial Studies, Ministry of Finance; Eugenio Gudin, Economic and Financial Council, and Economic Planning Committee; Victor Azevedo Bastian, Director, Banco de Provincia do Rio Grande do Sul.

Canada

The Honorable J. L. Ilsley, Minister of Finance, *Chairman;* Hon. L. S. St. Laurent, Minister of Justice; D. C. Abbott, Parliamentary Assistant to the Minister of Finance; Lionel Chevrier, Parliamentary Assistant to the Minister of Munitions and Supply; J. A. Blanchette, Member of Parliament; W. A. Tucker, Member of Parliament; W. C. Clark, Deputy Minister of Finance; G. F. Towers, Governor, Bank of Canada; W. A. Mackintosh, Special Assistant to the Deputy Minister of Finance; L. Rasminsky, Chairman (alternate) Foreign Exchange Control Board; A. F. W. Plumptre, Financial Attache, Canadian Embassy, Washington; J. J. Deutsch, Special Assistant to the Under Secretary of State for External Affairs.

Chile

Luis Alamos Barros, Director, Central Bank of Chile, *Chairman;* Alfonso Fernandez Martorell, General Manager, Amortization Bank of Chile; Arturo Maschke Tornero, Assistant General Manager, Central Bank of Chile; Fernando Mardones Restat, Assistant Gen-

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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 and Indiana limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

Dewey Believes SEC Should Be Retained

Belief that the Securities and Exchange Commission should be retained was expressed on June 29 at Chicago by Gov. Thomas E. Dewey of New York in his first press conference since his nomination as Republican Presidential candidate, according to advices from that City to the New York "Journal of Commerce," which further reported his views as follows:

"By and large, I think the SEC one of the best things the present Administration has done," Governor Dewey declared. As to its own administration, however, the SEC has not done its best to stimulate the flow of capital."

Governor Dewey also declared for State regulation of insurance. He asserted that he was pleased with the foreign trade and anti-food subsidies planks of the Republican platform. He also expressed the opinion that Federal aid would be needed to provide re-employment during the post-war period of transition back to civilian production.

Discussing foreign policy, Governor Dewey said that he was opposed to an international police force if that meant an army with American soldiers directed by some disembodied spirit in the form of a world agency. He expressed approval of what he interpreted as the plank in the platform declaring for establishment of a world court.

Plans also were discussed for a conference between Governor Dewey and the 26 Republican Governors about a month from now to map their part in the campaign.

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.

Van Alstyne, Noel & Co. Adds Bouldin To Staff

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members New York Stock Exchange, announce that Warner Bouldin, formerly of the Bank of the Manhattan Company has become associated with them in their Sales Department.

Real Estate Securities

By JOHN WEST

Fate of 2nd Mortgage Bonds of 61 Broadway Indicative of the Danger of Junior Liens

The well-known phrase "History Repeats Itself" is very true. Yet, human nature is such that in any kind of a boom, people are prone to forget the pitfalls of the past and repeat the same mistakes.

The collapse of the real estate security market in the early 30's was due in part to the fact that the demand for real estate securities became so great, that the underwriting firms in order to meet that demand let down their bars of caution and sold the public real estate bonds secured by junior liens. The curtailment of income in the depression years resulted in the inability to meet first mortgage charges, leaving nothing at all for these junior liens.

In subsequent reorganizations some of these junior liens were left intact and now once again we find the prevalent boom in real estate securities having the unfortunate aspect of the demand for this type of security, also including the purchase of bonds secured only by a junior lien.

While it is true that quite a few first mortgage real estate bonds have been paid off at maturity, the majority of these bond issues seem to be continually forced to reorganize. The trend of what may happen to junior lien holders when there is a large funded debt ahead of them, may be visualized by the experience of the 61 Broadway reorganization just concluded. The plan approved in this case resulted in the $2,125,000 second mortgage bondholders receiving the choice of a small amount of ownership stock in the building, or $12.50 per $1,000 bond.

The SEC statement in this reorganization is important; we quote their opinion: "Before the Court may approve a plan, it must also find that it is fair. The doctrine of fairness requires that holders of the senior securities be fully compensated before junior security holders may participate in reorganization. Unless the value of the debtors assets exceed that amount of its liabilities, stockholders must be excluded from the plan. Similarly, second mortgage bondholders may not participate unless either (1) there is an equity in its mortgaged property above the claims of the first mortgage, or (2) there are free assets not subject to the first mortgage."

It is possible that some of these old junior lien bond issues still have some value, but it would seem preferable to us for safety sake, if one wishes to speculate with junior lien bonds, to buy only those where the funded debt ahead is small enough to insure some protection of principal in the event of a reorganization.

New Committee On International Economic Policy Formed

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lord, president of the National Association of Manufacturers; Paul G. Hoffman, chairman of the Committee for Economic Development; Eliot Wadsworth, chairman, American Section, International Chamber of Commerce; A. L. M. Wiggins, president, American Bankers Association; J. Clifford Folger, president, Investment Bankers Association; E. P. Thomas, president, National Foreign Trade Council; Fred I. Kent, treasurer, National Industrial Conference Board; Leon Fraser, president, First National Bank of New York, and John W. Davis, vice-president and a trustee of the Carnegie Endowment for International Peace.

In making this announcement Mr. Aldrich released copies of a pamphlet report on "World Trade and Employment," which has been submitted to the main committee by an advisory committee on economics under the chairmanship of Dr. James T. Shotwell, director of the division of economics and history of the Carnegie Endowment for International Peace. Mr. Aldrich emphasized that "responsibility for the views and proposals put forward in the report is that of the advisory committee which prepared it."

Copies are being distributed, he said, to all members of the United States Senate and House, to some 50 national organizations which supported last year the extension of the Reciprocal Trade Agreements Act, and to the heads of other business, farm labor, religious, veterans and civic organizations, as well as to local representatives of the United Nations.

The 19-page document offers a plan of action for the United Nations, which is "designed to create a world of expanding trade and equal trading opportunities for all peoples." The committee presenting the report consists of Dr. Shotwell and Robert D. Calkins, dean of the School of Business, Columbia University; Alexander V. Dye, former director of the United States Bureau of Foreign and Domestic Commerce and presently economic consultant to the National Foreign Trade Council; Calvin B. Hoover, dean of the Graduate School, Duke University, and consultant to the Committee for Economic Development; Wesley C. Mitchell, professor of economics, Columbia University; Ralph Barton Perry, Edgar Pierce, professor of philosophy at Harvard University and chairman of the Universities Committee on Post-War International Problems; Noel Sargent, economist and secretary of the National Association of Manufacturers; Emerson P. Schmidt, professor of economics, University of Minnesota and presently associated with the United States Chamber of Commerce, and John H. Williams, Nathaniel Ropes, professor of political economy, Harvard University, and vice-president of the Federal Reserve Bank of New York.

The report carries as an introductory note the following statement of the policy and purposes of the Committee for International Economic Policy:

"The immediate aim of the Committee on International Economic Policy is to further the serious and competent consideration of the issues which confront all the free peoples of the world and which imply their useful cooperation in reconstructing their economy after the victory of the United Nations. To that end the Committee will welcome the cooperation of all organizations and individuals who are interested, and will be happy to receive the comment and suggestions which it hopes that publication of a series of reports from its Advisory Committee on Economics may call forth. The Committee looks forward to an exchange of views and data with all other committees engaged in post-war studies."

The committee further states that this pamphlet report is the first in a projected series of studies.

Digest Including Direct Quotations from Advisory Report

Emphasizing that international trade is not an end in itself but is a means to the primary goal of "steady employment at remunerative work yielding high living standards," the Advisory Committee makes these, among other, comments in their report:

"Employment is more than a national problem. It is an international question, the solution for which can be found only in an expansion of world trade and economic cooperation. . . . The traffic must be two-way. Trade is a two-way street. . . . A fair adjustment of trade barriers is essential to promote balanced trade development.

"The great industrial countries, and many of the vigorous agricultural exporting countries, are now geared to outputs that can be absorbed only by a peaceful world of expanding trade and rising living standards. . . . There is, however, no possibility of utilizing this productive capacity which modern science has made available, or of meeting the basic human needs of consumers the world over, unless the channels of international trade are opened and kept open on a basis as fair to one country as to another. . . .

"The moment is at hand to sweep away the nationalistic political devices by which international trade in the recent past has been made an instrument of economic warfare. In peace, as in war, the initiative is an important element of success in any venture. Such an initiative, carefully prepared and resolutely pursued, could make trade once again a means of mutual enrichment and an instrument for enhancing the common welfare, instead of an aspect of rearmament and a tool of aggression.

"There is a universal demand that mass unemployment shall not be allowed to develop in the post-war period as it did in the depression which began in 1929. That demand is as insistent as it is widespread. Governments will not ignore it. If private enterprise flags, they may be expected to take internal measures to sustain and promote employment. Such measures can only be national in character. But they are only too pat to fail of their purpose unless they are adjusted to the international economy."

The Principles Proposed

A summary follows of some of the principles designed to constitute a framework for the United Nations within which international trade can expand:

National Treatment—The great expansion of world trade in the latter half of the 19th century was made possible by the extension of a network of Treaties of Commerce and Navigation which may be said to have constituted an accepted code of international commercial law. They specifically defined the rights of aliens engaged in peaceful commerce and assured to foreign traders parity of status with the nationals of each contracting party.

In the period of aggressive economic nationalism which preceded the outbreak of this war, many long-standing Treaties of Commerce and Navigation had been replaced by short-term agreements. The result was that national governments obtained discretionary powers over the status of alien traders, and dictatorial governments made the administration of law a matter of arbitrary interpretation. The alien trader in practice found that he had lost whatever rights he may have thought remained to him under international as well as national law. What is needed now is a single international convention which shall incorporate the general principle that alien traders shall be entitled to receive the same treatment as is secured to citizens by their own country.

Most-Favored-Nation Treatment—The principle of most-favored-nation treatment, which has long been observed as a part of the trading policy of the United States, should be given effect.

Simplification of Formalities—Regulations governing international trade should be clear and simple and should be freed from needless complexities. Invoice requirements should be reasonable, tariff classifications should be uniform, procedure should be stable, and excessive and oppressive penalties should be eliminated.

Unfair Competition—Provision should be made by agreement between nations to prevent unfair competition in international trade.

Commercial Arbitration—National courts should recognize and enforce the validity of arbitration clauses in international commercial contracts.

Double Taxation—The principles for the elimination of double taxation should form an integral part of the agreement.

Import Prohibitions and Quotas—The proposed agreement should provide against restrictions on imports that would disrupt the normal flow of international trade.

Exchange Control—International commercial transactions call for proper agreements relating to the rates at which the currencies of different countries can be exchanged.

Tariffs and Their Stabilization—Provision for a permanent international tariff commission should be made constantly to study and make recommendations for adjustment of trade barriers which will assist nations in reaching agreement as future conditions may demand.

Ransom, Albany Manager For Barrett Herrick & Co.

ALBANY, N. Y.—William I. Ransom has been appointed manager of the office of the investment firm of Barrett Herrick & Co., Inc., 75 State Street, it is announced.

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.

Tomorrow's Markets Walter Whyte Says—

"Jump" openings bring new buying overcoming selling. Public now in with both feet as inflation fears take hold.

By WALTER WHYTE

One of the hardest markets to analyze is one ruled by hopes and fears. This is the kind of a market we are having now where mob psychology is the dominant factor.

* * *

Right now the bete noire of the ticker tape is the word inflation. How it will take hold, who will be hurt and who will benefit by it nobody really knows. The farm bloc believes it will benefit; labor believes it will be hurt. In between there is plenty room for argument. But one thing everybody agrees on and that is to get rid of money and buy things. In the stock market this conversion into things is stocks, common stocks, or preferred with common conversion privileges. With almost everybody trampling on each others' heels to make the exchange, resistance points and other technical barriers are meaningless.

* * *

How long such a market can go on and disregard factors which spell danger to the initiative is a moot question.

* * *

A few weeks ago when invasion fears were paramount, I wrote that actual D-Day would probably set off an advance instead of the widely feared decline. After a few days of hesitation that is exactly what happened. In between there were days when stocks wavered but at no time did they break.

* * *

Last week I saw what I believed were strong technical barriers which would stop any additional advance. Obviously I didn't reckon with a public psychology and a wide open pocketbook. For despite the better selling that came in the buying, even though poor in quality, was sufficient to take care of it.

* * *

Paradoxically such a condition sometimes brings good buying back again. For the buyer who sells (assuming he's a professional) feels he is getting close to a high for his stock. Basically, however, the professional and the tyro are brothers under the skin. If the former gets out and then sees his stock proceed merrily up without him he, being human, is likely to forget all his hard earned lessons and dive right back again. The tyro, untroubled by supply and demand areas, technical obstacles and other tricks of the trade familiar to the professional, just holds on. He may even buy more. The result is a fast market, big volume,

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Railroad Securities

Illinois Central is the latest of the railroads to institute proceedings looking toward simplification of the leased line situation through elimination of outstanding stock. The road, and the subsidiary Chicago, St. Louis & New Orleans, have filed application with the Interstate Commerce Commission for authority to issue $8,700,000 of 4% bonds to be exchanged for a like amount of the Illinois Central 4% leased lines certificates. The certificates are secured by pledge of the Chicago, St. Louis & New Orleans stock.

The wave of bond exchange offers for leased line stocks was first started by Delaware, Lackawanna & Western as a move to eliminate the income tax problem which had been the subject of extended litigation. The Illinois Central proposal is expected to result in an annual saving of around $150,000 to the system. That portion of leased line rentals going to pay dividends on stocks is subject to Federal income taxes while the portion going to pay bond interest, expenses, etc. is not.

While the rental saving to Illinois Central from the proposed exchange is not in itself too important from a money angle, it is important as being indicative of the substantial progress the company has made along all lines in recent years in putting its financial house in order. The road was handicapped to some extent in its debt retirement efforts by the fact that it was fairly heavily indebted to the RFC at the outset of the war boom. This debt had to be paid at its full face value, thus diverting funds that might more effectively have been used to purchase bonds in the open market at substantial discounts. This RFC debt was finally eliminated last year through the unique vehicle of a serial equipment obligation secured on the company's old equipment on which the original equipment certificates had already run out.

Despite the handicap of the RFC obligation the company has done an outstanding job of debt retirement. Since the beginning of 1941 the non-equipment debt of the system has been reduced more than 21%, a rate exceeded by very few of the marginal carriers. Moreover, the management has left no room for doubt that this program will be continued aggressively so long as earnings are available for such a purpose, and until a sound capital structure has been achieved. At the annual meeting last May Mr. Beven, President of the company, announced that fixed charges had by then been reduced to an annual level of around $12,000,000 and that the goal was $10,000,000 before consideration would be given to dividends on the stocks.

Last year actual fixed charge accruals were $14,142,258 and at the outset of the depression of the early 1930s the company was supporting a burden of $17,667,000 of fixed charges.

If traffic and revenues were to return to the average 1938-1940 level (considered far too pessimistic a possibility to be given serious consideration for quite a few years at least) it would be necessary to carry only 11% of the gross through to net operating income to support the present fixed charges. If charges are reduced to $10,000,000, which is viewed as a good probability, they would absorb only 9% of the 1938-1940 average gross. Either would be a relatively light burden for a property of Illinois Central's efficiency.

Basically the road benefits from a relatively substantial proportion of bulk goods moving in full train loads, which inherently is profitable traffic to handle, and a ratio of wages to gross well below that of the industry as a whole. This factor of low wage costs in relation to the business handled is apt to prove of added importance in the post-war years when business and traffic return to normal. Indicative of the road's efficiency, it was able to carry 14.3% of gross through to net operating income before Federal income taxes during the 10 years 1931-1940. This was despite extraordinary expense accruals in one year, 1935, when only 6.9% was carried through. Except for 1935 and 1931 the company carried more than 14% through in every year of the depression decade. With its reduced charges many rail men feel that Illinois Central securities are entitled to considerably higher investment regard than they are being accorded in present markets.

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.

Twin City Traders To Hold Outing July 20

MINNEAPOLIS, MINN.—Twin City Bond Traders Club (Minneapolis-St. Paul) will hold its Ninth annual outing and field day on Thursday, July 20, 1944 at Golden Valley Golf Club, Minneapolis.

The Club President is Maynard W. Rue, J. M. Dain & Company; Vice President Paul Matsche, Paine, Webber, Jackson & Curtis; Secretary O. M. Bergman, Allison-Williams Company; Treasurer Jack Talbot, Northwestern National Bank. Walter Space, Woodard-Elwood & Company is National Committeeman and Charles J. Rieger, Jamieson & Company is Chairman of the Entertainment Committee.

All investment men are invited to attend.

Public Utility Securities

Utilities Hurt by "Double Bookkeeping"

During 1926-31 taxes paid by electric utility companies grew only slightly faster than revenues, the ratio increasing from 9.4 to 10.4%. During the New Deal administration and before special war-time taxation was imposed, the ratio jumped to 16.4% in 1939. With the addition of the excess profits tax, the burden rocketted to 24.5% last year and in 1944 (due to the rise in excess profits tax rate) will be still higher. Expressed in percentages of revenue, the following is a "break-down" of taxes since 1937:

	Federal Taxes				State &	Total
Years—	Misc.	Income	Ex. Profits	Total	Local Taxes	Taxes
1943	2%	8%	7%	17%	8%	25%
1942	2	8	5	15	9	24
1941	3	7	2	12	9	21
1940	2	6	--	8	10	18
1939	2	4	--	6	10	16
1938	2	3	--	5	11	16
1937	2	3	--	5	10	15

It is obvious that the entire blame for the utilities' tax dilemma rests with Federal taxes on income, since miscellaneous Federal taxes have remained steady in relation to revenues and state and local taxes have actually declined.

There can be little doubt that the excess profits tax was levied by Congress with the general idea of levelling abnormal wartime earnings, but it has not merely absorbed the utilities' extra war earnings—it has reduced net income from $539 million in 1939 to $515 million in 1943; and the balance for common stockholders from about $415 million to $387 million, a cut of 7%—despite the fact that revenues have increased 30% and output of electricity 57% during this period. Obviously, the excess profits tax should not apply to utilities; the increase in the normal and surtax rate (from 3% of revenues to 8%) should suffice for their contribution to the war effort. Most other industries have shown an increase in earnings after taxes since 1939, rather than a decrease.

The old theory of the courts and commissions was that utilities were entitled to about 6% on investment and that rates should be adjusted accordingly. A composite balance sheet is not yet available for 1943 but based on the 1942 net plant account (which may have increased slightly) plus current assets, net operating income for all departments in 1943 ($760 million) amounted to only 5½% of the net investment of $13,907,000,000. Yet the 1943 tax law permitted an exemption on invested capital of 8% for the first $5,000,000, 7% on $5-10,000,000, 6% on $10-200,000,000 and 5% on more than $200,000,000. Since comparatively few companies have more than $200,000,000 capital, it is difficult to see how excess profits of $192,000,000 should have been levied in 1943—equivalent to about 1.4% on the entire invested capital. The reason apparently lies in the fact that the utilities had written down their plant accounts much faster—by taking larger depreciation accruals — in their books kept for tax purposes, than in their regular corporate books kept for stockholders. This was done in accord with Treasury Department rules, and was a perfectly legitimate procedure. So far as the writer is aware there are no compiled totals for these special tax figures on plant values, but the "Financial Statistics of Holding Companies for 1930-42," prepared by the SEC, gives figures comparing the respective percentages of revenues and fixed capital charged for depreciation in both sets of books. While there is no cimpiled total, it appears that for many years (until recently) the charges in the Treasury reports averaged perhaps twice those in the stockholders' reports. Thus the accrued reserves on the tax books would be much larger, and the net invested capital correspondingly lower. Some utilities thus are now suffering tenfold from the desire in earlier years to save on taxes. It would doubtless be worth their while to readjust their tax books for former years, and pay increased taxes for those years, if by so doing they could reduce their present "invested capital" figures.

Since the Treasury would probably not agree to such a course, the alternative would be to explain the situation to Congress and ask for permission to restate depreciation reserves in the tax reports (bringing them closer in line with the published figures) and making the Treasury's application of tax rates apply to the revised basis. Chairman Doughton recently stated that work would begin on a tax simplification bill for corporations, and the question might well be raised in that connection.

Recently there has been a wave of rate cuts by local authorities on the ground that tax funds paid to the Federal government might just as well be saved for consumers. This still further penalizes the utilities and spoils their hopes for increased earnings when Congress repeals excess profits taxes after the war. It also weakens their position when war revenues are lost. The whole problem of utility taxes and rates is muddled and needs clarification. Keeping two sets of books has been costly to stockholders, and the practice should be abolished.

International Monetary Fund Will Promote Exchange Stability

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fighting of the 1930's points clearly to the conclusion that such economic warfare is neither in the best interests of the particular country nor in the general interest of all countries. Unrestrained economic warfare, if allowed to continue in the future, will again disrupt production and employment by destroying international trade and injuring national markets. It will undermine one of the foundation stones for a secure peace.

"Some examples from the United States may illustrate what I mean: The condition of American cotton, tobacco, and other agricultural producers depends upon the ability of European and other countries to buy substantial portions of their crops. If Europe is not prosperous and the proper mechanisms of trade are not used, these American producers will not be able to export as much of their produce. At the same time the prosperity of other parts of the world and of the United States depends on the importation of raw materials from foreign countries. The higher the production levels in the United States and the more efficient the trade mechanisms, the more raw materials we import from abroad. Both the United States and other countries are thus benefited. A unilateral or bilateral approach to our trade problems cannot produce the highest benefits for the peace-loving nations. The approach must be multilateral.

"The proposal for an International Monetary Fund which we are to consider in this Commission is designed to promote the development of international markets by providing a permanent institution for international monetary cooperation. It would promote exchange stability, assure multilateral payment facilities, help lessen international disequilibrium, and give confidence to member countries. Only by developing the necessary machinery to maintain multilateral nondiscriminatory trading among nations can we hope to avoid resort to exchange restrictions, quotas, and other devices which inevitably cause a contraction of trade and production. The proposed Fund, which is before you for consideration, would be an important influence toward stability in international monetary and economic relations.

"Clearly it is going to be a difficult task to get over all the ground that we hope to cover before the end of the Conference. We can be successful only if we concentrate on the job and cooperate to the fullest possible extent. That is the task of this Commission and its various Committees."

War-Time Growth Of Electric Power

Edward F. Barrett, President Of Long Island Lighting Co., Furnishes Interesting Data Of The Electric Utilities Industry's War-Time Accomplishments

The Commercial Research and Publicity staffs of the Long Island Lighting Company, through its President, Edward F. Barrett, have issued an interesting and instructive leaflet, prepared for its customers, entitled "The Unseen Power Hitler Forgot." It is a factual statement of how the privately-owned and privately operated electric utilities of the United States took up the challenge of war and surmounted its handicap.

E. F. Barrett

The leaflet starts with the statement that "America's productive power and what has been accomplished for the war effort is an interesting story." Continuing, the author says, "Prior to 1940 we were living in peace-time surroundings. Only a small fraction of our Industrial Production—about one twelfth—was directed to the output of war materials for ourselves and England. Then American industry employed about 10 million people; today it employs 15 million people. And now nearly three quarters of this vast industrial production is destined to the war.

	1940	1943
Persons in industrial production	10,325,000	15,000,000
Average hours worked per week	38	46
Approximate man hours	1,960,000,000	3,580,000,000

"In other words our industrial employment in man-hours has increased by 82½% or nearly doubled.

"Even this does not tell the story as far as war production is concerned.

	1940	1943
Amount of output for war use	10%	67.5%
Man hours	196,000,000	2,420,000,000

"In three short years we have increased our war production more than 12 times from the standpoint of man-hours.

"However, even with this great increase in man-hours in war production, our living standard for civilians has suffered surprisingly little. All of us still have the things that are essential to our daily living. These figures show that more than a billion man-hours of work is still expended on

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The Next Ten Years

(Continued from first page)

is already under way. It should not adversely affect business or the stock market. Hence, for the first few years after the formal ending of World War II, good business in most lines should be in order.

