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Monetary Parley Successful: Hull

Secretary of State Cordell Hull, commenting on the successful completion of the International Monetary and Financial Conference at Bretton Woods, N. H., issued the following statement:

Hon. Cordell Hull

"The successful completion of the important work of the Bretton Woods conference is another step toward the goal of the United Nations and nations associated with them in the war for a peaceful, secure and happy world in which all peace-loving nations will co-operate for their mutual benefit.

"Once again these nations have met and discussed in most friendly spirit problems vital to the economic security of each and every one of us. The faith expressed in my address to Congress

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In This Issue

Special Material pertaining to activities of SAVINGS & LOAN ASSOCIATIONS, see page 405.

OHIO SECTION containing information pertinent to dealer activities in that State will be found on page 386.

General Index on page 408.

Balancing An Unbalanced Economic World

By IVAN WRIGHT

Professor of Economics, Brooklyn College

Many times economic conditions have been unbalanced and the consequences are a matter of well-known history. It would seem that by this time the interdependence of all business and of the commercial countries of the world should be well understood. The maladjustments are constantly in the process of being created and the reconstruction processes of a sort always follow. The larger the maladjustments, however, the more extreme the consequences and the larger the tasks of reconstruction. The maladjustments between domestic enterprises and the maladjustments existing between countries have identical causes and consequences differing only in their extent.

Dr. Ivan Wright

The inter-relationship of economic conditions has never been better stated than by Walter Bagehot more than three-quarters of a century ago in a description of the effects of the inability of a few to pay their debts causing the derangement of all portions of trade.

"No single large industry can be depressed without injury to other industries; still less any great group of industries. Each industry, when prosperous, buys and consumes the produce of most (certainly of very many) other industries, and if industry A fails and is in difficulty, industries B, C and D, which used to sell A, will not be able

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Morgenthau Reviews The Work Of The Monetary Conference

In Radio Address Marking Its Completion, He Points Out Its Accomplishments

At the close of the International Monetary and Financial Conference, held at Bretton Woods, N. H., from July 1 to July 22, inclusive, Secretary of the Treasury Henry Morgenthau, Jr., delivered the following address over a radio broadcast on the Coast-to-Coast CBS hookup:

I am gratified to announce that the Conference at Bretton Woods has completed successfully the task before it.

Sec. Morgenthau

It was, as we knew when we began, a difficult task, involving complicated technical problems. We came here to work out methods which would do away with the economic evils—the competitive currency devaluation and destructive impediments to trade—which preceded the present war. We have succeeded in that effort.

The actual details of a financial and monetary agreement may seem mysterious to the general public. Yet at the heart of it lie the most elementary bread-and-butter realties of daily life. What we have done here in Bretton Woods is to devise machinery by which men and women everywhere can exchange freely, on a fair and stable basis, the goods

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Advocate Abolition Of Corporation Income Taxes

Beardsley Ruml And H. Christian Sonne Offer Plan For Post-War Fiscal And Monetary Policy

In a memorandum, prepared at the request of the National Planning Association, Beardsley Ruml, Treasurer of R. H. Macy & Co., and H. Christian Sonne, President of the chemical firm of Amsinck, Sonne & Co. of this city, propose a fiscal and monetary program which they contend would help to maintain high employment under private enterprise while providing a reliable money system, banking structure, and credit mechanism.

The main features of the report are a recommendation for the abolition of corporation income taxes, the maintenance of a balanced budget at a high income level, "with Federal action through budgetary operations, when requisite to maintain adequate effective demand, and thereby to contribute to the attaining of high employment."

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Full Texts Of International Stabilization Fund And Bank Agreements Available

Due to the importance of the agreements reached at Bretton Woods, New Hampshire, for an International Stabilization Fund and an International Bank, the "Chronicle" concluded to give the full official texts thereof in this issue. In view of the shortage of paper, to do this it was found necessary to omit some important feature articles and addresses by prominent people on current public questions. These will appear in subsequent issues.

Text of the Stabilization Fund see page 390; the Bank Plan see page 391.

Edward E. Parsons Slated To Head NSTA; Committee Announces Annual Meeting Program

Edward E. Parsons Jr., Wm. J. Mericka Co., Cleveland, Ohio, has been named the official nominee for President of the National Security Traders Association, Inc., to succeed Wm. Perry Brown, Newman,


Ed. E. Parsons, Jr.


Thomas Graham


John E. Sullivan, Jr.

Brown & Co., Inc., New Orleans, according to an announcement by the organization's Nominating Committee. Thomas Graham, Bankers Bond Co., Louisville, has been named for First Vice-President; John


Edward H. Welch


Lyle H. Boren


Fred. E. Busbey

E. Sullivan Jr., F. L. Putnam & Co., Boston, for Second Vice-President; Edward H. Welch, Sincere & Co., Chicago, for Secretary, and John Heimerdinger, Walter Woody & Heimerdinger, Cincinnati, for Treasurer. Election will take place at the Association's annual meeting at the Palmer House, Chicago, Aug. 25 and 26.

Congressman Lyle H. Boren of Oklahoma and Congressman Fred E. Busbey of Illinois will be among the principal speakers at the meeting, according to the Arrangements Committee. Joseph A. Matter of Chapman & Cutler, attorneys, will address the municipal meeting on the opening morning. A corporate forum will feature the afternoon program, and Congressman Boren will speak at the dinner that evening. Election of officers and the luncheon address of Congressman Busbey will feature the second day's sessions.

Committee on Arrangements includes Mr. Welch; Leo J. Doyle, Doyle, O'Connor & Co.; L. A. Higgins, Hulburd, Warren & Chandler; Harry Nelson, Blyth & Co.; Henri P. Pulver, Goodbody & Co.; Ralph G. Randall, Mason, Moran & Co., and Richard W. Simmons, Lee Higginson Corp.

The following is the program for the annual meeting:

Friday, Aug. 25—
9:00 a.m.—Registration.
10:30 a.m.—National Committee meeting.
1:30 p.m.—Municipal Meeting; speaker, Joseph A. Matter (Chapman & Cutler).
4:00 p.m.—Corporate forum.
6:00 p.m.—Informal reception.
7:00 p.m.—Dinner; speaker, Hon. Lyle H. Boren.

Saturday, Aug. 26—
10:30 a.m.—National Committee meeting; election of officers.
1:00 p.m.—Luncheon; speaker, Hon. Fred E. Busbey.
4:00 p.m.—Closing reception.

Three Slated To Be Govs. Of IBA Group

Richard de la Chappelle, partner in Shields & Co.; Frank Gernon, partner in Carl M. Loeb, Rhoades & Co.; and Clifford Hemphill, partner of Hemphill, Noyes & Co., have been named as candidates for governors of the New York Group of the Investment Bankers Association to serve three-year terms.

Four other governors now serving, who complete the board of seven, are Fairman Dick, Dick & Merle-Smith; Ranald MacDonald, Dominick & Dominick; August W. Phelps, Phelps, Fenn & Co.; and Frank M. Stanton, First Boston Corp.

The new governors will be elected on Aug. 4, if no opposition slate is presented in the meantime.

Ray Schoonover With Doremus & Company

Ray Schoonover has joined the copy staff of the general accounts division of Doremus & Co., 120 Broadway, New York City, in the agency's New York office. Mr. Schoonover was formerly with J. M. Mathes and R. H. Macy.

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.

Possibilities In MOPS

Missouri Pacific issues offer interesting possibilities in view of the approval of the "Compromise Plan" worked out for reorganization of the capital structure, according to a detailed study of the situation prepared by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this comprehensive study may be had by dealers on request to Vilas & Hickey.

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Bretton Woods Monetary Conference

By J. H. RIDDLE *

Economic Adviser, Bankers Trust Company, New York

Economist Holds Monetary Fund Is Unnecessarily Complex And Difficult To Understand—Points To Three Prerequisites For Stabilization, As (1) International Peace And Political Stability; (2) The Reestablishment Of Sound Internal Fiscal And Monetary Policies; And (3) Removal Of Impediments To International Trade—Maintains The Fund Is Not A Stabilization Measure Because It Permits Liberal Exchange Rate Changes

The United Nations Monetary and Financial Conference held at Bretton Woods, July 1 to 22, was the outgrowth of studies begun by Treasury experts in the United States and England as far back as 1942.

J. H. Riddle

In April, 1943, two stabilization plans were made public at about the same time. One was proposed by Lord Keynes of the British Treasury and the other by Harry White of the U. S. Treasury. While these two plans were similar in many respects, they were far apart in others. After consultations and discussions between the experts of these and other countries, a compromise plan was prepared and announced on April 21, 1944, in the form of a joint statement of principles by the monetary experts of the United and Associated Nations.

On the basis of that statement of principles, the Bretton Woods conference was called and invitations extended to over 40 countries to send delegates. The conference agreed to the establishment of an International Monetary Fund to promote international monetary cooperation, facilitate the expansion of international trade, promote exchange stability, and facilitate the removal of foreign exchange restrictions which hamper the growth of world trade. The proposal agreed upon by the conference will be presented by the delegates to their respective governments for adoption. Presumably the Congress of the United States will be asked for its approval.

The conference also drafted a plan for an International Bank for Reconstruction and Development with a subscribed capital of $9.1 billions, which is designed to provide or encourage long-term credits. While this proposal for an international bank was an important part of the Bretton Woods Conference, I shall limit my remarks to the Monetary Fund.

Quotas and Contributions

The monetary plan provides for an international fund of $8.8 billion to be contributed by the participating nations. The quotas of member countries were determined largely on the basis of certain economic factors, such as gold holdings and the volume of foreign trade, with some modifications by mutual agreement at the conference. Some of the principal quotas agreed upon are as follows: United States, $2,750 million; United Kingdom, $1,300 million; Russia, $1,200 million; China, $550 million; France, $450 million; India, $400 million; Canada, $300 million and so on down to Liberia and Panama each with $500,000. The quotas may be revised from time to time, but changes require a four-fifths vote and no member's quota may be changed without its consent.

Subscriptions to the Fund by member countries are to be made partly in currency (or limited amounts of obligations under certain conditions) and partly in gold, the gold to be 25% of each country's quota or 10% of its holdings of gold and U. S. dollars, whichever is smaller. The gold contributed will presumably be either earmarked for the Fund or

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*An address made by Mr. Riddle before the Sales Executives Club of New York, at the Hotel Roosevelt on July 25, 1944.

Monetary Fund Pact May Require Negotiation Of New Trade Pacts

By HERBERT M. BRATTER

WASHINGTON, D. C., July 26—Two little noted provisions of the Bretton Woods Monetary Fund agreement directly bear on trade agreements and will result in modification of exchange provisions of existing agreements and even possibly require negotiation of entirely new trade compacts.

At both the Atlantic City and Bretton Woods conferences the British insisted that the Fund's features dealing with exchange controls of all types supersede provisions of any prevailing trade treaties.

Herbert M. Bratter

[The texts of both the Monetary Fund and World Bank plans are given in today's issue. —Editor.]

In the Fund plan, Article VII, Sections 4 and 5, and Article VIII, Section 6, are the pertinent overriding provisions. In the latter "special" circumstances refers to (a) scarce currencies; (b) controls specially authorized by the funds; and "temporary" pertains to the Fund's transitional provisions. The logic of the British contentions was such that the American delegation raised no strong objections.

Actually, of course, it cannot be said that the provisions of themselves change the situation. What they do, rather, is to force immediate attention to the problem. It is expected that these provisions will bring various countries, particularly the United Kingdom, to Washington in order to discuss trade agreements. This is precisely what the Administration has been wanting. In fact, impetus may well be given to multilateral discussions of commercial policy.

Much attention has been directed to the fact that, under the Monetary Fund agreements, exchange restrictions will be in order during the first five years of its operation. There has been considerable comment to the effect that the Fund does not eliminate exchange restrictions. Actually, supporters of the Fund here state there is an important compensation in the fact that, after five years, exchange rates in membership countries will be definitely frowned upon.

That members of the Fund may retain exchange restrictions during the transitional period is not regarded as particularly burdensome to American exporters. The reasoning here is that during the initial five-year period there will be a large demand for American goods and various financial devices to help American exporters receive payment. After the five-year period the Fund's provisions directed against exchange control will be much more important to this country's exporters, it is further stated.

Bankers Bond Co. Moves

LOUISVILLE, KY.—The Bankers Bond Co., Inc., announces that its offices have been moved to the ground floor of the Kentucky Home Life Building, with entrances on Fifth Street and off the lobby of the Kentucky Home Life Building.

Raymond Trigger Weds

Raymond Trigger and Betty Norris Murphy, of Kent, England, were married on July 17 at the Church of the Covenant, in Paterson, N. J. Mr. Trigger is managing editor of the Investment Dealers Digest.

Stove Issue Interesting

Merrill, Turben & Co., Union Commerce Building, Cleveland, Ohio, have prepared an interesting circular describing the common stock of Perfection Stove Co. Copies of this circular may be had from Merrill, Turben & Co. upon request.

Unsafe To Assume Post-War Slump In RR. Business, Says Gen. Ayres

Recalls That Same Predictions Made During World War I Did Not Materialize

Viewing retrospectively the upsurge of business on the railroads not long after the termination of the first World War, Brigadier General Leonard P. Ayres, economic adviser to the Presidents of the Chesapeake & Ohio Lines, says that it is "unsafe to assume" that a serious post-war slump is impending for the railroad industry.

"Almost everybody who is interested in the rail carriers," General Ayres writes in the August issue of "Tracks," magazine for employes of the C. & O. Lines, "assumes that as soon as victory is within sight, and war production is sharply curtailed, the traffic of the roads will be greatly reduced.

Leonard P. Ayres

"Already business commentators," he continues, "are saying that when war orders are cut back and then canceled there will be a greatly decreased demand for industrial coal, which will lessen the traffic on such roads as the Chesapeake & Ohio. Similarly, they foresee serious traffic decreases for roads like the "Nickel Plate" and the Pere Marquette, which serve industrial regions and carry exceptionally large proportions of war goods.

"Perhaps future events will prove that these forebodings are valid, but before anyone allows himself to get too gloomy about them he ought to look up the old records and find out what happened after the last war. The railroads had enormous traffic increases in that war just as they have had in this one. Percentagewise, the wartime increase in ton-miles over the best of the previous peacetime records was almost as great in World War I as it has been in World War II. Nevertheless, the expected post-war slump was small in amount and brief in duration.

"World War I came to a close at the end of 1918. The ton-miles of revenue freight of all roads

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NSTA Advertising Notes

Fellow Members:

We are doing well; over $4,000 gross. We will do better if you will do your part and get that advertising contract you received signed for space in our Election Meeting Section of the "Chronicle."

To date your Committee reports:

Boston, 1 ad; Buffalo, 2 ads; Chicago, 8 ads; Cincinnati, 2 ads; Cleveland, 1 ad; Detroit, 5 ads; Florida, 3 ads; Indianapolis, 2 ads; Los Angeles, 2 ads; Louisville, 3 ads; Memphis, 2 ads; New Orleans, 5 ads; New York, 38 ads; St. Louis, 3 ads; Toronto, 2 ads.

You can readily see many affiliates are not represented in the above tabulation. Your Committee needs your support. Make a resolution now that you are going to get not only your firm signed up for space TODAY, but also some other firm in or out of the securities business.

K. I. M.

Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., 30 Pine St., New York 5, N. Y.; Alfred W. Tryder, Vice-Chairman NSTA Advertising Committee, H. T. Greenwood & Co., 123 S. Broad St., Philadelphia 9, Pa.

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.

Attractive Situation

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

Speculative Appeal

"MOP" general 4s of 1975 offer interesting speculative potentialities, according to a circular on the situation issued by McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange. Copies of this circular may be had from the firm 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.

In New Quarters

F. S. Yantis & Co., Incorporated, members of the Chicago Stock Exchange, will be located at the Field Building, 135 South La Salle Street, Chicago, after July 28.

Don't Delay Post-War Plans

Roger W. Babson Optimistic On Business And Politics

In most of its phases, American business has expanded and profited during the War. Many plants have been greatly enlarged while much corporate debt has been eliminated. Labor has profited from increased wages. This in turn has helped retail merchants. Most individuals also will come through the War in fair financial shape.

In the immediate post-war era, business has even greater possibilities. There should be a tremendous demand for goods and services heretofore unavailable. With individuals holding the largest amount of savings in the history of the country, there should be plenty of customers. However, business must produce the goods and create employment opportunities. This can be done but necessitates planning now with the hearty cooperation of employers, labor leaders and government.

Roger W. Babson

Uncertainties to Overcome

Manufacturers must decide what new products they must make to take the place of their present war output. Most of them should arrange for the sale or junking of obsolete equipment and the purchase of new machinery. They should get rid of surplus inventories no longer needed. They should now study markets for their new products and figure costs and prices. If different types of workers are to be employed, classes for their instruction should now be planned. Tentative production schedules should now be whipped into shape.

Many uncertainties affecting all businessmen await government action. Such action will include the okaying of definite plans for reconversion, post-war taxation and whether or not controls will continue in effect after the war on materials, prices and labor. Furthermore, only the Government can act on the disposal of government-owned plants and surplus government stocks of goods and commodities. The Baruch-Hancock report emphasizes the necessity for early government action on all post-war plans. Wise employers, however, will not wait for the Government to act.

Outlook for Labor

The great single problem threatening American prosperity is labor. Manufacturers are already being obliged to drop many employees. By the end of the third quarter we may experience a labor surplus. At the end of the war there may be 10,000,000 war workers unemployed. While we will naturally keep a large standing Army and Navy, there may be another 10,000,000 demobilized service men, making a total of 20,000,000.

If business is unable to maintain a fairly full rate of employment in the post-war era, aside from the normal floating supply of unemployed which might total 3,000,000 or 4,000,000, we are apt to face serious difficulties. Repairs to war-torn Russia, England, France, North Africa and other countries will readily absorb labor there. If, for example, Russia is able to have full employment after the war and the United States is not, what will our workers think? Such a situation could be the end of labor unions and their leaders would be among the unemployed.

Many individual workers already see the handwriting on the wall and are quietly trying to get more permanent positions. Organized labor is exerting great political pressure to prevent the shutting down of many plants regardless of the fact that war requirements may already be filled. Certainly, there will be little aircraft or shipbuilding construction after the war. However, chemicals, building, automobiles and iron and steel should be active. These industries will employ many millions. Many others will be employed in road building and in the construction of public works. Nevertheless, the matter of post-war employment may prove a serious matter.

Political Outlook Bullish

The ramifications of current business problems and those of the immediate post-war period are so many I cannot emphasize too strongly the need for efficient research and planning departments. Managements should give attention first, to broad plans, and secondly, to the details of their companies' activities following the end of the war. **From the standpoint of business, the political situation is now more hopeful than it has been for years.** The Dewey-Bricker ticket is a definite "go ahead" signal, — win or lose.

If we have sound government policies and a greater degree of cooperation between government and business and more cooperation between management and labor, we should have some good post-war years. Shortsighted businessmen and merchants will continue to fail — as they always have failed — regardless of wars and regardless of periods of prosperity and periods of depression. Real workers, — whether in the executive, white collar or union groups — will be able to take care of themselves.

"What's All The Shooting About"

This is the second in our series under the above heading adopted from the article of attempted defense published in the NASD "News," allegedly by its Board of Governors.

The term "shooting" was apparently used to characterize the many criticisms that have been leveled at the NASD, its origin, structure, activities, and particularly the passage by its Board of Governors of the "5% spread policy," without consulting the members. Because we have engaged in our fair share of that criticism, we felt it our duty to take up the challenge and explain what all the shooting is about.

The highlight of our last article on this subject dealt with the NASD distinction between members and outsiders. As to the former, the Board asserted "Any reasonable demand for information has always been satisfied." We pointed out, and this will bear repetition, that since the NASD was created by the Maloney Act for the avowed purpose of protecting the public interest, it owes a duty to furnish information to that public in whose interest it is supposed to be serving. That duty is inescapable.

We go on. Says the NASD "News":

"A little retrospection may not be amiss. NASD was formed in 1939 as a result of several years' effort to set up an instrument of self-regulation which could represent the interests of the vast over-the-counter business, theretofore unorganized, and promote its general and public welfare. The alternative, as pointed out by the business and more particularly by the SEC, was a greatly expanded SEC force of investigators and lawyers in a new field of governmental securities regulation. The SEC supported the business's own program for self-regulation rather than undertake, at the time, regulation of the over-the-counter business on the scale being applied to stock exchanges and underwriting."

Our question is, was all that good or bad?

The clear implication is that by so-called self-regulation the NASD achieved benefits for the over-the-counter business. One of these was the preventing of "a greatly expanded SEC force of investigators and lawyers in a new field of governmental securities regulation." Assuming, and this is only conjecture, that some increase in the SEC staff was, in fact, discouraged, did that in any way serve as an advantage either to securities dealers or to the public?

Laws are made to be enforced, and adequately staffed enforcement agencies are never anything to rail against. If the law itself is invalid, the remedy may lie with the courts, or, if it is unfair and works unreasonable hardships, congressional action by repeal is the course to follow.

Let us examine what the over-the-counter business had to contend with before the birth of NASD and what is its present lot.

We are reliably informed that the SEC was and is powerless to compel securities dealers to answer questionnaires. The SEC, however, has held that such questionnaires propounded by the NASD must be answered by its members. Is

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Halsey, Stuart Group Offer Bonds, Ctfs.

Syndicates headed by Halsey, Stuart & Co. are making public offering today of $34,500,000 New Orleans Public Service, Inc., 3⅛% first mortgage bonds and $8,120,000 Union Pacific 3¼% equipment trust certificates.

The bonds, due 1974, are priced to the public at 103⅞ and accrued interest, while the equipment trusts, maturing annually from Aug. 1, 1945, through Aug. 1, 1954, are offered at prices to yield from 0.80% to 1.825%, according to maturity.

A third group managed by Halsey, Stuart & Co. is placing $1,350,000 Boston, Mass., 1¼% serials of 1945-1974, on a yield basis from 0.40% to 1.45%.

Interesting Situation

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

Public Utility Securities

United Corporation's New Plan

United Corporation on June 29 revised its proposed plan for an exchange offer to holders of the $3.00 preference stock. The old plan proposed to give a "package" consisting of 1½ shares of Philadelphia Electric common, ¼ share of Delaware Power & Light, and $3.75 in cash in exchange for each preference share (not over half the outstanding shares to be accepted in exchange). The new plan will distribute nearly all of United's holdings in Philadelphia Electric, and each share of preference tendered for exchange would receive 1.8 shares of Philadelphia Electric, plus $5.00 in cash (the cash not to be construed as a payment against dividend arrears). With Philadelphia at 20, the value of the package would be $41. The new plan would provide for retirement of about 45% of the holding company's preference stock.

SEC hearings have been held on the plan and it is understood that little opposition developed. Accordingly, unless there is some further indication of stockholders' dissent, a relatively early decision would appear likely—though, of course, it is impossible to set any timetable for SEC activities. The original plan was filed Jan. 27 and was criticized by Randolph Phillips (who had twice been defeated at annual stockholders' meetings in his efforts to oust the management of United Corporation), H. G. Miller and James Fuller, on the ground that it should be submitted to stockholders for approval.

In a letter to stockholders replying to Mr. Phillips, it was pointed out that while the directors had intended to obtain the approval of stockholders, the SEC had held this to be inappropriate because the plan would be a step toward compliance with its order of Aug. 14, 1943, and also that counsel had advised that the Delaware law did not require stockholders' approval.

As of June 30, United Corporation had a liquidating value of $48.89, and since the preference stock is entitled in dissolution to $50 plus current arrears of $5.25, there was a resulting deficit in the equity per common stock of $1.09 a share. It is estimated that if the full 45% of preference stock should be tendered under the exchange plan, the liquidating value of the remaining stock would be lifted to $56.12, which would result in the common stock going "into the black" to the extent of 8 cents per share. In any further increase in the company's assets, the common stock would, of course, benefit along with the preferred, its equity gaining nearly 10 cents for every $1.00 increase in the value of the preferred. Thus if the company's portfolio should increase in market value by 25%, raising the liquidating value of the preference stock to around 70, the common stock would have a liquidating value of about $1.40.

In his testimony before the SEC, Mr. Hickey stated that United's income from investments was $1.78 a share on the preference stock and would be $1.57 after the exchange. These estimates were based on assumed payments of $1.00 a share by Delaware Power & Light and 80 cents a share by Public Service. The latter company has been paying quarterly dividends of 25 cents but in view of the recent $5,000,000 rate reduction, Mr. Hickey felt that it would be more conservative to count on only 80 cents per annum from that company.

Public Service Corp. no longer publishes monthly earnings figures; the latest figures, for the three months ended March 31, showed 44 cents a share for this seasonally-favored quarter compared with 42 cents in 1943; calendar year earnings (1943) were $1.10 compared with $1.22 in 1942. On the other hand, Delaware Power, which may earn an estimated $1.44 a share this year compared with $1.37 last year, is expected to consider raising its annual rate from 80 cents to $1.00. However, the net result of these two changes would be a loss of about $238,000 a year to United or about 18 cents a share on the preference stock, giving effect to the plan (about 10 cents on the present basis). United holds nearly five times as many shares of Public Service as of Delaware P. & L.

N. Y. Stock Exchange Weekly Firm Changes

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

Claude K. Boettcher, general partner in Boettcher & Co., Denver, Colo., became a limited partner, effective May 1.

Stanley H. Sinton, limited partner in J. Barth & Co., San Francisco, will become a general partner, effective Aug. 1. Herbert E. Clayburgh will retire from the firm on July 31.

Canadian Securities

By BRUCE WILLIAMS

The United Nations Monetary and Financial Conference at Bretton Woods has been followed closely by both financial and political leaders in Canada. The importance of world exchange agreements to an exporting-creditor nation such as Canada are obvious.

In the new and larger role which Canada is destined to play in world affairs after the war much will depend on stable rates of exchange which are fairly adjusted to the economy of the Dominion. Canadian leaders are acutely aware of this; hence, their active interest in the developments at Bretton Woods.

It would appear that out of the Conference the following points respecting exchange rates have emerged:

1. Until the fate of the proposed International Stabilization Fund is clear, no change in the Canadian or British exchange rates with the U. S. dollar is to be expected. The anticipated return of the Canadian dollar to parity with the U. S. dollar is thus apparently some distance off.

2. In the British viewpoint, the present $4.02 rate of the pound with the U. S. dollar would be satisfactory for the Stabilization Fund, if and when it is established. Our own monetary experts are inclined to agree.

3. Since adjustments in the rates are to be avoided except for "very important considerations," there may develop strong opposition, particularly from Great Britain, to restoration of the former U. S.-Canadian exchange parity.

* * *

The Canadian Department of Labor is now conducting a survey of post-war employment. Questionnaires have been sent to 1,500 leading Canadian firms asking for data on total employment as of June 1, 1939 and 1944. Canada will have manpower problems in the post-war period in many respects quite similar to our own. These problems will be political to a much greater degree than in the past and the Government is following a wise course in taking steps now to prepare for them.

* * *

An interesting sidelight on the comforting orthodoxy of Canadian financing thinking is the misgiving with which they view the steadily mounting payment of subsidies to American farmers. It is pointed out that in 1933 when the cash farm income of this country was only $5.3 billion, subsidies of $131 million were paid. Last year with farm income rising to a new peak of $19.3 billion, subsidy payments (for which they see little need now) increased to $672 million.

"These figures," states one Canadian commentator, "are worthy of reflective consideration wherever the temptation is found for bigger and better government subsidies."

* * *

The market last week was quiet and firm. Corporate issues were stronger on fairly good demand; but there was little activity, especially in the high-grade section of the list.

Trading in Dominion and provincial bonds was featureless. A discount of 9⅝% prevailed for internal issues and they were not very active.

Something in the nature of dynamic war developments would appear to be needed to release the market from the somewhat sobering effects of the recent elections and the Bretton Woods Conference. Judging by the news of the past week, such developments may not be far away.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week's reaction may not be over but good buying now coming in. Selling in last few days as poor as buying last week before market break.

* * *

In one week's time the pendulum has swung back from rampant bullishness to cowering bearishness. Just as the first wasn't warranted by the underlying market action, so isn't the second to be feared as much as current widespread opinion would have you believe.

* * *

Two weeks ago when this column warned that the 151 level in the Dow industrials would prove a stumbling block; it was probably viewed as just another crackpot opinion. Last week the warning was repeated when the column said that the cream was off the top. Current pessimism is attributed to the possibility of an early peace and quavering fingers are pointed at the disturbances within Germany. Either the market knew about these anti-Hitler uprisings long before they became page One headlines or it guessed at them. But whatever the reason, the market in its own way gave the clue to a reaction while the public as a whole could see nothing but boom times ahead.

* * *

Right now the Street is full of doleful forecasts of how low they're going to go. One widespread reason is the lack of planning for post-war and the alleged poor shape most industries will find themselves in after the war. So far as I know both may be right. But just as the market didn't confirm the recent bullishness, so doesn't it confirm the present bearishness.

* * *

On the contrary the market seems to be pointing to higher prices. But before you go out and hock the family jewels let me point out that this advance isn't around any mythical corner. A six point shakeout, such as you just saw, can't be taken in stride. It requires a new building up process which in turn calls for time. As to how long this time element will be is something you can guess as well as anybody. And you don't have to have any involved charts or systems to help you. A coin will do. Heads it's one thing; tails it's another.

* * *

But seriously, the tape which indicated bad buying for the past two weeks is now beginning to show spots of equally bad selling.

* * *

Oddly enough the worst selling appears in the air-

(Continued on page 407)

OUR REPORTER'S REPORT

Bankers on both ends of the New Orleans Public Service refinancing were more than gratified with the reception accorded the bonds and preferred stock involved in that undertaking, the largest since the completion of the Fifth War Loan Drive a fortnight ago.

Both the $34,500,000 of 3⅛%, 30-year bonds and the 77,798 shares of 4¾% preferred stock were scheduled to go on the market today provided, of course, the Securities and Exchange Commission gave the necessary clearance after the usual review of the price received by the issuer and the spread involved.

Underwriters handling the deal awaited only the go ahead signal last night and felt assured of a quick placement of both issues. Their expectations were based on a heavy inquiry for both the bonds and the stock which developed in the wake of the sale at competitive bidding on Tuesday.

