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Col. Duffy Joins Com. & Ind. Ass'n

Colonel Francis K. Duffy, Commanding Officer of the New York Quartermaster Office since 1941, has been appointed Manager of the Industrial Bureau of the Commerce and Industry Association of New York, Inc. by Association's Secretary Thomas Jefferson Miley, to become effective July 31.

Col. Francis R. Duffy

Col. Duffy, also a veteran of World War I, for 19 years was District Manager for the A. B. Dick Company. He previously had served for a number of years in the advertising department of the Eastman Kodak Company and for several years in the freight division of the New York Central Railroad.

He is a graduate in economics of the University of Rochester, New York, in business law, the John Carroll University, Cleveland, Ohio, the Army Industrial College and the Command and General Staff School. His home is in Forest Hills, New York.

IN THIS ISSUE

Special material and items of interest with reference to dealer activities in the State of Pennsylvania on pages 490, 491.

Index of Regular Features on page 512.

Ten Years Of The FDIC

By DR. FREDERIC EDWARD LEE

Professor Of Economics, University Of Illinois; Formerly American Financial Trade Commissioner, American Embassy, London; Sometime Director of Research and Consultant, Committee on Banking Research, Illinois Bankers Association

Economist Holds Heavy Growth Of Deposits Due To Government Loans Has Reduced Ratio Of Bank Capital To Liabilities So That A Fall In Bond Prices May Cause Bank Failures And Loss Of FDIC Reserves—He Condemns Proposal To Value Government Bonds At Par, And States That Swollen Deposits And Excessive Money Volume May Require Higher Bank Cash Reserves To Avoid A Spending Spree.

With the recent release of Call Report No. 20, covering the assets and liabilities of Operating Insured Banks under the Federal Deposit Insurance Corporation as of Dec. 31, 1943, and with other data furnished to the writer by the Corporation which has not yet been published, it is now possible to survey the trends in American banking for the full 10 years of the operation of the Corporation, from Jan. 2, 1934 to Dec. 31, 1943. It is not to be inferred that all of the changes indicated were **caused** by the operations of the FDIC, for many of them would have taken place whether there had been any form of insurance of bank deposits or not, such as the tremendous growth of bank deposits through the deficit financing program of the 'thirties, the later defense expansion, and finally through the period of war financing largely through commercial and reserve banks. The

Dr. Frederic E. Lee

(Continued on page 494)

Jobs After The War

By SUMNER H. SLICHTER *

Lamont University Professor, Harvard University

Economist Predicts That Although Twenty Million Will Be Looking For Jobs Soon After War, Consumer Needs Will Be At All Time High, With Ample Purchasing Power Through War Time Savings—Additional Housing And Industrial Requirements Are Likely To Test Productive Capacity, But This Need Not Lead To Disorderly Price Rises—Sees Necessity Of Tax Revisions To Foster Full Employment

I

Within two years after the end of fighting, federal expenditures will drop from about $90 billion to $25 billion a year. This will represent the greatest and swiftest disappearance of markets in all history. Within one year after the fighting about eight or nine million men will leave the armed services, two million will leave civilian Government jobs, and five million will be laid off by plants making combat munitions. Of thirteen million additional men making war goods, perhaps half will be laid off. Nearly 20 million will be looking

Prof. S. H. Slichter

*An address made by Prof. Slichter before the Committee for Economic Development at Chicago, on July 13, 1944.

(Continued on page 498)

Comments On Dr. Lohman's "What Price Economic Security?"

In an article published in the "Chronicle" of July 6, entitled "What Price Economic Security?" Dr. Philipp H. Lohman, Ph.D., declared that if consumers, business men and workers wish to be assured of economic security by government, they must be willing to pay the price that such guarantee entails. In Dr. Lohman's view, freedom and assurance of economic security are basically incompatible, and capital and labor must not be deluded into thinking otherwise.

Since publication of the article, we have received a considerable number of expressions from individuals in various fields of endeavor setting forth their views with respect to the thesis propounded by Dr. Lohman and its implications. Some of these expressions can be accommodated in today's columns and are given herewith; others will appear in a subsequent issue.

IRVING FISHER

Emeritus Professor of Economics, Yale University

My comments on "What Price Economic Security?" by Philipp Lohman, can be brief since this article seems to me almost faultless and there is little use in merely reciting points of agreement.

Prof. Irving Fisher

I particularly admire the general pattern as indicated by the title; for it expresses clearly the importance of not being one-sided in considering the Economic Security problem. Just as every act of purchase requires us to balance the utility

(Continued on page 496)

Post-War Problems Viewed By A Retailer

By B. EARL PUCKETT*
President, Allied Stores Corporation, New York

Mr. Puckett Contends That A Balance Sheet Of Post-War Conditions Indicates That Business Will Enter The Period With Adequate Primary Ingredients For A Good Business Era—Sees Renewed Confidence In Private Enterprise As Greatest Asset—Believes Tax Burden As Heaviest Liability But Holds That A High National Income And Better Production And Distribution Methods Will Make The Post-War World A Better World

In attempting to understand post-war problems one must endeavor to analyze conditions out of which these problems will develop. If I possessed an economic radar which would enable me to look beyond present horizons and obtain a picture in the way of reefs, sandbars, rocks, and shoals which will constitute our hazards of the post-war period, I would gladly share my knowledge with you. I have no such equipment.

B. Earl Puckett

If I were an economist, I could measure our post-war situation in terms of national income, national productive capacity, etc., and thereby set the background for a discussion of this problem. I am not an economist as Dr. Nystrom well knows. He knows what an economist is. He knows me. Therefore he knows I am not one.

Having started life as an accountant and ended up as a business man, perhaps my best approach would be to draw up a pro-forma balance sheet of the business-influencing factors for the post-war period as I see them. What will be our environmental assets in the way of positive factors, advantages, and aids? Conversely, what will be our liabilities in the way of negative factors, disadvantages, and hindrances?

As to assets of the post-war period we may list:

*Address delivered by Mr. Puckett before the Sales Executives Club of New York at the Hotel Roosevelt, New York City, on July 18, 1944.

(Continued on page 500)

Guy A. Nelson With M. H. Bishop & Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—Guy A. Nelson has become associated with M. H. Bishop & Co., Thorpe Building. Mr. Nelson was recently with E. H. Rollins & Co., and prior thereto for many years conducted his own investment business in Minneapolis.

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.

The New York Curb Exchange

By FRED C. MOFFATT*
President, New York Curb Exchange

After Tracing The Development Of The New York Securities Markets, The President Of The Curb Exchange Describes Its Trading Mechanism—He Emphasizes The Responsibility Of The Exchange "To See That The Highest Standards Of Ethical Conduct Prevail," And Notes That The Curb "Is The Proving Ground For A Public Market In The Growth Period" Of A New Concern—Looks In Not Distant Future To Admission On Exchange Of Securities Of Many Corporations Which Are Closely Held

Because I have received from your Committee complete freedom in the choice of a subject on which to address you this evening, it will not come as a surprise if I choose "The New York Curb Exchange," the organization which I am temporarily privileged to head.

Fred C. Moffatt

The New York Curb Exchange, or as it is known more familiarly, "The Curb," has been a part of Financial America since the early settlers of New Amsterdam in 1752 established a general meeting place or exchange for merchants at the foot of Broad Street to deal in metal and water-borne produce. Only the most meagre records of the earliest security markets in New York exist today. But apparently securities, Government obligations, and a few bank shares, were first sold in the ordinary produce and merchandise auctions at the foot of Wall Street. Auctions, by their very nature, are onesided markets with competition among buyers but none among sellers, and for this reason did not prove an adequate method of marketing securities, despite the fact that security auctions are still held in New York. However, some ten or a dozen auctioneers and merchants were attracted to the new occupation of selling securities or acting as agents for security buyers and sellers and these, according to tradition, formed the custom of meeting under an old buttonwood tree which stood before what is now 68 Wall Street. Rain, cold or inclement

*Speech delivered by Mr. Moffatt at the Suffern Lions Club dinner, Suffern, N. Y., on July 25, 1944.

(Continued on page 493)

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Outlook For Bonds

Roger W. Babson Says Top Grades To Hold With Medium Grades Spotty

BABSON PARK, MASS.—While the War continues and cash piles up, interest rates will continue low. For all practical purposes, bond flotations consist almost wholly of Governments and refunding issues. There is no necessity for Mr. Morgenthau now offering more of a return for the use of funds for government purposes. Lack of competition in the bond market makes higher interest rates for government money unnecessary.


Roger W. Babson

However, when the war is over and industry again seeks funds, the situation will change. The law of supply and demand will then bring about a rise in interest rates with a decline in bond prices. Hence, there is little reason for large investors now to reach for high-grade bonds except for the tax-exempt group. Most investors are better off in Governments than they are in prime corporate bonds. Therefore, there is little point today in discussing high-grade bonds. Let us look at certain other issues.

Foreign Bonds

There has been considerable interest in foreign issues for some time past. Even Russian bonds of the old Kerensky Regime have had a large percentage rise. Any anticipation that Stalin will ultimately recognize these bonds is extremely remote. Bonds of Nazi-occupied countries, such as Czechoslovakia and Denmark, may continue their present show of strength as Germany's defeat

(Continued on page 489)

Wartime Debt Changes In The United States

By ALVIN SLATER*
National Income Unit, Bureau of Foreign and Domestic Commerce

Government Expert Estimates That Public And Private Debts Aggregated 295 Billions On July 1, 1944—Of This, Federal Debt Was 170 Billions—Heavy Debt Increase Due To Federal Borrowing As Local Government And Private Debts Declined, With Railroad Reductions Most Notable—Sees Prospect For Post-War Growth In State, Municipal And Corporate Borrowing

With the Federal Government relying heavily upon borrowing to finance a substantial portion of the defense and war production programs, total debt has increased markedly during the war. Net public and private indebtedness, which represents the obligations of ultimate borrowers, is estimated at approximately 295 billion dollars as of the middle of 1944, compared with 273 billion at the end of 1943 and 166 billion at the end of 1940. In 1943 alone total net debt increased approximately 50 billion dollars, and a corresponding proportional amount was added in the first half of the current year.


Alvin Slater

Total gross indebtedness reached an estimated 338 billion dollars as of June 30, 1944, compared with 315 billion at the end of 1943, and 200 billion at the end of 1940.

War accounted for all of this rise in indebtedness. In fact, aside from the Federal debt, all major categories of debt—State and local government debt, corporate debt, consumer short-term debt, and farm and urban real estate mortgage debt—have receded during the war period.

The dominant factor behind the downward trend of non-Federal debt has, of course, been the sharp

(Continued on page 506)

*Reprinted from the July, 1944, issue of the "Survey of Current Business," published by the Department of Commerce, Washington, D. C.

Panhandle Eastern Pipe Line "Blue Chip" Of Tomorrow

Scherck, Richter Co., Landreth Bldg., St. Louis, Mo., in a circular on the Panhandle Eastern Pipe Line Co., state that they believe that the common stock of the company "has all the qualifications needed to make it one of the leaders of the post-war investment market."

Missouri-Kansas Pipe Line Co., a holding company, has as its principal asset 531,638 shares (65.6% of the total outstanding shares) of common stock of Panhandle. At the present time "Mokan" is offering to holders of its common and Class B stocks the right to purchase pro rata 163,710 shares of common stock of Panhandle at $30 per share. "Mokan" further intends to offer to its stockholders, stock of Panhandle in exchange for their holdings. The history of Panhandle reveals consistent growth in sales, revenues, facilities and total assets. Since dividends have been paid on Panhandle common stock for the past eight years and since the income return from the current rate is quite liberal, it is the opinion of Scherck, Richter Co., that this stock merits inclusion in the portfolios of individual investors and institutions. Copies of the circular may be had upon request.

"What Is All The Shooting About?"

We finally come to the last of three articles responsive to the above sub-heading contained in a recent issue of the NASD News. Therein it was suggested in effect that criticism levelled at the NASD are baseless.

That article assumes an attitude of injured innocence. We quote:

"In the course of these attacks, the loyalty and integrity of officers of the Association were indicted as well as the honest intent of the letter itself. More recently, the whole NASD program, including the constitutionality of the legislation under which the Association operates, were questioned and condemned.

All of these efforts to undermine, if not destroy, the NASD are motivated by reasons not entirely clear, but one thing is clear. They can be damaging to morale in the over-the-counter business. The Governors of your Association are conscious of the confusion that has been engendered in the minds of members. Such confusion is unhealthy, detrimental to the members' own business and to the welfare of the over-the-counter business as a whole."

Has it ever occurred to the writer of the above that there can be honest and well intentioned criticism founded basically upon the desire to continue a spirit of fair dealing between the security field and the public which it serves?

Has he ever thought it possible that our editorial policy concerning NASD abuses was motivated clearly and only in the interest of public service?

The head in the sand posture of the ostrich does not lend itself to clear vision. We suggest that a sightless attitude is responsible for the Board's inability to sense the reasons which motivate those who criticise the NASD.

Yes, we have questioned "the constitutionality of the legislation under which the Association operates." We have been advised, and earnestly believe, that the Maloney Act and the By-laws of the NASD which deprive non-joining members of their rights to participate in member sponsored un-

(Continued on page 507)

Markets, Prices And Profits

By J. GENTRY DAGGY *

A DISCUSSION OF THE SEVERAL MARKET PLACES FOR SECURITIES

Writer Traces Development Of Securities Markets, Pointing Out Conditions Which Led To The Three Divisions Of Trading, Viz: (1) Over-The-Counter, (2) Unlisted Exchange Trading And (3) Listed Exchange Trading—Holds That Inadequte Markets Exist In Many Listed Securities, And Argues That In The Interest Of Service To The Public National Exchanges Should Not Seek Listings Indiscriminately—Says Listing, In Itself, Is No Assurance Of Liquidity Or Activity

The writer believes that much of the contention that currently exists between, broadly speaking, the listed and over-the-counter divisions of the securities business, and, to a scarcely lesser extent, within the divisions themselves, stems from misinformation, lack of information and an inability or unwillingness to assimilate basic facts and to reason dispassionately from them.

J. Gentry Daggy

If we, within the business, are victims of confusion and disagreement, we must quite logically expect that regulatory bodies and the public will look askance on an industry that is apparently divided against itself. Thus the securities business as a whole subjects itself to adverse criticism and invites well-intentioned but

* Taken from a report prepared by Mr. Daggy for the Investment Traders Association of Philadelphia. Another part of the report relating to "mark ups" appeared in the "Chronicle" of July 20, on page 284. The balance will be published in next Thursday's issue. Mr. Daggy is associated with the Trading department of the Philadelphia office of H. M. Byllesby and Company.

(Continued on page 508)

Detroit Traders To Hold Summer Outing

DETROIT, MICH.—Members of the Securities Traders Association of Detroit & Michigan, Inc., will hold their 1944 Summer Outing on Tuesday, Aug. 8, at the Plum Hollow Golf Club.

Members will play golf in the afternoon and compete for the Director's Trophy.

The officers are: Ray P. Bernardi of Cray McFawn & Co., President; Don W. Miller of McDonald-Moore & Co., Vice-President; Ray E. Davis of E. H. Rollins & Sons Incorporated, Secretarp; Harold R. Chapel of Crouse, Bennett, Smith & Co., Treasurer.