Industrial activity and production during the post-war period should run about 50% above prewar figures but will, of course, show a decrease from the peak of war production. This drop, however, is already being absorbed in many lines without fuss for the peak in war production was reached almost a year ago. National income, represented by wages, rents, interest, dividends, etc., will probably average around $112,000,000,000 per year. This will support a large volume of business. Living costs may rise 25% but if so those who now purchase well selected securities may perhaps get enough capital gains to offset increased living costs.

New Building

With a high level of national income, plus accumulated savings, I cannot see anything except a very large volume of retail sales. Such sales have expanded greatly during the war, but I believe in the post-war years that they may exceed in dollars their wartime peak. Plans for the renewal of automobile production are being carefully worked out. A year or two after the war, production may approach 6,000,000 cars a year for two or three years. In addition, all sorts of household appliances, home furnishings, automobile accessories and other hard goods, along with an abundance of soft goods, will be available. These all will be in great demand.

I fully expect, in the decade after the war, to see close to 5,000,000 new homes built. This will naturally be a great thing for both skilled and unskilled labor and should do much to keep up activity in the cement industries, which last will also benefit from our new road-building program. Homes are currently in great demand and prices—particularly in suburban communities — are expanding rapidly. It looks very much as though we would experience a real building boom. This is likewise true of productive real estate in general. I cannot now say that the entire country will participate in a land boom, but Florida, the Southwest and California now seem headed in that direction.

Our Best Bet

After the immediate and inevitable readjustments which the end of the war will bring, businessmen should not be too much concerned with worrying over the following four years. Our real problem and task will be to determine how our coming prosperity can be extended after 1950. In the early 1950's we will begin to see signs of distress. It will be much harder then for business to provide reasonably full employment within the limits of our free enterprise system. Furthermore, the post-war inflation which many are now worrying about may take place at that time.

We shall not always be able to depend upon Washington to maintain our property or to provide a solution to our economic problems. **Beyond the post-war decade, the future depends upon the character and education of our young people and upon the intelligent and far-sighted guidance of us parents and grandparents.** Yes, I am optimistic for the next five years, but during that period we should prepare for another era of declining real estate, bond, stock and commodity prices, accompanied by general unemployment after 1950.

What Price Economic Security?

(Continued from first page)

ly deny, namely man's individuality. Still the projects have their value, possibly in a way not anticipated by their originators. For most if not all plans agree at least in three fundamental aspects. The planners' objectives are to be reached in a social atmosphere of political democracy, individual freedom, and economic security.

But democracy is still an experiment. The next 20 years, if not the next 10 years, may well decide whether it has been a successful experiment. The price which must be paid for political democracy is assumption of responsibility on the part of every citizen and group of citizens. Citizens must inform themselves of the ability and trustworthiness of their candidates and perpetually cast a wary eye toward incumbents, electoral and law-making mechanisms, and political institutions. From that point of view, the program of all bodies concerned with public relations has been a dismal failure and hence individually and socially a costly neglect.

Restraints, compulsory changes in behavior patterns inevitably breed counter-revolutions. All the more so when changes constitute violations of fundamental beliefs. Agriculture, business, finance, labor and other interests desire, and justly so, a speedy retirement of government from spheres of action normally their exclusive domain. Unfortunately, this desire has reached such emotional pitch that emotions threaten to engulf that inner voice which now and then asserts itself and asks for facts.

Life would not be worth while living, it would be quite unendurable, were it not for human emotions. But when it comes to individual and social inventory taking, emotions become dangerous.

Farmers, consumers, businessmen, workers, financiers — all want to be free to make their economic decisions, but they also wanted and still want economic security to an ever increasing degree. This juxtaposition of individual freedom and economic security would be very funny, were it not so portentous. Despite the almost maniacal attacks by the pink and crimson cohorts upon the slogan "back to normalcy," there is universal appeal in it. But regardless of what definition of the word "normalcy" is employed, a back to normalcy step involves costs. It is not only meaningless, it is dangerous to advocate governmental abstinence from economic decisions without stressing the cost or price that such a step involves.

Possibly the farmers consider floors under farm prices normal. Consumers, regardless of complaints, have found much in OPA rulings that they approve and possibly wish to retain. Many, too many, businessmen think of subsidies in one form or another as normal. This despite the fact that of all hidden attempts at socialization, subsidies are the most vicious because if widely used, they make socialization in the end inevitable. Workers perhaps consider a 6% pay roll tax on employers and employees, as advocated in the Wagner, Murray, Dingle bill, normal. The banker thinks of wholly or partially guaranteed loans as normal. Everyone talks glibly about the desire to maintain capitalistic institutions, but conveniently forgets that the essence of a capitalistic society is risk-taking, with a proper reward to compensate for its assumption and for its further encouragement.

If that is, and it would appear so, the new normalcy, how much does all this cost? What does the price tag say which is attached to everyone of these and similar desires? Moreover, considerable purchases have already been made at the economic security counter on a postponed payment plan. The bill as yet has not been presented.

Regardless of social beliefs, we are all more or less tired of hearing the sergeant's whistle in the morning, tired of musts and must nots. So underneath all thinking, from black to red, there is a longing for a more normal social relationship — whatever that word "normal" may imply. But two questions should be raised if unpleasant surprises are to be avoided. (1) Much has already happened as the result of a common desire for economic security and for a more or less painless guns-and-butter war and utter disregard for price tags. Thus how far can the road back be taken? One look must convince any thinking individual that wide stretches of the road have been made impassable. (2) What is the price for economic security? What is the price for its many phases which evidently have become part of the new normalcy?

Agreed, Government must restore the power for making economic decisions to the rightful owners. Still, one may question whether there has ever been any usurpation of powers. Perhaps there is no such thing as usurpation, only dictatorship by default. Others who were in the position to make decisions were unwilling or unable to make them. But someone had to make them. Thus the Government made them. Whatever the answer, what are the facts? Let us take inventory, a pursuit in which emotions have no place.

Economists generally agree that Federal, State and local taxes in the post-war period will reach the gigantic figure of between $30 and $35 billion. In addition, there will be a governmental debt in excess of $300 billion. Today over $60 billion of this debt is held by the commercial banks. It would be foolish to deny that these banks must take over considerable quantities of additional governmental securities after the war when corporations as well as individuals will dispose of large amounts of their holdings of government securities for the purpose of purchasing with the proceeds producers' and consumers' goods.

The bankers have carried a tremendous burden in financing the war. So far little recognition has been given them. On top, there is the danger that before long some demagogue will rally a considerable following by calling attention to the fact that the bankers own billions of dollars of government securities and that taxpayers are thus assessed billions to provide bank profits on riskless assets.

As a result of the banks' contribution to war finance —to some extent due to the fact that butter and guns were wanted and individual bond purchases and taxes remained too low too long—the banks have been snowed under by an avalanche of deposits with a consequent lowering of their ratio between deposit liabilities and capital account and a lowering of excess reserves.

Few citizens realize that Government securities, primarily Treasury bills, have been monetized. The Board of Governors of the Federal Reserve System makes this significant statement in its 1943 report, completely overlooked by the press: "... with the large volume of short-term securities held by banks, excess reserves no longer have the special significance for bank liquidity that has been attached to them in recent years." In other words, the Federal Reserve Banks under pressure of the U. S. Treasury said to the banks: "Never mind your excess reserves. You don't need them any more. Help us finance the war and if you lose deposits to another bank and you need funds, the Federal Reserve Banks will take your Treasury bills at par." Thus, any deficiency in legal reserves can be corrected via the sale of Government securities in return for which banks will be credited on their reserve account.

Capital markets in a capitalistic society cannot successfully function unless a flexible interest rate exists. Down to 1937, the Federal Reserve Banks aided the money and capital markets by having a flexible interest rate. Since then, as a result of taking Government securities at par, a rigid interest rate has been established.

The demand is for economic freedom in the financial sphere of action. Capitalism cannot survive without free markets. But there is a price for it. Perhaps for the time being, at least until a balanced budget and a definite trend toward the repayment of the governmental debt has been established, the road toward a free money and capital market is blocked. Banks, not to mention a multitude of other financial institutions, own large volumes of Government securities. They have also relatively low capital funds. There certainly is no assurance that the new era of low interest rates is permanent, particularly once Americans forget the babbling about a mature economy and take up new security issues representing typical venture capital. A rise in the interest rate, without which the new risks to turn out new gadgets cannot be effected, spells a decline in the market value of bonds.

Could financial institutions take such losses on their portfolios and still have sufficient capital to assume new and higher risks for private business? Or will Federal Reserve banks continue to stand ready to purchase government securities at par until the present $15 billion of government securities held by the Federal Reserve banks has been trebled or quadrupled?

This is not the place to suggest possible alternatives, but one thing is clear. The debt structure will block for the time being any return to any semblance of free financial markets and a return to the passive role, one of accommodating business and controlling dangerous credit expansions, on the part of the Federal Reserve banks. Besides how can the Federal Reserve banks today prevent an undesirable credit expansion? They are limited as to the ceiling on legal reserve requirements. The interest rate is fixed. And if large volumes of government securities should be offered, the Federal Reserve authorities would be forced to purchase them in order to protect financial institutions. In other words, the Federal Reserve banks would be forced into the wrong kind of open market operations.

Does that spell qualitative credit control because no means for effective quantitative credit control is left? Does than mean discretionary powers for the Federal Reserve authorities to raise legal reserve requirements at will —the road that the 100% reserve money advocates have been pointing to for so long? In plain words, socialization of bank credit may be around the corner unless financial leaders will leave their fox-holes into which the New Deal has driven them, brave whatever storm might come, get together and sit down with the politicos. After all, this is an election year. It might be already too late for it.

At present, the best that can be hoped for is a compromise. A partial return to free financial markets and a considerable retaining of government control over them with the definite recognition that even such a meager compromise might have to be purchased at the price of some losses in investment portfolios. If riskless assets are wanted, they can only be purchased at the price of heavy control. Even a most superficial analysis of the debt structure reveals that.

What about a $30 to $35 billion tax bill? To a large extent that is the price for previous lack of attention to government. As long as such a gigantic tax amount must be collected and expended, business will be affected—even under an administration pledged to a complete laissez-faire attitude. In addition, a lack of proper timing in collection or expenditures and a lack of a tax program embodying a very definite tax philosophy rather than a patchwork tax structure could do a lot of damage. But a lower tax bill, particularly in the field of state and local government, will demand as price more attention on the part of all groups to local and state problems. Are 167,000 governments really necessary? To what extent and where is government reorganization involving consolidation necessary? A large tax bill reduces economic freedom of action, but the price for a lower tax bill is steep. Steep because U. S. citizens have felt their time to be too precious to be spent on attention to their government. Steep because some old and precious ideas must of necessity go by the board.

Strange how the people most conscious of any in the world of price tags have chosen to disregard the price tags on the things they most ardently seem to desire. Here is labor with its cry for social security. But many labor "leaders" have been responsible for inflationary policies which have aided in the upward movement of prices, thus reducing their social security income. Social security payments are made in dollars. One would think labor would hence advocate fiscal policies which would keep prices stable and thus assure them their real income from social security payments. Will they demand now more in dollars and cents, perhaps at the expense of a still higher price level (not to mention the cost-price ratio) and so on ad infinitum? Surely an odd way to achieve economic security.

There are two ways, not one, to achieve a higher standard of living. One, to be sure, is the raising of money incomes. But there remains another, namely, lower prices as a result of higher technical efficiency and hence a rising real income. Which road at what cost? Raising money incomes is usually confined to pressure groups. Later another group wants what the first group got and a fight is on, embodying perhaps nasty jurisdictional labor disputes and perhaps strikes. In addition, those groups who by virtue of their lack of organization

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Pennsylvania Brevities

Philadelphia Electric Company

The Federal Power Commission in Washington has directed the Philadelphia Electric Co. to show cause, on or before Sept. 20, why it should not make accounting adjustments involving over $37,000,000 in write-ups and other excesses over original plant costs.

Commenting on the Commission's order, a company spokesman said:

"The report has just been received and the items discussed are of a highly controversial nature. The company has not yet had an opportunity to review the order nor determine the propriety of the proposed accounting adjustments.

"Most of the items referred to in the statement date back 30 years and are a matter of history in the early consolidation of approximately 400 smaller companies which now form the Philadelphia Electric Co."

A.C.F. Brill Motors Co.

Terms of the proposed merger and consolidation of American Car Foundry Motors Co. and Brill Corp., which were made public last week, brought mixed comment from security holders and resulted in several odd market situations as traders sought to appraise the value of the new A.C.F. Brill Motors common stock provided for under the plan.

As proposed, the holder of each share of Brill Corp. preferred will receive $70 principal amount of new 6% income debentures, $12.50 in cash and 8 shares of new common.

Each share of A.C.F. Motors preferred will receive 7 shares of new common.

Each share of Brill Corp. "A" will receive 1.1 shares of new common.

Holders of Brill Corp. "B" and A.C.F. Motors common will receive warrants to purchase the new common in various amounts and ratios.

Assuming the 6% income debentures to be worth par, Brill Corp. preferred, selling at 134, would reflect a current value of approximately 6½ for the new A.C.F. Brill Motors common. However, Brill Corp. "A," selling at 9 and scheduled to receive 1.1 shares of the new stock, indicates a current valuation of approximately 8½ on the latter. In approaching an appraisal from the standpoint of the market for A.C.F. Motors preferred, we find a current quotation of 50 bid, 60 asked, which would indicate an equivalent quotation of about 7⅛ bid, 8⅝ asked, on the new stock.

Obviously, several methods of arbitraging the old securities against the new are present, all, however, subject to the uncertainties and delays to which such situations are subject. Consensus of opinion appears to be tending toward agreement that the new stock will possess merit and may be reasonably compared with Twin Coach, currently selling around 13. The more favorable terms obtainable through the purchase of Brill Corp. preferred is held to be attributable to the higher cost price of Brill preferred and the possibility of "freezing" a greater amount of capital for an uncertain length of time. As the plan approaches consummation, it may be expected that the various appraisals will tend to coincide at probably higher levels.

The plan will be submitted to security holders for approval on July 27.

Warner Company

On June 26, directors of Warner Company announced they had negotiated a tentative arrangement with Penn Mutual Life Insurance Co. to refund Warner Co. 6s, 1951, and the short term lien on the properties of American Lime & Stone Co., a subsidiary to be wholly merged. The plan provides for a new $4,000,000 mortgage at 4%, to be fully amortized by 1959. Advantages of the procedure are (a) a reduction in annual interest charges of $70,000, (b) extension of life of underlying debt from seven to 15 years, providing for safe and easy amortization and (c) consolidation under Warner title of American Lime & Stone Co. properties with valuable raw material reserves, plants and equipment for the manufacture of chemical-lime products at Bellefonte, Penna.

The steps to be taken have brought renewed interest in Warner Company first and second preferreds and common stock. It is believed likely that one of several suggested plans for a reclassification of these stocks will receive early consideration. Earnings and asset values on these issues are high, but the preferreds carry heavy burdens of arrearages. The entire issue of second preferred and 80,250 shares of Warner Company common are owned by Wawaset Securities Co., an inter-company investment trust which will probably be liquidated.

U.G.I.

Although United Gas Improvement Co., under SEC orders, has reduced its assets from $337,000,000 to approximately $49,000,000, there is no current plan to dissolve the company, said Samuel T. Bodine, Chairman of the Board, in a statement before Judges MacNeille and Milner in Common Pleas Court. The appearance was in connection with a minority stockholders' suit which sought to enjoin the company from putting into effect an annuity plan for 94 employes, including seven officers.

Under integration orders, U.G.I. has disposed of most of its former nation-wide properties and holdings, retaining, however a solid nucleus of operating companies located within the Commonwealth of Pennsylvania and which are held to be immune from severance.

As has been suggested in this column, it is apparent that U.G.I. has placed these assets under lock and key and is pre-

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Pennsylvania Municipals

Philadelphia Revenues Exceed Estimates

The Pennsylvania Bureau of Municipal Research reports that 1944 will mark the fourth successive year in which City of Philadelphia's revenues will substantially exceed budget estimates. For budget purposes, probable receipts were scheduled at $85,072,467. By year-end, the Bureau believes the surplus over the estimated figure may reach $2,000,000. It is expected that rental from the Broad Street subway will yield $800,000 more than anticipated; an extra $1,000,000 will be derived from the City's income tax, and small surpluses will be available above budget estimates of water rents and amusement taxes. It is presumed that receipts from delinquent real estate taxes and magistrates, fines and costs will be somewhat less than expected.

Problems of the Future

In a report prepared by C. W. B. Townsend for the Citizens Committee on the Philadelphia Debt Structure, the author commends the improvement made in the City's financial affairs since 1940 but warns against a heavy burden of long term debt and the accumulation of deficits due to unrealistic estimates of revenues and expenditures.

The report states that the City has many long-deferred capital improvements which must be financed when it is possible to do so. Badly needed improvements to the water and sewer systems, which will probably be undertaken when materials and manpower become available, will not greatly affect the borrowing capacity of the City since they will be self-sustaining in character. But long term debt, whether or not it falls within a self-sustaining classification, must be paid from the general revenues of the City. While it is true that municipalities can borrow funds more cheaply at present than at any time in the past, a percentage of the cost of all capital improvements should be met out of current revenues and this percentage should be greater than the 5% which has prevailed in the past.

Recommendations of the City Planning Commission should and probably will receive proper consideration in the matter of selecting and timing capital improvements. Lack of borrowing capacity may delay portions of this program.

However, in the event that the outstanding sewer debt becomes deductible by reason of the imposition of an adequate sewer rental, this should release sufficient borrowing power for near term needs. The annual payments of additional sums into the sinking funds plus the retirement of serial maturities will provide some further borrowing capacity.

In February, the Court of Common Pleas ruled that the City's investment in the Frankford Elevated Railway is self-sustaining, and that the bonds issued and still outstanding for the construction of the Railway may now be deducted from the gross debt of the City. With such bonds deducted, the City's debt now exceeds its borrowing capacity by approximately $1,500,000. However, in the several sinking funds there are Government securities approximating $10,500,000 in value. Under a decision of the Supreme Court of Pennsylvania, these bonds are not a proper deduction in arriving at net debt. But if these bonds should be sold or if legislation similar to that in force for other municipalities in Pennsylvania were to be enacted to permit the deduction of this asset, the City would have an unencumbered general borrowing capacity at present of something over $9,000,000.

It should be borne in mind, states the report, that these times of full employment and high wages must not be considered as permanent standards. Decreases in wages and employment will immediately affect the proceeds of the City's wage tax and its ability to collect real estate taxes, with a consequent decline in revenues. Furthermore, it is conceivable that assessed valuations of both real and personal property may be reduced with a consequent diminution of both borrowing capacity and revenues. It is impossible to foretell what the future may bring forth, but the

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Pittsburgh Bond Club Summer Field Day

PITTSBURGH, PA.—The Bond Club of Pittsburgh announces that its annual summer field day will be held on Friday, July 14, at the Sannopin Country Club. Tickets are $2.50 per member, $5.00 for guests. Greens fee for golf will be $2.00.

In the past, the Club reports, expenses of the summer outings have been met through the sale of raffle tickets. This year the officers and directors have decided to eliminate the raffle and make the charge mentioned above to defray part of the expenses, the balance of which will be paid by the Club. The charge covers everything but greens fees and caddy fees.

Dinner will be at 6:30 p.m. and there will be door prizes.

Members of the Entertainment Committee are: Jos. Buffington, Jr., Young & Co., Inc., Chairman; Harry C. Bell, Colonial Trust Co.; Theodore O. Harris, Mellon National Bank; Wilbur E. Johnson, Johnson & Johnson, and James H. Scott, James H. Scott & Co.

Fred Phillis Is With Rakestraw, Betz Co.

PHILADELPHIA, PA. — Frederick C. Phillis has become associated with Rakestraw, Betz & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges, as manager of the trading department. Mr. Phillis was formerly trading manager for Lewis C. Dick Co.

Pennsylvania Brevities

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pared to wait out the current era of unfavorable regulation.

Autocar

In anticipation that its post-war business may exceed its pre-war business and in view of the consequent desirability of conserving working capital, the Autocar Co. has notified its stockholders that cash dividends will be eliminated for 1944. Instead it is proposed to pay a stock dividend in a new class of preferred shares.

A special stockholders' meeting has been called for Aug. 15, at which authorization will be sought for the creation of 150,000 shares of $20 par serial preferred stock, of which 50,000 shares would be issued as Series "A" with 5% cumulative dividends. This would be distributed to common stockholders on the basis of one share of preferred for each 10 shares of common, on or about Oct. 1, 1944.

The new preferred will be convertible into common share for share, callable at $22 per share to 1947 and at $20 per share thereafter. It will be entitled to $20 per share in liquidation. The remainder of the authorized issue would be reserved for issuance in the future.

Lukens Steel Co., Coatesville, Penna., manufacturers of carbon steel plate and other types of rolled special metals, is 134 years old this week.

The Philadelphia Stock Exchange has adopted rules under which corporations may enjoy the privileges of membership. Thus far, two Philadelphia firms, Paul & Co. and Sheridan, Bogan & Co., have been admitted. Philadelphia Stock Exchange listings include 456 stock issues most of which are actively traded on the New York Stock Exchange. Local floor brokers are required to match sales on the New York exchange and thus are able to attract a substantial amount of local business.

Scranton-Spring Brook Water Service Co. has received SEC permission to purchase, before the end of the year, all or any part of $600,000 principal amount of its first mortgage "A" 5s, due 1967, and its "B" 5s, due 1961. In 1944 the company purchased $317,000 principal amount. The company told the SEC the present proposal will result in interest savings of $30,000 annually.

An unusual step taken by Philadelphia National Bank, oldest and largest in Pennsylvania, was in writing down the value of the bank buildings from $2,200,000 to $1. Directors also authorized an increase of $7,000,000 in the bank's surplus account, thereby raising it 33% from 21 to 28 million.

Having initiated dividend payments in 1848 and with its record now crowding the century mark, Pennsylvania Railroad stock is the oldest, consecutive dividend-paying common on the New York Stock Exchange. The company is the largest factor in the American railroad industry from the standpoint of gross revenues and net income.

Through a consistent program of re-purchasing its shares, it is expected that by the end of the year Pennroad Corp. will have reduced its outstanding capital to 6 million shares. Since there were originally 9 million shares issued, this would represent the lopping off of one-third. Based on the annual 25 cent dividend paid in recent years, it would appear that the company has realized the equivalent of an 8% return on its purchases.

July 10 has been set for the final hearing in Federal Court in respect to the reorganization plan of Philadelphia & Reading Coal & Iron Co. Since more than the required number of creditors have already approved its terms, early consummation is expected. Holders of the refunding 5s are scheduled to receive, for each $1,000 bond, $165 in cash, $270 in income bonds and 27 shares of new common. Holders of each $1,000 debenture will receive $76 in cash, $125 in income bonds and 12½ shares common.

Felix R. Gerard, Vice-President and General Manager of Lehigh Valley RR., has been elected President to succeed Revelle W. Brown, who resigned to become President of Reading Co.

Thomas Darst & Co. Opens In Greensboro

GREENSBORO, N. C.—Thomas C. Darst, Jr., has formed Thomas Darst and Company with offices in the Southeastern Building. The new firm will act as dealers in North Carolina municipal bonds, public utility, railroad and industrial issues and local corporation stocks and bonds. Partners are Thomas C. Darst, Jr., and M. H. Darst.

Mr. Darst was formerly Secretary and Treasurer of Oscar Burnett and Company.

Pennsylvania Municipals

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City should profit by past experience and zealously seek to maintain its improved conditions.

Commonwealth of Pennsylvania

Pennsylvania's surplus as of May 31, the end of the first fiscal year under Governor Edward Martin, stood at $126,000,000. Based on actual tax collections in the first half of the current biennium, it is estimated that the surplus will exceed $173,000,000 by May 31, 1945.

Recommendations for the utilization of the unprecedented budgetary surplus will be submitted to the 1945 Legislature by the Governor. It is expected that he will suggest new tax reductions; financing of huge post-war construction programs; liquidation of the State's debt, and an increase in certain departmental appropriations.