The bonds were to be priced at 103⅞ and the preferred stock at 106½, it was announced by the banking group handling the business, in the course of their preparations for actual marketing.

The issuer will use the proceeds, together with such treasury cash as may be needed to redeem an equivalent amount of $7 preferred, and several issues of outstanding underlying bonds.

Cincinnati Union Terminal

The next corporate issue of sizable proportions coming up for bids is the $24,000,000 of Cincinnati Union Terminal Co. 30-year bonds bearing a 2¾% interest rate.

Filed early this week with the Securities and Exchange Commission, the sale of this issue will place the company in funds to finance the redemption of an equivalent amount of 3½% mortgage bonds which do not mature until 1971.

The company is expected to call upon bankers to enter competitive bids for this business to be opened some time around August 8 next.

Birmingham Electric Files

August now holds promise of turning up a fair volume of new business for underwriting bankers. Birmingham Electric Co., subsidiary of the National Power & Light Co., added its mite to the potential when it registered with the SEC this week for the sale of $10,000,000 of new first mortgage bonds.

Bankers are now figuring on being called upon to submit bids for this business along about August 23 next, and indications are that the competition will be keen.

The company will apply funds so raised to the retirement of an equivalent amount of outstanding first mortgage 4½s due in 1968.

Kansas City Terminal

Bankers are well along in their preparations for entering bids for the $47,000,000 of Kansas City Terminal Railway Co., 30-year first mortgage serial bonds to be dated Oct. 1 next.

They are now counting on the company to market these bonds around August 30. Since the competing bankers will be asked to name the rate of interest, there is plenty of calculation in progress.

Another issue which could materialize next month, although there is nothing really definite to indicate that it will, is the $44,000,000 refinancing in contemplation for Chicago Union Station.

$50 Million Issue Planned

Central New York Power Corp. stepped in to swell the total of prospective new financing this fall by $50,000,000 when it filed petition with the Public Service Commission of New York, for authority to issue and sell such an issue.

The new bonds would be of 30-year maturity with the rate of interest, not to exceed 3%, and the selling and redemption prices to be filed later with the Commission.

This issue, which is, of course, subject to approval by the SEC also, would provide funds for the retirement of $45,000,000 of outstanding 3⅜s, due in 1962, and $5,000,000 of 3½%s, due 1965.

Railroad Securities

Last week witnessed one of the most dramatic demonstrations yet of the basic improvement that has taken place in the last few years in railroad credit. Great Northern, which prior to the war was still characterized as a marginal property, announced its intention of refunding roughly $120,000,000 of its bonds. In part the bonds to be called will be met with treasury cash but new bonds in the amount of $100,000,000 will be sold to the public. This will be the largest railroad refunding consummated in many years, comparable, at least in size, to the same road's operation in 1936 when roundly $100,000,000 of 7% bonds were replaced by the series "G" and "H" 4s, 1946. At that time the success of the offering was based in considerable measure on the conversion feature of the new bonds.

The contemplated operation is designed to eliminate the remaining unretired balance of the two series of General 4s, 1946, the road's only two outstanding underlying liens (the 4¼s, 1961, and the Eastern Railway of Minnesota 4s, 1948), and the Collateral 4s which mature serially to 1952, inclusive. The operation will also make Great Northern one of the few one-mortgage major roads in the country. Its entire debt will consist of equipments and the various series of General Mortgage bonds. The refunding will be divided into three new series of this mortgage—$35,000,000 due in 1960, $30,000,000 in 1970, and $35,000,000 in 1980. Tentatively the coupon rates are expected to run from 3⅛% on the shortest maturity to 3½% on the longest maturity.

Even without considering the effects of the new financing Great Northern has been about, if not actually, the most successful of the Class I carriers (other than those that have undergone judicial reorganization) in reducing its fixed charges in recent years. The proposed refunding will, it is estimated, pare another $1,550,000 from annual interest requirements initially. In addition, there appears little question but that sinking funds will be provided, thus assuring further systematic reductions in debt and charges in the future.

Giving effect to the financing fixed charges will be down to an indicated annual level of approximately $10,500,000. This will represent a cut of more than $9,000,000 from the burden supported by the property ten years ago. Without adjusting for taxes this saving is the equivalent of roundly $3.60 a share of preferred stock outstanding. This is the only equity issue of the company—it has no common stock. Indicative of how little recognition the stock market has given to the improved status of individual railroads, in contrast to improved credit reflected in the bond market, the stock at the present writing is selling at only about 10 times the per share reduction realized in fixed charges.

Rail men have long considered Great Northern stock as representing one of the most attractive investment equities in the rail group, and have been correspondingly disappointed in the market action. More recently the shares have displayed some independent strength but security analysts still visualize the likelihood of substantially higher prices over the intermediate term. This is based not only on the debt retirement and substantial reduction in fixed charges, but, also, on the favorable long term traffic trends and prospects.

Prior to the war Great Northern's traffic and revenue performance was considerably better than that of Class I carriers as a whole, or the Northwestern territory in which its operates. One important factor has been its large stake in iron ore tonnage which gives it a diversity of interests unusual in the western section of the country. Also, this iron ore tonnage, and many of the road's other important traffic items, being bulk freight and moving in train load lots, are relatively invulnerable to highway competitive inroads. These are permanent factors and will be augmented post-war by anticipated growth of the Pacific North West area. Finally, it is expected that with the refunding out of the way the stock may be in line for an increase in the present $2 annual dividend.

Attractive Situation

Metal & Thermits Corp. common stock offers an interesting situation, according to a memorandum 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.

Nat'l Secs. Research Has Two New Series

Henry J. Simonson, Jr., President of National Securities & Research Corporation, 120 Broadway, New York City, announces that two new Series have been added to the National Securities Series, a mutual investment fund. This is consistant with the policy of the company to add from time to time new series with varying investment objectives to meet changing conditions.

Henry J. Simonson, Jr.

Registration of the two new series, known as National Stock Series and National Industrial Stocks Series, became effective with the Securities and Exchange Commission on July 20. Shares are now offered for sale and the portfolios of the two new series will be opened on Aug. 1.

The portfolio of National Stock Series is to consist of a group of dividend-paying stocks chosen for their dividend record and the fact that they afford a better-than-average return. At the initial offering price of $6 a share, National Stock Series should show a return of approximately 6¼%.

The portfolio of National Industrial Stocks Series represents an investment position in companies that are taking an active part in the manufacture or development of newer scientific or technical products or materials. The intention is to permit the average investor to obtain research diversification in companies covering the fields of electronics, plastics, new drugs, synthetic fibres, new alloys, synthetic rubber, aerodynamics, etc. Both the larger companies and some of the smaller companies will be represented. It is the management's intention to select issues of companies having good growth opportunities.

The initial offering price of National Industrial Stocks Series will be $7 per share and the current return to investors will approximate 3%.

The portfolios of both funds will be under the management of the Economics & Investment Department of the National Securities & Research Corporation.

These two additions to the National Securities Series brings the total series in this Trust to eight. The others are Bond Series, Preferred Stock Series, Low-Priced Bond Series, Income Series, Low-Priced Common Stock Series and International Series.

The total assets of the National Securities Series are now over $12,000,000, an increase of $5,000,000 since Dec. 31, 1943 when the assets were slightly above $7,000,000.

The market value of total assets of trust funds sponsored by National Securities & Research Corporation is now over $20,000,000.

Prospectus, dealer announcement and supplementary sales literature are available to dealers upon request.

Real Estate Securities

By JOHN WEST

Sinking Fund Operation

Because of the investment character of real estate bonds, the floating supply of this type of security is not as preponderant as that of some other type.

This situation apparently accounts for the fact that when sinking fund operations take place in real estate issues, the sinking fund, in many cases, pays substantially above the recent bids in the market.

This leads to an interesting investing angle, wherein bonds may be purchased for a six months turn. A good yield is usually attainable during the interim of waiting for sinking fund and if the bonds are held for six months before they are sold, the advantage of a long term tax base is also received.

Continued sinking fund operations have caused a steady upswing in the price of some real estate securities, the price going higher and higher as the floating supply of bonds becomes less and less, i.e., the Roxy Theatre now 86 bid and where the range has been as follows: 1938—40-66; 1939—56-72½; 1940—57-68; 1941—53-64; 1942—59-67; 1943—66-81; 1944—78-86. Similar steady upswing has taken place in such bonds as the Lexington Hotel, Herald Square Building and many others where every year there is an operation of the sinking fund.

This situation makes us have a decided preference for those real estate bond issues in which a public sinking fund operates and has made us pay particular attention to reorganizations which provide for such a process.

For instance, 61 Broadway, in which the reorganization is presently being concluded, provides for 25% of the net profits being used for retirement of bonds. Rough estimates indicate that in addition to interest they will have about $50,000 a year with which to buy bonds. At current prices of the bonds—36% for old securities, or 72% for new (plan provides for cutting par of the bonds in half)—they may be able to retire about 2% of the bonds a year. With the new issue cut to $3,961,000 the elimination of this many bonds should in a few years firm up the price of the bonds materially.

Practically the same situation exists in the Hearst-Brisbane bonds reorganization, plan of which is now in the Courts. The principal assets of this issue consists of the 33-story Warwick Hotel. Original bond issue of $7,000,000 will only amount to $2,404,470 if plan is consummated. Each $850 bond now selling at 51 will be given a $600 first mortgage bond and a share in 100% of the ownership of the property. New bonds, therefore, at current market prices will cost 72%. Rough estimation in this issue indicates that income may be sufficient to pay 5% on new bonds and probably have about $80,000 a year available for bond retirement. If these estimates prove correct, here we have the possibility of taking about $100,000 bonds a year out of the market, a considerable proportion of the new $2,404,470 issue. Here again there seems to be an opportunity of price appreciation.

These rough estimates are based on current earnings and expenses and while not positive, are likely. However, changing conditions might very well reduce our anticipation.

Other issues worth watching are the Governor Clinton Hotel, where elimination of senior debt is opening the way for sinking fund on the bond issue, and the Park Central Hotel, where sharp reduction of the senior debt may soon open the way for sinking fund operation of the bond issue.

L. A. Darling Co. Stock Marketed

Collin, Norton & Co., Toledo, Ohio, and Allman, Moreland & Co., Detroit, Mich., today are making dealer offering of 28,000 shares of the L. A. Darling Co. common stock of $1 par value at $3.55 net per share.

The 28,000 shares are part of 233,333 shares previously outstanding, and this offering does not represent any new financing by the company but were purchased from a principal stockholder.

L. A. Darling manufactures and distributes a widely diversified line of metal and composition display fixtures used for floor, counter, window, wall and shelf display of merchandise in retail stores, plus a full line of card display and counter price card holders.

Originally incorporated in Michigan in 1909, the firm was re-incorporated as a Delaware corporation in 1929, and its main plant is located in Bronson, Mich.

Some of the largest users of the Darling products are S. S. Kresge, F. W. Woolworth, Sears, Roebuck, Montgomery Ward, J. C. Penny, Butler Brothers, W. T. Grant and many other large stores.

For the first six months of 1944 the company had a net profit of $62,907. In 1943 the company made a net profit of $124,168, after setting aside a renegotiation reserve of $42,000.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Two weeks ago this column presented figures showing the net earnings of 15 leading New York City banks for the first six months of 1944, compared with the first six months of 1943. This week a similar comparison is presented for 13 representative banks located in cities other than New York, as follows:

	Indicated Earnings Per Share First Six Months 1943	1944	Book Value Per Share 12-30-43	6-30-44	Annual Dividend Rate
BOSTON—					
*First National	$1.42	$1.57	$43.35	$43.92	$2.00
National Shawmut	0.55	0.66	39.09	39.25	1.00
PHILADELPHIA—					
Corn Exchange National	2.26	2.14	63.10	64.24	2.00
Fidelity Philadelphia Trust	11.26	12.21	315.16	323.37	8.00
Girard Trust	2.61	4.03	40.55	43.58	2.00
†Pennsylvania Co.	1.20	1.21	27.68	28.02	1.60
Philadelphia National	3.38	4.23	70.97	72.70	5.00
CHICAGO—					
Continental Illinois National	3.73	4.12	72.45	74.57	4.00
First National	11.48	20.01	186.38	202.39	8.00
Harris Trust & Savings	11.57	13.77	337.96	345.73	12.00
Northern Trust	14.23	15.00	507.27	513.27	18.00
SAN FRANCISCO—					
American Trust	1.60	3.26	50.35	52.61	2.00
Bank of America N. T. & S. A.	2.16	2.56	36.53	37.89	2.40

*Includes Old Colony Trust Co. †Reported by bank.

All earnings are "indicated," with the exception of those of the Pennsylvania Company in Philadelphia, whose earnings of $1.21 per share were so reported by the bank. Certain distortions occur when "indicated earnings" are used, in that when funds are transferred from reserves to surplus such transfer appears as part of the "indicated earnings." For example, First National Bank of Chicago shows "indicated earnings" for the first six months of 1944 of $20.01 compared with $11.48 for the first half of 1943, an increase of 74.3%, which is entirely out of line with the experience of other banks. The reason for this distorted figure lies in the fact that on June 9, 1944, the directors authorized the surplus account to be increased by $10,000,000 through a transfer from reserves and undivided profits.

With regard to Continental Illinois National Bank & Trust Co., it will be recollected that in December, 1943, this bank paid a stock dividend of 20%, thus increasing the number of shares outstanding from 1,500,000 to 1,800,000. The earnings of $4.12 during the first half of 1944 are on 1,800,000 shares, and the $3.73 for the first six months of 1943 are adjusted accordingly; on the former capitalization of 1,500,000 shares the $3.73 would be $4.46.

It is of interest to remark that, on June 19, 1944, the directors of Philadelphia National Bank authorized the book value of the bank's building to be written down to $1.00 from the previous figure of $2,200,000. They also authorized that surplus be increased from $21,000,000 to $28,000,000 through a transfer from undivided profits. Unlike a transfer from reserves, such a transfer does not affect "indicated earnings."

As in the case of New York City banks, so out-of-town banks can point to a vigorous rise in earning assets, occasioned by war financing, as the cause of improved earnings despite high taxes and increased operating costs. The following table gives significant figures for Reserve Member Banks in 100 cities, excluding New York City:

	Total Loans	U. S. Gov't. Bonds	Total Loans and Investments
January 6, 1943	$6,366,000,000	$15,441,000,000	$24,844,000,000
March 31, 1943	6,016,000,000	16,178,000,000	25,227,000,000
June 30, 1943	5,846,000,000	19,697,000,000	28,580,000,000
January 5, 1944	6,590,000,000	22,040,000,000	31,366,000,000
March 29, 1944	6,572,000,000	24,068,000,000	33,005,000,000
June 28, 1944	7,193,000,000	25,331,000,000	34,975,000,000

This table shows that at the end of the first quarter in 1943 the mid-point of the six months' earning period, total loans and investments were $25,227,000,000, but at the mid-point of the six months' earning period in 1944 they were $33,005,000,000, or approximately 31% higher. It is important to note, however, that the greatest gain was in U. S. Government bonds, which increased approximately 49%, while total loans increased only 9.25%. This is significant, because a large portion of these Government holdings are likely to remain with the banks for an indefinite period, and, furthermore, as long as the war lasts these banks will continue to increase their commitments in Governments. Even af-

(Continued on page 385)

Mutual Funds

The Art Of Selling Mutual Fund Shares

It may be unfortunate, but it's true — investors don't **buy** mutual fund shares. They have to be **sold**!

On reflection, this should not be surprising. Mutual fund shares are sound investments — they fill a definite and growing need in the American economy — they have a great future. But life insurance is also a sound investment. And yet it would be difficult to think of anything tougher to sell than life insurance!

The fact is that Americans don't really **buy** anything in volume. National distribution of any product — however sound it may be —is achieved only through concentrated selling.

From the observations of the writer, entirely too few mutual fund sponsors are giving their particular "product" the benefit of well-directed, concentrated selling. And the sales figures of the industry bear witness of this deficiency.

For example, total sales of 69 mutual funds in the first six months of this year, as reported by the National Association of Investment Companies, amounted to **only $76,514,000.** We use the word "only" advisedly; in view of the potential market for mutual fund shares, **$76,514,000 of sales over a period of six months is strictly "peanuts."**

In the same six-month period covered by these mutual fund sales, individual Americans were **sold** over $10 billion of War Bonds. Of course, buying War Bonds is vital, necessary, patriotic —but the Americans who bought (were sold) those $10 billion of War Bonds had plenty of money left over — an estimated $33 billion of which went into savings. And what better investment (after war Bonds) can the individual American find for his savings than mutual fund shares?

If any further proof of the need of better "selling" in the mutual fund field were necessary, it would be clear from the record of the three or four sponsors who have already developed constructive, concentrated, proven sales procedures in the distribution of their shares. In the first six months of 1944 these sponsors did over 60% of the total business accounted for by all 69 mutual funds.

Just what are the ingredients that make for successful selling of mutual fund shares? While a book could — and probably should—be written on this subject, they're simple to enumerate but (especially these days) they may not be so easy to fill.

The first element is **balance** — balance between the three fundamental divisions of the selling organization — (1) field representatives, (2) sales literature and advertising, and (3) liaison between the home office and the field. Most sponsors recognize the importance of one or another of these three divisions. But too often one element is given stress while another is neglected.

Just as the cigarette companies long ago discovered that it was impossible to neglect any single fundamental division of sales promotion and still maintain sales, so it has been the observation of the writer that mutual fund sponsors cannot disregard any one of the three major sales divisions of their business without markedly losing effectiveness in the distribution of their shares.

But how about performance? In our opinion, that is not a sales problem—provided, of course, that the performance is satisfactory as measured by the standards of professional investment management. A difference of 2% this way one year or 5% the other way next year in relation to comparable funds should have no bearing on the sales result.

A final ingredient, trite though it may sound, is the **spirit** of the selling organization. It takes enthusiasm to sell; and it is next to impossible to generate enthusiasm in dealers and their salesmen if you haven't got it yourself. That is why Richard H. Grant, General Motors' Vice-President in charge of sales, on retiring after more than 40 years of "big league" selling, left with these parting words: **"In selling, it's the spirit that counts."**

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.

Rio Grande Situation Appears Interesting

In view of the contra marked-strength of the Rio Grande coll. 4s, 1949, last week on the New York Stock Exchange, Amott, Baker & Co., Incorporated, 150 Broadway, New York City, is calling the attention of those interested in this security to their special analyses of the situation. Copies of these analyses, and a memorandum summarizing current comment on Mid Continent Airlines, Inc., may be had from Amott, Baker & Co. upon request.

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.

Bank & Insurance Stocks

(Continued from page 384)

ter the war, unless and until the Government balances its budget and puts an end to deficit financing, the commercial banks of the country will undoubtedly be called upon to enlarge their portfolios of Government securities. Thus, for an indeterminate period it would appear that the commercial banks will be assured of a steady gross income of bond interest at a substantially higher level than obtained prior to World War II.

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 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.

NY Bank Stocks Compared

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have issued a most interesting quarterly comparative analysis of 17 New York City bank stocks. Copies of this analysis may be had upon request from Laird, Bissell & Meeds.

Beadling & Co. Formed In Youngstown, Ohio

YOUNGSTOWN, OHIO—Beadling & Company, with offices in the Union National Bank Building, has been formed to conduct a general brokerage business in all unlisted securities. Officers of the new firm are W. E. Beadling, President and Treasurer; E. E. Klooz, Vice-President; Dorothy B. Gourley, Secretary; Florence L. Beadling, Assistant Secretary.

Mr. Beadling was formerly with Wadsworth & Co.; prior thereto he was with Butler, Wick & Co., Butler, Beadling & Company, and was an officer of the Valley Investment Co.

Ohio Brevities

Cleveland banks held over two billion dollars in deposits and total resources on June 30, 1944, both items racing to new high levels, half-year condition statements disclosed.

Resources of all banks climbed to approximately $2,125,000,000 with the five largest institutions holding $2,065,686,000 of the total. This was a gain of more than $413,000,000 during the year and compared with $1,869,238,000 last March 31.

The five major banks showed deposits of $1,953,816,000, an increase for the year of $418,539,000. With deposits of other banks this item exceeded the 2-billion level.

In other classifications among the Big Five, U. S. Government obligations reached the record peak of $1,122,032,730 which is about 109 millions above three months ago and 223 millions over June 30, 1943. Cash of $339,559,000 was about steady with March 31 but about 6 millions less than a year ago. During the three months, bank loans rose 82 millions, to $531,752,000.

Cleveland Trust Co. is about to become the first billion-dollar bank in the state. At June 30, resources exceeded $964,000,000, highest ever reported by the bank. The four other large banks, Union Bank of Commerce, Central National, National City and Society for Savings, set tops in resources, deposits, loans and government holdings, the last recording 95-year highs in all but loans and cash.

* * *

Cleveland Trust Co. was the highest bidder for $2,100,000 serial equipment trust certificates of Nickel Plate Road on its bid of 99.882 for 1⅞s on an interest cost basis to the borrower of about 1.90%.

The road said proceeds along with other funds would be used to purchase 15 type 2-8-4 freight locomotives with 22,000 gallon tenders, and 25 70-ton covered hopper cars at a cost of approximately $2,684,207.

* * *

Erie Railroad announced that Guaranty Trust Co. of New York, submitted the top bid of 100.1285 with 1⅞% coupon for $3,620,000 equipment trust certificates. The interest cost to the company was 1.8502. The road sent out 142 invitations for bids on the issue.

Halsey, Stuart & Co. was second with a bid of 100.52999 for 2s and interest cost of 1.8977. Third was Harris, Hall & Co. with 100.459 for 2s and interest cost of 1.91136 while Salomon Bros. & Hutzler was fourth with 100.415 for 2s an interest cost of 1.9198.

Proceeds will be applied toward the purchase of six 5,400 h. p. diesel freight locomotives and 600 50-ton all-steel hopper cars at a total cost of $4,549,600.

* * *

Hornblower & Weeks headed an underwriting group which sold promptly an issue of $2,000,000 15-year 4½% sinking fund debentures of American Machine & Metals, Inc. Proceeds with funds received from sale of 68,450 shares of capital stock to company stockholders at $9 a share, will pay off a bank loan of $3,000,000.

Stockholders of Detroit & Cleveland Navigation Co. have been sent letters by a Cleveland group soliciting proxies for the company's annual meeting next Monday in Detroit.

The Cleveland group is seeking representation on the company's board of directors.

The company's annual meeting was held last April 18 but the Clevelanders claimed the meeting was adjourned by the management without any election and no date set for reconvening. The case eventually was taken to Federal Court at Detroit and the judge ruled the adjournment illegal. Directors, with the court's permission, set July 31 for the meeting and the court ordered that an election of directors be

(Continued on page 400)

Cleveland Bond Club Names New Governors

CLEVELAND, OHIO — J. L. Quigley, Quigley & Co., and Walter B. Carleton, Fahey, Clark & Co., have been chosen governors of the Bond Club of Cleveland, succeeding A. H. Richards, Field, Richards & Co., and E. A. Legros, First Cleveland Corp.

At the group's annual meeting, members were addressed by James F. Lincoln, President of the Lincoln Electric Co., on "Incentive vs. Government Control."

In the afternoon members played golf. Herbert H. Covington, resident manager of Harriman Ripley & Co., won the Bond Club trophy for registering the best score in the last three years. Blind bogey prize went to T. C. Wellsted, Ball, Burge & Co., and R. B. Hays, First Vice-President of the Fourth Federal Reserve Bank.

Ohio Municipal Comment

By J. AUSTIN WHITE

A movement has been set on foot in Ohio that deserves the serious attention of every citizen of the State and of every one who is interested in the finances of Ohio's political subdivisions. This movement is an attempt being made by a group of Clevelanders to eliminate the Ohio Retail Sales Tax, by an amendment to the State Constitution. The group is circulating petitions throughout the State in an endeavor to obtain sufficient signatures to have the proposal placed on the ballot in the November election, with the provision that, if the amendment be adopted by the voters, the State's retail sales tax will be abolished on Nov. 11.

J. Austin White

This sales tax at present forms the backbone of the State's revenue system. The State collects the tax and returns the great part of the proceeds to the local subdivisions. While the school districts receive the bulk of the redistribution, nevertheless practically every subdivision of the State receives some of the proceeds of the tax. The schools especially rely heavily on this tax for funds to meet their needs, but the loss of this income by the other subdivisions would be a material loss to them as well.

No bonds of either school districts or other subdivisions are payable from the proceeds of this tax. Yet the loss of this income would cause serious operating difficulties for many of the local governments, and possibly for most of the school districts. It would undoubtedly be necessary to replace this tax, should it be abolished, with some other form, or forms, of taxation. No doubt the money now derived from the sales tax would be obtained from other sources, if necessary; nevertheless, this tax now forms such an important part of the State's revenue, and it has served its purpose so well that there is grave doubt about the wisdom of eliminating it.

Should the proposal to abolish it be placed on the ballot, however, it is difficult to say that the voters today would give the proper consideration to the value of this tax from the standpoint of its importance to the local subdivisions and of its relative advantages over other taxes that would have to be found to replace it.

In order to be placed on the ballot the petition must have 179,633 valid signatures from at least 44 counties by August 9th. It is reported that there are definite indications that these signatures can be obtained, though several State-wide and local business organizations are joining in a program of opposition. More will be written on this subject if the proposal finds its way onto the ballot.

Growing Tax Payments By Ohio Banks

The Bank Management Committee of the Ohio Bankers Association has just published its annual review of operation. In addition to some very interesting data, the report contains some more general observations that deserve repetition. On the subject of taxes the report states that "At least some Ohio banks will pay excess profits taxes on income produced in 1944 and others which have made relatively small Federal income tax payments in the past may pay substantial amounts."

Reference has been made in this column previously to the fact that banks are becoming more and more tax conscious, with many already surprised to find that they are in a 53% tax bracket, with taxable income between $25,000 and $50,000. It has been interesting to note the different attitude toward present prices for municipal bonds which each such banker has as he realizes that his tax rate is higher than he previously had thought.

In discussing "Future Prospects," the report states "Government expenditures for war purposes doubtless will continue the upward spiral of deposit totals in most banks; the financing of the war will increase amounts of Government securities held by banks **and probably force tax payments to an even higher level;** general demand for loans will not be great, and manpower and personnel problems will continue, if not worsen."

Future Course of Bank Deposits

A year or two ago the "upward spiral of deposits" had been so great that many bankers were concerned with the prospect that their then inflated deposits would, before too long, disappear. In the intervening period, however, the cause of this great increase in bank deposits, and the developments necessary before the trend would be reversed, have been discussed so much that most bankers are no longer expecting to see their totals decline for probably several years, despite the fact that deposits have increased considerably further since a year or two ago when there was such widespread concern, among coun-

(Continued on page 395)

Ohio Municipal Price Index

Date—	*	†	‡	§
July 19, 1944	1.31%	1.48%	1.15%	.33%
July 12	1.31	1.48	1.15	.33
July 5	1.31	1.47	1.15	.32
Jun. 14	1.31	1.46	1.16	.30
May 17	1.31	1.46	1.16	.30
Apr. 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Nov. 17	1.39	1.57	1.22	.35
Oct. 13	1.39	1.58	1.21	.37
Sep. 15	1.43	1.62	1.24	.38
Aug. 18	1.44	1.63	1.25	.38
July 15	1.50	1.63	1.32	.36
Mar. 16	1.76	1.97	1.55	.42
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

Foregoing compiled by J. A. White & Co., Cincinnati.

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

Harold L. Norton Leaves SEC: With Central Life Co.

CINCINNATI, OHIO—Harold L. Norton has become associated with the Union Central Life Insurance Company in charge of the public utility bond department. Mr. Norton has resigned his post as section chief of the group handling Electric Bond & Share Co. matters for the Securities and Exchange Commission. He had been with the Commission since 1935.

Reyant with Hayden, Miller

(Special to The Financial Chronicle)

CLEVELAND, OHIO — Roy James Reyant has become associated with Hayden, Miller & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

To the Stockholders:

Your Management submits herewith the annexed Consolidated Balance Sheet, Income Account and Statement of Earned Surplus prepared and certified, as usual, by independent auditors, showing the result of operations of your Company and its wholly-owned subsidiaries for the fiscal year ended April 30, 1944 and their condition at the close of that period.

The amount shown of Net Earnings Carried to Surplus is after all charges —including depreciation, tax charges (Federal, State and local), the amortization of the additional facilities necessarily acquired and installed to enable your Company and its subsidiaries to meet the governmental demands upon their productive capacity for the making of materials imperatively needed in the prosecution of the global war in which our country is engaged, and the amount, estimated, to be refunded to the Government under the Act of Congress providing for the renegotiation of war contracts.

As will be seen from the notation on the annexed balance sheet, the Property and Plant Account includes $13,343,831.73 representing expenditures made for the acquiring and installing of the additional facilities referred to.

Inasmuch as such facilities are, in the main part, adapted only to the production of combat and other material needed for war purposes and will have but little, if any, useful value when the necessity for their use ceases with the termination of the war and the return of your Company to its peacetime pursuits as a maker of railroad equipment and rolling stock, it obviously is advisable and consistent with the sound and conservative handling of the affairs of your Company that their costs, or as much thereof as possible, be written off during the period of their useful life for the purposes for which they were intended and to which they are adapted. In line with such policy there has been amortized, as of the close of the fiscal year ended April 30, 1944 a total of $11,340,988.86 of the entire amount to that date expended for such extension of plant facilities.

The renegotiation of our war-work contracts for our fiscal year May 1, '42 —April 30, '43 which, as stated in the letter accompanying the Report for that year, was not at that time completed, was brought to a conclusion during the year just closed—and the results substantially justify the estimated figures with respect thereto as such estimates were given effect to in the Report for the year referred to and discussed in the letter accompanying that Report. Proceedings for the renegotiation of our war-work contracts for the year just closed (May 1, '43—April 30, '44) have not as yet been initiated—and therefore the annexed statements give effect to what your Management estimates will be the result of such renegotiation.