Reservations for the party should be made with the Chairman of the Entertainment Committee, Robert R. Stoetzer, of Stoetzer, Carr & Co., 2056 Penobscot Building.

Brady & Garvin Admit A. V. Smith To Firm

Alfred V. Smith, member of the New York Curb Exchange, has been admitted to partnership in Brady & Garvin, 115 Broadway, New York City, New York Curb member firm. Mr. Smith has recently been active as an individual Curb floor broker; prior thereto he was a partner in Frank C. Masterson & Co.

NSTA Advertising Notes

Fellow Members:

As of this writing, we are well over $6,000 gross, and now have about three weeks ahead of us to double our present advertising. Can this be done?

Your advertising committee received a very pleasant response from one of our fellow members. Jeff Horsfield, of Wm. J. Mericka & Co., New York, has become a member of the NSTA advertising committee, and feels confident he can still increase the New York production which already is over $3,500. We welcome you, Jeff, and compliment your admirable spirit.

During the past week we had a nice chat with Kerm Sorum, of our Twin City club, who feels he and Bab, will have their affiliate well represented. Congratulations are in order, too, for Bert Horning of Stifel, Nicolaus & Co. of St. Louis who is using his best endeavors to insure St. Louis being well represented.

Let us get the contracts in now, as it will insure better positions in the "Chronicle's" NSTA supplement, which we know our members will be very pleased to peruse carefully.

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.

Sheedy Named Pres. Of Cleveland Bond Club

CLEVELAND, OHIO—Herman J. Sheedy, partner of McDonald & Co., was elected President of the Bond Club of Cleveland by the governors, succeeding John D. Burge of Ball, Burge & Co.

Paul J. Eakin, partner of Hornblower & Weeks, was elected Vice-President; Walter B. Carlton of Fahey, Clark & Co., Secretary, and Rudford K. Wilson of Curtiss, House & Co., Treasurer.

Mr. Sheedy has been in the investment business with McDonald & Co. and predecessor firms for 18 years. During the Fifth War Loan he was Chairman of Area 1, comprising 26 counties in northern Ohio, which produces 50% of all bonds sold in Ohio.

Ball, Burge To Admit Harry G. Kraus.

Change Firm Name

CLEVELAND, OHIO—Harry G. Kraus will become a partner in Ball, Burge & Co., Union Commerce Building, members of the New York and Cleveland Stock Exchanges, on Aug. 10 and the firm name will be changed to Ball, Burge & Kraus. In the past Mr. Kraus was a partner in Kraus-Cunningham & Co.

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.

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.

Rejoin Sutro & Co. Staff

LOS ANGELES, CALIF. — Sutro & Co., Van Nuys Building, announce the re-association of Gustavus H. Dann after two years in the armed forces, of which 18 months were spent in the Southwest Pacific.

Shirley Rouleau also has become re-associated with their firm.

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.

Interesting Situation

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

Tomorrow's Markets Walter Whyte Says—

Post-war and Election uncertainties have little effect on current market. Buying cropping up in airplanes and steels.

By WALTER WHYTE

* * *

Despite the apparent weakness of the market the undercurrents mentioned here last week are becoming more and more evident. Stock after stock which gave all the indications of further retreat has firmed up. For example, Monday's action indicated further decline; on Tuesday the down tendencies disappeared. True, few of these down indications turned into up signals. But the fact that the market didn't follow through on the downside was enough signal in itself.

* * *

The post-war picture will obviously be a prominent point for discussion in the coming weeks. With it will come the usual viewing with alarm or pointing with pride statements. What the effect will be on the market is of course unknown. But the market has seldom paid attention to official statements. Besides the post-war picture is something which has been discussed so long and so often that there is little new that can come up to catch the market by surprise.

* * *

The element of surprise cannot of course be overlooked. Though how one can guard against it is something else. A few weeks ago the possibility of an early end of

(Continued on page 509)

R. Condon Now V.-P. Of B. J. Van Ingen

B. J. Van Ingen & Co. Inc. announces that Raymond V. Condon, manager of their Chicago office, 135 South La Salle Street, has been elected a vice-president of the firm.

The Business Man's Bookshelf

Problems of Reemployment and Retraining of Manpower During the Transition From War to Peace, A Selected, Annotated Bibliography—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—25c.

Savings and Loan Annals 1943 —United States Savings and Loan League, 221 North La Salle Street, Chicago, Ill. — cloth — $5.00 per copy ($3.00 per copy on orders of five or more).

Training of Supervisors—Gerald G. Chappell—Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif. —paper—$1.00.

Wage Payment Systems, A Selected List of References—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, New Jersey—paper—25c.

H. & B. Mach. Looks Good

H. & B. American Machine 6% cumulative preferred offers attractive possibilities, according to a circular issued by F. M. Mayer, 30 Broad St., New York City. Copies of this interesting circular may be had from F. M. Mayer upon request.

New Dept. Opened At Smith, Barney Office

Smith, Barney & Co., members of the New York Stock Exchange, announce the opening of a stock department under the direction of Geoffrey J. Dwyer at their uptown office, 522 Fifth Ave.

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.

Avoid Trade Battle With Great Britain Says Charles P. Taft

State Department Official Holds "Great Britain Is The Country Whose Support We Must Have" In Getting Away From Trade Controls

In speaking of the problems involved in the post-war restoration of international trade at the annual convention of the Federation of Business and Professional Women's Clubs in New York City on July 17, Charles P. Taft, Director of the Office of War Time Economic Affairs of the Department of State, defended the policy of Secretary Hull in promoting the elimination of trade barriers, and condemned efforts to return to "a world of barter, export and import controls, exchange management and quotas." These conditions, he maintained "contemplate a trade battle of giants between the United States and Great Britain, each government dealing through its traders in a great warfare of trade and commerce." "This program," said Mr. Taft, "the Department of State cannot accept."

Charles P. Taft

"The same kind of talk," he continued, "greeted the beginnings of the program of reciprocal trade agreements 10 years ago. In spite of the same kind of opposition the program worked, and made the first intelligent, and, on the whole, non-political reduction in trade barriers in our history, with a corresponding increase in beneficial exchanges of goods.

"Now we need a similar act of faith, and Great Britain is the country whose support we must have in getting away from this economic warfare in trade controls. The rest of the world can manage with one great state trading nation (Russia), but not with two. There are very strong elements in the United Kingdom who feel that England must go to a barter economy after the war to save its very life. Others equally influential support the trade policies which are the official program of this Government, with strong bipartisan support. But those who support our position are up against real problems in the United Kingdom after hostilities stop. I have spoken of the threatened avalanche of claims for blocked sterling in payment of war debts. Equally serious is the necessity for Britain to export in order to pay for the things they must have to live. Their imports are their lifeblood which the Germans have tried in two wars

(Continued on page 507)

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.

Public Utility Securities

Competition For Utility Financing

Following the lull during the War Bond drive, a substantial amount of utility financing has recently been under way, and a large number of deals are being lined up for 1945 by banking groups anxious to enter bids when the issues become available.

Despite the difficulties and dangers due to the Attorney-General's adverse interpretation of the price maintenance clause of the standard underwriting agreement—an established Wall Street policy for decades—investment banking houses still seem anxious to head utility syndicates. There is a substantial volume of business and frequently the same group can handle a series of similar deals, which tends to standardize the business. A substantial part of the issues are high grade and are largely taken by institutions. Since the latter are "sophisticated buyers" no great amount of selling propaganda is usually necessary. Successful bidding involves careful statistical comparison with similar issues combined with shrewd appraisal of current market conditions. Occasionally the insurance companies may become "fed up" with new issues and show sales resistance; then it may be necessary to do an old fashioned "plugging" sales job. But there has been no very serious upset in the high-grade corporate bond market since the fall of 1939 (when the prices suddenly dropped some 13% and recovered almost as quickly) and issues which proved temporarily sour can eventually be liquidated.

Recently there has been developing somewhat of a scramble for new business, at least for the larger issues where the manager's fee constitutes a "plum." After F. S. Moseley & Co. had spent a considerable period of time studying Brooklyn Union Gas's financial problems and setting up a refunding plan, Halsey Stuart suddenly entered the picture and offered a higher bid, with a proviso that the issue be thrown open to competitive bidding (which they have long favored). Conversely, when Commonwealth Edison recently announced that it was planning to refund its large issue of 3½s, First Boston immediately began forming a group, although in the past Halsey Stuart have acted as bankers for the company. Competition is also developing for the large Philadelphia Electric and Philadelphia Electric Power refunding operations, though in the past the Morgan - Drexel - Mellon group have enjoyed virtually a monopoly of these companies' financing.

A recent financial page of the New York "Times" (July 27) seemed reminiscent of the halcyon days of 1929 — it included four substantial utility offerings and one municipal. Issues now tentatively scheduled for August and September include the following:

$10,000,000 Birmingham Electric bonds.

$12,000,000 Indiana & Michigan preferred stock.

$10,600,000 Empire District Electric 1st 3½s, 1969.

$15,000,000 Mississippi P. & L. bonds.

$22,000,000 Laclede Gas Light bonds.

$48,000,000 Ohio Edison bonds and preferred stock.

$16,000,000 Capital Transit bonds.

$31,000,000 Philadelphia Electric Power bonds.

$9,500,000 Gulf States Utilities preferred stock.

$4,000,000 Florida Power Co. preferred stock.

The volume of financing planned for October-December and the first few months of 1945 would make a list several times as large as the above. But frequently the requirements of the SEC, the FPC, and the local commissions prove unexpectedly onerous or troublesome, so that refunding timetables are not very accurate; some issues which are confidently planned may be subjected to long delays, or eventually cancelled.

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.

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.

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.

No Present Assurances For Lasting Peace Seen By Shaw—Would Treat Germany Decently

George Bernard Shaw sees no assurances by any measures at present possible for a lasting peace. He also expresses the view that "even a post-war alliance of the Big Four cannot be assured." He contends that if Germany is defeated, we should treat her decently; "she cannot," he says, "be treated as a criminal — at least not lawfully—because war is not a crime by the law of nations."

Geo. Bernard Shaw

Mr. Shaw's views appeared in the New York "Sun" of July 26, which in presenting them said parenthetically:

George Bernard Shaw, one of the world's great literary figures, called the "Literary Bad Boy" and "Professional Irishman," is 88 years old today. Asked for his views on certain post-war problems, he replied to the Associated Press in shorthand, with a note saying he had no time to transcribe it.

The following are the views of Mr. Shaw, as given in London advices July 26 to the "Sun":

Do I believe a lasting peace can be assured by a close-working and vigorous post-war alliance of the Big Four—Great Britain, the United States, Russia and China?

No. A lasting peace cannot be assured by any measures at present possible. Even a post-war alliance of the Big Four cannot be assured. The people who clamor for assurances and security are public nuisances.

Whatever arrangements follow the war we must still live dangerously, whether we like it or not.

Questions and Answers

To a series of questions, Mr. Shaw wrote the following replies:

Question—Should Germany be totally disarmed and split into small, separate states such as existed before they were united under Bismarck?

Shaw—No. If disarmament and disintegration are desirable for Germany they are desirable for all the big Powers as well. None of them will consent to it. The sort of armament that decides modern wars is so enormously expensive and needs such a big organization of industry that small states are virtually disarmed at present, and America and Russia hold the balance of military power. All this talk about disarmament is a hundred years out of date.

Question—Should the German people be permitted to choose and elect their own form of government immediately after the war? Or should there be an interim government of Great Britain, the United States and Russia? For how long a period?

Shaw—If the German people are not permitted to choose and elect their own form of government, the government must be imposed on them by the Allies, in which case it will not be their own form of government. It will be like our Indian civil service, the only available model, except that the nationality of its members will be mixed. This would end as Indian service is ending.

As none of the Allies except Russia has yet succeeded in governing itself decently or even feeding its whole population sufficiently—India has just lost two millions of people through a preventable famine—we could hardly pretend to be better able to govern Germany than the Germans. The interim government will be simply martial law.

Question—What should be Germany's post-war relationship to the rest of the world? Should she be treated as a criminal, brought to book, and taught a lesson she will never forget? Or should she be forgiven, once Nazism has been cast out, and freely accepted into the family of nations?

Shaw—If Germany is defeated, her relationship to her conquerors will be that of a wounded prisoner of war to his captors. When we take such a prisoner we give him every care and attention until he is cured, exactly as if he were one of our own soldiers.

That is how we shall treat Germany if we have any sense. She cannot be treated as a criminal—at least not lawfully—because war is not a crime by the law of nations.

If we let loose our vilest passions and indulge in an orgy of plunder and revenge we shall pay for it and be sorry after.

Nazism will not be cast out, as we and the Americans are steeped in it; but we may prosecute Jew-baiters and drive out Hitler as we drove out Napoleon and the Kaiser. But he need go no further than Sweden or Ireland and die in his bed unless he is killed in the field as the Mahdi was.

[Note—By Muslim tradition, Mohammed declared that one of his descendants would fill the earth with equity and justice and bear the name Al-Mahdi. Down the ages many imposters have claimed the title.]

Question—What should be the punishment of German war leaders and how far down into the ranks should the punishment extend?

Shaw—Punishment for what? For being war leaders? Do you think that the heavy job of restoring half-ruined Europe could be done by persons with their heads full of punishment? The least hint of such a preoccupation should disqualify a diplomatist from taking any part in the organization of peace.

Question—Should Germany be made to help rebuild the cities she destroyed?

Shaw—Germany will hardly be able, without our help, to rebuild German cities we have destroyed. Do you suppose that when we have finished demolishing Berlin and left its inhabitants to wander homeless, begging for a morsel of black bread and some thin soup, we could make them rebuild Berlin and London as well? Not unless you lend them the money to do it with. That is, to rebuild the reparations policy of the last war, which led to Germany, after losing the war, winning the peace and making a springboard for Hitler's takeoff.

Question—Do you favor a prolonged armistice, rather than an immediate formal peace, and how long should Allied troops occupy Germany?

Shaw—This is a mug's alternative. As long as war lasts as an institution no peace can be anything but an armistice.

Question—Should German schools, films, radios, books, etc., be prohibited from teaching racialism, as a bar to recurrence of Hitler's credo of "German supermen?"

Shaw—No. Such a prohibition would stimulate the teaching and intensify the following instead of suppressing them. All nations and races regard themselves as herrenvolk. The English and Americans are more conceited in this respect than even my countrymen, the Irish.

Question—Do you believe that the Germans — under whatever guise—will always produce an imperial Kaiser or dictator to lead them in plunging the world into war.

Shaw—All unhappy and suppressed nations will run after any able adventurer who promises to deliver them. Our business, therefore, is not to make any nation unhappy or suppress it. If we had not suppressed Germany after 1918 there would have been no Hitler. And Hitler would have been as successful as Julius Caesar if, like Caesar, he had made the people he conquered happier than they were before.

Qestion—How do you think Germany can best be prevented from springing again at the throat of Europe?

Shaw—Treat Germany decently. Then she will not want to spring at our throats.

Do not forget that Hitler, even if he be defeated and slaughtered, has made us pay a dreadful price for the cowardice that moved us to kick Germany when she was down after 1918 instead of helping her to her feet again.

We are promised an Atlantic Charter to redeem the world from fear. The world will not be redeemed from fear by ignoble bunk, which is what is the matter with our retribution merchants today.