Attesting the unslaked thirst of its robust citizenry, the Commonwealth's State Store liquor system yielded unexpected profits of $24,-400,000, approximately $11,000,000 greater than the budget estimate, in the first year of the biennium.

In a decision handed down on June 30, the Pennsylvania Supreme Court upheld the constitutionality of the Franchise Tax Act of 1935, thus safeguarding an important source of tax revenue. The Act was drawn to protect Pennsylvania corporations against out-of-State firms entering Pennsylvania and transacting business without paying excise taxes. Last week's decision disposed of appeals filed by the Ford Motor Company and Quaker Oats Co. In the Ford case, the Appellate Court upheld the Dauphin County Court's finding that it was proper to tax the company on the basis of its entire $494,000,000 capital stock, since the company is an integrated whole and its entire capital is employed in the manufacture and sale of its products.

As an indication of the importance of the decision, it was testified that collections on the tax in the last three years amounted to more than $30,000,000.

SEC Opinion On Brazilian Bond Trades

Kidder, Peabody & Co. announced on July 3 that Baldwin B. Bane, Director of the Corporation Finance Division of the Securities and Exchange Commission, had rendered an opinion that when, as and if issued trades in the obligations of the Government of Brazil which had been made in good faith and in reliance upon the original plan of the Government of Brazil that only obligations of the Government should be exchanged for obligations of the Government (which transactions would have been exempt from registration under Section 3 (a) (9) of the Securities Act of 1933) may still be carried out even though the Government of Brazil has now included in the Registration Statement filed with the SEC bonds of the Government of Brazil, Series 1 to 5, to be exchanged for its own obligations as well as its bonds to be exchanged for those originally issued by obligors other than the Government of Brazil. The announcement also says:

"The opinion provides that all when, as and if issued trades in Brazilian Government bonds, series 1 to 5, made in good faith and in reliance upon such original plan of the Government of Brazil, may be completed provided that delivery is accompanied or preceded by a prospectus of the Government of Brazil meeting the requirements of Section 10 of the Securities Act of 1933. The ruling is not limited to the when, as and if issued trades of Kidder, Peabody & Co., but also applies to completing the delivery of when, as and if issued trades in bonds of the Government in the same series of other dealers in the same factual situation.

Interesting Situation

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

Canadian Securities

By BRUCE WILLIAMS

In his recent budget speech the Canadian Finance Minister, Mr. Ilsley, gave statistical evidence of the present strength of the Canadian financial structure in comparison with the situation during World War I.

From 1914 to 1919 the debt increased nearly seven times, and because the average interest rate had risen from 3.579% to 5.022% the annual interest charges increased more than nine times. Furthermore about one-third of the debt was payable outside the country and a substantial portion was in the form of tax-exempt securities.

During the past five years, however, the Dominion funded debt has increased about three times, but owing to a decline in the average rate of interest from 3.52% to 2.57%, the annual charges have only risen 2¼ times. There are no longer any tax-exempt bonds and owing to the growth of the national income, the Dominion's capacity to carry the debt has fully doubled since the beginning of the war. Also only about 3% of the total debt is now payable abroad, and during the period when wartime necessities have sharply inflated the volume of debt, never has less than half been raised by taxation.

Turning to the current international currency conversations at Bretton Woods, it still appears that as far as any practical developments are concerned and particularly as regards any change in the Canadian dollar being given consideration, there is little reason to expect any definite announcement.

Let us hope that thoughts will be channeled along constructive lines in the direction of what should be the real objective of the conference — the reestablishment and fostering of post-war international commerce. This cannot be attained if we continue to mix sentiment and starry-eyed visions of a New Deal for the whole world with the cold practical business realities.

The first necessity is to divorce the business side of the problem from the philanthropic angle. UNRRA can take care of the latter and can do it more ably if the nations, which have had the resources and spirit to make it possible to win the war, build the foundations of the peace-time commercial structure. We revert, therefore, to the "key currency" approach to the solution of this problem.

The British Commonwealth, Russia and ourselves now have in motion a tremendous volume of wartime interchange of goods which represents practically the total of present world commerce. Therefore, the essential framework already exists. The great problem, of course, is the fact that Great Britain, unlike her Dominions, and ourselves, will emerge from this war with a very considerable debt in the shape of blocked sterling.

It would seem desirable to place this on a definite commercial basis and finance it by a direct loan to Britain, thereby releasing these blocked assets and thus stimulating the flow of world trade. As is very likely in the post-war era, Britain will become more closely integrated with her Dominions; the means of repayment will be provided from the great undeveloped resources of the British Empire as a whole.

Thus it would be possible for Britain to maintain sterling at its present level, would avoid the dangers of a "currency war" and then at a later period when necessary tariff agreements are made, currencies such as the Canadian dollar could be adjusted to conform to a value more approximating its worth based on supply and demand in a market which would permit free convertibility of the world's currencies.

After this stage is reached, the other nations of the world could be invited to join a practical currency union and in the meantime would be able, as they have mostly done before, to effect their international dealings on the basis of the dollar and sterling.

With regard to the securities market during the past week, activity was still on a small scale but the declines of the previous week were replaced by a general steadiness. There was continued absorption of short-term Nationals arising from replacement operations in connection with the called July's of 1969, and among the provincial issues there was also a fair turnover in Ontarios and Manitobas at slightly higher prices. The market for internal issues was quiet and the Canadian dollar in the "free market" remained easier at 9⅞%.

An important factor with regard to the future course of the market will be the termination of the War Loan drive which should result in renewed interest in Canadian issues, especially as it almost coincides with the redemption date of the Canadian National July's and the consequent replacement demand.

Responsibilities In Post-War Problems

(Continued from first page)

icies which we should like to see brought into being to shape the country's future. One political party is concluding its national convention this week and has put forward its platform of national policy. The other political party will follow shortly and will tell us what it stands for. I want to emphasize that they are telling us —you and me—just plain citizens —and they're asking for our indorsement.

What do we want them to do? What are the national policies which you and I think are needed to keep this country safe and sound?

It is to put some thoughts of mine before you for your critical judgment, that I was glad of the opportunity to come to Duluth.

Now when we start thinking about the future of our country, whether we think of the immediate future or think in the longer range, we begin by speculating about the kind of a country we want to live in and the national policies that are going to be followed. I would like to emphasize, however, that national policies are certainly not politics and they are infinitely more than mere government policy. But they are the concern of all of us. Government does not create them. They are the sum of all of the private and public policies which we as individuals and as groups choose to follow—the sum of all of those private and public policies which support and sustain each other in the national interest. The national policies, therefore, that are going to take us through the critical years ahead of us are not alone going to be the result of things that will be thought out down in Washington. All of us, in and out of government, will be contributing to them. We could not escape it if we tried.

I think it is fairly obvious that before the war there was a good deal of confusion about our national policies, defining that expression as I have defined it. As a people, we did not clearly know where we were going or what we wanted. We were not thinking as a people. Blocs and groups were pulling and hauling in selfish interest. We simply did not have a set of well-hammered-out national policies, and this was the glaring weakness in our economic democracy. It was reflected in our political democracy. Much of our legislation reflected it, because much of our legislation was the product of this selfish pulling and hauling.

That must not be true in the period which lies ahead of us for the simple reason that we can no longer afford it. As a people we have got to know what we want and we have got to know why we want it. We are going to have to do some very clear thinking if we are to avoid the mistake of assembling a collection of expedients and calling it a national policy. In the coming months, decisions will be taken that will determine our destinies. That is no exaggeration, no after - dinner overstatement; it is a simple, obvious fact. We must recognize it for a fact and live up to its implications. The winning of the war is difficult, but we shall see it through. The winning of the peace is equally important and far more difficult.

There will of course be no one single measure which we can adopt that will solve all of our problems. We are going to find that the national policy needed to carry us through this crucial period will be a combination of many measures. It will be evolved from the thinking, the actions and the attitudes of a great many people. I would like to touch briefly on some high spots of the problems we are going to meet as we develop the national policy we need.

As we look ahead, we can divide the visible future into four foreseeable periods.

First, obviously, is the period of our present task—to defeat our enemies. As far as we can see now, this is likely to fall into two phases—the present one and the one that will follow the defeat of Hitler. But until both phases are past our major concern must of course be the simple one of making certain that we win a complete victory in the shortest possible time.

The second period is likely to be the period of substantial termination of war contracts and the beginning of reconversion to peacetime production. We shall have some grave problems to solve, in this period; yet the understanding of these problems exists and the machinery to handle them is now being installed. I believe we can and will get through this transition period without serious difficulty.

Third will come what we might call the catching-up-with-demand period. After industry has been reconverted there will be a tremendous accumulated buying power demanding satisfaction—a vast number of piled-up wants waiting to be filled. It is here, of course, that the dangers of inflation lie. If we handle the transition period wisely—and are ready to meet this stored-up demand without running into the wild spiral of an uncontrolled boom, this inflationary danger can be averted.

Lastly, of course, there is the final period — that of long-term maintenance of our peacetime economic growth and development.

Let me emphasize once more that the national policies which carry us through these periods are not going to be handed down to us from on high. All economic groups in this country have their share of the responsibility. No one of them can dodge it. This thing is going to be up to us—to all of us.

Let us see, then, what some of these group responsibilities are.

Take business first. Business's primary, immediate responsibility, as I think we will all agree, is to prepare plans for reconversion. Business must know what it wants to do and how it proposes to do it. I sometimes think that during this war many business men have actually come to rely on the very wartime controls and restraints that they complain about. It not infrequently happens that when the removal of some limitation order is contemplated the strongest opposition comes from the business men who are affected by it. They have grown into the atmosphere created by that order and they have actually come to depend on it. In looking ahead to reconversion it is certainly up to business to realize that these wartime controls, necessary as they are now, must not be continued for one moment after the national need for them has passed. We have got to get back to a free economy, and our reconversion plans must be shaped in the light of that fact.

A second major responsibility of business is to work constantly for improvement of industrial relations. I happen to be rather optimistic on that point. I believe we have learned something of great value during this war in the way of labor-management cooperation. The record of our labor - management committees — 4,500 of them—operating today in war plants all across the country, is extremely significant. Through these has been set out a pattern for peacetime development. We would be the most short-sighted people in the world if we should ignore that pattern and drift back to that wasteful, inefficient and expensive state which is characterized by those once-common words—bad industrial relations.

A third responsibility for the business world has to do with money. Business must provide for the financing of both small and large business enterprises. There will be a great deal of financing to be done, in this post-war period. Whole new industries are waiting to be developed. New materials are available, new ways of processing them are at hand; it is no exaggeration to say that a golden period lies ahead—and it must not be stifled simply because the business world has not planned to provide the necessary capital. As a matter of fact, of course, it won't be stifled—because if business does not do the necessary financing, government will have to. But can a free, competitive economy rely indefinitely on government financing?

There is also an important responsibility for business in the shaping of private price policies. I mentioned a moment ago the vast demand for goods that is waiting to be satisfied the moment reconversion takes place. It is certain that for a considerable time the demand for a great many things is going to outrun the supply. It is clearly up to business to restrain undue price increases. We can accept government control of prices as a war-time necessity; we certainly must not make a post-war necessity out of it by failure to handle our own price policies intelligently.

But this matter of intelligent pricing goes beyond the period of the post-war boom. I believe that it is up to business consciously to develop and maintain price policies which are designed to broaden markets. A good slogan for post-war America might be— "More goods for more people at lower prices." American business has dazzling opportunities ahead of it—but only if it uses its magnificent productivity to satisfy an ever-widening circle of human needs. It cannot do that unless it keys its prices to the mass market. A policy of restricted production and artificially-maintained prices cannot be anything but a policy of suicide for our free enterprise system.

So much for the responsibilities of business. What about labor?

Organized labor has now had upwards of a decade of growth and

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Monetary Conference Under Way

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page in this section of the "Chronicle."

The first disturbing note sounded at the Conference is the demand of the 25 Silver-Bloc Senators for the adoption of bimetallism. There are no signs as yet that the demand has a chance of success. Republicans here are outspokenly opposed to it. The Democrats appear to be annoyed by it, but are silent. One of the Democratic members of Congress who is here holds the view that the subject of silver must have at least some nominal recognition in the final act of the Conference, merely for the purpose of appeasing the silver bloc in Washington. Apart from the fact that the opinion just quoted overlooks the strong anti-silver sentiment in the House of Representatives, as reflected in the thrice supported Celler-Wolcott silver repeal rider of last year, such an attitude involves an insidious danger.

It is hardly likely that the silver interests expect this conference to adopt bimetallism. Under the circumstances, they would probably be quite happy if the Conference merely paid lip service to "doing something for silver." The danger in that, of course, is that the silver bloc habitually blows up at any such nod in the direction of the "white metal." In the 1933 London Conference, for example, Senator Key Pittman, in addition to working out the London Silver Agreement in his hotel room outside the work of the conference proper, got one of the subcommittees to adopt a resolution recommending that the countries most concerned with silver make a pact among themselves. This resolution, along with a vast amount of other material, was received by the London Conference as a whole. Thereafter, Senator Pittman and President Roosevelt cited the "resolution of 66 countries" as partial justification of the silver proclamation issued from the White House on Dec. 21, 1933. This proclamation was a first step in restoring silver as a part of the national monetary reserve.

As regards the delegates of India and Canada, both of which countries should be interested in silver, they appear to be "ice cold" to the bimetallism propaganda. China, another country "interested in silver" has the largest delegation to the Conference, estimated as 40 or more, including two American advisors.

A controversial problem which is bound to cause a serious struggle in the committee discussions and in the plenary sessions of the Conference is the future status of gold. This is indicated in the private interviews which your correspondent has had with foreign delegates as well as in the initial committee discussions. One foreign delegates expressed privately the following views on the status of gold:

"Since gold has been withdrawn from circulation, few people in advanced countries have worried about its existence. Such incongruity calls for a more scientific system. A survey of leading countries indicates gold as a monetary necessity is being abandoned. In fact, certain nations have already ceased to link their currencies to it. Although they may not have declared this practice openly, analysis of their policies shows they have been selling gold to those willing to buy it. When we realize that gold finally becomes more of an upsetting factor than a useful one in countries orthodox by buying it without limit, we see its demonitization looming."

As indicating the uncertainties of the status of gold in the "experts" plan of stabilization, committee discussions yesterday disclosed a variety of interpretations. It has been questioned whether member countries will be required to buy gold when offered by the fund. A delegate from India maintained that the provisions of "the Experts' Plan," whereby the Fund "may offer gold to a member country in exchange for its own currency" is meaningless, unless such member is obligated to buy the gold. But it is reported that the British representatives interpret the gold buying from the fund as optional and not compulsory, and so you have a serious conflict of views regarding an important stabilization provision in the master plan.

Yet, despite these differences, foreign delegations have not exhibited any overall opposition to the general principles of the "International Monetary Fund" or to the plan for an international loan bank. Representatives of various countries privately point out they have nothing to lose if the establishment of these institutions is accomplished. Indeed, several delegates from smaller countries wonder why they were invited to attend at all, since they feel technically or otherwise they have little or nothing to contribute. This is undoubtedly true of such minor countries as Luxemburg, Iraq, Iran, Liberia, and Iceland.

Judging from my interviews with delegates, it would seem that the belief is general that this conference will produce an agreement. Discussion will center around the multitudinous alternative clauses. In my opinion the chief points still to be determined are formulas for quota contributions and initial exchange rates for the different currencies. It is taken for granted that much reliance will be placed on provisions for flexibility in international exchange rates.

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.; Electrolux; Purolator; Brockway Motors; Mohawk Rubber, and American Export Airlines.

Wyandt Appointed Lt. (jg) In U. S. Naval Reserve

CHICAGO, ILL. — Owen H. Wyandt, Vice-President and Secretary of Scott and Wyandt, Inc., 135 South La Salle Street, investment bankers, has been appointed a lieutenant (j. g.) in the U. S. Naval Reserve, and will report to Camp MacDonough, Plattsburg, New York, for his 60-day indoctrination training. Wyandt is taking a leave of absence from the firm. Business will be directed by M. W. Scott, President and Treasurer.

Mutual Funds

"Threat Of Obsolescence"

A fundamental reason for the need of professional investment management—such as is provided by mutual funds—is strikingly emphasized in the July 1 issue of **Hugh W. Long & Co.'s New York Letter.** We quote:

"For the premise that post-war life will be vastly speeded and expedited by all manner of new appliances there is much to be said, but there is a darker side to the picture which the rose-colored glasses of the pollyannalysts do not see.

"For every new product which gains wide consumer acceptance with the American public, the item it replaces will sink into oblivion. For each manufacturing firm which hits the jackpot of public acclaim with some super-modern device, and which accordingly benefits from increased earnings, its unsuccessful rival will see earnings shrink and stockholders denied the income to which they have been accustomed."

The discussion continues with "some straws in the wind" to indicate investment opportunities of the future and also some "shadows of the past" to underscore the threat of obsolescence in terms of security values.

The bulletin concludes: "The professional manager is not inhibited by sentiment. He judges current values, regardless of the price paid for a security. He has no attachment for a stock or bond because it was an inheritance, or because it was purchased at a higher price and he hopes that 'some day it will go back there.' He is at all times an unimaginative realist, arriving at his conclusions through reasoned steps and coldly unafraid of the actions those conclusions may dictate.

"It is this type of professional management, with its desentimentalized approach, that is available to investors through the shares of well-supervised investment companies."

Hugh W. Long & Co. has announced the moving of its entire home office organization together with the offices of **New York Stocks, Inc., Manhattan Bond Fund, Inc.,** and **Manhattan Foundation, Inc.,** from their previous address in Jersey City to the Bank of New York Building at 48 Wall Street, New York City. The Long Company has extended a sincere invitation to its friends to drop in at the new office at their first opportunity.

The net growth in working capital of American corporations since the war began is discussed in the current issue of **Brevits.** According to figures compiled by the Securities and Exchange Commission, net working capital of all American corporations (exclusive of banks and insurance companies) stood at the highest level in history at the end of 1943.

In the period from the end of 1939 to the end of 1943 net working capital increased about 70%, or from \$24.6 billions to over \$41.6 billions. This 70% increase has placed American industry as a whole in a position to "reconvert to peace-time production and also to undertake considerable expansion without recourse to outside sources of funds."

* * *

W. R. Bull Management Co., in a new folder on **Republic Investors Fund,** discusses the "arithmetic of leverage."

"Today, Republic has approximately \$500 of leverage capital in addition to each \$1,000 of funds belonging to common shareholders, all of which is being invested and reinvested in seasoned market securities. Therefore, the common shareholder has \$1,500 working for each \$1,000 common shares which he owns.

"If the Fund's investments increase 25% the appreciation on the \$1,500 is \$375. But as the common shareholder is entitled to all of this appreciation, it amounts to 37½% on his \$1,000 investment. His increase, therefore, is 1½ times what it would have been without leverage."

* * *

Distributors Group, in the current issue of **Railroad News,** presents estimates of post-war railroad earnings. The estimates are averaged for the common stocks of 10 leading railroad systems and are based on two different levels of post-war national income. The average earnings of this group of stocks in a post-war year is estimated at \$12.56 per share and \$16.51 per share, based on national income of \$120 billion and \$134 billion, respectively.

For purposes of comparison, the actual earnings of this same group of stocks for 1929, 1932, 1937 and 1943 are shown in chart form together with the average market price of the group for these periods.

On the basis of these estimated post-war earnings and the present price level for railroad common stocks, these issues would appear to afford excellent opportunities for capital appreciation.

"Reconversion Gaining Momentum" is the subject under discussion in the current issue of **Investment Timing.** The series of 10 articles on "Scientific Developments from the Investor's Viewpoint," which appeared recently in this publication, has been reprinted in book form by **National Securities & Research Corp.,** which announces that "a copy will be sent to all subscribers, and an additional copy will be available at \$1.00."

* * *

Keystone Corp. reports a big increase in the assets of the 10 **Keystone Funds,** As of June 19, 1944, the combined assets of these 10 funds reached a new high total of approximately \$85,975,000, as compared with approximately \$60,000,000 a year earlier.

Keystone Fund Series S-2 on May 31, 1944, had total net assets of \$9,943,266, compared with \$5,682,474 on November 30, 1943.

* * *

Mutual Fund Literature

Keystone Corp.—The current issue of **Keynotes.** . . . **Selected American Shares**—A current issue of "These Things Seemed Important." . . . **Hare's, Ltd.**—A new folder on Stock & Bond Group Shares with accompanying letter and mailing card.

Dividends

Keystone Custodian Fund "B-3"—A regular dividend of 60 cents per share and an additional payment of \$2.00 per share out of realized profits for the fiscal year ending July 31, 1944, payable July 15 to holders of record June 30.

Keystone Custodian Fund "S-4"—A regular dividend of 10 cents per share, plus an additional payment of 15 cents per share out of realized profits on the fiscal period ending July 31, 1944, payable July 15, 1944, to shareholders of record June 30.

Manhattan Bond Fund—Ordinary distribution No. 24, amounting to 10 cents per share and an extraordinary distribution amounting to 10 cents, payable July 15, 1944, to stock of record as of July 5.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

Attractive Situation

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

Hale To Be Official Of American Trust

SAN FRANCISCO, CALIF.—William M. Hale, Vice-President of the Federal Reserve Bank of San Francisco, is resigning on August 1 to become Executive Vice-President of American Trust Company, 464 California Street. This 600 million dollar bank, which this year celebrated the 90th anniversary of its establishment in San Francisco, has numerous banking offices serving the San Francisco Bay area and contiguous parts of Northern California.

William M. Hale

Savers Plan Wise Post-War Spending

Evidently the public will not use its war-time savings in wild spending when peace comes, if a digest of the letters being received in the 125th Birthday Contest conducted by The Bank for Savings is typical of the country. The contest, which opened March 27 and closed Monday, July 3, required of entrants, letters on one of two subjects: "Why I Opened My Savings Account," or "What My Savings Account Has Done for Me." In its announcement of July 3 the bank says:

"Letters on the first subject indicate that people are saving during the present period for future basic needs—to own a home, acquire a business, tide over possible unemployment, educate children, and meet unexpected emergencies. Many say they are making more money than ever before and welcome the opportunity to save.

"In the group writing on 'What My Savings Account Has Done for Me,' the future pattern of spending is indicated by what the individuals have done in the past. Almost without exception, savings have been used for a definite essential need, with no tendency to squander on luxuries.

"All of the evidence in the contest contradicts the theories of those who see in the tremendous recent gains in savings bank deposits a threat of uncontrolled post-war spending, with resultant inflation.

"Since the total prizes offered by The Bank for Savings—\$12,500 in War Bonds and Stamps (maturity value)—are sufficiently generous to attract people in all brackets, these contest letters may well be considered a key to what the public plans to do with its war-time savings."

The Bank for Savings opened for business on July 3, 1819, as New York's first savings bank. Among its founders were Governor De Witt Clinton, Thomas Eddy, John Murray, Jr., for whose family Murray Hill is named, and Archibald Gracie of the famed Gracie Mansion, now the official home of the Mayor of New York. Today, with assets over \$215,000,000, the bank is one of the largest savings banks in the United States. DeCoursey Fales is President and George Emlen Roosevelt is Chairman of its Executive Committee. Other officers of the Board include Lewis Spencer Morris, Ernest Iselin and W. H. Taft.

A reference to the contest appeared in our issue of April 13, page 1537.

OUR REPORTER'S REPORT

The latest revision of the list of securities which the New York State Banking Department considers legal for investment of savings bank funds is interesting in several respects, but particularly as it bears on the status of railroad securities.

Over a period of years, and particularly through the early part of the depression of the '30's, when a number of carriers took advantage of the revised Federal bankruptcy laws, the deletions from the legal list were wide and extensive and based on inability of roads involved to service such debts or provide for them at maturity.

The latest revision of the list, it develops, finds a total of 16 railroad issues, with a par value of $109,228,399 removed from the category of legals. But in no instance on this occasion was insolvency, or inability to service the loans a factor.