Up to the date of this writing there have been declared and paid, out of the earnings of the year just closed, three dividends, each of 1¾%, upon our preferred stock. It is expected that there shortly will be declared out of such earnings another dividend of like amount upon such stock—and with its payment the holders of our preferred shares will have received out of the year's earnings the full stipulated dividend of 7% upon their holdings. It is also expected that following the declaration of such dividend upon our preferred shares, there will be declared a dividend upon our common shares outstanding.

During the year just closed the activities of your Company, as a maker both of materiel of war and of railroad equipment and supplies, have continued unabated—with, however, the curtailment of the Government's need for the light military combat tanks. In the production of such tanks your Company was the pioneer and up to April last it produced more than fifteen thousand of them which have been of incalculable service to our armed forces and have been decisive factors in the winning of victories in fields widely separated both in space and time.

With the changing character of the war have come, naturally, changes in the implements needed for its waging. Implements suited for operations, purely or largely defensive, differ from those needed when the offensive is undertaken, and our country and its Allies are now everywhere on the offensive. While, therefore, there have been some "cut-backs" in your Company's scheduled deliveries of certain materiel, this in considerable part has been compensated for by increases in and additions to other schedules. It must be borne in mind, however, that practically all war-work contracts are by their terms made terminable "at the convenience of the Government"—so there is no assurance that a governmental contract undertaken for the production of materials needed for the prosecution of the war will be carried through to its conclusion. In the undertaking of contracts of such character which your Company has on hand, your Management has given consideration to this possibility, and has been alert to protect the interests of your Company to the utmost extent possible.

At the close of the year (April 30, 1944) your Company and its wholly-owned subsidiaries had on their books work having a money value of approximately One Hundred Ninety Million Dollars. At this writing, and notwithstanding some terminations and the deliveries made since the close of the year, the money value of unfilled orders on their books is approximately Two Hundred Eighteen Million Dollars. It is not advisable, nor in fact permissible, to separate this volume of business into its different categories — including as it does work of a purely military character as well as equipment and supplies not only for the use in ordinary course of our domestic railroads but also designed for the use of our armed forces both here and abroad.

In the letter accompanying the Report for the preceding year reference was made to the fact that due consideration was being given to the problems that will confront us with the coming of peace. The stockholders may be assured that there has been, and will be, no relaxation of effort in that regard, a separate Department in your Company—that of Research and Development—having been set up for the sole purpose of studying such problems and finding their solution, and so maintaining the outstanding position your Company has always occupied in its particular field of endeavor.

It is with much sorrow that there is recorded the death during the year of Mr. Noah A. Stancliffe, your Company's General Counsel and long a member of its Board of Directors, and of Mr. William E. Hedgcock, Vice-President in Charge of Sales. Mr. William L. Stancliffe has taken Mr. Noah A. Stancliffe's place on the Board and has succeeded Mr. Hedgcock as Vice-President in Charge of Sales. Messrs. John A. V. Scheckenbach, Edmund D. Campbell, Alvin A. Borgading and R. Arthur Williams, all for many years in the employ of your Company, have been made Vice-Presidents, — Mr. Scheckenbach in Operations. Mr. Campbell in Engineering, Mr. Williams in Sales and Mr. Borgading taking the place of the late Mr. William J. Harris in Charge of Purchases. Mr. Victor R. Willoughby, a Vice-President, has been made Director of the Department of Research and Development. The Executive Committee has been enlarged by the addition to it of Mr. Walter J. Cummings and of Mr. John E. Rovensky as its Chairman. The writer has become Chairman of the Board of Directors, and Mr. Frederick A. Stevenson, formerly Senior Vice-President and in charge of Operations, who has been associated with your Company during practically his entire life, has succeeded to the Presidency.

With no fixed debt, with no bank or other loans outstanding, and with resources ample to meet all its obligations whether present or prospective, the strong, healthy and liquid condition of your Company continues unimpaired — and there is no reason to fear any change in that regard.

For the loyal and devoted service, given without stint, by each and every member of your organization during these troublous times, your Management is glad to make of record its thanks and high appreciation. The problems presented have been many and perplexing, but there has been found within our own organization the ability needed for their successful solution.

For the Board of Directors:

Respectfully submitted,

CHARLES J. HARDY, *Chairman.*

July 5, 1944.

ACF

AMERICAN CAR AND FOUNDRY COMPANY

FORTY-FIFTH ANNUAL REPORT—YEAR ENDED APRIL 30, 1944

CONSOLIDATED BALANCE SHEET APRIL 30, 1944

ASSETS

*PLANT AND PROPERTY ACCOUNT		$60,744,763.20
Land and Improvements	$ 7,689,051.04	
Buildings, Machinery and Equipment $77,288,897.71		
Less: Amortization and Reserve for Depreciation 43,264,589.01	34,024,308.70	
Intangibles	19,031,403.46	
CURRENT ASSETS		138,077,007.27
Cash in banks and on hand	$19,719,039.33	
U. S. Government Bonds, Treasury Bills and Treasury Tax Notes at cost (Quoted market value $57,173,115.20)	57,172,230.51	
Accounts Receivable, less reserve	20,615,863.69	
†Notes Receivable, less reserve	1,523,763.03	
Inventories at cost or less, and not in excess of present market prices	36,834,969.40	
Advance payments to Vendors for materials contracted for	197,381.01	
Marktable Securities, at cost or less (Quoted market value $2,178,575.32)	2,013,760.30	
SPECIAL RESTRICTED DEPOSITS (U. S. GOVERNMENT CONTRACTS)		6,054,729.55
PREPAID TAXES, INSURANCE, ETC.		343,612.93
MISCELLANEOUS SECURITIES, less reserve		180,049.29
SECURITIES OF AFFILIATED COMPANIES, less reserve		601,519.45
POST WAR CREDITS ON EXCESS PROFITS TAXES (estimated)		4,184,530.00
NOTES AND ACCOUNTS RECEIVABLE OF AFFILIATED COMPANIES, less reserve		4,502,171.72
TREASURY STOCK AT COST		533,399.75
10,550 shares of Preferred Capital Stock 600 shares of Common Capital Stock		$215,221,783.16

*Plant and Property of parent Company included in above valuations were inventoried and valued by Coverdale & Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and Property of Subsidiary Companies are included at cost. Plant and Property includes $13,343,831.73 represented by expenditures for extension of plant facilities under the National Defense and War Programs; aggregate amortization thereon has been taken in the amount of $11,340,988.86 to April 30, 1944. †Includes $920,042.62 maturing subsequent to one year.

LIABILITIES

CAPITAL STOCK		
Preferred, authorized and outstanding (300,000 shares—par value $100.00 per share)		$30,000,000.00
Common, authorized and outstanding (600,000 shares—no par value)		30,000,000.00
CURRENT LIABILITIES		104,452,147.63
Accounts Payable and Pay Rolls	$11,005,710.46	
Provision for Federal, State and Local Taxes, including (estimated) amounts of refunds through renegotiation under the provisions of the War Profits Control Act, through April 30, 1944	87,825,420.46	
Advance payments received on sales contracts	5,621,016.71	
ADVANCES ON GOVERNMENT CONTRACTS		9,432,739.58
RESERVE ACCOUNTS		6,635,931.67
For Post War Reconversion, Insurance and Contingencies including possible tax and other adjustments	$5,900,186.93	
For Dividends on Common Capital Stock, to be paid when and as declared by Board of Directors	735,744.74	
EARNED SURPLUS ACCOUNT		34,700,964.28
		$215,221,783.16

Contingent Liability:
Secured obligation of Shippers' Car Line Corporation sold with guarantee; aggregate amount, $628,953.36.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Consolidated Earned Surplus, April 30, 1943		$31,135,282.71
Add: Net Earnings for year		5,591,831.57
		$36,727,114.28
Less: Dividends on Preferred Capital Stock publicly held $7.00 per share, paid during year (See Note)	$ 2,026,150.00	
Dividend on Common Capital Stock publicly held $2.00 per share	1,198,800.00	
	$ 3,224,950.00	
Deduct—Common Stock Dividend charged to Reserve available for that purpose	1,198,800.00	2,026,150.00
Consolidated Earned Surplus, April 30, 1944		$34,700,964.28

Note: Dividends on Preferred Capital Stock paid during the year:
$3.50 per share out of earnings for the year ended April 30, 1943; $3.50 per share out of earnings for the year ended April 30, 1944.

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

Gross Sales, less discounts and allowances, and giving effect to adjustments (estimated) of sales prices through renegotiation under the provisions of the War Profits Control Act		$218,834,838.36
Cost of goods sold, including Administrative, Selling and General Expense, but before Depreciation and Amortization		190,743,657.57
		$ 28,091,180.79
Depreciation and Amortization		5,436,831.56
Earnings from Operations		$ 22,654,349.23
Other Income:		
Dividends	$ 91,122.36	
Interest	1,491,790.34	
Royalties	4,052.55	
Miscellaneous	6,912.10	1,593,877.35
		$ 24,248,226.58
Other Charges:		
Interest	$ 388,954.01	
Royalties	420,449.26	
Miscellaneous	67,284.60	
Loss on Property Retirements	351,937.14	1,228,625.01
Net Earnings before Provision for (estimated) Federal Income Taxes		$ 23,019,601.57
Deduct—Provision for (estimated) Federal Income and Excess Profits Taxes:		
Normal income tax	$ 2,267,000.00	
Excess profits tax	16,845,300.00	
	$19,112,300.00	
Less: Post War Credits (estimated) on Excess Profits Taxes	1,684,530.00	17,427,770.00
Net Earnings Carried to Surplus		$ 5,591,831.57

ERNEST W. BELL AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 Beaver Street, New York

TO THE STOCKHOLDERS OF
AMERICAN CAR AND FOUNDRY COMPANY,
30 CHURCH STREET, NEW YORK CITY.

We have examined the Consolidated Balance Sheet of the American Car and Foundry Company and its wholly-owned subsidiaries as of April 30, 1944, and the Consolidated Statements of Income and Surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We were unable to confirm by direct correspondence amounts due from the United States Government, but have satisfied ourselves as to their correctness by extending our tests of the accounting records pertaining to such receivables.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Surplus present fairly the consolidated position of the American Car and Foundry Company and its wholly-owned subsidiaries at April 30, 1944, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Yours very truly,
ERNEST W. BELL AND COMPANY

July 3, 1944

Official Text Of Final Act Of United Nations Monetary And Financial Conference, Held At Bretton Woods, N. H., July 1 to 22, 1944

The Governments of Australia, Belgium, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia; the French Delegation; the Governments of Greece, Guatemala, Haiti, Honduras, Iceland, India, Iran, Iraq, Liberia, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Philippine Commonwealth, Poland, Union of South Africa, Union of Soviet Socialist Republics, United Kingdom, United States of America, Uruguay, Venezuela, and Yugoslavia;

Having accepted the invitation extended to them by the Government of the United States of America to be represented at a United Nations Monetary and Financial Conference;

Appointed their respective delegates, who are listed below by countries in the order of alphabetical precedence:

Australia

Leslie G. Melville, Economic Adviser to the Commonwealth Bank of Australia, **Chairman of the Delegation;** James B. Brigden, Financial Counselor, Australian Legation, Washington; Frederick H. Wheeler, Commonwealth Department of the Treasury; Arthur H. Tange, Commonwealth Department of External Affairs.

Belgium

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

Bolivia

Rene Ballivian, Financial Counselor, Bolivian Embassy, Washington; **Chairman of the Delegation.**

Brazil

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

Canada

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

Chile

Luis Alamos Barros, Director, Central Bank of Chile, **Chairman of the Delegation;** German Riesco, General Representative of the Chilean Line, New York; Arturo Maschke Tornero, General Manager, Central Bank of Chile; Fernando Mardones Restat, Assistant General Manager, Chilean Nitrate and Iodine Sales Corporation.

China

Hsiang-Hsi K'ung, Vice-President of Executive Yuan and concurrently Minister of Finance, Governor of the Central Bank of China, **Chairman of the Delegation;** Tingfu F. Tsiang, Chief Political Secretary of Executive Yuan, former Chinese Ambassador to the Union of Soviet Socialist Republics; Ping-Wen Kuo, Vice-Minister of Finance; Victor Hoo, Administrative Vice-Minister of Foreign Affairs; Yee-Chun Koo, Vice-Minister of Finance; Kuo-Ching Li, Adviser to the Ministry of Finance; Te-Mou Hsi, Representative of the Ministry of Finance in Washington, Director of the Central Bank of China and Bank of China; Tsu-Yee Pei, Director, Bank of China; Ts-Liang Soong, General Manager, Manufacturers Bank of China and Director, the Central Bank of China, Bank of China, and Bank of Communications.

Colombia

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

Costa Rica

Francisco de P. Gutierrez Ross, Ambassador to the United States, former Minister of Finance and Commerce, **Chairman of the Delegation;** Luis Demetrio Tinoco Castro, Dean, Faculty of Economic Sciences, University of Costa Rica, former Minister of Finance and Commerce, former Minister of Public Education; Fernando Madrigal A., Member of Board of Directors, Chamber of Commerce of Costa Rica.

Cuba

E. I. Montoulieu, Minister of Finance, **Chairman of the Delegation.**

Czechoslovakia

Ladislav Feierabend, Minister of Finance, **Chairman of the Delegation;** Jan Mladek, Ministry of Finance, **Deputy Chairman of the Delegation;** Antonin Basch, Department of Economics, Columbia University; Josef Hanc, Director of the Czechoslovak Economic Service in the United States of America; Ervin Hexner, Professor of Economics and Political Science, University of North Carolina.

Dominican Republic

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

Ecuador

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

Egypt

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

El Salvador

Augustin Alfaro Moran, **Chairman of the Delegation;** Raul Gamero, Victor Manuel Valdes.

Ethiopia

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

French Delegation

Pierre Mendes-France, Commissioner of Finance, **Chairman of the Delegation;** Andre Istel, Technical Counselor to the Department of Finance. **Assistant Delegates:** Jean de Largentaye, Finance Inspector; Robert Mosse, Professor of Economics; Raoul Aglion, Legal Counselor; Andre Paul Maury.

Greece

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

Guatemala

Manuel Noriega Morales, Postgraduate Student in Economic Sciences, Harvard University, **Chairman of the Delegation.**

Haiti

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

Honduras

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

Iceland

Magnus Sigurdsson, Manager, National Bank of Iceland, **Chairman of the Delegation;** Asgeir Asgeirsson, Manager, Fishery Bank of Iceland; Svanbjorn Frimannsson, Chairman, State Commerce Board.

India

Sir Jeremy Raisman, Member for Finance, Government of India, **Chairman of the Delegation;** Sir Theodore Gregory, Economic Adviser to the Government of India; Sir Chintaman D. Deshmukh, Governor, Reserve Bank of India; Sir Shanmukham Chetty; A. D. Shroff, Director, Tata Sons, Ltd.

Iran

Abol Hassan Ebtehaj, Governor of National Bank of Iran, **Chairman of the Delegation;** W. A. Daftary, Counselor, Iranian Legation, Washington; Hossein Navab, Consul General, New York; Taghi Nassr, Iranian Trade and Economic Commissioner, New York.

Iraq

Iorahim Kamal, Senator and former Minister of Finance, **Chairman of the Delegation;** Lionel M. Swan, Adviser to the Ministry of Finance; Ibrahim Al-Kabir, Accountant General, Ministry of Finance; Claude E. Loombe, Comptroller of Exchange and Currency Officer.

Liberia

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

Luxembourg

Hagues Le Gallais, Minister to the United States, **Chairman of the Delegation.**

Mexico

Eduardo Suarez, Minister of Finance, **Chairman of the Delegation;** Antonio Espinosa de los Monteros, Executive President of Nacional Financiera; Director of Banco de Mexico; Rodrigo Gomez, Manager of Banco de Mexico; Daniel Cosio Villegas, Chief of the Department of Economic Studies, Banco de Mexico.

Netherlands

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

New Zealand

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

Nicaragua

Guillermo Sevilla Sacasa, Ambassador to the United States, **Chairman of the Delegation;** Leon DeBayle, former Ambassador to the United States; J. Jesus Sanchez Roig, former Minister of Finance, Vice-Chairman, Board of Directors, National Bank of Nicaragua.

Norway

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

Panama

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

Paraguay

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

Peru

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

Philippine Commonwealth

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

Poland

Ludwik Grosfeld, Minister of Finance, **Chairman of the Delegation;** Leon Baranski, Director General, Bank of Poland; Zygmunt Karpinski, Director, Bank of Poland; Stanislaw Kirkor, Director, Ministry of Finance; Janusz Zoltowski, Financial Counselor, Polish Embassy, Washington.

Union of South Africa

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

Union of Soviet Socialist Republics

M. S. Stepanov, Deputy People's Commissar of Foreign Trade, **Chairman of the Delegation;** P. A. Maletin, Deputy People's Commissar of Finance; N. F. Chechulin, Assistant Chairman of the State Bank; I. D. Zlobin, Chief, Monetary Division of the People's Commissariat of Finance; A. A. Arutiunian, Professor; Doctor of Economics; Expert-Consultant of the People's Commissariat for Foreign Affairs; A. P. Morozov, Member of the Collegium; Chief, Monetary Division of the People's Commissariat for Foreign Trade.

United Kingdom

Lord Keynes, **Chairman of the Delegation;** Robert H. Brand, United Kingdom Treasury Representative in Washington; Sir Wilfrid Eady, United Kingdom Treasury; Nigel Bruce Ronald, Foreign Office; Dennis H. Robertson, United Kingdom Treasury; Lionel Robbins, War Cabinet Offices; Redvers Opie, Counselor, British Embassy, Washington.

United States of America

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

Uruguay

Mario La Gamma Acevedo, Expert, Ministry of Finance, **Chairman of the Delegation;** Hugo Garcia, Financial Attache, Uruguayan Embassy, Washington.

Venezuela

Rodolfo Rojas, Minister of the Treasury, **Chairman of the Delegation;** Alfonso Espinosa, President, Permanent Committee of Finance, Chamber of Deputies; Cristobal L. Mendoza, former Minister of the Treasury; Legal Adviser to the Central Bank of Venezuela; Jose Joaquin Gonzalez Gorrondona, President, Office of Import Control; Director, Central Bank of Venezuela.

Yugoslavia

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

Who met at Bretton Woods, New Hampshire, on July 1, 1944, under the Temporary Presidency of The Honorable Henry Morgenthau, Jr., Chairman of the Delegation of the United States of America.

The Honorable Henrik de Kauffmann, Danish Minister at Washington, attended the Inaugural Plenary Session in response to an invitation of the Government of the United States to be present in a personal capacity. The Conference, on the proposal of its Committee on Credentials, extended a similar invitation for the remaining sessions of the Conference.

The Economic, Financial and Transit Department of the League of Nations, the International Labor Office, the United Nations Interim Commission on Food and Agriculture, and the United Nations Relief and Rehabilitation Administration were each represented by one observer at the Inaugural Plenary Session. Their representation was in response to an invitation of the Government of the United States, and either the observers or their alternates attended the subsequent sessions in accordance with the resolution presented by the Committee on Credentials and adopted by the Conference. The observers and their alternates are listed below:

Economic, Financial, and Transit Department of the League of Nations

Alexander Loveday, Director; Ragnar Nurkse, **Alternate.**

International Labor Office

Edward J. Phelan, Acting Director; C. Wilfred Jenks, Legal Adviser; and E. J. Riches, Acting Chief, Economic and Statistical Section; **Alternates.**

United Nations Interim Commission on Food and Agriculture

Edward Twentyman, Delegate from the United Kingdom.

United Nations Relief and Rehabilitation Administration

A. H. Feller, General Counsel; or Mieczyslaw Sokolowski, Financial Adviser.

Warren Kelchner, Chief of the Division of International Conferences, Department of State of the United States, was designated, with the approval of the President of the United States, as Secretary General of the Conference; Frank Coe, Assistant Administrator, Foreign Economic Administration of the United States, as Technical Secretary General; and Philip C. Jessup, Professor of International Law at Columbia University, New York, New York, as Assistant Secretary General.

The Honorable Henry Morgenthau, Jr., Chairman of the Delegation of the United States of America, was elected permanent President of the Conference at the Inaugural Plenary Session held on July 1, 1944.

M. S. Stepanov, the Chairman of the Delegation of the Union of Soviet Socialist Republics; Arthur de Souza Costa, the Chairman of the Delegation of Brazil; Camille Gutt, the Chairman of the Delegation of Belgium; and Leslie G. Melville, the Chairman of the Delegation of Australia, were elected Vice Presidents of the Conference.

The Temporary President appointed the following members of the General Committees constituted by the Conference:

Committee on Credentials

E. I. Montoulieu, Cuba, **Chairman**; J. W. Beyen, Netherlands; S. F. N. Gie, South Africa; William E. Dennis, Liberia, and Wilhelm Keilhau, Norway.

Committee on Rules and Regulations

Hsiang-Hsi K'ung, China, **Chairman**; Guillermo Sevilla Sacasa, Nicaragua; Ludwik Grosfeld, Poland; Leslie G. Melville, Australia, and Ibrahim Kamal, Iraq.

Committee on Nominations

Walter Nash, New Zealand, **Chairman**; Hugues Le Gallais, Luxembourg; Julian R. Caceres, Honduras; Magnus Sigurdsson, Iceland, and Pedro Beltran, Peru.

In accordance with the regulations adopted at the Second Plenary Session, held on July 3, 1944, the Conference elected a Steering Committee which was composed of the following Chairmen of Delegations:

Henry Morgenthau, Jr., U. S. A., **Chairman**; Camille Gutt, Belgium; Arthur de Souza Costa, Brazil; J. L. Ilsley, Canada; Hsiang-Hsi K'ung, China; Carlos Lleras Rest-

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Official Text Articles Of Agreement Of International Monetary Fund

The Articles of Agreement of the International Monetary Fund as drafted by Commission I of the International Monetary and Financial Conference at Bretton Woods, N. H., and finally adopted by the 44 nations in the plenary session of the Conference on July 20, covers 20 articles and five schedules. Under the plan of the Conference, as outlined in President Roosevelt's invitation to the foreign governments, no delegation has power to commit its government to the adoption of the plan, as the final approval must be made directly by the signatory governments.

It is provided that the "agreement shall enter into force when it has been signed on behalf of governments having 65% of the total of the quotas set forth in an attached schedule, and when the initial contributions to the Fund, as provided in the agreement, have been deposited by these governments." In no event is the agreement to enter into force before May 1, 1945.

The Articles of Agreement on the Fund may be conveniently separated into two parts. The first comprising Articles I to XI inclusive, cover the purposes, policy, quotas, subscriptions and scope of the fund, together with the obligations, immunities and privileges of the members. The second part covers for the most part the organization and management of the Fund.

The Agreement in full text follows:

ANNEX A

ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND

The Governments on whose behalf the present Agreement is signed agree as follows:

INTRODUCTORY ARTICLE

The International Monetary Fund is established and shall operate in accordance with the following provisions:

ARTICLE I

Purposes

The purposes of the International Monetary Fund are:

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

(ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

(iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.

(iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

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

(vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its decisions by the purposes set forth in this Article.

ARTICLE II

Membership

Section 1. **Original members.**

The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership before the date specified in Article XX, Section 2(e).

Section 2. **Other members.**

Membership shall be open to the governments of other countries at such times and in accordance with such terms as may be prescribed by the Fund.

ARTICLE III

Quotas and Subscriptions

Section 1. **Quotas.**

Each member shall be assigned a quota. The quotas of the members represented at the United Nations Monetary and Financial Conference which accept membership before the date specified in Article XX, Section 2(e) shall be those set forth in Schedule A. The quotas of other members shall be determined by the Fund.

Section 2. **Adjustment of quotas.**

The Fund shall at intervals of five years review, and if it deems it appropriate propose an adjustment of, the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority of the total voting power shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.

Section 3. **Subscriptions: time, place and form of payment.**

(a) The subscription of each member shall be equal to its quota and shall be paid in full to the Fund at the appropriate depository on or before the date when the member becomes eligible under Article XX, Section 4(c) or (d) to buy currencies from the Fund.

(b) Each member shall pay in gold, as a minimum, the smaller of

(i) twenty-five percent of its quota; or

(ii) ten percent of its net official holdings of gold and United States dollars as at the date when the Fund notified members under Article XX, Section 4(a) that it will shortly be in a position to begin exchange transactions.

Each member shall furnish to the Fund the data necessary to determine its net official holdings of gold and United States dollars.

(c) Each member shall pay the balance of its quota in its own currency.

(d) If the net official holdings of gold and United States dollars of any member as at the date referred to in (b) (ii) above are not ascertainable because its territories have been occupied by the enemy, the Fund shall fix an appropriate alternative date for determining such holdings. If such date is later than that on which the country becomes eligible under Article XX, Section 4(c) or (d), to buy currencies from the Fund, the Fund and the member shall agree on a provisional gold payment to be made under (b) above and the balance of the member's subscription shall be paid in the member's currency, subject to appropriate adjustment between the member and the Fund when the net official holdings have been ascertained.

Section 4. **Payments when quotas are changed.**

(a) Each member which consents to an increase in its quota shall, within thirty days after the date of its consent, pay to the Fund twenty-five percent of the increase in gold and the balance in its own currency. If, however, on the date when the member consents to an increase, its monetary reserves are less than its new quota, the Fund may reduce the proportion of the increase to be paid in gold.

(b) If a member consents to a reduction in its quota, the Fund shall, within thirty days after the date of the consent, pay to the member an amount equal to the reduction. The payment shall be made in the member's currency and in such amount of gold as may be necessary to prevent reducing the Fund's holdings of the currency below seventy-five percent of the new quota.

Section 5. **Substitution of securities for currency.**

The Fund shall accept from any member in place of any part of the member's currency which in the judgment of the Fund is not needed for its operations, notes or similar obligations issued by the member or the depository designated by the member under Article XIII, Section 2, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by crediting the account of the Fund in the designated depository. This Section shall apply not only to currency subscribed by members but also to any currency otherwise due to, or acquired by, the Fund.

ARTICLE IV

Par Values of Currencies

Section 1. **Expression of par values.**

(a) The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

(b) All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.

Section 2. **Gold purchases based on par values.**

The Fund shall prescribe a margin above and below par value for transactions in gold by members, and no member shall buy gold at a price above par value plus the prescribed margin, or sell gold at a price below par value minus the prescribed margin.

Section 3. **Foreign exchange dealings based on parity.**

The maximum and the minimum rates for exchange transactions between the currencies of members taking place within their territories shall not differ from parity

(i) in the case of spot exchange transactions, by more than one percent; and

(ii) in the case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the Fund considers reasonable.

Section 4. **Obligations regarding exchange stability.**

(a) Each member undertakes to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations.

(b) Each member undertakes, through appropriate measures consistent with this Agreement, to permit within its territories exchange transactions between its currency and the currencies of other members only within the limits prescribed under Section 3 of this Article. A member whose monetary authorities, for the settlement of international transactions, in fact freely buy and sell gold within the limits prescribed by the Fund under Section 2 of this Article shall be deemed to be fulfilling this undertaking.

Section 5. **Changes in par values.**

(a) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

(b) A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund.

(c) When a change is proposed, the Fund shall first take into account the changes, if any, which have already taken place in the initial par value of the member's currency as determined under Article XX, Section 4. If the proposed change, together with all previous changes, whether increases or decreases,

(i) does not exceed ten percent of the initial par value, the Fund shall raise no objection,

(ii) does not exceed a further ten percent of the initial par value, the Fund may either concur or object, but shall declare its attitude within seventy-two hours if the member so requests,

(iii) is not within (i) or (ii) above, the Fund may either

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repo, Colombia; Pierre Mendes-France, French Delegation; Abol Hassan Ebtehaj, Iran; Eduardo Suarez, Mexico; M. S. Stepanov, U. S. S. R., and Lord Keynes, U. K.

On July 21, 1944, the Coordinating Committee was constituted wtih the following membership:

Fred M. Vinson, U. S. A., **Chairman**; Arthur de Souza Costa, Brazil; Ping-Wen Kuo, China; Robert Mosse, French Delegation; Eduardo Suarez, Mexico; A. A. Arutiunian, U. S. S. R., and Lionel Robbins, U. K.

The Conference was divided into three Technical Commissions. The officers of these Commissions and of their respective Committees, as elected by the Conference, are listed below:

COMMISSION I

International Monetary Fund

Chairman: Harry D. White, U. S. A.

Vice Chairman: Rodolfo Rojas, Venezuela.

Reporting Delegate: L. Rasminsky, Canada.

Secretary: Leroy D. Stinebower.

Assistant Secretary: Eleanor Lansing Dulles.

Comittee 1—Purposes, Policies, and Quotas of the Fund.

Chairman: Tingfu F. Tsiang, China.

Reporting Delegate: Kyriakos Varvaressos, Greece.

Secretary: William Adams Brown, Jr.

Committee 2—Operations of the Fund.

Chairman: P. A. Maletin, U. S. S. R.

Vice Chairman: W. A. Mackintosh, Canada.

Reporting Delegate: Robert Mosse, French Delegation.

Secretary: Karl Bopp.

Assistant Secretary: Alice Bourneuf.

Committee 3—Organization and Management.

Chairman: Arthur de Souza Costa, Brazil.

Reporting Delegate: Ervin Hexner, Czechoslovakia.

Secretary: Malcolm Bryan.

Assistant Secretary: H. J. Bittermann.

Committe 4—Form and Status of the Fund.

Chairman: Manuel B. Llosa, Peru.

Reporting Delegate: Wilhelm Keilhau, Norway.

Secretary: Colonel Charles H. Dyson.

Assistant Secretary: Lauren Casaday.

COMMISSION II

Bank for Reconstruction and Development

Chairman: Lord Keynes, U. K.

Vice Chairman: Luis Alamos Barros, Chile.

Reporting Delegate: Georges Theunis, Belgium.

Secretary: Arthur Upgren.

Secretary: Arthur Smithies.

Assistant Secretary: Ruth Russell.

Committee 1—Purposes, Policies and Capital of the Bank.

Chairman: J. W. Beyen, Netherlands.

Reporting Delegate: J. Rafael Oreamuno, Costa Rica.

Secretary: J. P. Young.

Assistant Secretary: Janet Sundelson.

Committee 2—Operations of the Bank.

Chairman: E. I. Montoulieu, Cuba.

Reporting Delegate: James B. Brigden, Australia.

