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GOP United For Victory: Bricker

In a letter addressed to the Editor of the "Chronicle" under date of July 5, Gov. John W. Bricker of Ohio, Vice-Presidential candidate on the Republican ticket, wrote as follows:

John W. Bricker

"The Republican party, as the result of the convention in Chicago, is completely united and Republicans everywhere are determined that the ticket selected there can and will defeat the New Deal this Fall. I am very happy to have been selected as the running mate of Governor Dewey. He has proven to be an outstanding Governor of the State of New York and he will lead in a fighting, aggressive and constructive campaign.

"There are many important issues confronting the people of America this Fall. Governor Dewey and I, during the months that are ahead, will carry the campaign to the far corners of this country."

IN THIS ISSUE

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin included in this issue. Illinois on page 178; Wisconsin page 180.

Pension, Bonus And Profit Sharing Plans And The Revenue Laws

By VICTOR R. WOLDER

Attorney and Counsellor-at-Law, New York City

Author Points Out How A Concern May Or May Not Benefit Taxwise Under The Various Plans, As Well As Conditions Which Should Determine Kind Of Plan To Be Adopted—Pension Payments, Bonuses And The Like, Which Conform To Internal Revenue Code, Permitted Under Wage Stabilization Laws

1.—Various types of plans a company may adopt.

Progressive companies today as in the past have and are installing various types of plans covering pensions, bonuses, profit sharing, retirement, death benefits and the like. Some systems provide just for one of these features. Others provide for several or all of the characteristics named. As to just what type of plan or system should be installed by a company depends upon the particular tastes of the company's management and what end results the management desires to achieve and at what cost to the company. It will not be possible in this memorandum to set forth at length every type of plan conceivable, or to make an analysis regarding the application of the plan to every company or to go into all phases of law applicable to the subject. This memorandum however, will be sufficiently exhaustively complete in order to advise the client and for the client

Victor R. Wolder

(Continued on page 180)

Problems Of Monetary Conference Multiply

By HERBERT M. BRATTER

Special Correspondent of "The Commercial and Financial Chronicle"

Conference Formally Organizes Into Three Sections; One Covering The Monetary Fund; A Second Covering The International Bank; And A Third To Deal With Miscellaneous Matters—Status Of Gold Debated—Agitation For Silver Recognition Becomes More Pronounced —Blocked Sterling Balances Under Consideration

BRETTON WOODS, N. H., July 12—Under the plan of organization and methods of procedure adopted by the International Monetary and Financial Conference, the preparatory work is divided among three separate 'commissions.' There is also a general steering committee.

Herbert M. Bratter

Commission I is to handle the problems of the International Monetary Fund. It is headed by Harry D. White, of the American delegation, with L. Stinebower as secretary. Commission I is composed of four committees, viz: (1) Purposes, Policies and Quotas; (2) Operations; (3) Organization and Management; (4) Form and Status.

Commission II, headed by Lord

(Continued on page 186)

Social Security In The Post-War Period

By LOUIS S. HOUGH

Assistant Professor of Economics, Miami University, Oxford, Ohio

It is becoming increasingly evident that the social security program will be rewritten in a thoroughgoing manner as soon as military security is assured, perhaps even before the capitulation of Tokyo. Congress has heard and recorded the new Wagner-Murray-Dingell Bill (S. 1161, 78th Cong., 1st Sess.) introduced in identical terms in both houses June 3, 1943. It is not at all likely that this bill will be passed, although it has been endorsed by the AFL, the CIO, and the Federal Security Administration. The expressed purpose of its sponsors is to stimulate discussion and study. With the cessation of active campaigning in Europe some kind of decisive legislation can be expected.[1]

Louis S. Hough

In Canada and in England the concentration of attention on the major problem of defeating the Axis has not precluded social security revision. The Canadian Parliament is now considering a 10-year housing construction program which represents an increase of $1,800,000,000 in the Canadian version of the cradle-to-grave Beveridge plan. A large part of the support for this measure comes from Canadian industrialists and labor leaders who believe

[1] Edwin E. Witte, "American Post-War Social Security Proposals," **American Economic Review**, December, 1943, p. 825.

(Continued on page 177)

Blocked Sterling Balances

Lord Keynes Denies Great Britain Will Seek Assistance From Fund To Meet Indebtedness—India Argues For Use Of Fund To Convert Her Large Sterling Balances Blocked In England—U. S. Opposes Burdening Fund With The Problem

The question of the liquidation of the large indebtedness of Great Britain to her allies and associates in the British Commonwealth of Nations has come up for consideration at a meeting of Commission I of the International Monetary and Financial Conference at Bretton Woods, N. H. It was brought up for consideration by India's delegates, who have a large stake in the solution of the problem. Lord Keynes, on behalf of the British Delegation made a statement on the British attitude in which he asserted that he would not inject the consideration of the problem into the deliberations. This brought a statement from Mr. A. D. Shroff, member of the Indian delegation, urging that the Fund be used to alleviate the difficult situation of his country due to inability to collect its sterling balances by creating a machinery for its transfer. The United States delegation has taken a firm stand that the problem should be settled by the countries concerned, and should not be made a "burden" to the Fund.

Lord Keynes

In discussing Britain's position in relation to the problem, Lord Keynes said:

"Since the United Kingdom is the only country here represented which has incurred large-scale war debts to her Allies and Associates also here present, these alternative amendments must be assumed, as Mr. Shroff had indeed made clear, to relate primarily to her.

(Continued on page 188)

Seen And Heard At Bretton Woods Monetary Conference

BRETTON WOODS, N. H., July 12.—In an exclusive interview with your correspondent, Congressman Charles S. Dewey, Illinois Republican, said: "It has been said that my position regarding the monetary fund and world bank proposals has changed since my arrival here. That is not correct. I see many changes made in the two plans that are beneficial, but their fundamental theory is still believed to be impossible at present time. I am much in sympathy with the position just expressed by Senator Taft's press statement. I think the key to this country's approach to stabilization deserves closest attention and study."

Rep. Chas. S. Dewey

Congressman Dewey, author of a plan for half billion Reconstruction Bank under American control, earlier expressed himself as follows:

"There is a definite fear among House Republicans that Bretton Woods delegations may have impression House endorses plans now under consideration. With 20 Republican Congressman not isolationists, who are critical of this United Nations plan, I signed a statement last month recognizing America's moral and practical responsibility to help world reconstruction. I'd like to know what American labor, industry, and Congress would say if demand for post-war dollars tends to force exchange value up and we should be asked to lower tariffs or revalue the dollar. Also, in any international fund, shouldn't countries with re-

(Continued on page 196)

Henry Gully With Van Alstyne, Noel Co.

Henry Gully, for the last 24 years a well-known research specialist in Wall Street, present Chairman of the Analysts Club of New York and an active member of the New York Society of Security Analysts, has become associated with Van Alstyne, Noel & Co., 52 Wall St., New York City, members of the New York Stock Exchange, as manager of the firm's Research and Stock Departments. Mr. Gully is a graduate of New York University School of Accounts and Finance, and for the last 11 years has specialized in the securities of growing companies. He was formerly with Shearson, Hammill & Co., Lehman Bros. and J. R. Williston & Co.

Henry Gully

K. A. Kerr Associated With Blyth & Co., Inc.

Blyth & Co., Inc., 14 Wall St., New York City, announce that Kenneth A. Kerr has become associated with them in their New York office. He was recently with Lehman Brothers. Mr. Kerr started his financial career in the Middle West, joining Halsey Stuart & Co. in 1923. In 1930 he moved East, and for about 14 years was in charge of distribution for Halsey Stuart in upstate New York, Canada, western Pennsylvania and West Virginia.

Optimistic Outlook

The outlook for Great Lakes Terminal Warehouse Co. appears optimistic, with a trend toward wider use of cold storage for all stored commodities and the advent of the fast growing frozen food industry, according to a memorandum on the situation issued by Collin, Norton & Co., 508-12 Madison Avenue, Toledo, Ohio, members of the New York and Cleveland Stock Exchanges and other exchanges. Copies of this interesting memorandum discussing the situation in some detail may be had by dealers upon request from Collin, Norton & Co.

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Post-War Employment

By FRANK D. GRAHAM
Professor of Economics, Princeton University

Holding That Full Employment Is An Institutional Problem, Dr. Graham Proposes A Monetary Authority With Powers To Issue Currency In Buying And Selling "Composite Units" Of Commodities To Eliminate "Frozen" Inventories And Increasing The Public's Supply Of Purchasing Power—Says Plan Would Stabilize National Economy At A High Production Level And Prevent Cyclical Depressions—Outlines A Scheme For A Federal Commodities Corporation

Post-war employment presents a duplex problem. The one aspect is the provision of jobs in the transition from war to peace. The other is the maintenance of full employment under "normal" conditions.


Frank D. Graham

The problem of turning swords into ploughshares is a retooling problem. We may, with some confidence, expect the advent of peace to be attended by a lively pent-up demand for many peacetime goods but, unless it should happen that the tempo of the war should slacken slowly and peace come gradually, we shall, in the production of those goods, be unequipped to employ more than a part of the workers that would be necessary to satisfy the markets.

Our problem here, a shortage of appropriate equipment, is a problem of material and of time. It cannot, therefore, be forthwith dispelled. It involves not only employment but rationing—to prevent an inflationary rise in prices. It is, however, essentially a passing problem and the burden of it can be much alleviated by good governmental administration requiring temporary intervention, on an extensive scale, in the choices of the public. The pro-

(Continued on page 198)

"The 5% Rule Is, In Law And In Fact, A Rule"

Frank J. Maguire, Attorney For S. C. Parker & Co. Of Buffalo, N. Y. Submits Brief To SEC Holding That NASD's Distinction Between "Interpretation" And "Rule" Is An "Obvious Attempt At Circumvention"—Maintains That "A Fixed Spread Can Drive Out The Very Men Who Are Improving The Reputation And The Standing Of The Over-Counter Business"

Frank J. Maguire of Albrecht, Maguire & Mills, Attorneys, Buffalo, N. Y. has filed a brief on behalf of the investment banking firm of S. C. Parker & Co., of Buffalo, N. Y., in the petition now pending before the Securities and Exchange Commission for an order nullifying and revoking the 5% rule of the NASD. The arguments and contentions contained therein follow in full:


Frank J. Maguire

The Issues

The petition hereinbefore referred to raised a number of issues having to do both with the subject matter of the so-called rule, and with the manner of its adoption. Several of the issues so raised are not treated in this brief for the reason that they do not seem to fall within the narrow limits set by the Securities and Exchange Commission on the scope of the hearing of June 13, 1944. The Commission, in its order of June 1, 1944, ordered that the hearing be held on the question,—

"whether the aforesaid letters of Oct. 25 and Nov. 9, 1943 constitute a rule or rules and, if so, whether the Commission should

(Continued on page 190)

On Winning The Four Freedoms

By NORMAN THOMAS *
Socialist Candidate for President

Last week, over another network, I asked some questions of Candidate Dewey on the grave problems of the hour. This week I am questioning Candidate Roosevelt. To be sure, he is not yet nominated, but so completely does he dominate the situation that, in the wholly unlikely event of his refusal of a nomination that he has compelled his party to offer him, his designee must run on Roosevelt's record.


Norman Thomas

Candidate Roosevelt is also President Roosevelt, one of the three men who now hold the fate of the world in their hands. It is a cause for deep satisfaction that American democracy is strong enough to permit an election at this time and to remind the world that the most powerful leader should be subordinate to the will of the people to whom he must render account.

Our President cannot be interrogated in Congress like the British Prime Minister in Parliament. The great tradition of the Lincoln-Douglas debate has unfortunately set no precedent in American politics. One is com-

*Text of speech delivered by Mr. Thomas over radio station WEAF and the National Broadcasting Company on July 7, 1944.

(Continued on page 195)

Carrying Water On Both Shoulders

NASD Directs Enforcement Of 5% Policy, At The Same Time Claiming The Interpretation Is Optional With District Business Conduct Committees

Readers will recall our having directed attention to the attitude of the National Association of Securities Dealers in the proceedings now pending before the Securities and Exchange Commission to determine whether the "5% philosophy" constitutes a rule, and if so, what the Commission will do about it.

During the course of the hearing on June 13, 1944, three opponents of the instant conduct of the NASD argued in opposition, but despite this, no oral argument was made in behalf of the Association's position — in fact no oral argument was presented by anyone to support the existing 5% yardstick.

Clearly the Association was within its rights if it chose not to make any presentation and stopped there. However, at the close of the hearing, counsel for the NASD applied for leave, not to file a brief, but to file a replying brief. In other words, the NASD wanted to get the last word in after the whole case was disclosed to it. This position being opposed by the lawyers for the Securities Dealers Com-

(Continued on page 196)

NSTA Advertising Notes

It is most gratifying to your National Advertising Committee to inform members of the National Security Traders Association that we have over $1,800 in advertising for our special supplement to appear in issue of "The Chronicle" following our meeting in Chicago, Aug. 25 and 26.

The National Committee is composed of the following representing affiliates:

Don E. Summerell, O'Melveny, Wagenseller & Durst Inc., Los Angeles, Calif.; Kermit B. Sorum, Allison, Williams Co., Minneapolis, Minn.; Joseph H. Weil, Weil & Arnold, New Orleans, La.; Ralph C. Carr, Ralph C. Carr & Co., Boston, Mass.; Phillip J. Clark, Amos C. Sudler & Co., Denver, Col.; Wm. M. MacRury, Paine, Webber, Jackson & Curtis, Milwaukee, Wis.; Jos. C. Phillips, Drumheller, Ehrlichman Co., Seattle, Ore.; Ray P. Bernardi, Cray, McFawn & Co., Detroit, Mich.; Ernest E. Blum, Brush, Slocumb & Co., San Francisco, Calif.

And the above committee is being enlarged.

Please contact your local members and give them your assistance. Last year we grossed over $6,400. Can we double this now?

K. I. M.

Harold B. Smith, Chairman, NSTA Advertising Committee, Collin, Norton & Co., N. Y.; Alfred W. Tryder, Vice-Chairman, NSTA Advertising Committee, H. T. Greenwood & Co., Philadelphia, Pennsylvania.

Giss With Barcus, Kindred

(Special to The Financial Chronicle)

CHICAGO, ILL.—Vernon J. Giss has joined the staff of Barcus, Kindred & Co., 231 South La Salle Street. Mr. Giss was formerly with the First National Bank of Chicago.

Brandfass, Ehrhardt With First Cleveland

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Ray F. Brandfass and Edwin F. Ehrhardt have become associated with the First Cleveland Corporation, National City Bank Building. Mr. Brandfass was formerly a partner in H. K. Hastings & Co. of Wheeling, W. Va., with which he had been associated for a number of years. Mr. Ehrhardt was Cashier of Otis & Co. for more than 20 years, and recently has been with Merrill Lynch, Pierce, Fenner & Beane.

Edward Rawls Joins Kidder, Peabody Co.

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, investment bankers, announce that Edward H. Rawls has become associated with the firm's underwriting department. Mr. Rawls had been a Vice-President of the Guaranty Trust Co. since 1929. Prior to that he had been with the National Bank of Commerce since January, 1917, and was a Vice-President of that bank at the time it was merged with the Guaranty organization in 1929.

Heads Trust Committee

Arthur S. Kleeman, President, Colonial Trust Co., announced the

Charles D. Deyo

appointment of Charles D. Deyo, Vice-President, as Chairman of the Trust Committee of the bank.

Miles A. Sharkey With Stern, Frank & Meyer

LOS ANGELES, CALIF.—Miles A. Sharkey has become associated with Stern, Frank & Meyer, 325 West Eighth Street, members of the Los Angeles and New York Stock Exchanges. Mr. Sharkey was formerly an officer of O'Melveny-Wagenseller & Durst, in charge of the trading department.

Willard To Head Slate Of NY Group of IBA

It is reported that Frank A. Willard of Reynolds & Co. will be slated as chairman of the New York Group of the Investment Bankers Association at the annual meeting of the nominating committee to be held July 17. Mr. Willard, now Vice-Chairman of the Group, will succeed F. Kenneth Stevenson, who has called a meeting of the executive committee to pick a slate for the ensuing year. The slate will be placed before the membership for vote in the fall.

Members of the nominating committee are: Frank Stanton, First Boston Corp., Chairman; John Maxwell, Tucker, Anthony & Co., and W. Manning Barr, Barr Bros. & Co., Inc.

Post-War Municipal Finance In The National Economy

By WALTER W. HELLER *
Assistant to Director of Tax Research, U. S. Treasury Dept.

Treasury Official Points To Need Of Post-War Co-ordination Of Federal, State And Local Revenues — Finds There Are Overlapping Taxes, Insufficient Regard By One Government For The Taxes Of Others, And A Poor Correlation Of Tax Resources With Government Responsibilities—Urges Setting Up A Joint Federal-State-Local Fiscal Agency

The problem of post-war municipal finance might be discussed in any one of a number of settings. For example, it might be examined in relation to the general level of local services or of a specific service like schooling or fire protection. Or it could be discussed in terms of overall city planning and urban redevelopment. Or one might explore municipal finance in terms of its mainstay, the property tax.

Walter W. Heller

But the American Planning and Civic Association — recognizing how tightly the local economy is interwoven with the national economy and how important it is to coordinate local, State, and Federal taxes and fiscal policies —has asked for a discussion of post-war municipal finance in the broad setting of the national economy. And this, it seems clear, is a realistic setting. For the municipalities cannot "live alone and like it." They draw on the entire national economy for their support, and their responsibilities go far beyond their own borders. Healthy municipal finance demands a healthy national economy. Efficient municipal finance demands co-ordination of local, State, and Federal fiscal systems. And, in turn, a sound national economy demands the harmonizing of municipal, State, and Federal finance.

The moment we probe into any one of the fields of taxation, public borrowing, and government expenditure, it becomes evident that the fiscal systems of our three levels of government lack harmony and are badly in need of co-ordination.

Conflicting Taxation

Probably the most obvious uncoordination that exists is in the field of taxes. Here we find over-

(Continued on page 192)

* An address made by Mr. Heller before the American Planning and Civic Association Conference, St. Louis, Mo., June 15, 1944. The views expressed are the author's own and not necessarily those of the Treasury Department.

Bruce Seddon Now With Newhard, Cook & Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Bruce Seddon has become associated with Newhard, Cook & Co., 4th and Olive Streets, members of the New York and St. Louis Stock Exchanges. Mr. Seddon, a member of the St. Louis Exchange, was formerly President of Seddon, Morfit & Harvey, Inc.

C. W. Wright Joins Staff Of Investors Syndicate

(Special to The Financial Chronicle)

SPRINGFIELD, ILL. — Clifford W. Wright has joined the staff of Investors Syndicate, Roanoke Building, Minneapolis, Minn. Mr. Wright was formerly with Ryan Nichols & Co. and Lowell Niebuhr & Co. and in the past conducted his own investment business in Springfield.

Nat'l City Bank Holds Time Is Not Ripe For Monetary Stabilization

Sees Need For Taking One Step At A Time In Making New Adjustments And For Settling Pressing Specific Problems First In A More Simple Manner

In the July issue of the "Monthly Bank Letter" of the National City Bank of New York, the view is expressed that the convening of the United Nations Monetary and Financial Conference at Bretton Woods, N. H., to formulate a general plan of international monetary stabilization is premature. In view of the diversity of views, moreover, and the requirement that any measures adopted by the conference must be approved by the individual governments of the participant nations, there is not likely to be much accomplished toward setting up a permanent and satisfactory organization.

"All this points strongly to the conclusion," stated the Letter, "that the time is not ripe for the setting up of elaborate and detailed mechanisms in this area. There is not yet sufficient real agreement on principles — the statement of the experts to the contrary notwithstanding — and the uncertainties are too great. The plan says that it is not intended to cover the needs of the transition period at the close of the war, but looks to the period beyond when more normal exchange relations will have been reestablished. But no one knows how long that will take, or what the conditions will be. Naturally, England and other countries hesitate to make commitments for that far ahead and in the face of so much that is unknown. When their commitments have been safeguarded to the extent they think necessary, almost nothing remains but our commitment to put up the money."

"In the meantime," continues the article, "there are a number of much more immediate problems in the monetary field as, for example, how to take care of the relief situation in enemy and occupied countries. Then there is the question of the next step beyond relief—how to provide capital for the rebuilding of war-torn industries. Should we use the Export-Import Bank, and, if so, how should its powers be extended? Questions such as these carry much more into the field of the proposed United Nations Bank than into that of a stabilization fund.

(Continued on page 195)

Real Estate Securities

By JOHN WEST

Court & Remsen Building Earnings Prospects Bright An Example Of Looking Ahead Instead Of At Past Figures

The 28-story office building known as Court & Remsen Building is well located in the important business district of Brooklyn, N. Y. and provides space for financial, insurance, law, real estate and miscellaneous business firms, one important tenant being the Travelers Insurance Company. The section is the center of the business and commercial activities of the borough.

The property was reorganized in 1937, the original mortgage being $3,500,000 reduced at this time to $2,885,300 through serial maturities prior to reorganization and by operations of the sinking fund since. Fixed interest of 3¼% per annum has been paid since reorganization. Part of the reorganization plan provided for a deposit with the trustee of $32,500 cash to be maintained and to insure continuity of fixed interest. As of April 30, 1944, the amount held by the trustee in this account is $36,416.01, there having been an increment in the fund through interest earned on investment of the funds in Government securities.

As will often happen, occupancy of a property will vary and certain periods with a low occupancy ratio may show a very narrow coverage of interest requirements. An annual statement, even carefully analyzed, may be misleading and give a wrong impression to any one considering the purchase of securities. A very concrete example is the annual statement of the Court & Remsen property which shows that interest requirements were not quite covered. A little investigation, however, discloses the following facts.

The property was operated through the major portion of the fiscal year ended 4-30-44 with an occupancy ratio of 65%, the last few months' occupancy was increased to about 90%, the average for the fiscal year being about 75%.

However, as of the May 1, 1944, renting season, which was also the beginning of a new fiscal period, leases in effect on a 90% occupancy basis showed an annual rent roll of approximately $315,000, excluding vacant space which is being offered at $30,000. We are advised that the current fiscal year operating expenses as budgeted will be comparable to the $126,000 expenditure in the past year. Without giving any effect to additional revenue that may be obtained from any leases for the present vacant space earnings should be sufficient to cover the fixed interest and to provide about $37,000 for sinking fund operations which would be the equivalent of 4½% on the outstanding bonds.

At current levels the first mortgage fixed interest fee bonds secured by this property offer a yield slightly better than 8% and, in our opinion, can easily attain a higher market level.

Taft Doubts Congress Will Pass Monetary Stabilization Plan

Senator Robert A. Taft on July 11 predicted that approval by neither Senate or House would be made for any agreement for an international monetary fund drafted on the terms of the original joint statement of experts, sent out by Secretary Morgenthau to the representatives of the other United Nations at the Bretton Woods conference, it was reporsed in a special despatch to the "New York Times" from Washington, on July 11, which also said:

Robert A. Taft

The Senator said in a statement that although he believed Congress would adopt a pact providing for continuous consultations with other countries and would authorize the Secretary to use the stabilization fund as he has in the past to stabilize foreign exchange, it would not endorse any plan based on the terms of the original statement.

In his statement, Senator Taft said:

"I have been asked by many correspondents and press representatives what the terms of the agreements now being negotiated at Bretton Woods are to be, and whether they have been or will be approved by Congress. I can't answer the first of these questions because of the secrecy which surrounds the Bretton Woods conference, but I can say that in my opinion no agreement for an international monetary fund on the terms of the original joint statement of experts will be approved either by the Senate or the House of Representatives.

"This plan was sent out by the Secretary of the Treasury to the representatives of the other United Nations and they may naturally assume that it has the approval of the Government of the United States. It is most important that they realize that this is not the fact and that Congress is more likely to disapprove the plan of the Secretary of the Treasury than approve it.

"Of course everyone recognizes the desirability of stabilizing international exchange. All desire that the United States cooperate with the other nations to that end, and form a permanent consulting body to study the problems which arise, and recommend national action. But very few approve the plan for a huge International Monetary Fund or the plan for a United Nations Bank. Nearly every American expert outside of the Treasury has criticized these plans.

"I believe personally that the United States should make, or join in making, direct loans to foreign nations for reconstruction during the emergency period. The Republican platform favors 'assistance by direct credits in reasonable amounts to liberated countries to enable them to buy from this country the goods necessary to revive their economic systems.'

"The proper course would seem to be to reach some agreement with the British regarding the relation of the dollar and the pound and then take up the other countries, one by one, and attempt to assist them by direct credits, if necessary, until their foreign exchange can be stabilized without loss.

"The proposed fund is not large enough to deal with the post-war emergency situation and no such fund could be large enough. It is much larger than necessary to eliminate minor fluctuations after normal production is resumed and countries are again on a sound financial basis. To set up an international exchange fund now is to put the cart before the horse.

"More important from the American standpoint, however, is the substantial fact that nearly all the real assets in the fund will come from this country. They will be dispensed by a board, the control of which is held by countries whose currencies are much weaker than ours. It will not be long before all of our assets are gone and the fund is entirely made up of weaker worthless currencies.

"The whole of the elaborate machinery seems to be designed to cover up the fact that our money is, in effect, to be loaned away by a board in which we have only a minority interest. The same thing is true of the United Nations Bank, and the total cost to this country of the two plans is likely to be more than six billion dollars, with no assurance of success, and little chance that we will ever recover any part of our contribution.

"I do not think Congress will approve any plan which (1) places American money in a fund to be dispensed by an international board in which we have only a minority voice; or (2) requires our Government to regulate, restrict and regiment transactions in foreign exchange in this country and impose complete Government control of all international transfer of funds; or (3) places power in some representative of the President, without approval of Congress, to change the gold value of the dollar."

Distributors Group Sponsors New Trust—Railroad Stock Shares

Distributors Group, Incorporated, 63 Wall Street, New York City, is offering a new class of Group Securities, Inc., known as Railroad Stock Shares, with an initial authorized capitalization of 1,000,000 shares. Formal announcement of the stock designed to provide a diversified, constantly supervised investment in selected railroad stocks, was delayed by the sponsors pending completion of the Fifth War Loan drive.

Reminding investment dealers of their recommendations on railroad bonds three years ago, Distributors Group draws a parallel between the bond position then and the stock position today. As to the latter, they state "the recovery of their investment status is proceeding rapidly," and "intrinsically, selected common stocks of our leading railroads are substantially undervalued." Stocks presently selected for investment by Railroad Stock Shares consist of the common and preferred issues of 22 leading railroad companies.

Railroad Stock Shares increases to 22 the number of classes of Group Securities, Inc., a mutual fund with aggregate assets in excess of $30,000,000 and representing the combined investments of more than 13,500 shareholders.

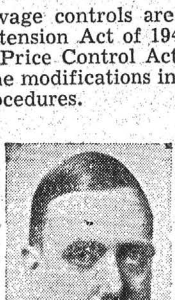
Interesting Situations

Merchants Distilling Corporation and Standard Silica Corporation offer interesting situations according to analyses prepared by Faroll & Company, 208 South La Salle Street, Chicago, members of the New York Stock Exchange. Copies of these analyses may be had from Faroll & Company upon request.

Price Control Continued One Year

Price and wage controls are renewed for another year in the Stabilization Extension Act of 1944, which extends to June 30, 1945 the Emergency Price Control Act of 1942 and the Stabilization Act of 1942 with some modifications in the present pricing, regulatory and enforcement procedures.

A Compromise Bill



L. H. Bradshaw
Editor
"Investment Timing"

The bill in final form was a compromise price control extension program based on separate Senate and House bills carrying a number of amendments, most of which were eliminated in committee conference. It was signed by President Roosevelt on June 30, disregarding labor's appeal for a veto.

While as finally passed it is better than either of the bills that the Senate and House sent to conference, it is in some respects weaker than the 1942 act which it replaces. It is not expected to result in any material rise in the general level of prices, but it may complicate OPA's enforcement and legal problems.

Chief Changes

Cotton Textiles—The most controversial amendment was one submitted by Senator Bankhead which in its original form would have written into the law a rigid pricing formula for all cotton goods items, and a requirement that the ceilings guarantee manufacturing costs plus a profit to mills. The latter was eliminated, and the former modified considerably to a provision that the OPA adjust ceilings on "major"

(Continued on page 183)

Henry F. Cassidy Is With Fairman & Co.

LOS ANGELES, CALIF.—Henry F. Cassidy has become associated with Fairman & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Cassidy was formerly with R. D. Bayly & Co., and prior thereto was an officer of C. H. Hatch & Co. and R. C. Wade & Co.

Wage Rate Rise Asked By Frankensteen

Richard T. Frankensteen, CIO automobile and aircraft unions leader, on July 11 called for "increased wage rates to support purchasing power which will otherwise decline sharply as overtime is reduced" and said that he foresaw a prospect that munitions employment might drop by 3,000,000 by the year-end. This was indicated in Associated Press dispatches from Washington on July 11 in the New York "Sun," which added:

"It is imperative from the standpoint of continued war output," he told a Senate military sub-committee, "to reassure workers regarding their future jobs."

Mr. Frankensteen said "the continuing dispute" within the War Production Board and among other government agencies regarding resumption of civilian production "is preventing the development of any scheduled resumption of any non-military production which would take the place of war output."

The CIO leader criticized the War Department for what he said was its claim that war production would be hindered by a limited return to civilian production, and said "the armed services' cries of 'Wolf! Wolf!' in this respect have in the past so often been found to be exaggerated."

With First Securities Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Frank K. Fetters has become associated with First Securities Company of Chicago, 105 South La Salle Street, members of the Chicago Stock Exchange. Mr. Fetters has been with the Government since 1935.

Metallic Money Or Managed Currency?

Rene Leon Condemns Managed Currency As "A Continuous Process Which No Price System Can Withstand" —Urges The Pricing And The Protection Of The Precious Metals And Of The Exchanges By International Agreement, And Holds That Managed Currencies Foster International Economic Retaliation And Strife

"There is a tendency," says Rene Leon in a booklet just released, "to compromise with soundness by stressing the temporary character of monetary proposals designed to bridge over the difficult times to be traversed in the direction of final objectives. But if we surrender a little here and a little there, we may well find ourselves engaged far along a road become too difficult to retrace. Therefore, however slow our pace, it is imperative that we never deviate from sound principles.

"The time will come, sooner perhaps than many realize, when the flood of paper and alloys, issued in many parts of the world and misnamed money, will have lost all value. We then, no doubt, shall witness all over again an attempt on the part of the proponents of managed currency to foist their system on the unwilling masses. But if hindsight is an aid to foresight; if bitter experience is to yield us profit; if human needs are to find satisfaction in the days to come, we shall have none of it.

"We have heard the argument that hard money is a relic of barbarism; but those who advocate return to the use of precious metals are not indulging in fetishism —they merely have a genuine appreciation of the utility of gold and silver. They know that currency management has failed as often as it has been tried because of the obvious limitations of the currency managers, who, as human beings, share those frailties common to us all. But were they supermen, they could neither delegate nor bequeath their omniscience.

"In the archives and museums we find beautiful samples of the engraver's art in the form of worthless Mark, Ruble and Lira notes, Assignats, "Shinplasters" and what not, all executed on the orders of onetime currency managers. There also are to be found ancient coins, Ducats and Sequins, Pistoles, Doubloons and Pieces of Eight, each with its historical interest. But as to the material difference between them all, the scales have the answer which all can see and understand. Man needs no explanation as to the character and usefulness of gold and silver, which is why his attachment to them endures. Whereas paper, by law, may be endowed with value within a given area, the moment it crosses the boundary that value is put in question. Valid here, worthless there, paper cannot fulfill the role of "Monnaie Courante" which the world of tomorrow will demand. But **weight and fineness are universal,** whether in coin, specie or bar, and **an ounce of metal still weighs 480 grains on either side of any frontier.**

As distinct from regulation, management is a continuous process which no money nor price system can withstand; nor can trade flourish if it is continuously called upon to readjust to the needs of money management — for money is ancillary to trade and not the other way around. The metallic money system is eminently suited to regulation which requires but common sense in its application. What is chiefly needed to give it stability is the successful harmonizing of the interest of the individual with that of the community, because, as matters now stand, those interests are in conflict.

"As we all know, money has three functions: It is the measure of value, it is the medium of exchange and it is also a store of value. In the first two particulars, money is admittedly affected with a public interest; but as a store of value it is apt to be treated as concerning the individual rather than the community. Thus, if individuals are permitted at will to store great quantities of money and, in this manner, rarefy those stocks which, because they constitute the basis of the price structure, are indispensable to the community, they become a menace to all its members. For although expressed in terms of the unit, money measures prices by its quantity — not by its unit. Hence, whosoever seriously alters the volume of money at once injects

(Continued on page 194)

Railroad Securities

The quiet that has pervaded the new issue markets during the past few weeks is scheduled to be broken with a bang with termination of the Fifth War Loan Drive. While there have been no new offerings during the period of the drive the banking community has not been idle, and preparations for a large volume of refunding have been approaching the final stages. Indicative of the complete change there has been in investment sentiment in the past few months the rails for a change are also going to participate to an important degree in the contemplated refundings.

A number of terminal issues are on the fire, but by and large such obligations were held in high regard even during the time of most abject pessimism towards the railroad industry as a whole so that their refunding is no cause for surprise. The effect of the change in attitude is to be found in proposals for refunding by a number of railroads which prior to the war were not classified among the high credits in the industry.