Quite on the contrary, all such removals evolved directly from ability of the issuers to take care of such issues, either at maturity or by call for redemption. Meanwhile, it develops, a total of 18 new issues were added, these having a par value of $87,315,500.

Here again is a concrete indication of the disposition of the railroads to take advantage of their war-accrued prosperity to reduce their outstanding debts. Although the number of additions exceeded the number of issues dropped, the par value of the new issues was less by almost $22,000,000, suggesting that amount of shrinkage.

In fact there has been an overall reduction of about $150,000,000 in the total of rail issues on the list, since the 1943 revision, due to substantial cuts in debts of several roads.

Louisville & Nashville

Another potential railroad refunding of substantial proportions moved into the realm of early prospects coincident with reports that the Louisville & Nashville is considering plans for refinancing of about $54,000,000 of its first and refunding mortgage bonds.

This, it is said, would involve three series of the loan which the road would seek to replace through the issuance and sale of somewhere near the same amount of new 3¾s under the same mortgage.

The outstanding bonds consist of $14,000,000 of series B 5s, $31,000,000 of series C 4½s and $8,900,000 series D 4s, all due to mature in 2003 but subject to redemption at 105. A fourth series under this mortgage carries a 3¾% coupon and sells around 102¾. By providing a sinking fund for the new bonds, it is believed the road could obtain a small premium on their sale.

Budd Manufacturing

The E. G. Budd Manufacturing Co. is reported to be giving some thought to possible refinancing of its outstanding 5-year notes with the aim of securing more favorable conditions from the lenders. Whether this may take the operation into the open market is not yet indicated.

The company obtained the loan of $11,900,000 early in 1943 from a group of banks and insurance companies and the Reconstruction Finance Corp. In the interval, $1,500,000 matured and was paid off.

The balance is due in March, 1948, but the present provisions set up a sinking fund requiring payments of $1,500,000 annually beginning this year. Moreover, there is a contingent earnings clause which provides a certain percentage of earnings be earmarked against the principal.

Getting It Done

Investment quarters are disposed to look for a real expansion in corporate and municipal refinancings in advance of the next war loan which the Treasury probably will undertake in the late fall.

Reports filtering through carry the suggestion that many of these issuers who have been inclined to put off such operations are gradually coming around to the conclusion that the prevailing conditions probably are as satisfactory for their business as the future will produce.

The point is made that interest rates cannot conceivably be expected to taper off in any important degree from current levels what with best type corporates selling on a 2.60 to 2.75% basis. And there is always the thought that one cannot tell what the distant future may bring.

J. W. Thompson Co. Is Making Textile Movies At Request Of WPB

The J. Walter Thompson Co. motion picture department is currently producing seven films for the cotton textile and tire cord manufacturing industries, featuring such prominent personalities as Donald M. Nelson, Chairman of War Production Board; Hon. James F. Byrnes, Director of War Mobilization; Vice-Admiral S. M. Robinson, Chief of the Office of Procurement and Material and Lieut.-General Brehon Somervell, Commanding General of Army Service Forces.

Produced at the request of the War Production Board and with its approval the films will be released early next month. They are to be shown in areas where 1,500 cotton textile mills and 42 tire cord mills are located.

The purpose of the films is fourfold: to show people in communities where tire cord is made, where cotton and rayon is manufactured for tires, the direct importance of this work to the war effort; to help overcome absenteeism; to assist in new employment wherever possible, and to show the necessity for increased production.

Four of the films are being made for the cotton textile industry under the direction of the Cotton Textile Institute, whose President is Dr. C. T. Murchison. The other three films are being made for the Tire Cord Manufacturers Publicity Committee.

John P. Doehling With Gordon Graves & Co.

John P. Doehling, specialist in New York State municipals, is now the manager of the municipal bond department of Gordon Graves and Company, 30 Broadway, New York City, specializing in institutional investments.

Mr. Doehling was formerly in the municipal trading department of Ira Haupt & Co. and Campbell, Phelps & Co., Inc.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

The publication this past week of the 1944 volume of "Best's Insurance Reports," Fire and Marine edition, enables this column to present figures which illustrate the importance to the parent companies of the earnings of wholly and partially owned subsidiaries. Although quite a number of prominent old line fire insurance companies own no subsidiaries, such as Franklin, Hanover, North River, U. S. Fire, etc., on the other hand a large number do, and figures on seventeen are presented in the accompanying tabulation.

COMPARISON OF PARENT AND CONSOLIDATED EARNINGS

	—1942— Net Operating Earnings Per Share		—1943— Net Operating Earnings Per Share			Earning Yield	
	Parent	Consolidated	Parent	Consolidated	Current Market	Parent	Consolidated
Aetna	$1.43	$3.12	$2.59	$3.94	$52¼	5.0%	7.5%
Agricultural	3.00	1.82	5.29	6.21	75	7.1	8.3
Boston	10.88	7.22	38.82	43.32	590	6.6	7.3
Continental	2.49	2.92	3.26	3.76	45½	7.2	8.3
Fidelity-Phenix	2.48	3.04	3.77	4.45	49	7.7	9.1
Fire Association	2.33	2.20	3.86	3.97	64½	6.0	6.2
Great American	1.07	1.99	1.57	2.19	30¼	5.2	7.2
Hartford Fire	4.06	8.18	5.65	8.34	99½	5.7	8.4
Home	0.85	0.94	2.30	2.24	30	7.7	7.5
Ins. Co. of N. A.	3.66	5.80	6.19	8.42	85¾	7.2	9.8
National Fire	2.88	3.66	3.77	4.71	60½	6.2	7.8
New Hampshire	2.32	2.63	2.02	2.29	46¼	4.4	5.0
Phoenix	3.41	3.81	3.97	4.82	81½	4.9	5.9
Providence Washington	1.09	1.28	2.87	3.04	35⅞	8.0	8.5
St. Paul F. & M.	16.52	26.04	19.26	26.67	69¼	*5.6	*7.7
Security	1.81	2.73	1.90	2.31	35⅝	5.3	6.5
Springfield F. & M.	8.37	9.27	4.52	4.67	117	3.9	4.0
Average						6.1%	7.4%

*Adjusted for change in par value in 1944.

The figures given compare not only consolidated net income with parent company net income, but also 1943 results with 1942 results. It will be recollected that in 1942 heavy marine losses were sustained and that consequently those companies which wrote this class of business in any appreciable volume reported net operating earnings substantially below normal. As a consequence their 1943 net profits show an unusual increase over 1942, extreme examples being: Agricultural, Boston, Fire Association, and Providence Washington.

It will be observed that subsidiary earnings contribute to parent company earnings in varying degrees. In some cases they reduce parent company net, as for instance with Agricultural, Boston and Fire Association in 1942, due to heavy marine losses by one or more of the subsidiaries. Also, in 1943, Home's consolidated net was lower than parent net by 3%. In 1942 consolidated net income averaged 31% greater than parent net for the 17 companies, and in 1943, 21% greater.

The companies whose 1943 net was increased through subsidiary income *better than the average of 21%* were: Aetna (52%), Great American (39%), Hartford Fire (48%), Ins. Co. of North America (36%), National Fire (25%), St. Paul F. & M. (38%) and Security of New Haven (22%). These companies, except National Fire, also showed *better than average* in 1942.

As this column has pointed out before, it is far more important to examine "earning yield" instead of "dividend yield," for the obvious reason that dividends depend on earnings. Generally speaking, the wise investor buys earnings instead of dividends. It is elementary that an investor is better off, other factors being equal, if he buys a stock with a 4% dividend earned twice than one with a 5% dividend earned one and a half times.

The last two columns in the table give the earning yield at current market prices of each stock, on a parent basis and a consolidated basis, considering 1943 operations. The average earning yield for the 17 stocks in the first case is 6.1% and in the second case 7.4%.

The difference between individual stocks is very striking, ranging, on a consolidated basis, between a high of 9.8% for Ins. Co. of North America to a low of 4.0% for Springfield Fire & Marine, and on a parent basis from 8.0% for Providence-Washington to 3.9% for Springfield. However, these percentages *of themselves* should not be taken as necessarily conclusive, for in the selection of insurance stocks for investment other factors, which are seldom if ever equal, must also be taken into account. They are, though, sufficiently significant to justify studied consideration.

CGO Tractions Interesting

The current situation in Chicago North Shore & Milwaukee Railroad Co. offers interesting possibilities according to a memorandum issued by Brailsford & Co., members of the New York Stock Exchange, 208 South La Salle Street, Chicago, Ill. Copies of this memorandum are available to dealers on request.

Pyramiding Inflation

(Continued from page 66)

tions of over-employment. On the contrary, if union labor seeks a wartime freeze of real wages, **percentagewise,**[1] the result can only be to increase the disparity (the "gross inequity") which prewar policies and lack of competitive opportunities in employment, had created as between wage rates, often within the same industry. With war, collective bargaining loses its function in dealing with the results of under-employment and becomes a square peg in a round hole as soon as the individual can act for himself and migrate to a better income—an income which is his "opportunity cost" in living standards. To stop such migration without allowing increases in low-wage areas and consequent increases in the cost of living, is a procedure that can only be described by one ugly word, slavery. It seems obvious, therefore, that advances in the cost of living cannot be compensated so as to maintain the same differential position for the upper wage brackets, without pyramiding inflation and the cost of war.

II. Congressional Action

This inevitable leveling process in incomes makes general stability in the price structure—a "freeze" of pre-war relations—elementally impossible. With this realization prevailing, the Gore-Baruch bill to establish a "freeze" policy had been rejected by Congress and a "selective" control was adopted. Moreover, when the law was amended (by the Stabilization Act of October, 1942), authority and even directions to increase prices to care for increased costs were plainly inserted in the law, and nothing in the Act warranted the policy later developed of splitting off the authority to raise prices and hedging that authority about with a hierarchy of directives and directors under the hold-the-line Executive Order (No. 9328, April 8, 1943), which in effect repealed the actually enacted policy of Congress in so far as OPA action is concerned. Could anything but confusion and red tape yardage result from such splitting of responsibility for waiving-the-line in price levels? [2]

The result of all this machiavellian scheming to "control" wages by controlling the cost of living, has been a policy of squeezing profits so as to allow wage increases while minimizing price increases. In the field of cost-of-living items, subsidy is the policy, and this has been a large factor in raising real factory wages by well over 7% during 1943. From the "base" level of January, 1941, (when factory wages had already advanced from a $100 prewar monthly average to over $175) this advance brought to 16.1% the total rise as of January, 1944.

Congress did its best to prevent the development of an American dictatorship of the proletariat by enacting a prohibition of subsidies on the one hand and of political contributions by labor unions on the other. Both were promptly nullified by the executive, the former at first by ignoring and later by vetoing congressional action, the latter by way of a ruling from one of the socialites who adorn the New Deal, the Attorney General. The result is a Congressional panic evidenced by collapse of opposition to subsidies as the CIO Political Action Fund gets into its stride, starting in southern primaries, to support this subtle ruse (subsidies) for raising real wages (16.1% since January, 1941), without adding anything to cash incomes that would be absorbed by the withholding tax.

III. OPA Action

When the price of the raw material of labor, that is, the cost of living, is increased, then, says OPA, there must ensue an inevitable inflationary spiral. In short, without legislative authority for such a policy, factory labor is given a peculiarly privileged position. Though directly involved in the high cost of war materiel, organized labor is slated for wage increases, not merely to cover dollar for dollar actual living expenses, but to match in percentage, and without regard to the worker's earnings position, the percentage increase in the cost of living. Not low incomes, but incomes already more than ample must be most rapidly pyramided by this cost-plus wage-contract policy, which leaves unorganized labor either with no recourse or with a percent change for low wages that does not cover rising costs.

With the pyramiding demands of union labor leaders sanctioned by such a policy, no one could deny the statement of the Deputy Administrator for Price, Mr. James Brownlee, before the House Committee, that "costs can chase prices, and you may be sure they will. If the cost of living increases steadily there can be no effective wage control." Percentage wage increases cannot fail to pyramid the cost of war by necessitating the notoriously inflationary cost-plus system of war contracts; and of course, "saving" by subsidy can thus become astronomical when estimated from factory wages on this percentage basis, because subsidy is the only form in which the cost of living can be increased and compensated, not by pyramiding, but exactly in the sum of the increase. Yet this policy of multiple or percentage appeasement has been administratively, not legislatively or "inevitably," determined. Multiplying the cost of war can be stopped by abandoning such a policy and raising wages just 5 cents a day when that is the sum of increase in living costs.

By contrast with this labor policy, when the price of the raw material of manufacture is increased, no such appeasing paternalism is in evidence. Indeed, OPA's Emergency Court of Appeals has ruled that "it does not follow that corresponding increases must be made at all other levels. . . . It is the duty of the Administrator . . . to require them (advancing costs) to be absorbed." In short, with increased costs, OPA must allow for a spiralling compensation of labor, but it may not similarly compensate any of the incomes that are affected by its own controls in price fixing. There is thus no admission that, if the cost of production increases steadily, as it has done, there can be no effective price control.

IV. "The Essential Role of Subsidies"—in Politics

Indeed, in the new edition of the OPA pamphlet propagandizing the nation in favor of food subsidies ("The Essential Role of Subsidies" is the title), there is broadcast an insinuated inference that no inflationary increase in costs has been permitted. The cost of living is said to have been held between September, 1942, and April, 1944, to little more than 5% rise (food costs to not much over 10%), the inference being that the only costs that have been permitted to rise are those which are purely wartime dislocations which "are bound to increase, regardless of our ability to stabilize raw material prices and wage rates." Candor would have cited, not ability, but inability to stabilize material and wage costs, for they have increased 17% and 24%, during 1942-1943 (two years).

Contrary to OPA's misrepresentation of critics (as set forth in this propaganda pamphlet employing the "straw-man" technique in answering (?) arguments opposed to subsidies), no one has seriously argued, except OPA itself, that prices should rise merely because "consumers can afford higher prices." Outside of the politically involved field of cost-of-living items, which have been arbitrarily removed from OPA controls and put in the hands of the Director of Economic Stabilization (see the Directive of Nov. 16, 1943, which set the stage for **raising** prices on cost-of-living items, and was immediately applied to textiles and apparel to get production of needed items), OPA has officially established the principle of encouraging production by raising prices above the "generally fair and equitable" level required by the law as it has been interpreted, whenever consumers can afford (officially denoted as "readily absorb") higher prices. This policy was definitely expressed in an order, issued on April 13, 1944, modifying MPR No. 188, to raise prices on a large list of items which, allegedly, do not affect the cost of living.

Obviously, this is done to avoid the occasion for subsidizing the production of every civilian product that is needed, out of the Treasury; and that is precisely what the critics of subsidy have said, to wit, that prices should advance with costs rather than pay subsidies when purchasing power is already excessive. Higher prices are less inflationary than subsidies, for they close the gap in purchasing power while subsidies inflate it further and build up excessive cash balances that are unspendable and accumulate out of reach of taxation. Rising profits, farm incomes, or wages, involve rising tax revenues, which cannot be said of subsidies as employed simply to keep producers out of the red. This neglect of the serious dilemma involved in accumulation of savings through subsidies and price controls is admitted in the case of copper subsidies but not in the case of the "further increases of profits, farm incomes, and wages" due to rising prices. A footnote remarks that "a portion of these additional costs" (corresponding to the so-called saving by copper subsidies,

1 See Sec. III of this article.

2 During preparation of this article it has developed that British policy has shifted, not away from all price control, but so that the official cost-of-living index will be allowed to rise during the coming year to a third above the prewar level.

estimates of which have been reduced in this revised edition from 2,800% to 1,900% before taxes) "would have been offset by increased yield of excess profits taxation consequent upon the higher profits of low-cost copper producers." But no such footnote qualifies the assertion that "consumer incomes" are increased by way of "profits, farm incomes, and wages" when the items of consumer goods rise in price. Thus, "consumers can afford higher prices" if prices are higher but, **mirabile dictu**, cannot afford them if subsidies are paid to prevent higher prices!

This sophistry has been pointed out by Professor Harper of the Cornell Department of Agricultural Economics (Congressional Record, Jan. 14, 1944, p. A186): "All who would be enjoying higher profits because of the higher market price would be confronted with increased income taxes. If the taxes aren't high enough, we can raise them . . ." But the sad part of it is that we cannot raise them and at the same time hold prices and profits down in order to facilitate high-wage savings and their investment in cashable war bonds which do not, as alleged, "drain off" purchasing power but actually accumulate it in a pool that is likely to wash out all the stop-gap schemes for "control." The Treasury is already starting the printing presses to cash them. Dr. Harper's remarks deserve further quotation:

"This economical power of subsidies could arise only if our general wage structure could, by agreement, be tied to only a few subsidized items. Preferable would be to tie wages to some one minor item, like vanilla extract, so that the cost of the subsidy payments necessary to hold its price down would be small; if we could accomplish approval of such a scheme, great power of economy could be claimed for the subsidy plan. If, on the other hand, the groups involved should demand inclusion of prices of absolutely all items of their expenditure, this economical power of subsidies would disappear completely; it would then become simply a matter of shifting part of the cost of things, that should reasonably be paid for by consumers in these prosperous times, to the Federal Treasury, with an increase in the public debt to be borne by someone else in future years.

"A demand for higher wages, of $1 a day, would be a demand for some $19,000,000,000 increase in the yearly income payments to our present working force in the United States. A food subsidy of $1,000,000,000 annually, which some say would be more than adequate if used wisely, . . . is equivalent to 5 cents a day. If it is impossible to block by direct methods the inflationary demand for a $1 increase, it would seem that an irresistible demand for 95 cents would still exist. Or, they might demand and obtain later the $1 originally requested, making a total of $1.05 as the outcome of what was thought to be a 5-cent expenditure to prevent the $1 raise in wages.

". . . Whatever its validity and usefulness, the process would seem to boil down to fooling someone by a sort of horse-trading deal. If that is the case the problem of fair wages and fair prices to different groups might just as well be threshed out in the first place, on its true merits and above the table. If we cannot refute on its merits an unreasonable demand, what chance is there that we can succeed in squelching it by some process of deception? And if the demand is a reasonable one, to reduce it by deception is unfair."

The fact seems to be that unreasonable demands are being actually encouraged by percentage wage increases, as in the Little Steel Formula. The so-called control by subsidies employed to maintain production by paying higher wages while putting ceilings on living costs, is clearly an increase of income which evades taxes and enables labor organizers to continue maintenance of membership by new checkoffs to be used in "political action funds" set to keep the political supporters of such a scheme in power. How does it happen that subsidies are not employed, and price control is so readily abandoned, in fields that do not affect this political action fund? Under the recent (April 13) order of OPA, rising prices are officially employed to pay civilian enterprises that are in the red and therefore are given relatively untaxable incomes. But, subsidies and price ceilings are extended to the incomes of union labor so that not only do they pay less in taxes relative to their real incomes, but they also spend less of their income.

In his statement to the House Committee the Deputy Administrator for Price, Mr. Brownlee, said that this "directive" scheme for avoiding the pyramiding of subsidy payments (where they have no political repercussions) originated in proposals from OPA to exceed "generally fair and equitable" prices for the purpose of "insuring the production of adequate supplies of essential consumer goods." So on Nov. 16, 1943, OPA had agreed that "existing maximum price regulations constitute a serious impediment to the effectuation of the production programs." Yet on Jan. 26 Judge Vinson ardently protested that his "directive has been widely misunderstood." So while diverting attention to its immediate application to textiles and apparel, the "misunderstanding" was unceremoniously removed; in short, the plain statement that price controls are, in fact, a serious impediment to adequate production of essential consumer goods, was eliminated in the revised directive of Feb. 29, just in time to allow the presentation before congressional committees of figures and charts proving that price controls have brought about unprecedented production! Unfortunately the use of aggregate war production figures evidences only an attempt to veil the truth, so plainly stated in the 1943 directive, that price controls do impede production **seriously**. For it is inflation, and nothing else—meaning an increase in the money supply (now in excess of the measure of wartime civilian needs)—that has financially implemented the tremendous build-up of wartime production. And inflation is part and parcel of the subsidy program that had become so thoroughly established **before** the war, and which it is now contended is suited to inflation control!

"National policy has developed," says the OPA subsidy pamphlet, "a broad, many-sided program of economic"—not to say, political—"stabilization, geared to the tremendous strains of an all-out war economy"—not to say, of an all-out fourth-term political campaign. "This gearing would be fatally incomplete, however, without the use of the subsidy technique." So the amended directive for higher prices was careful not to disturb the subsidy for producers of war goods who are geared to political action by the admitted rise of 7% in real wages in 40 weeks following March of last year. To make sure that the gears will grind only civilian industry, relatively low in wage scales, Director Vinson ruled that as to "the maximum price equal to the total unit cost of the highest cost producer . . . , I shall hesitate to let it be used at all." High profits (highly taxable) either from efficient management or low wage scales, will not be permitted; high wage scales will be permitted to increase the cost-plus profit base, and so prevent high excess profits taxation. With the Treasury busily selling bonds to control (?) inflation, what is called "economic stabilization" is thus a matter of dictating, not price or wage control, but limitation of profits and taxes!

In the words of Prof. Wilford I. King, "Apparently against his will, Mr. Vinson, who doubtless believes in free enterprise, is gradually being forced to place more and more limitations on profits, thus tending to destroy the motivating force of the free enterprise system. . . . Mr. Vinson claims that his directives are purely war time measures. But if price fixing adds to efficiency in war time, why discontinue it when peace arrives?"

V. The Arithmetic of War Finance

A little common arithmetic seems to be needed to demonstrate the futility of price-fixing in civilian trade and industry in war, to say nothing of peace. For example, if public budgets involve $15 billion and civilian production involves $60 billion, in annual income, then 4/5 of total productivity is devoted to civilian needs and ⅕ to tax-financed services. Assuming a balanced budget, ⅕ of all income is paid through taxes.

But war, with modern accoutrements, makes the $60 billion represent only ⅜ of total productivity, the other ⅝ being devoted to tax-financed services (if we count inflation as a form of taxation).

(Continued on page 87)

5% Spread "Policy" Awaiting Decision

(Continued from page 67)
scionable profits. It does object to a 5% spread rule or to any other arbitrary or fixed measure. It believes that any arbitrary ceiling, be it 1% or 10%, is certain to be wrong."

The 5% Policy, a Yardstick

In substance, the brief of the National Association of Securities Dealers contends:

(a) The enforcement of the Rules of Fair Practice is a local matter under the control of the District Business Conduct Committees.

(b) The 5% policy does not constitute a rule, but is only a "desirable yardstick."

The Association's attorneys emphasize the fact that in its communications the NASD Board of Governors specifically stressed that the policy set forth is not a rule.

Study in Semantics

For the Securities Dealers Committee, Messrs. Edward A. Kole and Abraham M. Metz, attorneys, made the following reply to this last contention:

"The nub of the argument presented by NASD is that the stated 'policy' is not a rule because the NASD in its communication, said it is not a rule (Brief, p. 9).

"Standing alone, that argument is as sound as would be the claim that a horse is not a horse because someone called it an automobile.

"There is neither divinity nor absolute sovereignty in the Board of Governors, and when to suit its own ends, it seeks to dub a rule by the wrong 'handle,' that doesn't convert a rule into something which it is not.

"The name used isn't the test, but rather the effect of, and the directions concerning, the so-called interpretation, philosophy or policy.

"If the nomenclature alone were the absolute and decisive factor, the Board of Governors may reasonably be said to have called the policy a rule, for they have repeatedly referred to it as a 'yardstick' (NASD brief, pp. 9, 10). Clearly, the term 'yardstick' is here used in the figurative sense, for literally, it is a 36-inch measure stick.

"In the figurative sense, how is it defined?

"'Yardstick—(figuratively) a rule, test, criterion, by which something intangible is measured with accuracy, rigidity, or the like * * *' (Webster's New International Dictionary, 2nd Edition, Unabridged).

"Therefore, if we employed the system of logic used by NASD counsel, we might argue with complete conviction that the philosophy is a rule because the NASD has in effect called it a rule."