Secretary: H. J. Bittermann.

Assistant Secretary: Ruth Russell.

Committee 3—Organization and Management.

Chairman: Miguel Lopez Pumareio, Colombia.

Reporting Delegate: M. H. de Kock, South Africa.

Secretary: Mordecai Ezekiel.

Assistant Secretary: Captain William L. Ullmann.

Committee 4—Form and Status of the Bank.

Chairman: Sir Chintaman D. Deshmukh, India.

Reporting Delegate: Leon Baranski, Poland.

Secretary: Henry Edmiston.

Assistant Secretary: Colonel Charles H. Dyson.

COMMISSION III

Other Means of International Financial Cooperation

Chairman: Eduardo Suarez, Mexico.

Vice Chairman: Mahmoud Saleh El Falaky, Egypt.

Reporting Delegate: Alan G. B. Fisher, New Zealand.

Secretary: Orvis Schmidt.

The Final Planary Session was held on July 22, 1944. As a result of the deliberations, as recorded in the minutes and reports of the respective Commissions and their Committees and of the Plenary Sessions, the following instruments were drawn up:

International Monetary Fund

Articles of Agreement of the International Monetary Fund, which are attached hereto as Annex A,

International Bank for Reconstruction and Development

Articles of Agreement of the International Bank for Reconstruction and Development, which are attached hereto as Annex B, and summary of the Agreements in Annex A and Annex B, which is attached hereto as Annex C.

The following resolutions, statement, and recommendations were adopted:

I

Preparation of the Final Act

The United Nations Monetary and Financial Conference RESOLVES:

That the Secretariat be authorized to prepare the Final Act in accordance with the suggestions proposed by the Secretary General in **Journal** No. 19, July 19, 1944;

That the Final Act contain the definitive texts of the conclusions approved by the Conference in plenary session, and that no changes be made therein at the Closing Plenary Session;

That the Coordinating Committee review the text and, if approved, submit it to the Final Plenary Session.

II

Publication of Documentation

The United Nations Monetary and Financial Conference RESOLVES:

That the Government of the United States of America be authorized to publish the Final Act of this Conference; the Reports of the Commissions; the Minutes of the Public Plenary Sessions; and to make available for publication such additional documents in connection with the work of this Conference as in its judgment may be considered in the public interest.

III

Notification of Signatures and Custody of Deposits

The United Nations Monetary and Financial Conference RESOLVES:

To request the Government of the United States of America

(1) as depository of the Articles of Agreement of the International Monetary Fund, to inform the Governments of all countries whose names are set forth in Schedule A of the Articles of Agreement of the International Monetary Fund, and all Governments whose membership is approved in accordance with Article II, Section 2, of all signatures of the Articles of Agreement; and

(2) to receive and to hold in a special deposit account gold or United States dollars transmitted to it in accordance with Article XX, Section 2(d), of the Articles of Agreement of the International

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Official Text Of Articles Of Agreement Of The International Bank For Reconstruction And Development

The following official text of the Articles of Agreement of the International Bank for Reconstruction and Development is issued as Annex B of the Final Act of the International Monetary and Financial Conference, adopted in the plenary session of the Conference on Saturday, July 22, 1944.

ANNEX B

ARTICLES OF AGREEMENT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The Governments on whose behalf the present Agreement is signed agree as follows:

INTRODUCTORY ARTICLE

The International Bank for Reconstruction and Development is established and shall operate in accordance with the following provisions:

ARTICLE I

Purposes

The purposes of the Bank are:

(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

(iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

(v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above.

ARTICLE II

Membership in and Capital of the Bank

Section 1. **Membership.**

(a) The original members of the Bank shall be those members of the International Monetary Fund which accept membership in the Bank before the date specified in Artcile XI, Section 2(e).

(b) Membership shall be open to other members of the Fund, at such times and in accordance with such terms as may be prescribed by the Bank.

Section 2. **Authorized capital.**

(a) The authorized capital stock of the Bank shall be $10,000,000,000, in terms of United States dollars of the weight and fineness in effect on July 1, 1944. The capital stock shall be divided into 100,000 shares having a par value of $100,000 each, which shall be available for subscription only by members.

(b) The capital stock may be increased when the Bank deems it advisable by a three-fourths majority of the total voting power.

Section 3. **Subscription of shares.**

(a) Each member shall subscribe shares of the capital stock of the Bank. The minimum number of shares to be subscribed by the original members shall be those set forth in Schedule A. The minimum number of shares to be subscribed by other members shall be determined by the Bank, which shall reserve a sufficient portion of its capital stock for subscription by such members.

(b) The Bank shall prescribe rules laying down the conditions under which members may subscribe shares of the authorized capital stock of the Bank in addition to their minimum subscriptions.

(c) If the authorized capital stock of the Bank is increased, each member shall have a reasonable opportunity to subscribe, under such conditions as the Bank shall decide, a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Bank, but no member shall be obligaed to subscribe any part of the increased capital.

Section 4. **Issue price of shares.**

Shares included in the minimum subscriptions of original members shall be issued at par. Other shares shall be issued at par unless the Bank by a majority of the total voting power decides in special circumstances to issue them on other terms.

Section 5. **Division and calls of subscribed capital.**

The subscription of each member shall be divided into two parts as follows:

(i) twenty percent shall be paid or subject to call under Section 7(i) of this Article as needed by the Bank for its operations;

(ii) the remaining eighty percent shall be subject to call by the Bank only when required to meet obligations of the Bank created under Article IV, Sections 1(a)(ii) and (iii).

Calls on unpaid subscriptions shall be uniform on all shares.

Section 6. **Limitation on liability.**

Liability on shares shall be limited to the unpaid portion of the issue price of the shares.

Section 7. **Method of payment of subscriptions for shares.**

Payment of subscriptions for shares shall be made in gold or United States dollars and in the currencies of the members as follows:

(i) under Section 5(i) of this Article, two percent of the price of each share shall be payable in gold or United States dollars, and, when calls are made, the remaining eighteen percent shall be paid in the currency of the member;

(ii) when a call is made under Section 5(ii) of this Article, payment may be made at the option of the member either in gold, in United States dollars or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made;

(iii) when a member makes payments in any currency under (i) and (ii) above, such payments shall be made in amounts equal in value to the member's liability under the call. This liability shall be a proportionate part of the subscribed capital stock of the Bank as authorized and defined in Section 2 of this Article.

Section 8. **Time of payment of subscriptions.**

(a) The two percent payable on each share in gold or United States dollars under Section 7(i) of this Article, shall be paid within sixty days of the date on which the Bank begins operations, provided that

(i) any original member of the Bank whose metropolitan territory has suffered from enemy occupation or hostilities during the present war shall be granted the right to postpone payment of one-half percent until five years after that date;

(ii) an original member who cannot make such a payment because it has not recovered possession of its gold reserves which are still seized or immobilized as a result of the war may postpone all payment until such date as the Bank shall decide.

(b) The remainder of the price of each share payable under Section 7(i) of this Article shall be paid as and when called by the Bank, provided that

(i) the Bank shall, within one year of its beginning operations, call not less than eight percent of the price of the share in addition to the payment of two percent referred to in (a) above;

(ii) not more than five percent of the price of the share shall be called in any period of three months.

Section 9. **Maintenance of value of certain currency holdings of the Bank.**

(a) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Bank, depreciated to a siginificant extent within that member's territories, the member shall pay to the Bank within a reasonable time an additional amount of its own currency sufficient to maintain the value, as of the time of initial subscription, of the amount of the currency of such member, which is held by the Bank and derived from currency originally paid in to the Bank by the member under Article II, Section 7(i) from currency referred to in Article IV, Section 2(b), or from any additional currency furnished under the provisions of the present paragraph, and which has not been repurchased by the member for gold or for the currency of any member which is acceptable to the Bank.

(b) Whenever the par value of a member's currency is increased, the Bank shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency described in (a) above.

(c) The provisions of the preceding paragraphs may be waived by the Bank when a uniform proportionate change in the par values of the currencies of all its members is made by the International Monetary Fund.

Section 10. **Restriction on disposal of shares.**

Shares shall not be pledged or encumbered in any manner whatever and they shall be transferable only to the Bank.

ARTICLE III

General Provisions Relating to Loans and Guarantees

Section 1. **Use of resources.**

(a) The resources and the facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction alike.

(b) For the purpose of facilitating the restoration and reconstruction of the economy of members whose metropolitan territories have suffered great devastation from enemy occupation or hostilities, the Bank, in determining the conditions and terms of loans made to such members, shall pay special regard to lightening the financial burden and expediting the completion of such restoration and reconstruction.

Section 2. **Dealings between members and the Bank.**

Each member shall deal with the Bank only through its Treasury, central bank, stabilization fund or other similar fiscal agency, and the Bank shall deal with members only by or through the same agencies.

Section 3. **Limitations on guarantees and borrowings of the Bank.**

The total amount outstanding of guarantees, participations in loans and direct loans made by the Bank shall not be increased at any time, if by such increase the total would exceed one hundred percent of the unimpaired subscribed capital, reserves and surplus of the Bank.

Section 4. **Conditions on which the Bank may guarantee or make loans.**

The Bank may guarantee, participate in, or make loans to any member or any political subdivision thereof and any business, industrial, and agricultural enterprise in the territories of a member, subject to the following conditions:

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Official Text Articles Of Agreement Of International Monetary Fund

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concur or object, but shall be entitled to a longer period in which to declare its attitude.

(d) Uniform changes in par values made under Section 7 of this Article shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of (c) above.

(e) A member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund.

(f) The Fund shall concur in a proposed change which is within the terms of (c) (ii) or (c) (iii) above if it is satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided it is so satisfied, it shall not object to a proposed change because of the domestic social or political policies of the member proposing the change.

Section 6. **Effect of unauthorized changes.**

If a member changes the par value of its currency despite the objection of the Fund, in cases where the Fund is entitled to object, the member shall be ineligible to use the resources of the Fund unless the Fund otherwise determines; and if, after the expiration of a reasonable period, the difference between the member and the Fund continues, the matter shall be subject to the provisions of Article XV, Section 2(b).

Section 7. **Uniform changes in par values.**

Notwithstanding the provisions of Section 5(b) of this Article, the Fund by a majority of the total voting power may make uniform proportionate changes in the par values of the currencies of all members, provided each such change is approved by every member which has ten percent or more of the total of the quotas. The par value of a member's currency shall, however, not be changed under this provision if, within seventy-two hours of the Fund's action, the member informs the Fund that it does not wish the par value of its currency to be changed by such action.

Section 8. **Maintenance of gold value of the Fund's assets.**

(a) The gold value of the Fund's assets shall be maintained notwithstanding changes in the par or foreign exchange value of the currency of any member.

(b) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Fund, depreciated to a significant extent within that member's territories, the member shall pay to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of its currency held by the Fund.

(c) Whenever the par value of a member's currency is increased, the Fund shall return to such member within a reasonable time an amount in its currency equal to the increase in the gold value of its currency held by the Fund.

(d) The provisions of this Section shall apply to a uniform proportionate change in the par values of the currencies of all members, unless at the time when such a change is proposed the Fund decides otherwise.

Section 9. **Separate currencies within a member's territories.**

A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in respect of which it has accepted this agreement under Article XX, Section 2(g). It shall, however, be open to a member to declare that its proposal relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies.

ARTICLE V

Transactions With the Fund

Section 1. **Agencies dealing with the Fund.**

Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund or other similar fiscal agency and the Fund shall deal only with or through the same agencies.

Section 2. **Limitation on the Fund's operations.**

Except as otherwise provided in this Agreement, operations on the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with the currency of another member in exchange for gold or for the currency of the member desiring to make the purchase.

Section 3. **Conditions governing use of the Fund's resources.**

(a) A member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency subject to the following conditions:

- (i) The member desiring to purchase the currency represents that it is presently needed for making in that currency payments which are consistent with the provisions of this Agreement;
- (ii) The Fund has not given notice under Article VII, Section 3, that its holdings of the currency desired have become scarce;
- (iii) The proposed purchase would not cause the Fund's holdings of the purchasing member's currency to increase by more than twenty-five percent of its quota during the period of twelve months ending on the date of the purchase nor to exceed two hundred percent of its quota, but the twenty-five percent limitation shall apply only to the extent that the Fund's holdings of the member's currency have been brought above seventy-five percent of its quota if they had been below that amount;
- (iv) The Fund has not previously declared under Section 5 of this Article, Article IV, Section 6, Article VI, Section 1, or Article XV, Section 2(a), that the member desiring to purchase is ineligible to use the resources of the Fund.

(b) A member shall not be entitled without the permission of the Fund to use the Fund's resources to acquire currency to hold against forward exchange transactions.

Section 4. **Waiver of conditions.**

The Fund may in its discretion, and on terms which safeguard its interests, waive any of the conditions prescribed in Section 3(a) of this Article, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. In making a waiver it shall take into consideration periodic or exceptional requirements of the member requesting the waiver. The Fund shall also take into consideration a member's willingness to pledge as collateral security gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of waiver the pledge of such collateral security.

Section 5. **Ineligibility to use the Fund's resources.**

Whenever the Fund is of the opinion that any member is using the resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a report setting forth the views of the Fund and prescribing a suitable time for reply. After presenting such a report to a member, the Fund may limit the use of its resources by the member. If no reply to the report is received from the member within the prescribed time, or if the reply received is unsatisfactory, the Fund may continue to limit the member's use of the Fund's resources or may, after giving reasonable notice to the member, declare it ineligible to use the resources of the Fund.

Section 6. **Purchases of currencies from the Fund for gold.**

(a) Any member desiring to obtain, directly or indirectly, the currency of another member for gold shall, provided that it can do so with equal advantage, acquire it by the sale of gold to the Fund.

(b) Nothing in this Section shall be deemed to preclude any member from selling in any market gold newly produced from mines located within its territories.

Section 7. **Repurchase by a member of its currencies held by the Fund.**

(a) A member may repurchase from the Fund and the Fund shall sell for gold any part of the Fund's holdings of its currency in excess of its quota.

(b) At the end of each financial year of the Fund, a member shall repurchase from the Fund with gold or convertible currencies, as determined in accordance with Schedule B, part of the Fund's holdings of its currency under the following conditions:

- (i) Each member shall use in repurchases of its own currency from the Fund an amount of its monetary reserves equal in value to one-half of any increase that has occurred during the year in the Fund's holdings of its currency plus one-half of any increase, or minus one-half of any decrease, that has occurred during the year in the member's monetary reserves. This rule shall not apply when a member's monetary reserves have decreased during the year by more than the Fund's holdings of its currency have increased.
- (ii) If after the repurchase described in (i) above (if required) has been made, a member's holdings of another member's currency (or of gold acquired from that member) are found to have increased by reason of transactions in terms of that currency with other members or persons in their territories, the member whose holdings of such currency (or gold) have thus increased shall use the increase to repurchase its own currency from the Fund.

(c) None of the adjustments described in (b) above shall be carried to a point at which

- (i) the member's monetary reserves are below its quota, or
- (ii) the Fund's holdings of its currency are below seventy-five percent of its quota, or
- (iii) the Fund's holdings of any currency required to be used are above seventy-five percent of the quota of the member concerned.

Section 8. **Charges.**

(a) Any member buying the currency of another member from the Fund in exchange for its own currency shall pay a service charge uniform for all members of three-fourths percent in addition to the parity price. The Fund in its discretion may increase this service charge to not more than one percent or reduce it to not less than one-half percent.

(b) The Fund may levy a reasonable handling charge on any member buying gold from the Fund or selling gold to the Fund.

(c) The Fund shall levy charges uniform for all members which shall be payable by any member on the average daily balances of its currency held by the Fund in excess of its quota. These charges shall be at the following rates:

- (i) **On amounts not more than twenty-five percent in excess of the quota:** no charge for the first three months; one-half percent per annum for the next nine months; and thereafter an increase in the charge of one-half percent for each subsequent year.
- (ii) **On amounts more than twenty-five percent and not more than fifty percent in excess of the quota:** an additional one-half percent for the first year; and an additional one-half percent for each subsequent year.
- (iii) **On each additional bracket of twenty-five percent in excess of the quota:** an additional one-half percent for the first year; and an additional one-half percent for each subsequent year.

(d) Whenever the Fund's holdings of a member's currency are such that the charge applicable to any bracket for any period has reached the rate of four percent per annum, the Fund and the member shall consider means by which the Fund's holdings of the currency can be reduced. Thereafter, the charges shall rise in accordance with the provisions of (c) above until they reach five percent and failing agreement, the Fund may then impose such charges as it deems appropriate.

(e) The rates referred to in (c) and (d) above may be changed by a three-fourths majority of the total voting power.

(f) All charges shall be paid in gold. If, however, the member's monetary reserves are less than one-half of its quota, it shall pay in gold only that proportion of the charges due which such re-

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Monetary Fund, and to transmit such funds to the Board of Governors of the Fund when the initial meeting has been called.

IV

Statement Regarding Silver

The problems confronting some nations as a result of the wide fluctuation in the value of silver were the subject of serious discussion in Commission III. Due to the shortage of time, the magnitude of the other problems on the agenda, and other limiting considerations, it was impossible to give sufficient attention to this problem at this time in order to make definite recommendations. However, it was the sense of Commission III that the subject should merit further study by the interested nations.

V

Liquidation of the Bank for International Settlements

The United Nations Monetary and Financial Conference RECOMMENDS:

The liquidation of the Bank for International Settlements at the earliest possible moment.

VI

Enemy Assets and Looted Property

Whereas, in anticipation of their impending defeat, enemy leaders, enemy nationals and their collaborators are transferring assets to and through neutral countries in order to conceal them and to perpetuate their influence, power, and ability to plan future aggrandizement and world domination, thus jeopardizing the efforts of the United Nations to establish and permanently maintain peaceful international relations;

Whereas, enemy countries and their nationals have taken the property of occupied countries and their nationals by open looting and plunder, by forcing transfers under duress, as well as by subtle and complex devices, often operated through the agency of their puppet governments, to give the cloak of legality to their robbery and to secure ownership and control of enterprises in the postwar period;

Whereas, enemy countries and their nationals have also, through sales and other methods of transfer, run the chain of their ownership and control through occupied and neutral countries, thus making the problem of disclosure and disentanglement one of international character;

Whereas, the United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy, have reserved their right to declare invalid any transfers of property belonging to persons within occupied territory, and have taken measures to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, as well as to prevent the disposal of looted property in United Nations markets; therefore

The United Nations Monetary and Financial Conference

1. Takes note of and fully supports steps taken by the United Nations for the purpose of:

(a) uncovering, segregating, controlling, and making appropriate disposition of enemy assets;

(b) preventing the liquidation of property looted by the enemy, locating and tracing ownership and control of such looted property, and taking appropriate measures with a view to restoration to its lawful owners;

2. RECOMMENDS:

That all Governments of countries represented at this Conference take action consistent with their relations with the countries at war to call upon the Governments of neutral countries

(a) to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any

(1) assets belonging to the Government or any individuals or institutions within those United Nations occupied by the enemy; and

(2) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy;

as well as to uncover, segregate and hold at the disposition of the post-liberation authorities in the appropriate country any such assets within territory subject to their jurisdiction;

(b) to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any

(1) assets belonging to, or alleged to belong to, the Government of and individuals or institutions within enemy countries;

(2) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators; and

to facilitate their ultimate delivery to the post-armistice authorities.

VII

International Economic Problems

Whereas, in Article I of the Articles of Agreement of the International Monetary Fund it is stated that one of the principal purposes of the Fund is to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy;

Whereas, it is recognized that the complete attainment of this and other purposes and objectives stated in the Agreement cannot be achieved through the instrumentality of the Fund alone; therefore

The United Nations Monetary and Financial Conference

RECOMMENDS:

To the participating Governments that, in addition to implementing the specific monetary and financial measures which were the subject of this Conference, they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund and of the broader primary objectives of econmic policy, to reach agreement as soon as possible on ways and means whereby they may best:

(1) reduce obstacles to international trade and in other ways promote mutually advantages international commercial relations;

(2) bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;

(3) deal with the special problems of international concern which will arise from the cessation of production for war purposes; and

(4) facilitate by cooperative effort the harmonization of national policies of Member States designed to promote and maintain high levels of employment and progressively rising standards of living.

VIII

The United Nations Monetary and Financial Conference

RESOLVES:

1. To express its gratitude to the President of the United States, Franklin D. Roosevelt, for his initiative in convening the present Conference and for its preparation;

2. To express to its President, The Honorable Henry Morgenthau, Jr., its deep appreciation for the admirable manner in which he has guided the Conference;

3. To express to the Officers and Staff of the Secretariat its appreciation for their untiring services and diligent efforts in contributing to the attainment of the objectives of the Conference.

IN WITNESS WHEREOF, the following delegates sign the present Final Act.

DONE at Bretton Woods, New Hampshire, on the twenty-second day of July, nineteen hundred and forty-four, in the English language, the original to be deposited in the archives of the Department of State of the United States, and certified copies thereof to be furnished by the Government of the United States of America to each of the Governments and Authorities represented at the Conference. (Signatures follow).

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serves bear to one-half of its quota, and shall pay the balance in its own currency.

ARTICLE VI

Capital Transfers

Section 1. **Use of the Fund's resources for capital transfers.**

(a) A member my not make net use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund. If, after receiving such a request, a member fails to exercise appropriate controls, the Fund may declare the member ineligible to use the resources of the Fund.

(b) Nothing in this Section shall be deemed

(i) to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business, or

(ii) to affect capital movements which are met out of a member's own resources of gold and foreign exchange, but members undertake that such capital movements will be in accordance with the purposes of the Fund.

Section 2. **Special provisions for capital transfers.**

If the Fund's holdings of the currency of a member have remained below seventy-five percent of its quota for an immediately preceding period of not less than six months, such member, if it has not been declared ineligible to use the resources of the Fund under Section 1 of this Article, Article IV, Section 6, Article V, Section 5, or Article XV, Section 2(a), shall be entitled, notwithstnding the provisions of Section 1(a) of this Article, to buy the currency of another member from the Fund with its own currency for any purpose, including capital transfers. Purchases for capital transfers under this Section shall not, however, be permitted if they have the effect of raising the Fund's holdings of the currency of the member desiring to purchase above seventy-five percent of its quota, or of reducing the Fund's holdings of the currency desired below seventy-five percent of the quota of the member whose currency is desired.

Section 3. **Controls of capital transfers.**

Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments, except as provided in Article VII, Section 3(b), and in Article XIV, Section 2.

ARTICLE VII

Scarce Currencies

Section 1. **General scarcity of currency.**

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report.

Section 2. **Measures to replenish the Fund's holdings of scarce currencies.**

The Fund may, if it deems such action appropriate to replenish its holdings of any member's currency, take either or both of the following steps:

(i) Propose to the member that, on terms and conditions agreed between the Fund and the member, the latter lend its currency to the Fund or that, with the approval of the member, the Fund borrow such currency from some other source either within or outside the territories of the member, but no member shall be under any obligation to make such loans to the Fund or to approve the borrowing of its currency by the Fund from any other source.

(ii) Require the member to sell its currency to the Fund for gold.

Section 3. **Scarcity of the Fund's holdings.**

(a) If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has issued a report under Section 1 of this Article, shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of members, the general international economic situation and any other pertinent considerations. The Fund shall also issue a report concerning its action.

(b) A formal declaration under (a) above shall operate as an authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in the scarce currency. Subject to the provisions of Article IV, Sections 3 and 4, the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the member in

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to sell that which they had produced in reliance on A's demand, and in future they will stand idle until industry A recovers, because in default of A there will be no one to buy the commodities which they create. Thus, as industry B buys of C, D, etc., the adversity of B tells on C, D, etc., and as these buy from E. F, etc., the effect is propagated through the whole alphabet. And in a certain sense it rebounds. Z feels the want caused by the diminished custom of A, B, C, etc.; and so it does not earn so much; in consequence it cannot lay out so much on the produce of A, B, C, etc., and so these do not earn so much either. As has been explained, the fundamental cause is that under a system where everyone is dependent on the labour of every-one else, the loss of one spreads and multiplies through all, and spreads and multiplies the faster the higher the previous perfection of the system of divided labour, and the more nice and effectual the mode of interchange."

Post Civil War Economic Position of the United States

After the American civil war, the United States was a debtor nation. Prices and costs in the United States were high and out of line with the rest of the world. Taxes were high, and the value of the dollar was uncertain. The effects of real war inflation had distorted the economic conditions of the United States in relation to the rest of the world. For a short time after the civil war, business recovered to meet accumulated domestic needs. This was followed by rather a severe depression. A second effort at recovery helped by a boom in railroad building and land speculation culminated in the panic of 1873. The general collapse in business and the prices on the security markets spread over about four years until 1877. During all this period since the civil war there had been a state of uncertainty as to the future value of the dollar. Prices and costs remained high until depression conditions corrected that. Our foreign trade was unfavorable and our foreign debts continued to increase.

With the deflation of prices and costs and the announced determination of the United States Treasury to resume specie payment and return to sound money in 1877, confidence was restored both in domestic and foreign business transactions. Our foreign trade increased and the country's balanced economic relations with the rest of the world was soon rewarded with a period of general business recovery. The following table gives a graphic picture of our imports and exports from 1864-1878 and the transition from an unfavorable to a favorable balance of exports in 1876.

TABLE I

Imports and Exports, 1864-1878, Inclusive

	Imports	Exports	Excess of Imports
1864.......	$358,794,907	$256,176,468	$102,618,439
1865.......	251,072,134	211,636,290	39,435,844
1866.......	499,693,247	441,169,549	58,523,698
1857.......	460,777,597	349,248,993	111,528,604
1868.......	404,867,471	370,792,668	34,074,803
1869.......	478,083,375	333,986,796	144,096,579
1870.......	501,062,596	441,525,288	59,537,308
1871.......	59,129,218	538,442,380	56,686,838
1872.......	716,480,059	526,379,639	190,100,420
1873.......	737,142,457	607,885,934	129,256,523
1874.......	663,613,855	660,589,762	3,024,093
1875.......	627,146,404	612,289,290	14,857,114
1876.......	537,381,246	604,701,985	67,320,739
1877.......	536,204,802	664,445,210	128,240,408
1878.......	512,943,824	743,125,722	230,181,898

In speaking of our importations exceeding our exportations as a debtor nation, J. E. Cairens, the well-known British economist of that time, said in 1873:

"No nation can continue to pay its foreign debts by the process of incurring new debts to meet a balance yearly accru-

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question; and they shall be relaxed and removed as rapidly as conditions permit.

(c) The authorization under (b) above shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

Section 4. **Administration of restrictions.**

Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of Section 3(b) of this Article shall give sympathetic consideration to any representations by the other member regarding the administration of such restrictions.

Section 5. **Effect of other international agreements on restrictions.**

Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.

ARTILE VIII

General Obligations of Members

Section 1. **Introduction.**

In addition to the obligations assumed under other articles of this Agreement, each member undertakes the obligations set out in this Article.

Section 2. **Avoidance of restrictions on current payments.**

(a) Subject to the provisions of Article VII, Section 3(b), and Article XIV, Section 2, no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions.

(b) Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member. In addition, members may, by mutual accord, co-operate in measures for the purpose of making the exchange control regulations of either member more effective, provided that such measures and regulations are consistent with this Agreement.

Section 3. **Avoidance of discriminatory currency practices.**

No member shall engage in, or permit any of its fiscal agencies referred to in Article V, Section 1, to engage in any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the Fund. If such arrangements and practices are engaged in at the date when this Agreement enters into force the member concerned shall consult with the Fund as to their progressive removal unless they are maintaind or imposed under Article XIV, Section 2, in which case the provisions of Section 4 of that Article shall apply.

Section 4. **Convertibility of foreign held balances.**

(a) Each member shall buy balances of its currency held by another member if the latter, in requesting the purchase, represents

(i) that the balances to be bought have been recently acquired as a result of current transactions; or

(ii) that their conversion is needed for making payments for current transactions.

The buying member shall have the option to pay either in the currency of the member making the request or in gold.

(b) The obligation in (a) above shall not apply

(i) when the convertibility of the balances has been restricted consistently with Section 2 of this Article, or Article VI, Section 3; or

(ii) when the balances have accumulated as a result of transactions effected before the removal by a member of restrictions maintained or imposed under Article XIV, Section 2; or

(iii) when the balances have been acquired contrary to the exchange regulations of the member which is asked to buy them; or

(iv) when the currency of the member requesting the purchase has been declared scarce under Article VII, Section 3(a); or

(v) when the member requested to make the purchase is for any reason not entitled to buy currencies of other members from the Fund for its own currency.

Section 5. **Furnishing of information.**

(a) The Fund may require members to furnish it with such information as it deems necessary for its operations, including, as the minimum necessary for the effective discharge of the Fund's duties, national data on the following matters:

(i) Official holdings at home and abroad, of (1) gold, (2) foreign exchange.

(ii) Holdings at home and abroad by banking and financial agencies other than official agencies, of (1) gold, (2) foreign exchange.

(iii) Production of gold.

(iv) Gold exports and imports according to countries of destination and origin.

(v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin.

(vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items.

(vii) International investment position, **i.e.,** investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information.

(viii) National income.

(ix) Price indices, **i.e.,** indices of commodity prices in wholesale and retail markets and of export and import prices.

(x) Buying and selling rates for foreign currencies.

(xi) Exchange controls, **i.e.,** a comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and details of subsequent changes as they occur.

(xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding.

(b) In requesting information the Fund shall take into consideration the varying ability of members to furnish the data requested. Members shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Members undertake, however, to furnish the desired information in as detailed and accurate a manner as is practicable, and, so far as possible, to avoid mere estimates.

(c) The Fund may arrange to obtain further information by agreement with members. It shall act as a centre for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund.

Section 6. **Consultation between members regarding existing international agreements.**

Where under this Agreement a member is authorized in the special or temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements will consult with one another with a view to making such mutually acceptable adjustments as may be necessary. The provisions of this Article shall be without prejudice to the operation of Article VII, Section 5.

ARTICLE IX

Status, Immunities and Privileges

Section 1. **Purposes of Article.**

To enable the Fund to fulfill the functions with which it is entrusted, the status, immunities and privileges set forth in this Article shall be accorded to the Fund in the territories of each member.