Chief among the refundings now under active consideration are those of Louisville & Nashville, Great Northern and New York, Chicago & St. Louis. The first-named is expected to be the earliest, and should come along almost immediately. The road's long-term junior mortgage 3¾s are now selling at a substantial premium and the higher coupon series (4s, 4½s and 5s) are all callable at 105 on Oct. 1 on 60 days' notice. There are about $54,000,000 of the three higher coupon series outstanding and the refunding will presumably not contemplate any reduction. Rather, it is expected that debt reduction will be confined to the Unified Mortgage 3½s and 4s which are callable on 45 to 50 days' notice on Jan. 1. A substantial reduction in this mortgage is expected, with the balance placed on a fairly rapidly running-out serial basis.

The Great Northern refunding will apparently be scheduled for later in the year. This road's junior 3¾s have also advanced to a premium, which will facilitate the refunding operation, but unfortunately the high coupon series of this mortgage are not callable at this time. A refunding will be aimed largely at getting rid of the series G and series H convertible 4s, 1946. Both of these bonds are callable at 101 on nine weeks' notice on Jan. 1. As of the end of last year the aggregate amount outstanding was $53,524,700. In addition it is believed likely that the management will take advantage of this opportunity to eliminate the two underlying liens ($9,695,000 Eastern Railway of Minnesota 4s, 1948 and $35,668,000 Great Northern first and refunding 4¼s, 1961), both of which are callable at 105. The 4¼s are callable at any time on 90 days' notice but the Eastern Railway 4s can only be called on interest dates, April 1 and Oct. 1, on three months' notice. Elimination of the underlying liens will improve the position of the general mortgage, giving it a first lien on the entire properties, and should thus facilitate refunding at a low interest cost. The refunding will also likely call for a fairly substantial reduction in outstanding debt through use of treasury cash.

Apparently the Nickel Plate proposed refunding is not so far advanced as the others, and there is no information as to how broad the program may be. In some quarters it is claimed that it should be possible to refund the entire mortgage debt—first 4s, 1947; Toledo, St. Louis & Western 4s, 1950, and refunding 5½s, 1974 and 4½s, 1978—but even with some cash payment this would involve somewhat over $100,000,000, which appears a bit ambitious. Others believe it would be advisable merely to call the two underlying liens, leaving the two series of the junior mortgage for later consideration. A solution somewhere between the two extremes seems likely, with the underlying liens and refunding 5½s refunded and the 4½s left until later.

The last-named program would involve less than $48,000,000 face value of bonds of which perhaps $5,000,000 to $6,000,000 could be paid in cash. The first 3½s and refunding 5½s could both be called for Oct. 1, the former at 101 on 30 days' notice and the latter at 107½ on 60 days' notice. The Toledo, St. Louis & Western first 4s are callable on interest dates (also April 1 and Oct. 1) at par, but six months' notice must be given.

Walker With O'Rourke Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Fred M. Walker has become associated with J. P. O'Rourke & Co., Board of Trade Building. Mr. Walker was formerly with the Tax Bond Company and prior thereto was special assessment trader for Goven, Eddins & Co.

Post-War Period & Rails

McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange, have prepared an interesting discussion of "The Post War Period and the Railroads." Copies of this discussion may be had from the firm upon request.

Public Utility Securities

Cities Service Making Rapid Integration Progress

Cities Service Company, which formerly carried its assets at over a billion dollars but has now marked them down to about $861 millions, is trying to get out of the utility business so that it will no longer be subject to SEC regulation under the Holding Company Act. Judging from available earnings figures it is an oil-natural gas system with utility "trimmings," and hence sale or distribution of its gas and electric retail properties will not change the basic set-up greatly.

In addition to Cities Service Power & Light and the retail operations of Arkansas Natural Gas, Cities Service controls a few small utilities, principally distributing natural gas, and several of the latter may perhaps be retained in the final set-up.

Cities Service Power & Light, the big sub-holding company, has made rapid progress toward meeting SEC requirements. Last year it sold an important subsidiary, Public Service of Colorado, and disposed of several smaller companies. It was recently announced that Empire District Electric will merge with several smaller affiliates, and the common stock (held by Cities Service P. & L.) will be sold simultaneously with a bond refunding. A substantial bank loan was obtained in April in order to pay off all bonds and preferred stock; this in turn will be paid off with proceeds of sales. Finally, the system will be reduced to two important Ohio companies, and the stock of the Power & Light Co. will probably either be sold by Cities Service Company or tendered to its own preferred stockholders as part of a program to clear up preferred stock arrears.

Cities Service Company had a good record in the old days—it paid preferred and common dividends during the period 1911-1932. Since that time the company has followed a program of retrenchment and debt reduction. While preferred dividends have been earned with a good margin in recent years, nothing has been paid except for a small amount on the first preferred in 1941. In 12 years the property account dropped from $1,143,000,000 to $666,000,000 despite expenditure of some $300,000,000 for construction and property acquisition. Bonds, notes and preferred stocks were reduced by some $251,000,000 while net current assets for the system increased $72,000,000. More rapid progress could have been made in recent years except for SEC rules which handicapped the company in acquiring its own securities at deflated values in the open market.

In 1943 Cities Service reported $4.06 (before reserve for contingencies, but after substantial allowance for depletion, etc.). On this basis the common stock is selling at little over four times earnings. However, allowance must be made for readjustments necessary to dispose of substantial arrears on preferred stocks, refund early bond maturities, etc. It is possible that the company will attempt an overall recapitalization since it would appear practicable to refund all its 5% bonds with a 3½-4% issue, particularly if secured by deposit of the oil-system stockholdings as collateral. The three preferred stocks, paying 6%, would also be refunded into a lower coupon rate, it is assumed, when arrears are taken care of. The SEC would, of course, have to approve such a program. By disposing of its Cities Service Power & Light holdings (to preferred stockholders or otherwise) its major utility interest would be divorced. There would be some remaining problems of disposing of the smaller utility interests but this should not prove too difficult. In this connection a recapitalization for Arkansas Natural Gas, a sub-holding company which is about three-quarters wholesale and one-quarter retail, may also prove necessary, as that company is over-capitalized.

Earnings would naturally be reduced somewhat by loss of the utility properties but on the other hand there would be some gains from the refunding program, and Federal taxes would absorb part of the change. Allowing for the net result, the stock is perhaps selling not far from 6 times adjusted earnings on an oil basis, it is estimated.

Post-War Outlook Good

Common stock of the Atlas Plywood Corporation offers an attractive equity with an exceptional post war outlook according to a study of the situation prepared by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of this interesting analysis may be had from Boenning & Co. upon request.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS.—**Harold E. Winch** has joined the staff of **Trusteed Funds, Inc.**, 89 Broad St.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **Robert T. Temple**, for many years with Hawley, Shepard & Co., has become associated with **Hornblower & Weeks**, Union Commerce Bldg.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Gordon E. Buckhout** has become affiliated with **Bankamerica Co.**, 650 South Spring St. Mr. Buckhout was formerly with Samuel B. Franklin & Co. and H. R. Baker & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Ramsdell S. Lasher** and **Philip B. Reagan** are now connected with **Hopkins, Harbach & Co.**, 609 South Grand Ave. Mr. Lasher previously was with Wyeth & Co. Mr. Reagan was with Bankamerica Co. and Searl-Merrick & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Helen M. Bryson, Edith G. Runyan** and **Lee W. Thompson** have poined the staff of **Wyeth & Co.**, 647 South Spring St.

(Special to The Financial Chronicle)

PORTLAND, ME.—**George R. Dale** is now associated with **Coburn & Middlebrook**, 465 Congress St. Mr. Dale was previously with F. L. Putnam & Co.

(Special to The Financial Chronicle)

RIVERSIDE, CALIF. — **Louise M. Brubaker** has been added to the staff of **Lester & Co.**, Citizens Bank Bldg.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Fred H. R. Stockho** is now with **Slayton & Co., Inc.**, 111 North Fourth St.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — **James H. Jones** is now with **Bankamerica Co.**, 300 Montgomery St.

Does Not Look For Post-War Increase In Price Of Gold

E. F. Hutton & Co.'s "Fortnightly Market And Business Survey" Discusses The Gold Situation After The War

In the July 6 issue of the "Fortnightly Market and Business Survey," issued by E. F. Hutton & Co., members of the New York Stock Exchange, there is an extended discussion and analysis of the post-war monetary situation with reference to the status of gold. After taking up such topics as "Gold Mining Securities as a Substitute for Gold," and discussing the advantages and disadvantages of gold as money and as an investment, the author considers the question of a probable change in the U. S. price of gold.

"The principal arguments of those contending that the U. S. price for gold will be raised," the article continues, "are:

"1. In free markets, gold has been selling for the equivalent of from $60 to $80 an ounce. Advocates contend that the free market prices represent the true market value of gold and that the U. S. price of $35 an ounce must be raised.

"2. Because of great expansion of bank deposits and bank notes in countries at war, a world-wide increase in the price of gold (in terms of the dollar, pound, franc, and other currencies) is necessary to obtain higher ratios of gold holdings to note and deposit liabilities.

"3. The huge Government debt created during the war can be serviced only if post-war prices are greatly in excess of pre-war prices, and a gold price increase is essential to support this higher price level."

Considering the gold-price situation with reference to the decline in the reserve position of the Federal Reserve Banks, the article states that the U. S. banking position is stronger than the statements indicate.

"The principal factors contributing to the deterioration of the banking system," it is pointed out, "have been (a) a sharp increase in money in circulation, (b) inflation of deposits due to Government deficit financing through the banking system, and (c) loss of gold reserves. A continuation of the trend of the past year could reduce the Federal Reserve ratio to a level considered low in the past, but there are offsetting factors that deserve consideration:

"(a) Reserve requirements of member banks in other than Central Reserve cities are double what they were prior to August, 1936, and in Central Reserve cities (New York and Chicago) 54% greater. Thus, there is hidden strength in the banking system. By reducing requirements to former levels, member bank reserves could sustain a much greater volume of deposit liabilities and/or the withdrawal of additional currency without assistance from Reserve banks. The overall condition of the Federal Reserve System is better revealed by the ratio of gold reserves to total note and deposit liabilities of Reserve banks and member banks combined. On Dec. 31, 1943 this ratio was 19.4% whereas at the close of 1926, a date arbitrarily picked as a time when the condition of

(Continued on page 194)

Tomorrow's Markets Walter Whyte Says—

Market inflation fears still dominate market. Leader strength dissipating. No immediate reaction while public is eager to buy.

By WALTER WHYTE

* * *

Last week's market has kept up the tempo started about three weeks or so ago. Up to this writing practically every stock on the Board has gone up; not only the leaders but the cats and dogs as well. All of which brings us back to the point of wondering how long before some kind of a reaction sets in.

* * *

Technically speaking, a minor reaction from current levels is out of the picture. Too many tyros are in the market for a small shake-out to be sufficient. The swing of the pendulum in one direction must be countered with an equal one in the other direction. But disregarding technical factors there is another facet to this market which must receive consideration.

* * *

Inflation, which this column discussed in a recent issue, is no longer an academic subject. Marketwise the fear of inflation has already taken hold. But so far it has not been recognized by the huge masses to whom the stock market means nothing. Last week we saw a sudden spurt in commodities. Not to expect this increase to be passed on to the consumer is naivete. Food is one item that is not deferable. Clothing can be bought and repaired and altered time and time again. Its purchase may even be deferred. But not food. It is true that certain price ceilings are in existence. But we also know how little they mean. Now, whether or not you favor inflation, is beside the point. The question here is how will the market, which is most sensitive to underlying trends, take it.

* * *

Offhand the answer seems obvious: the market will go up. But that is an oversimplification. First of all markets seldom discount the same thing twice. And the present move is largely based on inflation spread. But one thing the market can't forecast is public psychology. If the public thinks things are going higher and thinks so strongly enough, backing its judgment with cash, then things will go higher. No matter how imponderable technical factors may be they can't stand before a stampeding public.

* * *

I'll admit that right now the market doesn't show any urgent signs of a breakdown.

(Continued on page 197)

Social Security In The Post-War Period

(Continued from first page)

it will prevent or mitigate a post-war depression.

Health Insurance

The newly published cost estimates for the proposed Canadian national health scheme are still more challenging. About $150,000,000 annually is to be contributed by individuals, and an additional $100,000,000 by the Dominion Treasury. Single persons earning less than $660 per year must pay $12. Married persons earning less than $1,200 and supporting one dependent pay $24. For the next higher income categories the basic annual levy is $30 for single persons and $50 for married persons with one dependent. Disbursements will cover a limited supply of drugs and appliances, as well as all necessary medical, surgical, nursing, hospital, and dental services. The Dominion Treasury is to support the cost of this health service for children under 16, and for any adults unable to contribute. Government contribution is an almost universal feature of old age and other pensions abroad,[2] and there is a strong trend in this direction in the United States.

(The bill before our Congress, like the Canadian extension, provides for health insurance.) For some years the Social Security Board has included in its annual report a plea for a more complete program. Amendments suggested include pregnancy leave, maternity income, and financial assistance in case of accidents or illness at home. (Present workmen's compensation laws cover factory accidents.)

The health insurance in the Wagner-Murray-Dingell Bill is offered as an alternative to socialized medicine. In administration the medical care benefits are sharply distinguished from the cash benefits for temporary and permanent disability, the latter being combined with unemployment insurance. The medical benefits cover wives and children of workers and will pay for specialist services and hospitalization. Dental and nursing care may be added later. Physicians and hospitals are to contract with the government, and patients are given free choice of physician. Grants-in-aid are provided for medical education, research, and prevention of disease.

Other New Provisions

Another part of the bill contains complete and liberal provisions giving social security protection to discharged service personnel. Public employment offices are to be continued under the Federal government. (Unemployment insurance is to be standardized by federalization, and extended to cover temporary disability and maternity insurance.) Unemployment benefits are to be uniform throughout the United States, ranging from $5.00 to $30.00 per week for 26 weeks in any year, or longer if the Social Security Board has the finances. The weekly benefit in each case depends on the prior earnings and on the number of dependents. The latter determinant is a significant new development in America.

The authors of the bill have accepted those recommendations of the National Resources Planning Board which suggest old age and survivors coverage for all except government employees.[3] State and local employees may come in by voluntary action of their governments. The maximum old age and survivors benefit has been increased, and the minimum is to be $20.00 instead of $10.00 per month. Permanent disability benefits are granted and eligibility is made less restrictive. The retirement age for women (and the eligibility age for wives) is reduced to 60 years.

Casual, farm, and domestic workers are undoubtedly among those most in need of unemployment coverage. In such cases the problem of collecting contributions from employers is so formidable that no protection is likely in this generation. If the experiences of the post-war years convince the American people that the program is desirable, these workers may receive benefits from funds levied on themselves and on the general taxpayer.

National Resources Planning Board proposals rejected by the Wagner-Murray-Dingell Bill include federal citizenship education (NYA and CCC?), relief employment if private industrial activity declines (WPA?), and social security appropriations from general tax revenues.

The Problem of Reserves

The original Social Security Act proposed a huge reserve with the taxpayers' contribution taking the form of 3% interest on the special Treasury bonds issued for this fund. The estimated receipts plus interest were to exceed disbursements during the earlier years by such an amount that the reserve fund would reach $47,000,000,000 in 1980. The American program thus planned a reserve even larger than would be necessary if each policy paid its own way. Such forced saving would have restricted the working class standard of living and deepened any depression. By contrast, most foreign plans operate without any reserve.

The refusal of our present Congress to increase the payroll tax rates is partly based on the expanded receipts from boom payrolls. More significantly, it seems to reflect acceptance of the early advice of both economists and actuaries to the effect that social insurance is not like the insurance sold by a corporation, and that an actuarial reserve is neither necessary nor advisable. A private company must consider its ability to pay benefits should any contingency arise (e. g., no new policy sales), and therefore needs a sizeable reserve. Government insurance is, or can be, compulsory.

The original plan of a full reserve is gradually being abandoned. Its growth has been checked by increasing expenditures (survivors benefits, 1939) and by postponing the increase in tax rates. Nevertheless, some reserve is being accumulated. The Democratic administration has favored a reserve because the present cash receipts could be used to cover the federal deficits. About $10,000,000,000 in payroll taxes have been collected. Some $6,000,000,000 have been paid into the treasury reserve for old age and survivors benefits.[4] The original plan called for a $15,000,000,000 reserve by 1950.

Although 1943 was a record breaking year in terms of employment there were nearly 3,500,000 households deriving all or most of their income from one of the social security programs. Almost 67,000,000 social security cards are held. The eighth annual report of the Social Security Board reveals that disability, superannuation, and death of the breadwinner remain as high as normal. Social Insurance payments are now exceeding Public Aid, which has declined except for aid to dependent children.

The budget for the fiscal year ending June 30, 1944 shows transfers to the federal trust funds for old age and survivors amounting to $1,392,000,000, and social security expenditures of $796,000,000. The forced saving indicated may be proper during the war boom, since one half is deducted from wages and the other half largely shifted to consumers.[5] But the provision that old age annuity recipients must be unemployed (still in effect) should be withdrawn during any period of labor shortage. It is quite possible that old age insurance may have the unfortunate effect of inducing capable persons to retire while the manpower problem is still acute. However, more than 600,000 workers, motivated by patriotism or high wages, are still employed though entitled to draw old age benefits if they would stop work.

When the next depression threatens, the reserve may be cut down rather than accumulated. Such action could help maintain purchasing power, and could avoid large collections from employers based on payrolls which tend to augment the substitution of other factors of production for labor. (Congress is authorized but not required to maintain the system on an actuarial basis, so that no change in the law is necessary for reduction of the reserve.)

Conclusions

The social security experiment may fail unless we can maintain high levels of employment and productivity. The British program assumes that employment will be 90% of the possible. According to Sir William Beveridge "full employment" means at least 91.5% of the working population employed, limiting unemployment to some 1,500,000 men in Great Britain and 5,000,000 in the United States.[6] These considerations seem to warrant a small contingency reserve, maintained and manipulated to help balance the cycle.

A thorough simplication of the tax structure might integrate the collections at source, combining the income and social security taxes. As our own population ages a "pay-as-you-go" security program will require payroll taxes at the rate of 6% each from the employee and employer.[7] The proposals in the Wagner-Murray-Dingell Bill would require more. Since the recipients will be nonproducers America must give more serious consideration to the question, "How much social security can we afford?" Too much is written about social security in terms of what we would like to have, omitting any reference to necessary sacrifices. The war has shown us new limits to our ability to tax the rich, but the principal burden must still fall on the middle and lower brackets.

If less goods are consumed now, will there be more for the future? This would be true if the government could invest the social security receipts in such ways as to increase future national income. Many possible investments, of course, would be dangerous politically, implying either a socialistic government in business or government lending to private business with the concomitant investigations and controls. Only a few of the direct expenditures (public health and child care) offer possibilities for increasing the productive power of future generations.

On the other hand, the net effect of the social security program may be to increase national spending on consumption, and reduce saving and investment. According to Robert Nathan (former chairman of the WPB Planning Committee) this is exactly what we want.[8] Little industrial expansion is to be expected for a generation and interest rates are approaching the vanishing point. Corporations that do expand need not go into the capital markets, finding it easy to withhold dividends. The last depression year (1939) shows a clear deficiency of new private investment. But the only way in which the productivity of labor can be saved for the future is by storing it up in real capital.

This situation encourages a philosophy of spending accompanied by reliance on increased social security to cover illness, old age, unemployment, and other contingencies. More fundamentally, it must be seen that social security will only supplement positive measures for strengthening the productivity of low income groups and for controlling the business cycle. Legislation should be concerned with basic causes as well as the alleviation of symptoms.

[2] McCabe and Lester, "Labor and Social Organization," p. 239.

[3] National Resources Planning Board, "Security, Work, and Relief Policies," Washington, 1942.

[4] "Social Security Bulletin" (monthly report).

[5] Under any degree of monopoly the employer may not be able to shift. In a competitive situation employers' taxes will be shifted to either the worker or the consumer, assuming the tax bears equally on all employers. The cost of collection remains a business burden.

[6] Sir William Beveridge, "The Pillars of Security."

[7] Harold M. Groves, "Financing Government," p. 382.

[8] Robert R. Nathan, "Mobilizing for Abundance." This book has been endorsed by Donald Nelson, WPB chairman.

Wiggins Honored With Doctor Of Laws Degree

An honorary degree of Doctor of Laws was conferred upon A. L. M. Wiggins, President of the American Bankers Association, by the University of South Carolina at its commencement exercises at Columbia, S. C., on June 25. The degree was conferred by Dr. J. Rion McKissick, President of the University, and was read by Dean Bradley. In the citation, President McKissick called Mr. Wiggins an "outstandingly successful newspaper publisher, merchant and financier, a banker who believes that a bank should be not only a private business but also a democratic institution aiding in developing individual thrift, independence and opportunity, and in upbuilding the community . . . an ardent believer in the advantages and blessings of small city and small-town life, a vigorous thinker, writer and speaker on public questions and an outspoken champion of private enterprise and of the undiminished rights of American freedom."

A. L. M. Wiggins

Sierck & Cooke Forming

Herbert W. Sierck, member of the New York Stock Exchange, and A. Brendan Cooke will form Sierck & Cooke, with offices at 42 Broadway, New York City, effective July 20. Mr. Cooke will act as alternate on the floor of the Exchange for Mr. Sierck who has been active as an individual floor broker.

Interesting Textile Issue

J. Roy Prosser & Co., 52 William Street, New York City, have prepared an analysis of West Point Manufacturing Company, a leading unit in the textile industry. Copies of this interesting study may be had from the firm upon request.

Cleveland Exch. Members Distributing Analyses Under New Program

Interesting analyses of the Cliffs Corporation and Cleveland Cliffs Iron Company are being distributed by members of the Cleveland Stock Exchange as a part of a program of the newly formed Public Relations Committee under the Chairmanship of Guy Prosser. Copies of these analyses may be obtained from any member of the Exchange or from the Cleveland Stock Exchange upon request.

N. Y. Analysts to Hear

At the meeting of the New York Society of Security Analysts to be held on July 14 Arthur Wiesenberger, senior partner of Arthur Wiesenberger & Co., will speak on "How Leverage and Investment Trusts Can Be Used to Advantage by Bulls and Bears." The meeting will be held at 56 Broad Street at 12:30 p.m.

On July 17, Milan Popovic, head of the research department of the Blue Ridge Corporation, will discuss Tito vs. Mikhailovitch in a program prepared by the Foreign Affairs group.

Chicago Brevities

Private financing activity has been practically at a standstill on La Salle Street during the past month as the financial community has pitched in to sell government obligations during the Fifth War Loan Drive.

Philip R. Clarke, president of the City National Bank and Trust Company of Chicago, has been chairman of the war finance committee in Chicago and Cook County. Under his guidance, business has played a greater part in this campaign than in earlier ones, as Mr. Clarke created a new operational group known as the trades and industries division which performed a vital function in the drive.

The new division was headed by Jay N. Whipple of Bacon, Whipple and Co., and vice chairman of the war finance committee. T. Weller Kimball of Glore, Forgan & Co. was a divisional vice chairman. Also assisting were these financial leaders:

Robert A. Podesta, Kebbon, McCormick & Co.; Kinney Smith, Halsey, Stuart & Co., Inc.; Andrew M. Baird, A. G. Becker & Co.; Edward C. George, Harriman Ripley & Co., Inc.; Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Beane; Walter E. Kistner, A. C. Allyn and Company; Duncan M. Rowles, Harris, Hall & Company; and Kenneth L. Smith, Chicago Stock Exchange.

Altogether, La Salle Street investment dealers have done an excellent job on the current government drive, demonstrating again the important place of brokers, investment bankers, and dealers in the wartime economy.

* * *

As the War Loan Drive ends, investment firms here are preparing for a rush of new financing business. Estimates place the amount of new securities to enter the market in the near future at close to $1,000,000,000. Approximately half of this huge total will be in public utility bonds and debentures, and there is a large block of railroad financing due. All in all, dealers here expect to be pleasantly busy until the time of the next government bond campaign.

* * *

There was naturally keen interest in the Republican National Convention shown here by La Salle Street, and statements of GOP leaders, as well as the party platform, were scanned to determine the attitude towards business that was exhibited.

At the first press conference of Governor Dewey after he received the presidential nomination, he spoke at length about the Securities and Exchange Commission.

(Continued on page 179)

Edson Gould Now With Smith, Barney & Co.

Son Of Ambassador Koo Also With Firm

Edson Gould, for many years with Moody's Investors' Service, is now associated with Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, as a member of the firm's research department. Mr. Gould was editor of Moody's Stock Survey, Moody's Bond Survey, and Moody's Advisory Reports, and in charge of a division devoted to economics, industry and stock market research.

Freeman Fu-Chang Koo, son of V. K. Wellington Koo, China's Ambassador to the Court of St. James's, has also become associated with Smith, Barney & Co. in the firm's New York office, where he will prepare himself for the investment and brokerage business with a view to applying his experience later on in China.

Mr. Koo was graduated magna cum laude from Harvard in 1942 with a Bachelor of Science degree, and this year was graduated from Columbia with a Master of Arts degree. His father, prior to being made China's Ambassador to Great Britain, was China's Minister to the United States. He too received his college training in the United States.

Kitchen & Co. New Dealer Firm In Chicago

CHICAGO, ILL.—Kitchen & Co. has been formed by W. T. Kitchen with offices at 135 South La Salle Street, to act as underwriters, dealers and brokers in over-the-counter securities. Mr. Kitchen has been in the investment business for over 20 years and for the past four years has been with Otis & Co.

Formation of Kitchen & Co. was previously reported in the Financial Chronicle of June 15th.

Chicago Recommendations

Brailsford & Co., 208 South La Salle Street, have prepared a comprehensive analysis, up-to-date earnings record and current comment on **Chicago North Shore and Milwaukee Railroad**, copies of which may be had from the firm upon request.

Kitchen & Co., 135 South La Salle Street, have issued a summary of the prospects of the Chicago and Southern Air Lines, Inc. Copies of this interesting study may be had from Kitchen & Co. upon request.

Sincere and Company, 231 South La Salle Street, will furnish latest information regarding earnings of **Flour Mills of America** upon request.

Thomson & McKinnon, 231 South La Salle Street, have a brief analysis of the **Petroleum Industry** which discusses the present international situation and gives current statistics on leading companies. Copies of this interesting analysis may be had by writing to the Investment Research Department.

Chicago Business In May At High Level

With one exception, all principal lines of Chicago business activity during May showed marked gains over the same period of a year ago, it is disclosed in the analysis just completed by the Chicago Association of Commerce. The lone laggard was the Chicago Stock Exchange where the number of shares exchanging hands and their combined market value dropped behind 1943.

Building construction again led the field in the proportions of its gain, the number of contracts awarded for new projects in Cook County rising 80.2% over the same month of last year.

Bank clearings which dropped slightly behind a month ago came back to the plus column with an increase of 4.1% over May, 1943.

Factory payrolls were 16.7% up, with slightly less than a 2% gain in the number of persons employed. This increase in wages had its effect in retail circles, department store sales mounting 13.8%.

In the public utility field the trend continued upward. Electric power consumption rose 8.7%; long distance telephone calls originating in Chicago increased 10.6%; and the local transit companies all reported heavier fare paying passenger loads.

One of the most significant improvements was that shown in the number of passengers clearing through the Municipal Airport. With several of the lines again in possession of planes previously loaned to the military forces, in-and-out traffic was 36% heavier.

The opportunity for employment again had its effect upon the relief rolls. The number of families in Cook County receiving government doles dropped by almost 10,000.

IBA Post-War Program To Provide Jobs For Returning Veterans

An investment banking post-war program to provide jobs for returning fighting men and training for jobs was announced at Chicago July 10 by the Investment Bankers Association of America. Julien H. Collins, of Harris, Hall & Company, Chicago, Chairman of the education committee of the association which is developing and will be in charge of conducting the plan, described it as a three-purpose program:

Julien H. Collins

(1) to enable investment banking more effectively to offer careers to young men coming out of the armed forces,

(2) to help the business recruit promising young men from the returning fighting men, and also from college campuses when graduates no longer go directly into service, and

(3) to assist in maintaining high standards of ethics and professionalism in investment banking by indoctrination of new men in the business in sound principles of finance and investment.

The program, which will be nationwide, calls for "condensed, professional" courses of training to be provided in all the major cities. Locally, each group of the association is to seek the cooperation of its own universities in presenting the course, Mr. Collins said. It is proposed to have the courses ready for offering next Winter in the event the number of men returning from the services has attained a volume to justify a start on the program by that time. Preliminary steps have been taken, it was said, and the association expects to engage an education director to take over the direction of the program on a full-time basis.

The Securities Salesman's Corner

Security Salesmanship 1944 Model

To those whose memory goes back to the twenties, the change for the better that has come about in the methods and procedures connected with the retailing of investment securities is readily apparent. It is no wonder, therefore, that the investment and brokerage fraternity is now gradually breaking down the prejudice and the unfavorable opinions held by the public which have so long prevailed.

A great change in the attitude of the individual salesman toward his clients has also taken place. It is no longer considered good salesmanship, or good business, to treat the investor just as someone to whom a sale can be made. This type of operator went out of the business along with the market crash in 1929. Today the competent and successful securities salesman looks upon the investor as a potential client with whom he intends to do business continuously year in and year out. This means that he must do a constructive, over-all investment job for his clients—selling a specific security is only the means to this end.

There are still a minority of salesmen who are active in the security business who have not kept pace with this new trend and the times. Their minds are still operating in the same old groove as in the past. They somehow manage to keep sufficiently active and make enough sales to meet their expenses but it is always a struggle because a solid foundation of customer good-will based upon properly constructed investment advice does not underlie their efforts.

Based upon the experience of successful salesmen who are using today's modern methods we would suggest to those who are still trying to sell a security and who would like to break out of the rut, that the first thing to do is to acquire the proper attitude toward the business of security salesmanship. It is well nigh impossible to change the habits of many years standing unless the basic roots of such thinking are completely eliminated and new ideas are firmly put in their place.

Instead of setting out to sell a security to the same old group of clients and prospects TRY A NEW FIELD COMPLETELY. Call upon a new group of prospects entirely. Don't try to sell anything but your WILLINGNESS TO SERVE, TO HELP, TO WORK WITH YOUR CUSTOMERS TO THE END THAT EVENTUALLY THEY CAN PLACE SUCH CONFIDENCE IN YOU AND YOUR FIRM THAT THEIR INVESTMENT PROBLEMS WILL BE TAKEN CARE OF WITH A MINIMUM OF TIME AND TROUBLE ON THEIR PART. This may sound like drastic medicine to all those who have been in the habit of waiting for a special situation to come along and selling it and waiting for the next one. It is not necessary to completely forget old customers during such a campaign. It can be carried out in conjunction with calls upon established accounts. But those new accounts should be approached as we have outlined. Two or three days a week devoted exclusively to this type of work will build a backlog of prospective clients after even several months of steady work.

Once this type of salesmanship—or better still let us call it a philosophy of selling—is established firmly in the mind of the individual salesman it becomes the most powerful selling tool that any one can acquire.

The security salesman who is out to do a good job for his customers and who knows that he can do it, speaks with conviction when he talks. He isn't in the position of the salesman who is thinking first of selling a particular security—he is offering something much more vital and attractive to his potential customer—namely a complete investment service.

A certain salesman who has used this type of selling effectively in recent years told us of a case which illustrates how effectively this approach answers and overcomes natural sales resistance. He was asked by his prospect how he could benefit if he was given an order to sell some listed securities when his firm were not members of any exchange. The salesman explained that he couldn't make a dime on that particular transaction, but the immediate commissions were never of interest to him or his firm. He was equipped to render a complete investment service in both listed and unlisted securities and that over a period of time his customers found it advantageous to invest in the securities which he recommended and upon which, when the time came, he would make a profit.

The truth when spoken with conviction and carried out in practice produces a sales talk that no amount of clever phraseology can duplicate. No worthwhile investor expects something for nothing—no salesman can find a better method of increasing his business than through a sincere desire to serve his clients—profitable business under such a plan will follow automatically.

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.

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.

Chicago Brevities

(Continued from page 178)

He said that the SEC "has not done its best to stimulate the flow of new capital into creating new jobs," although he declared that "I have always felt the SEC was one of the best things the present administration ever did."

Governor Dewey said that he did not advocate new securities legislation, but felt that "better administration and better appointees" of the present laws were necessary.

In this connection, a number of La Salle Street leaders were questioned about their attitude towards the SEC. The majority said that they wanted the SEC retained, but asked for revision to enable financial machinery to run more smoothly. Most also said that they were satisfied with the present administration of the acts.

* * *

Now the financial community is looking toward the Democratic Convention, which starts here July 19, to discover how the heads of that party feel towards the investment business, and the whole domestic economy.

* * *

As usual, traction problems in Chicago are in a turmoil. Although hearings, court actions, and proposals for a solution to the difficulties have been attracting attention for years, the complex problem seems to be approaching at least a temporary climax.

In the latest move, Federal Judge Michael L. Igoe, who has been conducting hearings on a plan to reorganize and merge the elevated and street car lines under private ownership, set Aug. 16 as the date for the start of bankruptcy proceedings for the surface lines.

Although the city spokesmen asserted that bankruptcy would delay their municipal ownership plan for a year or more, Judge Igoe resisted what he described as efforts by the city to make him "carry the ball" for municipal ownership of the transit lines.

At a hearing attended by more than 100 attorneys, representing a variety of interests in the matter, the judge said that he would not act as a "hatchet man" to deprive junior security holders of their property, and implied that the approximately $84,000,000 price that the city was offering for the surface and elevated properties was too little.

Meanwhile, on other fronts of the widespread traction battle, two other developments took place.