THIS PROCEEDING HAS BEEN AND WILL CONTINUE TO BE CLOSELY WATCHED, NOT ONLY BY THOSE ENGAGED IN THE SECURITIES FIELD, BUT ALSO BY CONGRESS AND INDUSTRY IN GENERAL. SUCH VIGILANCE IS DUE TO THE FACT THAT THE PRINCIPLE OF CEILING ON PROFITS TOWARDS WHICH THE NASD HAS BEEN TENDING, IS ONE WHICH IF ESTABLISHED, WILL ULTIMATELY FIND ITS WAY INTO THE ENTIRE FIBRE OF AMERICAN BUSINESS.

Brady Opens Albany Branch Under Hittinger

Brady & Co. announce that they have opened an office at the State Bank Building in Albany, under the management of Paul F. Hittinger, formerly with Barrett Herrick & 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)

BEVERLY HILLS, CALIF. — **John J. Flanigan** has become associated with **Merrill Lynch, Pierce, Fenner & Beane,** 9520 Santa Monica Boulevard. Mr. Flanigan was formerly with Buckley Brothers.

CHICAGO, ILL. — **Gilbert S. Watson** has become associated with **Ames, Emerich & Co.,** 105 South La Salle Street. Mr. Watson was formerly with Ryan, Nichols & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**David P. Ayars** is now with **Otis & Co.,** Terminal Tower.

(Special to The Financial Chronicle)

KANSAS CITY, MO. — **Frederick F. Githens** has become associated with **B. C. Christopher & Co.,** Board of Trade Building. Mr. Githens previously was with Daniel F. Rice & Co. and James E. Bennett & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Guy Gadbois** has become affiliated with **Atlas Securities, Inc.,** of Beverly Hills. Mr. Gadbois was formerly with Wyeth & Co., Pacific Company of California, and O'Melveny-Wagenseller & Durst.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Roscoe G. Neiger** has joined the staff of **Russell M. Anderson,** 559 South Figueroa Street. Mr. Neiger was previously with Van Denburgh & Bruce, Inc., and Hurry, Hilgers & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Clarence M. Zerrien** is with **G. Brashears & Co.,** 510 South Spring St.

(Special to The Financial Chronicle)

YOUNGSTOWN, OHIO—**James P. Hart** is now connected with **Hirsch, Lilienthal & Co.,** Union Commerce Building, Cleveland. Mr. Hart was previously with Paine, Webber, Jackson & Curtis, Singer, Deane & Scribner, and Soucy, Swartswelter & Co.

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.

Giant Portland Attractive

Giant Portland Cement Company offers interesting possibilities, with an anticipated upturn in the industry generally at the close of the war, according to a detailed study of the situation issued by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of this interesting study may be had from the firm upon request.

What Price Economic Security?

(Continued from page 73)

did not share in the increased money income, may eventually rebel. This would be most likely if money incomes of one group were increased at the expense of other groups by charging them higher prices for the products of the original group. But lowering prices has its problems too. If widespread, a gently falling price level may cause unemployment with all its vicious repercussions because inventory buying ceases and large selling waves set in to beat the downward trend in prices. Here, too, is the question of how much security at what price.

The price for economic security will always spell for anyone and all groups a reduction in their freedom of action. The question is not economic security without price, but how much economic security at what price? How far are individuals willing to fork over their freedom of action in return for security?

Economic security is distinctly in form of a diminishing utility curve. There, soon, perhaps much sooner than most of its advocates realize, comes a point at which a counterrebellion will set in against the very restraints imposed upon individuals which have been begotten by their demand for economic security. Farmers and workers particularly have as yet not seen it.

Insecurity is not a bad thing. Insecurity of some sort is the essence of adventure. It has been particularly that lack of adventure which has been one of the underlying complaints, voiced or silent, against life to which the sort of society modern man has created condemned him. Insecurity which invites people to do something about it and provides a chance to render that something effective will always be socially constructive. Nay, people want it that way.

The question again is: Are we able to see and are we willing to pay the price for our demands on society? One thing has to stop in the interest of all and that is the indiscriminate and dangerous reciting of security as if no price were involved.

The price system will serve as a final illustration. Capitalism cannot survive without a free price system. Any rigidity in prices and costs induced by government as a result of pressure group action, or induced by cartels or certain labor practices will not kill the price system, but the social system.

A flexible price structure at least substantially aids if not determines the most efficient allocation of economic resources. If prices go down in one segment of the economy, there will be a shift of labor, land and capital to other segments of the economy lowering the remuneration to factors of production there until a new equilibrium has been temporarily established. Any interference with the price mechanism will not only create cost-price disequilibrium, but over the long run will aggravate it and widen price dispersion. Either government perpetually subsidizes such an artificially maintained industry—a step that may well spell socialization in the end—or if temporarily subsidized, losses will have to be taken eventually that are many times in excess of those that would have been incurred originally had economic forces been permitted to assert themselves.

Capitalism means risk, profits and losses. For some, the competitive process, impossible without free markets, spells death. That is the prise that must be paid in a competitive society, that society which has given those under it a higher standard of living than any other system yet devised by man. But again the price of a high standard of living is an increased susceptibility to business fluctuations, for the higher the standard of living the higher will be the margin of income which need not be expended immediately and may be hoarded.

Floors under agricultural prices may iron out certain price dispersions between industrial and agricultural prices, but the price that will have to be paid eventually will come high. Prices must reflect cost as well as demand conditions. Capitalism cannot be retained under the slogan, "a fair return on a fair capital value." Are people really so blind as to propose stockpiling of raw materials and still assume that this will not destroy free price determination? Someone recently proposed in Washington that stockpiles of strategic raw materials (this can include quite a list!) be set aside, only to be touched in case of another war. Let a group interested in the consumption of any one such item experience the first steep price increase in a stockpiled item (perhaps necessary to stimulate production) and watch that group high pressure somebody temporarily in to releasing such supplies to stabilize the price. Surely the market and an industry would anticipate such moves and act accordingly, with the result that a disequilibrium between demand and supply might become chronic.

The price of progress itself is insecurity. Social organisms as well as individuals cannot rest without rotting. But we can mitigate erratic progress and in so doing increase our security. But all aspects of economic security inexorably demand their price. The marginal utility of our chips which purchase economic security is very high for most of us. For too long has economic security or a semblance of it been bought on credit. Even now the bill has not been presented. Before long it must.

The CHRONICLE invites comments on the views expressed by Dr. Lohman in this article, or on any related phases of the subject under disussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce St., New York (8), N. Y.

Responsibilities In Post-War Problems

(Continued from page 76)

of increasing power. It seems to me perfectly fair to say that as labor's leadership matures—and I thing it is maturing—and as more good men rise from the union ranks, we have a right to expect more statesmanship in labor's policies. The converse of that, of course, is perfectly true—that as management acquires more experience in dealing with labor, we have a right to expect more management statesmanship in the field of labor policy, too—but at the moment I talking of labor's responsibility.

For one thing, I believe there is a very definite responsibility on union leadership—a responsibility not only to the men, but to the general public. We can properly expect union leadership, I believe, to see to it that agreements made are kept; to recognize the fact that the unusual conditions of wartime have brought about serious dislocations in wages, which must sooner or later be adjusted; to support a policy of larger production at lower final costs. If management has sinned against that policy in the past, it must be admitted that labor not infrequently has done likewise. Labor must accept the same fact that management must accept—that restricted, high-cost production is not the road toward a free, prosperous economy.

Another responsibility which clearly rests on labor seems to me to be the establishment of an attitude of reasonableness in collective bargaining. Hand in hand with that must go a willingness to cooperate in labor-management committees—a readiness ,in other words, to forget distrust and suspicion and sit down across the table from the employer and try to find mutually satisfactory solutions to common problems. And right here I would like to say a word or two about the uses of these labor-management committees. In spite of the attitude a few labor leaders have shown, I don't believe that the average working man really wants to participate in management. I believe that what he really wants is a sense of **belonging** — a feeling of personal necessity to the operation of the business of which he is a part. He doesn't want to be just a number on the payroll; he wants a job that gives him some personal pride; he wants reasonably good wages —and above all he wants to work with security. Men who work want at least these things from society and they want them very badly; a society which is unable to give them has no right to expect too much in return.

Now I happen to believe that the American people have a tremendous confidence in our form of society and our form of government. They believe in the capitalist system—they believe in the making of profits. They think well of business and its leaders, and I do not believe that they dislike big business just because it is big. But the American people are certain to be very intolerant of management and labor alike if they seem to be creating such an atmosphere of pulling and hauling as to shake confidence in their value as leaders. And they will jump on labor just as quickly as on management if they feel that each is looking to its own interest before it looks to the public good. Don't make any mistake about that.

If these are the responsibilities of business and of labor, what about government? It has its responsibilities too. It has, for instance, fiscal taxation and monetary responsibilities that are its alone. Balancing savings and investment, and maintaining demand and purchasing power, are integral parts of the government's financial policy; neither business or labor can provide a sound tax policy. And the broad problems of social security are obviously problems with which government alone can deal. In this field we have made a good deal of progress, although too many large segments of our economy are not yet covered. The general state of public health in America is still too low for so civilized a society; too many people still suffer from inadequate medical care. In Great Britain, in peace time, 27% of the nation's government budget is devoted to social assistance. I do not advocate that here—but it points to the tendency which is absolutely certain to develop in any democracy where inadequate employment and a poor level of public health are permitted to exist.

In this discussion I have made no reference to the very considerable problems which face us in the foreign field. I don't qualify as an authority on foreign policy, and it would take much more time than I have today to discuss adequately all of the economic aspects of our foreign problems. I would like to bring out one point, however. When this war ends we are going to find ourselves with a considerable surplus of merchant ships and a substantial surplus of goods—to say nothing of the capacity to produce more goods. What are we going to do with them—use the surplus ships to carry the surplus goods for sale abroad? An excellent idea; but we might just as well make up our minds to the fact that if we wish to sell we have got to be willing to buy. We needn't propose to lower our standards of living or the purchasing power of our labor, but we do need to cultivate a friendlier attitude toward the buying as well as the selling of goods in foreign markets. This is a big contribution toward fuller employment that we dare not try to do without.

I remarked earlier that decisions of profound significance to the life of this country will soon have to be made. All of us are going to have a part in the making of those decisions; all of us —business, labor and government alike—have very responsible roles to play. But it seems to me above all things important for us to get a clear picture of what might be called the inevitabilities of this world we are shortly going to face.

First of all, of course, there has got to be reemployment of many millions of men—men who come out of the armed forces, and men released from war industries. That reemployment is just naturally going to take place in one form or another. It will do no good whatever to rail against WPA and "made work"; those men simply are not going to remain idle. Any administration in office, Democrat or Republican alike, will come face to face with a national insistence on the right to work and useful work to do.

That means, obviously, a national turn-over of peacetime operations in industry on a scale hitherto undreamed of. In 1929—the great, fabulous boom year of the booming twenties—we had a national income of about 83 billion dollars. We have demonstrated in this war that we can maintain a national income of 150 billions—we're doing about that much now—and that with 11 million men in uniform! That is possibly the most staggering single economic fact this country has ever faced.

When peace returns, I should say that we still must find a national income of something like 140 billion dollars.

That, I believe, is a fact that we might just as well accept right now. There is not going to be much point in arguing whether a national income of that size should be maintained, or in trying to make up our minds whether or not we are going to like it. We are going to have it and that's about all there is to it; we are going to have it because we must have it. We have shown in this war that we are geared to that kind of income. Costly as this war has been—and it is certainly the most expensive single enterprise in all history—it is nevertheless true that in this war we have discovered our real wealth—discovered it, and made it available for our own use.

I am no authority on tax matters, but at a guess I would say that our annual federal government budget after the war cannot be much less than 20 billion dollars—and it may be more. On a pre-war scale of living, a figure like that would be ruinous; on the kind of national income we can have after this war, such a figure is perfectly acceptable.

These are challenging figures. A national income of 140 billions connotes an America almost unimaginably more productive and more prosperous than the America of any pre-war year. We move into a different kind of world when we operate at that level. But this isn't a dream picture. This is something that we can do if we will.

How can we do it? Good management will be a first requisite. Less petty selfishness is certainly another; more concern for the public good in every decision made by government, labor, agriculture or business. We must have sound legislation against a truly national background, and a favorable climate for business growth. Business must feel that it has the confidence of the country. With such elements, we can have adequate employment at fair wages for all who want to work. Given that, everything else will tend to fall into place.

The national policy that can produce such a development is not at all impossible to attain. We shall have it as soon as the total of all of our private and our group policies adds up to the proper sum. We do not have to achieve miracles. The miracles have already been accomplished—in the growth of our productivity, in our newly-discovered ability to make full use of the enormous national strength which God has given us. All we need do now is to be intelligent, courageous and public-spirited enough to put the good of America ahead of the good of any individual or group.

If there is any challenge which I can leave to your thinking tonight, it is that we have it within our power to make this a better country to live in, a better life to live, a more secure and satisfying life, if we want badly enough to do it. It will not be easy to do—few things worth while are easy —but we can do it if we will too.

Pyramiding Inflation

(Continued from page 83)

Were the budget balanced, ⅝ of all income would be paid in taxes. Pre-war incomes ($75 billion), however, had been burdened with only 20% taxation. Nevertheless, to purchase the same production at the same price level still requires $60 billion. Hence of the new national income of $160 billion, those activities represented by the $75 billion cannot be burdened with any greater taxation without an increase in income, that is, an increase in the money price of the same transactions. A distribution of the $100-billion tax burden as between civilian and government employment (including war industries, of course) would require that the $60 billion be increased, so that it can pay ⅜ of $100 billion instead of 4/5 of $15 billion without alteration in the basic, after-taxes sum ($48 billion) required to conduct the same quantity of civilian production and distribution. 48 plus 37 equals 85. So $85 billion is the sum necessarily involved in the pre-war level of civilian activity if it bears an equally distributed share of the burden of the public budget of $100 billion, and the budget is balanced by taxation to prevent inflation.

It seems clear, therefore, that to sustain a budget of $100 billion by taxation requires an increase in the money cost of the pre-war level of real income of over 30%. This increase represents a stable cost of living **after** taxes; and it necessitates a corresponding rise in income **before** taxes except in so far as living expenditures after taxes are reduced to less than a pre-war standard. To assume that pre-war prices can be maintained post-war by mere restoration of pre-war civilian production and/or reduction of war time demands against productivity, is to ignore the necessary increase in purchasing power (money supply) that has been invoked for the war budget and the plain fact that no way is being presented for reducing the money supply to a pre-war peacetime level, other than the "classic" way, employed in 1920, of a disastrous deflation of bank credit with its train of unemployment and agricultural insolvency. On the contrary, instead of curbing our post-war money supply, fiscal policy now runs to the issuance of billions in cashable bonds available for spending at any time, even during the war!

Interesting For Investment

Common stock of the Atchison, Topeka & Santa Fe offers attractive possibilities for investment, according to a detailed study of the situation, with reference to the present and post-war position of the issue, prepared by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this study may be had from Vilas & Hickey upon request.

Wichita Dealers Ass'n To Hold Annual Outing

WICHITA, KANS.—The Wichita Security Dealers Association will hold its annual outing (stag) at Yentruoc Lodge on Friday, July 14, at 2 p.m. Bond men and ex-bond men of the United Nations are eligible to attend.

Fishing and swimming will be features of the day (those attending should bring their own equipment for both), and also horse shoes. There will be a soft ball game between the Stock Brokers and Bond Dealers—age limit 18 to 90—and if time permits completion of the game between the Crapshooters and Guzzler started last year. There has been a change in the ground rules; a player is automatically out if caught drinking while running bases—batter advancing to first must leave drink with first base coach.

There will also be a special stock exchange on which active trading is expected. Memberships may be acquired from Amos Small, Small-Milburn Co., Wichita.

Reservations for the party should be made with D. W. Vink, The Ranson-Davidson Co., Beacon Building, Wichita 2, Kans.

FIC Banks Place Debs.

A successful offering of two issues of debentures for the Federal International Credit Banks was concluded June 19 by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of $17,275,000 0.80% consolidated debentures dated July 1, 1944, due Jan. 2, 1945, and $25,875,000 0.90% consolidated debentures dated July 1, 1944, and due April 2, 1945. The issues were placed at par. Of the proceeds, $39,025,000 was used to retire a like amount of debentures due July 1, 1944, the balance $4,125,000, being new money. As of July 1, 1944, the total amount of debentures outstanding was $289,165,000.

The Securities Salesman's Corner

A Sales Idea For Upper Bracket Investors

Today's capital gains tax offers an opportunity for selling non-dividend-paying growth securities to investors who are in the 30% surtax brackets and above.

The fact that many investors are more tax conscious than ever before presents an opportunity to the salesman who is looking for a new approach to more business with individual investors. In offering such securities it is advisable to explain the benefits of purchasing an investment whereby present dividends are subordinated to capital gains which may be taken at some future date, WHEN THE POSSIBILITY OF COMPLETE REPEAL OF THE CAPITAL GAINS TAX MAY MAKE IT PROBABLE THAT ALL PROFITS CAN BE KEPT BY THE INVESTOR.

In selecting this type of security it would appear that the medium and low-priced stocks of companies in the following industries appeal to investors in various parts of the country:

Electronics	Plastics
Air Transport	Automotive Accessory
Household Appliances	Building Materials
Beverage (Soft Drinks)	Textiles

In presenting this idea to investors a good plan is to quote that other astute investors who are clients of your firm have been foregoing the purchase of the usual dividend payers that make up the bulk of their investment portfolio and have been carefully selecting securities THAT DO NOT PAY INCOME AT THIS TIME BUT THAT DO HAVE AN UNUSUAL OUTLOOK FOR PRICE APPRECIATION.

The fact that income taxes absorb such a large portion of taxable income today should be brought to the client's attention. Next, it is also possible to show that a reduction in both personal and corporate tax rates may be accomplished to some extent at least, after the war. Fifteen or more State legislatures have already ratified a proposed amendment to bar corporate taxes above the 25% level.

After these points are brought forward (and the average investor is today only too well aware of them) then it can be shown that there is a very good possibility for complete capital gains tax repeal. England does not have such a tax. Sentiment throughout the country and in Congress is rapidly rising against this un-American taxation. Even under today's rates whereby 25% of profits on a capital asset held for over six months is paid—there is still an advantage to the investor if he purchases the right securities that give a good performance marketwise.

When these points are made it is then advisable to have several well-researched, attractive, speculative securities to offer. BUT DO NOT OFFER MORE THAN ONE TO A CLIENT. Have several in reserve BUT ONLY OFFER ONE. Know your story from A to Z. Know the picture behind the figures. Know the industry, its outlook, facts about the products manufactured—BELIEVE IN IT YOURSELF. Try and collect some of the company's advertising literature of the situation which you have selected to offer to your clients. Show it to them—BELIEVE IN IT YOURSELF—GET THEM TO BELIEVE IN IT ALSO—FOLLOW IT UP AFTER THEY HAVE BOUGHT IT. By selecting the right GROWTH SITUATIONS today you can build a very lucrative business for tomorrow.

War-Time Growth Of Electric Power

(Continued from page 72)

civilian production — more than one half of what it was in 1940.

Growth of Power Production for Industry

"In back of this great increase in industrial production is a similar increase of electric power supply for industrial purposes. In 1940 industry required 94,505,000,000 kilowatt hours. A kilowatt hour, it has been estimated, represents 10 man-hours; hence it is seen that each American worker in industry has the equivalent of nearly 500 helpers serving him.

"In the last war it was said that America's ability to produce was the thing that turned the scales. Now, 25 years later, we have five times the electric power available that we had then. This is twice as much power as the workers have to help them in any other country.

"Now this electric power for industry comes from three sources; generated by manufacturing plants for their own use; a small part imported from Canada and from the electric light and power plants, as shown in millions of kilowatt hours below:

	1940	1943
Generated by manufacturing plants	38,200	52,000
Imported from Canada	1,175	1,500
Supplied by private and public electric utilities	55,130	106,100
	94,505	159,600

"In 1940 the Private and Public Electric Supply furnished a little over 58% of the electricity consumed.

"In 1943 it was 66½% and this small percentage increase of the total represents more than 50,000,000,000 kilowatt hours, an increase of more than 92% from these utilities. Thus in three short years industry asked for and got nearly **twice** the amount of power that it had ever required before! American industry has always used vast quantities of electric power and in 1943 two thirds of it was supplied by the nation's electric utility companies. Never before have such demands been made upon industry and never has industry in turn made such demands upon the electric utilities.

The Handicaps

"Of this increase of more than 50,000,000,000 kilowatt hours, about half has been supplied to the metallurgical industries. American aluminum production has now reached a peak of 150,000,000 pounds per month and aluminum production requires 10 kilowatt hours for every pound made or nearly 10% of the total energy sold by the power industry. Electric steel which used about two and one quarter billion kilowatt hours in 1939 required seven and one quarter billion kilowatt hours in 1942 and the figures for 1943 are not being made public for obvious reasons. Moreover, our new magnesium industry—created since 1939—is another large consumer, using proportionately as much as aluminum. When the war is over magnesium will find many uses in our peace-time living, thanks to ample electric power to produce it.

The Problem of Equipment

"The electric utilities do not have first priorities on the materials they need, since direct war effort takes precedence over all else. Steel, aluminum and copper are the materials of which the electric industry is built, but steel, aluminum and copper are likewise the backbone of the war effort.

"Moreover, the manufacturers of electric equipment have gone to war. Meters, transformers, regulators and other necessary electric devices and supplies are no longer available. Today, the designing engineer starts with what he can dig up for a particular job and then he works them into the design. Great ingenuity is required—perhaps two or three transformers, old transformers, can be used in place of one of the proper size. It is surprising what can be made from the odds and ends in the stock pile of obsolete and worn equipment. Meters are rebuilt, chipped insulators repaired and used, old covered wire cleaned, tested and reused. While results may not look aesthetic, may deeply grieve the designer's ideas of precision and accuracy, at least they will do—even if they will have to be replaced, rebuilt, relocated or done all over again. If they will carry the load and help win the war—carry on! In one case on record an hydraulic turbine 45 years old, 17 years out of service, is once more turning out its full share of energy to help beat the axis.

"If the necessary equipment cannot be purchased or if a substitute is not found in discarded or obsolete equipment then there might be call for 'lend lease' from a neighbor utility. Just another example of the will to win which permeates the entire industry.

"Nor has this borrowing been confined to materials, supplies and equipment. Electricity also has been borrowed. This is really nothing new. Electricity is borrowed around every day. It may be undramatic but if there is a temporary or permanent shortage at Bridgeport, Connecticut, then some flows down from Springfield, Massachusetts. Springfield makes up any deficiency that it has, perhaps from Albany, New York; and Albany may have to get current from Canada. All this is nothing new. The utilities planned it that way years ago. It is only possible because of the thousands of miles (115,000) of high tension wires that connect the cities, production centers and power plants in the United States.

No Restrictions on Electricity

"How was this great order met —a 92% increase in 3 years—the greatest increased demand in amount or proportion which the industry was ever called upon to meet? The following figures speak for themselves. They show, in millions of kilowatt hours, the distribution of the energy produced and how it was obtained without eliminating any other use:

	1940	1943	Increase
Residential and farm	25,309	31,650	25.4%
Commercial, public, etc.	33,777	48,300	43.0%
Industrial power	59,557	106,050	78.3%
	118,643	186,000	56.9%
Used in making and lost in delivery	27,278	36,500	
Total supply	145,921	222,500	52.8%
Imported	937	1,000	
Supplied by light and power industry	144,984	221,500	53%

All this was accomplished as homes and residences increased their use by a quarter. Also, commercial lighting, electric railways and the like increased their use more than 40%. Thus, not only were the **normal** requirements taken care of but this extreme demand was also met! It was met largely because of one important reason, namely, that planning in advance is an established, **normal** procedure in the utility industry.

The Problem of Personnel

The accomplishments of any industry depend as much upon its personnel as upon its machinery and equipment.