Sen. Taft Supports Wagner In Move To Delay Congress Action On International Monetary Plan

Noting that the powerful support of Robert A. Taft, Chairman of the Senate Republican Steering Committee, was added on Aug. 1 to a Democratic proposal to delay until after the election any Congressional action on the Bretton Woods international monetary agreement, United Press accounts from Washington on that date, in the New York "World-Telegram," said:

"Senator Robert F. Wagner (D., N. Y.), Chairman of the Senate Banking Committee and a delegate to the monetary conference, is urging his colleagues to shelve the agreement during the campaign months because it is 'too important to the world to become a political football.'

"Senator Taft, who declared two weeks ago that 'many members' of Congress would find the agreement unacceptable, nevertheless agreed with Senator Wagner that it would be wise to divorce the controversial issue from politics. The Ohio Senator said, however, that he intends to issue a statement within the week to list his specific objections to the monetary accord.

"If Senator Wagner's plan prevails, the agreement may not be considered until the new Congress convenes in January.

"Senator Taft said the pact was 'extremely involved' and would require extensive hearings and considerable debate.

"He declined to reveal in advance his specific objection to the agreement, but it was understood from other sources that he is against a section which permits nations to deflate their currencies at least 20% without regard to the wishes of the Board of Governors of the International Stabilization Fund.

"Another section believed to have aroused Senator Taft's opposition would deny a nation the right to take its internal economy situation into account in devaluing its currency."

Congress Reconvenes—Call Issued To Senate Committee For Meeting Aug. 3

Incident to the reconvening of Congress on Aug. 1 following its recess incident to the Republican and Democratic Conventions, telegraphic messages were sent to members of the Senate Military Affairs Committee, calling for their return to Washington by Thursday (Aug. 3) to attend a meeting of the committee to act on the legislative reconversion program. A joint call issued by Senator Robert R. Reynolds, Chairman of the committee, and Senator Alben W. Barkley, majority leader, said:

"It is imperative that members of the Senate Military Affairs Committee return to Washington at once in order that proper consideration may be given to vital and indispensable legislation dealing with reconversion, demobilization and surplus property disposal, bills concerning which are now pending in the Military Affairs Committee.

"As a result of the urgency of this legislation, the committee is meeting Thursday, Aug. 3, at 10 a. m., and we urge you to be present. This is the most important problem now facing Congress and must be dealt with without delay."

Under date of Aug. 1 advices from Washington by Samuel W. Bell to the New York "Herald Tribune" said, in part:

"Congress, back from its recess over the period of the political conventions and pledged by its leadership to early enactment of demobilization and reconversion legislation, ran into the first phase of a stiff battle today over the part unemployment compensation will play in the post-war readjustment program.

"The issue was the old controversy over State vs. Federal control of unemployment benefits, and led immediately to a sharp Senate debate, the issuance of several statements and a series of maneuvers by the sponsors of the several pending reconversion bills seeking preferential position for their respective measures.

"In the first move, Senator Walter F. George, Democrat of Georgia, Chairman of the Senate Finance Committee and also of the special committee on post-war planning, introduced a new bill designed to divorce unemployment compensation from other phases of reconversion legislation.

"Referred to the Senate Finance Committee, which will meet tomorrow presumably to draft a report on the measure, Senator George's action was taken apparently to meet a maneuver of the War Contracts Subcommittee of the Senate Military Affairs Committee, headed by Senator James E. Murray, Democrat of Montana, and composed of Senator Harry S. Truman of Missouri, Chairman of the Senate's War Investigating Committee and Vice-Presidential nominee of the Democratic party, and Senator Chapman Revercomb, Republican of West Virginia.

"In any event, the George action prompted the Murray subcommittee to make public a printed report in which Senators Murray and Truman had approved, for the consideration of the full Senate Military Affairs Committee, the Kilgore reconversion bill and a new measure by Senator Murray differing from the Kilgore bill only in omission of a provision for disposition of surplus property. The provisions on retraining and reemployment in the new Murray bill are the same as those in the Kilgore bill, Senator Murray said.

"Senator Revercomb, while joining in the subcommittee's recommendation for immediate action on reconversion legislation, filed a minority report in which he opposed features of the Murray and Kilgore bills. In addition, it was indicated that at a meeting of the Republican members of the Senate today it was agreed to support the position taken by Senator George, and such support was voiced later on the floor by Senator Arthur H. Vandenberg of Michigan, Chairman of the Republican caucus."

The recess of Congress on June 23 was referred to in our issue of June 20, page 2700.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Attractive Situation

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.

Railroad Securities

The financial community early this week was faced with another example of the strong disinclination on the part of the managements of many of the railroads undergoing reorganization to give the creditors the direct advantages of the cash accumulating under the stimulus of the war boom. A few weeks ago we mentioned in this column the case of St. Paul where the trustees claimed, in the face of estimates of very substantial earnings in 1944, that there would not be sufficient cash on hand to pay off the RFC loan. The latest example is the Seaboard Air Line.

Some weeks ago a group representing the Atlanta & Birmingham divisional bonds petitioned the court to set aside $15,000,000 of excess cash to acquire, through calls for tender, six of the eight outstanding divisional liens. As these six underlying liens included most of the creditor groups which have expressed dissatisfaction with their treatment under the plan of reorganization, it was felt that such an operation would eliminate most of the controversy and expedite the reorganization proceedings. At the same time, it would improve the status of the remaining so-called general liens of the Seaboard in releasing additional new securities for reallocation to them.

Reacting in much the same manner as the trustees of the St. Paul, the receivers of Seaboard Air Line objected to the setting aside of $15,000,000 for this purpose on the grounds that the cash was not available without impairing the position of the company. The court also apparently considered that the call for tenders might disrupt the entire reorganization plan which it approved some months ago. The petition was therefore denied. Many rail men were amazed at the contention of the receivers that the estate did not have sufficient cash to justify the setting aside of $15,000,000 for retirement of the divisional liens.

In the court hearings on the reorganization plan last summer and fall the receivers had made estimates of the road's probable 1943 year-end cash position in conjunction with the cash needs of the reorganization plan, including payment of the old Receivers' Certificates. Based on these estimates it was determined just how much cash the estate could afford to distribute as of the end of 1943. Actually the cash on hand at the end of the year turned out to be about $10,000,000 greater than the receivers had estimated. It was considered, logically, that this $10,000,000 cash that the receivers had not foreseen could be utilized further to simplify the reorganization proceedings. To this fund would be added the excess cash to be released from 1944 earnings. The receivers are estimating earnings of approximately $20,000,000 this year after taxes.

The refusal of the court to authorize calls for tender of the underlying liens was disappointing to many followers of the Seaboard reorganization. Nevertheless, many rail men continue to hold a constructive attitude towards the road's bonds. For one thing, even if the cash is not to be used for the benefit of creditors now it remains in the estate and will eventually will have to be turned over to the bondholders when they become the owners of the reorganized company. In the second place there is the likelihood of important decisions shortly looking towards acceleration of the reorganization tempo.

The only concern of the Interstate Commerce Commission in receivership proceedings is approval or disapproval of the new capitalization as a whole. This phase the Commission has had under consideration for some time. A decision is expected momentarily. If the capitalization is approved the reorganization managers will then be free to start seeking deposits of bonds in assent of the plan. Approval of the capitalization will also presumably mean institution of when-issued trading in the new securities which, in itself, should stimulate speculative interest in the old bonds. Finally, it is believed that the Circuit Court of Appeals will hand down decisions within the next few weeks on the appeals from the plan filed by two groups of divisional lien holders. It is generally expected that the plan will be upheld in these appeals.

Forms Norbert Smith Co.

Norbert W. Smith has formed the Norbert W. Smith Co., with offices at One Broadway, New York City, to engage in a securities business. Mr. Smith was formerly with F. J. Rabe & Co. and the Central Hanover Bank & Trust Co.

W. J. Earl Opens

LOS ANGELES, CALIF. — William J. Earl, member of the Los Angeles Stock Exchange, is engaging in a securities business from offices at 124 West Sixth St. Mr. Earl in the past was a principal of Wm. Jarvis Earl & 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.

Real Estate Securities

By JOHN WEST

First Mortgage Fee Bonds On Mayfair House Pay 2% Additional Interest, 5% For Year, As Forecast By This Column In September, 1943

In the Sept. 30, 1943, issue, we called attention to the "Bright Future For Apartment Hotel Securities—Changes Brought About By War and Economic Conditions Reacting to Benefit of This Type of Real Estate." To illustrate our viewpoint, the Mayfair House was used as a typical example. The bonds were selling under 40 and in our opinion were underpriced. We forecast earnings sufficient to pay the 3% fixed interest and 2% additional interest. The bonds now around 48 we believe are still attractive as 5% interest was earned and paid for the fiscal year ended June 30, 1943, from income received on an 87% average occupancy basis.

We quote part of the article that previously appeared.

"Apartment hotel properties have for many years been extremely popular but their occupancy has been subject to considerable fluctuation as many of the leases have been for only fall, winter and spring months. Many suburbanites have closed their houses in the country during the late fall and winter months as living in the city during such periods proved more convenient and comfortable. As a consequence, many such properties, although maintaining a fair average occupancy in the full year period, ran at a very low occupancy during the summer, usually operating at a sizable loss in this slack period, even though on a yearly basis charges were earned.

"The effect of the war, changing economic conditions, servant problems, the gas shortage, etc., has reacted to change the mode of living of both city and suburban dwellers. The answer to these problems seems to be solved by the apartment hotel which can offer the homelike surroundings without the inconveniences and problems which confront a family today in maintaining a house or larger city apartment.

"A survey made of these properties shows that as of the new October 1st renting season, occupancy has shown a considerable increase and what is more promising is the fact that a larger proportion of leased space is now on an annual basis than ever before. This condition will naturally produce larger earnings for the properties.

"We are using the Mayfair House, Park Avenue at 65th Street, New York City, to illustrate this type of property, as in comparison to other comparable properties, it seems to be in a position to derive the most benefit from the changed conditions as its funded debt capitalization per room of only $6,300 is about $2,800 per room lower than one of four other properties used in the comparison and $700 under the next lowest property.

"The average occupancy of the Mayfair House for the fiscal year ended June 30, 1943, was 80% but during this period yearly leases in effect amounted to only $172,000 compared to yearly leases as of Oct. 1, 1943, amounting to $259,000.

"We believe that existing conditions will prevail for this type of property for some time to come and as the trust mortgage provisions are particularly favorable to bondholders, the increased earnings should produce sufficient funds to pay in excess of 5% annual interest and to provide for reduction of the mortgage through sinking fund operation. The mortgage indenture provides for fixed interest at the rate of 3% per annum with additional interest payable Aug. 1 at the rate of 2% per annum to the extent that net income is available. In addition to the fixed and additional interest, totaling up to 5% per annum, the indenture makes provision for participating interest from available remaining net income, such surplus above 5% on the bonds to be used in the following manner:

25% of such surplus for participating interest
50% of such surplus for sinking fund purposes
25% of such surplus for corporate purposes.

providing, however, that while any accumulated interest remains unpaid, the portion of the net income allocated to corporate purposes shall be deposited with the Trustee to be applied and distributed to bondholders to liquidate any unpaid accumulations. At the present time, these accumulations unpaid for the 1938 through 1940 mortgage years amount in total to $21.55 per $1,000 bond."

Prentiss M. Brown Forecasts A Federal Debt Of 300 Billions

Former Senator And Finance Committee Member Criticizes Illogical Government Bookkeeping And Estimates A Post-War Federal Budget Of 22 Billions, Allowing 65 Years To Liquidate Debt

Taking a realistic look at post-war Government finance, former Senator Prentiss M. Brown forecast a maximum Federal public debt three hundred billion dollars, or $2,250 per capita. Further, he stated that Federal obligations will take approximately 65 years to liquidate under probable circumstances. However, Mr. Brown told his audience that the people of America have nothing to fear in connection with our Government's ability to remain solvent and liquidate a three hundred billion dollar debt. "A free people working together with the largest and finest natural and production resources in the world can and will meet this obligation."

Prentiss M. Brown

Mr. Brown, former member of the Senate Finance Committee who passed the Public Debt Act of 1939, fixing the total at sixty-five billion dollars, spoke before a War Bond Rally for employes of The Detroit Edison Company, of which he is Chairman of the Board.

The most pressing financial burden on the American people, he said, "is the public debt of our Federal Government. States, counties, and cities generally are in a much better financial condition than is our national Government. We should avoid dipping further into the Federal Treasury. When the local authority has to raise what it spends, it is much more careful than when the money comes from Santa Claus. . . ."

The present view of Government financial experts, he observed, "is that unless the war ends quickly, the debt of the Federal Government will reach three hundred billion dollars, about $2,250 per capita. This per capita figure includes every infant, school child, inmate of institutions, the indigent, aged and non-thrifty. The present Federal debt limit is two hundred sixty billion dollars.

"Obviously," he stated, "heavy tax levies will be required to meet this obligation."

"The annual cost of running our Federal Government following the war, after the change from a large military establishment to a peacetime establishment," Brown stated, "should average about twelve billion dollars for current expenses exclusive of interest and retirement of Federal debt."

"It must be remembered," he added, "that our Government is a very illogical bookkeeper. In its published figures no distinction is made between a capital expenditure, such as a post office building, and an operating expense such as Government salaries. They are lumped as Government expenditures."

"I tried to change this," Brown commented, "but it will be years before we have a logical Government financial statement. The dollars that buy a cannon shell which is spent on the field of battle, are classed and treated just the same as the dollars that build a canal which will benefit the nation for decades."

"The cost, under this bookkeeping system, of running our Federal Government during the rather difficult pre-war years (1930-1939) averaged about six and one-half billion dollars a year. In my estimate of yearly post-war expenditures I have nearly doubled this figure to twelve billion. After World War I, expenditures dropped from eighteen billion dollars in 1919 to six and one-half billion dollars in 1920, and five and one-half billion dollars in 1921.

"Tax receipts at the present, from all Federal Government sources, approximate forty-four billion dollars per year. It is probable that income tax rates will be reduced and certain taxes will be eliminated entirely, as for example, 'excess profits taxes' which theoretically are supposed to be war profits."

Mr. Brown preferred not to predict what the effect of peace will be on the national income other than to say that, "quite generally it is believed the national income will be reduced. Assuming a reduction of fifty per cent in our tax receipts in the post-war years, based on the aforementioned assumptions as to reductions in tax rates and national income, we reach one-half of the present Federal income, or twenty-one billion dollars. I estimate that from our twenty-two billion dollar income, twelve billion dollars per year will be needed to operate the Government, which leaves ten billion for debt retirement and interest. Assuming an average interest rate of 2 per cent on Federal obligations the debt could be paid in about 50 years on a straight-line amortization basis but, allowing for the more probable conditions, it will take approximately 65 years for the ten billion dollars to meet the interest and pay off the debt."

"The above is not a prediction," Brown hastened to add, "but merely some probabilities as to what our Federal Government's post-war financial condition may be. Experts will shoot at any prediction, but the above is not far off the probabilities."