Otis & Company, investment banking firm, repeated their offer to Mayor Edward J. Kelly to bid for any securities issued to finance the proposed municipal ownership plan. The company suggested the issuance of revenue bonds and the creation of a city transportation district similar to the Chicago Park District.

The Otis syndicate is said to number about 100 firms, throughout the nation. A group headed by Harris, Hall & Company, Inc., The First Boston Corporation, and Blyth & Co., Inc., has also announced formation of a large syndicate to bid for the proposed obligations.

The other recent development was the rumored start of an investigation by the SEC into the recent speculation in traction securities. The SEC has refused to comment on the alleged investigation, which was said to have been started at the request of Judge Igoe.

H. H. Wildeman With Ames, Emerich & Co.

CHICAGO, ILL.—H. H. Wildeman has become associated with Ames, Emerich & Co., Inc., 105 South La Salle Street, in charge of their statistical and research department. Mr. Wildeman, who has been in the securities business for 20 years, was formerly with Mason, Moran & Co., and McGraw & Co.

Robt. Showers Resumes Investment Business

CHICAGO, ILL.—Major Robert Showers has resumed business at 10 South La Salle Street, to deal in municipal and corporate securities. Major Showers, who was recently placed on the inactive list of the U. S. Army after two years' service, has been in the securities business since 1919.

Wisconsin Brevities

Koehring Company, Milwaukee, earned $4.93 a share for the first six months ended May 31, 1944. The company reports that the book value of its Common stock as of that date was $78.72 a share.

Badger Paper Mills, Peshtigo, Wisconsin, sent out a notice of call on its 6% Preferred stock, for payment on Aug. 1, 1944, at $50 a share plus accrued dividends.

Sales of **Four Wheel Drive Company**, of Clintonville, Wisconsin, totaled $6,500,000 for the 10 months ended April 30, 1944, which exceeds the volume for the entire year ended June 30, 1943.

Nunn-Bush Shoe Company, Milwaukee, reports consolidated earnings for the six months ended April 30 equal to $9.73 a share on the 5% Preferred stock and 56c a share on the Common stock.

The Securities and Exchange Commission has under consideration the application of **Northern Paper Mills** of Green Bay, Wisconsin, to delist its Common stock from the Chicago Stock Exchange.

Perfex Corporation, Milwaukee, is offering 21,803 shares of its $4 par Capital stock at $7.50 a share, through a local underwriting group headed by The Wisconsin Company, including Riley & Co., The Milwaukee Company and Loewi & Co.

The proceeds, together with proceeds from the sale of $550,000 of 4½% Debentures, placed privately, will be added to working capital.

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.

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.

E. E. Peterman Joins The Milwaukee Co.

MILWAUKEE, WIS.—Elsie E. Peterman has become associated with the Milwaukee Company, 207 East Michigan Street. Miss Peterman was formerly treasurer of Partridge-Player Co., Inc., with which she had been associated for many years. The latter firm is being liquidated due to the deaths of Mr. Partridge and Mr. Player and its records and files are being turned over to the Milwaukee Co.

Pension, Bonus And Profit Sharing Plans And The Revenue Laws

(Continued from first page)

to make such determinations that it may initially desire to make in the matter.

2.—A company may or may not benefit taxwise, depending on plan.

A plan that is adopted by the company may or may not be of benefit to a company taxwise. Unless the plan which is adopted comes within certain qualifying provisions of Section 165 (a) of the Internal Revenue Code, the probabilities are (but not always) that it would result in a hardship taxwise, not alone to the company setting up the plan but also to the persons who are beneficiaries under the plan. If a plan qualifies under section 165 (a) of the Internal Revenue Code then the payments which are made by the company into the plan would generally be deductible for income tax purposes in the year that the payments are made, yet the beneficiaries of such plan would not have to report the receipt of the fund until the year that the funds are distributed under the plan to the beneficiary. There are qualifications as to this set forth below.

3.—A plan may cover all or only certain employees.

A plan may cover all employees of a company, or it may cover a representative group of key employees, or it may cover all employees except those whose entire compensation is subject to Social Security benefits, or it may cover all employees of a company who have worked only for a certain minimum period of time and exclude others, or it may be set up on a basis of some or more of these combinations.

4.—One way of setting up a qualified group of employees.

Briefly, Section 165 (a) of the Internal Revenue Code provides that the plan or plans adopted by the company must cover either 80% or more of all employees of the company or 80% or more of all of the employees if 70% of all employees are eligible under the plan. However, a company may exclude from the operation of the plan employees who have not worked for the company for a minimum period up to five years or whose customary employment is for not more than 20 hours in any one week or whose customary employment is for not more than five months in any calendar year.

5.—Another way of setting up a qualified group of employees.

Section 165 (a) further provides that a company may set up a plan or plans to cover a specific group of employees provided that the Commissioner of Internal Revenue does not find the plan discriminatory in favor of employees who are officers, share-holders, persons whose principal duties consist in supervising the work of other employees or highly compensated employees. Section 165 (a) further says however, that a classification of employees shall not be considered discriminatory merely because it excludes employees the whole of whose compensation constitutes wages subject to Social Security benefits, or merely because it is limited to salaried or clerical employees; nor is such a plan considered discriminatory because the contributions or benefits of or on behalf of the employees under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation of such employees, or to that portion of the employee's remuneration not covered by Social Security benefits.

6.—Broad leeway is given.

Therefore, it is apparent under the provisions of Section 165 (a) that a company is given very broad leeway as to which of its employees should or should not be covered by a plan.

7.—Is plan to be a profit sharing or continuing fixed payment plan.

As to just what type of plan or plans a company desires to install depends on the various factors set forth in paragraph No. 1 above. In this respect the management of the company must determine for itself whether it desires a plan to have as its basis the sharing in a percentage of the profits of the company, or have as its basis that the company will pay the cost of maintaining the plan each year regardless of the amount of profits earned by the company in any year, or even if it has losses. The distinction and difference between the two is self-evident. Likewise too, in establishing a plan a company must decide whether it desires to administer the plan entirely itself, or whether it desires to use the contributions under the plan in whole or in part for the purchase of insurance or annuity policies covering death, retirement features either alone or together with death or disability, and perhaps one or more other features.

8.—Benefits of self-administered plan without continuing fixed obligations.

If a plan is entirely self-administered by a company so that it does not purchase any insurance or annuity policies, then, if at a later date the company desires to drop the plan, then no portion of the contributions made to the plan will be lost to the beneficiaries, which otherwise would be the case if premiums had to be paid on insurance or annuity policies. On the other hand, the amounts the employees will generally ultimately receive as benefits under the plan, will be limited to the amount which the company has contributed to the plan. In the case of companies that are uncertain as to their financial condition and earnings for a long period of years to come, a large scale plan for the purchase of insurance and annuity policies for a large group of employees which requires continuing premium payments over a period of years should not be purchased unless the company and its management are willing to run the risks of being able to meet and pay the insurance premiums. Such a program would be economically unsound.

9.—My general advice and recommendation.

In establishing a plan, a company which is uncertain as to its financial condition and earnings in the future and its ability to meet premiums on insurance and annuity policies over a long period of years, is generally better off to establish one which is solely on a profit-sharing basis and in which qualified employees share in proportion to the income they receive from the company over a period of years. In this way the company is certain that in the event that it has no profits in any year it need not make any payment into the plan; that in the event its financial condition is bad and there are no profits, it is not subjected to making a continuing payment and the investment which is made under a group of insurance or annuity policies up to such time will not be lost.

In the case of a company which is sound financially and can see for a reasonable period ahead that its financial conditions and earnings are reasonably certain, and could over a long period of years maintain continued payments of insurance and annuity premiums, will generally find it a wise policy when it establishes a plan to incorporate the purchase of insurance and annuity policies in the program.

10.—The establishment of a profit-sharing as against an actuarily funded plan.

It is wise, of course, for a company to investigate what would be the cost of maintaining a plan established on an actuarial basis (as distinguished from a profit-sharing plan merely) which requires the payment of fixed and continuing charges and which may or may not require the purchase of insurance or annuity policies.

(1) In addition to establishing a plan which is solely on a profit-sharing basis whereunder the fund is to be later distributed among employees in certain proportions in accordance with their qualifications at time of distribution, or

(2) A plan which provides for the purchase of insurance and annuity policies, or

(3) A plan which combines both features, (1) and (2) above. A company can set up a plan on a still different basis. For example:

(4) Such a plan would be predicated on a company making fixed payments into a plan determined on an actuarial basis, whereunder the fund is later distributed to employees in accordance with certain fixed monthly or other payments on account of death, retirement or disability or other reasons, but which fund is not used to purchase insurance or annuity policies but is entirely self-administered by the company or by trustees named in the plan established.

Other plans will also present themselves to the mind of the reader.

11.—Application of Internal Revenue and Wage and Salary Stabilization Laws.

In establishing a plan the effect of taxes must be considered as well as the effect of Wage and Salary Stabilization Laws. Within certain limitations set forth in Section 23 (p) of the Internal Revenue Code an employer may deduct his contribution to a stock bonus, pension or profit-sharing plan or trust created for the benefit of his employees, in the year in which the contribution is made. Several of the limitations contained in the section are applicable to all employee benefit or deferred compensation plans. On the other hand, other of the limitations depend upon the type of the trust, as for instance whether it is a stock bonus, a pension, or a profit-sharing trust. Then, too, the treatment of the deduction varies according to whether or not the plan or trust meets the requirements of Section 165 (a) of the Internal Revenue Code.

12.—Taxwise, all contributions must be reasonable to be deductible.

First with regard to Section 23 (p), irrespective of the type of plan or trust that it may be, an employer may not deduct any contribution to the plan or trust unless such contribution would constitute an ordinary and necessary business expense under Section 23 (a) of the Internal Revenue Code. This means that the payments under the plan plus regular salaries and wages must not exceed reasonable compensation for services rendered. However, as a general proposition, it may be said that usually if a plan qualifies under Section 165 (a) of the Internal Revenue Code, the payments made thereunder in conjunction with other salary and wage payments will probably be considered reasonable.

13.—Amount deductible under pension plan.

Next, with regard to pension plans and trusts which would generally embrace retirement, pension, disability and death features, the deduction that an employer may take for its contribution under a plan or trust meeting the requirements of Section 165 (a) is generally limited to 5% of the aggregate compensation paid or accrued during the year to all employees covered by the plan or trust, plus any excess over this amount necessary to provide the remaining unfunded cost of the employee's past and current service credits, actuarily determined in terms of a level amount or level percentage of compensation over the remaining future service of such employees. As an alternative to this method and in its place, an employer may deduct the cost of pension credits attributable to that year's employment, plus 10% of the cost required to complete the fund or purchase such plan or annuity credits as of the date they are included in the plan, if past service of other supplementary credits are provided by the plan and are not covered by the normal cost. This alternative method, I am advised, is used for most of the annuity plans under which an employer sets up an employee retirement plan under a master group annuity contract issued by an insurance company.

14.—Amount deductible under profit sharing plan.

Next with regard to Section 23 (p) if the plan is a stock bonus or profit sharing plan or trust which qualifies under Section 165 (a) then a company may deduct up to 15% of the compensation otherwise paid or accrued during the taxable year to all beneficiaries covered by the plan.

15.—Amount deductible when a combination of several plans is in operation.

Section 23 (p) also provides that where a company has in operation two or more stock bonus or profit sharing trusts, they are considered a single trust for the purpose of a 15% limitation, but if the company has a stock bonus or profit sharing plan or trust in conjunction with a pension trust or an annuity plan, or with both a pension, trust and annuity plan, and they all qualify under Section 165 (a), then the company may deduct for income tax purposes amounts that may run up as high as 25% of the compensation otherwise paid or accrued during the taxable years to the employees covered by the plans or trusts.

16.—Excess payments in one year deductible in following year.

Provision is also made under Section 23 (p) that if the payments made by a company to a plan or trust in any year are larger than the amounts it may properly deduct in the taxable year for income tax purposes, then subject to certain limitations the excess may be carried over into the next year.

17.—General application of Wage and Salary Stabilization Laws.

The provisions of law with regard to wage and salary stabilization at the present time are fairly well defined, the law and the rules and regulations of the Director of Economic Stabilization, the National War Labor Board and the Salary Stabilization Unit of the Commissioner of Internal Revenue provide that pension plans and stock bonus and profit sharing plans and trusts are not to be deemed salary and wage increases if they meet the certain requirements of the rules and regulations as well as qualify under Section 165 (a) of the Internal Revenue Code.

18.—Summary of applicable major salary stabilization laws.

With regard to salary stabilization laws the Commissioner of Internal Revenue has made certain rules and regulations which are summarized as follows:

(a) Compensation of an employee may include insurance and pension benefits. The amounts to be taken into consideration are the amounts of contributions or premiums paid by the employer and not the amounts which the employee may receive upon the happening of certain contingencies. To the extent that the insurance and pension benefit inuring to an employee is reasonable in amount, such benefit is not considered as salary.

(b) Contributions made by an employer to an employee's retirement plan which meets the requirements of Section 165 (a) are considered reasonable, regardless of the amount of such contributions.

(c) However, where the contributions are made by an employer to a stock bonus or profit sharing plan, they must provide for benefits only distributable on death, retirement, sickness or disability of the employee. Otherwise, payments will be considered as salary.

(d) Amounts paid by an employer on account of insurance premiums on the life of employees who have the right to designate the beneficiary are deductible to the extent that they do not exceed 5% of the employee's annual salary, determined without the inclusion of insurance and pension benefits and without the inclusion of bonus and additional compensation. Usually, this type of insurance is limited to only whole life or ordinary life policies. Premiums on endowment policies, single premium life policies, fixed payment life policies and other similar policies are ordinarily considered salary. The regulations provide some exceptions for people who cannot qualify for ordinary or whole life policies.

(e) Premiums paid by an employer on policies of group life insurance without cash surrender value, covering the lives of his employees, or on policies of group, health or accident insurance, the beneficiaries of which are designated by the employee, do not constitute salary regardless of the amount of salary otherwise received annually by such employee.

(f) With regard to profit sharing and stock bonus plans and trusts, the Commissioner of Internal Revenue issued regulations in which he said that as to plans and trusts created after Oct. 2, 1942, his office would approve contributions to such trusts where the employer's contributions are payable to the employee only in the event of retirement at a suitable age, death, disability, sickness, or after a fixed period of time not less than ten years with distribution over a period of years thereafter, for example, 10% per annum for ten years.

(g) Also in regard to profit sharing and stock bonus plans and trusts the Commissioner of Internal Revenue has said that his office would raise no objection to a plan providing for distribution of contributions upon termination of employment, provided that not more than 20% of the amount of the employee's total credits (not taking into consideration forfeited amounts) is payable in any one year after such termination.

19.—Summary of applicable major wage stabilization laws.

With regard to wage stabilization laws, the War Labor Board has made certain rules and regulations which are hereby summarized:

(a) Concerning profit sharing trusts or plans, the War Labor Board follows rules and regulations of the Commissioner of Internal Revenue for the most part. There are some exceptions but not of sufficient purport to enumerate them here.

(b) As to other types of pension and retirement plans, the War Labor Board has not issued any detailed regulations. However, interpretations of the War Labor Board follow the regulations of the Director of Economic Stabilization which, in a sense, say that premiums on insurance on the life of employees may be paid up to the extent of 5% of annual pay, without limitations on group health, accident and hospitalization insurance policies; and other payments may be made under plans and trusts which qualify under Section 165 (a) of the Internal Revenue Code, exclusive of profit sharing and stock bonus trusts and plans.

20.—Effect of termination of Wage and Salary Stabilization Laws.

In setting up a plan, a company can do so with the realization that the limitations of the Wage and Salary Stabilization Laws are only a result of temporary economic conditions. When the war is over and a better degree of normalcy is attained and the laws relating to economic stabilization are removed, the probabilities are that pension trusts and plans and profit sharing trusts and plans will be able to be amended so that the provisions of law which today are sufficiently attractive in themselves, can be made even more attractive, especially from the viewpoint of considering that profits might be able to be distributed at an earlier date. While this is a factor to be kept in mind, it should not be a determining one because one cannot foresee the future with certainty.

21.—The vesting or non-vestiture of employees' rights.

When a plan is established, the provisions thereof can be along the lines that persons who are not in the employ of the company at a certain qualifying date, or at the time for distribution of the fund, may not have the right to participate in the proceeds of the plan or trust and their rights thereunder are forfeited. This can apply to an employee's rights in their entirety or it can apply to part of them. For example, under present salary stabilization procedure, a plan may in substance, provide that payments under a profit sharing plan may commence to be made at a fixed date 10-year date, 10% of the credits lishment of the plan. As of such 10 year date, 10% of the credits in the employee's account may be paid to him—and each year thereafter, 10% of the accumulated credits then remaining in the employee's account may be paid to him. However, if an employee has either before or after the 10-year date retired, resigned, quit, been discharged, fired, etc., the plan may provide that all or part of the credits in the employee's account may be forfeited—and such forfeited amounts are to be allocated to the then remaining qualified employees.

22.—Past service of employees may be taken into consideration.

A plan that is established may also take into consideration and provide for benefits to be given to an employee for the years of service he has with a company, prior to the establishment of the plan.

23.—A brief summary of some other factors to be taken into consideration.

All of the above is just a brief summary of the various laws and factors and major matters to which consideration is generally given at the outset of the establishment of a plan. There are numerous other factors to be considered and determined, such as:

(a) Who will constitute an eligible employee?

(b) What will be the determining factors for an employee to ultimately share under the plan?

(c) Provide for trustees or others to administer the plan.

(d) Provide for the disposition of disputed questions.

(e) Provide for the manner of operation of the plan.

(f) Provide for whether the plan will be on a profit-sharing or funded basis.

(g) Provide for whether the plan will be entirely self-administered or whether insurance and annuity policies will be purchased.

(h) Provide for proper amendment, modification, termination and liquidation of the plan or trust in accordance with law.

(i) Provide as to what rights of an employee are, or are not forfeitable and when, and under what conditions.

(j) Provide for what information must be furnished under the plan from time to time by both the employer and employee, and for what information the employer, and the trustees under the plan must furnish to the Commissioner of Internal Revenue.

(k) Provide for the formula whereby the benefits distributable under a plan or trust to an employee may be determined.

(l) Provide for the obtaining of approval, in a proper case, of a plan or trust by the Commissioner of Internal Revenue or by the War Labor Board so as to determine that it qualifies under Section 165 (a) of the Internal Revenue Code and under the Wage and Salary Stabilization Laws.

24.—A conclusion.

A plan may be short or it may be long. It depends on what is in it. As morale builders, they are wonderful for a company. As for putting away a penny for the eventual rainy day, they are excellent. It applies equally to the chief executives and owners of businesses as well as the minor employee.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Condition statements of Wall Street banks for June 30, 1944 contained no surprises. Substantial gains in deposits and holdings of U. S. Government securities over first quarter figures, were shown by all the banks, except First National, whose Government's declined some $17,000,000 or 2.2%. Total earnings assets of 15 leading banks aggregated $21,227,997,000 on June 30, compared with $19,577,794,000 on Mar. 31, and $18,670,596,000 on Dec. 31, 1943. On June 30, 1943 they aggregated $17,753,415,000; thus in one year earning assets have increased by approximately $3,575,000,000 or 20%.

Indicated earnings of the 15 banks for the second quarter average approximately 12.7% higher than for the same period last year, while for the first six months they average 14.9% above earnings for the first half of 1943. Thus, the upward trend in earnings which started some five years ago, is being well maintained. Indicated earnings, however, cannot always be taken at face value since they merely represent, from one quarter to another, the amount by which undivided profits have been increased plus the amount of dividends disbursed or declared. They are, therefore, not necessarily the equivalent of reported earnings.

The accompanying tabulation shows second quarter indicated earnings for 1944 compared with 1943, also first six months earnings for 1944 and 1943. Current book-value is compared with the 1943 year-end figure.

	Indicated 2nd Quarter Earnings Per Share		Indicated 6 Months Earnings Per Share		Book Value	
	1943	1944	1943	1944	12-31-43	6-30-44
Bank of Manhattan	$0.36	$0.47	$0.66	$0.80	$25.03	$25.53
Bank of New York	6.47	6.54	12.05	13.26	358.97	365.24
Bankers Trust	0.88	1.05	1.64	1.92	50.15	51.37
Central Hanover	1.30	1.50	2.55	2.80	99.15	99.95
Chase National	0.77	0.71	*1.35	*1.42	36.88	37.60
Chemical Bank & Trust	0.69	0.73	1.31	1.44	41.23	41.78
Corn Exchange	0.91	0.98	1.71	1.92	49.36	50.07
First National	32.69	34.37	*49.83	*58.02	1,246.60	1,264.63
Guaranty Trust	5.23	4.99	*9.93	*11.97	323.77	328.95
Irving Trust	0.20	0.26	0.38	0.50	21.28	21.48
Manufacturers Trust	1.25	1.31	*2.17	*2.31	41.75	43.05
National City	0.53	0.64	*1.30	*2.20	38.29	40.13
New York Trust	1.41	1.71	*2.86	*3.41	85.34	86.90
Public	0.82	1.15	1.51	2.15	48.30	49.70
U. S. Trust	16.47	16.60	32.52	33.47	1,517.50	1,520.98

*Reported net operating profits.

It is of interest that some of the banks are instituting the custom of issuing semi-annual earning statements, in addition to their condition statements. This is a most helpful and commendable innovation. The banks whose semi-annual earnings are reported in the tabulation, instead of indicated earnings, are marked with an asterisk, as follows: Chase National, First National, Guaranty Trust, Manufacturers Trust, National City and New York Trust.

Chase National Bank's reported half year earnings of $1.35 in 1943 and $1.42 in 1944, include security profits of $.37 and $.19 respectively. Guaranty Trust's figures of $9.93 and $11.97, include security profits of $1.46 and $3.02, while National City's earnings of $1.30 and $2.20, include security profits of $.21 and $.93 respectively.

Out-of-town banks, also, are reporting increases in deposits and earning assets, and further improvement in earnings. Chicago banks in particular appear to be reaching peak figures in deposits and Government securities, and furthermore, the National banks of Chicago are reporting a substantial rise in loans and discounts. Data on some of the principal out-of-town banks will be presented in this column two weeks from today.

Attractive Speculation

The 6% cumulative preferred shares of H & B American Machine Company offer attractive speculative possibilities from the point of view of yield and further price enhancement, according to a detailed memorandum on the situation issued by F. M. Mayer, 30 Broad Street, New York City. Copies of the memorandum may be obtained from the firm upon request.

To Form Geer & O'Connor

Garrow T. Geer, Jr., member of the New York Stock Exchange, and William F. O'Connor will form Geer & O'Connor with offices at 42 Broadway, New York City, as of July 20. Mr. Geer has been active as an individual floor broker; Mr. O'Connor will act as his alternate on the floor of the Exchange.

China Will Join With Other Nations In Monetary Reforms

Dr. H. H. Kung, Chairman Of China's Delegation To Monetary Conference, Pledges Country's Co-operation

In a statement issued on July 4, Dr. Hsiang Hsu Kung, the head of China's large delegation to the United Nation's Monetary and Financial Conference being held at Bretton Woods, N. H., gave assurance of China's purpose to cooperate with the other nations in establishing a mechanism for international currency stabilization and in fostering the expansion of foreign trade and wider international commercial relations. He expressed confidence also that the Conference would reach an agreement, since "it is in everybody's interest" to make it a success.

Dr. H. H. Kung

Dr. Kung is a leader in China's political and economic affairs. He is Vice Premier and Minister of Finance of the present Chinese Government. Like most of the other Chinese delegates to the Conference, Dr. Kung was educated in the United States, having graduated from Oberlin College. He received his M. A. degree from Yale University in 1907, and later returned to China to take part in the revolutionary movement of Dr. Sun Yat Sen. In 1933, he was appointed Governor of the Central Bank of China and still holds this position in addition to his other offices.

Dr. Kung's statement follows:

China's resistance to Japan's drive for world domination started seven years ago. China fought single-handed for more than four years before the Allied Nations joined the war against Japan. China had to devote to the common effort all the resources that it had accumulated and could produce. As the war extended, the enemy occupied many of China's richest provinces and centers of production—destroying and looting as they went. As a result of the suffering and sacrifice for the common cause, China today faces difficulties which are greater than many can imagine.

Destruction and looting by the enemy, together with the blockade which has been tightened more and more since outbreak of the Pacific War, have progressively reduced the supply of essential goods. Also, internal transport has continually deteriorated, both from shortage of transport equipment and gasoline and from enemy occupation of important railroads, rivers and roads.

In wartime no country can avoid inflation. Considering that the seventh year of the war is now drawing to a close, this deterioration has not been as great as most of us have feared. It has not gone as rapidly as the currency deterioration in some of the European countries 25 years ago at the time of the First World War. The sacrifice of the currency has been only one of the sacrifices which China has had to make. Inflation can best be combated by large import of goods.

China has been doing its best to maintain taxation, and I am somewhat surprised that the extent of taxation in China is not more fully realized abroad. The 1944 budget estimates figure the return from current tax revenue at 52% of total expenditures. It is uncertain whether this can be realized, especially because recent military operations have materially cut into revenue—for example, in Honan Province, recent military operations have cut revenue from tobacco production by 200 million Yuan monthly. Taking account of the value of the land tax collected in kind, the tax revenue in 1943 exceeded 40% of expenditures, which compares favorably with that in other allied countries. The difficulty, however, is that with leading producing areas occupied, and in view of the small surplus available to the average person in China, it has not been practical to sell war bonds directly to the public to as great an extent as the Government would have wished. Consequently the Government inevitably had to rely largely on borrowing from banking institutions, which made unavoidable the increase of purchasing power and contributed to the rise of prices.

The present price movement in China is uneven. Imported articles are much higher than native products; and within the country prices of rice and other necessities vary considerably because goods that are plentiful in some regions cannot be moved readily to centers of consumption. Recent telegraphic reports state that the crop situation in West China is excellent, and that prices have shown some reaction after the recent rapid increase. In the last three or four years it has been normal for prices to rise more rapidly than usual in the Spring of the year, especially because surplus crops cannot be adequately distributed in the period of short supply prior to the new harvest.

With regard to exchange, it is recognized that wartime conditions are abnormal and true values are hard to determine for any currency. The Chinese Government has considered it necessary to maintain the official value of its currency, as part of the program of sustaining the war effort. A change under present conditions would hurt confidence and undoubtedly aggravate the price rise. The eventual adjustment cannot now be forecast. The Chinese Government realizes the difficulties entailed for foreigners in view of rising prices, and has been giving them an exchange supplement.

In order to sustain the currency as far as conditions permitted, the Chinese Government has always attached importance to maintaining proper currency reserves. The credits given by the American and British Governments, and particularly the large credits granted following the outbreak of the Pacific War, have been very helpful for that purpose. China already has paid off some of the wartime credits, including the 1938 wood-oil credit of $25,000,000 and the 1941 American and British stabilization credits of $50,000,000 and £5,000,000 respectively.

Notwithstanding the further strain which will have to be faced, China as one of the victorious powers will emerge from the war with a much better prospect of restoring its monetary system than was the case after the inflations in Europe 25 years ago.

As to China's interest in silver, the Chinese Government intends to follow along with the other United Nations with regard to monetary standards. China has had a managed currency since 1935, which was exceptionally stable until dislocated as a result of Japanese aggression. The Chinese Government intends, in the reconstruction of its currency system, to make use of silver together with nickel and copper for subsidiary coins.

China is looking forward to a period of great economic development and expansion after the war. This includes a large-scale program of industrialization, besides the development and modernization of agriculture. It is my firm conviction that an economically strong China is an indispensable condition to the maintenance of peace and the improvement of well-being of the world. The China market has long been a dream which, I believe, will come true after the war when the purchasing power of "400 million customers" is increased.

After the first World War, Dr. Sun Yat-Sen proposed a plan for what he termed "the international development of China." He emphasized the principle of cooperation with friendly nations and the

Price Control Continued One Year

(Continued from page 174)

textile items to reflect parity prices for raw cotton.

In addition to requiring item-by-item pricing of "major" cotton textiles to reflect parity, the revised amendment empowers the President, acting through any department or agency of the Government, to "take all lawful action" to assure farmers of either parity prices or the highest prices between January 1 and September 15, 1942, on all the basic agricultural commodities — cotton, corn, wheat, rice, tobacco and peanuts—without specifying the steps he may take. The definition of "major" items is left to OPA.

Cotton received special treatment also in an increase in the loan rate to 92½% of parity, while the rate was retained unchanged at 90% for the other basic agricultural products. The 92½% figure for cotton was a compromise, an increase to 95% for all agricultural commodities in the original Bankhead amendment having been rejected.

Enforcement—In addition to these amendments to the stabilization act designed to benefit cotton, price control may be made somewhat more difficult by amendments to the price control act which appear to weaken enforcement. Instead of making the penalties for lack of compliance more severe, the new law moderates them.

While it is asserted that the new law would "eliminate 80% of the criticism of OPA" by liberalizing procedure as to protests against OPA regulations, another view is that changes in procedure may encourage price regulation violators to litigate and seek delay.

The defendant in a criminal proceeding can file a protest against the validity of a regulation with the Emergency Court of Appeals within 30 days after arraignment, and the criminal action will be stayed while the protest is before the Emergency Court. Critics maintain that a protest on the validity of a regulation could result in at least six months' delay in a criminal proceeding.

Defendants can apply for injunctions in Federal district courts against suspension orders for violating rationing regulations. OPA may not deprive persons, because of prior violations of price ceilings, of the right to sell rationed goods. Moreover, OPA can obtain only temporary injunctions against the violation of a particular provision of a regulation, while formerly an injunction could be obtained against violation of the entire regulation. In addition, appeals on validity are likely further to delay action in civil suits.

Penalties Reduced—The new law reduces penalties for "nonwilful" price law violations from the present standard of three times the amount of overcharge, or $50, whichever is larger, to the actual amount of the overcharge, or $25, whichever is larger. In cases in which defendants fail to prove that the violations are nonwilful, courts may fix damages anywhere between one and three times the amount of the overcharge, or between $25 and $50, whichever is larger.

OPA Review Board—A review board is set up to hear protests against OPA orders and advise the Price Administrator as to action on protests, and protests can be filed against any present, past or future OPA regulation, but final authority is left with the present Emergency Court of Appeals.

OPA Can Initiate Suit—Previously only the aggrieved purchaser could take action in treble damage suits against price violators, but the new law provides that OPA itself is authorized to initiate such damage suits if consumers fail to act within 30 days, and also to purchase commodities as evidence of violations.

Rent Control—Rent ceilings are adjustable in individual "hardship" cases and upon a showing that rents are substantially higher or lower than prevailing rates, or if landords' operating costs or taxes have been increased substantially; controls can be abolished in communities where taking this step would not result in abnormal rent increases.

Price Lines—OPA's "highest price line" regulation is retained as to wholesalers and manufacturers, but abolished as to retailers. The regulation required retailers to limit their stocks and sales to the highest price line offered during the base period.

Subsidies—The new law bans the broadening of the present $1,500,000,000-a-year food subsidy program, and terminates subsidies after June 30, 1945, unless Congress specifically appropriates funds for their continuance.

Other Provisions—OPA must fix ceilings on farm crops at least 15 days before the planting season; ceilings on fish must reflect the average 1942 price; and adjustment is directed of fresh fruit and vegetable prices to take into account unusual crop losses.

Amendments Defeated

Among the many defeated amendments were: the Wiley amendment, which would have permitted raising weekly wages to $37.50 for all workers, white collar or not, without WLB approval; the Disney amendment, which would have raised the price of oil and oil products; the Dirksen amendment, which would have permitted district courts to rule on the validity of OPA regulations; the Pace amendment, which would have penalized processors who paid less than parity to growers; the Kleberg amendment, which would have penalized those who receive subsidies but who do not pay parity to growers; and the Chandler-Wicks amendment, which would have allowed defendants in civil suits to plead that violation was not wilful.

Conclusion

The Stabilization Extension law continues price, wage and rent regulations and the OPA administering them for at least another year. While the law contains some amendments, in procedure and relaxation of penalties against non-wilful violators, that may tend to weaken and obstruct its effective enforcement, on the whole it retains adequate safeguards against inflationary price and wage trends.—From the July 6th number of "Investment Timing issued by Economics and Research Department of the National Securities & Research Corp., New York City.

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utilization of foreign capital for the development of China's resources. Dr. Sun's teachings constitute the basis of China's national policy.

America and others of the United Nations, I hope, will take an active part in aiding in the post-war development of China. China will give protection to foreign investments. As to American participation, China looks forward to a long period of happy association and mutual assistance between the two sister republics across the Pacific. China will welcome American tools and machines, American capital, American engineering and technical services.

I am confident that the delegates to the International Monetary and Financial Conference will reach agreement. That is why we have come here. Clearly it is in everybody's interest to make the Conference a success.

Regrets Italy's Omission From Monetary Talks

The omission of Italy from participation in the monetary conference which is now taking place at Bretton Woods, N. H., is regretted by Luigi Criscuolo, long interested in promoting better financial relations between the United States and Italy. Mr. Criscuolo said recently that Italy should no longer be treated as a belligerent not only in view of the fact that a great part of Italy is now in the hands of the Allies, but because of debits and credits between Italy and the United States are very large, much larger than those with other nations whose resources are much smaller than Italy's. "Taking only the issue of $100,000,000 in Kingdom of Italy 7% bonds as an example, that amounts to a fabulous sum if considered in lire at the present rate of 100 for the dollar. But if we consider debits and credits between the two countries on purely commercial transactions," said Mr. Criscuolo, "we have another fabulous sum to consider, which should not be ignored in the calculations now being made. Behind it all, I see not a little rivalry between the United States and Britain for primacy in Italian financial and industrial affairs, and the one which will win the confidence of the Italians will be the one that will get Italian trade in the future. The most ridiculous thing I have heard of for a long time is the statement on the part of Col. Charles Poletti to the effect that the American armies should stay in Italy until the Italians learn democracy. Apart from the twenty-one years during which Fascism ruled in Italy, and was helped in that rule by American finance, the Italians had republics a thousand years ago and do not need any lessons in democracy from us.