"Back in 1931, almost a quarter of a million men and women were employed in the light and power industry. Today, nearly one in every seven of these has joined the armed forces. One fifth more have left to get the higher wages that war industries pay—all told more than one third of the total working force from all departments of the industry are no longer on their jobs. Some of these, about half, have been replaced by oldsters coming back to fill in, replaced by high school boys and girls working after school and on Saturdays. The turnover of employees is of astounding proportions. Many departments completely replace their personnel every year; in some, no employees have more than a year of service. Yet, in spite of this, there are twice as many kilowatt hours—units of service—sold per employee as there were in 1939. Thus, not only is there an increase in the units of service rendered per dollar of plant investment but what is even more incredible, an increase per employee in spite of the fact that 20% of these are new employees.

The Achievement

"Power plants, transmission lines and distribution lines, the bones and body of a public utility, are not created in a day, nor can they be bought ready made. The generator which goes into service today was designed two years ago and planned for as long ago as five years. Every utility system has a planning department, engineers, economists and statisticians, who study population trends, growth of industry and of purchasing power, and forecast years ahead with surprising accuracy. Designs, plans for obtaining money and a thousand and one details are carefully made in anticipation of what may happen one, two and five years ahead in outline for at least ten years in advance. Actually, to meet this war time call, it was necessary to move 1945 plans to 1942 and to bring the ten year plan up to date so that it could be used for 1945, if necessary.

"This planning is not new but has always been going on in the electric utility industry. On the average, the expenditure for new construction was over a half billion dollars a year for the past twenty years. It reached nearly a billion dollars in 1924 and again in 1930 when the utilities tried to 'prime the pump' by doing more construction than was immediately necessary. That outlay of over ten billions of dollars for plants, transmission and distribution lines and substations meant that there was more than 40,000,000 kilowatts of generating capacity available in 1940. Today, it exceeds 50,000,000! It meant that more than 100,000,000 units of electricity could be furnished to the power hungry war industries when they needed it most, and what is equally important where they needed it. The Electric Utilities reaped for their Country the benefits of earlier planning.

How It Was Done

"This extraordinary increase of demand was met by doing three things:

- Increasing the number of generators producing electricity
- Using all generator capacity longer hours and at greater loads
- Many minor economies.

"No one of these tells the story. About one third of the added power comes from the new equipment added, about 60% from increased use of all available machinery and, finally, some 7% by making the machinery work harder and from many minor savings.

"At the end of 1940 there were 41,638,956 kilowatts available. This was expanded to 50,105,000 kilowatts at the end of 1943, an increase of 9,466,044 units or about 20%. However, the enlarged demand was far greater. Not only was more generating capacity needed but this new capacity and all the old capacity had to be run longer and with greater loading. In the eighteen years from 1921 to 1939 the electric industry used its generators at maximum capacity to produce current from a minimum of 2672 hours a year to a maximum of 3160 hours (in 1925), with an overall average of 2956 hours a year. This is about 57 hours per week. During 1943 such use of the maximum capacity was 4564 hours or about 88 hours a week. This is an increase of hours of work for the generators of 54%. This would be equivalent to increasing the working hours per week to 56. It is to be noted that this has been done without any retooling, and without any overtime pay. Electric rates are still at pre-war levels! In fact, due to the promotional rate forms generally in use, this added current is delivered at an even lower cost per unit. In 1939 the cost per unit for this power service was 1.12 cents per kilowatt hour, whereas these added sales have been made at approximately 6 mills per kilowatt hour.

"Due to increased loading on turbines, to lowered use by the utilities themselves and by effecting many minor economies, a saving of more than 3% has been effected. That is to say that, of the energy generated, 3% more gets delivered to the customers today than before 1940. This 3% may seem small in itself but it amounts to nearly 7,000,000,000 kilowatt hours in the course of a year or enough power to produce the aluminum to build 20,000 medium bombers.

The Problem of Speed

"For example, a small shipyard in New Orleans phoned its local utility one day and said 'We are expanding. We shall need 25,000 additional kilowatts' (and they were using less than 5,000). There was no warning, but line crews were hastily summoned and before nightfall new poles were being set. Within a few days power was ready, the additional 20,000 kilowatts for the plant extension. Another instance: Washington decided to build a camp ten miles away from the nearest town; yet, long before the ground was broken for the camp buildings, the lines were built and the electric power was ready. In still another locality, a new aeroplane plant was set down in the midst of a potato field and, notwithstanding the impossibility of getting priorities on the necessary materials, the power lines were built. Yes, in spite of all these unexampled demands no war industry has been held up one day in starting production through shortcomings of the electric light and power companies. Moreover, electricity has not been rationed. There has been and still is enough for our civilian population who are waging the war on the home front."

Once again the utilities demonstrated their resourcefulness. Steel can be replaced for structural purposes in many cases by wood and so transmission lines and sub-stations are once more being built as they were years ago of wood, thus saving many tons of steel. For thin sections of aluminum and steel in various pieces of apparatus, paper, fiber, asbestos, plastics, glass, ceramica and wood have been used. Aluminum is not available for meter parts, so plastics have been substituted. Copper is used for wires for almost all electrical conductors, yet copper is a critical material. So, where copper is used merely for anti-corrosion, a thin coating of copper on a steel wire will do the job; sometimes even the right kind of paint can be used. Iron and steel pipe will serve, not as well, perhaps, but serve none the less for switchboard bus bars and other outside conductors. In one case silver has been used for bus bars, borrowed from the nation's silver stock pile, to be returned when conditions once more are normal. Among other uses of silver the contact points for the circuit breakers where the electric arcs are quenched in tanks of oil have been coated with this metal, thus increasing their rating and saving their replacement.

"Substitutions everywhere: asbestos, glass and even painted paper have been used. They may not be as efficient and long-lived, in fact they may have to be replaced shortly, but they will serve for the emergency—they will help the war effort.

"The vast network of wires unites our electric industry into a powerful force working for Victory: great arteries through which electricity, the life blood of production, is flowing night and day to be used in turning out a vast flood of every form of war material. This is the achievement of a great American industry striving to do its part in our war effort. Little wonder the electric utility industry has been aptly termed 'the Allied Power Hitler forgot.'"

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.

Hamilton & Smith With Dean Witter Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Allison B. Hamilton and Leonard H. Smith have become associated with Dean Witter & Co., 634 South Spring Street. Mr. Hamilton was formerly with Searl-Merrick Company, in charge of the brokerage department.

Charles F. Wesley Now With Quincy Cass Assoc.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Charles F. Wesley has become connected with Quincy Cass Associates, 523 West Sixth St., members of the Los Angeles Stock Exchange. Mr. Wesley was formerly manager of the statistical department of the Los Angeles office of J. A. Hogle & Co., was with Sutro & Co., and was manager of the statistical department of the local office of Post & Flagg.

Growth Industry

Air transportation is America's fastest growing industry, White & Company, Mississippi Valley Trust Building, St. Louis, Mo., states in a discussion of Mid-Continent Airlines which offers interesting possibilities for appreciation currently and after the war the firm believes. Copies of this study and comparative figures on bank and insurance stocks may be had from White & Company upon request.

Fire Losses

Huff, Geyer & Hecht, 67 Wall Street, New York City, have issued an interesting summary of fire losses, classifying fires and causes and the outlook for reduction of losses. Also discussed are the favorable prospects for ocean marine underwriting.

Copies of this interesting bulletin and a study of Continental Casualty Company may be had from Huff, Geyer & Hecht upon request.

Lord Keynes Outlines Plan For International Bank

(Continued from page 66)

in view except the institution of this bank. Yet this is a matter of the utmost urgency and importance where we should, therefore, press forward to reach agreement on methods and on details. We do not know the date of the complete liberation of the occupied countries of Europe and Asia. But we are now entitled to hope that it will be not unduly delayed. We should be bitterly failing in duty if we were not readily prepared for the days of liberation. The countries chiefly concerned can scarcely begin to make their necessary plans until they know upon what resources they can rely. Any delay, any avoidable time lag will be disastrous to the establishment of good order and good government, and may also postpone the date at which the victorious armies of liberation can return to their homelands.

"I cannot, therefore, conceive," he continued, "a more urgent, necessary and important task for the delegates of the 44 nations here assembled. I am confident that the members of the Commission of which I have the honor to be the chairman will devote themselves to their work in a spirit of full responsibility, well aware how much depends on their success.

"It is likely, in my judgment, that the field of reconstruction from the consequences of war will mainly occupy the proposed bank in its early days. But as soon as possible, and with increasing emphasis as time goes on, there is a second primary duty laid upon it, namely, to develop the resources and productive capacity of the world, with special attention to the less developed countries, to raising the standard of life and the conditions of labor everywhere, to make the resources of the world more fully available to all mankind, and so to order its operations as to promote and maintain equilibrium in the international balances of payments of all member countries. These two purposes deserve particular emphasis, but are not exclusive or comprehensive. In general, it will be the duty of the bank, by wise and prudent lending, to promote a policy of expansion of the world's economy in the sense in which this term is the exact opposite of inflation. By 'expansion' we should mean the increase of resources and production in real terms, in physical quantity, accompanied and facilitated by a corresponding increase of purchasing power. By "inflation" on the other hand, we should mean the increase of purchasing power corresponding to which there is no accompanying increase in the quality of production. The bank will promote expansion and avoid inflation. Under the proposals to be brought before you, the bank will be free to operate along three different lines.

"A certain part of the fund's subscribed capital will be called up and will be available for direct lending by the bank for approved purposes in the currencies of the contributing members.

"But the greater part of its subscribed capital will be held as a reserve fund with which to guarantee two other types of operations.

"The first type of loan eligible for such guarantee will be loans for suitable purposes and on suitable terms issued through the ordinary channels of the investment market where on account of the risks involved there would be difficulty otherwise in placing the loan on terms which the borrowing country could afford to pay.

"The second type of loan secured by the assets and subscribed capital of the bank will also be placed through the ordinary channels of the investment market but will be offered on the bank's behalf in its own name. The proceeds of such loans will then be re-lent by the bank to borrowing countries on terms and for purposes to be directly agreed with them. The proceeds of both these types of loan would be freely available for the borrower to make purchases in any member country with due regard to economy and efficiency.

"Let me now explain the nature of the proposed guarantee: for this is of a novel character which may be regarded as marking in a particularly significant way the international character of the proposed institution.

"It is evident that only a few of the member countries will be in possession of an investable surplus available for overseas loans on a large scale, especially in the years immediately following the war. It is in the nature of the case that the bulk of the lending can only come from a small group of the member countries, and mainly from the United States. How then can the other member countries play their proper part and make their appropriate contribution to the common purpose?

"Herein lies the novelty of the proposals which will be submitted to you. Only those countries which find themselves in a specially favored position can provide the loanable funds. But this is no reason why these lending countries should also run the whole risk of the transaction. In the dangerous and precarious days which lie ahead, the risks of the lender will be inevitably large and most difficult to calculate. The risk premium reckoned on strict commercial principles may be beyond the capacity of an impoverished borrower to meet, and may itself contribute to the risks of ultimate default. Experience between the wars was not encouraging. Without some supporting guarantee, therefore, loans which are greatly in the interests of the whole world, and indeed essential for recovery, may prove impossible to float.

"Yet, as I have said, there is no reason in a case like this, where the interests of all countries alike, whether lenders or borrowers, or exporters, are favorably affected, why the unavoidable risks should fall exclusively on the lenders, for example, the investors or the Government of the United States, if it turns out that they are the chief source of available funds.

"The proposal is, therefore, that all the member countries should share the risk in proportions which correspond to their capacity. The guarantees will be joint and several, up to the limit of any member's subscription so that the failure of any member to implement his guarantee will not injuriously affect the lender so long as the bank has other assets and subscriptions to draw upon resources which will, according to our proposals, be of considerable dimensions. Moreover, it is proposed that every member country should undertake to provide gold or free exchange up to the full amount of its subscription, in so far as it is called upon under its guarantee: therefore the quality of the bonds thus guaranteed should be of the first-order—at any rate they will be a great deal better than in the case of many borrowing countries that there would be any hope of offering otherwise than under the auspices of the new institution.

"The bonds will be good for several different reasons. In the first place, they will have behind them the vast resources of the bank available in gold or free exchange. In the second place, the proceeds will be expended only for proper purposes and in proper ways, after due inquiry by experts and technicians, so that there will be safeguards against squandering and waste and extravagance, which were not present with many of the ill-fated loans made between the wars. In the third place, they will carry the guarantee of the borrowing country and this borrower will be under an overwhelming motive to do its best and play fair, for the consequences of improper action and avoidable default to so great an institution will not be lightly incurred.

"But there is also a fourth safeguard of great importance to the guaranteeing countries as well as to the lenders.

"There are two reasons for hoping that the guranators will not find themselves under any insupportable or burdensome liability. In the first place, a guarantee will relate to the annual servicing of the loan for interest and amortization. Its implementation will therefore be spread over a period corresponding to the term of the loan and cannot fall due suddenly as a lump sum obligation. In the second place, there is an interesting and essential feature of the proposals in the shape of a commission payable by the borrower in return for its guarantee. It is suggested that for long-term loans of the normal character this commission should be at the rate of 1% per annum. This rate of commission should be the same for all members alike, for it would be a mistake, and worse than a mistake, to attempt the invidious task of discriminating between members and assessing their credit-worthiness in what is really a mutual pool of credit insurance amongst a group acting in good faith, indeed, in the old language of insurers consecrated by tradition, in the spirit of **uberrima fides**, of good faith complete, abundant and overflowing. This commission should not be an excessive burden on the borrower. One percent added to the interest appropriate to a loan guaranteed by the bank will not be onerous. On the other hand, the annual receipts from the commission will greatly augment the free reserves of the bank available to meet its obligations before calling on the guarantors. The bank should aim at so conducting its business that there would be a good hope of the pool of commissions being sufficient by itself to carry it most of the way.

"Here are the broad outlines of the proposals which you will be asked to consider." Lord Keynes stated in his concluding remarks, adding, "there are other aspects and much detail for you to work out. For the bank has not enjoyed so much discussion as has the fund prior to this conference. But I believe that we have before us a proposal the origins of which we owe primarily to the initiative and ability of the United States treasury, conceived on sound and fruitful lines. Indeed, I fancy that the underlying conception of a joint and several guarantee of all the member countries throughout the world, in virtue of which they share the risks of projects of common interest and advantage even when they cannot themselves provide the lump sum loan originally required, thus separating the carrying of risk from the provision of funds, may be a contribution of fundamental value and importance to those difficult, those almost overwhelming tasks which lie ahead of us, to rebuilt the world when a final victory over the forces of evil opens the way to a new age of peace and progress after great afflictions."

Unitive Clearing

(Continued from page 68)

(4) Gold in America to be available on loan or by purchase, through the machinery of the clearing, so that the nations can revert to gold coinages for internal use.

(5) Interest on the bank balances to be guaranteed by a mutual insurance policy covered by a premium paid out of a percentage charge on the turnover of the clearing house.

Note—On a turnover of £35,000,000,000 1% would amount to £350,000,000 and ⅛% to £43,750,000.

(6) The price of gold would be agreed and the weight of gold coins adjusted thereto.

Thus ran the advertisements.

Some months later the Keynes and White proposals were published to the world and provoked much controversy. It may therefore, be instructive to consider how far these discussions on the official proposals affect the validity of the scheme outlined in the advertisements, which suggested establishing by the use of machinery *already in existence* and working to perfection:

(a) A clearing house for international trade.

(b) A gold coinage as the official yardstick of a stable currency.

(c) The re-distribution of gold in America by loan or purchase through the machinery of the clearing.

(d) A mutual insurance policy covered by a premium paid out of a percentage charge on the turnover of the clearing house.

The breakdown of the world's monetary systems can be traced back to two causes. The first, the ignoring by Great Britain in August, 1914, of Gresham's warning that bad money always drives away good money, and the subsequent issue of a flimsy paper pound in place of the gold sovereign, and the second, the withdrawal from circulation of the world's gold by the United States and its burial forthwith in the fortress of Kentucky.

Under the advertised scheme both these actions would be reversed—the first by the resumption of the minting of a British gold sovereign and the second the re-distribution of gold in America by means of loans safeguarded by an insurance policy.

In the light of present misunderstandings, sections (2) and (5) of the scheme require some restatement and explanation, particularly as to the exact nature of the clearing balances which are to be daily settled by credit and debit entries; and the distinction between interest and profit arising out of the mutual insurance policy proposal.

Before going into these details, however, let us first emphasize the fact that a clearing house is instituted for the benefit of the individual trader of the world and it is, therefore, only right that the entire cost of the machinery should be borne by him and not become a burden on the tax payer. The most fruitful method to this end is to charge a small percentage on the cheques each individual cashes through the clearing. This would provide the necessary premium to cover an insurance policy large enough to meet any risk which could possibly arise in the course of international trade. Moreover, the cost to the trader would be less than he would have to pay for collection in present circumstances; it would fall equally on traders of all lands and, therefore, advantage no one and it would not only safeguard any finance necessary to carry on trade, but would also provide a sum sufficient to supply interest and sinking fund on those international balances of debt that arise out of the few cases where nations trade as nations, as must happen in wartime and other similar circumstances. This turnover tax is, in fact, a key point in the scheme and its advantages cannot be over estimated.

To return to the question of balances of payment, international finance is divided into two categories:

(1) Where nations trade as nations.

(2) Where individuals trade with individuals of other nationalities.

So far as the first is concerned, these chiefly arise out of war and are comparatively rare. These debts can be settled at the termination of this war on the principle of clearing them and satisfying the balances by an apportionment of a percentage of the turnover tax so that victor, vanquished, neutral and non-belligerent alike bear the cost of the wars in proportion as they prosper hereafter.

In the second and more important category where the future is at stake and real trade is concerned, individuals deal with individuals of other nations. In these ordinary commercial transactions, no balances of payment result when clearing trading transactions, provided that money is stabilized on a common basis throughout. Clearing balances merely represent the possession or non-possession of assets by the various banks concerned and are not the result of borrowing and lending transactions. Therefore these balances are not in any sense debts between nations but are analagous to the daily fluctuations in the stock-in-trade of an ordinary commercial undertaking. Stable money is secured under the scheme by the adoption of the gold parities within the clearing, thus providing all nations with good money once again and giving everyone a fresh start in life on equal terms. The gold reserves of the world could be held in future in Kentucky, their ownership changing hands by credit and debit entries in London, for nobody wants the gold if they are confident it could be had for the asking. All international transactions would, in that event, be settled in London backed by the gold reserves held in the United States and stabilized on the price of gold, which in future would be the keystone on which the prices of commodities would vary in harmony with the law of supply and demand.

It is well here to state clearly that such a gold standard does not involve any obligation to pay for goods in gold. All it means is that when one class of goods is exchanged for another the quantities of each class thus exchanged are determined by ascertaining the value of each by comparing both with gold. The amount of gold available in the world does not enter into the calculation. Gold is simply the yardstick by which both goods and money are measured and is only required physically if used in the

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Unitive Clearing

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form of coinage.

A clearing is not a bank. It has nothing to do with lending or borrowing. It is merely a machine set up by bankers as a convenient method of collecting payment of cheques instead of having to present them separately at the counter of the various offices.

Every branch of a bank is a clearing house in itself so far as its own customers are concerned. If one customer gives another customer a cheque it is "cleared" at the bank by crediting one account and debiting another. This avoids first cashing the cheque and then paying in the cash to the credit of the second account, thus doing away with the necessity to use gold. This is the basic principle of clearing. The system has been largely developed by the clearing banks concerned all keeping accounts with the Bank of England and cheques being cleared in bulk by credit and debit entries at that bank. It can obviously be further developed overseas by clearing banks agreeing to keep clearing accounts at an agreed head office bank at stabilized exchanges.

A clearing only deals with cheques which are honoured on presentation. If any cheque is dishonoured it is returned by the clearing to the banker who pays it in, to be dealt with by him. The clearing only accounts for cheques which are duly paid. It has no interest in what happens to unpaid cheques. There are, therefore, no balances of payment or overdrawn accounts in such clearing operations if the exchanges are stabilized once and for all time so far as the clearing house is concerned. A universal clearing house provides the central point at which all cheques which are not cleared at intermediary stages can be dealt with at a single operation.

The Keynes and White plans confuse the whole issue by mixing up banking with clearing, instead of keeping them as separate institutions. The re-distribution of gold to the world is a banking operation which should be undertaken by the United States themselves under the safeguard of a mutual insurance policy, whilst the clearing of trade payments at stabilized rates could best be carried through by the clearing house in London, thus reviving the functions of the old Bill of Exchange on London.

If Great Britain re-issues the gold sovereign as a yardstick for valuing goods and services, all transactions would be settled by credits or, in special cases, by gold sovereigns in London. This does not mean that gold could be sent out of Great Britain to other nations. The gold sovereign is not exportable and only circulates in Great Britain, but its ownership can change hands *in London* in the same manner as the bank balances of different customers change hands within the routine of the same bank. The gold sovereign in Great Britain provides the means of stabilizing all currencies and reducing them to a common currency without the drawback of anything so unpractical as international control.

A clearing is a bit of pure mechanism into which the human element does not enter. A calculating machine is all that is necessary. Gold is but a yardstick of values.

The curious objection has been raised in high quarters that our nation has no means of obtaining enough gold to resume the minting of the sovereign and, therefore, we must continue to use the printing press. This displays a very peculiar mentality on the part of the authorities as, if we have neither the resources nor the credit to obtain the necessary gold or whatever other metal is required, what right have we to continue to print worthless paper money in quantity without adequate backing. In private life we do not tolerate a man living in luxury by running up bills with his tradesmen knowing full well he has no means of meeting them: or a man with an overdrawn account and a cheque book continuing to draw cheques he knows are worthless.

Apart from this fundamental question of honest money there should in fact be no difficulty in obtaining the gold, as the essence of the proposed scheme is to distribute the £7,000,000,000 of buried gold by loans from the United States, guaranteed by the mutual insurance fund. A 1% premium on the turnover of international trade would probably provide a mutual insurance income of some £350,000,000 a year, of which our nation's bonus proportion could not well be less than £25,000,000, so we should have ample security and could easily afford to borrow, say, £500,000,000 at 1¼% to 2½% and still have a handsome margin of profit left in hand. The cost of going back to a gold coinage could no doubt in practice be arranged with far less expenditure, and the sacrifice well worth while.

At any rate, if we could afford a gold coinage in 1914 we can afford it today, when ten shillings worth of gold in 1914 takes the place of twenty shillings in the paper pound of 1943.

Taking all these considerations into account it can safely be contended that the advertised scheme for the advent of sound money and free access to raw materials is drawn up on sound practical lines and meets in a simple straightforward manner the needs of the world today far better, indeed, than the Keynes and White variants. It will not, of course, satisfy the ambitions of those politicians and economists who seek to transfer the control of the destiny of the nations into hands untutored by experience in practical life, but in a commonplace world it meets the needs of the common man in a common-sense manner. It also preserves the sovereign rights and dignity of all nations and the liberties of their individual citizens.

Significant And Insignificant Happenings At Bretton Woods

(Continued from page 67)

Somers appear on delegates' list as "technical advisers." Apparently Reed hase not yet arrived. Somers is here and there, with no announced function. Somers and Reed are definitely not delegates.

* * *

Strategy in the House is likely to be to ask separation of fund and bank legislation for committee purposes: Fund for Coinage Committee; Bank for Banking Committee. Chairman Spence of the Banking Commtee told this observer: "The Bank and the Fund are so closely interrelated, it seems to me the whole matter must be referred to a single committee. Under House precedents, I have no doubt that that committee is Banking and Currency. Would be folly to split these intimately related subjects up. Hearings on the one would be germane and pertinent to other. Weight and 'fineness" are only two or many aspects of money. Our most important monetary stock is check-book money."

* * *

The argument for separating Bank and Fund will be that the two billion American stabilization fund of 1934 was handled by the Coinage Committee.

Although Coinage Members have no power at Bretton Woods, there is reason to believe its chairman is very receptive to bimetallism. Coinage Committee gave birth in the thirties to Dies bill, which emerged as the Silver Purchase Act of 1934. While the American delegation here as such, and certainly Treasury officials, are giving no sign of favor for silver, some individual delegates who are members of Congress hint a willingness to placate American silver bloc at the conference with at least a "gesture." Arguments are: "Cannot ignore the silver bloc's strength;" "Subsidy, now by America alone, would be shared by all member nations," etc.