Section 2. **Status of the Fund.**

The Fund shall possess full juridical personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

Section 3. **Immunity from judicial process.**

The Fund, its property and its assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process except to the extent that it expressly waives its immunity for the purpose of any proceedings or by the terms of any contract.

Section 4. **Immunity from other action.**

Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

Section 5. **Immunity of archives.**

The archives of the Fund shall be inviolable.

Section 6. **Freedom of assets from restrictions.**

To the extent necessary to carry out the operations provided for in this Agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls and moratoria of any nature.

Section 7. **Privilege for communications.**

The official communications of the Fund shall be accorded by members the same treatment as the official communications of other members.

Section 8. **Immunities and privileges of officers and employees.**

All governors, executive directors, alternates, officers and employees of the Fund

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity.

(ii) not being local nationals, shall be granted the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members.

(iii) shall be granted the same treatment in respect of traveling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Section 9. **Immunities from taxation.**

(a) The Fund, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to executive directors, alternates, officers or employees of the Fund who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Fund, including any dividend or interest thereon, by whomsoever held

(i) which discriminates against such obligation or security solely because of its origin; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Fund.

Section 10. **Application of Article.**

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Fund of the detailed action which it has taken.

ARTICLE X

Relations With Other International Organizations

The Fund shall cooperate within the terms of this Agreement with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article XVII.

ARTICLE XI

Relations With Non-Member Countries

Section 1. **Undertakings regarding relations with non-member countries.**

Each member undertakes:

(i) Not to engage in, nor to permit any of its fiscal agencies referred to in Article V, Section 1, to engage in, any transactions with a non-member or with persons in a non-member's territories which would be contrary to the provisions of this Agreement or the purposes of the Fund;

(ii) Not to cooperate with a non-member or with persons in a non-member's territories in practices which would be contrary to the provisions of this Agreement or the purposes of the Fund; and

(iii) To cooperate with the Fund with a view to the application in its territories of appropriate measures to prevent transactions with non-members or with persons in their territories which would be contrary to the provisions of this Agreement or the purposes of the Fund.

Section 2. **Restrictions on transactions with non-member countries.**

Nothing in this Agreement shall affect the right of any member to impose restrictions on exchange transactions with non-members or with persons in their territories unless the Fund finds that such restrictions prejudice the interests of members and are contrary to the purposes of the Fund.

ARTICLE XII

Organization and Management

Section 1. **Structure of the Fund.**

The Fund shall have a Board of Governors, Executive Directors, a Managing Director and a staff.

Section 2. **Board of Governors.**

(a) All powers of the Fund shall be vested in the Board of Governors, consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as chairman.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(i) Admit new members and determine the conditions of their admission.

(ii) Approve a revision of quotas.

(iii) Approve a uniform change in the par value of the currencies of all members.

(iv) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary or administrative character).

(v) Determine the distribution of the net income of the Fund.

(vi) Require a member to withdraw.

(vii) Decide to liquidate the Fund.

(viii) Decide appeals from interpretations of this Agreement given by the Executive Directors.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the governors exercising not less than two-thirds of the total voting power.

(e) Each governor shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him.

(f) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the governors on a specific question without calling a meeting of the Board.

(g) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.

(h) Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay them reasonable expenses incurred in attending meetings.

(i) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the Managing Director.

Section 3. **Executive Directors.**

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Fund, and for this purpose shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be not less than twelve directors who need not be governors, and whom

(i) five shall be appointed by the five members having the largest quotas;

(ii) not more than two shall be appointed when the provisions of (c) below apply;

(iii) five shall be elected by the members not entitled to appoint directors, other than the American Republics; and

(iv) two shall be elected by the American Republics not entitled to appoint directors.

For the purposes of this paragraph, members means governments of countries whose names are set forth in Schedule A, whether they become members in accordance with Article XX or in accordance with Article II, Section 2. When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the number of directors to be elected.

(c) If, at the second regular election of directors and thereafter, the members entitled to appoint directors under (b) (i) above do not include the two members, the holdings of whose currencies by the Fund have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of gold as a common denominator, either one or both of such members, as the case may be, shall be entitled to appoint a director.

(d) Subject to Article XX, Section 3(b) elections of elective directors shall be conducted at intervals of two years in accordance with the provisions of Schedule C, supplemented by such regulations as the Fund deems appropriate.

Whenever the Board of Governors increases the number of directors to be elected under (b) above, it shall issue regulations making appropriate changes in the proportion of votes required to elect directors under the provisions of Schedule C.

(e) Each director shall appoint an alternate with full power to act for him when he is not present. When the directors appointing them are present, alternates may participate in meetings but may not vote.

(f) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the members who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(g) The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

(h) A quorum for any meeting of the Executive Directors shall be a majority of the directors representing not less than one-half of the voting power.

(i) Each appointed director shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted towards his election. When the provisions of Section 5(b) of this Article are applicable, the votes which a director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which a director is entitled to cast shall be cast as a unit.

(j) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(k) The Executive Directors may appoint such committees as they deem advisable. Membership of committees need not be limited to governors or directors or their alternates.

Section 4. **Managing Director and staff.**

(a) The Executive Directors shall select a Managing Director who shall not be a governor or an executive director. The Manag-

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Ohio Municipal Comment

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try bankers at least, about the deposits declining to previous figures.

The report of the Bank Management Committee of the OBA states "Authorities agree that the over-all level of deposits will not be materially lowered with the ending of the war, at least not for some time. They do predict, however, that shifts of deposits from one locality to others will take place."

The Commission on Country Bank Operations of the American Bankers Association recently published a pamphlet entitled "The Country Bank's Portfolio of U. S. Government Securities." In this pamphlet the Commission states that "Total bank deposits are not likely to be reduced substantially after the war. . . . It seems more likely that deposits may be increased. . . ."

The report of this Commission included a map showing changes in bank deposits by counties between Dec. 31, 1941, and Dec. 31, 1943. According to this map the two counties in Ohio of Champaign (Urbana) and Logan (Bellefontaine) showed increases of "100% and over," a west central string of counties (including generally rich agricultural areas) showed increases of 75% to 100%, the southeastern counties generally showed increases of 30% to 50%, and the four largest counties including Cleveland, Cincinnati, Columbus and Toledo showed increases of 30% to 50%. Four counties — Darke (Greenville), Jefferson (Steubenville), Union (Marysville) and Washington (Marietta) — showed less than 30% increase.

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ing against it; yet, this, in truth, is the nature of the financial operation by which, of late years, the United States has contrived to settle accounts with the rest of the world. . . . If that country is to continue to discharge her liability to foreign countries, the relation which at present obtains between exports and imports must be inverted. Her exports must once again, as previous to 1860, be made to exceed her imports and this by an amount greater than the excess of that former time, in proportion as her financial obligations to foreign countries have in the interval increased. To establish this, prices there must be lowered in relation to Europe. This may be accomplished partly by an advance in prices here not shared by the United States, as, in fact, has already happened in the case of some important commodities; but it is probable that the end will be reached mainly through a decline of prices on the other side. A considerable decline of general prices, however, is a remedy to which manufacturers and merchants will only submit when pushed to extremity. It will, therefore, only come when credit has been strained to the utmost, and a catastrophe is seen to be inevitable, and then it will probably come with a crash."

It is interesting to note that the present outlook of England in international trade and exchange has some similarity in her adverse situation to the position of the United States after the American civil war. It appears also that Mr. Cairens' economic advice is good and still believed in by the makers of British policy.

Post-war Economic Position and Policies of the United States as a Creditor Nation after World War I.

The position of the United States was overwhelmingly transformed from a debtor to a creditor nation by World War I. All of the rest of the world owed us money and were willing to continue to borrow and buy from us. We were equally willing lenders on I.O.U.'s. But rather reluctant to take too much in foreign goods, because of the demand on the part of labour and farmers that their jobs, wages and prices be protected. Nevertheless, we loaned to about all foreign borrowers who furnished any reasonable evidence of good faith at the time. We aided foreign countries to stabilize currencies and restore the gold standard. Our costs and prices remained fairly high and while our balance of trade remained favorable, it is a striking comparison to note the correlation between our favorable balance of exports and our purchase of foreign securities. The following table tells that interesting story:

TABLE II

Exports and Imports of the United States and Foreign Securities Placed in the United States, 1921-1928

(Three ciphers (000) omitted)

Year—	Exports	Imports	Excess of Exports	Foreign Securities
1921...	$4,485,031	$2,509,148	$1,975,883	$576,517
1922...	3,831,777	3,112,747	719,030	631,211
1923...	4,167,493	3,792,066	375,427	267,085
1924...	4,590,981	3,609,963	981,021	995,570
1925...	4,909,848	4,226,589	683,259	1,086,161
1926...	4,808,660	4,430,883	377,772	1,145,100
1927...	4,864,806	4,184,378	680,428	1,561,112
1928...	5,128,800	4,089,600	1,039,200	1,319,168

Foreign prices and costs were lower than ours, and the desire to protect American industry against foreign competition led to our entry into the international race for higher tariffs. With the decline of our loans to foreign countries and the increase of tariffs to protect American industry and agriculture. the inability of the foreign creditor countries to meet the payments on their debts ended in a world-wide economic and

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ing Director shall be chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The Managing Director shall cease to hold office when the Executive Directors so decide.

(b) The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Directors, the ordinary business of the Fund. Subject to the general control of the Executive Directors, he shall be responsible for the organization, appointment and dismissal of the staff of the Fund.

(c) The Managing Director and the staff of the Fund, in the discharge of their functions, shall owe their duty entirely to the Fund and to no other authority. Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of his functions.

(d) In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

Section 5. **Voting.**

(a) Each member shall have two hundred fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand United States dollars.

(b) Whenever voting is required under Article V, Section 4 or 5, each member shall have the number of votes to which it is entitled under (a) above, adjusted:

(i) by the addition of one vote for the equivalent of each 400,000 United States dollars of net sales of its currency up to the date when the vote is taken, or

(ii) by the subtraction of one vote for the equivalent of each 400,000 United States dollars of its net purchases of the currencies of other members up to the date when the vote is taken

provided, that neither net purchases nor net sales shall be deemed at any time to exceed an amount equal to the quota of the member involved.

(c) For the purpose of all computations under this Section, United States dollars shall be deemed to be of the weight and fineness in effect on July 1, 1944, adjusted for any uniform change under Article IV, Section 7, if a waiver is made under Section 8(d) of that Article.

(d) Except as otherwise specifically provided, all decisions of the Fund shall be made by a majority of the votes cast.

Section 6. **Distribution of net income.**

(a) The Board of Governors shall determine annually what part of the Fund's net income shall be placed to reserve and what part, if any, shall be distributed.

(b) If any distribution is made, there shall first be distributed a two percent non-cumulative payment to each member on the amount by which seventy-five percent of its quota exceeded the Fund's average holdings of its currency during that year. The balance shall be paid to all members in proportion to their quotas. Payments to each member shall be made in its own currency.

Section 7. **Publication of reports.**

(a) The Fund shall publish an annual report containing an audited statement of its accounts, and shall issue, at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of members.

(b) The Fund may publish such other reports as it deems desirable for carrying out its purposes.

Section 8. **Communication of views to members.**

The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a two-thirds majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member is not entitled to appoint an executive director, it shall be entitled to representation in accordance with Section 3(j) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members.

ARTICLE XIII

Offices and Depositories

Section 1. **Location of offices.**

The principal office of the Fund shall be located in the territory of the member having the largest quota, and agencies or branch offices may be established in the territories of other members.

Section 2. **Depositories.**

(a) Each member country shall designate its central bank as a depository for all the Fund's holdings of its currency, or if it has no central bank it shall designate such other institution as may be acceptable to the Fund.

(b) The Fund may hold other assets, including gold, in the depositories designated by the five members having the largest quotas and in such other designated depositories as the Fund may select. Initially, at least one-half of the holdings of the Fund shall be held in the depository designated by the member in whose territories the Fund has its principal office and at least forty percent shall be held in the depositories designated by the remaining four members referred to above. However, all transfers of gold by the Fund shall be made with due regard to the costs of transport and anticipated requirements of the Fund. In an emergency the Executive Directors may transfer all or any part of the Fund's gold holdings to any place where they can be adequately protected.

Section 3. **Guarantee of the Fund's assets.**

Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it.

ARTICLE XIV

Transitional Period

Section 1. **Introduction.**

The Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war.

Section 2. **Exchange restrictions.**

In the post-war transitional period members may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions. Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the maintenance of exchange stability. In particular, members shall withdraw restrictions maintained or imposed under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund.

Section 3. **Notification to the Fund.**

Each member shall notify the Fund before it becomes eligible under Article XX, Section 4 (c) or (d) to buy currency from the Fund, whether it intends to avail itself of the transitional arrangements in Section 2 of this Article, or whether it is prepared to accept the obligations of Article VIII, Sections 2, 3, and 4. A member availing itself of the transitional arrangements shall notify the Fund as soon thereafter as it is prepared to accept the above-mentioned obligations.

Section 4. **Action of the Fund relating to restrictions.**

Not later than three years after the date on which the Fund begins operations and in each year thereafter, the Fund shall report on the restrictions still in force under Section 2 of this Article. Five years after the date on which the Fund begins operations, and in each year thereafter, any member still retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4, shall consult the Fund as to their further intention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other articles of this Agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to Article XV, Section 2(a).

Section 5. **Nature of transitional period.**

In its relations with members, the Fund shall recognize that the post-war transitional period will be one of change and adjustment and in making decisions on requests occasioned thereby which are presented by any member it shall give the member the benefit of any reasonable doubt.

ARTICLE XV

Withdrawal from Membership

Section 1. **Right of members to withdraw.**

Any member may withdraw from the Fund at any time by transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

Section 2. **Compulsory withdrawal.**

(a) If a member fails to fulfill any of its obligations under this Agreement, the Fund may declare the member ineligible to use the resources of the Fund. Nothing in this Section shall be deemed to limit the provisions of Article IV, Section 6, Article V, Section 5, or Article VI, Section 1.

(b) If, after the expiration of a reasonable period the member persists in its failure to fulfill any of its obligations under this Agreement, or a difference between a member and the Fund under Article IV, Section 6, continues, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the governors representing a majority of the total voting power.

(c) Regulations shall be adopted to ensure that before action is taken against any member under (a) or (b) above, the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing.

Section 3. **Settlement of accounts with members withdrawing.**

When a member withdraws from the Fund, normal transactions of the Fund in its currency shall cease and settlement of all accounts between it and the Fund shall be made with reasonable despatch by agreement between it and the Fund. If agreement is not reached promptly, the provisions of Schedule D shall apply to the settlement of accounts.

ARTICLE XVI

Emergency Provisions

Section 1. **Temporary Suspension.**

(a) In the event of an emergency or the development of unforeseen circumstances threatening the operations of the Fund, the Executive Directors by unanimous vote may suspend for a period of not more than one hundred twenty days the operation of any of the following provisions:

(i) Article IV, Sections 3 and 4(b)
(ii) Article V, Sections 2, 3, 7, 8(a) and (f)
(iii) Article VI, Section 2
(iv) Article XI, Section 1

(b) Simultaneously with any decision to suspend the operation of any of the foregoing provisions, the Executive Directors shall call a meeting of the Board of Governors for the earliest practicable date.

(c) The Executive Directors may not extend any suspension beyond one hundred twenty days. Such suspension may be extended, however, for an additional period of not more than two hundred forty days, if the Board of Governors by a four-fifths majority of the total voting power so decides, but it may not be further extended except by amendment of this Agreement pursuant to Article XVII.

(d) The Executive Directors may, by a majority of the total voting power, terminate such suspension at any time.

Section 2. **Liquidation of the Fund.**

(a) The Fund may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Directors decide that liquidation of the Fund may be necessary, they may temporarily suspend all transactions, pending decision by the Board.

(b) If the Board of Governors decides to liquidate the Fund, the Fund shall forthwith cease to engage in any activities except those incidental to the orderly collection and liquidation of its assets and the settlement of its liabilities, and all obligations of members under this Agreement shall cease except those set out in this Article, in Article XVIII, paragraph (c), in Schedule D, paragraph 7, and in Schedule E.

(c) Liquidation shall be administered in accordance with the provisions of Schedule E.

ARTICLE XVII
Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board the Fund shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Fund shall certify the fact by a formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

(i) the right to withdraw from the Fund (Article XV, Section 1);

(ii) the provision that no change in a member's quota shall be made without its consent (Article III, Section 2);

(iii) the provision that no change may be made in the par value of a member's currency except on the proposal of that member (Article IV, Section 5 (b)).

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

ARTICLE XVIII
Interpretation

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director it shall be entitled to representation in accordance with Article XII, Section 3(j).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board the Fund may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Fund and a member which has withdrawn, or between the Fund and any member during liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the member or withdrawing member and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed by regulation adopted by the Fund. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

ARTICLE XIX
Explanation of Terms

In interpreting the provision of this Agreement the Fund and its members shall be guided by the following:

(a) A member's monetary reserves means its net official holdings of gold, of convertible currencies of other members, and of the currencies of such non-members as the Fund may specify.

(b) The official holdings of a member means central holdings (that is, the holdings of its Treasury, Central Bank, Stabilization Fund, or similar fiscal agency).

(c) The holdings of other official institutions or other banks within its territories may, in any particular case, be deemed by the Fund, after consultation with the member, to be official holdings to the extent that they are substantially in excess of working balances; provided that for the purpose of determining whether, in a particular case, holdings are in excess of working balances, there shall be deducted from such holdings amounts of currency due to official institutions and banks in the territories of members or non-members specified under (d) below.

(d) A member's holdings of convertible currencies means its holdings of the currencies of other members which are not availing themselves of the transitional arrangements under Article XIV, Section 2, together with its holdings of the currencies of such non-members as the Fund may from time to time specify. The term currency for this purpose includes without limitation coins, paper money, bank balances, bank acceptances, and government obligations issued with a maturity not exceeding twelve months.

(e) A member's monetary reserves shall be calculated by deducting from its central holdings the currency liabilities to the Treasuries, central banks, stabilization funds, or similar fiscal agencies of other members or non-members specified under (d) above, together with similar liabilities to other official institutions and other banks in the territories of members, or non-members specified under (d) above. To these net holdings shall be added the sums deemed to be official holdings of other official institutions and other banks under (c) above.

(f) The Fund's holdings of the currency of a member shall include any securities accepted by the Fund under Article III, Section 5.

(g) The Fund, after consultation with a member which is availing itself of the transitional arrangements under Article XIV, Section 2, may deem holdings of the currency of that member which carry specified rights of conversion into another currency or into gold to be holdings of convertible currency for the purpose of the calculation of monetary reserves.

(h) For the purpose of calculating gold subscriptions under Article III, Section 3, a member's net official holdings of gold and United States dollars shall consist of its official holdings of gold and United States currency after deducting central holdings of its currency by other countries and holdings of its currency by other official institutions and other banks if these holdings carry specified rights of conversion into gold or United States currency.

(i) Payments for current transactions means payments which are not for the purpose of transferring capital, and includes, without limitation:

(1) All payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;

(2) Payments due as interest on loans and as net income from other investments;

(3) Payments of moderate amount for amortization of loans or for depreciation of direct investments;

(4) Moderate remittances for family living expenses.

The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.

ARTICLE XX
Final Provisions

Section 1. **Entry into force.**

This Agreement shall enter into force when it has been signed on behalf of governments having sixty-five percent of the total of the quotas set forth in Schedule A and when the instruments referred to in Section 2(a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

Section 2. **Signature.**

(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Fund as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and all governments whose membership is approved in accordance with Article II, Section 2, of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of one percent of its total subscription in gold or United States dollars for the purpose of meeting administrative expenses of the Fund. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Fund when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

(e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 2.

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until one hundred eighty days after the date on which these territories have been liberated. If, however, it is not deposited by any such government before the expiration of this period the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

Section 3. **Inauguration of the Fund.**

(a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member having the largest quota shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five countries for which the largest quotas are set forth in Schedule A shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships they would be entitled to fill shall remain vacant until they become members, or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule C and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors.

Section 4. **Initial determination of par values.**

(a) When the Fund is of the opinion that it will shortly be in a position to begin exchange transactions, it shall so notify the members and shall request each member to communicate within thirty days the par value of its currency based on the rates of exchange prevailing on the sixtieth day before the entry into force of this Agreement. No member whose metropolitan territory has been occupied by the enemy shall be required to make such a communication while that territory is a theater of major hostilities or for such period thereafter as the Fund may determine. When such a member communicates the par value of its currency the provisions of (d) below shall apply.

(b) The par value communicated by a member whose metropolitan territory has not been occupied by the enemy shall be the par value of that member's currency for the purposes of this Agree-

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Balancing An Unbalanced World

(Continued from page 396)

financial collapse. This collapse in trade was quite evident in late 1928 and was reflected in the collapse of the securities market in 1929. From this international collapse of finances and trade the world never recovered. The present war with its multiplication of restrictions, regulations, taxes and debts, in some instances aggregating 1,000%, has been heaped upon the economic chaos in international finances resulting from World War I and its aftermath of extravagant lending and trade regulations.

What will be the Economic Position and Policy of the United States after World War II? Can Balance be Restored?

As a result of our creditor position, the United States accumulated gold far in excess of our economic needs during the world depression years of the thirties. War fears forced additional gold to the United States for protection. The policy of lend-lease will greatly reduce the debts payable in money due to the United States after the war. A large part of our present gold hoard, perhaps one-half of it, will return to foreign countries, with the restoration of peace, and economic stability in those countries. Whether the United States is a debtor or creditor nation on balance at the present time would be rather difficult to determine. From current accounts it seems that the United States will be a debtor on balance for some years after the war. Costs and prices in the United States are rather high compared with the rest of the economic world. These conditions do not favour large favorable exports, but, on the contrary, indicate that we are more likely to be on the unfavorable side of the foreign trade balance sheet through the period of international readjustment.

The Position of England

England is a large debtor in international markets on current balance aggregating at present time perhaps nine billion dollars and this will certainly increase still further. It is hard to see how England will avoid an unfavourable balance of trade for many years to come. This position is recognized and spokesmen on the British situation admit frankly that her only out is a large increase in her production and export trade, perhaps an increase of 50% over prewar years. When it is remembered that England is probably the largest customer of the United States the question is raised as to how these two countries can each maintain the favourable position in the export trade which each now claims it needs.

International Harmony Depends upon Sound Domestic Policies in Each Individual Country

The restoration of sound domestic policies is a problem within each country. The countries that can help will undoubtedly be generous in lending all aid possible to the war-torn countries. But the matter of domestic debts, taxes, costs and price relations, domestic currency values, demobilization and reconstruction within the countries, must remain problems to be solved by each country respectively.

Advocate Abolition Of Corp'n Income Taxes

(Continued from first page)

The budgetary policy recommended by Messrs. Ruml and Sonne accepts the existence of budget deficits in times of unemployment. It does not contemplate the need for permanent budget deficits, but foresees public debt retirement in periods of over-expansion of private business activity. It would involve the use of reduced taxes as a means of stimulating purchasing power, and a public works program timed to

Beardsley Ruml Hans Christian Sonne

stabilize the construction industry.

A balanced budget is recommended at some agreed upon level of high employment and production. Messrs. Ruml and Sonne take, for purposes of their discussion, the employment of 55 million persons in the year 194X, at 40 hours a week, producing about $140 billion of money income payments to individuals at 1943 prices. They suggest the amortization of the national debt when this level is exceeded, but not before; pointing out, however, that the budget should be balanced in an economic sense as well as a financial sense.

On the basis of these assumptions and their recommended program, the authors suggest a Federal budget in an early post-war year, but after substantial progress in reconversion, as follows:

FEDERAL BUDGET EXPENDITURES
(In billions)

Unallocated and miscellaneous	$1.5
Interest on debt	5.5
Military and naval	5.0
Veterans	2.0
Agriculture	1.0
All other government expenses	2.0
Foreign reconstruction and development loans	1.0
	$18.0

FEDERAL BUDGET RECEIPTS
(In billions)

Individual income tax	$13.0
Excises	3.0
Corporation franchise and retained earnings	1.0
Estate and gift	0.5
Tariff and miscellaneous	0.5
	$18.0

Emphasizing that "management, whether industrial, commercial, or agricultural, in general should be permitted to conduct its business affairs free of Federal income tax considerations," Messrs. Ruml and Sonne recommend the abolition of Federal income taxes on corporations. Abolition of this tax, they believe, will tend to lower prices, increase wages, do away with double taxation, encourage the distribution of earnings as dividends, and do away with the distortion by tax considerations of business judgment. A small franchise tax of 5% on corporations is suggested, which would represent "the value of doing business in corporate form."

The principal source of Federal revenue, the authors believe, should be a graduated progressive individual income tax which would yield the $13 billion required in their $18 billion budget.

With an exemption of $500 for each taxpayer and each dependent —including husband or wife, normal tax rates would begin at 16%

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Official Text Of Articles Of Agreement Of The International Monetary Fund

(Continued from page 397)

ment unless, within ninety days after the request referred to in (a) above has been received, (i) the member notifies the Fund that it regards the par value as unsatisfactory, or (ii) the Fund notifies the member that in its opinion the par value cannot be maintained without causing recourse to the Fund on the part of that member or others on a scale prejudicial to the Fund and to members. When notification is given under (i) or (ii) above, the Fund and the member shall, within a period determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund on the date when the period expires.

(c) When the par value of a member's currency has been established under (b) above, either by the expiration of ninety days without notification, or by agreement after notification, the member shall be eligible to buy from the Fund the currencies of other members to the full extent permitted in this Agreement, provided that the Fund has begun exchange transactions.

(d) In the case of a member whose metropolitan territory has been occupied by the enemy, the provisions of (b) above shall apply, subject to the following modifications:

(i) The period of ninety days shall be extended so as to end on a date to be fixed by agreement between the Fund and the member.

(ii) Within the extended period the member may, if the Fund has begun exchange transactions, buy from the Fund with its currency the currencies of other members, but only under such conditions and in such amounts as may be prescribed by the Fund.

(iii) At any time before the date fixed under (i) above, changes may be made by agreement with the Fund in the par value communicated under (a) above.

(e) If a member whose metropolitan territory has been occupied by the enemy adopts a new monetary unit before the date to be fixed under (d)(i) above, the par value fixed by that member for the new unit shall be communicated to the Fund and the provisions of (d) above shall apply.

(f) Changes in par values agreed with the Fund under this Section shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of Article IV, Section 5(c).

(g) A member communicating to the Fund a par value for the currency of its metropolitan territory shall simultaneously communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it has accepted this Agreement under Section 2(g) of this Article, but no member shall be required to make a communication for the separate currency of a territory which has been occupied by the enemy while that territory is a theater of major hostilities or for such period thereafter as the Fund may determine. On the basis of the par value so communicated, the Fund shall compute the par value of each separate currency. A communication or notification to the Fund under (a), (b) or (d) above regarding the par value of a currency, shall also be deemed, unless the contrary is stated, to be a communication or notification regarding the par value of all the separate currencies referred to above. Any member may, however, make a communication or notification relating to the metropolitan or any of the separate currencies alone. If the member does so, the provisions of the preceding paragraphs (including (d) above, if a territory where a separate currency exists has been occupied by the enemy) shall apply to each of these currencies separately.

(h) The Fund shall begin exchange transactions at such date as it may determine after members having sixty-five percent of the total of the quotas set forth in Schedule A have become eligible, in accordance with the preceding paragraphs of this Section, to purchase the currencies of other members, but in no event until after major hostilities in Europe have ceased.

(i) The Fund may postpone exchange transactions with any member if its circumstances are such that, in the opinion of the Fund, they would lead to use of the resources of the Fund in a manner contrary to the purposes of this Agreement or prejudicial to the Fund or the members.

(j) The par values of the currencies of governments which indicate their desire to become members after December 31, 1945, shall be determined in accordance with the provisions of Article II, Section 2.

DONE at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 2.

SCHEDULE A

Quotas

(In millions of United States dollars)

Australia	200	India	400
Belgium	225	Iran	25
Bolivia	10	Iraq	8
Brazil	150	Liberia	.5
Canada	300	Luxembourg	10
Chile	50	Mexico	90
China	550	Netherlands	275
Colombia	50	New Zealand	50
Costa Rica	5	Nicaragua	2
Cuba	50	Norway	50
Czechoslovakia	125	Panama	.5
Denmark*	*	Paraguay	2
Dominican Republic	5	Peru	25
Ecuador	5	Philippine Commonwealth	15
Egypt	45	Poland	125
El Salvador	2.5	Union of South Africa	100
Ethiopia	6	Union of Soviet Socialist Republics	1200
France	450	United Kingdom	1300
Greece	40	United States	2750
Guatemala	5	Uruguay	15
Haiti	5	Venezuela	15
Honduras	2.5	Yugoslavia	60
Iceland	1		

*The quota of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to sign this Agreement but before signature takes place.

SCHEDULE B

Provisions with Respect to Repurchase by a Member of its Currency Held by the Fund

1. In determining the extent to which repurchase of a member's currency from the Fund under Article V, Section 7(b) shall be made with each type of monetary reserve, that is, with gold and with each convertible currency, the following rule, subject to 2 below, shall apply:

(a) If the member's monetary reserves have not increased during the year, the amount payable to the Fund shall be distributed among all types of reserves in proportion to the member's holdings thereof at the end of the year.

(b) If the member's monetary reserves have increased during the year, a part of the amount payable to the Fund equal to one-half of the increase shall be distributed among those types of reserves which have increased in proportion to the amount by which each of them has increased. The remainder of the sum payable to the Fund shall be distributed among all types of reserves in proportion to the member's remaining holdings thereof.

(c) If after all the repurchases required under Article V, Section 7(b), had been made, the result would exceed any of the limits specified in Article V, Section 7(c), the Fund shall require such repurchases to be made by the members proportionately in such manner that the limits will not be exceeded.

2. The Fund shall not acquire the currency of any non-member under Article V, Section 7(b) and (c).

3. In calculating monetary reserves and the increase in monetary reserves during any year for the purpose of Article V, Section 7(b) and (c), no account shall be taken, unless deductions have otherwise been made by the member for such holdings, of any increase in those monetary reserves which is due to currency previously inconvertible having become convertible during the year; or to holdings which are the proceeds of a long-term or medium-term loan contracted during the year; or to holdings which have been transferred or set aside for repayment of a loan during the subsequent year.