One of the members of the anti-Fascist group, a great Italian leader, wrote me some years ago that if the Fascist government were overthrown the new group would never recognize the bonds and other obligations issued by the Fascist government. The omission of Italy from the present Bretton Woods conference is not going to help that situation very much, and that is why I urge that someone, even an American, private citizen of Italian origin, be appointed to represent the interests of Italy at that conference or American interests and prestige will suffer drawbacks."

Mutual Funds

"Should An Investor Seek Profits?"

National Securities & Research Corp., in the current issue of **National Notes**, contributes an interesting discussion to the current literature on the desirability of capital gains over other forms of income under present tax laws.

A chart is used to show the sharp contrast in the net amount which an individual retains from long-term capital gains and from other forms of income after payment of Federal taxes. The maximum Federal tax on long-term capital gains is 25%, leaving 75% of the profit to the individual in the top tax bracket. The rate of tax on dividends and other income, however, can be as high as 95%, leaving only 5% of such income to the individual.

* * *

This week **Distributors Group** released its announcement advertising on **Railroad Stock Shares**, a new class of **Group Securities, Inc.**, representing "an investment in a diversified and continuously supervised group of railroad stocks." Copies of the announcement ad, together with a descriptive folder on Railroad Stock Shares and a memorandum showing the current portfolio of this group, were mailed to affiliated dealers.

* * *

In the current issue of **Steel News**, Distributors Group reprints a bullish article on steel stocks from the June 24 issue of "Business Week." The question posed by "Business Week" at the conclusion of this analysis is one that will profoundly shock the pessimists on the steel industry. "For in the end we cannot escape the question: Do we have the steel capacity for full employment?"

* * *

Keystone Corp. presents a chart in the current issue of "Keynotes" which convincingly illustrates the vast improvement in basic values of medium-grade bonds since 1936. Taking the bonds currently held in Keystone Medium-Grade Bond Fund (B-2), between 1936 and 1943, total assets increased $482,000,000, while total funded debt was reduced $639,000,000. In the same period, net working capital increased $499,000,000 and average interest coverage on the bonds rose from 1.19 to 2.30 times, an improvement of 93%.

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The current issue of "Abstracts" was designed by **Lord, Abbett** "especially for use in a general mailing to any list of present or prospective holders of investment company shares." The title of the memorandum is "Approach of 'V'-Day" and it contains a summary of the advantages to the investor "through the shares of any well-managed investment trust."

* * *

Vance, Sanders & Co. points out in the current issue of "Brevits" that the ratio of brokers' loans to market value of all stocks listed on the New York Stock Exchange is currently at a low point, despite the sharp rise in market values.

"It might, therefore, be concluded that the buying that came into the market was very largely on cash basis and it follows that at the higher levels now prevailing, the market rests on a strong credit foundation."

* * *

Commonwealth Investment Co., in a current memorandum from the management staff, comments briefly on the plight of the "Do-Nothing" investor. The reason, according to this sponsor, that many small investors do nothing is because they don't want to put all their money into one security and their funds do not permit them to invest in a sufficient number of securities to get the protection of diversification. Through a mutual investment company they can get broad diversification for any amount of investment funds, however small.

* * *

Broad Street Sales Corp., in the current issue of "Items," gives some illustrations of the effect of wartime taxes on growth stocks. Average earnings per share of the stocks in the **National Investors Corp.** portfolio are shown for the past five years. The letter concludes: "The decrease or elimination of excess profits taxes should be of special benefit to growth stocks."

* * *

Calvin Bullock's "Bulletin" discusses "peace stocks" and gives examples of eliminations from the **Dividend Shares** portfolio in the past few years of stocks principally in the "war beneficiary" category. Another list, typical of the major additions to the portfolio during the same period, is given. The companies in this list are notable for their generally satisfactory position with respect to reconversion.

Mutual Fund Literature

Keystone Corp.—A revised current data folder on **Keystone Custodian Funds**; a general prospectus dated June 26, 1944, and supplementary prospectuses on Keystone S-2 and Keystone S-3, both dated June 23, 1944. . . . **Hugh W. Long & Co.**—A new prospectus on **Fundamental Investors, Inc.**, dated July 1, 1944. . . . **Lord, Abbett**—A revised composite summary of the Lord, Abbett group of investing companies; a current prospectus on **American Business Shares**, dated June 28, 1944; a letter giving current yield data on the Lord, Abbett group of funds. . . . **National Securities & Research Corp.**—Revised current information folder on the **National Securities Series** and **First Mutual Trust Fund**; the current issue of "Investment Timing," discussing price control and the OPA; a portfolio memorandum showing changes in the National Securities group of funds during June.

New SEC Rules On Liquor Stocks Trading

The Securities and Exchange Commission announced on July 7 the adoption of two new rules. "The first," says the Commission, "requires reports to be filed promptly by issuers of securities registered on a national securities exchange whenever they decide to declare dividends or distributions in the form of an asset other than cash or securities. The second rule," it adds, "prohibits over-the-counter trading in a security during any period when the Commission, for the purposes of preventing fraudulent, manipulation or deceptive practices, has suspended exchange trading in that security."

The SEC also states:

"The new rules are based largely on the trading experience in the stocks of several liquor manufacturers which have recently declared dividends payable in whiskey. They are intended to prevent potential abuses in trading before adequate information is available as to the nature and amount of the asset to be distributed.

"The first of the new rules, X-13A-6 (e), is promulgated under Section 13 (a) of the Securities Exchange Act of 1934, the section dealing with periodic reports. This rule provides that, whenever a company with a security registered on a national securities exchange decides to declare a dividend or distribution, either with or without consideration, in the form of some asset other than cash, stock or a warrant for stock, it shall promptly file a telegraphic report with the Commission containing a full and accurate description of the contemplated dividend or distribution. Similar reports are required whenever the terms of the contemplated dividend or distribution are changed in any material respect, and also upon the actual declaration of the dividend or distribution.

"If the Commission finds on the basis of such a report or otherwise that the available information with respect to the contemplated dividend or distribution is inadequate to permit investors to make a proper appraisal of the value of the security, it may exercise its authority under Section 19 (a) (4) of the Securities Exchange Act of 1934 to order a temporary suspension of trading in that security on the exchange on which it is registered, pending the availability of adequate information.

"The second rule is promulgated under Section 15 (c) (2) of the Securities Exchange Act of 1934, which requires the Commission to adopt rules and regulations defining, and prescribing means reasonably designed to prevent, such acts and practices as are fraudulent, deceptive or manipulative in the over-the-counter markets. This rule, X-15C2-2, is aimed against the same potential evil in the over-the-counter markets which a temporary suspension of trading under Section 19 (a) (4) would prevent in respect of exchange trading. Rule X-15C2-2 is not limited in its application to situations contemplated by the new reporting rule, X-15A-6 (e), but will operate automatically to outlaw over-the-counter trading whenever exchange trading is summarily suspended by the Commission under Section 19 (a) (4), provided the summary suspension is for the purpose of preventing fraudulent, deceptive or manipulative acts or practices."

Dividends

Institutional Securities, Ltd.—A dividend on Stock & Bond Group shares, amounting to 37½ cents per share, payable Aug. 31, 1944 to stock of record July 31.

Quarterly Income Shares—A dividend of 11 cents per share, payable Aug. 1, 1944, to stock of record July 15.

South African Delegate At Monetary Conference Urges A Flexible Gold Standard

Dr. J. E. Holloway Says That International Monetary Fund, By Readjusting The Value Of Gold, Can Maintain Proper Relationship Between Gold And World Currencies—He Is "Not Worried About The Future Of Gold—It Will Continue To Play Its Part In The World"

The Chairman of the Delegation of the Union of South Africa to the International Monetary and Financial Conference, Dr. J. E. Holloway, in a formal statement made to a committee to the conference, stresses the importance of the proposed International Monetary Fund as "a hope for an orderly change in the relationship between gold and currencies of the future." Dr. Holloway reiterated this view at a press conference on July 7, stating, "We are not worried about the future of gold. It will continue to play its part in the world." His statement to the committee is given below in full:

I must crave the indulgence of this committee, composed as it is of experts to whom the matters to which I am going to devote myself are matters of common knowledge, for dealing with facts well known to its members. My sole object is to bring into the focus of consciousness the background against the problem of the machinery through which the Fund will operate.

It is the more necessary to sketch this background, even to such a distinguished company of experts, because the Monetary Fund approach to the problem, which we are trying to solve, is the only one which offers a hope for an orderly change of the relationship between gold and currencies in the future. I would remind you of the experience we went through when the last phase of the breakdown of the gold standard set in in 1931. We were so accustomed to the traditional stability of the relationship between gold and currency that many of us hesitated for a lengthy period before we could bring ourselves to discard that precious possession—to recapture part of which we are now devoting much thought in this conference. I refer not only to my own country. I refer to the United States of America. I refer to the gold bloc in Europe. It took us five years to accomplish that change, for the orderly accomplishment of which, if the need should again arise, we are now trying to fashion machinery. Those five years were years of trial and error, of overshooting the mark here, of under-estimating our troubles there. It ushered in that period of competitive exchange depreciation, that beggar-my-neighbor policy, which cost the world so dear. We hope to do better next time.

I believe, Mr. Chairman, that we are entering into a period in which we cannot, even when we have achieved a measure of exchange stability, hope to have that continue for such a lengthy period, as the period which ended in the early thirties.

I would remind you that during that period the economic system possessed a high measure of flexibility. It was possible on that account to adjust prices downward, and therefore to maintain a rigid measure of value.

I do not want to sidetrack myself into a consideration of the question whether the world would not be better served by a restoration of that flexibility of the economic system. Those of our generation were nurtured in the schools of economics of Europe and America in the belief that that flexibility served mankind well. As a realist I recognize that we must face a world which has moved into an era of greater rigidity of economic structure.

No longer can population by the million displaced from employment in Europe, obtain easy access decade after decade to this great republic. That element of mobility and adjustment which helped so materially to ease the unemployment problems of Europe in the 19th Century has lost most of its value.

We have, secondly, to reckon with a more rigid wage structure. Wage legislation and industrial organization have lent a greater fixity to the remuneration of labor than the worker of the 19th Century enjoyed. It is no longer possible to adjust wage costs to a fixed standard of value.

In the third place the great integration of capital in the industrial structure—the investment of millions and even hundreds of millions in integrated industrial plants—has further reduced the capacity of the economic system to adjust its costs downwards to fit into a fixed measure of value.

Yet some flexibility there must be. In a world of change we cannot work an ossified economic system.

It is for these reasons that it would appear essential to have machinery by which we can adjust the measure of value from time to time. I would go further and say that unless the world can achieve this measure of flexibility its forward march into the future will proceed from crisis to crisis.

This Fund which we are trying to create will, for the first time in history, make available the exact data by which such adjustments can be accurately determined. The Fund will, after it has been running for a few years, collect together a body of data and experience for this purpose.

The Fund's own series of statistics for its gold holding will give from month to month, from year to year, a chart of the physical condition of the economic system. If those data show that the gold holdings tend towards the upper limit, it will be *prima facie* evidence that not much is wrong, and that the relationship between gold and commodities is reasonably satisfactory. If, on the other hand, the gold tends regularly to flow away from the Fund, it will be a pointer to the possibility that some change in its value in relation to all currencies may have to be considered. The Fund will have exact statistical data for all the world of a similar kind to that which the Bank of England had for the United Kingdom in 1931 when the British Government had to make its fateful decision.

I would also in passing point out that as long as South Africa continues to play the role which it now does as gold producer, the Fund will have at its disposal further data bearing on the relationship in value between gold and commodities. It is true that the Government of South Africa can by its policies influence that relationship, but the influence which it can exert is a comparatively small one in comparison with natural factors.

The circumstance I allude to is that gold mining in South Africa has been reduced to a purely industrial basis, similar in very many ways to factory production. The gold is scattered very thinly through large bodies of rock and the amount that can be extracted depends largely on cost of production. The discovery of rich new fields has receded in importance. If, however, more gold is required, a rise in price brings within the margin of payability large bodies of low-grade ore. It will perhaps assist to illustrate how closely the production follows the price if I point out that Johannesburg is 5,700 feet above sea level, that a large number of mines are working well below sea-level and that the amount of gold extracted from one ton of ore brought up from the bowels of the earth to Johannesburg, and finely crushed, is appreciably less than the weight of an American quarter-dollar, and yet it pays.

The mining industry on the Rand therefore gives a further index to the correctness of the relationship between gold and commodities. A disturbance of the relationship in favor of commodities immediately depresses below the level of payability millions of tons of the world's gold-bearing ore.

With these indices to guide it as to the proper relationship between gold and the currencies of the world, with the need to have greater flexibility in the measure of value to make up for the greater rigidity in the economic structure, the Fund will be in a position to measure strains and stresses, much as an engineer does, when it comes to consider a general and orderly change in parities.

As the representative of the United States of America (Mr. Brown) has said, such a change should not be lightly made. Strong sanctions are therefore necessary to ensure that there is general agreement, based on accurate evaluation of the information which for the first time in the history of the world will become available when the Fund is properly under way. On the other hand, as I have tried to indicate, the Fund should not hesitate to make a change when the diagnosis which it can make on its available data shows that such a change is necessary for the economic health of the world.

Post-War Outlook for Rails

B. W. Pizzini & Co., Incorporated, 55 Broadway, New York City, have an interesting discussion of the post-war outlook for railroad securities in the current issue of their "Railroad Securities Quotations." Copies of this publication, which also contains quotations on guaranteed rail stocks, underlying mortgage bonds, reorganization railroad bonds, minority stocks and guaranteed telegraph stocks, may be had upon request from B. W. Pizzini & Co.

Now A Partnership

SAN FRANCISCO, CALIF.—The business formerly conducted by Wilson, Johnson & Higgins, Inc., 300 Montgomery Street, has been succeeded by Wilson, Johnson & Higgins, a partnership. Members of the firm are Charles C. Johnson, Russell H. Wilson, Merriam J. Howells, James M. Stewart, Madison L. Howell and Ernest O. Kauffman, general partners; Zella A. Hyman, Joseph L. Hyman, Edgar B. Stewart and Laurence D. Higgins, limited partners.

Canadian Securities

By BRUCE WILLIAMS

To close observers of the Canadian scene, it is a little bewildering to note that recent commentaries here on the political situation in the Dominion convey the impression that Canada is in the process of taking a sudden swerve to the left.

Nothing is further from the truth. Just as the whole world, including ourselves, has gone in this direction since the last war, it is not correct to suppose that this trend has lagged in any way in Canada. However, it is true that it has been somewhat veiled since the Liberal and Conservative parties have adopted increasingly leftish policies, and consequently the movement has gradually taken place but still under the old labels.

In fact, the present Liberal Government has followed a course strongly similar to that advocated by the C.C.F.; and the Progressive Conservative platform shows even closer resemblance. As far as the central bank is concerned, no left wing administration in any country has carried out the socialist doctrine to a greater degree, as exemplified by the definite State ownership of the Bank of Canada. The great Canadian National Railway system and the Trans-Canada Air Lines, which will probably have the monopoly of the national airways, are similarly controlled.

Hydro-electric power installations throughout the country, even in the supposedly more conservative eastern provinces, are publicly owned. In the field of finance the Liberal Government is also carrying out the Socialistic objective of lower interest rates, but here it has not been so consistent, and therein lies its opportunity completely to steal the C.C.F. thunder.

As previously mentioned, the growth of the C.C.F. in the western provinces has been fostered by their long-standing grievance that the Federal Government left them with a burden of debt incurred for relief purposes during the depression years of the early thirties which they claim should have been considered a national obligation. Events are now quickly moving towards a solution of this problem. Political necessity compels the Liberal Government, which in any case has worked untiringly on this problem, to make still more urgent efforts to bring this matter to a satisfactory conclusion.

Therefore, those interested in the Canadian situation would do well to be less obsessed with the idea that the left swing in Canada has just begun and that the C.C.F. version will be adopted by the Canadian people. A development of more transcending importance is the impending Dominion-Provincial conference which can bring about an amendment of the Canadian constitution and if it should result in a satisfactory settlement of the grievances of the western provinces, **the political effect could be decidedly beneficial to the Liberal Government.**

With regard to the market for the past week, there was again a state of listlessness as a result of the War Loan drive and the forthcoming elections in Alberta and Quebec. There was little change in prices but some interest was displayed in the Alberta issues on persistent rumors that efforts were being made to refund the debt of this province before the elections. Whether or not these reports are substantiated, there is little doubt, as frequently mentioned, that this problem will be settled before we enter the post-war period.

The internal bond market was quiet but there was a burst of activity in gold shares and the Canadian dollar in the "free market" firmed to 9⅝%. Current reports continue to confirm earlier predictions that after the war discoveries of gold and other precious metals in the Canadian North West will attain spectacular proportions.

Turning to future market developments, much will depend on the results of the elections in Alberta and Quebec and in the meantime operators are likely to remain on the side-lines. As in the case of Saskatchewan, the voting is likely to favor the party which is best organized. In Alberta, it appears that the Social Credit party has this advantage and in Quebec, the Liberals.

Problems Of Monetary Conference Multiply

(Continued from first page)

Keynes, is concerned with the Bank for Reconstruction and Development. The secretary is A. Upgren. It also is composed of four committees, as follows: (1) Purposes, Policies and Capital; (2) Operations; (3) Organization and Management, and (4) Form and Status.

Commission III has under its jurisdiction miscellaneous matters, stated as "Other Means of International Financial Cooperation." This section is headed by Senor Eduardo Suarez of the Mexican delegation. According to the opening announcement of its chairman, the deliberations of this commission (which has not as yet been separated into committees) is to be concerned chiefly with (1) the regulations regarding "earmarked" gold and (2) the international monetary functions of silver. Unlike the other commissions, Commission III is not dealing with specific proposals which have been the subject of extended joint consultations and study by the technical representatives of various nations, and the character and disposition of its recommendations is, as yet, undecided and it is a question whether its recommendations, particularly with regard to the future status of silver, will be approved by the conference.

The committee meetings have already gotten under way, but no final reports have as yet been submitted. The deliberations of Commission I will undoubtedly center around the policies and quotas. There appears to be some sentiment for raising Russia's quota to $1.2 billions and raising America's subscription to the fund to $2.75 billions. Britain's contribution would then be $1.3 billions and China's $0.55 billions.

The uncertainty regarding the interpretation of the position of gold in the operations of the Monetary Fund has not yet been removed, particularly the question as to whether a member country will be compelled to buy or sell gold in exchange for its own currency. The apparent British unwillingness to clarify its future policy of accepting gold from the Fund in the event sterling ever should become scarce has greatly surprised some important non-British delegates. This far-reaching and controversial point affects the whole post-war status of gold. When the point was initially raised at a committee meeting, it was agreed to discuss it only informally. Thus, it may be assumed that there was fear that a formal discussion, recorded in the official minutes, would bring into the open the chasm between the British and the American views with reference to the future status of gold. There is, however, some slight optimism over the likelihood of an agreement among U. S., British, Russian and other delegates making acceptance of gold from the fund compulsory.

Under Russian chairmanship, a committee on July 5 heard the view expressed that the draft of the experts' agreement does not require the supplying of precise data on gold production. There are under consideration two elaborate sets of required information regarding gold. One set relates to the official holdings of gold comprising (1) gold held at home and abroad, and gold-convertible currencies as defined for purposes of the fund, and (2) gold holdings of banking and financial agencies, other than official agencies, together with their holdings of gold-convertible currencies and other currency holdings. The information will also require a statement of a country's production of gold, its gold exports and imports distributed by countries of designation and origin; as well as a statement of merchandise exports and imports in terms of local currency values, segregated by countries of destination and origin. Among other information to be listed as required from member nations would be (1) its international balance of payments, comprising (a) trade in goods and services, (b) gold movements, and (c) capital transactions, together with its international investment position, i. e., investments within the country owned abroad and investments abroad owned by residents of the country; (2) a statement of the national income; (3) price indexes; (4) exchange rates and exchange controls.

A separate set of similar data is to be filed by central banks and the treasuries of the member countries. It is apparent that Russia is not yet willing to disclose her gold holdings and gold production or data relating to her foreign trade position. One reason behind Russia's secretiveness is that she views gold as good only for the purpose of acquiring foreign materials, which she will need in large amounts after the war, and that these materials could be more easily acquired by not using the machinery of the Fund.

Harry D. White, spokesman of the U. S. delegation, though denying vigorously that the gold at Fort Knox may become worthless, emphasized the fact that credit balances in the Fund will give the United States the same command over foreign exchange as gold exports. This has led one foreign delegate to state the monetary fund is "as good as the gold standard." Considering the strong possibility that dollar currency initially subscribed to the Fund will be soon exhausted, there arises the question whether Reserve banks under present laws would be permitted to lend dollars to the Fund. Moreover, Congress must decide whether our gold subscription to the Fund is to be considered as still comprising a part of the nation's gold stock.

Harry D. White

The post-war status of silver is another "sore spot" in the deliberations of the conference. I have received information that during a meeting of Committee 2 of Commission I, dealing with the operations of the International Monetary Fund, the delegate of Mexico, seconded by the Peru representative, proposed the following additional clause:

"Apart from the facilities provided under Article III, Section 2, a silver hoarding member country shall be entitled to buy from the Fund another member's currency in exchange for its own currency, in an amount not exceeding 80% of the gold value of the country's silver hoardings, which will be assigned to the Fund as collateral security."

Antonio Espinosa de los Monteros, the Mexican delegate that introduced the above proposal, issued and gave to the press a statement supporting the recommendation and explaining Mexico's position on silver. This press release, however, was withdrawn last night, and a new proposition substituted. In its tentative form, the Mexican proposal would (1) require the Monetary Fund to buy and sell gold and silver together and jointly at a fixed rate in terms of member currencies and in a ratio of, say, one ounce of pure gold to ten ounces of fine silver, and that member countries would agree to buy and sell from and to the Fund, and from and to one another, gold and silver together and jointly, at the same rate in the same ratio. The proposal goes still further. It would give the Fund the power first to alter, by a four-fifths majority vote, the proportions of gold and silver set forth above, when a permanent and fundamental change in the average yearly rate of production and consumption of both metals has taken place, and, secondly to eliminate silver entirely from its joint purchases and sales, and to permit member countries to do likewise, only when and as long as, due to an increase in price of silver, the price of one ounce of pure gold in the basic composite unit should be less than the agreed minimum of $35 per ounce.

Under the U. S. Silver Purchase Act as administered by the Treasury, any non-enemy foreign silver seller can get dollars for silver by sending the metal here. But Mexico's proposal would enable that country to get American dollars, and still keep its silver at home. Mexico's plan, in effect, would make all members' currencies monetize all silver offered.

However, these efforts for the monetization of silver are receiving a cool reception. It is firmly opposed by the British delegates. Some members of the American delegation have privately remarked that all that can be expected to come out of the silver agitation is some sort of a "favorable gesture" from the United States, notwithstanding the indifference or opposition of all other silver using countries, i. e., India, Iran, etc.

As to the attitude of the American delegation at this writing they privately indicate the intention to yield to silver-bloc demands to the extent of incorporation in the final monetary-fund plan a mention or recognition of the monetary status of silver in some manner that will be "quite harmless" and "at most a gesture." One may infer that silver advocates in Congress, notwithstanding the recent endorsement by 25 senators of the bimetallism campaign of Mr. Francis H. Brownell, state they would be appeased by a "gesture."

It is worth while recalling what a silver "gesture" in 1933 has cost. At the world conference in London that year, Senator Key Pittman of Nevada, one of our delegates, worked continuously to get the conference to take some action to improve the price of silver. All that he could get an indifferent group of 64 nations to do was to approve a resolution, adopted by a subcommission, suggesting that the countries most concerned with silver get together and work out their problem. In other words, the resolution meant that the conference did not want to be bothered with the subject. How the resolution was regarded is indicated by the caption of the news report of it in the New York "Times" of July 9, 1933: "Saving of Faces Is Seen in Action of Conference."

Although everywhere the silver resolution was viewed as a meaningless "gesture," in December, 1933, President Roosevelt by proclamation opened the mints to newly-mined domestic silver at a high premium above the market price, giving as his reason for so doing that it was "to carry out the understanding between the 66 governments that adopted the resolution." Actually, a resolution was no "understanding" at all, unless among the silver interests and members of the Congress playing their game.

The 1933 proclamation in turn whetted the appetite of silver sellers and speculators. Although the President — through a statement made in the Senate by Senator Robinson — revealed he had thought to appease the silver bloc with his proclamation, he had only thrown fuel on the burning desire for broader silver-purchase legislation. The silver speculators, who wanted their holding nationalized by the Government, under the leadership of Father Coughlin and his weekly Sunday "discourses" on silver, demanded legislation. The House coinage committee, chairmaned by Cong. Andrew Somers of New York—who is now at Bretton Woods, where he creates the impression that he sees no harm in bimetallism—reported out two silver-purchase bills. One of these, that of Congressman Martin Dies of Texas, became eventually the Silver Purchase Act of 1934.

Even so, the silver bloc were not appeased, but high-pressured the Administration into buying silver on such a gargantuan scale that the coins constitutig the circulating medium in China and elsewhere were drawn to the melting pot for sale to the United States, with consequent economic disturbance that caused the Chinese Government to lodge a series of protests with the American Government. Other countries, too, experienced consequent monetary disturbance and, in all, more than a dozen countries were forced to embargo the exportation of silver to protect their currency systems from the ravages induced by American appeasement of the silver bloc.

In 1939, by further fanagling, the Congressional silver bloc obtained legislation making perpetual the subsidy to newly-mined American silver which had been launched for a supposedly-limited period by the 1933 proclamation. Now the mints of the United States are open indefinitely to receive American silver without maximum limit. The Silver Purchase Act, which caused so much serious disturbance and the benefits of which went mostly abroad, is still the law of the land. And the silver bloc in Congress, well organized and skillfully guided, is as insatiable as ever.

Aside from the post-war status of gold and silver, the problem of "blocked balances" is a troublesome one. Lord Keynes in a formal statement made before Commission I on July 10 reminded his audience that the United Kingdom is the only country among the represented nations which has incurred large-scale war debts to her allies and associates, but despite the heavy burdens of the war, and the sacrifice of over-seas assets, "we do not intend to ask assistance in this matter from the International Monetary Fund." He pointed out, however, that the existence of the Fund, by the general assistance it will give to the stability and expansion of trade, "may be expected to improve indirectly our ability to meet other obligations."

The Keynes statement and the unwillingness of the United States and Great Britain to consider the subject of "blocked balances" further at the conference, apparently was disappointing to India's delegation. They expressed the belief that one-tenth of the fund could be used over a period of five years to liquidate various blocked balances. What India would really like would be the "dollarization" of the blocked sterling balances.

This appears to her delegates as more important to India's economy than monetary recognition of silver. "Silver is not important in connection with this fund," said Sir A. J. Raisman, Chief of India's delegation, adding that "India is not interested in silver as a monetary metal."

That the problems under consideration by the Conference tend to expand and multiply is indicated by the appointment of three additional ad hoc committees on July 10, one on "the use of silver for international monetary purposes, a second on enemy assets, looted property and related matters and a third to deal with recommendations on economic and financial policy, the exchange of information, and other means of financial co-operation."

Dewey 'Inevitable Man' For U. S., Says Mrs. Luce Candidate Confers With Connecticut Delegation

Comment to the effect that President Roosevelt "may be the indispensable man for the Democratic party, but Mr. Dewey is the inevitable man for the U. S. A.," came from Representative Clare Booth Luce of Connecticut, on July 11, incident to the announcement that President Roosevelt would accept the nomination for a fourth term. The remarks of Mrs. Luce were indicated in Albany advices, July 11 to the New York "Herald Tribune" by a staff correspondent. Mrs. Luce on that date conferred in Albany with Gov. Thomas E. Dewey, Republican Presidential candidate, in company with the members of the Republican Congressional delegation from Connecticut. The remarks by Mrs. Luce were her sole comment on the President, and the other members withheld comment, said the special advices to the "Herald Tribune," from which we also quote:

When Mr. Dewey was informed of the Roosevelt announcement earlier in the day he said he had "no comment."

Of her impressions of Mr. Dewey she said: "I have not met such a capable, far-sighted and shrewd politican since the last time I had a meal with Mr. Roosevelt. I was enormously impressed with Mr. Dewey. I had met him before but never had such an opportunity for full discussion with him as now.

She was asked if she brought any tidings to Mr. Dewey from Wendell L. Willkie, 1940 Presidential candidate. She replied that Mr. Willkie was not discussed. Then, when asked what she thought Mr. Willkie would do in the campaign, she replied: "I think Mr. Willkie will do the right thing. I don't know because I haven't talked with him for some time about political matters. I think he will support the Republican party."

Mrs. Luce said that Governor Dewey "brought a remarkably fresh mind" to the problems under discussion at today's conference. Matters actually discussed with Mr. Dewey were outlined to reporters by Sen. John A. Danaher, head of the Connecticut delegation. . . .

Mrs. Luce said Mr. Dewey favored an international organization to keep the peace and quoted him directly as using the words "by force if necessary." She was asked if she regarded the use of those words by Mr. Dewey as expanding the foreign policy plank of the Republican platform.

She replied:

"I was on the committee which drafted the platform, and it seemed to me there was never any doubt among any of us but that it meant we would join Great Britain, China and Russia in keeping down or preventing the rise of aggressor nations. Every member of the platform committee was of that mind."

She was asked if there was a distinction between "by force if necessary" and an international police force, with a reminder that Mr. Dewey in his press conference at Chicago placed himself on record as being against such a police force.

"Well," she asked in return, "is any other nation in favor of such a force?"

Explaining the Republican view she said "force" would mean the combined efforts of Great Britain, China, Russia and the United States to prevent the rise of aggressor nations.

"Why wouldn't that mean a combined military force with an independent command?" she was asked. She replied: "Not any more than there is now. Nobody is for that, including Mr. Roosevelt, and the other Allied nations are not for it, either. The force would be used by collaboration among the nations within the framework of an international organization."

"Naturally," she went on, "this nation will rise to defend itself. Apparently every one has in mind that what is projected at this moment is a Council or League of Nations, call it what you will—a League with more power in the hands of those nations which are strong enough to bear the burden of the responsibility."

She was asked if such views coincided with the viewpoint of Col. R. R. McCormick, isolationist published of "The Chicago Tribune." She replied that she had never spoken for Col. McCormick and didn't propose to do so now; that "he has an organ of self-expression which he will use in his own time."

She said Mr. Dewey passed most of his time at the conference trying to arrive at a general philosophy of government for the United States in the years ahead, rather than discussing any particular thing which might be useful or expedient in the campaign.

"He discussed the campaign, as a campaigner, very little," she said. "He seemed more interested in what promises could be kept as well as made to the great masses of people in America for the prosperity, decent, useful and happy life of the ordinary fellow who gets less than $3,000 a year."

Explaining Mr. Dewey's views on foreign policy, she said, "He seemed to be of the mind that there was a vast area of agreement in the Republican party and in the nation that this country should join an international organization to keep the peace, in collaboration with other nations, and I use his own words, 'by force if necessary.'"

She said she expected to campaign for Mr. Dewey wherever and whenever he wanted her to, but that Mr. Dewey has not discussed the matter with her. She said no such thing as a national campaign tour by her had been planned. "I've got campaigning to do in my own district," she said. Asked if she would win reelection, she replied with a smile of confidence, "I think I'll win."

Senator Danaher summed up his impression of Mr. Dewey by saying, "I have just come from a meeting with Governor Dewey, and I was enormously impressed. We had nearly three hours of discussion. And to those of use who are on the Federal scene, where as as committee members we were brought into close contact with government problems, one couldn't but be struck by Governor Dewey's facility to turn from topic to topic—such as post-war opportunity, continued employment, which you can understand that we, coming from an industrial State like Connecticut, consider of prime importance.

"He also discussed trade with other countries; the development of a strong domestic economy which we hope will be an adequate balance for the various elements of our economy. We talked about taxation, both on the individual and business levels, having in mind particularly the opening up of incentives to business, not only for the advantage of employee groups, but also from the standpoint of assisting the Federal Treasury to have adequate access to continued sources of revenue.

"We talked about the general program of the wholehearted cooperation of the Congressional delegation in Connecticut in its enthusiastic support of our convention nominees. It pleased us to give Governor Dewey assurance that Connecticut will go Republican."

Asked if they discussed such matters in connection with campaign policy, he said: "Not nearly so much as that, but more as the basis for a general over-all meeting of minds, in which we achieved a mutuality of understanding with reference to those and other problems." He said world cooperation was discussed and "particularly our complete subscription to the foreign-policy plank of the Republican platform."

In the delegation besides Mrs. Luce and Mr. Danaher were Representatives Ranulf Compton, John D. McWilliams, Beleslaus J. Monkiewicz and Joseph E. Talbot.

Mr. Dewey also conferred this afternoon with Herbert Brownell, Jr., Republican National Chairman, who remained over night and with George B. Rowell, Massachusetts Republican State Chairman.