* * *

Private talks with Chinese, Indian and Near Eastern and other delegates reveal entire indifference to bimetallism arguments, but as guests here they are reticent to get involved in American politics by other than off-the-record comments. Chinese here much prefer gold to silver but, like India's Nationalists want to manage own currency.

* * *

Recall silver "gesture" at London conference used by F. D. R. to justify 1933 silver proclamation, which subsidy is now permanent statute.

* * *

They say that the Chinese people multiply rapidly. Certainly that trait seems to be in evidence insofar as concerns the Chinese contingent at this conference. Already the largest delegation here, numbering an estimated forty or more, it is reportedly larger than the preliminary list reveals. What's behind this is the Chinese traditional desire for "face," which is the Far Eastern word for prestige. The Chinese have the strange idea that to have a large delegation here enhances their standing in the eyes of the world.

The incomplete provisional list of delegates lists 33 as representing China, including two American advisors. In contrast, the same list names only fifteen Britishers.

* * *

Among the delegations is that of Liberia and that of Ethiopia. . . . Guatemala is represented by a single delegate, who describes himself as Manuel Noriega Morales, "post-graduate student in economic sciences, Harvard University, Chairman." Other Guatemalan delegates there are none. Sr. Noriega is apparently chairman of himself.

* * *

Of course—you guessed it—there will be a subcommittee on silver.

* * *

The Danish Minister and an advisor are listed as attending, not as delegates, but as observers.

* * *

Senator Tobey, whom the Administration reportedly tried so hard to by-pass in selecting a Republican Senator to come here, today surprised most people by his speech ending: "Gentlemen, we **must** not, we **cannot**, we **dare** not fail. The hopes and aspirations of the common people of each of our countries rests in us." Tobey's third-of-July oration, which quoted Maxwell Anderson's play and Madame Chiang Kai-shek, overlooked Shakespeare. In view of Tobey's strong concluding sentiment, one might well ask—with apologies to the bard of Avon—"To-bey or not To-bey, that is the question."

Tobey's quotation of China's "Missimo" reveals how far-reaching has been the influence of her visit to this country.

* * *

In view of the prominent part in the proposed monetary Fund attributed to gold, and the injection of silver into the agenda by various producing interests, it is interesting to note from the official list that the American delegation includes a Goldenweiser and a Silvermaster. Goldenweiser is the widely respected chief economist of the Federal Reserve Board. Mr. Silvermaster, we learn from the list, is with the Department of Agriculture.

* * *

We are a bit curious to know just why the Agricultural Department is represented on the American Staff by two persons, the Department of Labor by one, the Budget Bureau by one, and the OWI by an "assistant to the chairman."

* * *

Included as one of the chief American delegates is Dr. Mabel Newcomer, Vassar College professor of taxation. Since, apart from hotel employees and the newspaper reporters, those here are all attending in an official capacity, may it be assumed that Miss Newcomer represents John Q. Taxpayer, who has a very direct interest in this gathering? Just before the writer left Washington, a friend remarked: "I am much interested in the Bretton Woods conference, as my taxes today are as much in a month as they were three years ago in a whole year."

* * *

In political and diplomatic documents one must read

Delegates To The United Nations Monetary And Financial Conference

(Continued from page 69)

eral Manager, Chilean Nitrate Sales Corporation.

China

Hsiang-Hsi Kung, Minister of Finance, *Chairman;* Tingfu F. Tsiang; Ping-Wen Kuo; Victor Hoo, Vice Minister for Foreign Affairs; Yee-Chung Koo, Vice Minister of Finance; Kuo-Ching Li; Te-Mou Hsi; Tsu-Yee Pei, General Manager, Bank of China Te-Liang Soong.

Colombia

Carlos Lleras Restrepo, Former Minister of Finance and Comptroller General, *Chairman;* Miguel Lopez Pumarejo, Former Ambassador to the United States, Manager Caja de Credito Agrario, Industrial y Minero; Victor Dugand, Banker.

Costa Rica

Francisco de P. Gutierrez Ross, Ambassdor to the United States, Former Minister of Finance and Commerce, *Chairman;* Luis Demetrio Tinoco Castro, Dean, Faculty of Economic Sciences, University of Costa Rica, Former Minister of Finance and Commerce, Former Minister of Public Education; Fernando Madrigal.

Cuba

Eduardo Montoulieu, Minister of Finance, *Chairman.*

Czechoslovakia

Ladislav Feierabend, Minister of Finance, *Chairman;* Jan Mladek, Member of the Staff of the Czechoslovak Ministry of Finance, Deputy Chairman; Josef Hanc, Consul General and Chief of the Czechoslovakia Economic Services in the United States of America, New York; Ervin Hexner, Professor of Economics and Political Science, University of North Carolina; Antonin Basch, Member of the Department of Economics, Columbia University.

Dominican Republic

Anselmo Copello, Ambassador to the United States, *Chairman;* J. R. Rodriguez, Minister Counselor, Embassy of the Dominican Republic, Washington.

Ecuador

Esteban F. Carbo, Financial Counselor, Ecuadoran Embassy, Washington, *Chairman;* Sixto E. Duran Ballen, Minister Counselor, Ecuadoran Embassy, Washington.

Egypt

Sany Lackany Bey, *Chairman;* Mahmoud Saleh El Falaky; Ahmed Selim.

El Salvador

Agustin Alfaro Moran, *Chairman;* C. Gamero Raul; Victor Manuel Valdes.

Ethiopia

Blatta Ephrem Tewelde Medhen, Minister to the United States, *Chairman;* George Blowers, Governor, State Bank of Ethiopia.

French Committee of National Liberation

Pierre Mendes-France, Commissioner of Finance, *Chairman;* Andre Istel, Technical Adviser.

Greece

Kyriakos Varvaressos, Governor of the Bank of Greece, Ambassador Extraordinary for Economic and Financial Matters, *Chairman;* Alexander Argyropoulos, Minister Resident, Director, Economic and Commercial Division, Ministry of Foreign Affairs; Athanase Sbarounis, Director General, Ministry of Finance, Alternate Delegate to the UNRRA.

Guatemala

Manuel Noriega Morales, Post-Graduate Student in Economic Sciences, Harvard University, *Chairman.*

Haiti

Andre Liautaud, Ambassador to the United States, *Chairman;* Pierre Chauvet, Under Secretary of State for Finance.

Honduras

Julian R. Caceres, Ambassador to the United States, *Chairman.*

Iceland

Magnus Sigurdsson, Manager National Bank of Iceland, *Chairman;* Asgeir Asgeirsson, Manager, Fisherer's Bank of Iceland; Sveinbjorn Frimannsson, Chairman, State Commerce Board.

India

Sir A. J. Raisman, Member for Finance, Government of India, *Chairman;* Sir Theodore E. Gregory, Economic Adviser to the Government of India; Sir Shanmukham Chetty; Sir Chintaman D. Deshmukh, Governor, Reserve Bank of India; A. D. Shroff.

Iran

Abol Hasan Ebtehaj, Governor of National Bank of Iran, *Chairman;* A. A. Daftary, Counselor Iranian Legation, Washington; taghi Nassr, Iranian Trade and Taghi Nassr, Iranian Trade and Economic Commission, New York.

Iraq

Ibrahim Kamal, Former Minister of Finance, *Chairman;* (Ali Jawdat, Minister to the United States, Chairman Temporarily, in the event the Chairman Designate should arrive late); Ibrahim Al-Kabir, Accountant General, Ministry of Finance; Claude E. Lumb, Secretary of Iraqi Committee for Exchange Control; Lionel M. Swan, Adviser to the Minister of Finance.

Liberia

William E. Dennis, Secretary of the Treasury, *Chairman;* Walter F. Walker, Consul General, New York; James F. Cooper, Former Secretary of the Treasury.

Luxembourg

Huges Le Gallais, Minister to the United States, *Chairman.*

Mexico

Eduardo Suarez, Minister of Hacienda, *Chairman;* Antonio Espinosa de los Monterqs, Head, Nacional Financiera, S. A.; Rodrigo Gomez, Manager, Bank of Mexico; Daniel Cosio Villegas, Chief, Department of Economic Studies, Bank of Mexico.

Netherlands

J. W. Beyen, Financial Adviser to The Netherlands Government, *Chairman;* D. Crena De Iongh, President of the Board for The Netherlands Indies, Surinam, and Curacao in the United States; H. Riemens, Financial Attache, Netherlands Embassy, Washington, Financial Member of The Netherlands Economic, Financial and Shipping Mission in the United States; A. H. Philipse, Member of The Netherlands Economic, Financial and Shipping Mission, Washington

New Zealand

Walter Nash, Minister of Finance, Minister to the United States, *Chairman;* Bernard Carl Ashwin, Secretary of the Treasury; Edward C. Fussell, Deputy Governor, Reserve Bank of New Zealand; Alling B. Fisher, Counselor, New Zealand Legation, Washington; Bruce R. Turner, Second Secretary, New Zealand Legation, Washington.

Nicaragua

Guillermo Sevilla Sacasa, Ambassador to the United Steates, *Chairman;* J. Jesus Sanchez Roig, Secretary Board of Directors, National Bank of Nicaragua; Leon de Bayle, Former Ambassdor to the United States.

Norway

Wilhelm Keilhau, Director, Bank of Norway, London, *Chairman;* Ole Colbjornsen, Financial Counselor, Norwegian Embassy, Washington; Arne Skaug, Commercial Counselor, Norwegian Embassy, Washington.

Panama

Guillermo Arango, President, Investors Service Corporation of Panama, *Chairman;* Narciso E. Garay, First Secretary, Panamanian Embassy, Washington.

Paraguay

Celso R. Velazques, Ambassador to the United States, *Chairman;* Nestor M. Campos Ros, First Secretary, Paraguayan Embassy, Washington.

Peru

Pedro Beltran, Ambassador-Designate to the United States, *Chairman;* Andres F. Dasso, Senator from Lima; Alberto Alvarez Calderon, Senator from Lima; Manuel L. Llosa, Second Vice-President of the Chamber of Deputies, Deputy from Cerro de Pasco; Juvenal Monge, member of the Chamber of Deputies from Cuzco; Juan Chavez, Minister, Commercial Counselor, Peruvian Embassy, Washington.

Philippines

Andres Soriano, Secretary of Finance of the Philippine Commonwealth, *Chairman;* Jaime Hernandez, Auditor General of the Philippine Commonwealth; Joseph H. Foley, Manager, Philippine National Bank, New York Agency, Philippine Commonwealth.

Poland

Ludwik Grosfeld, Minister of Finance, *Chairman;* Leon Baranski, Director General Bank of Poland; Zygmunt Karpinski, Director, Bank of Poland; Stanislaw Kirkor, Director, Ministry of Fi-

(Continued on page 94)

between the lines. There is usually an exit, although not always lighted up in red. In the recent manifesto of a group of Republican congressmen headed by Charles S. Dewey of Illinois and directed against the monetary plan now under discussion here, there is an "out." And so with Senator Tobey's speech, maybe, when he states: "The specific task assigned to us is to formulate a PRACTICAL plan. . . ." (Emphasis mine).

* * *

K. C. Li, N. Y. Chinese businessman on the still growing and largest foreign delegation here, addresses Warren Lee Pierson of the Export-Import Bank as "Warren."

* * *

Many of the Chinese here have come for education and to make contacts, as much as to give China imagined "face" by outnumbering the others.

Presence here of unnecessary foreigners has irritated some members of the American delegation and American newspapermen, because of the extreme shortage of sleeping accommodations. The result has been that American staff and the press have had to be lodged miles away from Bretton Woods, and with automotive transportation scarce, they are put to much inconvenience. Some have even missed breakfast for lack of transportation, since the press, sleeping at Twin Mountain, may eat only at Bretton Woods.

Naturally, there are no private rooms for the press. Reporters have to sleep two in a room. Roosevelt was right. The press is not sleeping with the delegates.

* * *

India and Canada are ice cold on the bimetallism propaganda here. . . . Washington stenographers on the conference staff are having the time of their lives at the gorgeous Mt. Washington Hotel, where non-conference rates are something like $20 a day. . . . Some of the girls cannot conceal their glee, while here and there is one who shows that mingling with the big names in the lobby and elsewhere has gone to her head.

* * *

Reason why Keynes has not yet held a press conference it not officially announced. When he holds one, it is expected to be in conjunction with one of Harry White's daily coferences. Were Keynes to meet the press alone, without having White handy, some reporters not "men of good will" might twist something Dr. White had said to get from Keynes a reaction that, in the newspapers, would look like a conflict with the American Treasury.

* * *

Keynes usually takes his meals in the main dining room at a table for two. He is accompanied to the conference by Lady Keynes. . . . Mrs. Morgenthau is here with the Secretary. . . . And Mrs. Warren Lee Pierson, who has traveled so extensively with her husband on his many trips to all parts of the world, adds vivacity to the feminine contingent. . . . Some of the foreign delegates, too, have brought their wives, among them Mr. K. C. Li and several of the Latin Americans.

* * *

Senator Tobey commented to me: "It would not be part of wisdom to inject the silver issue into this conference. The conference issues are clear cut, agenda covering currency stabilization and international bank in that order. Collateral issues which might seem blithely tossed into this important world gathering, for the certain result would be to nullify the conference's objectives."

* * *

Harry White disclosed a special silver committee of the conference will be appointed at the request of silver producing interests. Asked which ones, he referred reporters to silver producing statistics.

It is common knowledge that Mexico heads the silver agitation here.

HERBERT M. BRATTER.

NOTICE OF REDEMPTION

$40,974,000 Consumers Public Power District, Nebraska, Revenue Bonds

To holders of the following Bonds of the Consumers Public Power District, Nebraska:

NOTICE IS HEREBY GIVEN that the Consumers Public Power District, Nebraska, has called for redemption on

AUGUST 1, 1944

all of the outstanding bonds of the various Divisions of the District named below, the said bonds being called for payment on said date being more particularly described as follows, to-wit:

Columbus Division Revenue Bonds, dated July 1, 1940, of the denomination of $1,000 each, numbered from 201 to 1250, inclusive, bearing interest at the rate of three and one-half per centum per annum.

Southern Nebraska Division Revenue Bonds, dated October 1, 1940, of the denomination of $1,000 each, numbered from 34 to 1098, inclusive, bearing interest at the rate of three and one-quarter per centum per annum.

Elkhorn Valley Division Revenue Bonds, dated November 15, 1940, of the denomination of $1,000 each, numbered from 73 to 850, inclusive, bearing interest at the rate of three per centum per annum.

Northeastern Nebraska Division Revenue Bonds, dated December 15, 1940, of the denomination of $1,000 each, numbered from 341 to 3981, inclusive, bearing interest at the rate of three per centum per annum.

Central Nebraska Division Revenue Bonds, dated January 1, 1941, of the denomination of $1,000 each, numbered from 453 to 6750, inclusive, bearing interest at the rates of two and one-half, two and three-quarters and three per centum per annum.

Eastern Nebraska Division Revenue Bonds, dated April 1, 1941, of the denomination of $1,000 each, numbered from 1041 to 22000, inclusive, bearing interest at the rates of two and one-half, two and three-quarters, three, three and one-quarter and three and one-half per centum per annum.

Western Nebraska Division Revenue Bonds, dated January 1, 1942, of the denomination of $1,000 each, numbered from 238 to 8300, inclusive, bearing interest at the rates of two and one-half, three and three and one-half per centum per annum.

Holders of the aforesaid bonds are notified to present the same at any of the places of payment specified in said bonds on or before August 1, 1944, for redemption at the respective redemption price on said redemption date with respect to each such bond as is set forth on the face thereof, and are further notified that interest will cease to accrue on said bonds after the date so fixed for redemption.

CONSUMERS PUBLIC POWER DISTRICT
By: V. M. JOHNSON,
General Manager.

Dated: July 1, 1944.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

COMMON STOCK

On June 27, 1944 a quarterly dividend of seventy-five cents per share was declared on the Common Stock of this Company, payable August 15, 1944, to Stockholders of record at the close of business July 20, 1944. Transfer books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

Electric Bond and Share Company

$6 and $5 Preferred Stock Dividends

The regular quarterly dividends of $1.50 per share on the $6 Preferred Stock and $1.25 per share on the $5 Preferred Stock of the Company have been declared for payment August 1, 1944, to the stockholders of record at the close of business July 6, 1944.

L. B. WIEGERS, *Treasurer.*

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on August 1, 1944, to stockholders of record on July 15, 1944. The transfer books will not close.

THOS. A. CLARK
June 22, 1944 TREASURER

N. Y. Stock Exchange Weekly Firm Changes

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

Interest of William H. Combs, partner in Combs, Maxwell & Potter, who died on June 15, ceased as of the same date.

Charles N. Edge, partner in C. N. Edge & Co., died on June 29.

Delegates To The Monetary Conference

(Continued from page 93)

nance; Janusz Zoltowski, Financial Counselor, Polish Embassy, Washington.

Union of South Africa

S. F. N. Gie, Minister to the United States, *Chairman;* J. E. Holloway, Secretary For Finance, Co-Delegate; M. H. De Kock, Deputy Governor of South African Bank, Co-Delegate.

Union of Soviet Socialist Republics

M. S. Stepanov, Deputy People's Commissar of Foreign Trade, *Chairman;* A. Maletin, Deputy People's Commissar of Finance; N. F. Chechulin, Assistant Chairman of the State Bank; I. D. Zlobin, Chief, Monetary Division of the People's Commissariat of Finance; A. A. Arutiunian, expert consultant of the People's Commissariat For Foreign Affairs; A. N. Morozov, Member of the Collegium, Chief, Monetary Division of the People's Commissariat For Foreign Trade.

United Kingdom

Lord Keynes, *Chairman;* Robert H. Brand, United Kingdom Treasury Representative in Washington; Sir Wilfred Eady, United Kingdom Treasury; Nigel Bruce Ronald, Foreign Office; Dennis H. Robertson, United Kingdom Treasury; Lionel C. Robbins, War Cabinet Offices.

United States of America

Henry Morgenthau, Jr., Secretary of the Treasury, *Chairman;* Fred M. Vinson, Director, Office of Economic Stabilization, Vice-Chairman; Dean Acheson, Assistant Secretary of State; Edward E. Brown, President, First National Bank of Chicago; Leo T. Crowley, Administrator, Foreign Economic Administration; Marriner S. Eccles, Chairman, Board of Governors of the Federal Reserve System; Mabel Newcomer, Professor of Economics, Vassar College; Brent Spence, House of Representatives, Chairman, Committee on Banking and Currency; Charles W. Tobey, United States Senate, Member, Committee on Banking and Currency; Robert F. Wagner, United States Senate, Chairman, Committee on Banking and Currency; Harry D. White, Assistant to the Secretary of the Treasury; Jesse P. Wolcott, House of Representatives, Member Committee on Banking and Currency.

Uruguay

Mario La Gamma Acevedo, Expert, Ministry of Finance, *Chairman.*

Venezuela

Rodolfo Rojas, Minister of the Treasury, *Chairman;* Cristobal L. Mendoza, Former Minister of the Treasury, Representative of the National Banking Council; Jose Joaquin Gonzalez Gorrondona, Director, Office of Import Control, Representative, Central Bank of Venezuela; Alfonso Espinoza, President, Permanent Committee of Finance, Chamber of Deputies.

Yugoslavia

Vladimir Rybar, Counselor of the Yugoslav Embassy, Washington, *Chairman.*

Denmark (Observers)

The Danish Minister, Henrik De Kauffman, Minister to the United States.

Municipal News & Notes

The Shaker Heights, Ohio, City Council will consider an ordinance on July 10 authorizing municipal acquisition of the Cleveland Interurban Railroad Co. properties. According to an announcement by Mayor William J. Van Aken, the project will require the issuance of $1,300,000 revenue bonds to cover the purchase price and provide $50,000 of working capital. The bonds, he said, would be offered for sale at competitive bidding. Commenting on the proposed purchase, Mayor Van Aken said:

"While I never have been an advocate of municipal ownership, the advantages accruing to Shaker Heights from the transaction are obvious. The rapid transit is our life line. By placing Shaker Square only 11 minutes from downtown Cleveland, it played a vital part in making Shaker Heights America's finest suburb. By bringing it under the control of the community which it serves, we insure the continued operation of our life line in a way dictated only by our own best interests.

"Negotiations and arrangements for the proposed financing have been worked out by the investment firm of McDonald & Co. Mr. C. B. McDonald, a resident of Shaker Heights, made available his firm's services without cost or future commitments of any kind. If or when the bonds are offered in competitive bidding McDonald & Co. should make the highest bid, naturally the bonds will be awarded to them, otherwise not."

Efforts of Shaker Heights to acquire the traction line may be complicated by a local syndicate which also is interested in purchasing the utility for private operation, according to Cleveland press advices of recent date. This possibility is said to have prompted the move toward municipal ownership. The property, it is noted, is owned by several Cleveland banks and was acquired by them through foreclosure in 1937. As one of these institutions is under court jurisdiction during liquidation, sale of the property to the city would require approval of Common Pleas Court.

Atlantic City Refunding Approval By Municipal Body

Proposed refunding by Atlantic City, N. J., of approximately $21,000,000 of outstanding funded debt was approved by the municipal Board of Commissioners following a public hearing on June 29. The plan is designed to result in a saving to the city of not less than $3,250,000 in interest charges over the life of the proposed new debt.

It was developed for the city by Stifel, Nicolaus & Co., of Chicago and St. Louis, in cooperation with Wainwright, Ramsey & Lancaster, municipal financial consultants of New York City. Before being placed in operation, the program must be approved by the New Jersey Local Government Commission.

Under the terms of the refinancing, the average rate of interest on the city's debt will be reduced to 3.185%, a reduction of more than 1% from the present figure of 4.221%. The debt involved consists of $20,433,000 general bonds and $1,686,000 water obligations. The former bear interest at rates ranging from 3½% to 4½% and are callable at par up to July 1, 1952, and thereafter at 103. The outstanding water bonds bear 4% interest to 1967 and 4½% thereafter to 1973.

As explained by City Commissioner Daniel S. Bader, who is also Director of Revenue and Finance, the refunding program provides for the issuance of $12,933,000 general refunding bonds, bearing 3% for the first two years and 3¼% thereafter to final maturity in 1967, and $7,500,000 term refundings, to bear 3¼% interest and maturing in 1967.

All serial maturities will be subject to prior redemption at par after Dec. 1, 1959, and in the case of the term bonds, the retirement schedule provides for an annual levy of $375,000 for principal. It is also provided, however, that $750,000 of term bonds become callable each year, which will make it possible for the city to employ additional available funds for the redemption of that amount of bonds at par or by tender at less than par if the market price is below parity.

The proposed water refundings will bear 2½% and mature serially to 1963.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 71)

bearishness reduced to a zephyr and bullishness roared from the housetops. The gravy wagon is a-rolling and everybody is clambering to get aboard.

It is under such conditions that the seeds for a bear market are planted. The question is how soon after planting will there be a crop.

As this is being written the market is strong. Big Steel opened today (Wednesday) up a full point. Board rooms are crowded and order clerks are getting sore throats and bruised ears from the phones. The big question now is no longer how much higher they'll go but what will I buy. The leaders as well as the cats and dogs are advancing and paper profits are again accumulating.

Into this blithe and carefree bull market picture the Dow figure of 151 is beginning to poke out as a barrier which might check or even halt the parade. I don't think that a sharp reaction will occur from that point. But if for some reason the public takes it into its head that prices are high enough, the word "reaction" will hardly suffice to describe what can occur. Instead of having a fistful of stocks (which I should have liked to have had) we are only long of a couple of puny issues. Crane is one; National Gypsum is the other. Crane, bought at 22½ was partially sold (half) last week at 27½. Half of National Gypsum, bought at 9¾, was sold at 14 or better. Profits for both approximate 9 points. For safety the rest should be stopped as advised in last week's column.

If good enough support appears on any reaction I shall recommend additional purchases. Meanwhile I intend limiting my activities to watching.

* * *

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.]