Cotton Spinning For June

The Bureau of the Census announced on July 20 that according to preliminary figures, 23,280,584 cotton spinning spindles were in place in the United States on June 30, 1944, of which 22,373,494 were operated at some time during the month, compared with 22,387,784 for May, 22,411,922 for April, 22,568,308 for March, 22,513,300 for February, and 22,769,238 for June, 1943. The aggregate number of active spindle hours reported for the month was 9,712,189,574, compared with 10,060,478,468 for last month and 10,713,724,479 for June, 1943. Based on an activity of 80 hours per week, the cotton spindles in the United States were operated during June, 1944, at 118.5% capacity. This percentage compares, on the same basis, wtih 119.0 for May, 124.9 for April, 122.0 for March, 123.3 for February, and 130.0 for June, 1943. The average number of active spindle hours per spindle in place for the month was 417, compared with 432 for last month and 458 for June, 1943.

Calls For "Open Door" Economic Policy To Maintain Peace

Prof. Eduard C. Lindeman Of Columbia University Declares That "Peace Schemes, World Plans Or International Law" Will Be Ineffective Without Cooperative Action Of Proposed International Agencies—Sees Danger That "The Internal Frictions And Tensions Of American Life" May Make Us Incapable Of Performing Our International Duties

Eduard C. Lindeman

Addressing a forum meeting of the State Citizens Conference at Colgate University at Hamilton, N. Y., on July 30, Eduard C. Lindeman, Professor of Social Philosophy at the New York School of Social Work of Columbia University, expressed grave doubts whether the three great military powers in the immediate post-war period will succeed in maintaining "a perfect peace" unless they are prepared to alter their conduct and policies, and set in motion a certain number of functional international operations during the decade following hostilities. Among these operations, he stressed the need for an "open door" economic policy, the elimination of tariffs and new immigration policies.

"With respect to the problem of peace," Professor Lindeman remarked, "there will be, as usual, three typical attitudes: First, there will be **pessimists** who will assume that no workable plan for peace can be devised; second, there will be **perfectionists** who will assume that the ideal plan for peace has already been invented, probably by themselves, and that no other plan is worth discussing; and, finally, there will be **pragmatists**, realistically-minded persons who will not sacrifice everything in order to have their way. I align myself unhesitatingly with the realists."

"We shall not inherit a perfect peace from this war," Professor Lindeman cautioned. "As a result of this war the nations of the world will be so far unbalanced in terms of military power that three great sovereign states will be able to dictate any terms they wish. These three great powers will be Russia, Great Britain and the United States. When the war ends these three nations will be in possession of practically all effective heavy weapons in existence. Heavy armaments, battleships, tanks and fighting planes—without which no modern war can be successfully waged—will be the property of the Big Three. Even if this combination of unprecedented military strength were in the hands of the most altruistic and peaceful governors, its mere existence would constitute a threat to peace. The only condition under which peace could possibly be guaranteed with military power thus concentrated would be complete disarmament. Does any one in his right mind believe that Russia, Great Britain and the United States will disarm after this war?

"The time has come, I believe, when peace-loving citizens should cease to place their confidence in peace schemes or world plans or international law as the chief sources of peace. In our complicated world peace will be derived, not from a **priori** structures, not from idealistic agreements or pacts. The only fruitful hope for peace lies in functions. Peace has to be built and the building-stones must be items of action, not words. The achievement of peace is a slow and arduous process, and those who dedicate themselves to this goal must be prepared to alter their own conduct. My chief concern at the moment is with the behavior of my fellow-American citizens. What I want to know is whether you, even those of you who claim to be ardent proponents of world organization, are prepared to pay the price which peace will entail? Are you, in other words, ready to move towards peace, not with pious wishes and exalted hopes, but with actions the consequences of which will be peaceful?"

Referring to the prospects of an enduring peace, Professor Lindeman said that although "people talk about the possibilities of war 20 years from now, my worry does not reach that far." "My chief misgivings," he explained, "are attached to the immediate post-war period. I believe firmly that if we can prevent war and set in motion a certain number of functional international operations during the decade following hostilities, something like a prolonged, if not a permanent, peace can be achieved. The danger period is not a quarter century away; on the contrary, it is precisely in that period when war is itself a living and a haunting memory, that period which is often called reconstruction but which invariably turns out to be its antithesis. The present war did not begin in 1939. It began in the 1920's, and one of its seats of origin was the United States, not Europe or Asia. It was during those fateful years that we thought it was possible to talk peace on the one hand and increase our tariffs on the other. It was during those years that isolationism became an American pathology, when we thought there could be a peaceful world in which we refrained from cooperative action. Do you imagine that those same fallacies and contradictions can be repeated in the 1940's? I do, and I go even further. I believe that the internal frictions and tensions of American life may become so sharp during the post-war period that we may find ourselves completely incapable of performing our international duties."

"It will be seen from the above that I do not dissociate domestic from international problems. This type of thinking is in itself one of those non-realistic contradictions which retards peace. No, what I ask you to consider as your responsibility in relation to peace is not some fine-sounding resolution but rather whether or not you are prepared to act in certain specific ways. My approach to you is pedagogic, since I assume that we are now operating within an educational context. My method is Socratic. I have in mind six concrete questions which I should like to ask, and if you give affirmative answers, and are thereupon willing to strive to convince your fellow-citizens that they should do likewise, then my hopes for peace will mount. If, on the contrary, you are not willing to act towards peace in this positive manner, then I shall conclude that peace in our time is a futile dream.

"My questions are:

"(1) Are you prepared to admit that the three great surviving military powers of the world (Great Britain, Russia and the United States, and China as a fourth partner although on other than military grounds) must maintain the peace of the world during the period of transition and until such time as a comprehensive world federation is brought into existence?

"(2) Are you prepared to build functional international organizations or instruments now? As examples of such functional instruments I may mention:

(a) international agencies for the continuation or liquidation of lend-lease contracts;
(b) an international board of economic allocation for implementing Article IV of the Atlantic Charter;
(c) continuation of the Food and Agriculture agreement;
(d) continuation of an international relief and rehabilitation agency;
(e) establishment of an international office of education.

"(These are all international actions already under way or provided for in preliminary consultations. I ask whether or not you are in favor of their continuation, their internationalization?)

"(3) Are you prepared to labor on behalf of an open-door economic policy for the United States on a partial basis, that is, allowing for the free movement of a certain number of manufactured articles over a period of years, the selection of commodities to be made by scientists and in terms of standards of living?

"(4) Are you prepared to follow a similar course with respect to raw materials?

"(5) Are you prepared to labor on behalf of a new immigration policy for the United States, a policy which begins by eliminating all inferences of inferiority with respect to any people but a policy which retains the right of the United States to maintain quotas?

"(6) Are you prepared to labor on behalf of racial equality within the United States?

"These are not easy questions to answer in such manner as to make sure that your verbal response and your ensuing actions are to coincide. I have purposely selected a list of minimum requirements. My ideal goes much further. I have selected a small number of essentials without which peace, it seems to me, is impossible. In doing so I do not ask you to abandon your ideals. All I ask is a determination that you will work on behalf of these minimum requirements. And, while you are contemplating your answers, may I remind you that these fundamental decisions will sooner or later arise as issues in the Congress of the United States, the political body which represents you. And, while this prospect is before you, may I also ask that you keep in mind that those portions of this program which will call for treaty agreements can be defeated by one-third of the votes of the United States Senate."

Outlook For Bonds

(Continued from page 483)

draws nearer. Because of the almost constant political upsets, characteristic of the Latin-American countries, South American bonds have never appealed to me. There are far better opportunities in our own domestic securities than in foreign governments or industrials.

Medium-Grade Bonds

With continued heavy calling of top-grade corporate bonds, the dwindling supply of these issues, plus their low yields, resulted some two years ago in attention being focussed upon medium-grade industrial, utility and rail bonds. All of these groups have had substantial rises since the middle of 1942; but the prices of many medium-grade industrials are now flattening out. This is also true of medium-grade rail bonds, while medium-grade utilities have actually turned slightly downward in the past two months.

Of all the medium-grade groups perhaps the utilities offer the best opportunity at the moment. Entirely aside from the cleaning up of the balance sheets of many utility companies, it must be remembered that we are in an Election Year. If the war ends prior to November and the Dewey-Bricker ticket has a resulting good chance of being elected, then utility bonds, let alone utility stocks, should enjoy great popularity. In fact, from a psychological point of view, utility bonds may rise anyway.

Railroad Bonds

Disregarding top-grade railroad bonds, second-grade rail issues may show further strength insofar as well placed issues are concerned. Unquestionably, the financial position of most railroad companies has been greatly improved. Many short-maturity issues have been bought in by railroad companies and interest charges after the war may be considerably less for many roads than was true in pre-war days. On the other hand, traffic is bound to fall off and many second-grade rail bonds should sell for less than at present.

Defaulted Rail Bonds

Since the earlier months of the year, defaulted rail bonds have not shown the activity that was characteristic of them in 1943. In fact, for the past several months, they have moved in a distinct sidewise direction. Some of these bonds are now selling well under the estimated work-out values and common stock that will be issued upon the termination of receiverships. The purchase of defaulted rail bonds always requires both study and courage. The profit cream may be off such issues but there may be considerable milk still left in the defaulted railroad bond bottle.

Long-Pull Outlook

For all bonds, except possibly for certain rail bonds, the long-term trend of bond prices is downward. Any decline, however, will be gradual. Until the tax laws change, we will see little change in the situation with respect to tax-exempt issues. Low-grade rail bonds are probably the most vulnerable of all issues for they may early reflect the decrease in rail tonnage which peace is bound to bring. Least affected should be the long-pull transcontinental roads. Bonds of short-haul Eastern roads may all be a better sale today than they are a buy!

Pennsylvania Brevities

Rumblings From The Street

Although the usual summer dullness exists at the present time, there are some interesting items of business taking place or in the making.

The following companies have been reported considering refunding operations:

Metropolitan Edison Co.—Its outstanding bonds and preferred stocks.

Pennsylvania Edison Co.—The outstanding 1st mortgage 4½s of 11-1-1977 and 5s of 5-1-1979.

Philadelphia Electric Co.—The outstanding 1st and refunding 3½s of 3-1-1967.

Philadelphia Electric Power Co.—The outstanding 1st mortgage 5½s of 2-1-1972.

It is the general feeling that these refunding operations will be completed before the end of the year.

Market Street Elevated Passenger Railway Co. 1st mortgage 4s, due 5-1-1955, continue to be one of the most popular issues with the dealers for retail purposes. At the present market (105) this 11-year maturity provides above-average yield (3.42%) quality considered (BAA).

Outstanding in the amount of $10,000,000, this issue is secured by a first mortgage on the high speed line serving heavy east-west passenger traffic in central Philadelphia. It is assumed by the Philadelphia Transportation Co., which reported over-all coverage of fixed charges for year ended Dec. 31, 1943, at 1.62 times, against 1.53 times in 1942. Bonds are free of Pennsylvania personal property tax.

The bank stock dealers report considerable activity in many of the local bank stocks. The proposed split up of First National Bank of Philadelphia stock on a 10 for 1 basis should tend to make a more active market in the new shares, which will be on a $1.60 dividend basis. There has been considerable buying in this issue recently, forcing the price of the shares up over 25 points in the last couple of weeks.

Activity has been extended into the shares of Girard Trust Co., Philadelphia National Bank, Pennsylvania Co., and Central Penn National Bank. In spite of the usual dullness that prevails in the summer months for investment securities, the demand for the shares of the foregoing institutions has gained momentum.

United Corporation—Under date of 6-29-1944, the United Corporation filed with the Securities Exchange Commission an amend-

(Continued on page 491)

Rapid Expansion Of Air Conditioning Expected In Post-War Years

Philco Official Believes Increase In Single-Room Units Will Be 200%-700%

One of the important and fast-growing post-war industries is going to be single-room fractional horsepower air-conditioners or room coolers, even though only five or six years ago practically nobody knew what they were, according to Harry Boyd Brown, Manager of air-conditioning for Philco Corporation.

"The fact that very few people understood what a room cooler was, what it did or how it functioned was probably the chief reason the entire industry sold only 30,000 to 40,000 of these units a year before the war," Mr. Brown believes.

"But the performance, service and uility of single-room air conditioners have been so outstanding and so apparent to the user, that word of mouth advertising within the past few years has done a remarkable educational job insofar as the general public is concerned. The news about air conditioners has spread so rapidly that in the first post-war year, three times as many units will be made and sold as ever before, and it is not too radical a prophecy to say that three or four years after the war, annual volume should increase to six or eight times that of 1941. In that event the business might amount to $60,000,000 a year.

"Before the war, only a few dealers realized the big profit possibilities of this merchandise, but within the last 16 or 18 months, we have been amazed at the number of unsolicited inquiries that have poured in from dealers. They seem to be coming to realize that here is a high-priced unit, selling from $175 to $400, which is easily and quickly sold for cash without high-pressure or expensive sales effort and without the need for any trade-in allowance.

"When a dealer sells a Philco unit for $250, he gets payment in full then and there. When he sells a unit for a home and installs it in the master bedroom, he quickly finds he has a customer for four or five units in other rooms. The same thing is true of installations in hospitals, hotels and offices. The single-room air conditioner itself, by its performance, creates an amazing number of repeat sales and new prospects. Nothing else gives such relief to sufferers from asthma and hay fever, and use of air conditioners is being prescribed with increasing frequency by physicians.

"Undoubtedly the post-war units will be lighter in weight, and therefore, even more easily installed. They will incorporate the new materials and processes that hav been developed by war research. Along with all these things, Philco is planning to make and sell the units at lower prices, which should greatly increase the scope of the market and make them available to many more people than ever before."

The Delaware River Joint Commission Refunding Bonds

Traffic On Philadelphia-Camden Bridge Up 21.3% In First Half Of 1944

By B. NEWTON BARBER

The 2.70% bonds due in 1973, secured by the revenues of the bridge, are regarded as a high-grade investment on their record. At 107¼-108¾ they are attractive for retention and purchase.

About one month ago, June 30, 1944, to be exact, the Philadelphia-Camden Bridge completed its 18th year of operation. During that period it has seen boom times and a severe depression. More recently it has felt the heavy wartime restrictions on vehicular travel. In that 18-year period 205,825,708 vehicles used the bridge. Of these, automobiles and light delivery trucks numbered 179,775,243, heavy trucks 5,960,061, buses 19,623,566, motorcycles 462,398 and horse-drawn vehicles 4,440. Gross receipts amounted to $54,673,934.

B. Newton Barber

Never in its long history has its economic soundness or financial integrity been seriously questioned. During 1942 and 1943, when traffic and revenues were steadily declining due to strict gasoline rationing, investors looked at the Commission's earned reserves in cash and U. S. Government bonds and were not worried about the ability to service the debt. The possibility that the Commission would exercise the privilege to redeem the then outstanding 4¼% bonds at 105 in September, 1943, was their chief concern. The Commission did just that, issuing in July, 1943, the presently outstanding $37,000,000 of 2.70% bonds due Aug. 1, 1973, through competitive bidding.

Before discussing the earning power and protective provisions securing the bonds, a brief description of the project and the historical background is in order. The Philadelphia-Camden Bridge, as the name implies, links two large adjacent metropolitan areas at the centers of their respective business districts. For more than a hundred years a bridge connecting the two cities was dreamed about, but not until the end of World War I did it become a practical possibility. Finally, in 1919, the Legislatures of Pennsylvania and New Jersey passed uniform laws, creating the Delaware River Bridge Joint Commission, with full power and authority to proceed with the work. This Commission promptly set to work to determine the best location and proper type of bridge, method of financing and other details, and by 1921 was ready to start construction.