Mr. Rowell, who was accompanied by Carroll L. Meins, former Massachusetts State Chairman, discussed organization matters with Mr. Dewey and Mr. Brownell. He was the first State Chairman Mr. Dewey has conferred with here since his nomination. Mr. Rowell told Mr. Dewey he would carry Massachusetts in the November election.

"We'll get out and work, and we'll do it," Mr. Rowell told reporters, after seeing Mr. Dewey. He said he hoped the Presidential candidate would make one of his major campaign speeches in Massachusetts, but said no decision was made at today's conferences.

Public National Attractive

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

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.

Blocked Sterling Balances

(Continued from page 170)

"The various members of this alliance have suffered in mind, body and estate from the effort and exhaustion of war in ways differing in kind and in degree. These sacrifices cannot be weighed one against the other. Those of us who were most directly threatened and were nevertheless able to remain in the fight, such as the U. S. S. R. and the United Kingdom, have fought this war on the principle of unlimited liability and with a more reckless disregard to economic consequences than others who were more fortunately placed. We do not plead guilty to imprudence; for in the larger field of human affairs nothing could have been less prudent than hesitation or a careful counting of the cost.

"But as a result there has been inevitably no equality of financial sacrifice. In respect of overseas assets the end of the war will find the United Kingdom greatly impoverished and others of the United Nations considerably enriched at our expense. We make no complaint of this provided that the resulting situation is accepted for what it is. On the contrary, we are grateful to these Allies, particularly to our Indian friends, who put their resources at our disposal without stint and themselves suffered from privation as a result. Our effort would have been gravely, perhaps critically, embarrassed if they had held back from helping us so wholeheartedly and on so great a scale. We appreciate the moderate, friendly and realistic statement of the problem which Mr. Shroff has put before you today. Nevertheless the settlement of these debts must be, in our clear and settled judgment, a matter between those directly concerned. When the end is reached and we can see our way into the daylight we shall take it up without any delay, to settle honorably what was honorably and generously given.

"But we do not intend to ask assistance in this matter from the International Monetary Fund — beyond the fact, as the American delegation has pointed out, that the existence of the Fund and the general assistance it will give to the stability and expansion of trade may be expected to improve indirectly our ability to meet other obligations. We concur entirely in the view which has just been expressed by the American delegation that the Fund is not intended to deal directly with war indebtedness.

"Since we do not intend either to ask for, or to avail ourselves of, any special treatment from the Fund, it appears to the United Kingdom delegation that this amendment could be of no practical effect; and is therefore better discarded if misunderstanding is to be avoided about the role which the Fund can be expected to play."

United States' Position

The statement of the U. S. delegation follows:

"We are all cognizant of the importance of the problem of wartime indebtedness so ably presented by the delegate of India. We are confident that the problem can best be settled directly by the countries concerned, however, and we doubt the advisability of attempting this through the International Monetary Fund.

"We must be sure that the work of the Fund is not made more difficult by burdening it with tasks which it cannot successfully undertake. Recognition of this fundamental principle led the technical experts to recommend that the International Monetary Fund should not be used for purposes of relief or reconstruction or for meeting indebtedness arising out of the war. The Fund can contribute most effectively to the solution of international monetary problems if it confines its work to the specialized tasks for which it is designed.

"While the International Monetary Fund cannot deal directly with indebtedness arising out of the war, we are confident its operations will facilitate the development of an environment of orderly and stable exchanges free from restrictions that hamper world trade—an environment in which the problem of wartime indebtedness can be amicably settled by the countries directly concerned.

"The Fund can contribute a good deal in this way to the ultimate solution of the problem of wartime indebtedness. It is all that the Fund can be sure of doing. To ask more is to impose on the Fund the danger of failing to perform the other and more specific tasks for which it is intended and for which it is suited.

"The United States delegation expresses its sympathetic understanding of the importance of this problem to India. The United States delegation hopes that the alternatives proposed by the delegate of India will not be pressed. We are confident that the problem of wartime indebtedness can best be settled directly by the countries concerned in a spirit of mutual understanding."

India's Stand

The position taken by Lord Keynes and the U. S. delegation was opposed by A. D. Shroff, member of the Indian delegation, who made the following statement before the committee to which the problem is referred:

"Mr. Chairman, at the outset I should like to have your ruling on one matter which would probably facilitate discussion and disposal of this item. In Committee I of Commission I, we discussed on two separate occasions Alternatives G and H. As the result of these discussions, the Indian delegation has tabled Alternative K, which has not yet been discussed by Committee I. I suggest, Sir, for your consideration that Alternative G, Alternative H and Alternative K may all be discussed together.

"I will now place before Commission I Alternative K tabled by our delegation which reads as follows: To facilitate the multilateral settlement of a reasonable portion of the foreign credit balances accumulated amongst the member countries during the war so as to promote the purposes referred to in Subdivision 2, without placing undue strain on the resources of the Fund.

"At the time we discussed Alternatives G and H in Committee I, two principal objections were raised. The delegate from the United States opposed both of these alternatives on the ground that the inclusion of this item will overload the Fund. From the very start when we placed our alternatives for consideration before this Conference, we were absolutely clear in our minds and when I spoke at one of the meetings of Committee I, I endeavored to clear up that misunderstanding that we never intended the International Monetary Fund, when it was set up, to take over straight away in one lump sum the entire accumulated credit balances during the war. In explaining particularly the situation of India, I also made it clear that considering the very close commercial ties between the two countries, it is more than likely that a very large proportion of the sterling balances we have accumulated in London over a period of years will be used in buying goods of both categories — consumer and capital goods from the United Kingdom. At the same time, I pointed out that if we are going to be realists, we must consider the actual situation in the United Kingdom today and in the post-war period. I refer, for instance, to the unfortunate loss of valuable foreign investments by the United Kingdom and, I may add, the necessity today of rehabilitation of some of the industries of the United Kingdom and the necessity of reducing at least some of the tremendous privations which are being borne by the population of the United Kingdom during the last four and a half years. All these factors will tend to reduce the capacity of the United Kingdom to give us the goods which we badly need. That being so, our position is this: Considering the primary objective of the International Monetary Fund, namely, the facilitation and expansion of international trade and, secondly, a high level of employment and real income—we attach very great importance to the definition of the primary objective — and taking into consideration the inability of the United Kingdom at least for a fairly long period from now onwards to meet the requirements of our capital goods, I submit to this Conference that if a country situated as we are is to be enthusiastic for international collaboration, then some means has to be devised by which multilateral convertibility would be given at least to a certain proportion of the large balances we have accumulated in London. I fail to understand the argument of the United States delegate that the International Monetary Fund would be overloaded if this item was included among the purposes of the Fund. We are here met at the instance of the sponsors of this Conference to tackle a very big problem. I ask, are we realistic enough in tackling this problem without adequate resources in the Fund? There are billions of accumulated balances abroad. As I said in Committee I, are we not simultaneously with the establishment of the Fund creating a sort of rival to the Fund? And I ask whether it would be advisable to ignore the existence of these balances? My answer to the delegation of the United States is that you will not unduly overload the fund if you create machinery for multilateral convertibility for a reasonable portion of these accumulated balances. The resources available to the Fund for tackling the problem are in my judgment inadequate and look rather like sending a jellyfish to tackle a whale. What I ask for is a multilateral settlement of a portion of our balances. If the Conference is prepared to accept the principle of our amendment, then I see no difficulty at all in evolving a concrete formula by which the two purposes set out in our amendment can be met. The purposes set out in our amendment are two: To secure multilateral convertibility for a reasonable portion of our balances and, secondly, to devise a formula so as not to place undue strain on the resources of the Fund. I think, Sir, talking among friends, it may be as well to speak frankly about this question. We have not disguised from the Conference the very strong feeling in our country on this question. I am sure that the sponsors of this Conference are seeking collaboration from all countries of the world known as the United and Associated Nations. It may be that unfortunately situated as we are politically perhaps the "big guns" in the Conference may not attach great importance to a country like India. But I am bound to point out this, if you are prepared to ignore a country of the size of India, with four hundred million population and with natural resources though not fully developed, yet not incomparable to the natural resources of some of the biggest powers on this earth, we cannot be expected to make our full contribution to the strengthening of the resources of the Fund. Suppose you don't accept our position, you are placing us in a situation which I may compare to the position of a man with a million dollar balance in the bank but not sufficient cash to pay his taxi fare. That is the position you put us in. You want to facilitate the expansion and balanced growth of international trade. You incidentally want to build up a high level of employment and real income throughout the world as a whole. Mr. Morgenthau in his very fine opening address said "Poverty is a menace wherever it is found." Do you expect to fulfill the main objectives of this Fund if you allow large countries to be festered with this sort of poverty? I would like this Commission to face this question in a very realistic spirit. I am sure everybody here needs the collaboration of everybody else, but if that collaboration has to be obtained realistically, you will make it possible for all countries in the world to be associated with you. I beg of you, Commission, to deal very dispassionately and sympathetically with the problem I put before you. Thank you very much."

Max Jacquin, Jr. Named Asst. V.-P. Of NYSE

Emil Schram, President of the New York Stock Exchange, announced on July 10 the appointment of Max Jacquin, Jr., as an Assistant Vice-President of the Exchange. He has been an Assistant Secretary since June, 1939, and has been with the Exchange in various capacities for 15 years.

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 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.

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.

Post-War Taxation Plan Proposed By Minneapolis-St. Paul Group

Calls For Lower Personal Income Taxes, Maintenance Of Relatively Heavy Corporation Levies, And An Exclusion Of 40% Of Dividends Paid From Estimates Of Corporate Gross Income—Recommends A 5% Sales Tax

After a period of 14 months study, a group of industrialists, financiers, tax lawyers and other business and professional men of the Twin Cities of Minneapolis and St. Paul, Minnesota made public on July 10 a post-war federal tax plan. The main object of the plan is the encouragement of venture capital and the stimulation of production as a means of achieving the goal of providing jobs for all who are willing to work. The thesis back of the proposals that "relatively heavy corporate income tax rates are not so harmful to the private enterprise system as are heavy individual income tax rates, for the reason that the latter shut off the source of all possibility of venturing capital by individuals."

Accordingly, the plan advocates that, after repeal of the excess profits tax, the current high normal and surtax rates, ranging up to 40%, be retained for corporations, and that substantial reductions be effected in the surtax rates on individual incomes. Incentive for investments in corporate risk ventures, held to be the job-providing backbone of the national economy, must be provided, the plan contends. To furnish such incentive, and as a step toward eliminating the inequitable burden and alleviating the incentive-destroying effects of the present method of taxing corporate earnings, once at full rates as earned, and again at full rates when distributed to stockholders, the plan offers a new method of taxing dividends.

It proposes that 40% of dividends received by individual stockholders from domestic corporations be excluded from gross income, and that the individual then pay the tax called for in his own bracket on the 60% reported.

The plan estimates:

A national debt which may reach $300 billion, interest on which would be some $6 billion annually, or approximately as much as was spent, on the average, for the conduct of the entire Federal Government in the high-cost, pre-war decade.

A post-war Federal budget of $18 billion, without any provision for creating work as a means of relieving unemployment. This is approximately equal to three times the average annual expenditures and some five times the average annual tax collections during the years 1931 through 1940.

A total tax bill of some $27 billion, the cost of State and local governments being estimated at $9 billion in addition to the $18 billion Federal expenditures.

A national income of $120 billion, based on 1942 price levels, will be required in order to avoid substantial unemployment. This represents an increase of more than one-third over the highest previous peacetime national income of 1929; is three times as great as the national income of 1932, the depression's lowest year, and more than twice the average national income for the ten prewar years, which was $59.1 billion.

As a stimulus to investment, as well as on the ground that there is no justification for taxing gains and disallowing losses, certain changes are recommended in the present "capital gains" provisions of the Internal Revenue Act. It is urged that losses be allowed on the same basis as that on which gains are taxed, and that the rate be reduced, both as to individuals and corporations. Capital gains, it is further recommended, should be defined as provided by the Revenue Act of 1942, except that assets held for six months or less would not be classified as capital assets.

Stressing the need for immediate adoption of post-war tax policies, in order that the American free enterprise system may plan intelligently and successfully, the Twin Cities plan lays heavy emphasis on virtually full employment under that system as being vital to sustain the high level of economy that will have to prevail if the obstacles presented by the unprecedented post-war national debt and other war-fostered fixed charges are to be overcome.

"The greatest incentive to business to plan its post-war course now, and one which would result in a speedy and orderly resumption of peacetime operations and employment, would be the enactment into laws, as soon as possible, of a tax program in its entirety that would become effective at the cessation of hostilities. No 'piecemeal' adjustment of taxes should be tolerated, as this procedure prevents proper long-term planning by business."

Examples of how the present Federal tax policy and high progressive tax rates on individual incomes cause the incentive for equity investment in corporations to "decline to the vanishing point as the capacity of the individual to make investments increases," are contained in the Twin Cities plan.

Sanity In Expenditures

Sanity in expenditures is as much a part of the tax program as is the tax levying itself, and therefore, expenditures must be kept to the minimum consistent with good government. Waste—for non-essential services, or overmanning, or improper work methods, or unnecessary public works improvements—is an unfair burden upon the taxpayers and upon the nation's economy.

Proper Planning

Tax revenue must be adequate to meet cost of government. This does not necessarily mean that there must never be a deficit at the end of a fiscal year. It does mean, however, that over a short period of years the income must balance the outgo. Proper financial and tax planning will make this possible. The integrity of the national debt must be preserved. Congress must pledge to the people that all surpluses will be used for debt retirement in the immediate post-war period, and must also give assurance that as soon as the peacetime economy assumes sufficient form to permit such a course, a definite plan for systematic debt retirement will be instituted.

Private Venture Capital

Private venture capital must be made available by not taxing the investor so heavily as to preclude him from building up surpluses and investing them in the hope of sufficient ultimate rewards. Net losses, which must be contemplated when capital is ventured, must be treated in a fair manner.

Distributing The Burden

The present method of taxing corporate earnings must be alleviated. It is unfair and repressive of enterprise, and places too great a burden on the business dollar.

When a corporation pays a tax on its net earnings, the tax is, in reality, a tax upon the stockholders. Revenue requirements in the post-war period will call for a relatively high tax on corporate earnings. The least harmful method will be to distribute the tax burden between the corporation and the stockholders by taxing the corporate earnings as earned and *only a part of the dividends when received by the stockholders.*

In concluding its report, the Twin Cities group states:

. . . "It is felt that the post-war period, with its innumerable uncertainties, is no time to attempt to follow ingenious new theories for Federal taxation which will have undetermined repercussions on the economy and pile additional uncertainties upon business management. It is believed that the proposals herein set forth provide each individual the maximum opportunity possible to make his contribution to further increases in employment and income which are necessary if this country is to continue in the post-war period the progress which has made it the greatest nation on earth."

In addition to those previously mentioned, the following recommendations for internal revenue code changes are made by the Twin Cities plan:

Repeal the excess profits, capital stock and declared value excess profits taxes, as well as the 2% penalty imposed for filing consolidated corporate returns, together with the tax on intercorporate dividends.

Permit net operating loss deductions to be carried forward for each of the five succeeding taxable years. For the two taxable years following the repeal of the excess profits tax, permit net operating losses to be carried back for each of the two preceding years, or forward, at the option of the taxpayer.

Retain for two years the unused excess profits credit provisions of the excess profits act, after repeal of the excess profits act itself, and compute the unused excess profits credit just as though the law were in effect, permitting such credit to be carried back for the two preceding taxable years.

In reporting capital gains and losses, include 100% for corporations, and 50% for other taxpayers.

Allow as an alternate tax on corporations the following:

(1) Net Capital Gain. Tax computed on the net income (excluding capital gains) at the regular rates plus 12½% of the capital gains if, and only if, this tax is less than the tax computed on the entire net income (including the capital gains) at the regular rates.

(2) Net Capital Losses. Tax computed on the net income (excluding capital losses) at the regular rates less 12½% of the capital losses if, and only if, this tax is greater than the tax computed on the entire net income (less capital losses) at the regular rates.

Allow as an alternate tax on taxpayers other than corporations the following:

(1) Net Capital Gains: Tax on the net income (excluding capital gains) at the regular rates, plus 25% of the capital gains if, and only if, this tax is less than the tax computed on the entire net income (including the capital gains) at the regular rates (which is an effective rate of 12½%).

(2) Net Capital Losses: Tax computed on the net income (excluding capital losses) at the regular rates, less 25% of the capital losses if, and only if, this tax is greater than the tax computed on the entire net income (less capital losses) at the regular rates (which is an effective rate of 12½%).

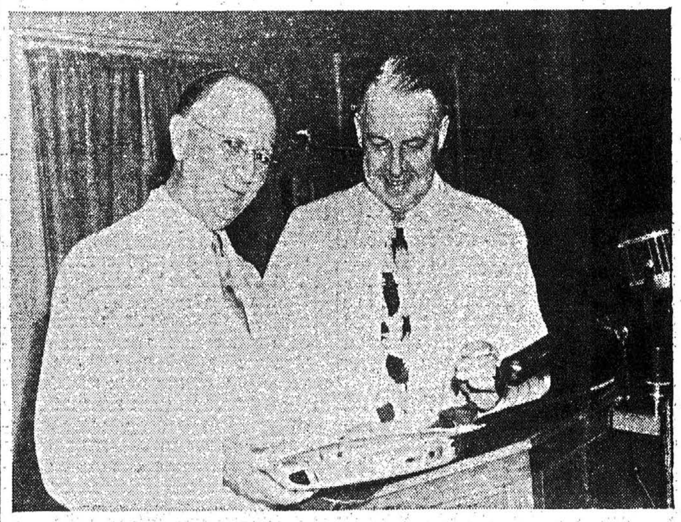
The existing methods of treating gains and losses from compulsory or involuntary conversion and from dispositions of certain property defined as "property used in the trade or business" would be retained. If the recognized gains from such dispositions, plus the recognized gains from such conversions of property held for more than six months exceed the recognized losses from such dispositions and conversions, the net gain is considered as a gain from the sale or exchange of a capital asset held for more than six months. If a net loss results from such dispositions and conversions such net loss is deductible from ordinary income.

A retail sales tax of 5%, with no exemptions.

Retain the withholding and other current tax payment provisions, and make every effort to improve them.

Make any increase in tax rates effective for the following taxable year, and never retroactive, with relief amendments made optional with the taxpayer.

ABA Staff Presents Gift To Paul F. Cadman



Dr. Harold Stonier, director of The Graduate School of Banking and executive manager of the American Bankers Association, presenting a silver tray on behalf of the ABA's staff to Paul F. Cadman, who resigned on June 30 to become director of research and assistant to Henry Kaiser, noted industrialist and shipbuilder.

Dr. Cadman was economist for the American Bankers Association from January, 1940 until June 30, of this year. He was also a member of the faculty of The Graduate School of Banking and one of its seminar lecturers.

"The 5% Rule Is, In Law And In Fact, A Rule"

(Continued from page 171)

take any action pursuant to Section 15A (k) of the Securities Exchange Act of 1934 as amended."

Action by the Commission is, under the statute, appropriate in any matter involving the public interest, the protection of investors, or the administration of the affairs of a registered securities association. All of these subjects are affected by the contents of the rule complained of, and affected as well by the manner of its adoption. As perceived by the dealer on whose behalf this brief is filed, the issues before the Commission therefore are:

1. The subject matter of the rule.
2. The manner of its adoption.
3. The Commission's jurisdiction of and function in the matter.

The Facts

The National Association of Securities Dealers, Inc. is a voluntary association created pursuant to authority contained in Section 15A of the Securities Act of 1934 as amended, and was incorporated under the laws of Delaware on or about Sept. 1, 1936.

Under the statute and under the provisions of its certificate of incorporation, the association was authorized to adopt, and it did adopt, appropriate by-laws for the regulation of its internal affairs as well as rules for the regulation of dealings between its members and the investing public. Article III of said rules, entitled "Rules of Fair Practice," in Section 1, provides as follows:

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The affairs of the National Association of Securities Dealers, Inc., are administered by a Board of Governors elected as provided in its certificate of incorporation and by-laws. Under date of Oct. 25, 1943, the Board of Governors then in office announced to the membership of the association, that the above quoted rule (Section 1 of Article III) was to be interpreted as meaning that,—

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

Thereafter and under of Nov. 9, 1943, the Chairman of the Board of Governors and the Executive Director of the association, referring to the above-mentioned action of the Board, announced that,—

"The general import of this statement and the construction that should be placed upon it is that, when transactions show a mark-up of over 5% on the part of a member, it raises the question as to whether there is a violation of the rule and interpretation. In such a situation, a duty is imposed upon the member to show to the satisfaction of the Business Conduct Committee that no violation has occurred."

In the above-mentioned communication of Nov. 9, 1943, the date of enforcement of the "standards" so set forth was fixed as being the date of receipt by the member of the communication of Oct. 25, but not later than Oct. 31, 1943.

Argument

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."

I

The Rule

The Rules of Fair Practice of the National Association of Securities Dealers, Inc. (Article III, Section 1) speak as follows on what might be called "the greatest and the first commandment":

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

A proper and high-sounding statement of underlying principle with which no dealer, in fact, no right-thinking person in any commercial pursuit, would even think of disagreeing. That rule was duly adopted and was subscribed to by every member of the National Association of Securities Dealers, Inc. Every such member knew, or thought he knew, that that rule and every other rule would stand unchanged and unchallenged until he had spoken. He knew, or thought he knew, that there stood above him no one with power to cross a "t" or dot an "i," to insert a word or add a comma, except upon submission of the proposed change to the franchise of himself and his fellow members. He could be excused for his gullibility; did not the Association's statutes (By-laws, Article VII, Section 1) assure him that the Board of Governors would submit, must submit, forthwith to its members for their vote any rule **or amendments?** Does he now find that, by double talk, the whole arrangement can be made a trap for the unwary and that his signature has been placed upon a blank note?

It is clear that a rule or an amendment must be submitted for vote. By a play upon words the pronouncements of Oct. 25 and Nov. 9, 1943 are not so characterized; they constitute not a "rule," not an "amendment," but an "interpretation." We had a rule, a proper rule properly adopted; next we had an interpretation on Oct. 25; then we had, on Nov. 9, an interpretation of the interpretation. What comes next? Enforcement! Not enforcement of a rule, but enforcement of an interpretation. And let there be no mistake about that word, for in the fifth paragraph of the Nov. 9 letter, two officials of the National Association of Securities Dealers, Inc. fixed the date for "enforcement," and so described it. We submit that anything which can be enforced is, very mildly speaking, a rule; and it is a rule by whatever name called. We submit further that anything which changes the import of a rule is, again mildly speaking, at very least an amendment.

As to enforcement, we find that a member can be censured, suspended, expelled, even fined (By-laws, Article VII, Section 3). We find further that a dealer member can even be sentenced to death—economic death—by being deprived of his standing as a dealer and being forced to buy and sell both at retail (Rules, Article III, Section 25). Again we submit that that should not be true, and cannot be true, except pursuant to a rule. As a matter of plain fact, the enactment of the Board of Governors, however described, is equivalent to a law.

II

Grant of Legislative Powers

The certificate of incorporation of the National Association of Securities Dealers, Inc., standing by itself, is a purely innocuous document. It might have been filed as a charter by A. B. C. & Co., Inc., and would have no public force or public significance whatsoever; it might arrogate to the incorporators power to make the sun rise in the west and set in the east and, while that would be a bit spectacular, no informed person would seriously devote a busy working day to seeing it happen.

When, however, the NASD is registered under the terms of the Maloney amendment and becomes a quasi-public regulatory body, its power becomes a matter of great importance. Then if it claims a power to do thus, or to do so, it becomes appropriate to inquire into the source of the power which it claims and assumes to exercise. Inquiring, we find that it actually is vested with legislative powers, for Article "Third" of its charter provides that it shall have power,

"To adopt, administer and enforce rules of fair practice and rules to prevent fraudulent and manipulative acts and practices, and in general to promote just and equitable principles of trade for the protection of investors."

If this provision stood alone, one would be startled: a voluntary, private corporation vested with such power? A most unwise delegation, and patently invalid! Surely, sight could not be lost of the distinction between public and private bodies in the delegation of legislative powers. Surely, there must be some limit on such a grant.

There is. The delegation which would otherwise be so un-American and so dangerous is strictly circumscribed by the by-laws (Article VII, Section 1) which provides that,—

". . . The Board of Governors, upon the adoption of any such rules of fair practice or amendments thereto, shall forthwith cause copies thereof to be sent to each member of the Corporation to be voted upon. If any such rules of fair practice or amendments thereto are approved by a majority of the members voting, provided, however, that a majority of all members of the Corporation have voted, within 30 days after the date of submission to the membership, and are not disapproved by the Commission as provided in Section 15A of the Act, they shall become effective rules of fair practice of the Corporation as at such date as the Board of Governors may prescribe."

In the charter of the NASD, among its corporate purposes, we find under the number (4),—

"To promote self-discipline among members, and to investigate and adjust grievances between the public and members and between members."

So long as care is taken to see that the enactment of a rule by the governing board which happens at the moment to be in power is submitted for approval to the membership before becoming effective—as is provided by Article VII, Section 1, of the by-laws, there can be a comforting feeling of assurance that **self**-discipline is really being promoted. But if, as is currently reported, some 85% of the membership of the NASD stands arrayed in opposition to a rule, how possibly could it be claimed that the membership is controlling its own actions, and how possibly could such a rule become of force and effect? In no wise other than by circumvention, seems to be the plain answer.

An attempt, an obvious attempt, at circumvention has occurred here. Paying lip service to the law, grasping at the shadow while the substance escapes, the governors would have us submit to an "interpretation" rather than to a "rule."

III

The Board Had No Power

Taken together, the two "interpretations" herein discussed have accomplished a substantive change in Rule 1 of the Rules of Fair Practice. If the change is valid, it no longer consists of the simple 22 words in which it was originally stated, but has had added to it by decree 41 additional words, reading:

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

and 74 more words, reading:

"The general import of this statement and the construction that should be placed upon it is that, when transactions show a **mark-up** of over 5% on the part of a member, it raises the question as to whether there is a violation of the Rule and interpretation. In such a situation, a duty is imposed upon the member to show to the satisfaction of the Business Conduct Committee that no violation has occurred."

All of this change could appropriately be accomplished if the membership desired that the rule be so expanded, but the Board of Governors had no power so to expand it against the will of the membership whom they represent. Suppose that the Board had complied with the by-laws and had actually submitted to the members a proposal to change the rule so as to add to it the provisions now under attack; suppose further that the members had rejected the proposal 85 to 15. Would anyone seriously contend that the Board could override the adverse vote and make the change effective anyway? Obviously not; yet that must logically be the view of the Board, for they contend that they can by a circuitous maneuver effect a change without any vote of the membership whatever. If that be true, and if a vote be unnecessary, then a vote is a meaningless gesture. If the Board have power to pass the law in the first place, and make it effective without a vote, they necessarily must have power to make it effective even against an adverse vote. The by-laws do not so provide.

We can credit the Board of Governors with entire good faith and an honest belief that this or any other change is in the interest of the investing public and of the association's membership. They still have no such power as they assumed to exercise.

The alternative to democratic processes in the adoption of rules is, to vest the Board with plenary power of regulation and eliminate entirely the membership's right to be heard. Even if that would be a good idea, the by-laws do not so provide.

IV

The Merits of the Rule

The dealer on whose behalf this brief is filed seeks no license to make unwarranted or unconscionable 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.

In a stock exchange transaction a service is rendered to the customer by a broker, the service being limited to the filling of an order purely on a price basis, with the member making no representation and having no responsibility as to the intrinsic quality of the merchandise itself. But only a minority of corporations are listed on the stock exchanges. Yet, investors should buy, want to buy, and do buy securities of unlisted companies. To make this possible is one of the important functions of the dealer in the over-the-counter markets. At times such a dealer may limit his services to matching a buy order and a sell order, and bring the two together in a transaction over the counter. In such a case a spread of 5% may easily be adequate. No rule is required, however, in such a case, for wholly apart from the dealer's conscience economics would themselves impose a proper limitation. As a matter of fact, the Board of Governors of the NASD by their 1943 questionnaire found that 71% of the transactions reported were handled at 5% or less even without any limitation being imposed by law or by rule. The new 5% limitation could therefore apply only to the remaining 29% of the transactions handled. These transactions are the ones to which the new rule would apply, and the Board stated in its letter of Oct. 25, 1943 that its philosophy applied particularly "but not exclusively" to riskless principal transactions.

The Board also expressed its conviction that it would be impracticable and unwise, if not impossible, to write a rule as to fair spread or fair profit, or to lay down a percentage or dollar price which would be fair. Yet the Board, by indirection, has attempted so to do.

It should further be understood clearly that the 5% is not a limitation on **profit**, but is a limitation on **spread**. No doubt most dealers would be highly pleased with a 5% profit on all of their transactions, but in many cases they could not possibly eke out a livelihood, or have any proft at all if the spread is limited to 5%. True, the limit is not by its terms an absolute one, but the rule as announced by the Board of Governors makes it necessary that a dealer pierce the ceiling only at his own peril. He even is saddled with the burden of proving his innocence, and doing so in a quasi-criminal proceeding.

The fundamental purpose of the Rules of Fair Practice ought to be the protection of the investing public. That purpose is not served by so limiting the dealer's livelihood and his freedom of action as to make it economically impossible adequately to examine, appraise and service his customers' investments, and properly to advise those who seek his counsel.

Most riskless over-the-counter retail sales are made on the recommendation of the seller, and the value of his recommendation depends upon the accuracy and completeness of his investigation, his capacity to weigh its results, and his judgment in passing upon the facts. The completeness of the investigation depends upon the availability of information, the time spent in gathering facts, and the ability of the investigator to obtain them. It takes ability to know what questions to ask, how to ask them, and of whom to ask them. Vital facts are often available only to a few persons, sometimes only to active associates, and almost always only to those who know what facts are essential. Facts are often made available only to the investigator who has proved by past performance that he can be trusted. Information is frequently acquired only over a long period of time, and a fund of facts regarding a situation has a cumulative value. Furthermore, if a dealer has investigated and has sold to his customers the securities of a corporation, he has acquired a special right to obtain information.

A financial house that has for years carried on careful investigation and developed an enviable reputation can justly charge more for the same security than a dealer can who rendered no such service. In fact, customers of the highest type will knowingly continue to buy from a high price house with a feeling of greater security regarding their holdings. A fixed spread can drive the most valuable advisers out of business, can drive out the very men who are improving the reputation and the standing of the over-the-counter securities business. According to some, if a dealer sells securities to a customer at a price close to the market on the day of sale, and can show him a few points profit in the weeks that immediately follow, the dealer has done well, even if the corporation later falls upon evil times with large resultant loss to the customer. Real investment advice requires something more. Cases come readily to mind where a dealer spends months of his time and thousands of his dollars investigating and weighing the real facts of a security, has recommended it to customers, and has thereafter serviced the customer's investment by representation on the board, by active participation in the management, by assuring the investor that a careful watch is being continuously kept on his financial safety. It does happen that business and professional men sometimes do not render the services for which they are paid, but that is no argument for setting a fixed price on real service when it actually is rendered. Applying an arbitrary measure, 5% or any other, is against the real interest of the investing public, against the real interest of those engaged in the securities business, and against sound thinking, sound economics and good morals.

V

It Is the Plain Duty of the Securities and Exchange Commission to Order the Abrogation Forthwith of the Contested Rule

Under the provisions of the Securities Exchange Act of 1934 as amended, supervisory power over the rules of the National Association of Securities Dealers and of any other such association is reposed in the Securities and Exchange Commission. The framers of the statute plainly envisaged the possibility that, without supervision, the legislative powers delegated to the association could get out of hand to the detriment either of the investing public or of the membership of the association. Thus, in subsection (b) of Section 15A, it is provided that such an association may not even be registered unless it appears to the Commission that—

> "(5) **the rules** of the association **assure a fair representation of** its members **in the adoption of** any rule of the association **or amendment** thereto, the selection of its officers and directors, **and in all other phases of the administration of its affairs.**" (Bold supplied.)

The rules did in fact assure a fair representation of the membership, in that any rule or amendment before becoming effective must be submitted for ratification by a majority vote of the members. The above-quoted subsection, however, clearly implies not only that the rules must be proper when the association is registered, but that they must be **kept** that way; also, that they must be observed. To say that a rule is not controlling is equivalent to saying that there is no rule, and that is not the scheme of the legislation.

But the statutory provisions on the subject do not even stop there. A rule or amendment might still be adopted, legally or illegally, by the governing body of the association after its registration, which might be against the interest of the public or the interest of the members and such a possible situation is covered by subsection (k):

> "(1) The Commission is authorized by order to abrogate any rule of a registered securities association, if . . . it appears . . . that such abrogation is necessary or appropriate to assure . . . a fair representation of its members in the administration of its affairs . . . ."
>
> "(2) The Commission . . . is authorized by order to alter or supplement the rules . . . if . . . it appears . . . that such alteration or supplement is necessary or appropriate . . . to effectuate the purposes of this section with respect to . . . the method for adoption of any change in or addition to the rules . . . ."

Here we have, by whatever name called, a rule or an amendment or a change, and in its adoption the statutory method has been ignored. No fair representation of the members has occurred; in fact, the by-passing device has prevented any possibility of representation. The rule itself is unsound, as has been demonstrated elsewhere herein. The method of its adoption is clearly invalid. It has no foundation of good morality, good economics or good law. It is the duty of the Commission to declare it a nullity.