British Life Insurance Statistics In War Years

Life insurance in Great Britain has completed four full years of war with practically no change in the overall mortality of the business, the Institute of Life Insurance said on June 29 based on a summary of the last year's annual statements of British companies doing two-thirds of that country's life insurance business. The Institute reports that war mortality has thus far been offset by an improvement in civilian mortality, with the result that the ratio of total death benefits to total premiums last year was actually smaller than it was in 1939. This year's war death losses are expected to show a marked increase with the invasion under way.

The principal problems of the war for life insurance in Britain have been the manpower and investment problems, and both of these have been met by the business, according to the Institute, which said:

"British life insurance has grown in strength and economic significance during the war in spite of the great obstacles created by the dislocations of the past four years. At the close of 1943, total premiums paid for life insurance had grown to one-seventh more than the 1939 figure and total funds held by the life insurance companies for the future needs of policyholders had increased 15% from the 1939 figure. The flow of benefit payments throughout these years constituted a vital stabilizing force during the economic upheaval caused by the war."

Further information supplied by the Institute follows:

"Death benefit payments in 1943 were up 3% from 1942 and were up 6% from 1939. Total insurance in force had grown in the meantime, reflected by an increase in total premium income, of 5% over 1942 and 14% over 1939. Payments to policy owners under matured endowment policies increased 8% in 1943 and were 15% greater than in 1941, although they were only 7% over the 1939 total.

"Surrender value payments in 1943 representing largely the emergency calls for policy cash values, were down 16% from 1942 and 35% from 1941. They were less than one-third of the total paid in 1939.

"Policyholder reserves increased 4% during the past year and reached a figure 15% greater than that of 1939, reflecting the greater equity of British policyholders achieved through war-time thrift in the face of stringent war conditions.

"The net earning rate of the British companies on these reserves dropped to 3.46 in 1943, which compares with 3.49 in 1942; 3.50 in 1941; 3.66 in 1940; 3.82 in 1939, and 4.07 in 1938. This is the result in large part of the reshaping of investment portfolios necessitated by the war, many companies having well over 40% of their total funds invested in British Government securities. One of the large companies has 52% of its assets in such securities.

"During the past year the British companies again reduced the ratio of operating expenses to premium income. The 1943 ratio was 5% under 1942 and 8% under 1939. The improvement has been experienced in both ordinary and industrial insurance."

Calendar Of New Security Flotations

NEW FILINGS

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

THURSDAY, JULY 6

GENERAL PRINTING INK CORP. has registered 35,000 shares of $4.50 preferred stock, series A, cumulative (no par). Company is offering to 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. Cash proceeds from 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. Shields & Co., New York, is named principal underwriter, with names of others to be supplied by amendment.

Offering price to public of stock not issued in exchange will be filed by amendment. Filed June 17, 1944. Details in "Chronicle," June 29, 1944.

SUNDAY, JULY 9

QUAKER OATS CO. has filed a registration statement for $10,000,000 20-year 2⅝% debentures due July 1, 1964. 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. Underwriters are Harriman Ripley & Co. Filed June 20, 1944. Details in "Chronicle," June 29, 1944.

MONDAY, JULY 10

LERNER STORES CORP. has filed a registration statement for 35,000 shares of common stock (no par). The shares are issued and outstanding and do not represent new financing. 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. Merrill Lynch, Pierce, Fenner & Beane head the group of underwriters. Others will be named by amendment. Filed June 21, 1944. Details in "Chronicle," June 29, 1944.

ARDEN FARMS CO. has registered 35,714 shares of $3 cumulative and participating preferred stock, without par value. 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. Company proposes to sell to the public any shares not subscribed at a price to be named by amendment. Net proceeds will be used to improve the cash and working capital positions of the company and to the acquisition of additional plants. No underwriters named. Filed June 21, 1944. Details in "Chronicle," June 29, 1944.

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. The bonds and stock are to be offered for sale pursuant to the Commission's competitive bidding Rule U-50.

Net proceeds 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. Filed June 22, 1944. Details in "Chronicle," June 29, 1944.

COLUMBIA PICTURES CORPORATION has registered 7,880 purchase warrants for common stock and 7,880 shares of common stock (no par).

Address—729 Seventh Avenue, New York City.

Business—Motion pictures.

Underwriting—A. Montague may be an underwriter.

Offering—The common stock registered is to be issued upon the exercise of option warrants held by A. Montague. Under the terms of the warrants there is now issuable an aggregate of 7,880 shares of the common stock of the registrant at $7.62½ per share.

Registration Statement No. 2-5410. Form A-2. (6-22-44).

PERFEX CORP. has filed a registration statement for 21,803 shares of common stock, $4 par value.

Address—500 West Oklahoma Avenue, Milwaukee, Wis.

Business—Industrial engine radiators, oil coolers, intercoolers, etc.

Underwriting—Wisconsin Company.

Offering—The 21,803 shares are being offered for subscription to holders of common stock at the rate of one new share for each five shares held. Date of expiration of rights will be filed by amendment. The offering is conditioned upon the underwriters purchasing shares not subscribed by stockholders and the company procuring loans aggregating $550,000. Subscription and offering prices will be filed by amendment.

Proceeds—For additional working capital.

Registration Statement No. 2-5412. Form S-2. (6-22-44).

WEDNESDAY, JULY 12

NATIONAL SECURITIES & RESEARCH CORP. has filed a registration statement for 42,301 shares in an investment trust fund, restricted management type.

Address—120 Broadway, New York City.

Business—Investment trust.

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

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5413. Form C-1. (6-23-44).

SATURDAY, JULY 15

AERONAUTIC AND AUTOMOTIVE INSURANCE AGENCY, INC., has filed a registration statement for 8,440 shares of class A stock.

Address—258 East Court Street, Kankakee, Ill.

Business—Conduct of an insurance business on the reciprocal plan.

Underwriting—The offering is not to be underwritten.

Offering—Company was chartered April 4, 1944. Sole promoter of the corporation is Frank O. Omer, of Kankakee, Ill., who has a contract whereby the corporation has employed him to sell its securities proposed to be offered publicly.

Registration Statement No. 2-5414. Form S-1. (6-26-44).

TUESDAY, JULY 18

BROOKLYN UNION GAS CO. has filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Interest rate will be supplied by amendment.

Address—176 Remsen Street, Brooklyn, N. Y.

Business—Public utility company.

Proceeds—The company plans to refinance its entire outstanding debt by the issuance and sale to the public of $12,000,000 principal amount of debentures and the concurrent issuance and private sale of $30,000,000 principal amount of general mortgage sinking fund bonds, 3¾% series, due Aug. 1, 1969. The net proceeds of the sale of the new securities will be applied, together with approximately $6,000,000 from the general funds of the company to the following purposes: for the payment at maturity on May 1, 1945, of $14,000,000 first consolidated mortgage 5% bonds; to pay at maturity $6,000,000 principal amount of first lien and refunding mortgage bonds, series A, 6%, due May 1, 1947; $10,000,000 to the redemption on Nov. 1, 1944, of $10,000,000 principal amount of first lien and refunding mortgage bonds, series B, 5%, due May 1, 1957, and $18,000,000 to the redemption on Sept. 9, 1944, of the 20-year 5% debentures. The last two redemptions involve the payment of $300,000 and $360,000 in premiums, plus interest, respectively.

Underwriting—F. S. Moseley & Co., Boston, is named principal underwriter. Others will be named by amendment.

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

Registration Statement No. 2-5415. Form S-1. (6-29-44).

ROTARY ELECTRIC STEEL CO., DEL., has filed a registration statement for 150,000 shares of common stock (par $10). The shares have been issued and are being offered by the underwriters.

Address—Detroit, Mich.

Business—Manufacture of alloy steels.

Proceeds—Rotary Electric Steel Co. was incorporated in Delaware on June 23, 1944, to acquire the business, physical assets and inventories and properties of the Rotary Electric Steel Co., a California corporation. On July 1, 1944, according to the registration statement, the company purchased from the California corporation, all the physical properties of the latter for $650,000, plus inventories priced at cost or market whichever was lower. Pending a physical check, the value of the inventories was taken at $1,800,000. Contemporaneously or just prior to this transaction the company sold to the underwriters 150,000 shares of common stock at $11.375 a share, and sold to the New York Trust Co. $800,000 3% five year notes, and sold to Mutual Life Insurance Co. of New York, $500,000 4% first mortgage bonds due 1956. The proceeds from the sale of these securities were used to purchase the physical assets and inventory of the California company and to provide company with its initial working capital requirements. The common stock being offered is that purchased by the underwriters from the company on July 1, 1944, the net proceeds from the sale at that time were received by the company. Proceeds from offering will be received by the underwriters.

Underwriters—W. E. Hutton & Co., 80,000 shares; Hemphill, Noyes & Co. and E. H. Rollins & Sons, Inc., 30,000 shares each, and Stein Bros. & Boyce 10,000 shares.

Offering—The offering price to the public will be filed by amendment.

Registration Statement No. 2-5416. Form S-1. (6-29-44).

WEDNESDAY, JULY 19

JOHNSON & JOHNSON have filed a registration statement for 36,218 shares of cumulative second preferred stock, series A 4% (par $100) and 77,252 shares of common stock (par $12.50). The preferred stock registered is issued and outstanding and includes 1,138 shares held by the company in its treasury, 19,587 shares held by Robert W. Johnson and 15,492 shares held by J. Seward Johnson. The 77,252 shares of common are also issued and outstanding and include 21,252 shares held by the company in its treasury, and 28,000 shares each held by Robert W. Johnson and J. Seward Johnson.

Address—New Brunswick, N. J.

Business—Manufacture and sale of surgical dressings and extensive line of products related thereto.

Proceeds—Proceeds to the company will be used for general corporate purposes. Proceeds from sale of other shares will go to the selling stockholders.

Underwriting—The underwriters of the preferred stock are Morgan Stanley & Co., Dominick & Dominick, Clark, Dodge & Co., Hemphill, Noyes & Co., Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co. The offering of common stock is not being underwritten. Applications for purchase of common stock may be made to Robert W. Johnson, J. Seward Johnson and the company in care of J. P. Morgan & Co. Incorporated.

Offering—Offering prices will be filed by amendment.

Registration Statement No. 2-5417. Form A-2. (6-30-44).

GENERAL ELECTRIC CO. — General Electric Contributory Pension Trust has filed a registration statement for $250,000 (estimated amount of employees contributions prior to Aug. 1, 1945.)

Address—General Electric Co.'s address 1 River Road, Schenectady, N. Y.

Business—Pension trust for employees of General Electric Co.

Offering—No stock is to be issued. The trustees of the pension trust will offer to eligible employees of General Electric Co. and certain of its affiliated companies an opportunity to participate in this pension plan for their benefit.

Registration Statement No. 2-5418. Form A-1. (6-30-44).

JACKSONVILLE GAS CORPORATION has filed a registration statement for $1,745,000 first mortgage bonds, 4% series due June 1, 1969.

Address—29 East Adams Street, Jacksonville, Fla.

Business—Public utility.

Underwriting—Central Republic Co., Inc., Chicago, is named principal underwriter.

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

Proceeds—Net proceeds from the sale of the bonds will be applied to the redemption, at 100%, of all of the company's first mortgage bonds, 5% series due 1967, outstanding in like principal amount.

Registration Statement No. 2-5419. Form S-1. (6-30-44).

THURSDAY, JULY 20

MARATHON CORPORATION, successor to Marathon Paper Mills Co. by change of name to be made this month, has filed a registration statement for 50,000 shares of 5% cumulative preferred stock (par $100).

Address—Rothschild, Wis.

Business—Manufacture of a diversified line of protective wrappers, containers and packaging used primarily in the food industry.

Proceeds—The proceeds from the sale of the preferred stock, together with the proceeds to be received from the sale by the corporation, prior to Oct. 1, 1944, of $5,000,000 principal amount of its debentures, will be used principally to finance, through advances to the corporation's wholly-owned Canadian subsidiary, the erection of a bleached sulphate pulp mill at Peninsula, in the province of Ontario, Canada. The balance of the proceeds will be used to provide additional conversion facilities of the corporation's United States plants and to augment working capital.

Underwriters — The underwriters with the number of shares underwritten are as follows: Lee Higginson Corp., 10,000; Smith, Barney & Co., and the Wisconsin Company, 5,000 each; Blyth & Co., Inc., 3,000; Merrill Lynch, Pierce, Fenner & Beane, 2,500; Milwaukee Company, Eastman, Dillon & Co., Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., 2,000 each; Clair S. Hall & Co., 1,750; Dean Witter & Co., A. C. Allyn & Co., Inc., Central Republic Co., Inc., and Harris, Hall & Co., Inc., 1,500 each; Reynolds & Co. Wertheim & Co., Bacon, Whipple & Co. and Loewi & Co., 1,000 each; Piper, Jaffray & Hopwood, Whiting, Weeks & Stubbs, Inc., Kebbon, McCormick & Co., Perrin, West & Winslow, Inc., and Tucker, Anthony & Co. 750 each; Forwell, Chapman & Co., and Scherck, Richter Co., 500 each.

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

Registration Statement No. 2-5420. Form S-1. (7-1-44).

EMPIRE DISTRICT ELECTRIC CO. has filed a registration statement for $10,600,000 first mortgage bonds, 3½% series due 1969, and 350,000 shares of common stock (par $10). The shares of stock are issued and outstanding and are being offered for the account of Cities Service Power & Light Co.

Address—602 Joplin Street, Joplin, Mo.

Business—Public utility.

Underwriting—Both the bonds and stock will be offered for competitive bidding under the Commission's competitive bidding rule U-50. Names of the underwriters will be filed by amendment.

Offering—Offering price to the public of the bonds and common stock will be filed by amendment after the results of competitive bidding have been determined.

Proceeds—The net proceeds to be received by Empire District from the sale of the bonds, together with the net proceeds from the sale of 6,500 shares of 5% cumulative preferred stock, par $100, which the company expects to sell contemporaneously with the issue and sale of the bonds are to be applied to the redemption at 101¾ of the principal amount of $10,044,900 of the company's first mortgage and refunding bonds, 5% series, due March 1, 1952, and to the redemption at 105 of the principal amount of $851,200 of Ozark Power & Light Co. first mortgage sinking fund 5% bonds due March 1, 1952, assumed by Empire. Net proceeds from the sale of common stock are to be received by Power & Light Company and does not represent new financing by the company. As previously announced Empire District Electric Co. which is controlled by Cities Service Power & Light Co. proposes to acquire by merger the properties of Ozark Utilities Co., Lawrence County Water, Light & Cold Storage Co. and Benton County Utilities Corporation. In conjunction with this merger Cities Service Power & Light Co. is surrendering all the securities of the constituent companies owned by it in exchange for an aggregate of 350,000 shares of common stock, $10 par, of the Empire District Electric Co.

Registration Statement No. 2-5421. Form S-1. (7-1-44).

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 4½% 15-year sinking fund debs., 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.

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 of its 32,130 shares of 7% and 28,457 shares of $6 preferred stock the opportunity to exchange their shares for new 4% preferred stock on a share for share basis together with $8 in cash 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. The price to the public will be $102 per share. Filed June 13, 1944. Details in "Chronicle," June 22, 1944.

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.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). Company is offering to holders of its outstanding 7% cumulative preferred stock, series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20. Underwriters are Milwaukee Co., 5,750 shares; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500; Loewi & Co., 1,500; Bingham, Sheldon & Co., 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500. Filed April 25, 1944. Details in "Chronicle," May 4.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share. Company plans to issue the 220,078 shares of 5% preferred stock to effect the retirement by exchange or redemption of an equal number of shares of its 7%, 6% and 5½% preferred stock, the exchange to be on a share for share basis plus a cash payment to be filed by amendment. Filed May 17, 1944. Details in "Chronicle," April 27, 1944.

Exemption from competitive bidding rule denied by SEC in opinion issued May 5, 1944. Company on May 12 filed an amendment with the SEC proposing invitation of competitive bidding on the stock under rule U-50. Offering data to be completed by post effective amendment.

Public invitation for proposals for exchange and purchase of the 5% preferred stock will be received by the company up to 10 a.m. CWT July 10.

PANHANDLE EASTERN PIPE LINE CO. has filed a registration statement for 531,638 shares of common stock, without par value. The shares registered are issued and outstanding and are owned by Missouri-Kansas Pipe Line Co. Mokan will offer to the holders of its common stock and class B stock, of record July 3, the right to purchase, pro rata, 163,710 shares of common stock of Panhandle, at $30 per share, on basis of one share of common stock of Panhandle for each 10 shares of common or 200 shares of class B capital stock of Mokan. Such purchase offer will expire on Aug. 12, 1944.

Net proceeds will be used to pay off $5,050,000 indebtedness to banks and insurance companies. After payment by Mokan of the indebtedness, it will offer to each holder of its common stock or class B stock according to a plan adopted by the stockholders on March 27, 1944, the right and privilege of exchanging all or any part of his holdings of such stock for full shares of the common stock of Panhandle, on the basis of two shares of Panhandle for nine shares of Mokan common or 180 shares of class B capital stock of Mokan, or any combination of common and class B capital stock of Mokan equivalent thereto. The exchange offer will expire April 15, 1945. Filed May 31, 1944. Details in "Chronicle," June 8, 1944.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

(This list is incomplete this week)

Government Wins Case Involving "Abnormal" Deduction

Taxpayer's Proof Insufficient

By PETER GUY EVANS, C.P.A.

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

Recently, the Tax Court decided its first case, **William Leveen Corporation v. Commissioner** (3 T. C. No. 77) involving the excess profits tax under Section 711 of the Internal Revenue Code. The decision was in favor of the Government. It is apparent from this decision that where excess profits tax relief provisions are involved, it will not be easy to benefit therefrom, because of the difficulty of meeting the particular requirements.

Peter Guy Evans

Section 711 Explained

Section 711, a relief section, permits the exclusion of certain items like demolition, casualty, loss on bond retirements, etc. A subsection thereof permits the elimination of "abnormal" deductions. Naturally, by eliminating such from income for the years 1936 to 1939, the yardstick on which the excess profits tax is based, the corporation obtains a higher credit.

Congress specifically provides for upping the base period income by restoring to income deductions which are abnormal. In addition, even though the class of deductions was normal, then if the deductions within such class were more than 125% of the average amount of such deductions for the four previous years, the excess over the 125% is restorable to income, under certain conditions.

Facts of Case

Here the corporation claimed an adjustment in its base period income because its 1939 deduction for bad debts was abnormally large in amount. This unduly lowered its standard of comparison. It was stipulated that the 1939 bad debt deduction was not abnormal in class, but only in amount. Since it was in excess of 125% of the average of bad debt deductions for the four previous years, namely, 1935 to 1938, the abnormal part thereof was eliminated from the taxpayer's 1939 income. The taxpayer accordingly upped his income for 1939.

Issue in Case

Such procedure is permissable, only if the taxpayer meets the requirements of another subsection that the taxpayer "establishes that the abnormality or excess is not a consequence of an increase in the gross income" for the base period. The Commissioner disregarded the taxpayer's computation because the evidence did not show that it was not in consequence of the increase in its gross income.

Commissioner Sustained

The Tax Court, in sustaining the Commissioner, stated: "to establish such a negative may be a difficult task, and how it is to be accomplished cannot be formulated in a rule. Perhaps the proof is best made by proving affirmatively that the abnormal deduction is a consequence of something other than the increase in gross income and that such proven cause is the converse or opposite of an increase in gross income and could not be identified with an increase in gross income." This is not easy. It is clearly what the law requires.

The Tax Court points out that although the 1939 abnormal bad debt deduction was nearly $10,000, the taxpayer's 1939 gross income exceeded the 1935-1938 average by $17,250. There might be some correlation between these two increases—the increase in bad debts is coincident with and therefore elated to the contemporaneous increase in gross income. Although this is not explainable, as a cause and consequence, nevertheless the taxpayer's success hinges upon proof that it was not. This the taxpayer did not prove.

Chace, Whiteside & Warren

BOSTON, MASS. — The firm name of Chace, Whiteside & Co., Inc., 24 Federal Street, has been changed to Chace, Whiteside & Warren, Inc. Officers of the company remain the same.

"Our Reporter On Governments"

By E. P. TEE

With the Fifth War Loan winding up at the end of the current week, its success to date has stimulated speculation regarding the size of the oversubscription. . . . Present estimates of the total range anywhere from $17,000,000,000 to $20,000,000,000. . . . A figure somewhere between is a logical expectation. . . .

Individuals are lagging badly in reaching the assigned quotas and it is doubtful that the goal of $6,000,000,000 orders from this source will be achieved. . . . However, all other nonbank buyers have moved ahead of their assigned quotas, and it is this buying which really sparked the drive. . . .

DRIVE PATTERN

This drive has been characterized by a different buying pattern than in preceding campaigns. . . . For example, the Treasury's daily statement reveals that by June 24 over $3,500,000,000 general market issues had been subscribed and paid for, although interest on these obligations did not start until June 26. . . .

On the other side of the picture is the statement of reporting banks in 101 cities which discloses that in the two reporting periods ending June 21 these banks bought about $850,000,000 Government issues in the open market. . . . This is nearly triple the amount purchased during the comparable period of the Fourth War Loan. . . .

This all adds up to greater, more skillful pre-drive market adjustment. . . . It would appear from these figures that many corporations and institutions cooperated with the banks and placed their orders for the new issues at an earlier date than called for. . . . This, in turn, freed deposit requirements, through the shift to War Loan account, and the banks immediately used this buying power in the open market. . . .

There was plenty of additional selling in the few days immediately before June 26—but mostly in the certificate section—as indicated by the jump in holdings of the Federal Reserve Banks and the New York City reporting members for the period ending June 28. . . .

In consequence, the overall pre-drive liquidation this time was probably as great as that which preceded any of the earlier War Loan campaigns. . . . However, it was spaced differently, went in a different direction and thus did not seem as great. . . . Incidentally, it is of interest to note that neither the Republican Party platform nor any of the speakers of the Convention mentioned the size to which the Federal debt has grown or the possibility of higher interest rates in the post-war period. . . .

NEW FISCAL YEAR

With a new fiscal year starting this week, we can look back with some satisfaction on the one just closed. . . . While expenditures, all for war, were naturally higher, the deficit was lower than the preceding period by some $5,000,000,000. . . . Receipts from the income tax, more than double those of the preceding fiscal, accounted for this showing. . . .

The new fiscal should see some further contraction in the deficit, barring unforeseen war developments. . . . Cutbacks in industry may be expected at an increasing rate, while the bulk of the tax receipts will be unaffected for the time at least, and may even hold to present high levels if we exercise the necessary speed in reconversion to take up any war production drop. . . .

MARKET ACTION

The Government list, following the selling that appeared two weeks ago, has been a quiet affair, nor is any great activity looked for until next week when the new drive securities will be available for trading. . . . Look for things to pick up at that time. . . . Both the new 2s and the 1¼s should command immediate small premiums. . . .

Cerf In France Invasion

Lt. Floyd D. Cerf, Jr. (j. g.) of the U. S. Coast Guard Reserve was a member of the American Assault Force which invaded France. He had previously been in action in the Mediterranean and was promoted from Ensign to Lieutenant last February. His brother David F. Cerf is serving in the Marines. Lt. Cerf was formerly with Floyd D. Cerf Co., 120 South La Salle Street, Chicago, Ill.

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.

Now Heronymus & Co.

SHEBOYGAN, WIS.—The firm name of Heronymus, Ballschmider & Co., Security National Bank Building, has been changed to Heronymus & Co., effective July 1.

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Thomas G. Campbell Forms Investment Firm

Thomas G. Campbell has formed Thomas G. Campbell Company with offices at 67 Wall Street, New York City, to engage in a securities business. Mr. Campbell was formerly railroad analyst for C. E. Stoltz Co. and prior thereto was Vice-President and manager of the railroad bond department of Travers King & Co., Inc.

N. L. Jarvis With Hayden, Stone & Co.

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that N. Leonard Jarvis has become associated with them. Mr. Jarvis was formerly economist with Frazier Jelke & Co. and prior thereto was with J. A. Williston & Co. and McClure, Jones & Co. in the stock statistical department.