Ralph Modjeski, the celebrated bridge builder, was placed in charge and the bridge was opened to the public on July 1, 1926, a few days ahead of schedule. The structure has a total length, including the approaches, of 9,570 feet. Its main span is 1,750 feet long. There are six lanes for vehicular traffic and provisions for four rapid transit lines in the 128 feet over-all width. Two of the transit lines have been in use since 1936 and the two remaining can either be converted to vehicle lanes or used for transit lines at some future time. The bridge has a clearance of 135 feet above high water to permit passage of the largest ships.

Funds for construction were provided by the two States and the City of Philadelphia. The total cost was $37,077,479, and of this amount Pennsylvania contributed $10,575,479 out of current revenues; New Jersey contributed $15,900,235, raised by the sale of bonds, and Philadelphia contributed $10,601,765, also from proceeds of bond issues.

In 1931 the present Delaware River Joint Commission of Pennsylvania and New Jersey was created, by agreement between the States, as successor to the original Commission. This agreement, later approved by Congress, granted the Commission broader powers than its predecessor and included the power to own real estate, enter into contracts, exercise the right of eminent domain, borrow money on its bonds and to exercise all powers necessary or incidental to its authorized purposes, except the power to levy taxes or assessments.

The Commission was authorized to raise funds by the sale of revenue bonds to repay the three participants the amount of their net investments, plus interest to July 1, 1931. Having paid back some of the cost out of revenues re-

(Continued on page 491)

J. Lewis Armstrong Co. Is Formed In Phila.

PHILADELPHIA, PA.—Announcement is made today of the dissolution by mutual consent of the investment firm of E. J. Moore & Co. of Philadelphia which has been in business continuously since 1882, and the formation of the firm of J. Lewis Armstrong & Co. Partners of the new firm are J. Lewis Armstrong and John C. Rowland, formerly partners of E. J. Moore & Co. The new firm will occupy offices in the Girard Trust Co. Building, Philadelphia, heretofore occupied by E. J. Moore & Co.

Formation of J. Lewis Armstrong & Co. was previously reported in the "Financial Chronicle" of July 20.

Pennsylvania Brevities

(Continued from page 490)

ment to its reorganization plan, revising exchange offer made to $3 preferred stockholders in January, 1944. Under the terms of the revised plan, holders of preferred stock were offered a voluntary exchange of 1 8/10 shares of Philadelphia Electric Co. common, plus $5 cash for each share held. The original offer being 1½ shares of Philadelphia Electric Co. common, ¼ share of Delaware Power & Light common, and $3.75 cash. It is expected that prompt action will be taken on this revised exchange.

Security holders interested in the breakup f the UGI System have two interesting situations to ponder: (1) How good is Delaware Power & Light common stock, and (2) What are the advantages or disadvantages of holding UGI residual certificates?

With the virtual cleanup of its property and financial affairs so as to conform with SEC regulations, Delaware Power & Light has emerged with a rather sound financial structure, considering percentages of funded debt, preferred stock and common stock equity. With such a sound base, and operating in territory productive of stable, good-paying business, many investors are looking twice at the potential benefits which may accrue to this company if and when there is a reduction or an elimination of the excess profits tax.

Selling now at about fifteen times earnings after a very generous excess profits tax deduction, the common stock appears to hold promise of increased earning power via post-war tax abatements. In the meantime, the yield, based upon indicated initial dividend, affords a good carry.

UGI residuals are now supported by (1) holdings of so called publicly held, readily marketable items, and (2) a number of relatively small gas properties. Figures filed with the SEC in the fall of 1943 indicate essentially low earning power. Moreover, liquidation would appear to affect only the publicly held marketable securities since the company will apparently remain in the gas business.

Holders of UGI residual certificates may therefore ponder a switch into North American common, where earning power and dividends are measurably greater and where the potentials of liquidation in any breakup appear to afford as much if not more than UGI and possibly at an earlier date.

Major Business Changes Ahead This Year

Business and industrial activity are now headed downward, and this trend will be speeded up as the war in Europe draws to a close, says the United Business Service in its current Semi-Annual Business Review. Every week from now on will heighten the assurance with which our military leaders will be able to forecast the date of Germany's collapse, and with growing confidence on this point, they will relax restrictions which hitherto have kept industry on an all-out war basis.

Both sales and production volumes will decline during the second half, with the drop accelerating in the fourth quarter. When the German collapse actually comes, almost half the facilities now engaged in war output will be released. Although some plants and industries are already converting back to peacetime operations, the major changeover probably will not start before fall, and it will take several months in many lines to return to peacetime operations.

The impact of peace on commodity prices will be bearish. Many industrial concerns are carrying large inventories of primary products in line with their wartime operations. It is unlikely that these will be dumped at distress prices. However, such supplies will make it unnecessary to continue large purchasing orders. Nevertheless, wide price divergence will be seen, with some items subsequently moving up to new highs.

Politics will play a disturbing rather than an actual influence on sentiment. Little legislation can be expected until elections are over, but the indicated trend of popularity will probably affect business decisions and reconversion programs to some extent.

On the whole, however, the second half outlook is not a dismal one. Production and employment will continue on a relatively high plane, and before the year ends a clearing of the political atmosphere should enable Government and business to make real progress in reconversion.

The Delaware River Joint Commission Refunding Bonds

(Continued from page 490)

ceived, the obligation was determined to be $33,205,995. Because of general business conditions and the state of the bond market, sale of the bonds was deferred and in 1933 legislation permitted the two States and the City of Philadelphia to accept $30,962,000 4¼% bonds, the balance then due. Philadelphia soon sold its bonds to a group of dealers and the investor finally had an opportunity to buy them. Later $7,158,000 of additional bonds were sold to the public to finance the transit line.

Revenues of the bridge increased steadily to $3.5 millions in 1930. Thereafter they declined to a low of $2.8 millions in 1932 and slowly recovered to $3.1 millions in 1936. In 1937 revenues again dropped moderately when passenger car tolls were reduced 20% but recovered to the 1936 level in 1938 and climbed steadily to $3.65 millions in 1941. Then, as was to be expected, revenues dropped steadily through 1942 and 1943, but they still covered interest charges by a comfortable margin. Through the period from 1935 to 1943 the Commission had paid off $2.9 millions of bonds and built up resources of $6.25 millions in cash and U. S. Government bonds.

In the 12 months ending June 30, 1944, with driving restrictions eased somewhat in the later months, gross earnings increased slightly over the preceding year. In the six months ending June 30, 1944, traffic increased 21.6% over the comparable 1943 year and it seems reasonable to assume we have seen the low point.

Throughout the entire period of operation, Mr. Joseph K. Costello has been the General Manager of the project and a large share of its financial success has ben due to his excellent management.

The Bridge refunding 2.70% bonds, like the previous issue, are solely secured on the earning power of the bridge, and the main differences are the 30-year-term maturity and the redemption and sinking fund provisions which are designed to meet all contingencies. To provide against reduced earning power during the war period, the $6.25 millions reserve was retained for the new bonds, and as of June 30, 1944, had been increased to $7,945,416. It was further provided that until gross revenues again rise to $3.3 millions (the 1940 level) the funds can only be used to make up any operating revenue deficits to pay interest. After revenues reach this level, funds can be used for capital improvements but a reserve equal to 18 months' interest on the outstanding bonds must be maintained.

The Commission further covenants to maintain tolls at a rate to provide operating expenses, which are clearly defined, interest payments and minimum reserve requirements. The latter include an amount equal to the amount of bonds outstanding divided by the number of years the bonds have to run to maturity in 1973.

Revenues after operating expenses are paid into the sinking fund from which is first paid interest on the bonds and then, at the Commission's discretion and subject to the provisions, previously mentioned, the balance may be used to retire bonds, allowed to remain on secured deposit in banks or invested in Government bonds of not longer than five years' maturity. It is apparent that the provisions are designed to make the retirement of the bonds the most advantageous course.

Further safeguards are restrictions against new competition within 10 miles, up or down the river, multi-risk insurance in the amount of $10,000,000, use and occupancy insurance in the amount of $500,000 and War Risk insurance in the amount of $32,000,000.

The bonds are legal investments for trust funds in Pennsylvania and New Jersey and are free of State and local taxes in Pennsylvania, so they have a particular appeal in this market. They are also free of all present Federal income taxes under existing laws, in the opinion of counsel, so that market interest is by no means local.

The bonds are callable on Aug. 1, 1946, at 105. Selling at 107¼ to 108¼, they still afford yields of approximately 1.52% to 104%, to the call date, dependent upon the price paid.

AIB Announces New Educational Committee

James E. Robertson, President of New York Chapter, American Institute of Banking, and an Assistant Cashier of the Chase National Bank, announces the formation of an educational advisory committee which will guide the Chapter's officers in the formulation of educational policy to meet the constantly changing needs of those engaged in banking.

Among those prominent in the banking and educational fields serving on the committee are: Dr. A. Wellington Taylor, Chairman, Director of Commercial Education, the Chamber of Commerce of the State of New York, formerly dean of the Graduate School of Business Administration, New York University; Dr. Robert D. Calkins, dean, School of Business, Columbia University in the City of New York; Dr. Eugene A. Colligan, Vice-President, Long Island City Savings Bank, formerly President of Hunter College; Allan Sproul, President, Federal Reserve Bank of New York, and Dr. Charles A. Tonsor, Principal, Grover Cleveland High School.

Schwabach To Admit Saxl

Paul Saxl will become a partner in E. R. Schwabach & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Atlanta Bond Club 24th NSTA Affiliate

The executive council of the National Security Traders Association, Inc., announces the affiliation of the Atlanta Bond Club of Atlanta, Ga., making the 24th group to affiliate with the national organization. Officers of the Atlanta Club are: J. R. Neal, Wyatt, Neal & Waggoner, President; Byron Brooke, Brooke, Tindall & Co., Vice-President; J. F. Settle, J. H. Hilsman & Co., Inc., Secretary-Treasurer; and W. W. Mallory, Clement A. Evans & Co., Inc., National Committeeman. The organization has 60 members.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

In 1943 mutual fire and marine insurance companies wrote 16.5%, and stock fire and marine insurance companies wrote 83.5%, of the total business written by both mutual and stock companies. According to the 1944 "Insurance Year Book: Fire & Marine Volume," published by "The Spectator" (Insurance Authority since 1868), all reporting mutual companies, 176 in number, wrote $212,042,269 of business in 1943 and all reporting stock companies, 372 in number, wrote $1,074,725,000 of business. These totals compared with $199,826,000 and $1,144,461,000, respectively, in 1942.

Over the entire 17-year period the total premium volume has aggregated $17,292,640,000, of which the mutuals have written $2,497,343,000 or 14.4%, and stock companies, $14,795,297,000 or 85.6%. It will be noted that the mutuals' portion in 1943 of 16.5% was the highest percentage for the period covered.

From time to time a few dealers and investors in fire insurance stocks express concern over the inroads which they imagine mutuals are making in the business of the stock companies. They hear of instances in which certain large insurers have taken their business from a stock company and given it to a mutual. Many such instances have occurred and will continue to occur, but the idea that mutuals are slowly absorbing the business of the stock companies is not borne out by statistics.

The accompanying table shows for each year since 1927 the relative volume of business written by mutual and stock companies:

	Net Premiums Written			Per Cent of Total	
	Stock Companies	Mutual Companies	Total	Stock	Mutual
1927	$980,105,000	$128,330,000	$1,108,435,000	88.4%	11.6%
1928	990,605,000	141,351,000	1,131,956,000	87.5	12.5
1929	1,027,028,000	152,604,000	1,179,632,000	87.1	12.9
1930	918,039,000	153,495,000	1,071,534,000	85.7	14.3
1931	787,019,000	142,233,000	929,252,000	84.7	15.3
1932	680,521,000	97,391,000	777,912,000	87.5	12.5
1933	622,277,000	112,190,000	734,467,000	84.7	15.3
1934	672,437,000	130,433,000	802,870,000	83.8	16.2
1935	702,620,000	134,415,000	837,035,000	83.9	16.1
1936	759,429,000	131,426,000	890,855,000	85.2	14.8
1937	831,622,000	140,506,000	972,128,000	85.5	14.5
1938	782,204,000	139,469,000	921,673,000	84.9	15.1
1939	814,514,000	142,128,000	956,642,000	85.1	14.9
1940	932,074,000	156,298,000	1,088,372,000	85.6	14.4
1941	1,075,617,000	183,206,000	1,258,823,000	85.4	14.6
1942	1,144,461,000	199,826,000	1,344,287,000	85.1	14.9
1943	1,074,725,000	212,042,000	1,286,767,000	83.5	16.5
Totals	$14,795,297,000	$2,497,343,000	$17,292,640,000		
	85.6%	14.4%	Average	85.5%	14.5%

It will be observed that in 1927 the mutuals wrote 11.6% of the total volume, and that their proportion increased each year until it reached 15.3% in 1931; it then dropped to 12.5% in 1932 and increased thereafter to the top figures of 16.2% and 16.1% in 1934 and 1935 respectively. Since then their annual proportion has run around 15%, until last year when it suddenly jumped to 16.5%. This jump can most probably be attributed to the abnormal condition brought about by the war, and is not believed by this writer necessarily to represent a permanent increase in the mutuals' share of the total business.

While it is true that the mutuals' net rates to most policyholders are lower than those of the stock companies, nevertheless it is doubtful whether they can ever seriously impair the predominance of the strongly capitalized, firmly established old-line stock companies, whose nationwide agency plants represent an investment of many millions of dollars. To compete in the wider-spread field of the stock companies would require the mutuals to build up the equivalent of the stock companies' agency plant.

The practice of the mutuals is to operate in relatively small areas and to confine their writings to the better risks. The result of this policy is to restrict volume but to give them better loss ratios than the stock companies experience, as the following figures show:—

RATIO OF LOSSES PAID TO PREMIUMS WRITTEN

Year—	Stock Companies	Mutuals
1927	51.2%	33.2%
1928	48.9	33.2
1929	47.6	54.4
1930	56.8	40.2
1931	59.7	41.5
1932	58.9	37.1
1933	46.3	36.0
1934	42.9	33.1
1935	36.6	28.8
1936	42.8	35.3
1937	42.8	34.6
1938	48.3	37.7
1939	45.0	38.1
1940	43.5	37.6
1941	43.8	38.4
1942	55.0	36.4
1943	47.2	33.1
Average	48.1%	37.0%

It is very apparent that the mutuals do not serve as large an area of the public, nor offer as widespread protection, as do the stock companies. Yet if they are to increase their volume to any substantial extent they must become less choosy and underwrite the less favorable risks in considerable volume, a course of action which would inevitably lead to higher loss ratios. Furthermore, to achieve any substantial expansion in premium volume they would also have to expand their sales organizations, a course of action which would probably result in higher expense ratios. With loss and expense ratios both increasing, rates would have to rise also, and thus the main advantage of the mutuals over the stock companies, viz: lower rates, would tend to disappear.