4. In the case of members whose metropolitan territories have been occupied by the enemy, gold newly produced during the five years after the entry into force of this Agreement from mines located within their metropolitan territories shall not be included in computations of their monetary reserves or of increases in their monetary reserves.

SCHEDULE C

Election of Executive Directors

1. The election of the elective executive directors shall be by ballot of the governors eligible to vote under Article XII, Section 3(b) (iii) and (iv).

2. In balloting for the five directors to be elected under Article XII, Section 3(b) (iii), each of the governors eligible to vote shall cast for one person all of the votes to which he is entitled under Article XII, Section 5(a). The five persons receiving the greatest number of votes shall be directors, provided that no person who received less than nineteen percent of the total number of votes that can be cast (eligible votes) shall be considered elected.

3. When five persons are not elected in the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected, and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above twenty percent of the eligible votes.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above twenty percent of the eligible votes the twenty percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until twenty percent is reached.

5. Any governor part of whose votes must be counted in order to raise the total of any person above nineteen percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed twenty percent.

6. If, after the second ballot, five persons have not been elected, further ballots shall be held on the same principles until five persons have been elected, provided that after four persons are elected, the fifth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

7. The directors to be elected by the American Republics under Article XII, Section 3(b) (iv) shall be elected as follows:

(a) Each of the directors shall be elected separately.

(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one person all the votes to which he is entitled. The person receiving the largest number of votes shall be elected provided that he has received not less than forty-five percent of the total votes.

(c) If no person is elected on the first ballot, further ballots shall be held, in each of which the person receiving the lowest number of votes shall be eliminated, until one person receives a number of votes sufficient for election under (b) above.

(d) Governors whose votes contributed to the election of the first director shall take no part in the election of the second director.

(e) Persons who did not succeed in the first election shall not be ineligible for election as the second director.

(f) A majority of the votes which can be cast shall be required for election of the second director. If at the first ballot no person receives a majority, further ballots shall be held in each of which the person receiving the lowest number of votes shall be eliminated, until some person obtains a majority.

(g) The second director shall be deemed to have been elected by all the votes which could have been cast in the ballot securing his election.

SCHEDULE D

Settlement of Accounts with Members Withdrawing

1. The Fund shall be obligated to pay to a member withdrawing an amount equal to its quota, plus any other amounts due to it from the Fund, less any amounts due to the Fund, including charges accruing after the date of its withdrawal; but no payment shall be made until six months after the date of withdrawal. Payments shall be made in the currency of the withdrawing member.

2. If the Fund's holdings of the currency of the withdrawing member are not sufficient to pay the net amount due from the Fund, the balance shall be paid in gold, or in such other manner as may be agreed. If the Fund and the withdrawing member do not reach agreement within six months of the date of withdrawal, the currency in question held by the Fund shall be paid forthwith to the withdrawing member. Any balance due shall be paid in ten half-yearly installments during the ensuing five years. Each such installment shall be paid, at the option of the Fund, either in the currency of the withdrawing member acquired after its withdrawal or by the delivery of gold.

3. If the Fund fails to meet any installment which is due in accordance with the preceding paragraphs, the withdrawing member shall be entitled to require the Fund to pay the installment in any currency held by the Fund with the exception of any currency which has been declared scarce under Article VII, Section 3.

4. If the Fund's holdings of the currency of a withdrawing member exceed the amount due to it, and if agreement on the method of settling accounts is not reached within six months of the date of withdrawal, the former member shall be obligated to redeem such excess currency in gold or, at its option, in the currencies of members which at the time of redemption are convertible. Redemption shall be made at the parity existing at the time of withdrawal from the Fund. The withdrawing member shall complete redemption within five years of the date of withdrawal, or within such longer period as may be fixed by the Fund, but shall not be required to redeem in any half-yearly period more than one-tenth of the Fund's excess holdings of its currency at the date of withdrawal plus further acquisitions of the currency during such half-yearly period. If the withdrawing member does not fulfill this obligation, the Fund may in an orderly manner liquidate in any market the amount of currency which should have been redeemed.

5. Any member desiring to obtain the currency of a member which has withdrawn shall acquire it by purchase from the Fund, to the extent that such member has access to the resources of the Fund and that such currency is available under 4 above.

6. The withdrawing member guarantees the unrestricted use at all times of the currency disposed of under 4 and 5 above for the purchase of goods or for payment of sums due to it or to persons within its territories. It shall compensate the Fund for any loss resulting from the difference between the par value of its currency on the date of withdrawal and the value realized by the Fund on disposal under 4 and 5 above.

7. In the event of the Fund going into liquidation under Article XVI, Section 2, within six months of the date on which the member withdraws, the account between the Fund and that government shall be settled in accordance with Article XVI, Section 2, and Schedule E.

SCHEDULE E

Administration of Liquidation

1. In the event of liquidation the liabilities of the Fund other than the repayment of subscriptions shall have priority in the distribution of the assets of the Fund. In meeting each such liability the Fund shall use its assets in the following order:
   - (a) the currency in which the liability is payable;
   - (b) gold;
   - (c) all other currencies in proportion, so far as may be practicable, to the quotas of the members.

2. After the discharge of the Fund's liabilities in accordance with 1 above, the balance of the Fund's assets shall be distributed and apportioned as follows:
   - (a) The Fund shall distribute its holdings of gold among the members whose currencies are held by the Fund in amounts less than their quotas. These members shall share the gold so distributed in the proportions of the amounts by which their quotas exceed the Fund's holdings of their currencies.
   - (b) The Fund shall distribute to each member one-half the Fund's holdings of its currency but such distribution shall not exceed fifty per cent of its quota.
   - (c) The Fund shall apportion the remainder of its holdings of each currency among all the members in proportion to the amounts due to each member after the distributions under (a) and (b) above.

3. Each member shall redeem the holdings of its currency apportioned to other members under 2(c) above, and shall agree with the Fund within three months after a decision to liquidate upon an orderly procedure for such redemption.

4. If a member has not reached agreement with the Fund within the three-month period referred to in 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(c) above to redeem the currency of that member apportioned to other members. Each currency apportioned to a member which has not reached agreement shall be used, so far as possible, to redeem its currency apportioned to the members which have made agreements with the Fund under 3 above.

5. If a member has reached agreement with the Fund in accordance with 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(c) above to redeem the currency of that member apportioned to other members which have made agreements with the Fund under 3 above. Each amount so redeemed shall be redeemed in the currency of the member to which it was apportioned.

6. After carrying out the preceding paragraphs, the Fund shall pay to each member the remaining currencies held for its account.

7. Each member whose currency has been distributed to other members under 6 above shall redeem such currency in gold or, at its option, in the currency of the member requesting redemption, or in such other manner as may be agreed between them. If the members involved do not otherwise agree, the member obligated to redeem shall complete redemption within five years of the date of distribution, but shall not be required to redeem in any half-yearly period more than one-tenth of the amount distributed to each other member. If the member does not fulfill this obligation, the amount of currency which should have been redeemed may be liquidated in an orderly manner in any market.

8. Each member whose currency has been distributed to other members under 6 above guarantees the unrestricted use of such currency at all times for the purchase of goods or for payment of sums due to it or to persons in its territories. Each member so obligated agrees to compensate other members for any loss resulting from the difference between the par value of its currency on the date of the decision to liquidate the Fund and the value realized by such members on disposal of its currency.

Advocate Abolition Of Corp'n Income Taxes

(Continued from page 398)

on net income. A surtax begins at 1% on \$2,000-\$3,000 net income, rises to 4% on \$4,000-\$5,000 net income, then graduates to a ceiling of 50% on all net incomes of \$250,000 and over.

No general sales tax is proposed, since it generally tends to be deflationary and, therefore, harmful in periods of low consumer spending. The authors believe that excises should be retained on tobacco, liquors, and perhaps on gasoline, at approximately present rates "to provide a deflationary anchor to windward." Other excise taxes, they say, should be abolished.

The results of their study are summarized by the authors in the following paragraphs.

General

The two essentials of national fiscal and monetary policy are: first, to provide means of meeting the disbursement requirements of the national State in a manner consistent with maintaining a reliable money system that will give the people an efficient medium of exchange and store of value; and second, to provide a system of financial institutions that will give the people a sound banking structure and a satisfactory credit mechanism.

The question is what fiscal, monetary, and tax measures consistent with maintaining a reliable money system and an efficient system of financial institutions would further promote high employment under private enterprise?

Confidence and understanding of business, labor, and agricultural leadership and the reliability of the National Government are indispensable to the full realization of the benefits of sound policy in the fiscal and monetary field.

The Federal Budget

We reject as unrealistic the possibility of a neutral Federal budget policy and accept the alternative, Federal cooperation presumably through budgetary operations when requisite to maintain adequate, effective demand, and thereby to contribute to the attaining of high employment.

Such a policy does not contemplate permanent budget deficits as a necessary element in the economy.

Such a policy does not require, nor does it justify, spending for its own sake. Neither does it approve wasteful expenditure.

The policies adopted with respect to the handling of the national debt should be formulated in a manner consistent with the objectives of maintaining a sound currency, efficient banking institutions, high production, and high employment.

Taxation

Our specific tax suggestions rest on two general propositions:

A. Tax revenues should balance expenditures at some agreed level of high employment and high production, and should provide for the amortization of the national debt when employment and production exceed these levels; but not before.

B. The operations of the system of production and distribution should be, in general, Federal income tax free.

Our tax recommendations are five, as follows:

1. Federal income taxes on corporations should be abolished. A small franchise tax of 5% is proposed.

2. The graduated progressive income tax should be relied on as the chief source of revenue and should be reduced to conform to Proposition A above.

3. No general sales tax should be imposed.

4. Excises should be retained only on tobacco and alcohol, and, perhaps, on gasoline.

5. Social security financing should be revised to stop building reserves at times of under-employment.

Coordination of tax and expenditure policy between Federal, State, and local governments is highly desirable in an over-all national fiscal and monetary policy.

We recommend abolition on future issues of (a) the exemption from Federal taxation of the income from State and municipal bonds, and (b) exemption from State taxation of the income from Federal bonds.

The question of the capital gains tax has been a matter of great controversy. With its present limitation of 25% on long-term capital gains, it probably does not have an important inhibitive effect on high production and high employment. It is our feeling that the capital gains tax should be retained in its present form for the time being in order that this controversial subject should not tend to confuse more important issues.

Once the tax machine is remodelled, every effort should be made to keep it simple and understandable and on a relatively stable basis in terms of fiscal policy. Changes in rates should come only in response to changes in fiscal or social policy.

Public Disbursements

All public disbursements should express agreed public policy with respect to the objective for which the expenditure is made.

Efficiency in public expenditure is necessary, not to help balance the budget, as is sometimes said, but to permit a lower tax rate.

The acceleration of optional items should not be permitted to raise the level of regular budget disbursements and should disappear with high employment.

For public works, we choose the limited but important objective of stabilizing within a range of practicability the construction industry, throughout the year and over the years, at a level consistent with the construction requirementse of American life.

Public loans, like public expenditures, must be associated in a national fiscal and monetary policy.

Monetary Policy

If fiscal policy is to make its maximum contribution to the general welfare, it must be supplemented by appropriate monetary policy. Neither can function effectively without the other.

If an inflationary post-war boom should show signs of developing the Federal Reserve System could hardly stand idly by and make no effort to restrain it.

In such circumstances, continuation of some of the war-time controls, such as the regulation of consumer credit and the rationing of scarce goods, would probably be called for.

Consequently, while any drastic monetary policy of restraint is not likely in the early post-war years, moderate direct methods and qualitative controls should be applied if needed.

Banking must offer adequate credit facilities to production and trade; and must assume reasonable risks. In undertaking this function it must not be hamstrung by unduly critical attitudes on the part of the bank examiners. They should assume that private enterprise is a going concern, not an institution in process of liquidation.

Savings and Investments

Fiscal and monetary policy, though important, cannot alone assure the smooth flow of savings into enterprise.

Once an atmosphere is created where the ever-existing natural desire for investment is not dampened, there remains as a secondary consideration the channels through which savings can flow into investment. On the whole, our present machinery is more adequate than current criticism would lead one to believe, particulary for large transactions.

We recommend that the Securities and Exchange Act be modified to facilitate issues and to reduce the disproportionate costs of smaller transactions.

We further recommend authorizing the formation of long-term finance corporations under private ownership and management and under public regulation.

The chief obstacle to venture capital has been lack of confidence in the general future — the future of taxes or of the new venture itself — rather than lack of proper channels for investment of savings.

Foreign Investment

Policies of long-term foreign lending must be appraised as part of the over-all fiscal, monetary, and tax program.

It is recommended that all foreign loans and investments, perhaps with the exception of self-liquidating commercial loans, whether made by government or made privately, should be listed with an appropriate Federal agency, and that this information should be at the disposal of central fiscal, monetary, and tax authorities.

We recommend a definite, declared policy of no increase in tariffs, followed by a gradual reduction of tariffs and freer trade, as a desirable corollary to our proposed program.

Important assets at the disposal of international agencies, where the amount and timing of foreign demand on American production would lie outside of American hands, would have a considerable influence on fiscal policy. Proposals for international lending institutions should be examined from this point of view.

High domestic employment and consumption with corresponding comparatively high imports are in themselves, perhaps, the greatest contribution we can make toward the stabilization and improvement of world conditions.

Administration of Fiscal and Monetary Policy

The adoption of a fiscal and monetary policy and its administration in a national program will require teamwork on the part of the agencies of government which have responsibilities in this general field.

On the legislative side we suggest that there be created two new committees, one in the House and one in the Senate, on fiscal and monetary policy. The existing scope and activities of the present committees would be unchanged, but it would be expected that the new committees would unify their approaches and make their policies consistent.

In the executive branch we suggest that an agency under the immediate direction of the President be created in the Office of Emergency Management to give directives in the fiscal and tax fields without limitations other than those imposed by law, and in the monetary field, insofar as the executive branch has jurisdiction in this area. This proposal would not increase the powers vested in the President, but would enable him to exercise his existing au-

(Continued on page 401)

Ohio Brevities

(Continued from page 386)

held at that time. The Clevelanders have substantial holdings in D. & C.

Nine directors are to be elected and the Cleveland group's proxy lists five men it is attempting to place on the board. They are: Ernest S. Dowd, of Dowd-Feder, Inc.; Frank C. Gee, Chairman of the Board of First Cleveland Corp.; R. B. Dennis, real estate broker; C. G. Atkin, head of Osborn Engineering Co., all of Cleveland, and Alfred MacArthur, President of Central Life Insurance Co., of Illinois and a director of Chicago & Eastern Illinois Railroad.

* * *

Central National Bank's dividend of 30 cents a common share, boosts payments for 1944 to 60 cents a share compared with 45 cents last year and 20 cents in 1942, the last being the first disbursement by the bank since February, 1933, when 20 cents was paid.

Chairman John C. McHannan declared that "while earnings for the first six months were equal to $3.09 per share, against $2.14 in the same 1943 period, directors believe that a conservative dividend policy should be maintained at present because of economic conditions resulting from the war."

A program of training for trainmen, enginemen, yardmen and others of Pere Marquette Railway, instituted by the road's President, Robert J. Bowman, has interested many other railroads. The classes, instructing employes on safety and the standard rules of railroading, were first started by Pere Marquette as an experiment but due to their success have been adopted as a permanent institution.

The method of instruction, new to railroading, reproduces the road's functional operations on colored slides, made from photographs taken on the property. Some 300 slides projected on a screen recreate the everyday conditions on the road, depicting train and yard movements, train orders, signals, interlocking plants, etc. Over 40 representatives of railroads attended a recent class at Toledo.

* * *

James J. Mellon, Vice-President of Clark Controller Co. of Cleveland, has been elected President of the company, succeeding the founder, Primus P. C. Clark, who died early this month. At the same time, the company announced naming of W. H. Williams as Executive Vice-President and General Manager, a newly created post. Williams is a co-founder of the concern.

Mellon, before being made Vice-President, was Assistant Sales Manager for 15 years. He has spent his entire business career in the heavy duty electrical control field. He is 42.

* * *

Sidney B. Congdon, President of the National City Bank of Cleveland, has been appointed to the American Bankers Association Post-War Small Business Credit Commission which is being organized to foster plans for serving the post-war credit needs of business and agriculture.

* * *

New Presidents and Promotions

Carl F. LaMarche now heads Marion Steam Shovel Co. of Marion, O., a post that has been vacant since last December when D. J. Shelton died. He is also General Manager. . . . Frank M. Pollock, Treasurer, is now President and Treasurer of Buckeye Ribbon & Carbon Co. of Cleveland, manufacturers of carbon paper, rolls, inked ribbons and duplicating inks. He replaces Michael F. Donovan, now Board Chairman, and Leland B. Prior, Manager of New York office, was

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Official Text Articles Of Agreement Of The International Bank For Reconstruction And Development

(Continued from page 391)

(i) When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan.

(ii) The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower.

(iii) A competent committee, as provided for in Article V, Section 7, has submitted a written report recommending the project after a careful study of the merits of the proposal.

(iv) In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges and the schedule for repayment of principal are appropriate to the project.

(v) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole.

(vi) In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk.

(vii) Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

Section 5. **Use of loans guaranteed, participated in or made by the Bank**

(a) The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members.

(b) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.

(c) In the case of loans made by the Bank, it shall open an account in the name of the borrower and the amount of the loan shall be credited to this amount in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw on this account only to meet expenses in connection with the project as they are actually incurred.

ARTICLE IV
Operations

Section 1. **Methods of making or facilitating loans.**

(a) The Bank may make or facilitate loans which satisfy the general conditions of Article III in any of the following ways:

(i) By making or participating in direct loans out of its own funds corresponding to its unimpaired paid-up capital and surplus and, subject to Section 6 of this Article, to its reserves.

(ii) By making or participating in direct loans out of funds raised in the market of a member, or otherwise borrowed by the Bank.

(iii) By guaranteeing in whole or in part loans made by private investors through the usual investment channels.

(b) The Bank may borrow funds under (a)(ii) above or guarantee loans under (a)(iii) above only with the approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated, and only if those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

Section 2. **Availability and transferability of currencies.**

(a) Currencies paid into the Bank under Article II, Section 7(i), shall be loaned only with the approval in each case of the member whose currency is involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank.

(b) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made with currencies referred to in (a) above shall be exchanged for the currencies of other members or reloaned only with the approval in each case of the members whose currencies are involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank.

(c) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made by the Bank under Section 1(a)(ii) of this Article, shall be held and used, without restriction by the members, to make amortization payments, or to anticipate payment of or repurchase part or all of the Bank's own obligations.

(d) All other currencies available to the Bank, including those raised in the market or otherwise borrowed under Section 1(a)(ii) of this Article, those obtained by the sale of gold, those received as payments of interest and other charges for direct loans made under Sections 1(a)(i) and (ii), and those received as payments of commissions and other charges under Section 1(a)(iii), shall be used or exchanged for other currencies or gold required in the operations of the Bank without restriction by the members whose currencies are offered.

(e) Currencies raised in the markets of members by borrowers on loans guaranteed by the Bank under Section 1(a)(iii) of this Article, shall also be used or exchanged for other currencies without restriction by such members.

Section 3. **Provision of currencies for direct loans.**

The following provisions shall apply to direct loans under Sections 1(a)(i) and (ii) of this Article:

(a) The Bank shall furnish the borrower with such currencies of members, other than the member in whose territories the project is located, as are needed by the borrower for expenditures to be made in the territories of such other members to carry out the purposes of the loan.

(b) The Bank may, in exceptional circumstances when local currency required for the purposes of the loan cannot be raised by the borrower on reasonable terms, provide the borrower as part of the loan with an appropriate amount of that currency.

(c) The Bank, if the project gives rise indirectly to an increased need for foreign exchange by the member in whose territories the project is located, may in exceptional circumstances provide the borrower as part of the loan with an appropriate amount of gold or foreign exchange not in excess of the borrower's local expenditure in connection with the purposes of the loan.

(d) The Bank may, in exceptional circumstances, at the request of a member in whose territories a portion of the loan is spent, repurchase with gold or foreign exchange a part of that member's currency thus spent but in no case shall the part so repurchased exceed the amount by which the expenditure of the loan in those territories gives rise to an increased need for foreign exchange.

Section 4. **Payment provisions for direct loans.**

Loan contracts under Section 1(a) (i) or (ii) of this Article shall be made in accordance with the following payment provisions:

(a) The terms and conditions of interest and amortization payments, maturity and dates of payment of each loan shall be determined by the Bank. The Bank shall also determine the rate and any other terms and conditions of commission to be charged in connection with such loans.

In the case of loans made under Section 1(a) (ii) of this Article during the first ten years of the Bank's operations, this rate of commission shall be not less than one percent per annum and not greater than one and one-half percent per annum, and shall be charged on the outstanding portion of any such loan. At the end of this period of ten years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already made and to future loans, if the reserve accumulated by the Bank under Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable.

(b) All loan contracts shall stipulate the currency or currencies in which payments under the contract shall be made to the Bank. At the option of the borrower, however, such payments may be made in gold, or subject to the agreement of the Bank, in the currency of a member other than that prescribed in the contract.

(i) In the case of loans made under Section 1(a)(i) of this Article, the loan contracts shall provide that payments to the Bank of interest, other charges and amortization shall be made in the currency loaned, unless the member whose currency is loaned agrees that such payments shall be made in some other specified currency or currencies. These payments, subject to the provisions of Article II, Section 9(c), shall be equivalent to the value of such contractual payments at the time the loans were made, in terms of a currency specified for the purpose by the Bank by a three-fourths majority of the total voting power.

(ii) In the case of loans made under Section 1(a)(ii) of this Article, the total amount outstanding and payable to the Bank in any one currency shall at no time exceed the total amount of the outstanding borrowings made by the Bank under Section 1(a)(ii) and payable in the same currency.

(c) If a member suffers from an acute exchange stringency, so that the service of any loan contracted by that member or guaranteed by it or by one of its agencies cannot be provided in the stipulated manner, the member concerned may apply to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the particular member and of the operations of the Bank and of its members as a whole, it may take action under either, or both, of the following paragraphs with respect to the whole, or part, of the annual service:

(i) The Bank may, in its discretion, make arrangements with the member concerned to accept service payments on the loan in the member's currency for periods not to exceed three years upon appropriate terms regarding the use of such currency and the maintenance of its foreign exchange value; and for the repurchase of such currency on appropriate terms.

(ii) The Bank may modify the terms of amortization or extend the life of the loan, or both.

Section 5. **Guarantees.**

(a) In guaranteeing a loan placed through the usual investment channels, the Bank shall charge a guarantee commission payable periodically on the amount of the loan outstanding at a rate determined by the Bank. During the first ten years of the Bank's operations, this rate shall be not less than one percent per annum and not greater than one and one-half percent per annum. At the end of this period of ten years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already guaranteed and to future loans if the reserves accumulated by the Bank under Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable.

(b) Guarantee commissions shall be paid directly to the Bank by the borrower.

(c) Guarantees by the Bank shall provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and by the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.

(d) The Bank shall have power to determine any other terms and conditions of the guarantee.

Section 6. **Special reserve.**

The amount of commissions received by the Bank under Sections 4 and 5 of this Article shall be set aside as a special reserve, which shall be kept available for meeting liabilities of the Bank in accordance with Section 7 of this Article. The special reserve shall be held in such liquid form, permitted under this Agreement, as the Executive Directors may decide.

Section 7. **Methods of meeting liabilities of the Bank in case of defaults.**

In cases of default on loans made, participated in, or guaranteed by the Bank:

(a) The Bank shall make such arrangements as may be feasible to adjust the obligations under the loans, including arrangements under or analogous to those provided in Section 4(c) of this Article.

(b) The payments in discharge of the Bank's liabilities on borrowings or guarantees under Sections 1(a)(ii) and (iii) of this Article shall be charged:

(i) first, against the special reserve provided in Section 6 of this Article.

(ii) then, to the extent necessary and at the discretion of the Bank, against the other reserves, surplus and capital available to the Bank.

(c) Whenever necessary to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to similar payments on loans guaranteed by it, the Bank may call an appropriate amount of the unpaid subscriptions of members in accordance with Article II, Sections 5 and 7. Moreover, if it believes that a default may be of long duration, the Bank may call an additional amount of such unpaid subscriptions not to exceed in any one year one percent of the total subscriptions of the members for the following purposes:

(i) To redeem prior to maturity, or otherwise discharge its liability on, all or part of the outstanding principal of any loan guaranteed by it in respect of which the debtor is in default.

(ii) To repurchase, or otherwise discharge its liability on, all or part of its own outstanding borrowings.

Section 8. **Miscellaneous operations.**

In addition to the operations specified elsewhere in this Agreement, the Bank shall have the power:

(i) To buy and sell securities it has issued and to buy and sell securities which it has guaranteed or in which it has invested, provided that the Bank shall obtain the approval of the member in whose territories the securities are to be bought or sold.

(ii) To guarantee securities in which it has invested for the purpose of facilitating their sale.

(iii) To borrow the currency of any member with the approval of that member.

(iv) To buy and sell such other securities as the Directors by a three-fourths majority of the total voting power may deem proper for the investment of all or part of the special reserve under Section 6 of this Article.

In exercising the powers conferred by this Section, the Bank may deal with any person, partnership, association, corporation or other legal entity in the territories of any member.

Section 9. **Warning to be placed on securities.**

Every security guaranteed or issued by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government unless expressly stated on the security.

Section 10. **Political activity prohibited.**

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.

ARTICLE V

Organization and Management

Section 1. **Structure of the Bank.**

The Bank shall have a Board of Governors, Executive Directors a President and such other officers and staff to perform such duties as the Bank may determine.

Section 2. **Board of Governors.**

(a) All the powers of the Bank shall be vested in the Board of Governors consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as Chairman.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(i) Admit new members and determine the conditions of their admission;

(ii) Increase or decrease the capital stock;

(iii) Suspend a member;

(iv) Decide appeals from interpretations of this Agreement given by the Executive Directors;

(v) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary and administrative character);

(vi) Decide to suspend permanently the operations of the Bank and to distribute its assets;

(vii) Determine the distribution of the net income of the Bank.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one-quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the Governors, exercising not less than two-thirds of the total voting power.

(e) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Bank, may obtain a vote of the Governors on a specific question without calling a meeting of the Board.

(f) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Bank.

(g) Governors and alternates shall serve as such without compensation from the Bank, but the Bank shall pay them reasonable expenses incurred in attending meetings.

(h) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the President.

Section 3. **Voting.**

(a) Each member shall have two hundred fifty votes plus one additional vote for each share of stock held.

(b) Except as otherwise specifically provided, all matters before the Bank shall be decided by a majority of the votes cast.

Section 4. **Executive Directors.**

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be twelve Executive Directors, who need not be governors, and of whom:

(i) five shall be appointed, one by each of the five members having the largest number of shares;

(ii) seven shall be elected according to Schedule B by all the Governors other than those appointed by the five members referred to in (i) above.

For the purpose of this paragraph, "members" means governments of countries whose names are set forth in Schedule A, whether they are original members or become members in accordance with Article II, Section 1(b). When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the total number of directors by increasing the number of directors to be elected.

Executive directors shall be appointed or elected every two years.

(c) Each executive director shall appoint an alternate with full power to act for him when he is not present. When the executive directors appointing them are present, alternates may participate in meetings but shall not vote.

(d) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the governors who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(e) The Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.

(f) A quorum for any meeting of the Executive Directors shall be a majority of the Directors, exercising not less than one-half of the total voting power.

(g) Each appointed director shall be entitled to cast the number of votes allotted under Section 3 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted toward his election. All the votes which a director is entitled to cast shall be cast as a unit.

(h) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(i) The Executive Directors may appoint such committees as they deem advisable. Membership of such committees need not be limited to governors or directors or their alternates.

Section 5. **President and staff.**

(a) The Executive Directors shall select a President who shall not be a governor or an executive director or an alternate for either. The President shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The President shall cease to hold office when the Executive Directors so decide.

(b) The President shall be chief of the operating staff of the Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general control of the Executive Directors, he shall be responsible for the organization, appointment and dismissal of the officers and staff.

(c) The President, officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

(d) In appointing the officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to

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Ohio Brevities

(Continued from page 400)

named Vice-President in charge of Eastern sales. . . . Wallace C. Husted, Manager of Waterbury (Conn.) Manufacturing Division of Chase Brass & Copper Co., is taking charge of all Cleveland operations of Chase Brass as Vice-President. . . . Lester F. Mitchell has moved up to the post of Manager of Engineering of Addressograph-Multigraph Corp. He is succeeded as Chief Engineer by Franklin E. Curtis, a position Mitchell held since 1932. . . . Harry L. Smith, Jr., is Product Manager of Aluminum Sheet and Wiser Brown Product Manager for Sand and Permanent Mold Castings of Aluminum Co. of America. . . . American Steel & Wire Co. announced appointment of M. W. Field as Controller. It is a U. S. Steel subsidiary. Field, with U. S. Steel five years, had been associated with General Motors, Worthington Pump & Machinery Corp. and Johns-Manville Sales Corp. . . . New Sales Manager of Grand Home Appliance Co. of Cleveland, is W. L. Marshall. He established sales policies of Victor Talking Machine Co. and its successor, RCA-Victor. . . .

* * *

Paul L. Field, Supervisor of the National Insurance Co. of Vermont, is the new President of the Cleveland Chapter of Chartered Life Underwriters. Preston Hanawalt of Equitable Life Insurance Co. had held the position. E. Clare Weber, General Agent for Fidelity Mutual Life Insurance Co., was elected Vice-President.

Advocate Abolition Of Corp'n Income Taxes

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thority more formally and effectively than the informal arrangements now followed.

The Federal Reserve System should be left as it is, the Board continuing to discharge its responsibility for uniform monetary policy and continuity of administration through the twelve Reserve Banks in their respective regions.

This degree of coordination is the minimum which we feel can assure a positive and constructive national policy and program in the crucial fiscal, monetary, and tax fields.