The record before the Commission contains references to an exchange of letters between the chairman of the District 13 Committee and the chairman of the NASD, dated respectively May 18, 1944 and June 6, 1944. In the latter communication it is stated that the Board's "policy" is not a rule but "a desirable objective or yardstick, neither more nor less." But, let us again remember that the Board's letter of Nov. 9, 1943 provided for **enforcement.** How can a "desirable objective" be enforced? And, whatever a "yardstick" may be, how can a yardstick be enforced if it is not a rule?

We know nothing of the circumstances which attended the writing of the two letters referred to, but it seems significant that the amelioration of terminology which they suggest comes to view only after the petition of May 2, 1944 was filed with the Commission. In this correspondence we sense a willingness to make a strategic retreat, but we suggest that it is too late for retreat. Either the Board's action was valid when taken, in which case no retreat is necessary; or it was invalid when taken and is invalid now, as we contend, in which case no retreat is possible. The so-called "5% Rule" should be by order of the Commission abrogated forthwith.

Chief Nazi Economist Assails Work Of Monetary Conference

Says Germany Will Oppose Interference With Her Currency And Price Fixing Decrees—Opposes Gold Standard And a World Currency

According to a despatch to the "New York Times" from a correspondent in Berne, Switzerland, Walther Funk, German Minister of Economics and present head of the Reischbank, addressed a "gathering of German and satellite economists" at Koenigsberg on July 7 in which he took occasion to denounce the International Monetary Conference now being held at Bretton Woods, N. H. Maintaining that Germany would not tolerate any move toward foreign domination of her currency or price regulations, the chief Nazi economist characterized the Keynes (British) Plan as an attempt to rescue Great Britain from its excessive foreign indebtedness, and thereby save its export position from American aggression. According to the "Times" despatch he declared that "Germany can pursue these debates and conflicting opinions with complete equanimity because she is safeguarded by her social peace and has stabilized her currency."

Herr Funk, according to the "Times" correspondent, then proceeded to denounce the gold standard and any system of international currency, maintaining that money derives its value from the authority of the State and from the labor of her people.

"We in Germany," he is reported to have said, "know that sound currency conditions call for sane and economic principles and the attempts of our enemies to revive the automatism of the gold standard in connection with economic activities is therefore doomed to failure.

"German currency is a national asset and not the medium of international barter. For that reason Germany will never tolerate that the value of her currency shall be determined by foreign Governments or Wall Street bankers or permit Chicago to fix the price of German grain. Whoever influences the value of currency also determines the social life of a nation. For that reason alone it is necessary that we give careful consideration to Anglo-Saxon currency plans.

"We need a new economic order because the old system has collapsed. One cannot bring order into world economy with currency panaceas, but must rehabilitate currency with planned economy.

"Monetary measures alone will never suffice to cure economic disorders, as the value of gold is primarily determined by its monetary disposition. The Soviet Republic is on the side of the United States, which hopes, with the aid of a world currency plan, to conserve the stability of gold prices.

"Such considerations would conform to the interest of the Soviet, which require gold to pay import balances."

In support of Germany's policy of independent action, Herr Funk pointed out that the best method of promoting and facilitating international economic cooperation is for each nation to exploit and develop its own production resources and draft its own directives that will "attune financial and trade problems." He concluded, says the "Times" despatch, that "the starting point for sound international currency regulation in the future must be sought in an orderly adjustment of national economics of all States concerned."

W. Howard Millar Dead

W. Howard Millar, Vice-President of Doremus & Co., 120 Broadway, New York City, the advertising agency, died after a heart attack on the golf course at Valley Stream, Long Island. Mr. Millar had been in the financial advertising business for nearly 30 years and had been with Doremus & Co. since 1931, becoming a vice-president last December.

Harold McGay With Chas. W. Scranton

NEW HAVEN, CONN.—Harold S. McGay has become associated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange. Mr. McGay was formerly with John Witkowski & Co. and prior thereto was with B. W. Pizzini & Co. and G. A. Saxton & Co., Inc., where he was in charge of the stock trading department.

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.

Postpone Hearing

The hearing to determine whether the broker-dealer registration of M. S. Wien & Co., New York City, should be revoked or suspended, and whether the firm should be expelled or suspended from membership in the National Association of Securities Dealers has been postponed by the Securities and Exchange Commission to Aug. 9. The hearing will be held in the Commission's New York office.

Post-War Municipal Finance In The National Economy

(Continued from page 173)

lapping taxes, insufficient regard by one government for the taxes of others, and, especially at the local level, a poor correlation of tax resources with government responsibilities. We cannot, of course, retain our federal system, based as it is on local self-government and a federation of 48 States, without paying some price in duplication and conflict. But the price we are now paying seems unduly high.

In the old days, when the States and localities drew their revenue from property taxes, while the Federal Government depended on liquor and tobacco taxes and customs duties, conflicting taxation was hardly a problem. But, as the sphere of government expanded, conflicts developed. With only a limited number of tax streams to fish in the different governments soon found themselves fishing the same streams. And, in looking for elbow room on the banks of the stream, each government inevitably jostled the others.

By 1941, overlapping use of the same revenue sources characterized about 62% of all local, State, and Federal revenues. Almost three-quarters of all State tax collections and nine-tenths of all Federal tax collections in 1941 were derived from tax sources jointly employed by State and Federal governments. With respect to specific taxes, the Federal Government dominates (that is, collects more than half of total revenues from the given tax source) in net income, death, gift, liquor, tobacco, and payroll taxes. State governments dominate in business taxes and in motor-vehicle license and gasoline taxes. Local governments, of course, dominate in property taxes. Only customs duties and property taxes are completely free from State-Federal overlapping.

Overlapping taxes, together with diversities among State and local tax laws, multiply costs of collection as well as costs and irritations of compliance. For individuals, it is largely a matter of inconvenience or nuisance, as in filling out two sets of income-tax returns or going through two different property-tax assessments each year. This is bad enough. But for complex businesses a welter of conflicting taxes is even worse. Merely in terms of keeping the necessary records and filling out diverse tax forms, businesses are subject to unnecessary and often heavy expense. Moreover, since tax laws differ from city to city and from State to State, both individuals and businesses run the risk of double or multiple taxation.

Even if tax conflicts were confined entirely to the State and Federal levels, the cities could not view the situation with anything but alarm. The cities are subdivisions of the States and anything that adversely affects the States adversely affects local government. The effect may be direct, as in the case of State-local shared taxes; or it may be indirect in weakening the State's ability to serve local government.

Unbalance Between Revenues and Responsibilities

Lack of co-ordination is not, of course, simply a matter of conflicting taxes. It runs much deeper, as we found in the depression of the 'thirties.

That great depression highlighted a basic unbalance that had developed between the revenues available to local governments and the services they had to perform. Taxes fell off sharply in the early 'thirties, but costs of running local government were stubborn and refused to fall off correspondingly. In fact, new responsibilities for relief and public works were thrust on the cities. In the face of limited sources of revenue, they had to turn to borrowing. And in the face of debt limits or poor credit standings, they had to turn to State and Federal governments for aid.

Aside from its RFC and PWA loans, the Federal Government responded mainly by a great expansion of the grant-in-aid system. These aids seemed to promise the locailities a means of carrying out the services demanded of them without being forced to resort to unsound tax devices and borrowing practices. At the same time, the grants-in-aid promised the Federal Government a means of putting a nation-wide policy into effect without doubling up on State and local services. As yet, however, the aid device has not met these goals.

Most students of the subject feel that the grants-in-aid fell short of expectations because they did not have a fair trial. The critics point out (1) that so-called matching grants instead of variable, or equalization grants were used and (2) that only a few selected, often secondary, services were favored to the detriment of broader classes of services that needed support.

The matching principle requires the States and municipalities to match the Federal grants dollar for dollar—otherwise no grant is forthcoming. Since rich States had more dollars to match the grants than poor States, they were able to get more dollars of aid from the Federal Government. Furthermore, the poor States so extended themselves to match the Federal grants offered for selected services that they sometimes had to starve or undernourish other services.

Thomas H. Reed, in his study entitled "Federal-State-Local Fiscal Relations," prepared for the Municipal Finance Officers Association and published in 1942, criticized Federal and State assistance on the ground of its inequities and uncertainty, and because it stimulated local expenditure rather than relieved local tax burdens.

Federal grant-in-aid policy to date has not generally recognized economic differentials among States and regions. It has exerted equal pressure for expenditures on units with unequal resources. Despite the strong national interest in at least a minimum level of education, of public health, and of public welfare—merely the minimum consistent with the democratic principle of equal opportunity for all—no clear-cut policy of underwriting or guaranteeing a national minimum has yet been developed.

Perverse Cyclical Policy

Thus we find unco-ordination not only in taxation but also in the balance, or rather, unbalance between taxation and expenditure at different levels of government. When we add borrowing to taxes and expenditures, we find a still further lack of co-ordination. We find what has been aptly termed "the fiscal perversity of municipal finance in boom and depression."

Or, to put it more simply, municipal finance in the past, instead of helping to even out the peaks and valleys of our business cycles, has helped build up the peaks and deepen the valleys. In the boom of the late 'twenties the municipalities indulged themselves in heavy borrowing, extensive public works, and tax reductions. In short, they magnified the boom. In the depression of the 'thirties, they did the opposite. Instead of joining the Federal Government in a bold attack on deflation, they retreated into their financial shells. They reduced their borrowing. They levied new taxes, especially taxes weighing on consumption. And they cut their expenditures on public works. In other words, while the Federal Government was fighting **deflation** with a public works program and deficit financing, State and municipal financial policies were inadvertently working in the opposite direction.

At present, during the war, the situation is reversed. While the Federal Government is locked in a death struggle with **inflation**, some State and local units have reduced taxes. By cutting property and income taxes, for example, they have put unexpected spending power into consumers' hands just when the national interest demands that consumer spending be cut to the bone. Fortunately, many States and municipalities are following the sound wartime policy of cutting their debt instead of their taxes, and putting their financial houses in order for the post-war period. But when we find that only eleven of our 48 States have specifically authorized their subdivisions to build up reserve funds, we realize what enormous gaps exist in fiscal planning.

Even this very cursory survey of (1) intergovernmental tax conflicts, (2) the bad alignment of municipal revenues with municipal responsibilities, and (3) the "perversity" of local finance, reveals an urgent need for improved fiscal planning at the municipal level. And this discussion in no way presumes to be exhaustive. Such grave problems as those of blighted areas and migration to the city fringes are not within the bounds of this paper; that they are nonetheless of vital importance is illustrated by the fact that here in the City of St. Louis alone, blighted areas annually cost $5.5 million more to run than they contribute in taxes.

True, the war, by inflating tax yields and postponing many expenditures, has glossed over some of the worst defects of local finance. But, in the absence of realistic planning, both the chronic and the cyclical weakness of local finance are bound to reappear after the war. Only if the cities work in advance on their post-war finance problems can they hope to meet the joint demands of sound city government and a stable post-war economy.

Remedies

What can the municipalities as a group do to serve the dual purpose of strengthening their own finances and bolstering the post-war economy? Several possible lines of action suggest themselves:

1. Active participation in the movement to set up a joint Federal-State-local fiscal agency.

2. Co-operation with State and Federal governments in working out a more rational and flexible grant-in-aid policy.

3. Reploughing the field of local revenue, especially the property tax field.

4. Reorientation of local finance to recognize and combat depression and boom by such devices as post-war and prosperity reserves, public works programming, etc.

A Federal-State-Local Fiscal Agency

The problem of conflicting taxation has long since given birth to proposals for establishing a national tax commission or some similar agency. A number of bills have been introduced in Congress in the past few years to set up such a body.

Two recent proposals which are attracting widespread interest are those made by the Committee on Intergovernmental Fiscal Relations (composed of Professor Harold M. Groves of the University of Wisconsin, Dr. Luther Gulick of the Institute of Public Administration, and Miss Mabel Newcomer of Vassar College) and by Messrs. Hansen and Perloff of the Federal Reserve System in their recent book, "State and Local Finance in the National Economy."

The Groves-Gulick-Newcomer committee was appointed by Secretary Morgenthau in 1941 to study and report on the problem of fiscal relations. It submitted its findings to the Treasury early in 1943. In its report ("Federal-State-Local Government Fiscal Relations," Senate Document No. 69 (78th Cong., 1st sess.)) it recommends that machinery to achieve co-ordination be set up in the form of a Federal-State Fiscal Authority. The FSFA (for which, incidentally, our Washington alphabet still has room) would consist of three full-time members, one to be appointed by the President, one by the States, and the third (presumably an expert in municipal affairs) to be named by the first two. The Authority would be assisted by an advisory council representing a wide range of interests. Hansen and Perloff suggest an alternative agency, the Intergovernmental Fiscal Authority, to consist of seven members appointed by the President with the advice of State and local officials.

Either of the proposed joint agencies would be assigned such functions as conducting research and making recommendations on fiscal co-ordination; promoting better government reporting; acting as a "board of appeals" on such matters as Federal payments in lieu of taxes; promoting joint administration of taxes; and supervising the Public Work Reserve.

A co-operative agency could do yeoman service in promoting a co-operative attitude; getting the various governments around the conference table to eliminate conflicts; and stimulating a co-ordinated national fiscal policy embracing all three levels of government. It could serve as the watchdog of the co-ordination movement, protecting the interests of taxpayers and government alike.

Improvement of the Grant-In-Aid Device

One of the major services that a Federal-State-local fiscal agency could perform would be to work out plans for a national **system of grants-in-aid**. As noted **earlier**, our present aid set-up really cannot be called a system. It is actually a series of uncoordinated individual grants. In the interests of certainty and balance in their finances, the municipalities should join hands to work for co-ordination and rationalization of these grants.

The grant-in-aid is not a cure-all. But it can serve as a valuable lubricant for a Federal system. It can in part bridge the gap between the financial resources of local units and the functions they are called upon to perform. It is a device whereby the national taxing power can be brought to serve cities and localities.

How can grants-in-aid be made more useful? Students of the problem have suggested three major steps:

(1) Concentrating aids on several broad services like education and health, in which there is a compelling national interest, instead of splintering them among a number of minor functions. The need for this step is dramatically illustrated by the fact that in 1941 Federal grants to States for grade crossings were greater than its total grants in the field of public health.

(2) Recognition of the need for a national minimum of services, that is, provision not only of straight matching grants but also of differential or equalizing grants favoring the poorer States and cities. In some areas, needs for services far outstrip taxable capacity. For example, the Advisory Committee on Education estimates that in 1935 New York had 9% of the total educational **need** of the country and 21% of total financial **ability**. On the other hand, the 14 Southern States, together, had 34% of educational **need** but only 16% of financial **ability**. It is on discrepancies like these that the case for variable grants-in-aid rests.

(3) Provision for review of grants-in-aid by an intergovernmental agency to which States and localities could bring appeals in cases where the national policy worked an injustice on the particular unit.

Given these changes in Federal aid practices, the States and cities could count, throughout, on a minimum standard of certain essential services like schooling and health, without starving other essential services. And the Federal Government would have a logical mechanism to carry out a nation-wide policy.

The criticism will be made that this is an insidious way for the Federal Government to gobble up State and local powers. In the absence of adequate safeguards, this criticism would have some substance. The power of the purse is very compelling. But safeguards can surely be provided in the grant-in-aid laws, laws which are passed by members of Congress representing not only national interests but also State and local interests.

Moreover, compared with alternatives, expanded grants-in-aid may well be the lesser of evils. Without them, the cities would be faced with the choice of (1) adopting taxes basically unfit for local use, like the income tax or sales tax; or (2) leaving important services without adequate support; or (3) forcing the Federal Government to take over functions which can really be administered more effectively by local officials. Seen in this light, Federal aids properly safeguarded, are actually a device to strengthen and preserve, rather than undermine, local government.

In discussing development of Federal aids, one cannot ignore the ominous movement now under way to amend the Federal Constitution to limit Federal taxes on incomes and estates to a top rate of 25%. Some 15 States have already called upon Congress to approve this so-called "twenty-second amendment." If Federal income and estate taxes were cut back to a top rate of 25%, State and local governments would be the losers. In the face of a 25% maximum rate, it would be difficult, if not impossible, to sustain the aids currently provided for highways, for the aged and physically handicapped, and for agriculture. Moreover, the possibility of extending Federal assistance in such fields as education and public health would almost certainly be destroyed. The whole concept of establishing a national minimum of certain basic services would go out of the window.

The move to put the 25% limit across is steadily gaining ground. Municipalities have a vital interest in this amendment, for it would indirectly result in weakening their power to give the people many important services and would make local finance harder to manage. Purely as a matter of self-interest, and apart from the folly of writing tax laws into the Constitution, the municipalities should vigorously oppose the 25% limitation proposal.

Development of Local Revenue Sources

The foregoing discussion of grants-in-aid is not intended to point the way to the financial salvation of city government. True enough, inequalities of resources and services will always require a Federal hand; weakness of one part of the Federal body affects all other parts. But this does not mean that the cities should lean on Federal aids to bail them out of trouble after the war. If they regard such aids as their financial salvation rather than as a supplement designed to guarantee certain services, they will endanger both the vitality and the independence of local governments.

The Groves-Gulick-Newcomer committee, especially, decries the picture of local units running hat in hand to the central units. The committee points out that it makes little sense for cities to ask the Federal Government to solve their financial problems, since, in the last analysis, the source of the funds on which the Federal Government must draw is within the local units themselves. The committee snorts at what it calls "the spectacle of a city like New York, popularly regarded as the 'gold coast' of a rich country, going through one financial predicament after another, obliged to adopt a sales tax which its mayor had successfully attacked in Congress, and frankly conceding its future dependence on Federal revenues. . . ." In other words, a balance must be struck between the assistance derived from the Federal Government and the more intensive development of independent sources of local revenue.

What direction should such development take? It might, on one hand, take the direction of diversification and greater reliance on taxes other than the general property tax. As a matter of fact, there has been a considerable trend in this direction over the years. The average city now pays only about two-thirds of its bills with money from property taxes. The amount contributed by other taxes has grown during the war. On one hand, locally shared State taxes have contributed larger amounts as State tax yields have risen. On the other, many cities have turned to such measures as admissions taxes, increased license fees, levies on beverage sales, and excise taxes on utility revenues. But since the use of these taxes often involves piling taxes three deep and further complicates a revenue system that is already highly complicated; and since, in addition, local units suffer too much leakage in applying taxes to bases other than property, it appears that the local revenue potential of such taxes is strictly limited.

This consideration leads us to reconsider the backbone of local finance, namely, the property tax. A proposal that has aroused great interest in recent months, largely through the impetus given it by the Groves - Gulick - Newcomer committee, would recast the present property tax into a service charge on landlords and an occupancy tax on tenants and owner-occupiers. The service charge on landlords would resemble the present property tax. The occupancy tax, though long used in Great Britain, would be something new under the American fiscal sun. It would be more personal than the general property tax, being based on annual rental value rather than sales value.

The major advantage of the occupancy tax based on rental value is that it achieves better correlation of taxes with income and with current ability to pay. Its chief drawbacks are that it would require a second valuation of each property in use and that its weight would fall primarily on housing, a field in which national policy calls for an improvement of standards.

Nonetheless, the occupancy tax remains an interesting possibility. It would give the municipalities a foothold in a new revenue field without running hat in hand to central government. It might prove to be just what is needed to prime the property-tax pump.

Municipal Finance in the Fight Against Depression and Boom

The point was made earlier in this paper that State and local governments have shown a peculiar perversity in their fiscal policies. Instead of manipulating their tax, borrowing, and expenditure policies to work against the ebbs and flows of our economic system, they have gone along with the tide and have, in fact, contributed to those tides. In prosperity, their credit has been good, their tax yields have been high, and they have succumbed to the generally expansive feeling which leads to heavy construction programs, large-scale borrowing, and tax reductions. In depression, on the other hand, they ran up against debt limits, property-tax delinquencies, and a weakened credit standing—as a result, instead of bucking the tide of economic contraction, they quite naturally ran with it.

The lesson to be drawn from this experience is not, of course, that local and State governments bear responsibility for cyclical forces that are nation-wide in scope and origin. Rather, it is that the cities and States have a vital stake in high levels of economic activity and employment and can aid materially in attaining those levels. The thing that makes the local tax base productive is prosperity. Anything the local units can do to co-operate with, rather than frustrate, a national policy aimed at a stable and prosperous economy is all to their own good. Acting alone, any given city or State can do little. But acting in concert, the cities as well as the States have the fiscal power to make a telling contribution to post-war prosperity.

What can they do? Although the problem of welding local, State, and Federal fiscal policies into a national fiscal policy is no simple matter, a few devices to get closer to that goal readily suggest themselves.

One of them is a system of building up reserves during prosperity for a rainy day to come. The principle of building up wartime reserves for the post-war period is now very widely accepted as sound State and local finance. This principle can be applied just as well to a peacetime prosperity situation. Wartime reserves serve the dual purpose of neutralizing inflationary spending power during the war boom and providing a bulwark against the post-war slump. Peacetime reserves could be devoted to strictly parallel ends.

The policy of maintaining high tax rates during a boom and cutting tax rates in a slump is good national economic policy, good local finance, and even better personal finance. The easiest time to pay taxes is during a boom. And the best time to spend money is during a slump. Off-peak expenditures on such things as public works not only act as a shot in the arm for an ailing economic system, but generally offer the municipality a chance to get needed work done at costs well below those encountered at the peak of prosperity.

The use of a capital budget also suggests itself as an instrument of sound fiscal planning. Municipalities would know much better where they stand and would have a much better basis for fiscal planning if they divided their budgets into (1) a current or operating budget and (2) a capital budget. Current costs would be loaded into the current budget and capital outlays would be loaded into the capital budget. This would facilitate staying on a pay-as-you-go basis for current expenses as well as proper writing off of capital investments within the period of their useful life.

If they are to follow a successful countercycle policy, the municipalities must also find some way of maintaining their credit standing during depression periods. This again probably calls for intergovernmental co-operation. Hansen and Perloff have suggested the establishment of an Intergovernmental Loan Corporation to provide adequate credit to State and local governments. The Corporation would be authorized to buy State and local securities with Federal monies. It would help to free local governments from pressures to retrench unduly in depression periods. Too often in the past, they have had to reduce services and increase taxes as a prerequisite to obtaining funds from private sources during a depression. The Loan Corporation, operating on the revolving-fund plan, would relieve them of this pressure by providing a back-stop whenever needed.

Imposing legal and economic barriers, as well as traditional practice, stand in the way of countercycle finance at the local level. But the potential rewards, both to local government and to the Nation, of a strong countercycle fiscal policy are so great that the municipalities should bend every effort to break through these barriers.

Conclusion

Post-war planners in the municipal field dare not ignore the cost of fiscal discord between local, State and Federal governments. Their fiscal planning has to proceed in full view of the interdependence of the local and national economies.

Encouraging evidence that municipal officials are aware of the need for harmony is provided in the widespread interest and activity which they have shown in the co-ordination movement. The Municipal Finance Officers Association, for example, is reexamining local revenues against the background of State-local and Federal-local relations. In 1942, its Committee on Local Government Revenues and Activities, headed by Dr. Thomas H. Reed, submitted a searching report on local - State - Federal fiscal relations. Specific points of fiscal contact between Federal and local governments are being examined by its Committee on Federal Fiscal Relations. Another of its committees is examining the fundamental question: "From what sources can local governments best obtain their revenues?"

Brought into focus by planning for the post-war period, the move to strengthen municipal finance by co-ordinating it with State and Federal finance has gained great momentum. Through efforts of bodies like the Municipal Finance Officers Association and the American Planning and Civic Association, the co-ordination movement has a better chance than ever before of moving out of the sphere of **talk** and into the realm of **action.**

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, Moxie, Scovill Mfg., and American Export Airlines.

Bayway Term. Interesting

Bayway Terminal Corporation common stock offers interesting possibilities according to a four page brochure prepared by Adams & Co., 231 South La Salle Street, Chicago, Ill. Copies of this brochure are available to dealers upon request to Adams & Co.

Put and Call Brokers Elect Buckbee Member

Frank R. Buckbee of Buckbee & Co., 42 Broadway, New York City, has been elected a member of the Put and Call Brokers and Dealers Association, Inc.

OUR REPORTER'S REPORT

Bidding for railroad equipment trust issues promises to provide the chief feature of the investment market over the next few weeks, it is indicated by a recapitulation of prospective offerings.

Three roads disposed of blocks of such securities this week, of which the issue sold by Union Pacific yesterday was the largest, involving $8,120,000 of 1¾ per cents dated Aug. 1, to be issued against equipment costing the road $10,150,0000.

Seaboard Air Line sold $2,760,000 of certificates, due 1945-54 as 2s receiving a price of 99.53, while New York, Chicago & St. Louis Railroad received a total of seven bids for an offering of $2,100,000 of certificates which were awarded as 1⅞s on a bid of 99.882.

Chesapeake & Ohio Railway was due to open bids today for an offering of $2,500,000 equipment obligations dated July 15 and maturing in equal instalments from July, 1945 to 1954.

This will leave an issue of Wheeling & Lake Erie, consisting of two series $1,140,000 of Series J and $926,000 of Series K up for bids on July 19, with Erie Railroad scheduled to receive bids the following day on its projected offering of $3,620,000 certificates, dated Aug. 1 and maturing in 10 equal annual instalments.

Way Cleared For Big Issue

Approval by Federal court of the petition of receivers for Missouri Pacific Railroad for permission to participate in a plan to refinance the outstanding debt of Kansas City Terminal Railway, cleared the tracks for that issue, subject of course, to jurisdiction of the Interstate Commerce Commission.

The road is thus free to join with 11 others in placing before the ICC the necessary application for assuming the guarantee of sinking fund and interest on the projected issue of $47,000,000 first mortgage serial bonds of the terminal firm.

Missouri Pacific trustees pointed out to the court that the refinancing, if allowed, would mean a saving to the Terminal Company of some $24,000,000 over the life of the new bonds.

Encouraging Response

Underwriters and dealers were admittedly cheered by the response which greeted the first corporate undertaking in the wake of the Treasury's Fifth War Loan Drive.

The marketing of the $10,000,000 of Quaker Oats Co. 20-year 2¾% debentures, priced at 99¾, though not a bid deal, as such ventures are measured these days, was regarded as a good "feeler" after a lapse of fully a month.

It required scarcely two hours for the syndicate managers handling the deal to announce that the issue had been oversubscribed and the books closed.

New Orleans, Public Service

New Orleans Public Service Inc., now looms as the likely first issuer to reach market on the new wave of public utility flotations by way of refinancing.

It is now expected that this company will receive bids July 25, or thereabouts, for its projected offering of $34,500,000 of new first mortgage bonds, due to mature in 1974, along with 77,798 shares of new preferred stock.

Banking groups are pretty well organized with the expectation of entering bids for the issues. Proceeds from this financing, plus corporate funds in hand, will be applied to outstanding first preferred stock and a number of 5 and 6% bond issues now in the hands of investors.

Single Bid Rejected

Plans of Northern Indiana Public Service Co. looking toward refinancing of its outstanding preferred stocks, struck a snag this week, when the offering of new preferred brought only a single bid from bankers.

Response to the company's call for bids for an issue of 220,078 shares of 5% cumulative preferred, was a single tender of 101, indicating compensation to bankers handling exchanges of the old stock, or absorbing the new shares, of $659,769.

Directors rejected the banking bid, but without any formal explanation. Presumably the prospective issuer will try again after a reconsideration of the deal.

Post-War Possibilities

Moxie, Dumont Laboratories, and Majestic Radio offer 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.

Metallic Money Or Managed Currency?

(Continued from page 175)

the element of instability into the whole price structure. This is what led our government to demand the surrender to it of all stored gold in coin and bars in 1933.

"Such as are inclined to hoard have many fields in which to practice, all of them open, without encroaching on the one and only preserve which, by every right, primarily belongs to the community. Some may properly raise the question of the freedom of the individual to do what he pleases with his own property, and this point, too, deserves consideration. But, **as between tolerating hoarding and facilitating hoarding there is a broad distinction which should be recognized by all concerned and dealt with accordingly.** By all means, let us preserve the individual's freedom of action, but let us deny him all public facilities to indulge his whim at the expense of the community. **No common carrier should be permitted to transport, no depository to store, no insurer to cover gold and silver, in coin or bar, on private account.** We should except—and license—producers, refiners, manufacturers and banks. Thus, when the currency once more becomes redeemable in gold or silver on demand, the individual could transport his hoard in his own conveyance, cache it in his own privately owned strongbox and stand guard over it. His freedom of action would thus be respected while the community could forthwith dismiss all fears of an undue rarefaction of its means of payment.

"There is a strong tendency to control the movements of capital over the exchange. Here again the freedom of the individual is threatened by those who fail to differentiate between speculative operations and legitimate transactions. For mass movements of capital seldom occur which are not superinduced by speculative excesses which, by undermining confidence, ultimately lead to panic. Be it remembered in this connection that a speculative exchange operation cannot take place without the cooperation of a bank. That no one can sell "short" a given amount of foreign currency unless a bank is willing to lend it until the contract matures. Regardless of the profit involved, **no financial institution should be permitted to aid and abet exchange speculation.** All contracts for the sale or purchase of foreign exchange for future delivery should be carefully scrutinized and their legitimacy established before being accepted. A simple order by the Central Bank would insure compliance by all member institutions.

"If hoarding is discouraged and exchange speculation is outlawed, two of the major obstacles to monetary and price stability will have been removed.

"Currency managers attempt to control prices within national limits and, to do so, they needs must cope with external factors to which internal prices react. In so doing, they at once invade foreign fields, inviting retaliation in kind which leads to economic warfare — the straight road to armed conflict. In lieu of a practical international money system, and to perpetuate their baneful rule, these die-hards proffer clearing agreements to be superimposed on a hodgepodge of dissimilar, often clashing, monetary policies. Heedless of the shifting sands at its base, these architects are busy shingling the roof of our future monetary edifice. In contrast, the advocates of metallism offer a common medium, tested by time and sanctioned by custom and tradition. Unlike currency management which is shrouded in mystery and practiced in secrecy, their system functions in the open. Of course, metallism imposes a certain discipline on all participants, but that is as it should be, for confidence and well-being are born of orderliness and restraint. Not so currency management which is non-cooperative in essence, manipulative in character and, in practice, defiant of any rules or restrictions whatsoever.

"When victory is won in Europe, a great part of that continent will be in ruins. With its population decimated and impoverished, its material resources disorganized when not completely destroyed, Europe will require a decade to resume normal life. Spurred by its dire needs and its determination to survive, it must accept competition on any terms. In this connection, it might be useful to review our experience during the interbellum period, when the sheer pressure of economic necessity engendered that extreme nationalism which divided former allies and which expressed itself in economic warfare waged with particular ferocity in the monetary field. Those whose sole desire was the achievement of favorable balances at some one else's expense adopted the system of currency management for the purpose. Different expressions of the same desperate nationalism were found in tariffs, quotas, exchange depreciation and controls which reduced the volume of trade and spread unemployment everywhere. Thus was the ground prepared and the road paved which later was to be traveled by the dictators. It will be for us and our allies to decide whether that tragic blunder is to be repeated.

"By what practical method are we to avoid it? If the principle of lend-lease was established for the purpose of facilitating a common war effort, would a common peace effort be deserving of less? Under lend-lease we didn't give away the products of our farms and factories—we armed our allies against our enemy who, incidentally, was also theirs. When peace comes, we need not give away our stocks of precious metals, but we should lend-lease part of them for our defense against our other enemy—unemployment — which, incidentally, is also our common foe.

"Scattered throughout the world are vast amounts of gold and silver in the shape of coin, specie and ornaments of all kinds and description available for coinage into money, provided mints are opened for the purpose. Maldistribution no doubt exists, and it is precisely herein that lend-lease can bridge the gap, provided it is practiced with the sole objective of restoring a workable international money system. A first step would be the economic pricing of both metals by common agreement. The second would be the protection of the precious metals and the exchanges from abuse by hoarders and speculators through the adoption of those legal measures already suggested. We could then open the mints to free coinage with the certainty that the system would work because no individual nor group could seriously threaten it. Provided the chief trading nations adopted the metallic system, **and agreed to protect it,** currency management could no longer be practiced against them. For noncooperators might buy, but could neither transport, store nor insure metal once they bought it, if the facilities to do so were legally denied them.

"The maldistribution of the money metals is being slowly corrected. Gold is flowing out of our country in substantial amounts, and if we succeed in losing half our stocks, the problem will take on a different and better aspect. The countries of the Southern Hemisphere will, by their very possessions, have a new interest vested in metallism. Russia's gold fields, undisturbed by the war, must soon produce in increasing quantities. The same may be said of South Africa, Canada and Australia. It is Western Europe, the Near East and the Far East which will be in greatest need of metal, and it is there that lend-lease can do most good. Were silver to be remonetized, it would further simplify the common problem, for, as matters now stand, the price relationship between the two metals has lost all economic significance. Although produced in the ratio of 7 to 1 to gold during the past five years, silver is selling at about 1/70th the price of gold. When contrasted with a 7 to 1 production ratio, a 70 to 1 price ratio cannot endure in a free economy. Nor does it make sense, with that country's strong financial position, that India be starved of silver by import restrictions and its masses subjected to competitive bidding for the few ounces of gold so reluctantly offered by government at its fortnightly sales. The skyrocketing by some 2,000% of the Chinese price level is not alone an indication of the scarcity of goods; it is also evidence of the dwindling value of the Chinese currency which only hard money backing could stabilize. But where is this hard money to come from if gold alone is to carry the burden of world finance? The mere raising of the price of gold, whether or not suggested by its producers — whose altruism, perhaps, need not be taken for granted—is no solution, because the quantity principle applies to gold as to all other things, so that **"we cannot achieve an economy of abundance on a scarcity system of money."***

"Those concerned with the problem of money and prices, while aiming at stability in both, must realize that the economy is not static, and should give the natural forces room for that interplay which makes for equilibrium where dynamics are involved. Because money is but one element whereas the price structure is composed of so many, it follows that monetary stability may more easily be achieved than price stability. Even fixity of money is conceivable, whereas fixity of prices would entail so complete a regimentation of all human activities as practically to stifle life. When contrasted with currency management, metallism offers that measure of fixity which weight and fineness constitute, while elasticity is provided by the continuous production of the money metals. Thus is the volume of basic money maintained in a reasonable ratio to the growing volume of those things that money would measure. Moreover, metallism affords to all countries the means of harmonizing international responsibilities with national interests in the economic field because, everywhere, the instruments of exchange would be identical in nature. Under metallism, money truly talks a universal language. Why, then, erect a new Tower of Babel by adopting managed currency?