Before closing this brief discussion, it is of interest to note that the investment practice of mutual fire insurance companies differs considerably from that of stock fire insurance companies, as per the following figures:—

CLASSIFICATION OF ASSETS, 12-31-43

	372 Stocks Companies	176 Mutuals
Real estate and mtgs.	2.9%	6.2%
Bonds	42.3	62.6
Stocks	38.8	13.3
Cash and agents' balances	16.0	17.9
Total	100.0%	100.0%

The insurance business in America is still growing and will continue to grow so long as does America, and there is ample room and opportunity for both mutual and stock companies to live and grow prosperously side by side for many many years. Meanwhile, the competition thus afforded is of some advantage to the American public.

Prices Rise At The Rate Of 2.25% Monthly In Mexico

The following is taken from the May 31, 1944, bulletin issued by the Banco Nacional de Mexico, S. A., which has just come to hand:

Not only by the increase in monetary circulation but also as a result of other inflationary forces now at play, prices have risen. The general index of the Banco de Mexico reached 224.4% as against 100 in 1929. From March to April it went up 5% and, as compared with December, 1943, 11%. The upward rhythm has been 2.25% monthly. According to figures of the Department of Economy, however, the cost of living has reached 301.5% and foodstuffs 377.4% as against 100 in 1934. To make this point clear, our currency buys 25% of what it could acquire in 1934. The depreciation has been uninterrupted. See index numbers covering the cost of living since the outbreak of the war.

1939	155.3%
1940	157.2
1941	163.9
1942	188.5
1943	249.5
January 1944	277.2
February	282.2
March	291.2
April	301.5

Note the cost of foodstuffs:

1939	177.4%
1940	189.5
1941	198.8
1942	216.1
1943	287.4
January 1944	341.7
February	348.1
March	358.0
April	377.4

The increase is incessant and the rate is accelerating as the days go by.

According to the Bank of Mexico, from March to April consumer goods have passed from 232.0% to 249.9%; production goods from 174.5% to 181.0%. A decree was recently published, to which was attributed other than its avowed purposes, as the official utterances were to the effect that it was desired to avert "dumpings" which were harmful to domestic producers; but it was stated that in obedience of that ruling the importation of other articles would be prohibited, these have gone up over the levels they had reached.

Monetary Circulation

Up to April 22 the monetary circulation had reached 3.123 million pesos, against 3.101.9 on March 25 and 2.984.3 million in February.

The increase registered corresponds to currency proper, i.e., metal and bills, as deposits fell off 1.7 million pesos due to payments made by individuals to the Government by virtue of a previous agreement whereby they were to anticipate the 1944 taxes. The increase in bills reached 16.7 million and metal currency 6.4 million. If we compare the latest figures with those of last year, there is an increase of 331.7 million in bank bills; 100.7 million in silver pesos and small silver currency and 497.8 million in deposits. The average monthly increase in the year has been 77.5 million, which is still very high for the apparent needs of the trade.

Unquestionably a portion of the increase in currency has been due to the real needs of the trade, the operations of which have expanded immensely as a consequence of the boom which lasted until 1942, but it cannot be denied that a considerable part has been due to the inflationary expenses of the Government, or to the influx of foreign capital for profitable investment in Mexican enterprises.

Authorities have put into practice intelligent measures, the same as other countries. But the Mexican market, for lack of organization and meagre development, has offered unexpected resistance. They have not become discouraged but have strengthened the expedients which in their judgment have yielded most effective results. Among them is an agreement which they recently proposed to the banks in the Federal District, calling for the "freezing" of loan portfolios as of May 17 of this year. That is to say, they will not invest new deposits after that date but send them to the vaults of the Banco de Mexico; or in coined gold or gold "discs" at the rate of $4.20 per 75 centigrams of pure metal or gold bars at the rate of $4.14 per 75 centigrams of said metal; or in promissory notes endorsed by the Banco Nacional de Comercio Exterior or by the Banco Nacional de Credito Agricola under certain conditions; in Government bonds which meet certain requirements or in certificates of participation of the Nacional Financiera; finally, in dollars abroad.

The Government, or rather the financial authorities, have selected May 17, in the opinion of observers, because at that moment the mass of circulation did not obstruct, but encouraged, the conduct of operations, as shown by the index of prices. It has been considered that the "freezing" of credit may give rise to liquidation of merchandise and that by this means the lowering of prices will be facilitated.

These observers consider that the measure in question is not sufficient in itself to achieve what is contemplated. As long as production of consumer goods does not increase satisfactory (we have said that in some cases it falls off due to the legal, administrative and economic rulings issued); so long as the finances of the States that seek their maintenance through assessments and excise taxes which burden the operating cost of the producer are not straightened out; so long as the program of public works is not reduced, which, as we have explained, injects buying power without offering in exchange anything in the way of consumer goods as a counterbalance; so long as investment in agriculture is not fostered, enacting protective laws which do not injure the essence of the agrarian reforms; so long as administrative immorality is not prosecuted and the transporting system is improved; so long as the workers are not convinced that new wages and salary raises are detrimental, rather than beneficial, to them, and they are encouraged to save, whenever possible; so long as the railways services are not improved and other transporting systems are adequate and cheap; so long as a concerted policy is not directed energetically, any measure, irrespective of how good it is considered, will yield but partial and often short-lived results.

The agreement executed with the bankers may cause some liquidations, but also the rise in interest rates, which are very high at present. Such high rates affect commercial and industrial transactions and this, in turn, makes selling prices to soar. On the other hand, we are in the midst of a construction period, when the maximum use of economic forces is indispensable. The curbing of credit may act as a brake on the stimulus needed by producers, and in that event we would not achieve the goal which we have fixed for ourselves in the shortest time.

No thought has been given to the fact that the foregoing may cause a flight of capital which would diminish the reserve, on which every one here has deposited his hopes for the industrialization of Mexico.

Shows Interesting Progress

Buckley Brothers, members of the New York Stock Exchange and the Philadelphia Stock Exchange, have issued a statistical analysis of the earnings of National Paper & Type Company, showing the progress of that company since 1936. Copies of this interesting analysis may be had upon request from Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., or 63 Wall Street, New York City.

Also available on request is a study of Metal & Thermit.

Two With Reynolds & Co.

Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange and other exchanges, announce that William Brooks Clift and Roger Vasselais are now associated with them.

The New York Curb Exchange

(Continued from page 482)

weather occasionally drove this tiny Curb market to shelter in nearby coffee houses and thus they became accustomed to transact their business with one another and for the public.

The first sign of organization was an agreement entered into in May, 1792, among 24 of these early Curb members who agreed on that date to establish a minimum rate of commission and to give preference to each other in their negotiations. It was not until 1817 that Street Brokers in New York went under a roof for the first time when the "New York Stock and Exchange Board" was formed and agreed to pay George Vaupell $200 per year for the use of the front room of his two-storied house at 40 Wall Street, Mr. Vaupell to supply a fire, chairs when needed, and to keep the room in order. Mr. Vaupell's quarters proved inadequate and others were secured in a building at Wall and Hanover from which the then flourishing little exchange was rudely evicted by the great fire of 1835. After some further wandering, including a temporary lodging in a hay loft, the Exchange finally in 1842 located in a large hall in a building on the present site of the National City Bank. There it remained until 1854.

The end of the Civil War with the enormous issues of irredeemable paper put out by governments had the effect of immediately inflating and stimulating American business — new enterprises started — promoters flourished and stock speculation overflowed the Stock Exchange into three newly organized minor exchanges, one of which was in many ways similar to the original 1792 market under the buttonwood tree and may be taken as the forerunner of the present "Curb."

Many here will recall the picturesqueness of the Curb Market, as it was then called in the days of New York's first sightseeing busses — those enormous vehicles from which a stentorian voiced youth with a megaphone indicated the points of interest in New York to visitors. The stop at the Curb Market was usually a long one, for it was one of the sights of the city. Here a milling throng adorned with every variety of headgear — red hats, blue hats, green hats — jostled and pushed, while above them, high in the windows of adjacent buildings were others arm waving, shouting or signalling to a particular hat on the street below.

The history of natural security exchanges such as the Curb Exchange in the past one hundred years is the history of the evolution of American Business from the small family enterprise to the gigantic corporation of the present day. By enlisting the surplus funds, or the savings, of thousands of individuals to a common purpose, great reservoirs of capital were created out of which came the development of the automobile, the radio, the telephone, the airplane, to mention but a few. The interest of each individual in a common enterprise was recognized by a certificate of stock. It became equally important that should the holder of these certificates desire to convert his shares into cash, a market in which to do so must be at his disposal. It is for the purpose of supplying that market — the market to which prospective investors may come; the market in which sellers may dispose of their shares, or to which either may turn if they wish only an appraisal of value — that the Curb Exchange exists.

This building, the present home of the Curb Exchange, was occupied until quite recently, exclusively by the Exchange although it is now leasing some space to organizations closely identified with the war effort. Here is represented the fruition of an idea; the idea that in Exchange trading, only, there exists the highest degree of protection to the investing public. What you see pictured, however, is merely the exterior, the facade, as it were, for there is no way to show the character of the organization, nor the degree of ethical conduct there must be if it is to continue as a trusted and respected institution. We of the Exchange, perhaps better than anyone, appreciate the responsibility we have assumed as the second largest security market in America, or perhaps I should say in the world, and we are determined that these responsibilities will be discharged completely.

I shall try to stay away from the technicalities, but I would like to touch for a moment on the organization of the Exchange itself. It is governed by an elected Board of Governors recruited from all elements of membership, and three Governors representing the public. There are four major committees of from seven to ten Governors each. These are in charge of the four departments of the Exchange: one occupied with listings, one with trading floor activities, one with the supervision over members and member firms, and one with the finances of the Exchange itself. The graph I have prepared will, I believe, show that setup clearly.

The work of the Listing Committee is one of great importance, for securities, you know, just don't come on Exchanges. Each must satisfy the committee of the good faith of the enterprise, each must have had a corporate existence of sufficient length to indicate future potentialities, each must have its shares widely enough distributed to insure a continuity of market, and each must furnish adequate financial information, to mention but a few of the requirements.

Securities dealt in upon the Exchange fall into two categories, those "fully listed" and those, called in the absence of a more accurate designation, "unlisted." Insofar as the character of the securities themselves is concerned there is no difference between them. Transactions in each are governed by the Rules of the Exchange and are subject to the supervision of the appropriate committee. Prior to the adoption of the Securities and Exchange Act in 1934, the "unlisted" securities were admitted to dealing upon the application of a member of the Exchange, but only if approved by the Committee on Listing and by the Board of Governors. Since March 1, 1934, no unlisted securities may be admitted without the approval of the Securities and Exchange Commission.

Securities fully listed are admitted on the application of the issuer itself.

Both classes are registered securities within the contemplation of the Securities and Exchange Act; but the issuer and the officers, directors and controlling stockholders of issuers of listed securities are subject to certain duties and obligations which do not bind unlisted issuers.

If and when the shares are admitted to dealing, the stock is assigned to a specific post on the trading floor so that members with orders to buy or sell may go instantly to that place to inquire as to the prevailing market. At the trading post the stock is in charge of a member who is designated as the specialist. That is, a person who will accept and be responsible for orders at prices a little away from the prevailing quotation. These accumulated orders, both to buy and to sell, are entered in price sequence in the order of receipt and become in the aggregate the "book" of the specialist. From those orders on his book and from orders received by him through the day, the specialist, in competition with orders in the hands of other members acting as brokers, establishes a market. The bid, the highest priced order at hand, and the offer, the lowest offer to sell, constitute the quotation. Thus a two-way auction with competition to buy and competition to sell is established. The specialist, however, may not buy or sell securities for his own account at the same price as an order on his book.

The mechanics of the market are simple. In the course of the day the buyer and seller through members come to agreement as to price and a transaction is effected. Instantly this is reported to the ticker operators and is printed on the tape to become a permanent record. Any question as to time, price, sequence or regularity may be checked and answered from the record maintained by the Exchange or its members. The market is an open market — and by that I mean by rules and regulations of the Exchange there is no place for secret understandings or special treatment of a favorite few. The seller in San Francisco and the buyer in Boston who meet in this market place know instantly, or may quickly ascertain, exactly what has happened and why. What is good for the buyer may not be in the best interest of the seller and vice versa, and the committee charged with supervision of the trading floor, the Transaction Committee, is alert to see each is protected. The sanction of a Governor is required in any instance of seeming disparity between a last sale price and a present quotation before a transaction may be consummated and no Governor will sanction a trade unless he is satisfied that the transaction is in order. The Exchange, you know, and it seems hardly necessary to say so, has no interest in any transaction other than to see that the rules are observed. In fact the Exchange isn't really an exchange at all in the sense that the Exchange is a part of the proceedings. All the Exchange does is to supply the mechanism, the meeting room and facilities to the members, who develop what business they can and transact that business on the floor. To be sure, and I would like to emphasize this, the Exchange has the responsibility to see that the highest standards of ethical conduct prevail; that those who accept business or carry securities for the public are financially responsible; that the market is free from manipulation; and that prices reflect the varied interests of those who are presently shareholders or those who are disposed to become so. To that end the two committees I have mentioned, Listing and Transactions, are important. But the work they do is augmented by other committees of the Exchange with the same end in view. Members and public alike are on a basis of equality; the cost of the service is known — the commission rate is predetermined so that an investor, satisfied with the price of the security, may purchase or sell knowing in advance what his cost will be.

I have, I think, spoken over long and in conclusion I would like, if you will permit me, the privilege of saying just a word or two about the Post-War Exchange. This war surely must end soon. There must be a cessation of the wanton destruction, misery, sacrifice and terror of the past four years. Perhaps it will come sooner than we think, and pray God that it will. There will be a period of adjustment. That period must not be too long. It need not be if those in authority plan wisely. The war has put the spur of necessity into the development of new materials, new processes, new techniques which will, with the cessation of hostilities, find their way into the markets of peace. There will be plenty of opportunity for the doers, the producers and the real accomplishers in many fields of endeavor. It does not require too much imagination to accept as a practical accomplishment of a peaceful world such things as television — improved transportation — imperishable fabrics—universal air conditioning — synthetic medicines — and a host of other things all of which will contribute to the health and comfort of our people. Private enterprise under a program of realistic taxation which will permit the retention of a reasonable share of the profits in new enterprises will attract "adventure money"—that is, capital willing to accept greater risk for a proportionately greater gain — and new fields of endeavor will be opened. It is when these new enterprises have passed through their formative stage and have achieved the status of new but infant industries that the facilities of the Curb Exchange are put to use. We are the proving ground, as it were — the public market for securities in the growth period. It may be of interest to you when I tell you that approximately 65% of the securities now traded in on the New York Stock Exchange were once on the New York Curb.

We look, in the not too distant future to the admission on our Exchange of the securities of many corporations which today are closely held either by family or private groups, or of others now in the embryonic stage of development. This is the real function of our market. This is the part we play in the economic life of the nation. As America expands, and such expansion is limitless, the Curb Exchange will expand likewise.

Now Inv. Dealer

SAN FRANCISCO, CALIF.—J. W. Hilliard & Co., 681 Market St., is now engaging in a securities business.

Ten Years Of The FDIC

(Continued from first page)

FIDC has had, moreover, nothing directly to do with the unprecedented increase in the Circulation Money of the United States, but this was simply a parallel development which shows the increase in the potential purchasing power media in the hands of the public, both in the form of bank deposits—excluding interbank deposits, where such data are available—and the money in circulation outside of the Treasury and the Federal Reserve Banks.