Conclusion

Although we realize that fiscal and monetary policy alone cannot solve the problem of unemployment, we believe that it will be found necessary to adopt a fiscal policy that is prepared to face budget deficits at the proper times in order to help sustain an economy of high employment. We think it is wise deliberately to accept that principle now. The sooner we adopt such a policy, the sooner we shall gain the experience necessary to perfect it.

Attractive Situations

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

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

Unsafe To Assume Railroad Slump

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carried in 1919 were about 10% fewer than those of the war years and then, in 1920, new high records were made, surpassing those of the war period. Hardly anyone foresaw that development and railroad history may not repeat itself in the years that lie just ahead, but, even so, it is unsafe to assume that a serious slump is impending for the railroads.

"In the first year after the other war the ton-miles of freight traffic of the Chesopeake and Ohio declined by about 11% and the operating revenues decreased by about 3%. These were not very serious decreases, but the astonishing development came in 1920, which was the second year after the war. In that year the ton-miles made a new all-time high record and the operating revenues were almost 25 greater than in the best of the war years.

"Even more remarkable were records of the 'Nickel Plate' and the Pere Marquette. Neither one had any post-war slump at all. The operating revenues of the 'Nickel Plate' had doubled during the war years. Then, in the first post-war year of 1919, they increased by nearly 4% over those of 1918. The record of 1920 was even more striking, for in that year the operating revenues were 26% greater than they had been in 1918. There was a slight decrease in the ton-miles of revenue freight in 1919, but the volume of traffic in 1920 made a new all-time high record.

"Reconversion to peacetime production came rapidly in the automobile industry after the other war and business was booming in Michigan. The Pere Marquette carried more ton-miles of freight in the first post-war year than it had in 1918, and more in 1920 than it had in 1918. The financial results were still more astonishing. In 1919, the operating revenues were 22% greater than those of 1918, and those of 1920 were 40% greater.

"Part of the reason for the increases in the revenues of all three roads in that war and post-war period is to be found in a series of freight rate increases that came into effect in those years. On the other hand, the roads were being operated under Federal control and not at their highest efficiency. The reason why traffic volume held up so very well is that the expected post-war slump did not develop when the fighting ended. There was a depression in 1921, but even then the volume of traffic did not fall back to prewar levels and by 1923 new high records were being made.

"When the other war came to an end it was generally expected that a post-war slump would promptly develop. It was believed that industrial reconversion to peacetime production would take many months and that in the meantime there would be widespread unemployment. Many business leaders believed that so many new plants and such large numbers of machine tools had been brought into existence during the war that no more of either would be needed for 20 years. It was widely believed that wages had increased so much in the war years that not much industrial production could be resumed until wage levels were lowered to something like prewar levels.

"All these seemingly plausible predictions proved to be wrong Perhaps similar forecasts will be wrong this time. However that may be, it is probably a good idea to look up the records of the post-war years of a quarter of a century ago before getting too gloomy about the prospects for the railroads in the years following this war."

Articles of Agreement of The International Bank For Reconstruction And Development

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the importance of recruiting personnel on as wide a geographical basis as possible.

Section 6. **Advisory Council.**

(a) There shall be an Advisory Council of not less than seven persons selected by the Board of Governors including representatives of banking, commercial, industrial, labor, and agricultural interests, and with as wide a national representation as possible. In those fields where specialized international organizations exist, the members of the Council representative of those fields shall be selected in agreement with such organizations. The Council shall advise the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Bank may request.

(b) Councillors shall serve for two years and may be reappointed. They shall be paid their reasonable expenses incurred on behalf of the Bank.

Section 7. **Loan committees.**

The committees required to report on loans under Article III, Section 4, shall be appointed by the Bank. Each such committee shall include an expert selected by the governor representing the member in whose territories the project is located and one or more members of the technical staff of the Bank.

Section 8. **Relationship to other international organizations.**

(a) The Bank, within the terms of this Agreement, shall cooperate with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article VIII.

(b) In making decisions on applications for loans or guarantees relating to matters directly within the competence of any international organization of the types specified in the preceding paragraph and participated in primarily by members of the Bank, the Bank shall give consideration to the views and recommendations of such organization.

Section 9. **Location of offices.**

(a) The principal office of the Bank shall be located in the territory of the member holding the greatest number of shares.

(b) The Bank may establish agencies or branch offices in the territories of any member of the Bank.

Section 10. **Regional offices and councils.**

(a) The Bank may establish regional offices and determine the location of, and the areas to be covered by, each regional office.

(b) Each regional office shall be advised by a regional council representative of the entire area and selected in such manner as the Bank may decide.

Section 11. **Depositories.**

(a) Each member shall designate its central bank as a depository for all the Bank's holdings of its currency or, if it has no central bank, it shall designate such other institution as may be acceptable to the Bank.

(b) The Bank may hold other assets, including gold, in depositories designated by the five members having the largest number of shares and in such other designated depositories as the Bank may select. Initially, at least one-half of the gold holdings of the Bank shall be held in the depository designated by the member in whose territory the Bank has its principal office, and at least forty percent shall be held in the depositories designated by the remaining four members referred to above, each of such depositories to hold, initially, not less than the amount of gold paid on the shares of the member designating it. However, all transfers of gold by the Bank shall be made with due regard to the costs of transport and anticipated requirements of the Bank. In an emergency the Executive Directors may transfer all or any part of the Bank's gold holdings to any place where they can be adequately protected.

Section 12. **Form of holdings of currency.**

The Bank shall accept from any member, in place of any part of the member's currency, paid in to the Bank under Article II, Section 7(i), or to meet amortization payments on loans made with such currency, and not needed by the Bank in its operations, notes or similar obligations issued by the Government of the member or the depository designated by such member, which shall be non-negotiable, non-interest-bearing and payable at their par value on demand by credit to the account of the Bank in the designated depository.

Section 13. **Publication of reports and provision of information.**

(a) The Bank shall publish an annual report containing an audited statement of its accounts and shall circulate to members at intervals of three months or less a summary statement of its financial position and a profit and loss statement showing the results of its operations.

(b) The Bank may publish such other reports as it deems desirable to carry out its purposes.

(c) Copies of all reports, statements and publications made under this section shall be distributed to members.

Section 14. **Allocation of net income.**

(a) The Board of Governors shall determine annually what part of the Bank's net income, after making provision for reserves, shall be allocated to surplus and what part, if any, shall be distributed.

(b) If any part is distributed, up to two percent non-cumulative shall be paid, as a first charge against the distribution for any year, to each member on the basis of the average amount of the loans outstanding during the year made under Article IV, Section 1(a)(i), out of currency corresponding to its subscription. If two percent is paid as a first charge, any balance remaining to be distributed shall be paid to all members in proportion to their shares. Payments to each member shall be made in its own currency, or if that currency is not available in other currency acceptable to the member. If such payments are made in currencies other than the member's own currency, the transfer of the currency and its use by the receiving member after payment shall be without restriction by the members.

ARTICLE VI

Withdrawal and Suspension of Membership: Suspension of Operations

Section 1. **Right of members to withdraw.**

Any member may withdraw from the Bank at any time by transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective on the date such notice is received.

Section 2. **Suspension of membership.**

If a member fails to fulfill any of its obligations to the Bank, the Bank may suspend its membership by decision of a majority of the Governors, exercising a majority of the total voting power. The member so suspended shall automatically cease to be a member one year from the date of its suspension unless a decision is taken by the same majority to restore the member to good standing.

While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all obligations.

Section 3. **Cessation of membership in International Monetary Fund.**

Any member which ceases to be a member of the International Monetary Fund shall automatically cease after three months to be a member of the Bank unless the Bank by three-fourths of the total voting power has agreed to allow it to remain a member.

Section 4. **Settlement of accounts with governments ceasing to be members.**

(a) When a government ceases to be a member, it shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding; but it shall cease to incur liabilities with respect to loans and guarantees entered into thereafter by the Bank and to share either in the income or the expenses of the Bank.

(b) At the time a government ceases to be a member, the Bank shall arrange for the repurchase of its shares as a part of the settlement of accounts with such government in accordance with the provisions of (c) and (d) below. For this purpose the repurchase price of the shares shall be the value shown by the books of the Bank on the day the government ceases to be a member.

(c) The payment for shares repurchased by the Bank under this section shall be governed by the following conditions:

(i) Any amount due to the government for its shares shall be withheld so long as the government, its central bank or any of its agencies remains liable, as borrower or guarantor, to the Bank and such amount may, at the option of the Bank, be applied on any such liability as it matures. No amount shall be withheld on account of the liability of the government resulting from its subscription for shares under Article II, Section 5(ii). In any event, no amount due to a member fori ts shares shall be paid until six months after the date upon which the government ceases to be a member.

(ii) Payments for shares may be made from time to time, upon their surrender by the government, to the extent by which the amount due as the repurchase price in (b) above exceeds the aggregate of liabilities on loans and guarantees in (c)(i) above until the former member has received the full repurchase price.

(iii) Payments shall be made in the currency of the country receiving payment or at the option of the Bank in gold.

(iv) If losses are sustained by the Bank on any guarantees, participations in loans, or loans which were outstanding on the date when the government ceased to be a member, and the amount of such losses exceeds the amount of the reserve provided against losses on the date when the government ceased to be a member, such government shall be obligated to repay upon demand the amount by which the repurchase price of its shares would have been reduced, if the losses had been taken into account when the repurchase price was determined. In addition, the former member government shall remain liable on any call for unpaid subscriptions under Article II, Section 5(ii), to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

(d) If the Bank suspends permanently its operations under Section 5(b) of this Article, within six months of the date upon which any government ceases to be a member, all rights of such government shall be determined by the provisions of Section 5 of this Article.

Section 5. **Suspension of operations and settlement of obligations.**

(a) In an emergency the Executive Directors may suspend temporarily operations in respect of new loans and guarantees pending an opportunity for further consideration and action by the Board of Governors.

(b) The Bank may suspend permanently its operations in respect of new loans and guarantees by vote of a majority of the Governors, exercising a majority of the total voting power. After such suspension of operations the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation, and preservation of its assets and settlement of its obligations.

(c) The liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their own currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.

(d) All creditors holding direct claims shall be paid out of the assets of the Bank, and then out of payments to the Bank on calls on unpaid subscriptions. Before making any payments to creditors holding direct claims, the Executive Directors shall make such arrangements as are necessary, in their judgment, to insure a distribution to holders of contingent claims rtably with creditors holding direct claims.

(e) No distribution shall be made to members on account of their subscriptions to the capital stock of the Bank until

(i) all liabilities to creditors have been discharged or provided for, and

(ii) a majority of the Govetrnors, exercising a majority of the total voting power, have decided to make a distribution.

(f) After a decision to make a distribution has been taken under (e) above, the Executive Directors may by a two-thirds majority vote make successive distributions of the assets of the Bank to members until all of the assets have been distributed. This distribution shall be subject to the prior settlement of all outstanding claims of he Bank against each member.

(g) Before any distribution of assets is made, the Executive Directors shall fix the proportionate share of each member according to the ratio of its shareholding to the total outstanding shares of the Bank.

(h) The Executive Directors shall value the assets to be distributed as at the date of distribution and then proceed to distribute in the following manner: p

(i) There shall be paid to each member in its own obligations or those of its official agencies or legal entities within its territories, insofar as they are available for distribution, an amount equivalent in value to its proportionate share of the total amount to be distributed.

(ii) Any balance due to a member after payment has been made under (i) above shall be paid, in its own currency, insofar as it is held by the Bank, up to an amount equivalent in value to such balance.

(iii) Any balance due to a member after payment has been made under (i) and (ii) above shall be paid in gold or currency acceptable to the member, insofar as they are held by the Bank, up to an amount equivalent in value to such balance.

(iv) Any remaining assets held by the Bank after payments have been made to members under (i), (ii), and (iii) above shall be distributed *pro rata* among the members.

(i) Any member receiving assets distributed by the Bank in accordance with (h) above, shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

ARTICLE VII

Staus, Immunities and Privileges

Section 1. **Purposes of Article.**

To enable the Bank to fulfill the functions with which it is entrusted, the status, immunities and privileges set forth in this Article shall be accorded to the Bank in the territories of each member.

Section 2. **Status of the Bank.**

The Bank shall possess full juridicial personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

Section 3. **Position of the Bank with regard to judicial process.**

Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

Section 4. **Immunity of assets from seizure.**

Property and assets of the Bank, wherever located and by whosoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

Section 5. **Immunity of archives.**

The archives of the Bank shall be inviolable.

Section 6. **Freedom of assets from restrictions.**

To the extent necessary to carry out the operations provided for in this Agreement and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

Section 7. **Privilege for communications.**

The official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members.

Section 8. **Immunities and privileges of officers and employees.**

All governors, executive directors, alternates, officers and employees of the Bank

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Bank waives this immunity;

(ii) not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members;

(iii) shall be granted the same treatment in respect of traveling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Section 9. **Immunities from taxation.**

(a) The Bank, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to executive directors, alternates, officials or employees of the Bank who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is issued by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

(d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

Section 10. **Application of Article.**

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Bank of the detailed action which it has taken.

ARTICLE VIII

Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board the Bank shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Bank shall certify the fact by a formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

(i) the right to withdraw from the Bank provided in Article VI, Section 1;

(ii) the right secured by Article II, Section 3(c);

(iii) the limitation on liability provided in Article II, Section 6.

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

ARTICLE IX

Interpretation

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director, it shall be entitled to representation in accordance with Article V, Section 4(h).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board, the Bank may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member during the permanent suspension of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Bank, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed by regulation adopted by the Bank. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

ARTICLE X

Approval Deemed Given

Whenever the approval of any member is required before any act may be done by the Bank, except in Article VIII, approval shall be deemed to have been given unless the member presents an objection within such reasonable periods as the Bank may fix in notifying the member of the proposed act.

ARTICLE XI

Final Provisions

Section 1. **Entry into force.**

This Agreement shall enter into force when it has been signed on behalf of governments whose minimum subscriptions comprise not less than sixty-five percent of the total subscriptions set forth in Schedule A and when the instruments referred to in Section 2(a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

Section 2. **Signature.**

(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Bank as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and all governments whose membership is approved in accordance with Article II, Section 1(b), of all signatures of this

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"What's All The Shooting About"

(Continued from page 381)

this form of inquisition a benefit?

Heretofore, trial for unfair practices was before the Commission with a direct appeal to the United States Circuit Court of Appeals. The Trial Commissioners are full time employees of the Government.

Now the NASD members on trial are first charged with wrongdoing by their competitors, members of the District Business Conduct Committee in the very districts in which they operate. Here, spleen and revenge may be found, and, in some instances, have found their way into the proceedings. Many of the members of the District Business Conduct Committees have neither the training nor the background qualifying them to act as judges, and during trials that's exactly what they are acting as.

Review from the determination of the District Business Conduct Committee lies with the Board of Governors, and that Board may increase penalties imposed by the committee below, a power which even our criminal courts do not possess. In one instance which came to our attention the Board actually quadrupled a period of suspension fixed by a Business Conduct Committee.

So far we have gone through two utterly useless hearings, unfair in their procedure, expensive and absolutely unnecessary in view of the SEC set-up.

But we go on.

The decision of the Board of Governors superseding that of the Business Conduct Committee may be reviewed by the SEC and finally the member in the toils may take his appeal to the United States Circuit Court of Appeals.

To summarize the procedure: Before NASD complaints were heard by the SEC an appeal led to the Circuit Court.

With the origin of NASD we have this circuitous and costly procedure: (1) Hearing before the District Business Conduct Committee; (2) review by the Board of Governors of the NASD; (3) review by the SEC; (4) appeal to the Circuit Court.

Isn't it clear that securities dealers and the public—remembering that quick justice is always the public concern—would be infinitely better off if the SEC had been adequately staffed and the NASD had completely aborted?

For one thing, the SEC never inflicted such a monstrosity upon the securities field as the "5% spread limitation."

What's all the shooting about? With the recent publicizing of NASD activities, we believe the public and the Congress will do much more shooting and with accurate aim.

Monetary Parley Successful: Hull

(Continued from first page)

on the Moscow Conference has never diminished.

"I was therefore not surprised by the splendid cooperation of the U. S. S. R. and all the other countries in the work of the conference and by their willingness to contribute to its success.

"The results of the Bretton Woods conference are another demonstration of the fact that the nations which love peace are working together, every day and every hour, without fanfare or drums, to provide opportunities and create facilities for the attainment by all of an increasing measure of security and prosperity."

Bretton Woods Monetary Conference

(Continued from page 379)

actually transferred to the headquarters of the Fund. The currency contributed, however, will not be in the actual possession of the Fund. The currency contributions will simply be made by setting up credits to the Fund on the books of the central banks or other designated agencies. The United States would contribute about $700 million of gold and would also presumably set up on the books of the Federal Reserve Bank of New York a credit of about $2 billion to the Fund. The funds for setting up this credit would be supplied by the U. S. Treasury. The Treasury could use for this purpose the remainder of the gold in the U. S. Stabilization Fund or issue additional silver certificates, or it could borrow a part or all of the $2 billion in the market.

The currencies contributed to the Fund will be of varying degrees of quality. Most of them will not be freely convertible into dollars or gold and many of them will probably remain inconvertible for many years. While the Fund will aggregate $8.8 billion only a little over $4 billion of that will actually be lendable. Most of the countries will be borrowers and the amount that can be borrowed will be limited to the currency contributions of a few creditor countries plus the gold held by the Fund. The United States contribution will probably be over 60% of the funds that can actually be loaned.

Management

All powers of the Fund are invested in a Board of Governors, one governor from each member country. The Board may delegate its powers, with certain exceptions, to 12 Executive Directors who shall be responsible for the general operations of the Fund. Five directors shall be appointed by the five members having the largest quotas and seven by other members. The voting power of the member countries is related to their quotas; each member having 250 votes, plus one additional vote for each $100,000 of its quota. The total number of votes would be 99,000, of which the United States would have about 28%, the United Kingdom about 13½% and Russia about 12½%. There is also provision that in important matters relating to loans a country's voting power increases on a sliding scale as its currency becomes scarce and decreases as its currency becomes abundant. It is estimated that under this sliding scale arrangement the maximum vote of the United States might reach nearly 35% of the total. All decisions will be made by a majority of the votes cast except a change in quotas which requires a four-fifths vote, a change in interest rates charged on loans which requires a three-fourths vote, and a uniform change in parity rates which is covered in the next topic.

Parity Rates and Exchange Restrictions

The par value of the currency of each member shall be expressed in terms of gold or in terms of the U. S. dollar, and shall be based on the rates of exchange prevailing on the 60th day before this agreement goes into effect, with certain exceptions. The agreement goes into effect when signed by nations having 65% of the quotas, but not before May 1, 1945.

Recognizing the possibility of error in fixing rates, and also the difficulties to which various currencies may be subjected from time to time, rather liberal provisions are made for changing rates to correct fundamental disequilibria. After consultation with the Fund, a member country may vary its currency as much as 10% from the rate originally agreed upon, but the consent of the Fund is not necessary. Additional changes must be approved by the Fund.

Uniform proportionate changes may be made in the par values of all member currencies by majority vote, provided every member country having 10% or more of the aggregate quotas approves, but the rate of a member's currency will not be changed without its consent.

Exchange regulations and restrictions may be maintained in the transitional period, but the member nations shall withdraw such restrictions as soon as conditions permit. The Fund may make representations to member nations regarding restrictions, and any member still maintaining restrictions after five years must consult with the Fund as to their further retention.

Borrowing Facilities

The real purpose of the Fund is to make loans to member nations. No doubt most of the nations will be borrowers because at best there will be few creditor countries, notably the United States. I use the term "borrower" because the foreign currency purchased by a country with its own currency is in effect a loan.

A member country may buy from the Fund other currencies up to 25% of its quota in any one year, and up to a maximum of 100% of its quota plus the amount of its gold contribution. England, for example, could borrow from the Fund the amount which she had contributed in gold plus $1,300 million, or 100% of its quota; Russia could borrow net $1,200 million; China $550 million, etc. These limitations on borrowing, however, may be waived by the Fund at its discretion.

There are certain safeguards designed to prevent excessive use of the Fund's resources, but it is doubtful whether they will be effective. One safeguard is that the Fund may prevent its members from using its reserves "in a manner contrary to the purpose of the Fund." The stated purposes are so general, however, and the possible area of disagreement so wide, that it boils down to a matter of discretion of the management, which is made up largely of representatives from borrowing countries.

Perhaps the most important safeguard is the one calling for progressive charges or interest rates on the amounts borrowed. These rates progress according to both time and amount borrowed. The rates start so low and progress so slowly, however, that it seems quite doubtful whether they will be a deterrent. On the first amount borrowed, equal to the borrower's gold contribution, there is a small service charge (¾ of 1%) but no interest charge. All borrowings above that amount, which we shall call "net borrowings," pay both the initial service charge and an annual progressive interest charge. In the fifth year after net borrowings begin, however, the average rate paid by the borrower will be only 2½%, assuming that the borrowing country has exercised its full borrowing rights and exhausted its quota in four years. In the eighth year the average rate would be only 4%, and in the 10th year, 5%.

Prerequisites for Stabilization

The Monetary Fund, or stabilization plan, has met very wide opposition in banking and foreign trade circles as well as among academic students of international affairs and other groups. For one thing, it seems unnecessarily complex and difficult to understand. There is a simpler and more practical approach to the problem which is widely advocated by men of experience in international financial and trade matters, but it does not seem to get an adequate hearing from the experts who are partial to the Keynesian theories of lending and spending. In spite of all past experience, the belief still seems to exist in some quarters that the world's economic problems can be solved by elaborate new mechanisms and generous credits. There is no magic in elaborate machinery, however, and there are a great many problems that credits cannot cure.

Perhaps if we survey briefly some of the conditions essential to stabilization we can get a clearer understanding of the problems involved and be in a better position to appraise the plan agreed upon by the monetary conference. The first prerequisite is international peace and political stability. International political conditions constituted one of the principal reasons for the failure to achieve permanent exchange stability in the inter-war period. Political fears and uncertainties not only hamper the free flow of funds in the usual channels, but stimulate flights of capital and throw international payments seriously out of balance. Unless we can restore genuine peace and political security throughout the world, no stabilization efforts will succeed. The fact that we do not yet know what political conditions will prevail in the post-war period makes it difficult to accept at this time any over-all stabilization plan or to make global credit commitments in advance.

The second prerequisite, equally important, is the reestablishment of political and economic order within the various countries. Given international peace, currency stabilization is largely a matter of sound internal policies in each country. If internal fiscal and monetary policies are not in order, foreign credits cannot keep a currency permanently at par with other currencies. Inflation within and stability without are incompatible and cannot be achieved except through rigid exchange controls. We cannot get away from the fact that exchange stability is largely a problem for each individual country. If a country has the will to stabilize it can generally find the ways and means, including any foreign aid that may be necessary. If it does not have the will and is not willing to pay the price, no international agreement or organization can do the job for it.

The third prerequisite is the free flow of goods from country to country, i.e., multilateral trading. The removal of various impediments and restrictions on trade would go far towards bringing about greater equilibrium in international accounts. After establishing international peace, the next logical step toward equilibrium in international accounts would be agreement on commercial policies, designed to facilitate international trade. Perhaps we should have agreed upon commercial policies before working out an elaborate new monetary mechanism that may not fit into the post-war picture.

Monetary Fund Not Primarily a Stabilization Measure

The Monetary Fund agreed upon at Bretton Woods does not appear to be essentially a stabilization measure. It seems to place great emphasis on granting credits and very little on the necessity for each country to put its own house in order through sound fiscal and monetary policies. Press reports of the conference indicate that the delegates were more concerned with the question of how much each country could borrow than with the essentials of stabilization. Earlier drafts of stabilization plans set forth in some detail the requiremnets and standards of borrowing countries. As discussions have proceeded, however, it has become obvious that the participating countries do not care to make commitments which will interfere with their internal policies. Consequently, there is not very much left except the obligation to grant credits.

The plan is very liberal in permitting changes in exchange rates. In fact, it seems to be wide open. It says the Fund shall not reject a requested change necessary to restore equilibrium if the disequilibrium has been caused by domestic social or political policies. Obviously, if the disequilibrium is caused by the actions of other countries a requested change in rate could not be refused. It is difficult, therefore, to think of a condition of disequilibrium under which a change could be denied.

Lord Keynes, in a speech before the House of Lords said of the experts' plan, which was adopted with only minor changes by the Bretton Woods Conference:

"For instead of maintaining the principle that the internal value of a national currency should conform to a prescribed de jure external value, it provides that its external value should be altered if necessary so as to conform to whatever de facto internal value results from domestic policies, which themselves shall be immune from criticism by the Fund. Indeed, it is made the duty of the Fund to to approve changes which will have this effect. That is why I say that these proposals are the exact opposite of the gold standard."

If that interpretation is the correct one, and it does not seem to be inconsistent with the text of the plan, it would seem that changes in exchange rates would be the normal procedure for adjustment. It is the direct opposite of exchange stability as we understand its meaning. In other words, it seems almost a complete negation of the international approach to stability.

There is a divergence of opinion on this point between the United States experts and the British experts. The U. S. experts seem to favor a fixed relation between currencies and gold, and would resort to changes in exchange rates only on rare occasions of severe disequilibrium.

This fundamental cleavage in viewpoints is partially obscured by the issues of the transition period. It is clear that in the chaotic conditions that will prevail immediately after the war, it will be impossible to fix definitive rates and that provision must be made for substantial adjustments as economic order is restored or as new and unforeseen difficulties may arise. This, however, only serves to emphasize the question as to whether this is a suitable measure for dealing with the exchange problems of the transition period. The experts admit that exchange controls must be maintained for a substantial period and that the Fund is not designed to meet the various needs for relief, reconstruction, etc., that will arise.

Trade Expansion Through Credits

Apparently the British conception is that the primary function of the Fund is to expand foreign trade through credits. They do not ignore entirely the question of stabilization of exchanges, but feel that stabilization can be accomplished through ample credits of an impersonal nature which will stimulate trade expansion and create prosperity and full employment in the member countries. They would regulate trade by credit policy instead of allowing trade to determine the amount of credit required. It is an extension of the policy of deficit spending to the whole world, with America supplying the bulk of the credits. It would supply an artificial stimulus to trade and would be essentially inflationary in nature.

This view of the Fund's functions explains why the British have favored such large credit facilities. Under the original Keynes plan the quotas aggregated about $30 billion. The British want to be sure that the stimulus is adequate and can be maintained. They doubtless feel that the $8.8 billion fund is much too small, but better than nothing. Many Americans, on the other hand, believe that one or two billion dollars would be ample for a genuine stabilization fund not saddled with pump-priming.

Nature of Credits

The Monetary Fund, if adopted as agreed to by the Bretton Woods conference, would no doubt operate according to the British viewpoint, i.e., as a mechanism for granting credits in order to stimu-

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Articles of Agreement of The International Bank For Reconstruction And Development

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Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of one percent of the price of each share in gold or United States dollars for the purpose of meeting administrative expenses of the Bank. This payment shall be credited on account of the payment to be made in accordance with Article II, Section 8(a). The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Bank when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

(e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 1(b).

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until one hundred and eighty days after the date on which these territories have been liberated. If, however, it is not deposited by any such government before the expiration of this period, the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

Section 3. **Inauguration of the Bank.**

(a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member to whom the largest number of shares is allocated in Schedule A shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five countries, to which the largest number of shares are allocated in Schedule A, shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships which they would be entitled to fill shall remain vacant until they become members, or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule B and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors.

(d) The Bank shall notify members when it is ready to commence operations.

DONE at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 1(b).

SCHEDULE A

Subscriptions

	(Millions of dollars)		(Millions of dollars)
Australia	200	Iraq	6
Belgium	225	Liberia	.5
Bolivia	7	Luxembourg	10
Brazil	105	Mexico	65
Canada	325	Netherlands	275
Chile	35	New Zealand	50
China	600	Nicaragua	.8
Colombia	35	Norway	50
Costa Rica	2	Panama	.2
Cuba	35	Paraguay	.8
Czechoslovakia	125	Peru	17.5
*Denmark	---	Philippine Commonwealth	15
Dominican Republic	2	Poland	125
Ecuador	3.2	Union of South Africa	100
Egypt	40	Union of Soviet Socialist Republics	1200
El Salvador	1	United Kingdom	1300
Ethiopia	3	United States	3175
France	450	Uruguay	10.5
Greece	25	Venezuela	10.5
Guatemala	2	Yugoslavia	40
Haiti	2		
Honduras	1		
Iceland	1		
India	400	Total	9100
Iran	24		

*The quota of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with these Articles of Agreement.

SCHEDULE B

Election of Executive Directors

1. The election of the elective executive directors shall be by ballot of the Governors eligible to vote under Article V, Section 4(b).

2. In balloting for the elective executive directors, each governor eligible to vote shall cast for one person all of the votes to which the member appointing him is entitled under Section 3 of Article V. The seven persons receiving the greatest number of votes shall be executive directors, except that no person who receives less than fourteen percent of the total of the votes which can be cast (eligible votes) shall be considered elected.

3. When seven persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above fifteen percent of the eligible votes.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above fifteen percent of the eligible votes, the fifteen percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until fifteen percent is reached.

5. Any governor, part of whose votes must be counted in order to raise the total of any person above fourteen percent, shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed fifteen percent.

6. If, after the second ballot, seven persons have not been elected, further ballots shall be held on the same principles until seven persons have been elected, provided that after six persons are elected, the seventh may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

Savings-Loan Assoc'ns Resources Key To Veterans' Home Program

John F. Scott Says Savings And Loan Associations And Cooperative Banks Had Unprecedented Sum Of Close To $500,000,000 In New Money Available For Home Loans During First Quarter Of 1944

The money available for home mortgage financing in local, private enterprise institutions continues to pile up at a pace which gives reality to the provisions of the G. I. Bill of Rights for home loans to returning veterans, according to John F. Scott, of St. Paul, Minn., President of the United States Savings and Loan League, who recently returned to the Middle West after a month's tour through most of the country west of the Mississippi. Although regulations for the implementing of the new veterans' legislation are yet in the making, Mr. Scott said that the financial position of savings and loan institutions indicated they would be in the forefront of those making veterans' home loans under the terms provided in the measure. It is pointed out that the veterans' bill does not provide for any direct lending by Government but rather for the Veterans' Administration to guarantee portions of loans made by existing sources of home owner funds. Hence the availability of funds in savings and loan institutions is considered an important key to the situation. In his comments, July 15, Mr. Scott said:

John F. Scott

"Savings and loan associations and cooperative banks throughout the country had close to $500,000,000 of new money available for home loans during the first quarter of 1944. This is an unprecedented amount for the first quarter of any year in the memory of most of the men in the business. Their net receipts of new savings over withdrawals were $162,000,000, which is 10.6% greater than the net in the same quarter of the year before. Also these institutions received an estimated $275,000,000 in repayments on loans the first quarter—the natural consequence of scheduled monthly repayments on loans plus an unprecedented amount of payments on loans in advance of contract."