"Never before has the machinery of production and distribution been so highly developed; never so well geared as to yield dividends in well-being for all mankind. One cog is missing—that cog is money. All that is needed to perfect the mechanism is but a modicum of wisdom, of ingenuity and good will in applying those elements which a kind Providence has placed in our hands. Why not use them?

"In recent monetary discussions it is to be noted that the matter of national sovereignty has been stressed with particular emphasis. From this ostentatious refusal to 'abdicate' certain 'rights,' there issues the unmistakable odor of non-cooperation, which no amount of drenching with the essence of 'sovereignty' will remove. It is a lame excuse which does not explain how any cooperative effort can succeed if all concerned insist on the retention of prerogatives which they would have us regard as sacrosanct. For we cannot 'have our cake and eat it too,' nor can we aspire to a common money system unless all concerned contribute to its creation. At this juncture it may be useful to inquire as to how managed currency functions and how to cope with it:

"Currency management is achieved by the combination of three distinct sets of operations, one internal, two external, each indispensable to the others, so that the success of management depends on the coordination of the three.

"The First is the internal regulation of the currency by means of **open market operations,** whereby currency and credit are expanded or contracted. Foreign short-term funds are thereby attracted or diverted according to the dearness or cheapness of money rates as contrasted with those ruling in other centers.

"The Second is the equilibration of the country's foreign commerce by **subsidies and quotas** (exchange and other controls being variations of the same principle). Subsidies create artificial cost differentials between nations, while quotas obstruct natural imports, causing them to back up onto the markets of origin, glutting them and breaking prices.

"The Third, and by far the most important, is the external regulation of the currency by **manipulative exchange operations** whereby the value of the currency, in its relation with other currencies, is either raised or lowered.

"As costs everywhere are figured in terms of the local currency, alteration in the value of a currency unit, in its relation to other units, produces cost differentials favorable to some, unfavorable to others. The ensuing disequilibrium enforces price readjustments to meet the new, artificially created, levels. Thus, through no act nor desire of their own, countries are compelled to readjust their price structure to suit the needs or convenience of alien currency management. And this process is as continuous as that carried on by management.

"Distinct from legitimate exchange transactions, based on the flow and ebb of international commerce, manipulative exchange operations infringe and impair the most sovereign right of nations — that of controlling the value, or purchasing power, of their own currency. They are a direct invasion of a country's economy in that they constitute intervention by one nation into another's internal affairs. Any country practicing currency management by means of manipulative exchange operations should, and can, at once be stopped by being denied the facilities essential to the completion of its exchange transactions.

"An exchange operation is completed only when its proceeds are converted into tangibles which can be exported from the country whose exchange has been bought: otherwise it remains a mere credit entry on a bank's books. If a country buys the exchange of another, then converts that exchange into gold, and either earmarks that gold or exports it, the transaction is completed — the operation is 'covered.' But if the exchange purchased cannot be converted into gold (or other tangibles), the operation remains open and 'uncovered.' Until he chooses to liquidate his position the buyer is 'locked in.' He will know what he paid for his exchange in terms of his own currency, but he never can know what he will receive for it until he has liquidated his position. His is the risk — his the gamble — and **currency managers don't gamble.**

"If it be true that by their imports and exports all countries are interdependent, and also true that, as trade naturally gravitates to the premium markets, prices everywhere act upon, and react to, all other prices, then it is equally true that currency management, by attempting to control internal costs and prices, perforce must reach out and interfere with foreign costs and prices. This, of course, cannot be tolerated. And so, by way of disillusioning those who might still plan on our tacit cooperation in the management of their currency, it is suggested that the following policy be adopted and proclaimed:

"'When hostilities in Europe cease, and until the United Nations shall have agreed on a common monetary system, for the establishment of which the Government of the United States will continue to strive, gold and silver imports to and exports from the United States will be embargoed. No metal will be earmarked against dollar balances, domestic or foreign. The Treasury will continue to buy all the American production of gold and silver at the legal price, but will only buy or sell gold and silver in foreign markets when, if and as it deems it convenient or profitable to do so.'

"BE IT REMEMBERED, That foreigners would thus be placed on an equal footing with American citizens to whom convertibility of the currency into gold is being temporarily denied. That unmined gold in South Africa, Canada, Australia, Russia, Mexico, Peru, etc., exceeds in volume the refined gold stocks of the United States. That the future status of gold constitutes a world — not merely an American — problem. That unless priced by common agreement, gold loses its monetary significance and becomes a mere commodity to be exploited for profit."

*Sir Charles Morgan-Webb.

Does Not Look For Post-War Increase In Price Of Gold

(Continued from page 176)

the banking system was unquestioned, it was only 8.7%. For purposes of calculating this ratio, member bank deposit liabilities have been substituted for member bank reserves at the Reserve banks, interbank deposits have been taken net, and Government deposits with member banks have been included although no reserves are now required against such deposits.

"(b) A potential source of improvement in the reserve position exists in the stabilization fund. In 1934, $2,000 million of the so-called profit from devaluation was set aside as a stabilization fund. Of this amount $1,800 million remains as gold and could be added to the Federal Reserve System.

"(c) The bulk of the demand for money in circulation has been supplied by Federal Reserve notes. On June 28, 1944 outstanding Notes made a high of $18,832 million compared with a 1939 high of $4,980 million. The reasons can only be surmised, but the principal ones are believed to be: higher payrolls to people not accustomed to bank accounts or who have moved and have not established new banking connections; more pocket money due to higher prices and larger incomes per capita; use of cash instead of checks for "black market" operations and tax evasion; and currency payments to the armed forces. The demand continues but inasmuch as it is not the result of any question as to the solvency of the banks, it is reasonable to expect that in time it will be reduced, and eventually, although perhaps not until after the war,

On Winning The Four Freedoms

(Continued from page 171)

pelled, therefore, to use such occasions as this radio broadcast to seek from the President, both as President and candidate, information pertinent to the great decisions upon which not only the destiny of America but the world's hope of peace depends.

I begin by gladly assuming the sincerity of the President's belief in his Four Freedoms and the value of the contribution which he made in his first term to social progress. I am aware that the military forces over which he is Commander in Chief, stand on the threshold of speedy victory. Our great need is already not so much for Dr. Win-the-War as Dr. Win-the-Peace. If, then, in this campaign, I ask sharp questions, for instance, about the effect of a fourth term on democratic institutions, it is not because of particular suspicions of the intentions of the man, Franklin D. Roosevelt, but because of my suspicions of the effect upon any man of so long a continuance of the vast powers of the Presidency. Few, indeed, are the exceptions which history records to the rule that "power corrupts and absolute power corrupts absolutely." Please remember this preliminary statement as I begin my questions to Mr. Roosevelt, first on the all-important problem of winning the earliest peace that will last.

It is true that the most stupendous aggregation of military power in history will soon bring the Allies victory, even if that military offensive is not paralleled by any political offensive, based on a clear statement of peace aims, directed not to Hitler but to the minds and hearts of the people of the enemy countries—yes, of the world. But if such a political offense even at this late date should so weaken enemy resistance as to shorten the war by one day or spare one American boy from agonizing death, if such an offensive would save one European town from the kind of devastation that war, even for liberation, has brought to scores of the towns and villages of Italy and France, is it not unforgiveable to neglect it? And since the principles behind such a peace offensive are exactly the principles upon which the winning of a lasting peace depends, is it not, Mr. President, a thousand times worth while to assert them in words that the humblest peasant, not only in Europe but in Java or Burma can understand?

It is terribly clear that there has been no such statement of the positive aims of the United Nations. The demand for unconditional surrender is no substitute for them. That merely masks the divisions among the United Nations themselves, while it tends to unite to the bitter end the peoples of the enemy countries and their rulers. Surrender will not really be unconditional. In Italy, that high-sounding phrase meant in reality a long series of negotiations, not with the forces of a rising democracy, but with the King and Badoglio, without whose support Mussolini could not have come to power, or held power, or entered the war as Hitler's jackal. And today we read that workers in liberated Rome get less than under German rule.

The war nears its end in an inferno of destruction, yet our American boys are left to guess the kind of peace for which they fight and die. What little information we have had concerns the post-war machinery for enforcing peace, rather than the nature of the peace we are to enforce. Hence this inquiry.

Mr. President, the plan which you have called "the great design" sounds to most of us like a revised League of Nations, more definitely dominated by the Big Four, in reality the Big Three, than was the old League by the major powers. The only great difference will be that America will be in rather than out. Now, as you may remember, back in 1932, when you and your party did not approve of America's entry into the League, I, on the basis of my party's platform, approved it under certain conditions. I can not therefore be accused of enmity towards the League. But will you not agree, Mr. President, that it is nonsense to say that the League which broke primarily on European problems, was damned by the failure of America to join it? Was it not rather damned by its own inherent weaknesses, by the rival imperialisms which the Peace of Versailles perpetuated, and by the impossibility of managing a Europe organized in a crazy-quilt of nominally sovereign powers most of them quite unable to support their sovereignty? And, today, is it not inevitable that Europe between the borders of Russia and the English Channel will be the football of the rival power politics of Moscow and London, unless a Europe of free nations can gain strength through confederation on the Swiss order or at least through strong regional federations? On the basis of what happened at Teheran, are we not underwriting Russian and British power politics and so committing ourselves eventually to a third world war?

Even more serious is the situation in Asia. Is it not true, Mr. President, that even the Japanese have already granted to the territories which they conquered, a degree of self-government which the United Nations have never promised? Granting that British Imperialism is better, or less bad, than German or Japanese, can a restored British Empire in South East Asia last for a generation except as—perhaps—it may be held together for a while by American power at appalling cost to every American home?

I am aware that some of your words and still more explicitly those of your Vice-President, have given a little encouragement to colonial peoples to hope, but the official declarations, notably that at Cairo, have been ominously silent. And they, not your private wishes, are what count. It is, for example, commonly understood that you agree privately with the unanimous vote of both Houses of Congress that an effort should have been made in other countries, as it was made in Greece, to feed the children of Hitler's victims, but in action you felt compelled to appease Mr. Churchill. The American people, Mr. President, are wondering what further concessions to new war you may have made to appease Mr. Churchill or Marshall Stalin?

You have no right, on your own record, to resent this question. You were insistent in the last campaign that you would keep our boys out of foreign wars and that your acts which logically led to war, were directed to peace. Those acts, we have just learned, included the destruction by military violence of two German weather stations on Greenland three months before Pearl Harbor.

I opposed American entry into the war in the belief that, at peace, she could better serve democracy at home and, in the long run, throughout the world. But I always recognized the strength of the case that could be made, openly and frankly, for our entry into war against the cruel German and Japanese aggressions. Whatever your motive, was not the Machiavellian process by which you manipulated the people towards war injurious to a democracy that rests upon truth and to the understanding on which lasting peace must depend?

This seems particularly true of your relations with the Japanese Government which you so long appeased and against which we were so ill-prepared. Only recently, Secretary Hull has insisted that the Japanese attack at Pearl Harbor was a pure and unprovoked surprise. I have questioned Mr. Hull—so far without answer—on his statement. I join in condemnation of Japanese imperial aggression and of the attack on Pearl Harbor without declaration of war. But I still ask whether, as Mr. Churchill believes, you would have put us into war anyhow. Did the British Prime Minister know more of your intentions towards the Japanese Government than the American people? That he did seems evident from his uncorrected statement to the House of Commons on Jan. 28, 1942, that you led him to believe at the Atlantic Conference, "that the United States, even if not herself attacked, would come into the war in the Far East."

I raise these questions, Mr. President, from no desire to stir up old controversies, but because our attitude to enemy peoples in part may depend on the answers, and because we have a right to know now, not too late for correction, the commitments you have made to our Allies.

No one knows better than we Socialists that there is no easy road to peace in a world in which the complete elimination of Germany and Japan would leave so many hates and so many rivalries for power and profit. But we shall march straight into a third world war, far worse cursed than this by robot bombs and obliteration bombing, unless we can enter the road which leads to a federation of free cooperative commonwealths. History and logic alike make it clear that no alliance of rivals can endure nor will the power of the Big Three go unresented. It is not a cartel of empires but economic and political cooperation of peoples who will begin to practice mutual forgiveness and find other relations between the weak and strong than imperial exploitation, which alone will save democracy in America and bringe pace to mankind.

I have not time to do more than raise very briefly certain other questions. They are all bound up in the winning of a decent world. Will you, Mr. President, in this campaign tell us specifically how you expect after the war, to provide the full employment which was never provided until Dr. New Deal became Dr. Win-the-War? Can we leave our natural resources and monopolies in private hands and then save ourselves from disaster by orgies of government spending at the price of a vast increase in interest-bearing debts? Is this your proposal? If not, what is?

What progressive social legislation have you in mind, or had you come to the end of your plans by 1937? Where do you stand on the conscription of labor in war and peace? And on permanent military conscription of all our youth after this war?

No one doubts, Mr. President, your personal good will to men of all races, yet you almost killed your own Fair Employment Practice Commission, you have countenanced racial discrimination in the armed forces and you have never put your official power behind the drive for anti-lynching and anti-poll tax legislation. What do you now propose to do in this dark field of racial strife?

The political reasons which have silenced you are bound up in a party alignment in America which jeopardizes democracy. Do you believe that a party like your own, which rests organizationally on the Southern Bourbons like Bilbo and the Northern bosses like Hague, both of whom, especially the latter, you have continuously appeased, can ever be the vehicle for achieving plenty, peace and freedom?

My questions, Mr. President, have followed the major divisions of the Socialist platform, which in your busy life you may have overlooked. I am, therefore, sending you a copy, so you will know our positive case for achieving your four freedoms—and mine. You may find it suggestive, as you have found former socialist documents.

And I am inviting you, my listeners, to consider this speech, alongside of our platform which you can get by writing to the National Headquarters of the Socialist Party, 303 Fourth Avenue, New York City.

We are in the deepest earnest when we tell you that we are in this campaign solely because we believe that plenty, peace and freedom for yourselves and the generation of your little children, whom you long to save from war's worse destruction, depend upon the principles we have set forth. Leadership is important but no blind trust in any leader can save you. You can save yourselves, but not until you will make political action mean far more than it means today in America. And that requires a great Socialist vote in 1944.

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a return flow is anticipated. The return of a substantial part to the banks is an important potential source of post-war improvement to the banking position. The suggestion has been made that if the demand continues, Reserve banks should issue Federal Reserve Bank Notes which are secured by Government securities, instead of continuing the issue of Federal Reserve Notes which require a gold reserve.

"(d) The Federal Reserve Act requires payment of a penalty if a Federal Reserve bank fails to maintain gold equal to 40% of outstanding Federal Reserve Notes, and gold and legal reserves equal to 35% of deposits. These ratios may be changed by law, and in the past a 25% minimum has been mentioned. Of course, neither a reduction of reserve requirements nor issuance of Federal Reserve Bank Notes would improve the real banking position, but they indicate the expedients that can be used before a revaluation of gold is necessary.

"The high prices for gold in the world's free gold markets," concluded the author, "are the result of special war-induced circumstances and are unlikely to have an important influence on the U. S. price for gold; the condition of the Federal Reserve System is stronger than indicated by published figures, and can be strengthened and its weaknesses mitigated by various means; present indications are that international currency stabilization without a return to a free gold standard will be attempted; and in the immediate post-war period the problem will be to prevent an inflationary rise in prices until production of peacetime goods is again available and the deferred demand satisfied.

"In our opinion, during the war or the immediate post-war period, it is unlikely (a) that an increase in the U. S. price of gold will be forced by monetary or foreign exchange conditions, or (b) that a voluntary increase will occur because of the desirability of avoiding all measures likely to stimulate inflationary tendencies. Under such conditions, the purchase of gold mining stocks as hedges against possible dollar depreciation does not seem timely. This conclusion, however, does not preclude the purchase of stocks of good gold mines for diversified portfolios, nor of speculative issues based on ore body developments, provided they are reasonably priced without the benefits of an increase in the price of gold.

"The above conclusions are limited to the war and to the post-war period during which the anticipated post-war demand is being satisfied. Gold prices beyond that period have not been discussed because of the greater number of uncertainties and because such time is too far in the future to be of current financial importance."

Nat'l City Bank Holds Time Is Not Ripe For Monetary Stabilization

(Continued from page 173)

"While the international bank has not been discussed as much as the fund, the objections from the standpoint of magnitude and credit risks are equally great. In fact, with the much more complex and technical nature of the bank credits involved, it becomes even more important that decisions should not be made by a bank the majority of whose directors are debtors.

"Fortunately, the choice before the conference is not just between the plan of the experts and no plan at all. There are certain things that can and should be done at this time.

"The first of these is the provision of some permanent machinery for continuing international consultations on currency matters. This might take the form of some kind of council or institution to serve as a regular meeting place and focal point for study and discussion. Such an organization could be immediately useful in dealing, for example, with the question of money for occupied territories. In this way a habit and procedure for collaboration would naturally develop that would be helpful later on in fixing the value of currencies and in meeting other problems in connection with the repairing of the shattered fabric of international trade and exchange. There is no reason why consultation should wait on the perfection of credit arrangements which are in fact not needed for some time to come.

"The second of the steps that needs to be taken now is the formulation of a program for aiding Great Britain in reestablishing her monetary and trade position, and particularly for dealing with the special problem of her war-panded "blocked" balances. This is one of the key questions that needs to be dealt with as a preliminary to determining exchange rates and reestablishing multilateral trade and clearings.

"It is wholly fallacious to think of most of the countries of the world as devoid of purchasing power and dependent upon this country for huge credits in order to get going after the war. The fact is that, as a result of vast expenditures by both Great Britain and the United States, the rest of the world has accumulated huge reserves in dollars and sterling—to the extent that many countries are threatened by serious inflation. For example, South American countries already have over $3,000,000,000 of gold and dollar exchange, while international sterling balances accumulated in London are estimated as high as $8,000,000,000. Even some of the occupied countries, notably France, have substantial holdings of gold in safekeeping abroad. The countries that will have little or no foreign purchasing power will be limited.

"The question of credit needs thus boils itself down largely to a British problem which we and the British ought to be able to deal with between ourselves outside of any blanket monetary program."

Rail Situation of Interest

Grand River Valley Railroad first 4s of 1959 offer interesting possibilities according to a circular being distributed by Adams & Peck, 63 Wall Street, New York City. Copies of this circular may be had from the firm upon request.

Municipal News & Notes

Barring developments of an extraordinary and now unforeseeable nature, there is every reason to expect continued strength in municipal bond prices for the duration of the war, at least, Halsey, Stuart & Co., Inc., point out in the current edition of the firm's annual Mid-Year Review of the Municipal Bond Market. It is also questionable, the firm says, whether even a cessation of hostilities will be accompanied by any significant change in the basic factors responsible for the present high price level.

On this point, the bond house observes that until "the Federal debt is put on a permanent basis, interest rates must be kept low," and while taxes must necessarily continue at "burdensome levels" even after the war ends. Furthermore, while the return of peace will result in an expansion in the volume of municipal financing, it is "debatable" whether the level of borrowings will attain the peak generally anticipated in various quarters.

The present level of municipal prices may well prove to be the absolute high, the bond house indicates in saying that "it is difficult to anticipate logically any further important gains." In elaborating on this thesis, the review notes as follows: "Certainly taxes now approximate the peak of their potentialities, interest rates can hardly be lowered without weakening incentives for accumulation and, with any prospect of peace, the volume of new issues should expand at least moderately rather than contract further."

Turning to the post-war outlook, the Review states that the trend in prices and emissions will be determined by national and international policies and by the general economic situation, particularly in such matters as the volume of production, taxation, inflation controls and, above all, the latitude or lack of it allowed to private enterprise in working out its own and the general problems."

While commenting on the existing favorable financial status of most state and municipal governments, the opinion is expressed that "caution is necessary if, based on existing favorable conditions, we are inclined to be overly optimistic about their continuation after the war. The cost of municipal government will almost certainly be higher in post-war years. The higher wage level, the increased personnel necessary to resumption of normal, possibly expanded operations, the increasing introduction of pension and retirement plans and the higher cost of materials, all point to higher costs. A very large amount of deferred maintenance must be made up and demand will arise, often from sources which will carry but little of the cost, for improvements which if authorized will add not only to debt, but to costs of upkeep as well.

"Whether increased taxes will parallel these increased demands depends primarily, as has been said, on economic conditions. It will also depend on a proper allocation of taxing powers between the Federal and the local governments. Through income and excess profits taxes, the Federal Government now has first call on the taxpayer's purse. If national income is well maintained in post-war years, the requirements of both branches of government can be adequately met, but if reduced to a point where taxpayers cannot meet the combined demands, the local governments will be the chief sufferers."

On the question of post-war debt control and new emissions the Review has this to say: "Post-war planning by states and municipalities has assumed almost universal proportions. Many of the plans are idealistic and grandiose, made with far less consideration of costs and ability to pay than hoped-for benefits. Granting the desirability of looking ahead and of building to a plan rather than haphazardly, sight should not be lost of the vast Federal debt which we shall inherit from the war, which debt must be paid from the same pockets as local needs. Nor can we overlook the increased costs of municipal government which must be expected even without desirable but non-essential additions to existing facilities."

Those who reason that a large outpouring of new state and municipal bonds can be confidently expected in the post-war period are, according to the Review, "influenced too much by acceptance of blue prints as actualities and by analogy with the situation following the last war when, it is true, there was a pronounced upturn in the volume of state and municipal flotations. The Federal debt then was, however, vastly smaller than what we shall have this time, nor had we at the end of the last war the painful experience of a post-war deflation to temper our post-war enthusiasms."

Although Halsey, Stuart & Co. Inc. question the reasoning of those who contemplate a volume of post-war municipal borrowings in unparalleled amounts it states that "some increase from recent levels must, of course, be expected. Very probably there will be an increase in the volume of revenue bonds, together with reasonable increase in direct obligations to pay for accumulated needs of the war years and the really essential requirements of the post-war period. Particularly will this be true of those areas which experienced large growth during the war and which are able to hold their gains in the years to follow. As a corollary to this, however, consideration must be given to the permanent losses in industry and population suffered by certain other cities and areas, which, in consequence, will have less need and capacity for capital expenditures than before the war."

Carrying Water On Both Shoulders

(Continued from page 171)

mittee, the Commission ruled that all briefs were to be exchanged and filed within two weeks, and the parties were to have an additional week within which to reply.

Information comes to us now that the **Securities Dealers Committee** filed its reply brief. Whereupon the NASD after gaining physical possession of it, applied to the Commission for more time. While we learn that the Commission rejected this request, the fact remains that, for the second time, the Association sought an advantage to which it is not entitled, the filing of a rebuttal brief under the alleged guise that it is merely a reply brief.

This whole set up and attitude makes us wonder whether NASD's conduct and crassness is based upon the belief that the issues are before a friendly forum sympathetic to the policy which has been foisted upon securities dealers.

We re-assert our contention—hitherto met with complete silence—that those in the securities field have a right to be informed what conferences, if any, between SEC and NASD preceded the birth of the 5% spread limitation yardstick. Won't you agree this has been a most significant silence, a silence, as we believe, based upon fear of the consequences?

Comes the highlight of recession! The Association now contends that under no circumstances is the 5% spread policy enforceable or does it change or affect any of the elements determinative of business conduct cases.

Well, sir, you can knock us over with a feather. What next, and do wonders ever cease?

Not enforceable! What good is it? Why did the Association direct its enforcement?

We quote from the NASD letter of Nov. 9, 1943, sent to all District Business Conduct Committees:

"What is the effective date for enforcement of the standards set forth in the letter of Oct. 25? What is its effect upon pending complaints—complaints upon which decisions have not been rendered? What is its effect upon policies to be pursued by Business Conduct Committees in consideration of transactions of a date prior to the letter?

The effective date for enforcement of the standards set forth in the letter would be the date of receipt by the member and in no event later than Oct. 31, 1943. The standards do not apply retroactively. Therefore, pending complaints and transactions of a date prior to Oct. 25, the date of the letter, would be considered and disposed of in line with policies of the Committee prevailing prior to that date.

Unenforceable! Then why support the policy before the Commission? What type of straddling is this?

This is a new stature in word gymnastics, directing the enforcement of a claimed unenforceable policy.

We'll say there is a change in the elements of business conduct cases, since the 5% philosophy, policy, interpretation and yardstick—all dodging substitutes for the word rule which it really is—has gone into effect. For the first time where a mark-up exceeds 5%, a duty is imposed on the NASD member to show to the satisfaction of the Busines Conduct Committee that no violation has occurred, all this in a trial before a committee of his competitors.

Clever, these Chinese!

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.

Seen And Heard At Bretton Woods Monetary Conference

(Continued from page 170)

dundant currencies have proportionately diminishing voice in fund's control? Under this plan their vote remains unchanged."

* * *

Dewey's statement to me coincides with reports Poles and others are saying they will want constant and liberal post-war credits.

* * *

Harry White reveals the conference must end by July 19, conceivably may adjourn leaving some questions unsettled. Parities will be settled here only "in principle." Quotas are proving very difficult questions. Another such conference is a possibility, although not here predicted.

Mexicans today disclosed Latin Americans are insisting world bank give approximately equal attention to "development" and "reconstruction." Boys will be boys when the pie is being cut.

* * *

Chief Russian Delegate Stepanov, Deputy Foreign Trade Commissar, rumored much more important Soviet figure than appears on surface. Reportedly his cable wordage greatest of all delegations and not only consulting Moscow on fund-bank plans, but conducting from here his regular official duties.

* * *

Variety commodity "stabilization" and "pool" ideas advance here,

Members Of Security Exchanges Can Now Pay N. Y. Stock Transfer Taxes Thru Clearing Houses

The New York State Tax Commission, under authority of Chapter 508 of N. Y. Laws of 1944, has issued the regulations, effective July 1, 1944, whereby it will no longer be necessary for members of any registered securities exchange in the State to affix the stock transfer tax stamps on their stock sales, regardless of whether such sales were made on the floor of the exchange or over the counter.

Under the new arrangements, a member of an exchange will pay the tax on "sale, delivery or transfer of stock or other corporate certificates" to the clearing house affiliated with the exchange of which he is a member. In cases where a broker or dealer has membership in more than one exchange, such broker or dealer may designate the clearing house to which he is to pay the tax, and such designation, when once made, is irrevocable, unless a change is approved by the State Tax Commission. After a consultation between the officers of the New York Stock Exchange and the Curb Exchange, it has been decided that, in the case of dual membership in the New York Curb Exchange and the New York Stock Exchange, State taxes shall be paid through the clearing corporation of the New York Stock Exchange. However, each broker or dealer in making his report to the Stock Clearing Corporation, must itemize separately the taxes due on (1) New York Stock Exchange transactions, (2) New York Curb Exchange transactions, and (3) all other transactions. Brokers or dealers who are not members of any securities exchange registered by the Securities and Exchange Commission in New York State will continue to use the stock transfer adhesive stamps as a means of making their tax payments.

It is required under the new regulations that each clearing corporation to whom a report on tax payments due is made by members, shall on the business day on which it receives any such report, remit to the depositary designated by the State Tax Commission the aggregate of all taxes received by it. The clearing corporations, in turn, are authorized to charge the accounts of members with the amount of taxes in their regular settlement statements.

Under Article 4 of the new regulations, "Every broker executing or effecting a sale, delivery or transfer where taxes are paid through a clearing corporation shall impress by rubber stamp on the memorandum of sale for each transaction a certification substantially in the following form:

"It is hereby certified that the

New York State and Federal stamp taxes applicable to this transaction have been paid through

(Insert name of clearing corporation)

(Member securities exchange)

"Such certification shall bear the facsimile signature of the broker, and the rubber stamp shall be kept in possession of the broker and used only by him or his duly designated representative."

A similar prescribed rubber stamp certification of the taxes paid through a stock clearing corporation, is to accompaany the stock or other corporate certificate when presented for transfer. Printed forms (STB 1100, and STB 1101) are required to be filled out by brokers and dealers in reporting daily tax payments to the clearing corporation, and by the clearing corporation in reporting remittances to depositaries of the State Tax Commission.

"Trading With Enemy" Powers Invoked Toward Finland

Alien Property Custodian James E. Markham announced on July 1 that in accordance with the determination that the Government of the Republic of Finland is now a puppet of Nazi Germany, and that Finland is a country occupied by and under the control of Germany he will invoke his powers under the trading with the enemy act with respect to Finnish property in the United States. Mr. Markham said that the Alien Property Custodian's general orders previously issued and applicable to other enemy occupied countries now apply to Finland. It is further stated in the announcement:

"Particular attention was directed to general orders numbers 5, 6 and 20, which relate to property or interests of persons within an enemy country or enemy occupied territory involved in court or administrative actions or proceedings and to general orders numbers 11 and 13 relating to patents, copyrights, and trademarks.

"The Custodian said that his office was not able at this time to give any estimate of the value of Finnish property that would come under his control."

although deemed extraneous to monetary stabilization. Latin American especially interested.

* * *

Half dozen more New Deal philosophers yesterday reinforced large contingent already here. Today conference considering loans-to-capital ration of proposed world bank, with discussions lively. Some American suggestions far more liberal than British and Dutch approve. Some Americans here regret that, with United States supplying biggest slice of bank's capital, some American technicians outdoing liberality of foreigners in bank's to-be-authorized activities. American technicians themselves are split over this point. Proposals range from ratio 75% to as much as 300% for loans and guarantees as compared capital.

* * *

Incidentally when Congressman Dewey arrived here, the conference officials were hard put to it to decide how to list him on the revised delegates' roster. Congressmen from the House Coinage Committee, who had made their arrangements earlier, were listed as technical advisors—although they have not been noticed doing any advising of the American delegation. Finally, it was decided that Mr. Dewey, as representing the House Post-War Committee, should be listed as "a distinguished guest."

* * *

Late recruits to the otherwise dwindling press contingent here on July 8 were Mrs. Cecilia Wyckoff of the Magazine of Wall Street and a lady companion, who have a chauffeur to drive their limousine back and forth between Bretton Woods and Twin Mountain, where the press sleeps.

* * *

Senator Tobey, who left the conference for a few days after it started, appeared at one of the committee meetings with 14 visitors whom he had escorted past the gate. They arrived at this particular committee just at what some regarded as an unfortunate moment, for the Mexican, Antonio Espinosa de los Monteros was vigorously defending the theme that currency parities must be fixed by the fund under "democratic procedure," that is, Mexico's voice should be as loud as that of the United States in such decisions.

* * *

Saturday night in the hotel lobby: Lord Keynes carrying a cap . . . Dean Acheson wearing a brass-buttoned coat, with, on the breast, the coat of arms of Davenport College . . . A courteous European kissing a lady's hand . . . A knot of reporters talking over that day's ousting from the conference grounds of a silver lobbyist . . . Six people in a large auditorium seeing movies of national parks. . . .

* * *

An economist of a foreign delegation observed to the writer that it might have been better strategy to try to agree first on the Bank and on the Stabilization Fund second, or perhaps to have sought only a world reconstruction bank, inasmuch as the functions of the proposed Fund and Bank overlap so much that it really is not easy to draw the line between them. This view, of course, the American delegation does not share.

* * *

From the standpoint of most countries represented here, the important goal is that a stable rate of exchange between the pound and the dollar prevail after the war. Then other countries can readily adjust their own currencies thereto. The foregoing view, also from above-mentioned economist, is strikingly similar to the argument long urged by some bankers in the United States that the bilateral approach is all that is needed to set the world on the road to stabilization.

* * *

Mr. Silvermaster, mentioned in our last week's column, has left Bretton Woods because "the climate did not agree with him." The Mexicans, who doubtless are more accustomed to high altitudes, thus would seem to remain possessors of the field, and by American default the real "silvermasters."

* * *

What will happen if a Fund plan emerges from Bretton Woods and later is amended by Congress, or what amounts to the same thing, accepted with reservations, is anybody's guess. The differences might be ironed out by diplomatic correspondence or otherwise, or it might be necessary to hold another session of the Bretton Woods conference.

* * *

Some Britishers are afraid the American constitution will require too much of the lawyer's approach in the management of the Fund. The British want not only flexibility in the written provisions, but also wide latitude for the managers. Their viewpoint is that the proposed Fund is unlikely to be long successful unless managed by persons with much experience in political dealings between nations. The emphasis being placed on legal aspects is reflected in the presence here of the well-known New Deal lawmaker, Ben Cohen, and at the press conferences and in the committee meetings of the youthful and capable Mr. Luxford.

* * *

American reporters get as much or more information of the type not released in the press conferences from foreign delegates and technicians, as from Americans.