Composite Balance Sheet Data Valuable

The form of the composite balance sheet for all of the operating insured banks under the FDIC has been helpful in giving us a clear picture of the operations of these banks over a period of years, and the data they contain were never before available for almost the whole of our banking structure in a convenient form. Not all of the banks of the United States are included in the figures given at the end of each year for the total operating banks, but the 1,400 to 1,500 not included are for the most part small banks in four or five states, mainly mutual and other types of savings banks in Massachusetts and Connecticut, and small unit banks in isolated communities or in small communities where all of the banks remain outside the Corporation—if state banks—in such states as Kansas, Georgia, New York and Maine, and a few others.

In making composite balance sheet studies for the British "Big Five" Joint Stock banks over a long period of years, from 1927 through 1943, I found in the earlier years from 1927 through 1934, we had no data in the United States in a published form which was comparable to that which could be compiled from the British bank statements. The "Big Five" in England are not all inclusive but they do about 87% of all of the commercial banking business of England and Wales, but there are 11 other joint stock banks in that area, some few of which are controlled by members of the "Big Five." Since 1934 comparisons of value may now be made with the operating insured banks under the FDIC on the one hand and those of the British joint stock banks, particularly the "Big Five," on the other.

One of the most notable, though incidental, services of the FDIC, therefore, has been to give the American public banking data at six month intervals in the 20 Call Reports issued to date which were not before available. These data not only show the trends which are taking place in our banking system but they help to show the relationships between many of the sets of data involved. The following abbreviated table of condensed balance-sheet data from the Call Reports show such trends:

TABLE I—CHANGING CHARACTER OF COMMERCIAL BANKING

Years—	No. of Operating Insured Banks (At end of year)	†Banks Suspended or Merged (During year)	Advances to Banks' Customers, i. e., Loans and Discounts (At end of year)	Advances to U. S. Government, i. e., Government Direct and Guaranteed Securities (End of year)
1934	*14,137	57	$14,593,000,000	$11,712,000,000
1935	14,123	35	14,698,000,000	13,275,000,000
1936	13,970	71	15,940,000,000	14,750,000,000
1937	13,795	‡84	16,717,000,000	13,669,000,000
1938	13,659	‡80	16,024,000,000	14,506,000,000
1939	13,535	70	16,866,000,000	15,567,000,000
1940	13,438	47	18,398,000,000	17,063,000,000
1941	13,427	16	21,262,000,000	21,047,000,000
1942	13,347	23	18,906,000,000	40,711,000,000
1943	13,274	§5	18,843,000,000	58,694,000,000

*Compared with 14,140 operating insured banks on Jan. 2, 1934, when FDIC was opened, and with the all-time record of all banks on June 30, 1920, of 30,976—Comptroller of the Currency's figure.

†Merged or consolidated with aid or funds of the F. D. I. C. Does not include banks voluntarily liquidated during year.

‡Reflecting 1937-38 short-lived depression conditions.

§Data furnished for 1943 by Corporation—not otherwise published.

It will be noted in the above table that the decline in the number of operating banks from year to year is greater than the number of bank suspensions or mergers listed. This is accounted for by the fact that some of the banks listed as suspended were subsequently reopened. Many others were voluntarily liquidated, without any aid from the FDIC or, on their own account and effort, were consolidated or merged with other banks or moved their location and changed their identity somewhat. There were 14,140 insured banks operating on an unrestricted basis on Jan. 2, 1934, when the FDIC began operations. That number has now been reduced to 13,274, at the end of 1943, or a total loss of 866 banks in the 10 years. When one compares these figures with the losses, mainly by the failure route, of 2,298 banks in 1931, 1,456 in 1932, and some 3,464 between Jan. 1, 1933 and May 24, 1934—the first time official figures were released after the banking moratorium of March, 1933—marked improvement in the situation can be readily noted. This is due partly, no doubt, to the fact that between the time of the collapse of the post-war boom in June, 1920, and May, 1934, some 16,150 of our banks had been weeded out through failures and consolidations. Hence a great deal of the wreckage in our banking structure had been cleared away before the FDIC took over.

Government Greatest Borrower

More significant than the gradual decline in the number of banks, however, is the marked change in the operation of the banks in the lending practices. During all of the 10-year period the insured banks were increasing their loans to the Government through increased purchases of direct and guranteed securities of the Government, due in part to increasing use of the banks in the deficit financing. But beginning with the end of the year 1941, when loans and advances by the banks to their own borrowing customers and loans to the Government were almost identical at $21,000,000,000, we find the huge upswing in the first two war years to $58,694,000,000 in advances to the Government as compared with a fairly steady figure of around $18,900,000,000 in advance to customers. Thus loans by the banks to the Government today are three times as great as their loans to all other borrowers. This disproportion may be augmented in part by the fact that the Government itself is competing with the banks in so many phases of the lending field, through production credit loans, and capital advances to industry through the Reconstruction Finance Corporation and similar agencies.

In October, 1942, in writing for the Investment Bankers Association Convention number of the "Economist" (Chicago), I predicted that by June 30, 1943, total investments of American insured banks would be between 50 and 60 billion dollars and that most of the increase, probably as high as $50 billions, would be in their holdings of Government obligations. On the preceding Dec. 31 total investments had been $28,-032,000,000, of which some $21,-046,000,000, or slightly more than 75%, represented loans to the government. Actually on June 30, 1943, total investments of the 13,302 insured banks of that date were $57,890,000,000, of which $51,541,000,000 were of government. With an anticipated federal debt of some $300 billions before the war is over, the banks' holdings of government paper must continue to increase, with what result to the banks no one can foretell. The consequences to the FDIC are even more problematical if and when interest rates rise and the repercussions on the bond market begin to be felt.

Growth of Purchasing Power Media

Another significant development during the 10 years of the FDIC is the great growth of bank deposits and the phenomenal increase in money in circulation. Government financing through the banks has been the chief cause of the former, but government deposits through the bank purchases of federal debt obligations soon become the deposits of individuals and corporations as the Government pays them out on war contracts, wages, soldiers' pay, etc. Some of these changes are shown herewith.

TABLE II—CHANGING VOLUME OF PURCHASING POWER MEDIA AND IN CAPITAL STRUCTURE OF FDIC

	Volume of Capital Accounts, Deposits and Money in Circulation —At end of year—			§Capital Structure of FDIC —At end of year—	
Years	*Capital Items	†Deposits	‡Money Volume	Capital	Surplus
1934	$6,151,000,000	$38,996,000,000	$5,536,000,000	$289,300,000	$2,253,000
1935	7,210,000,000	44,126,000,000	5,882,000,000	289,300,000	16,758,000
1936	6,329,000,000	49,258,000,000	6,543,000,000	289,300,000	54,105,000
1937	6,404,000,000	47,191,000,000	6,550,000,000	289,300,000	95,201,000
1938	6,435,000,000	49,779,000,000	6,856,000,000	289,300,000	132,974,000
1939	6,524,000,000	56,076,000,000	7,508,000,000	289,300,000	168,040,000
1940	6,673,000,000	63,470,000,000	8,732,000,000	289,300,000	234,072,000
1941	6,842,000,000	69,420,000,000	11,160,000,000	289,300,000	265,415,000
1942	7,056,000,000	87,820,000,000 ¶(11,114,000,000)	15,410,000,000	289,300,000	327,644,000
1943	7,454,000,000	104,116,000,000 ¶(10,705,000,000)	20,449,000,000	289,300,000	**413,755,000

*Total capital accounts for all insured banks—capital, surplus, undivided profits and reserves for contingencies. Source: FDIC Call Reports.

†Composite total deposits, all insured banks, not broken down into time and demand deposits, but interbank shown under ¶. Source: **Ibid.**

‡Sources: Circulation Statements, U. S. Treasury, and Federal Reserve Bulletins.

§Sources: Annual Reports of the FDIC and Press Releases.

¶Interbank deposits. Not shown before 1942. Should be deducted to avoid double counting.

**Furnished by Corporation to writer, not yet published.

Old Capital-Deposit Ratio Gone

From Table II it is quite apparent that the old desired ratio of 10 to 1 between deposits and proprietorship items, i.e., total capital accounts, is gone. Many individual banks today show a 20 or 30 to 1 ratio, and for the insured banks as a whole it is about 15 to 1 and rapidly getting thinner. In 1935 when the Banking Act of that year was being considered, Jesse Jones, head of the RFC, with "funds to sell" in the form of advances to banks and in the purchase of capital notes and preferred stock from banks, wanted a legal ratio of deposits to capital set at 8 to 1; Leo T. Crowley, head of the FDIC, however, thought a 10 to 1 ratio ample for working purposes and did not want to see it set up by law, and his wishes were followed in the matter. Now the whole question needs to be reconsidered in the light of present conditions, in relation to **what kind of deposits** are involved, and what is done with those deposits, i.e., kept in cash or reserves for the most part or used in loans and investments.

Phenomenal Deposit Increase

While total deposits are broken down in the FDIC reports into Demand, Time, and Interbank deposits, that has not been done in the above table. So many time and so-called savings deposits are used in making purchases, and so many demand deposits remain static at times, that it is hard to draw a real distinction between them. All thus constitute purchasing power in the hands of corporations and individuals. With interbank deposits deducted to avoid double counting, there are still some $94,116,000,000 such deposits in the hands of the people. When to this is added the unprecedented volume of $20,449,-000,000 of money in circulation, outside of the Treasury and the Federal Reserve Banks, this means that some $114,500,000,000 of dammed up purchasing power is now in the hands of the public. If it ever breaks loose and goes on a spending spree, all rationing and price control measures will be swept away in a moment or will be powerless to control such spending as might take place. Perhaps higher required reserves for member banks may have to come. There are apparently no real reasons for such an increase in Circulation Money as shown in Table II, unless it reflects currency hoarding which has been going on, of course, on quite a large scale. Greater confidence in the Government's fiscal and monetary policies might soon release such hoards.

Capital Accounts of the FDIC

The capital structure of the FDIC has been rapidly growing as seen in the table above. Capital remains the same as at the outset of the Corporation in January, 1934, at $289,300,000, made up of the advance from the Treasury of $150,000,000 and the $139,-300,000 taken from the combined surpluses of the 12 Federal Reserve Banks. The income from the investment by the Corporation of these capital and surplus funds has so far covered the cost of operations and of losses of insured banks. Surplus has been expanding rapidly and with capital now gives the Corporation a capital structure of over $702,000,000. The Senate version of the Banking Bill of 1935 sought to limit such funds by having assessments against banks stopped when the total capital funds of the FDIC reached $500,000,000. The FDIC answer to this was that reserves must be built up in good times to take care of probable losses in times of stress, but there is still apparently no possible actuarial basis for the risks involved in the "insurance" of bank deposits, for such deposits "are no more insurable than individual success is insurable, or the loans and investments of an individual are insurable against loss."

Real Test of Whole Plan Yet To Come

Hence, the real test of the work and success of the FDIC is yet to come. When bond prices begin to fall, as they inevitably must with rising interest rates and rising prices, unless we remain permanently under a regimented economy, how long will the comparatively small capital funds of the insured banks serve as a "cushion" against falling bond prices? A 10 point fall in bond prices—and some of them fell by 19 points or more in 1931—would wipe out all of the undivided profits, most or all of the surplus, and much of the capital of many of our banks. Of course, the Federal Reserve banks might go on lending to member banks at par or their bonds no matter what their market price might be but this could be continued indefinitely only by the inflation of their own currency or by the use of taxpayers' money to meet the losses. Or some misguided panacea as the one recently proposed in Congress might be adopted whereby the banks might be allowed to carry their governments at par in their accounts, even though market prices were much below par. We are not likely to have such a measure under a free economy and a free enterprise system.

Thus if the banks begin to find themselves in real difficulties again, mainly through government action in relation to its financial program and through its competition with banks in lending operations, the FDIC may conceivably be called upon to use all of its surplus and capital in attempting to stem the tide against bank failures. How far a $700 million capital structure will go in taking care of $104 billions or more of bank deposits, if occasion demands, is anybody's guess. The record of the FDIC has been "so far so good," but its future, like that of our whole economy, is in the lap of the gods or in the political destinies that shape men and events.

British Govt. Spent $2,178,060 For Advtg. In First 3 Months

According to figures received by J. Walter Thompson Company from its London office, the British Government spent a total of $2,178,060 for advertising in newspapers, magazines and trade publications in the first three months of 1944. Of this amount $903,942 was placed in London papers, $818,746 in the provincial and suburban press, $383,433 in magazines and the balance, $71,936 in the trade and technical press.

It is added that the largest expenditures, by Government Departments, were made by the National Savings Committee which accounted for over 25% and by the Ministry of Food which accounted for about 22% of the government's total advertising outlay. Total expenditures for the current first quarter were $59,-371 lower than for the same period of 1943.

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.

Also available on request to dealers only is a detailed memorandum on H. & B. American Machine Co.

Bright Possibilities

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

Attractive Rail Situation

The Minneapolis & St. Louis Railway Co. offers an attractive situation according to an original analysis prepared by A. W. Benkert & Co., Inc., 70 Pine Street, New York City. Copies of this interesting, illustrated brochure may be had upon request from A. W. Benkert & Co.

OUR REPORTER'S REPORT

Underwriting bankers are awaiting, with more than the usual interest that attends a refinancing operation, further developments in the program projected by Commonwealth Edison Co., looking toward the refunding of a total of $178,000,000 of bonds.

It is not alone that this would constitute the largest undertaking since the Truth in Securities Act became law, but rather because it brings up another situation similar in many respects to the Brooklyn Union Gas Co.'s program which was upset by the New York State Public Service Commission.

Commonwealth Edison, like Brooklyn Union Gas Co., is an intrastate corporation. Its business, so far as financing has been concerned, has been done primarily through its own banking affiliations, headed by Halsey, Stuart & Co.

The latter firm is reported to have informed numerous banking firms affiliated with it in financing operations, that it is working with the company in seeking to formulate a plan of financing to provide for the retirement of all or part of $98,000,000 of 3½s of Commonwealth and $80,000,000 of 3½s of Public Service Co. of Northern Illinois now outstanding.

Bankers are wondering whether the Illinois State Utilities Board may not, as happened in New York last week, step in and order the prospective issuer to market the bonds by means of competitive bidding.

Considering the scope of the Commonwealth program, such a development might bring about complications, for some bankers doubt the ability of the industry to form two separate groups capable of undertaking such a piece of business.

Bond Redemptions Heavy

September, through to and including Oct. 1, promises to be a period of exceptionally heavy bond redemptions, judging by the flood of notices put forward by corporations in the last few weeks.

The first of next month will bring an unusually large turnover by way of retirements, through outright calls, and partial redemptions through drawings by lots. Bethlehem Steel's call for redemption of $60,000,000 of serial debentures, due 1945 to 1950, tops the calls for that date.

Meanwhile Atlantic Coast Line already has issued notice of drawing by lot of $9,000,000 of its 4s of 1952, backed by Louisville & Nashville collateral, for redemption on Oct. 1 at 105 and interest to Nov. 1.

Union Pacific Looks Ahead

Union Pacific Railway is looking ahead to 1946 and 1947 when the road will have maturities running to approximately $156,191,500.

And from the comments of F. W. Charske, Chairman of the system's Executive Committee, it is evidently the intention of the road to apply a substantial amount of cash in that direction.

This became evident when the head of the Interstate Commerce Commission's bureau of finance, early this week, questioned the need for the company to issue $8,120,000 of equipment trust certificates in view of its huge working capital, $138,000,000.