The home loan repayments were 32% greater in volume than for the same quarter of 1943, he pointed out. The available $437,000,000 in the first quarter was put to work for two purposes: (1) the making of $295,272,000 in mortgage loans for home purchase, reconditioning and other purposes, including $28,194,000 for construction of war housing, and (2) the purchase of Government bonds for the association portfolios, in the Fourth and Fifth War Loan Drives.

Real Estate Economy In U. S. Regarded Stronger Now Than That Of First World War By Whelden

Confidence that the real estate economy in this country is now much stronger than that of World War I was expressed today by George T. Whelden, President of the Society of Residential Appraisers, in a report July 12 to members throughout the United States and Canada, after investigating the fears of some who have warned of widespread breakdown after the war is won. Mr. Whelden said:

"We have eliminated three major traps that broke loose during the depression of the 'thirties and knocked real estate values to a record low: (1) failure to provide for repayment of the loan principal, insurance premiums and taxes; (2) shrinkage in speculative land values that usually represented 25% of the total investment in a home prior to 1930; and (3) high interest rates."

Mr. Whelden explained further, "The slump in real estate was not due to a sudden decline in the total need for housing units, but was largely attributable to decreasing paychecks that could not meet the lump-sum payments of the old-style mortgage. If these charges had been distributed in small monthly payments the panic due to defaults on obligations and consequent foreclosures might well have been averted."

He also noted that recently building has been concentrated in the small five-room bungalow size for which there will be a great demand by new families and returning service men who plan to establish homes whereas most of the homes built before the depression were large, more expensive ones. Also, land costs now average only 10% of total home prices, leaving little room for any decline.

"Gaining public acceptance for factory-built houses will be a time-consuming process even for the large organizations involved," predicts Mr. Whelden, "and therefore we need not fear disastrous readjustment because of competition from such units. Instead some low-priced competition might be a blessing since it would stimulate the local builders to greater efficiency and speed." The foregoing from the President's report are included in an article in the Society's monthly "Review."

Hawaiian Electric Bonds Marketed

The first public offering on the mainland in many years of securities of an Hawaiian company is being made today through an offering by Dillon, Read & Co. and Dean Witter & Co. of $5,000,000 first mortgage bonds, series D, 3½%, of The Hawaiian Electric Co., Ltd. The bonds, due Feb. 1, 1964, are being offered to the public at 105% and accrued interest. Upon completion of the present financing the company's funded debt will consist of $10,000,000 first mortgage bonds, including in addition to the series D bonds being offered today, $2,000.000 4% series A bonds, due 1958, and $3,000,000 4% series B bonds, due 1970.

The Hawaiian Electric Co., Ltd., which was organized in 1891 under the laws of the Kingdom of Hawaii, furnishes electric service in practically all sections of the Island of Oahu, including the City of Honolulu, Army and Navy establishments, sugar and pineapple plantations, and numerous towns and villages. The company's franchise was granted in 1903 by the Legislature of the Territory of Hawaii with the approval of Congress given in 1904.

Dillon, Read & Co. is also head of a syndicate making public offering today of 77,798 shares of 4¾% preferred stock of the New Orleans Public Service, Inc.; offering price is $106.50 per share.

Bretton Woods Monetary Conference

(Continued from page 404)

late trade. The contribution to stabilization would be secondary. The questions which we in the United States must answer are whether this is a suitable way for granting foreign credits, and also whether such a broad and indiscriminate extension of credits will in reality make a lasting contribution to world order and world prosperity. Those of us who recognize the serious limitations to deficit spending in our domestic economy and who are fearful of the long-run results of such a policy, will hesitate to endorse a scheme for world-wide pump-priming.

The peculiar nature of these credits and the roundabout way in which they are granted should be carefully noted. They are referred to by Lord Keynes as "impersonal credits," that is, the borrower does not feel obligated to any particular country, and the creditor is not in a position to demand repayment. If countries X, Y and Z borrow dollars from the Fund, they are under no direct obligation to the United States. When dollars and the currencies of a few other lending countries are exhausted and gold contributions are expended, the remaining assets will consist of a miscellany of weak currencies. They would be the only security left for our loans. We could, of course, use those currencies for buying goods from those particular countries or making loans to them, but that would be a forced direction of our trade and investments which might not be to our liking.

Setting up such a fund as this may encourage hopes that can hardly be fulfilled unless we are willing to continue the indefinite extension of credits by means of loans to the Fund. It may encourage member countries to believe that the existence of the Fund will solve their exchange problems regardless of internal policy.

The system of credits based on the quotas of member countries seems unrealistic and impractical as a basis for operations. The quota of a member country may have little relation to its actual credit needs or to its credit-worthiness. By establishing such a formula each country is encouraged to believe that it has a right to credits up to a stipulated amount, and no doubt most of them will make every effort to get their share regardless of internal conditions and the general state of their international accounts. It is difficult to see how the dissipation of substantial amounts of credits could be avoided.

After the last war there was a great demand for new facilities to finance foreign trade. A number of new organizations were established for that purpose, both in this country and in England. In the course of a few years, however, nearly all of these institutions had dissipated their capital funds and had run into difficulties. This country was rather generous with loans and credits after the last war without achieving any lasting stabilization benefits. On the contrary, these loans increased long-run exchange difficulties, as a rule, because they piled up additional debts and lulled the borrowing countries into doing nothing about needed readjustments in their affairs. We learned that generous credits do not solve stabilization problems.

There is too much of a tendency to consider a debit balance of payments a sufficient reason for granting credits to a country. However, that would be something like making loans to a corporation because it operates in the red. Either condition may indicate the need for reorganization and new policies.

Scarce Currencies

If a currency becomes scarce the Fund may borrow additional currency from the country concerned, if agreeable to the latter, or purchase such currency with gold. If these measures are not sufficient the scarce currency may be rationed. Furthermore, other member countries are authorized to restrict the freedom of exchange operations in the scarce currency in any way they see fit. It is rather obvious that in the transition period dollars will be in great demand, and it is apparently anticipated that dollars will become scarce. When dollars become scarce, therefore, we are faced with one of two alternatives. We can either supply more dollars or permit other countries, under the sanction of the Fund, to impose any restrictions they wish on dollar transactions and dollar trade. If we do not supply more dollars, the Fund would probably become frozen and cease to operate effectively. The onus for its failure would be placed squarely upon us. We could withdraw from the Fund, of course, but that would serve to emphasize its failure.

You can see from its provision that the plan has been so drawn as to place the burden of adjustment on the creditor or lender, meaning the United States. The borrower would not be obligated to live within his means or to make the necessary adjustments to balance his payments; the pressure would be on the creditor either to buy more goods or lend more funds abroad. Lord Keynes, in explaining this feature of the plan, says that we undertake to supply dollars in adequate amount or, failing that, to release other countries from any obligation to take our exports, or, if taken, to pay for them. He says further: "I cannot imagine that this sanction would ever be allowed to come into effect. If by no other means than by lending, the creditor country will always have to find a way to square the account on imperative grounds of its own self-interest." It is difficult to believe that the Congress of the United States will voluntarily place this country in the position that it might become subject to such pressure.

America's Willingness to Cooperate

To me the plan agreed upon by the Bretton Woods conference seems grandiose and over ambitious. There is no assurance whatever that it would accomplish any lasting good. In view of the difficult problems of the transition period, it seems to me that stabilization will have to be undertaken step by step. It would be better to move slowly and surely than to undertake too much. The fact is that many countries of the world have substantial reserves in the form of gold, dollars and pounds sterling and are not dependent on our aid. South American countries alone, it is estimated, will have nearly $4,000,000,000 of gold and dollar balances by the end of this year. England faces the greatest problem, because she has built up very large foreign obligations in order to finance the war. She may need our help, but let us face that problem directly without going through a complex organization that will hand out our dollars as "impersonal credits."

The Bretton Woods conference showed an eagerness on the part of the United and Associated Nations to cooperate in international economic affairs. The discussion of mutual interests and the cooperation in a common project no doubt created much goodwill and a better understanding of each other's problems. In order to facilitate the continuous study and discussion of exchange problems there should be some kind of international organization to serve as a permanent meeting place, but it should not be provided with a large fund for the purpose of pump-priming on a world scale. Major credits should be made directly between the creditor country and the debtor country, and each credit should be considered on its own merits.

Americans are willing and anxious to cooperate in international affairs in any practical way, but they may hesitate to finance the elaborate schemes of world planners. Our people may want to be assured that the benefits will be worth the cost, that our generosity does not overreach itself. We have piled up a colossal public debt in this country that will burden us for many generations. Every sound instinct and every lesson of history cries out against a continuous piling up of that debt after the war. Is this but the beginning of a long series of new spending and lending programs, not only domestic but also foreign, that will keep the budget unbalanced indefinitely? When do we begin to retrench to protect our own currency? Our first duty to ourselves and to the world is to protect the dollar and keep it strong by putting our own fiscal affairs in order.

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.

Stevens In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—George M. Stevens Jr. is engaging in a securities business from offices in the Skinner Building.

Morgenthau Reviews The Work Of The Monetary Conference

(Continued from first page)

which they produced through their labor. And we have taken the initial step through which the nations of the world will be able to help one another in economic development to their mutual advantage and for the enrichment of all.

Agreement "A Genuine Understanding"

The representatives of the 44 nations faced differences of opinion frankly, and reached an agreement which is rooted in genuine understanding. None of the nations represented here has had altogether its own way. We have had to yield to one another not in respect to principles or essentials but in respect to methods and procedural details. The fact that we have done so, and that we have done it in a spirit of goodwill and mutual trust is, I believe, one of the hopeful and heartening portents of our time. Here is a sign blazoned upon the horion, written large upon the threshold of the future—a sign for men in battle, for men at work in mines, and mills, and in the fields, and a sign for women whose hearts have been burdened and anxious lest the cancer of war assail yet another generation—a sign that the peoples of the earth are learning how to join hands and work in unity.

National Interests Not Sacrificed

There is a curious notion that the protection of national interest and the development of international cooperation are conflicting philosophies—that somehow or other men of different nations cannot work together without sacrificing the interests of their particular nation. There has been talk of this sort—and from people who ought to now better—concerning the international cooperative nature of the undertaking just completed at Bretton Woods. I am perfectly certain that no delegation to this Conference has lost sight for a moment of the particular national interest it was sent here to represent. The American delegation, which I have the honor of leading, has been, at all times, conscious of its primary obligation — the protection of American interests. And the other representatives here have been no less loyal or devoted to the welfare of their own people.

Yet none of us has found any incompatibility between devotion to our own country and joint action. Indeed, we have found, on the contrary, that the only genuine safeguard for our national interests lies in international cooperation. We have come to recognize that the wisest and most effective way to protect our national interests is through international cooperation—that is to say, through united effort for the attainment of common goals. This has been the great lesson taught by the war, and is, I think, the great lesson of contemporary life—that the peoples of the earth are inseparably linked to one another by a deep, underlying community of purpose. This community of purpose is no less real and vital in peace than in war, and cooperation is no less essential to its fulfillment.

Extreme Nationalism Is Dead

To seek the achievement of our aims separately through the planless, senseless rivalry that divided us in the past, or through the outright economic aggression which turned neighbors into enemies would be to invite ruin again upon us all. Worse, it would be once more to start our steps irretraceably down the steep, disastrous road to war. That sort of extreme nationalism belongs to an era that is dead. Today the only enlightened form of national self-interest lies in international accord. At Bretton Woods we have taken practical steps toward putting this lesson into practice in monetary and economic fields.

I take it as an axiom that after this war is ended no people—and therefore no government of the people—will again tolerate prolonged or widespread unemployment. A revival of international trade is indispensable if full employment is to be achieved in a peaceful world and with standards of living which will permit the realization of man's reasonable hopes.

Stable International Exchange Standard Needed

What are the fundamental conditions under which the commerce among the nations can once more flourish?

First, there must be a reasonably stable standard of international exchange to which all countries can adhere without sacrificing the freedom of action necessary to meet their internal economic problems.

This is the alternative to the desperate tactics of the past—competitive currency depreciation, excessive tariff barriers, uneconomic barter deals, multiple currency practices, and unnecessary exchange restrictions — by which governments vainly sought to maintain employment and uphold living standards. In the final analysis, these tactics only succeeded in contributing to world-wide depression and even war. The International Fund agreed upon at Bretton Woods will help remedy this situation.

International Loans Advocated

Second, long-term financial aid must be made available at reasonable rates to those countries whose industry and agriculture have been destroyed by the ruthless torch of an invader or by the heroic scorched-earth policy of their defenders.

Long-term funds must be made available also to promote sound industry and increase industrial and agricultural production in nations whose economic potentialities have not yet been developed. It is essential to us all that these nations play their full part in the exchange of goods throughout the world.

They must be enabled to produce and to sell if they are to be able to purchase and consume. The Bank for International Reconstruction and Development is designed to meet this need.

Bank Will Guarantee Private Loans

Objections to this Bank have been raised by some bankers and a few economists. The institution proposed by the Bretton Woods Conference would indeed limit the control which certain private bankers have in the past exercised over international finance. It would by no means restrict the investment sphere in which bankers could engage. On the contrary, it would expand greatly this sphere by enlarging the volume of international investment and would act as an enormously effective stabilizer and guarantor of loans which they might make. The chief purpose of the Bank for International Reconstruction and Development is to guarantee private loans made through the usual investment channels. It would make loans only when these could not be floated through the normal channels at reasonable rates. The effect would be to provide capital for those who needed it at lower interest rates than in the past, and to drive only the usurious money-lenders from the temple of international finance. For my own part, I cannot look upon the out-

Calendar Of New Security Flotations

OFFERINGS

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 1944.

Offered July 27, 1944, by Dillon, Read & Co. and Associates, at 105% and accrued interest.

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 Filed June 30, 1944. Details in "Chronicle," July 6, 1944.

Offered July 20, 1944 at 104 and interest by Central Republic Co. (Inc.) and associates.

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.

Offered July 20, 1944 at $103.75 per share plus dividend.

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.

Holders of company's 7% and 6% preferred stocks agreed to accept 13,150 shares of the 15,000 shares of 5% preferred in exchange for their holdings. The underwriters purchased the 1,850 unexchanged shares.

MONTANA - DAKOTA UTILITIES CO. filed a registration statement for 20,894 shares of 5% series preferred stock, cumulative (par $100). Entire proceeds will be used to redeem company's outstanding $1,950,000 of 3½% serial notes, due serially at 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 2½% serial notes due March 15, 1945. Underwriting group is headed by Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane. Filed July 7, 1944. Details in "Chronicle," July 13, 1944.

Offered July 26, 1944 at $99 per share.

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.

Bonds awarded July 25 to Halsey Stuart & Co., Inc. as 3⅛s on bid of 102.809.

Preferred stock issue awarded to Dillon Read & Co. on a bid of 103.559 for a 4¾% dividend rate.

Issues offered July 27, 1944; the bonds by Halsey, Stuart & Co. and others at 103⅞ and accrued interest; the preferred stock by Dillon, Read & Co. syndicate, at 106.50 per share.

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.

Of the 21,803 shares 9,910 were subscribed for by stockholders. The balance 11,893 have been purchased by the underwriters: The Wisconsin Co., Riley & Co., The Milwaukee Co. and Loewi & Co.

NEW FILINGS

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

SATURDAY, JULY 29

MICROMATIC HONE CORP. has filed a registration statement for 75,000 shares 5% cumulative convertible preferred stock (par $10). The preferred is convertible into 75,000 shares of common stock (par $1). Proceeds will be available for general corporate purposes. Watling, Lerchen & Co., Detroit, is named principal underwriter. Filed July 10, 1944. Details in "Chronicle," July 20, 1944.

MONDAY, JULY 31

ACF-BRILL MOTORS CO. has filed a registration statement for 280,138 shares of common stock ($2.50 par). Registration is in connection with proposal to merge the American Car & Foundry Motors Co. into the Brill Corp. to form the ACF-Brill Motors Co. The merger agreement provides for the issuance of 280,138 warrants to purchase 280,138 shares of common stock, par $2.50, of the merged company at a price of $12.50 per share prior to Jan. 1, 1950, and at a price of $15 per share on and after Jan. 1, 1950 and prior to Jan. 1, 1955, subject to adjustment in certain cases. Under the terms of the merger agreement each two class B shares of Brill and each common share of the Motors company will receive a warrant to purchase one share of new common. Filed July 12, 1944. Details in "Chronicle," July 20, 1944.

SATURDAY, AUG. 5

GRIESEDIECK WESTERN BREWERY CO. has filed a registration statement for 13,506 shares of common stock (no par). The shares are issued and outstanding and do not represent new financing by the company.

Address—1201 West E Street, Belleville, Ill.

Business—Manufacture and sale of beer.

Offering—Price to the public is $33 per share.

Proceeds—The proceeds go to the selling stockholders.

Underwriting—Edward D. Jones & Co., St. Louis, is named principal underwriter.

Registration Statement No. 2-5426. Form S-1. (7-17-44).

MONDAY, AUG. 7

WALTER E. HELLER & CO. has filed a registration statement for 27,500 shares of 5½% cumulative preferred stock (par $100), with nondetachable common stock purchase warrants attached, and 55,000 shares of common stock (par $2).

Address—105 West Adams Street, Chicago, Ill.

Business—Financing sales and other current operations of manufacturers, distributors, etc.

Offering—A maximum of 15,731 shares of 5½% cumulative preferred, with warrants, will be offered in exchange for the 7% cumulative preferred stock outstanding. Any of the 15,731 shares not accepted in exchange are to be included among the shares to be purchased by the underwriters. Offering price to the public is $104 a share. Each warrant will entitle the holder to purchase two shares of common stock at $15 per share on or before Sept. 30, 1947, and at $17.50 per share thereafter to Sept. 30, 1950, when the warrants expire.

Proceeds—Net proceeds will be applied to the retirement by redemption or exchange of 62,927 shares of 7% cumulative preferred, par $25, at $26.50 per share. Balance of the net proceeds is to be used by the company for general working funds.

Underwriting—F. Eberstadt & Co., New York, heads the group of underwriters.

Registration Statement No. 2-5427. Form A-2. (7-19-44).

TUESDAY, AUG. 8

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds.

Address—Big Rapids, Mich.

Business—Production of grinders, etc.

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

Underwriting—The underwriter is P. W. Brooks & Co., Inc., New York.

Proceeds—The proceeds will be applied to the reduction of bank loans.

Registration Statement No. 2-5428. Form S-1. (7-20-44).

WEDNESDAY, AUG. 9

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment.

Address—101 Fifth Street, South, St. Petersburg, Fla.

Business—Public utility.

Proceeds—Net proceeds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270.

Underwriting—The stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The successful bidder will name the dividend rate on the stock.

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

Registration Statement No. 2-5429. Form S-1. (7-21-44).

THURSDAY, AUG. 10

BIRMINGHAM ELECTRIC CO. has filed a registration statement for $10,000,000 first mortgage bonds, series due 1974. Interest rate will be supplied by post-effective amendment.

Address—2100 First Avenue North, Birmingham, Ala.

Business—Public utility.

Offering—Price to the public will be filed by post-effective amendment. Company is a subsidiary of National Power & Light Co. which is the sole owner of the 545,610 shares of its outstanding common stock.

Proceeds—The net proceeds, together with such additional cash from its general funds as may be required, will be used for the redemption, at 101 and accrued interest, of all of the company's first and refunding mortgage gold bonds, 4½% series due 1968, outstanding in the principal amount of $10,000,000.

Underwriting—The bonds will be offered by the company for competitive sale pursuant to the Commission's competitive bidding Rule U-50. The names of the underwriters will be filed by post-effective amendment.

Registration Statement No. 2-5430. Form S-1. (7-22-44).

THE E. KAHN'S SONS CO. has filed a registration statement for 35,000 shares 5% cumulative preferred stock (par $50).

Address — 3241 Spring Grove Avenue, Cincinnati, Ohio.

Business—Meat packers, etc.

Offering—The company intends to offer to the present holders of 7% cumulative preferred stock, par $100, the opportunity of exchanging such holdings for 5% cumulative preferred, par $50, on the basis of one share of the former for two and one-fifth shares of the latter, with adjustment in cash for accrued dividend. It is the intention of the company to call for redemption at the earliest call date all 7% cumulative preferred not exchanged at the call price of $110 per share and accrued dividends. Any unexchanged stock acquired by underwriters will be offered to the public at $50 per share. There are 10,397 shares of the $100 par preferred stock outstanding.

Proceeds—For retiring present outstanding preferred stock. Any balance of proceeds will be used for general corporate purposes.

Underwriting—Westheimer & Co., Cincinnati, Ohio, is named principal underwriter.

Registration Statement No. 2-5431. Form S-1, (7-22-44).

SATURDAY, AUG. 12

ST. PAUL COURT APARTMENTS, INC. has filed a registration statement for $250,000 bonds or notes secured by a first mortgage deed of trust covering the apartment property known as St. Paul Court Apartments.

Address—Apartment property located at St. Paul and 32nd Streets, Baltimore, Md.

Offering—The bonds or notes are being offered to the present holders of first mortgage certificates of Certificate Holders Corporation in exchange for such first mortgage certificates. The bonds or notes are being offered in an amount equal to the par amount of first mortgage certificates.

Underwriting—None named.

Registration Statement No. 2-5432. Form S-1, (7-24-44).

(This list is incomplete this week)

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come with any sense of dismay. Capital, like any other commodity, should be free from monopoly control, and available upon reasonable terms to those who would put it to use for the general welfare.

The delegates and technical staff at Bretton Woods have completed their portion of the job. They have sat down together and talked as friends, and have perfected plans to cope with the international monetary and financial problems which all their countries face in common. These proposals now must be submitted to the legislatures and the peoples of the participating nations. They will pass upon what has been accomplished here.

The result will be of vital importance to everyone in every country. In the last analysis, it will help determine whether or not people will have jobs and the amount of money they are to find in their weekly pay envelope. More important still, it concerns the kind of world in which our children are to grow to maturity. It concerns the opportunities which will await millions of young men when at last they can take off their uniforms and can come home to civilian jobs.

Agreement a Step Toward Further International Action

This monetary agreement is but one step, of course, in the broad program of international action necessary for the shaping of a free future. But it is an indispensable step in the vital test of our intentions. We are at a crossroad, and we must go one way or the other. The Conference at Bretton Woods has erected a signpost—a signpost pointing down a highway broad enough for all men to walk in step and side by side. If they will set out together, there is nothing on earth that need stop them.

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.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 382)

plane, steels and machine tool stocks. And conversely the hints of good buying appear in the same securities. I use the "oddly" because every fundamental you can think of points to the airplane companies as being widely over-expanded. Theoretically a peacetime economy will find the airplanes in a poor position. So far as the steels are concerned the same bad fundamentals apply. In addition the steels have a wage problem facing them that "everybody knows" will hurt. Yes, everybody knows it. So the market characteristically disagreeing with "everybody" is beginning to show better buying in these securities than the facts, as we know them, entitle them to.

* * *

But while some of this buying is going on it isn't the sort that bids for stocks. On the contrary it seems to be the sort that takes them on a scale down. If the latter is true then more reaction is in the wind. But it will be the sort of reaction to buy rather than to sell on.

* * *

Being aware that the majority of readers don't have the patience or the financial fortitude to buy stocks on a down scale I give below what at the present looks like the lows stocks will go to.

* * *

Buy American Chain & Cable at 24, stop 23. Bendix at 35, stop 34; Bethlehem Steel 55 to 56, stop at 53; Boeing 12-13, stop at 11; Douglas 47-48, stop at 46; Jones & Laughlin 21-22, stop at 20; Lockheed 14½-15½, stop at 13½; Sperry 24-25, stop at 23; and U. S. Steel 52-53, stop at 50.

* * *

By mid-August I believe many of these figures will be reached. The impetus may come from news or it may come from something which may take a lot of explaining. But whatever it comes from the tape now says more reaction but buy 'em. Don't sell 'em.

* * *

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.]

Outlook For Rails

Hirsch, Lilienthal & Co., 25 Broad St., New York City, members of the New York Stock Exchange, have prepared an interesting analysis of the "Outlook for Railroad Common Stocks." Copies of this interesting study are available upon request.

"Our Reporter On Governments"

JOHN T. CHIPPENDALE, JR.

The Federal Reserve Banks from June 21, two weeks after the recent War Loan Drive started, to July 19, about ten days following its culmination, have disposed of about $624,000,000 of government obligations, practically all of the securities acquired during the drive. . . . Under the impetus of a strong bond market the central banks during the week ended July 19 reduced their holdings of United States Government securities by nearly $260,000,000 or about 40% of the total amount sold during the period from June 21 to July 19. . . . The Federal authorities during the week ended July 19 decreased their holdings of bills by $137,245,000, notes by $44,664,000 and bonds by $77,700,000. . . . It is indicated that of the bonds disposed of, more than $65,000,000 had a maturity over five years. . . . It is pointed out that the commercial banks were the principal buyers of the obligations sold by the central banks since the insurance companies and savings banks with their advance commitments had no need to enter the market to acquire securities. . . .

Accordingly, the commercial banks during the week ended July 19 bought from the Reserve Banks about one-half as many bonds with a maturity over five years, as bills, and more bonds than notes, showing a continuation of the recent trend toward some lengthening of maturities. . . . By spacing maturities from the very shortest to those due in more than five years, the banks are able to maintain their liquid position and at the same time step up income. . . .

The central banks in disposing of some of their securities have helped supply the strong demand that has recently developed and have kept the market on an even keel, while at the same time they have put themselves in a position to lend support to the market at some future time if needed. . . .

RESERVE BANK SUPPORT

That the Federal authorities have been an important factor in keeping the bond market stable is indicated by the fact that while trading has been heavy since the War Loan Drive price changes have been relatively small, aside from the "Drive" issues which advanced 10/32 to 11/32. . . . With a strong demand for securities, coming from the banks after the closing of the War Loan Drive and the dealers not in a position to immediately meet the demand for certain maturities it is reported that the central banks supplied some of these obligations and kept the market firm. . . . A comparison of government bond prices gives evidence of its stability and shows that since the War Loan Drive ended, the 2% due 1949/51 have advanced only about 2/32 while the 2% due 1950/52 showed a gain of 3/32 with the 2% due 1951/53 and the 2¼% due 1952/55 up about the same amount. . . . The longer taxable issues showed gains of from 1/32 to 4/32. . . . The widest fluctuations have taken place in the longer term partially tax-exempt obligations which have shown some minor declines with the 2¾% due 1955/60 being down about 6/32 since the Drive ended. . . .

The market in the partially exempt securities in the past week has been somewhat unsettled due to the favorable war news. . . . It is felt that an early ending of the war would probably mean some changes in taxes in the not too distant future and this has taken some prospective buyers out of the market, while others have done some selling in selected issues. . . .

PRICE LEVELS DISCUSSED

While there has been a substantial demand among banks and corporations for the 1¼% notes due Mar. 15, 1947 there is considerable discussion at the present time as to whether or not these securities at current prices of about 100 11/32 have not about reached their best levels for some time to come. . . . Trading has been very active in these obligations because of the demand for maturity purposes, while some institutions have purchased these notes in place of the 1½% notes due Dec. 15, 1946 and obtained the same yield with a reduction in premium. . . . Despite this demand for the 1¼% notes due Mar. 15, 1947, there has been considerable interest recently in the 1½% notes due Sept. 15, 1947. . . . These notes are only six months longer in maturity than the new 1¼% notes, while at present prices of about 100 27/32 they give a yield of 1.21% compared with a yield of 1.11% for the 1¼% notes due Mar. 15, 1947. . . . The increase in yield appears to be attractive enough to compensate for the lengthening of the maturity and the premium involved. . . .

Likewise it is reported that holders of the 1½% notes due Dec. 15, 1946 have been selling these obligations and reinvesting in the 1½% notes due Sept. 15, 1947 at about the same price with income improved and only a minor extension of the maturity. . . . In some government bond circles it is contended that the 1½% notes due Sept. 15, 1947 with a higher income and only slightly longer maturity are more attractive than the new 1¼% notes and some institutions have advised switching out of the March, 1947 notes into the September maturity. . . . Such action would seem to indicate that the new notes may have about reached their peak at present levels. . . .

SAVINGS BANKS' ACTIVITIES

It is reported that the savings banks have been selling some of the 2% due 1952/54 at about 100 11/32 to purchase the 2¼% due 1956-59 at 100 12/32 and while this operation extends maturities about five years, the increase in yield from 1.95% to 2.21% is considered to be more desirable than the shorter maturity. . . .

With the purchases of new securities and filling in of maturities about completed activity in the government bond market has shown a tendency to slacken considerably since early this week and unless some unforeseen events take place dealers do not expect the month of August, with many of the portfolio managers away on vacation, to be anything but the usual dull period that it has been in past years. . . . The Aug. 1 certificates are being rolled over and this procedure probably will be followed in the case of those maturing Sept. 1 as well as the bills. . . . It is believed now that there are very good possibilities that the Sept. 15 note issue may be retired rather than refunded. . . . All of these factors seem to indicate very little likelihood of any major financing before late fall.

Carey Mfg. of Interest

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting report on Philip Carey Manufacturing Co. common stock. Copies of this report may be had from the firm upon request.

Diamond Alkali Interesting

Common stock of Diamond Alkali offers attractive possibilities, according to a circular issued by Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland, Ohio, members of the Cleveland Stock Exchange. Copies of this interesting circular may be had from the firm upon request.

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