* * *

In the press conferences each day, the accomplishments of the several committees are reported either by Dr. White, by his assistant, E. M. Bernstein, or by Mr. Ansel Luxford, of the office of the General Counsel of the Treasury Department. From the standpoint of exposition, Luxford makes a good impression on the reporters.

* * *

There are here quite a few women reporters. Miss Lam represents the New York "Journal of Commerce," Miss Porter the New York "Post," Miss Sigrid Arne the Associated Press, and Miss Frieda Utley the Shanghai "Evening Post," etc.

* * *

Sir Wilmott Lewis, well-known and popular Washington correspondent of the London "Times," is living up to his reputation as a raconteur par excellence. His stories always have a point which is the point. In the press conferences, "Bill" sits against the wall and emits a low-pitched profundity on only those rare occasions when what he calls the "lime juicer" viewpoint seems to be going down for the third time. His titillation of the diaphram is reserved for the less formal hotel lobby, the bar, and most any other place.

* * *

The CBS broadcast of a "press conference" of youthful Mr. Luxford on July 8 was virtually an impromptu affair, with very little advance preparation.

* * *

At a July 9 press conference a spokesman referred endorsingly to the financial strength of the Latin American countries today. When asked whether in the committee discussions of this as a factor that should play a part in Latin America's voice in the Fund any account was taken of the fact that Latin America still owes a lot of money to American and other investors, which is an offset to their financial "strength," the answer was: "No, not any more than the war debts are taken into account." This touches on one of the fundamental criticisms that have been made of the Fund plan, namely: That each member will have a "line of credit" to draw against the Fund for foreign exchange, regardless of its debt record.

* * *

Once the conference ends, the hotel will be full of ordinary vacationers. Not exactly ordinary ones, perhaps, but those able to pay from $18 to $94 per person per day. For their convenience, it is said, a stockbroker's office will be opened in the basement.

* * *

Two South American delegates travelled 11,000 miles to get to Bretton Woods.

* * *

The guiding brains of this conference have taken a page out of corporation experience in recommending for the selection of the management of the proposed international Fund the proportionate system of voting. Under it there will always be, for any one member, some representative of its viewpoint on the management.

* * *

Most of the correspondents who have come here arrived with no very clear picture of what the Fund was all about. It seems safe to say that, as a result of the daily press seminars, most of them will leave Bretton Woods impressed with the Fund's advantages.

* * *

On issues in which the individual countries have no particular local interest, Latin American countries are strongly inclined to support one another. Mexico, for example, counts heavily on this fact in its silver efforts here. A country like Brazil, which has no interest at all in silver, will none the less support Mexico in the final showdown. Silver in this case is just an example. The same principle applies to any other question among Latin American countries. It is log-rolling such as is quite familiar in the American Congress.

* * *

While on silver, it seems safe to conclude at this date that there is already a tacit understanding between Mexico and the United States delegation here. The Mexicans seem to have sold the Administration on the idea that a "gesture" will prove harmless, and the Administration, having the silver bloc in mind, clearly shows that it agrees.

* * *

It has been clear from the start that all the delegates from the United States were agreed before coming here on the general principles of the Fund and Bank plans. To this there appears to be no exception.

* * *

One foreign delegate commented to the writer that in his view the American delegates, other than White and maybe one other, was of "weak quality," but that the American technicians were "first rate." Some of the American delegates, he added, showed up very poorly in committee meetings.

* * *

Mrs. Keynes comments glowingly on the wonderful change from rocket-bombed London to the peace and beauty of the Presidential Range, towered by Mt. Washington. The British are not the only ones enjoying the cuisine at the Bretton Woods dining room, Americans, too, are thriving in this "point" less paradise.

* * *

A Greek delegate appeared at the colorful outdoor swimming pool, his bathing trunks held up by a piece of string. It looks like Greece will need stabilization in a hurry.

* * *

Harry White continues to impress reporters with his stamina, his hard work, his sincerity and faith in his plan as unassailable. His right hand man, here as in Washington, E. M. Bernstein, who has been in on the Fund and Bank plans from the start, continues to add to his reputation as a walking encyclopedia on the subject of the Bretton Woods gathering.

* * *

Probably in no city of the United States would one expect to find more faithful adherents to the gold-standard idea than in the conservative capital of the Bay State. That this is indeed the case is indicated by an interview the writer has just had with a nationally known banker, who prefers to remain anonymous.

That banker, contrasting the plan which the Bretton Woods Monetary Conference is about to consider with the gold standard, holds that only through gold can the nations of the world maintain stable currencies in a free economy. Only by maintaining a fixed value in dollars for the great store of gold at Ft. Knox and permitting its free use can we hope to achieve monetary stability of foreign currencies, he states.

Therefore, this banker continues, Congress should fix the price of gold definitely and permit unlimited purchase and sale of the metal at that price, thus returning to the tried and tested base for our money. Once that is done, other countries can tie in their currencies to ours and to gold, assisted if necessary with carefully extended credits.

What this banker in effect seems to say is that we should approach stabilization of world exchange rates not through the multilateral Keynesian approach, not even through the bilateral method of first stabilizing the pound-dollar cross rate, but by the unilateral example of this country alone going back to a full gold basis.

Even an international bank such as the Fund under consideration at Bretton Woods, this Boston financier maintains, should be tied to the solid foundation of the United States gold stock.

* * *

Erle Cocke, Vice-President of Fulton National Bank, Atlanta, and Regional Chairman of SWPC, has been here since Sunday in line with Senator George's idea that commercial banks be represented at the conference. Mr. Cocke came to the conference as a "distinguished guest" on invitation of Treasury Secretary Morgenthau and Fred Vinson, Stabilization Director. He believes that International Monetary Fund will increase outlet for farm products and has represented in Georgia various Federal agencies, including the CCC, RFC and the Federal National Mortgage Co.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 176)

But if the urgent signs are missing the undercurrents that tend to pull stocks down are present.

* * *

Strength is no longer general. It seems to be scattered. Fewer and fewer issues participate in daily up moves. And even if this situation is not general—it is an indication that should not go unheeded. For if this tendency spreads, all recent and current paper profits can go up like dry straw on a hot stove.

* * *

Signs of hesitation are mostly present in the leaders. General Motors which made 65 three weeks or so ago is still at about 65. General Electric has also stood still for the past few weeks. Westinghouse Electric, on the other hand, which was 108 and a high fraction a few weeks ago, is now down to about 104; Chrysler, 98 two weeks ago, is now about 96. These are not harbingers of a good market. Somebody is obviously in there selling. That somebody is doing the buying is also as obvious. But the two transactions don't seem to jibe.

* * *

So while I see the possibilities of an inflation fear psychology taking hold, the more immediate potential seems to point to a down move. So the advice to postpone new buying still obtains.

* * *

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.]

Post-War Employment

(Continued from page 171)

duction of war-goods, as a precaution against possible, if not probable, adverse eventualities, will no doubt be continued for some time after the armistice. This will do much to ease the shock of transition. The provision of new peace-time equipment will, moreover, absorb a good deal of labor. But there will still be many potential workers which private industry will not, at the moment, be able to absorb. For these workers transitory occupations should be made available. This will necessitate a great **ad hoc** expansion of such public works as can offer a large volume of employment without the use of equipment not currently at hand. Publicly supported housing and other building projects on a great scale would seem to fill the bill,* while highway construction and conservation of the land (to forestall erosion, restore fertility, check floods and dust), could absorb large numbers of workers in the present and pay handsome dividends in future social welfare. The necessity for these, and similar, projects cannot too early be foreseen nor provision for them made. Even so it will be difficult to avoid some temporary unemployment. With dismissal wages or their equivalent, however, whether for those out of the Army or from war industry, this need cause no great distress. To many, a temporary release from work might even be welcomed (provided it were of only moderate duration) and educational opportunities should be given to all those who desire, and can make good use of, them.

Whatever the troubles of the transition period they will be minor as compared with those of a great depression, such as that of the early thirties, and it is on a not improbable repetition, and perhaps worsening, of the evils of those years that men's fears are chiefly centered. Even after retooling is completed we may, perhaps, expect a boom. But the shadow of depression will be in the offing. It is to the **maintenance** of the production of ploughshares, and all other peace-time goods, that our chief attention should therefore be directed. On transitional employment the writer has nothing very novel to suggest. When the transition from war to peace has been effected, however, full employment becomes not a physical but an institutional problem and its maintenance is, in consequence, capable of complete solution through the establishment of the appropriate institutions.

There can be little doubt that the proximate cause of every economic depression, except such as arise from shortage of equipment, lack of raw materials, or intolerable persecution of enterprisers, is a net increase in the public's preference for liquidity. We have, in the financial world, discovered the remedy for this condition but have failed to apply it to industrial production. Financial crises, in consequence, are becoming mere memories of a disordered past, whereas economic crises continue to devastate our lives.

When financial crises occur, central banks have learned to sate the prevailing passion for liquidity.[1] At such times the central bank freely issues its own credit (debt), which is, by definition, liquid, in exchange for the temporarily frozen assets of commercial banks.[2] To all intents and purposes this monetizes these assets, but there can, in the circumstances, be no danger of inflation. Because the passion for liquidity is thus assuaged, however, and because liquidity is costly, the thirst for it is quickly slaked. The commercial banks then repurchase their assets; the money they pay for them is retired, and all is as it had been before the crisis struck.

When an economic crisis occurs, however, the originating thirst for liquidity is not assuaged but, on the contrary, is intensified as the need and advantage of it becomes greater in the attendant lack of markets, fall in prices, and cancellation of bank deposit currency.

The remedy is to apply to industry the technique we now use for finance and to offer liquidity to the industrial enterpriser as we now offer it to his financial fellow. There is no good reason why an appropriate institution should not liquefy frozen inventories, just as we now liquefy frozen financial instruments, and, when the thirst for liquidity is quenched, return the goods, in exchange for the money issued in their acquisition, just as we now return financial instruments to their bailors when the passion for liquidity subsides.

For all standard, storable, raw materials (goods unspecialized to a particular use) the monetary authorities should at any time stand ready freely to buy (with newly issued means of payment), and freely to sell, warehouse receipts covering representative bales of such commodities, just as, formerly, they were prepared freely to buy and sell gold.[3] Whenever depression threatened, and the aggregate price of the goods in a representative bale had declined to the established level, there would then be a ready market, at a fixed price, for any number of the representative bales of goods. By reducing the supply of such goods on private markets, and at the same time increasing the public's supply of purchasing power, this process would, sooner or later, reverse the trend of prices. As soon, however, as the market price of the aggregate of goods in the bale began to rise, the documents giving title to them would, of course, be redeemed.[4] The money paid in for them would then be retired.

The results would be:

(1) Stabilization, within narrow limits, of the price of the aggregate in the representative bale. All price **relationships**, however, and the price of any given commodity, would be as free to vary, in response to changing demand and supply conditions, as has ever been the case.

(2) A limitless market, at a constant average price, for the basic commodities of industry.

(3) A tendency toward stabilization of the general price level. Whenever raw materials were withdrawn from the market, and put in reserve, the money paid for them, if spent at all, must be spent for other commodities. This would tend to raise their prices, and, since the raw materials necessary to their production would, as units, be redeemable at the fixed price, profits would increase. The consequently increased production of finished goods would check the price rise, however, especially since money would have been drawn out of circulation in redemption of the raw materials.

(4) A tendency toward stabilization of the whole economy, at a high level of production, through use of a reservoir absorbing commodities whenever hoarding (high liquidity preference) caused private demand to slacken and disgorging them as demand quickened into what would otherwise be an inflationary boom.

The accumulation, delivery, and redemption of warehous receipts covering representative bales could safely be left to private brokers, under the incentive of profit, but the cost of storage of the goods involved should be carried by the monetary authorities. This cost could, if desirable, be covered out of profits in a spread of perhaps 3% between the buying and selling price of the warehouse receipts.

In comparatively tranquil times it is probable that the procedure just outlined would prove enough to keep economic activity persistently high. But, for periods of greater stress, stronger measures might be necessary. We should therefore adopt a similar procedure (which cannot, however, be quite so automatic) for those finished goods which, though storable and not rapidly obsolescent, are not, over time, fully standardized. This would include most durable consumers' goods and a large part of the output of producers' goods.

A Federal Reserves Corporation (FRC) should absorb these goods at need and release them when the desire for liquidity had passed. The following procedure is suggested:

(1) On the appearance of depression, the Corporation will take over, on a repurchase contract, the otherwise unsalable standard output of responsible manufacturers of storable goods. It will pay for these goods in newly issued bank credit.

(2) The Corporation's purchases are conditional on the undertaking of the manufacturer to repossess the goods, as soon as private demand revives, at the price paid by the Corporation.

(3) The price paid, is, in consequence, a matter of comparative indifference but should, in principle, be no more than sufficient to cover the manufacturer's actual outlays for the labor, raw materials, user-cost of equipment, and mechanical power, involved in the production of the goods he delivers.

(4) The goods acquired by the Corporation will be stored under seal on the manufacturers' premises, or elsewhere, and insured with, and for the benefit of, the Corporation. Title to the goods, subject to the Corporation's lien, remains with the manufacturer. The Corporation, therefore, could not sell them.

(5) The manufacturer will be entitled to sell the goods to any buyer, at any time, for any price he can get.

(6) Except with the consent of the Corporation the manufacturer agrees not to fill from new output any private orders for goods of which the Corporation still has a stock, of his make, in storage.

(7) The Corporation will shift the emphasis of its acquisitions, to correspond with evolving demand, whenever it appears that it is accumulating an excessive supply of any type of goods relative to other purchased commodities. But, so long as the depression continues, it will keep its aggregate purchases at the level necessary to maintain full employment.

(8) The Corporation will bear storage costs.

The acquisition of the goods by the Corporation would cost nothing but a few strokes of the pen, and for every dollar of credit issued the Corporation would have a corresponding vendable asset.[5] Aside from relatively small storage costs the worst that could happen under these proposals, then, is that some goods would be stored that would prove hard to move at the price paid by the Corporation. The manufacturer might never wish to redeem them, and would prefer to go out of business. But, since all the goods purchased would have been bought with costless money (newly created bank deposits), this would be a matter of no great consequence. The Corporation might be given title to such goods and dispose of them for whatever they would bring.

Inflation is impossible so long as goods are being acquired by the Corporation. On the contrary, the purchases are then necessary to prevent deflation and widespread shutdowns. When business picked up, however, the Corporation would have a perfect hedge against inflation in the release of goods and the retirement of the money paid in for them.

In no other way could employment be sustained, the price level stabilized, and the present mercurial character of economic activity reduced, at such trifling cost. There would, moreover, be no interference with the ordinary processes of production and trade; no one would be compelled to do anything against his will; efficient producers and sellers, carrying on business precisely as at present, would make money while the inefficient would be eliminated; restriction of production and other social inefficiency would be discouraged, and no rationing of the consumer, or governmental "directives" to producers would be necessary. Workers would be steadily receiving money incomes and, if they did not spend them, could clearly be in no very exigent circumstances.

If we should ever find that, with the money to buy, we had more goods than we really wanted, the remedy is easy—we need merely reduce the length of the working day. The fact is, however, that the issue of money, without a corresponding appearance of goods on the mgrkat, will almost certainly produce the "shortages" we are now experiencing. But we should then have the means of relieving them. The "reservoir," disgorging goods in exchange for money thereupon retired, would thus preclude the appearance of either phase of the problems attendant on inflation.

The reservoir is the means we use for smoothing out irregularities of flow in the physical world and it has equal possibilities in the realm of economics. If, as a minor supplement to the program outlined above, we should use the same principle in connection with normal (that is to say, **per se** desirable) public works projects, spacing them so as to compensate for fluctuations in private investment, we should be able to clear up the last vestiges of all but transitional unemployment. This would, moreover, operate to stabilize building, at present the most unsteady of industries.

The chief administrative difficulty in implementing the proposals lies in the necessity for discrimination by the FRC to prevent the acquisition of finished goods in proportions greatly at variance with past or prospective demand, that is to say, in the necessity for shifting the **emphasis** of the FRC's purchases. The difficulty is, however, not so great as, at first blush, it might seem to be. No manufacturer would have any strong interest in the continued production of goods on which he was making no profit and which he could not, in any event, sell in the private market until large inventories had been cleared off, or without the consent of the FRC. He would therefore be disposed to cooperate with the FRC in an orderly reduction of his output. This would be effected concurrently with an increase in the production of goods of which the FRC was acquiring relatively small stocks or none at all. The whole mechanism would, indeed, operate to effect adjustments, of relative supply to evolving demand, in an orderly rather than in chaotic fashion, and without any stoppage in general employment. It would moreover give to the entrepreneurial world a sure indication of opportunity in specific lines, or the lack of it, rather than the very inadequate and problematical "information" that any enterpriser now possesses.

So far as unemployment is merely a cyclical phenomenon, the use of the reservoir of goods would reduce ebbs and flows to negligible proportions. Fluctuations in private demand, the reflection of shifts in the preference for liquidity, would be compensated by the intake and outflow of the reservoir. This would have the effect not only of relieving the depression phase of the cycle but, by the release of goods, would prevent the inflation and misplaced investment now more or less characteristic of booms.

So far, however, as unemployment is a chronic rather than a cyclical phenomenon (arising from a tendency of monetary savings to outpace private investment in goods) the goods in the reservoir would steadily accumulate. If ever the accumulation should reach an amount which seemed adequate to meet any probable drain the remedy would be to remit taxes (especially on the lower incomes) and meet governmetal expenditures with new issues of money without corresponding production. Any excessive accumulation in the reservoir would then disappear. That part of the population which desired to hold money in the form of uncashed claims on goods would then have its desires satisfied, without any stoppage of production, while the larger part, which is eager for goods, would get the goods.

A final word should be said on the advantages of the present proposal over expenditures on public works as a means of overcoming cyclical or chronic depression. Both, indeed, are forms of public saving in goods (and it is only in goods that **social** savings can be made) whenever the people want to save in money, and both would prevent the people's savings from running to utter waste. But investment in goods of private use would:

(1) Obviate the necessity of widescale transfer of workers from one occupation, and residence, to another, with a probable re-transfer at a later date;

(2) Provide a means of eliminating inflation, and of avoiding the taxation or growth of interest-bearing Government debt associated with public works (according as the public works are financed with new money, which could not readily be withdrawn when the preference for liquidity diminished, or are paid for out of the transfer of idle funds to Government);

(3) Reduce private bankruptcies to a mere functional level;

(4) Provoke little opposition;

(5) Act immediately in time and directly to the desired end;

(6) Leave intact the freedom of choice in the disposition of income; and

(7) Keep private enterprise unimpaired.

*The building of many warehouses, for purposes described below, would be desirable.

1 Britain, e.g., has had no financial panic in half a century.

2 Central bank notes are rendered inevitably liquid by making them legal tender. Central bank deposits are equally liquid since they can always be exchanged for notes.

3 The term "representative bale" is used to connote a composite unit of various goods in fixed physical quantities corresponding to their relative importance in the economy. The price set for a "representative bale" should be somewhat below the cost of the goods, in private markets, at the inception of the procedure. This price, like the price of gold, would, thereafter, be unchanged. The prices of individual commodities would vary, however, in response to general conditions of supply and demand. The original proposal, of this character, was made by Benjamin Graham and is elaborated in his book, "Storage and Stability": McGraw-Hill, 1937.

4 A small spread between the purchase and sale price might be established, as with gold, to defray storage costs.

5 Payment for the goods could be made in special Federal Reserve credits precisely like other Federal Reserve deposits except that they would not carry the privilege of serving as a basis for **multiple** expansion by member banks. The credits should be at zero, or merely nominal, rates of interest. Redemption, as distinct from transfer, of such credits, should be in Federal Reserve **Bank** notes, which should also be denied the privilege of serving, after redeposit with the Federal Reserve Banks, as a basis for multiple extension of credit.

Calendar Of New Security Flotations

OFFERINGS

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.

Offered July 12 1944, the preferred stock at $101 per share and the common stock at $13.50 per share.

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. Filed June 21, 1944. Details in "Chronicle," June 29, 1944.

Offered July 11 at $42.50 per share.

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. Holders of common stock and class B stock of Mokan of record July 12 are given 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. 21, 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.

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., Inc. and associates.

Filed June 20, 1944. Details in "Chronicle," June 29, 1944.

Offered July 10, 1944 at 99¾ and int.

NEW FILINGS

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

TUESDAY, JULY 18

BROOKLYN UNION GAS CO. has filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Company plans to refinance its entire outstanding debt by the issuance and sale to the public of $12,000,000 debentures and the concurrent issuance and private sale of $30,000,000 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: payment at maturity May 1, 1945, of $14,000,000 first consolidated mortgage 5% bonds; to pay at maturity $6,000,000 first lien and refunding mortgage bonds, series A, 6%, due May 1, 1947; $10,000,000 to redemption on Nov. 1, 1944, of $10,000,000 first lien and refunding mortgage bonds, series B, 5%, due May 1, 1957, and $18,000,000 to redemption on Sept. 9, 1944, of 20-year 5% debentures. The last two redemptions involve the payment of $300,000 and $360,000 in premiums, plus interest, respectively. F. S. Moseley & Co., Boston, is named principal underwriter. Filed June 29, 1944. Details in "Chronicle," July 13, 1944.

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. Company was incorporated in Delaware June 23, 1944, to acquire the business, physical assets and inventories and properties of the Rotary Electric Steel Co. (Calif.). On July 1, 1944, 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., New York, $500,000 4% first mortgage bonds due 1956. The proceeds from the sale of these securities were used to purchase the California company and to provide 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. Underwriters are 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. Filed June 29, 1944. Details in "Chronicle," July 6, 1944.

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. Of the 77,252 shares of common 21,252 shares are held by the company's treasury, and 28,000 shares each held by Robert W. Johnson and J. Seward Johnson. Proceeds to the company will be used for general corporate purposes. 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. Filed June 30, 1944. Details in "Chronicle," July 6, 1944.

JACKSONVILLE GAS CORPORATION has filed a registration statement for $1,745,000 first mortgage bonds, 4% series due June 1, 1969. Net proceeds will be applied to the redemption, at 100, of outstanding $1,745,000 first mortgage bonds, 5% series due 1967. Central Republic Co., Chicago is named principal underwriter. Fild June 30, 1944. Details in "Chronicle," July 6, 1944.

NATIONAL AUTOMOTIVE FIBRES, INC., has filed a registration statement for 86,310 shares of common stock (par $1).

Address—19925 Hoover Avenue, Detroit, Mich.

Business—Textile specialty business.

Offering—Offering price to the public is to be filed by amendment, but is to yield the company a net price of not less than $10 per share.

Proceeds—To be used to increase company's working capital for war purposes, and to place it in a position to carry additional inventories and additional notes and accounts receivable for anticipated postwar business, particularly in the automotive field.

Underwriting — Reynolds & Co., New York, is principal underwriter.

Registration Statement No. 2-5422. Form S-1. (6-30-44).

THURSDAY, JULY 20

MARATHON CORPORATION, successor to Marathon Paper Mills Co. by change of name July 6, 1944, has filed a registration statement for 50,000 shares of 5% cumulative preferred stock (par $100). 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 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, 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 with 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; Farwell, Chapman & Co., and Scherck, Richter Co., 500 each. Filed July 1, 1944. Details in "Chronicle," July 6, 1944.

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. 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 $10,044,900 first mortgage and refunding bonds, 5% series, due March 1, 1952, and to the redemption at 105 of $851,200 of Ozark Power & Light Co. first mortgage sinking fund 5% bonds due March 1, 1952, assumed by Empire. 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 Corp. 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. 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. Filed July 1, 1944. Details in "Chronicle," July 6, 1944.

WEDNESDAY, JULY 26

MONTANA - DAKOTA UTILITIES CO. filed a registration statement for 20,894 shares of 5% series preferred stock, cumulative (par $100).

Address—831 Second Avenue South, Minneapolis, Minn.

Business—Public utility operating company.

Proceeds—The entire proceeds from the sale of the preferred stock will be used to redeem the company's outstanding $1,950,000 of 3½% serial notes, due serially at the rate of $390,000 on March 15 in each of the years 1946 to 1950 inclusive, and, together with general funds of the company, to redeem outstanding $390,000 of 2½% serial notes due March 15, 1945.

Underwriting—The underwriting group is headed by Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane of New York. Other names will be filed by amendment.

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

Registration Statement No. 2-5423. Form S-1. (7-7-44).

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.

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.

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.

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.

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.

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.

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $200,000 series K 5% preferred stock and $300,000 series L 6% preferred stock, both $100 par value. Securities will be offered by Morrison-Knudsen Co., Inc., at par. Any part of the issue not sold by company officials will be sold through Wegener & Daly, Inc., Boise, Idaho, as underwriters. Company in an amendment filed June 10 proposes to offer $100,000 4% series F demand certificates and $100,000 4% series Y certificates at $100. Proceeds for working capital. Details in "Chronicle," May 31. Filed May 23.

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.

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.

Proposals for exchange and purchase of the 5% preferred stock were received by the company up to 10 a.m. CWT July 10. Only one bid, made by Stone & Webster and Blodgett, Inc. and associates, was received, which the company rejected. The price named by the bankers was 101.

PERFEX CORP. has filed a registration statement for 21,803 shares of common stock, $4 par value. The shares are being offered for subscription to holders of common stock at the rate of one new share for each five shares held. The offering is conditioned upon the underwriters purchasing shares not subscribed by stockholders and the company procuring loans aggregating $550,000. Proceeds will be used for additional working capital. The Wisconsin Co. is named principal underwriter. Filed June 22, 1944. Details in "Chronicle," July 6, 1944.

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

STERLING ENGINE CO. has filed a registration statement for 204,075 shares of common stock, of which 23,225 are being issued by the company through underwriters and 180,850 shares by three present stockholders. Offering price to public on 204,075 shares is $3.75 per share. An additional 100,000 shares is reserved against the exercise of warrants to purchase 100,000 shares of common, at $4.50 per share, prior to three years from and after the effective date of registration statement. Warrants for 50,000 shares will be issued to Burr & Co., Inc., which will retain 25,000 thereof as manager of the underwriters and will distribute the remaining 25,000 among the underwriters and warrants for 50,000 shares will be issued to members of the management of the company. Proceeds for working capital. Burr & Co., New York are principal underwriters. Filed April 24, 1944. Details in "Chronicle," May, 4, 1944.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

ICC Rail Comment

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared an interesting summary of ICC rail comment giving figures for the first five months of 1944. Copies of this summary are available to dealers on request from Vilas & Hickey.

Interesting Situations

International Paper Co. and Amerex Holding Co. offer interesting situations, according to detailed memoranda issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of these memoranda discussing present possibilities and post-war outlook may be had from the firm upon request.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE, JR.

Following a period of comparative inactivity during the greater part of the Fifth War Loan, the government bond market in the past week has been quite active with prices improving, particularly in the long term tax-exempts, due primarily to purchases by the commercial banks. . . . The partially tax-exempt obligations, which had been quite heavily liquidated in previous war loan drives, were offered again in the market, but this time in considerably smaller amounts, due to the decreasing supply and the need of present holders for tax protection. . . . However, it was reported that just prior to the ending of the Fifth War Loan Drive a large block of partially tax-exempt securities were liquidated by insurance companies and other investors to provide funds for the purchase of a like amount of the 2% bonds due 1952/1954. . . .

Portfolio Changes

It is indicated that a number of commercial banks outside the New York area have been making changes in their government holdings, resulting in a minor lengthening of maturities in order to increase income. . . . It is stated that these institutions have completed very comprehensive surveys of their deposit situation, and the probable effect the ending of the war will have on deposits and the business and industry in their localities. . . . Based on such studies these banks have decided that they are well entrenched for any changes that may take place in deposits through their holdings of short term government securities, and in order to make more effective use of their funds are going into somewhat longer maturities. . . . An example of this was the sale recently by one of these institutions of the 1¾% bonds due June 15, 1948 at about 101 8/32 and the purchase of the 2% bonds due Sept. 15, 1951/1953 at approximately 100 16/32. . . .

Now that the Fifth War Loan has been successfully concluded without offering securities to the commercial banks, the question is being raised, when will offerings of new government securities be made to these institutions? . . . Likewise, when can the Sixth War Loan Drive be expected to get under way. . . . An early ending of the war would be the best answer, but since that cannot be forecast financial circles are looking at conditions as they may be aside from the purely military aspects of the situation. . . The next fiscal period should see some further contraction in government spending barring unforeseen war developments since military expenditures appear to have passed the peak. . . .

Deferred Payments

Despite conversion problems tax payments should remain high so that the government deficit financing should not be as large as in the past. . . . The Treasury recently announced that insurance companies and saving institutions could anticipate future income and subscribe to additional amounts of government obligations offered in the Fifth War Loan Drive before the close of the drive (July 8 1944), but payment for them need not be made before Sept. 30, 1944. . . .

The use of deferred payments for securities is not a new development by the Treasury, since it was used in the Third War Loan, although at that time it was limited to insurance companies, and the payment date was extended for a shorter period after the ending of the drive. . . . This method should enable the government to receive considerable sums from these institutions which would be in addition to funds already obtained in the recently completed drive. . . . This would seem to indicate no further need of government offerings to the banks during the period ending Sept. 30. . . .

Certificates of Indebtedness due Aug. 1 and Sept. 1 will no doubt be "rolled over" as will the maturing bills. . . . The amount of Treasury notes due Sept. 15 is not large and the Treasury may decide to pay them off instead of refunding them. . . . If funds should be needed due to the payment of the maturing notes, the weekly offering of Treasury bills could be increased by $200,000,000 starting the early part of October. . . . The Oct. 1 maturity of Certificates of Indebtedness can be readily refunded, but in the event the Treasury feels it has needs for additional funds, the refunding of this issue could be a medium to provide some new money for the government. . . .

Future Borrowing

However, unless some unforeseen developments take place new financing by the Treasury is not expected until late fall, since the funds obtained in the recent War Loan drive, together with the anticipated income purchases of government bonds by insurance companies and saving institutions, as well as other revenues of the government, should be sufficient to carry them along for several months. . . .

Likewise, 1944 is an election year and the Treasury no doubt will avoid financing if possible until after the election, and apparently with sufficient funds to carry them along, the government is not expected to be in the money market again on a large scale until sometime in late November or early December when the Sixth War Loan Drive may begin. . . .

As for the commercial banks, very little in the way of new issues of government obligations is in the immediate offing for them and the most that would appear to be available to them would be limited new offerings of Treasury bills and Certificates of Indebtedness which would not result in any substantial increase in deposits. . . . Limiting of the commercial banks' participation in War Loan drives and in the recent financing of the war is a favorable development since it has effectively retarded the deposit growth with its inflationary implications. . . .

Trading Action

Trading started this week in the 2% bonds due June 15, 1952/1954 and they were recently quoted 100.9/32 bid, offered at 100.10/32 indicating a premium above the offering price of 9/32. . . . This premium was somewhat more than had been anticipated and is probably due in part to the fact that the dealers, who had subscribed to these bonds during the drive, were not in a position immediately to use their bonds to meet the needs of the commercial banks while individuals with bonds, were supplying the demand only at advancing prices. . . . The heavy demand for the new 2% bonds, as well as the remote prospects of any new issues being offered to the commercial banks for some time to come, may mean that the entire government bond market may seek higher levels. . . .

The 1¼ notes due Mar. 15, 1947, proved to be popular with investors desiring a high degree of liquidity with a return somewhat better than that available in the certificates. . . . They were recently quoted 100.8/32 bid, offered at 100.9/32. . . . Because of the shortage of 1947 maturities, the commercial banks have been active buyers of these securities.

Post-War Expenditures And Taxes

A veteran Washington observer estimates that our **minimum** national post-war budgets will approximate $20 billion annually and breaks up his estimate under the following headings:

	Billion
Ordinary government expenditures, incl. interest on the Federal debt	$6½
All military expenses	5½
Aid and payments to veterans	3
Aids to agriculture	1½
Public works and relief	1½
All other items, incl. Social Security & foreign relief	2

With these figures as a base he surveys potential national income and the likelihood of tax reductions. At a national income level of $110 billion he comes to the conclusion that the budget can be balanced *and* the tax on corporate excess profits eliminated. Procedure along this line, however, will leave no margin for any reduction of the national debt.

At a national income level of $120 billion a substantial margin would be left over and above a balance of the budget, a margin which would permit not only the elimination of excess profits taxes but reduction of excise taxes and individual normal taxes as well. Here again, however, reductions or eliminations along these lines would leave nothing for debt reduction.

We cannot say that we found the figures too encouraging, for certainly if they are accurate they indicate that it is going to be a long, long while before we can have both tax reduction and debt reduction. And this undoubtedly is going to shape up as one of our many huge post-war problems—do we reduce taxes as promptly and as substantially as possible, leaving the debt at high levels, or do we keep taxes at their approximate present levels and try to bring down Federal debt?

This is not a too tempting question to think about in these hot and torrid days but it is a problem that is going to be with us for so many decades to come and none of us can afford to be casual about it. It is a problem for each and every American to wrestle with—we cannot "let George do it."—*Ralph E. Samuel & Co.*

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.

Veron With Dunne As Real Estate Manager

N. Edward Veron is now associated with Dunne & Co., 25 Broad Street, New York City, as manager of their real estate securities department, handling real estate bonds, title certificates, and whole mortgages.

Mr. Veron's experience in real estate matters dates from 1921. Eight years ago he entered the real estate securities field. Mr. Veron, who is also an attorney at law, specialized in real estate matters prior to that time.

He was recently with Central Group Investors, Inc., of New York City.

Interesting Situation

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

Attractive Situation

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

INDEX