Mr. Charske's reply was that facing the maturity of these noncallable bonds "we think it is highly desirable" to build up adequate reserves against such maturities.

Competitive Bidding

Although Milo R. Maltbie, Chairman, did not say so in so many words, it now appears that the New York State Public Service Commission has definitely decided against allowing negotiated bond sales in the future.

The Brooklyn Union Gas Co., through its bankers, had set up its $42,000,000 refinancing and arranged for direct sale of both $30,000,000 of bonds and the $12,000,000 of new debentures involved.

But when it developed that other banking interests stood willing to overbid the prospective buyers, the Commission, after long deliberation, ordered the entire program to competitive bidding. So it looks as though Rule U-50, propounded by the SEC, is now the order of the day for utilities in New York State hereafter.

Our Way's Inferior? Who's Winning War, Anyway?

By LESLIE GOULD

Financial Editor of the New York Journal American

Reprinted from the New York "Journal American," July 19, 1944

If there is one thing the war has done, it is to prove the American system of Government and the American system of free enterprise.

No other system anywhere has stood up under the stress and strain of war.

The Fascism of Italy has already gone overboard, and it won't be too long before German Nazism will follow. And the die is cast for the Japanese brand as evidenced by developments in recent weeks in the Pacific war and in the last few days within the Government of Tokyo itself.

The same is true of the communism of Russia. The form of that brand of government and economy has been modified by the war, but even that would not have saved Russia. What has saved Russia is the outpourings of the American factories—privately-owned and privately-operated.

The same also for the British form of Government and economy. It, too, would have fallen, but for American help.

The close call the British have had is the second one in a generation, in which only American intervention has saved the empire.

Because of its close squeek, the British are modifying their way of life, moving to the left in the direction of state control and some modified form of state capitalism. It is the Russian form that seems to carry the appeal.

And the Russians, because of their own close call, are modifying their system, moving more to the right and away from communism, every one equal, and all that bushwah.

Yet, what saved both the British Empire and the Russian Communistic union is the American system of free enterprise.

* * *

In view of all this, one would expect the British instead of moving to the left would be over here trying to find out how they might follow the successful American system and apply it to their economic set-up.

No, they display the same kind of thinking that deluded their country into believing the smart thing internationally was to allow Germany to rebuild herself into a strong power as buffer to red Russia.

And rather than send people over here to learn successful American methods, they send over men like Lord Keynes to try to lure this country farther down the unsound road of state socialism and deficit spending by Government.

* * *

The most shocking thing is that this country has leaders here dumb enough to fall for the preachings of the economics crackpots from across the water.

This may not be so strange after all. For the Roosevelt Administration has taken a defeatist attitude on this country and its future almost from the start. It has preached that we have reached a mature economy, opportunities are limited and there are no new horizons. The only hope, according to the New Deal, is lots of Government-made work and social security.

This inferiority complex has developed to such an extent that the Administration believes there is only one man in the country qualified and able to serve as President, that the courts must no longer be independent and free, and the law-making body must bow to the executive.

If that thinking is upheld this November, then the American system will find itself in the unusual position of having won a war abroad but having lost it and the peace at home.

Prices On Swedish Stocks On July 14

Prices on seven leading Swedish stocks at the close of business on July 14 are given below, together with the changes from the May close, and the figures (in parentheses) at the close of business on June 30, 1943.

Electrolux 129, up 3 (93.50); Grangesberg 181, unchanged (173); S K F 245, up 20 (233); L. M. Ericsson 41, up 1.50 (33.50); Separator 106, up 5 (89.50); Swedish American Line 114, up 2 (118); Swedish Match 22.50, unchanged (18).

Mutual Funds

New Offerings

National Securities & Research Corp. has issued an interesting "Preliminary Information" folder on its two new series which were announced last week. The new series are **Stock Series**, representing a selected and diversified group of dividend paying stocks, and **Industrial Stocks Series**, representing an investment position in modern scientific and technical developments. Both series were initially offered on Aug. 1, 1944, at an initial price of $6 per share for the **Stock Series** and $7 per share for the **Industrial Stocks Series.**

A special concession of 7% on orders executed in these two new series at regular offering prices to Sept. 30, 1944, has been announced. Total assets of the eight National Securities Series are now over $12,000,000 and total assets of the group of funds sponsored by National Securities & Research Corp. now exceed $20,000,000.

In addition to the announcement folder, National Securities & Research Corp. has also issued handsome portfolio folders on each of the new series. These pocket-size folders contain portfolio information and a condensed digest of pertinent features of the new series.

A third folder, designed to visualize the industries represented by the Industrial Stocks Series, has been released under the title, "The Investor Looks at the Future." Subheadings include Plastics, Electronics, New Drugs, New Alloys, Air Conditioning, Insulation, Synthetic Rubber, Aerodynamics, Plywood, and Synthetic Fibres. Following this impressive list of growth industries, is a paragraph aptly captioned, "The Future Beckons to the Investor."

* * *

"Intrinsic Values of High-Return Bonds" is the subject of the current issue of **Keynotes.** Total assets, funded debt, net current assets and interest coverage of the 50 bonds represented in **Keystone Bond Fund B-4** are set forth in the memorandum and are visualized by means of a simple, understandable chart.

The results show an increase of $595,000,000 in total assets; a decrease of $200,000,000 in total funded debt; an increase of $1,020,000,000 in net working capital and an increase in interest coverage from 1.01 times to 2.17

(Continued on page 499)

Comments On Dr. Lohman's "What Price Economic Security?"

(Continued from first page)

of the commodity purchased against that of its price, so every economic policy requires us to balance its advantages against what we sacrifice to obtain them. Some sacrifice in freedom is certainly the "price" we have to pay for the Government brand of security and we may bitterly complain some fine day that, in many cases, the price was too high.

I well remember, a few years ago, the hasty approval of Hitlerism by German Labor spokesmen in statements recognizing that labor's liberties were being "slightly" sacrificed, but claiming that this was a small price to pay in return for their security. And I have wondered ever since what those labor leaders would say today if they were not muzzled—the muzzle being the least of the price that German Labor is now paying.

In America labor leaders like Matthew Woll are far-sighted enough to oppose any approach, in America, to such regimentation, whether of the German or the Russian variety, and remind me of the passionate devotion of Samuel Gompers to our American System.

Nevertheless, I wish to put myself on record as favoring a certain indispensable minimum of the New Deal brand of Social Security, much as I deplore and strenuously oppose the attacks on our system of Private Enterprise.

In the same way I agree with Mr. Lohman in opposing the Socialization of Banking but would point out that any effective control over our monetary system must of necessity be governmental. Banking is fundamentally lending. But this should not include, as it now does, the power to manufacture the money which is lent. As I have shown (in the "American Banker," January, 1943) the 100% reserve system for checking accounts would be advantageous to bankers. One "price" banks pay for their power to manufacture and destroy the circulating medium (checking deposits) is a great loss of freedom. For almost all the great mass of restrictions on bank activities grow out of the fact that banks have been allowed to mix money and banking. The distinction is generally overlooked. As Lohman says: "Few citizens realize that Government securities, primarily Treasury bills, have been monetized"—that is, have generated deposits ("check book money"). This is the chief source of inflation today.

I agree that Capitalism is in danger, and not only from Governmental price regulation and Governmental control of interest rates—both emphasized by Lohman—but also, and even more, by Government taxation of business—not emphasized by Lohman. On this I have expressed myself already in your pages. The crux of such injurious taxation is the part of our taxes which fall on business expansion. That should be exempt.

I hope business leaders, seeing the handwriting on the wall, will formulate and favor a rational division of powers between Government and business and in particular take over some of the task of giving labor a modicum of social security. It is quite true that progress involves risk-taking. But it is, I believe, a wrong allocation of these risks when labor is required to assume as much of them as at present. A capitalist can afford to take big risks. But a laborer who is forced to have no income at all for a while because of some technological improvement is paying too high a "price" for his chance to find another job and enjoy lower prices because of that technological improvement. Capitalists should smooth the way for such readjustments. It was largely their failure to solve that part of the problem of unemployment which precipitated the New Deal which they hate so much and, for the most part, rightly.

HON. FRANCIS CASE
Representative in Congress from South Dakota

The article by Philipp H. Lohman, entitled "What Price Economic Security?" is stimulating.

Francis Case

I wish that a copy of it might be placed in the hands of every county seat editor in my Congressional District.

DR. ROY L. GARIS
Associate Professor of Economics, Vanderbilt University, Nashville, Tenn.

Dr. Loman's article is so sound it should be read by every American who loves his country and his freedom. Unless serious attention is given at once by every American citizen to the warning set forth by Dr. Lohman our boys fighting over there may return here after the defeat of our enemies to find here the principles and things they fought against over there. The dangers are more real than even thinking Americans suspect. Someone has said, "if you can't sign it, don't say it." Every American should say: "If I don't want the same principles applied to me, I won't advocate them for other Americans." That would make most of them realize how indirectly they have been and are advocating socialization of business by many of the policies now being recommended and even pursued. Then when business men advocate subsidies for water, air and highway transportation, they make socialization of transportation inevitable. Socialized transportation and banking are but a step toward socialized business. In their desire for ill-gotten profit, aren't some American business men and labor leaders "digging their own graves"? Dr. Lohman's article is more than a warning—it is a guide that must be followed down a straight and narrow road.

Roy L. Garis

EDWARD BALL
Florida National Building Corp., Jacksonville, Fla.

"What Price Economic Security?" by Dr. Philipp H. Lohman is a most interesting article. Of course there are many viewpoints on what constitutes economic security; and while I never expect in my lifetime to see a return to free economy, I am strongly of the opinion that both economic and political security comes from a free economy and, politically, I believe in the theories as set forth by Thomas Jefferson, "that people is governed best that is governed least."

DUNCAN W. FRASER
President, American Locomotive Co., New York

A particular point made by Dr. Lohman that interests me is that progress means insecurity but that violent fluctuations can be minimized so as to increase security, although such security will incur a price.

D. W. Fraser

It is essential that the price be within the capacity of our organized society. Beyond this it seems to me the crucial need is that we must learn to maintain and develop individual initiative so that risk will be embraced and progress will continue.

WALTER W. AINSWORTH
President, Metropolitan St. Louis Co., St. Louis, Mo.

I have again read the article, "What Price Economic Security?" by Dr. Philipp H. Lohman, which article appeared in the "Commercial and Financial Chronicle" issue dated July 6, 1944. I think that this is a very comprehensive interpretation of economic security. Everyone should know that if they demand economic social security that they give up their liberties and we must come to a complete regimentation if the capitalistic system is to be terminated. I certainly wish that everyone could read this article and understand its full meaning.

Walter W. Ainsworth

W. HARNISCHFEGER
President, Harnischfeger Corp., Milwaukee, Wis.

I have read with interest, Dr. P. H. Lohman's article entitled, "What Price Economic Security?" I am in accord with a great many of the viewpoints expressed therein. In other words, I believe in a free capital market which, of course, implies a free labor market and a free price system. In fact, I believe that if this country is to survive as a capitalistic country, these points are fundamental. We have, however, in my opinion, gone so far away from the fundamentals that it will be a long, hard road to get back to a free economy. Time alone will tell which system will win out. In my opinion, we will either wind up with a planned economy or state socialism of some form, or we will get back to a free economy. However, this road will not be easy.

Our first problem, in my opinion, is to bring this present conflagration to an end. We will then have to straighten out our own "back yard." We will have to eliminate waste in Government, balance our budget, and let the law of supply and demand again take its natural course. Our Government will have to get back to a sound fiscal policy.

I believe that the printing presses are going in the country today, and it will not be easy to stop them. We will have to find out how the communistic philosophy and the capitalistic one can be worked out in international markets. Personally, I have my very grave doubts. I also believe that Lend-Lease will have to be rationalized, and the scheme as proposed in the new international bank will dilute our sound assets with a great many questionable ones. All of these actions on the part of the Government will naturally bring us away from the capitalistic system as we have known it.

I am hopeful that there will be some swing to the right this fall and that, during the period of readjustment, we will be able to get back to some of the fundamentals that this country was built up on. However, under the most favorable conditions, I believe that we will have a difficult road ahead.

FRANK L. KING
Executive Vice-President, California Bank, Los Angeles

I found "What Price Economic Security?" very provocative reading, and it was a refreshing experience to see some of our fundamental social problems examined without the usual categorical condemnations and offerings of panaceas. If we are looking for solutions, those more approximating the right ones will be found only after dispassionate analyses. Probably this is a pastime which those of us with ready answers could, with profit, more often indulge in.

Frank L. King

I was particularly interested in Dr. Lohman's observations regarding the part played by banks in financing the war. He points out that after the war the banks may be called on to hold even larger amounts of the Government debt due to liquidation of corporate and individual holdings. He remarks that this will provide an opportunity, for those wishing to make political capital, to call attention to the taxes being levied to pay banks a profit on riskless assets. This is a possibility which banks cannot afford to dismiss lightly. And it is a possibility which can become a reality only if public opinion remains uninformed on the nature of the fiscal operations involved, and if it remains ignorant of the part banks have played in financing the war.

The prevention or cure for this is, as Dr. Lohman suggests, more enlightened public relations work. Perhaps we are guilty of the charge he makes against business in general that our public relations policies are dismal failures from the standpoint of educating the public. At any rate, it is certain that any institution so closely tied to the public interest as are banks, must broaden its base of popular support if it is to survive as a private enterprise. And it is to the point here to observe that where the opinions of people are concerned, their numerical weight is of more consequence than is their financial weight.

JAMES R. BANCROFT
President, American Institute of Finance, Boston, Mass.

I am afraid that my reactions to Dr. Lohman's views will not be worth much inasmuch as I agree with them completely. I think the Doctor has hit a very important problem, namely, the apparent desire of many in our country to have their cake and eat it too—in other words, to have security and economic freedom. I do not believe the two are at all compatible.

It has been said that a nation can only progress to the extent that it can stand losses. In my opinion, if the major endeavor is economic security, it must be at the cost of economic progress.

ALFRED MARCHEV
President, Republic Aviation Corp., Farmingdale, Long Island, N. Y.

I would like to say that I think "What Price Economic Security?"

Alfred Marchev

is a timely, well-written article, which contains a lot of good "horse-sense."

LOUIS S. HOUGH
Assistant Professor of Economics, Miami University, Oxford, Ohio

All of us at Miami University read Phil Lohman's discussion with considerable interest when it came out—and are in substantial agreement with the attitudes expressed.

We believe that your periodical, more than any other which is read widely by practical business men, is doing noble service in bringing together the ideas of academic and business thinkers for comparison and mutual growth.

Louis S. Hough

L. O. HEAD
President, Railway Express Agency

In my opinion, Dr. Lohman's analysis of several of the avenues which may be traveled in the post-war years, and the costs involved, is a thoughtful and important contribution to the thinking of all of us who are planning for those years. I appreciate the opportunity to have read it.

HUDSON B. HASTINGS
Department of Economics, Yale University

I have read "What Price Economic Security?" with interest and I wholly agree with Dr. Lohman's thesis, that if the Government undertakes to insure a high degree of economic security to its citizens, it inevitably involves the loss of economic freedom and a much lowered standard of living. It is well stated.

I am sorry, however, that Dr. Lohman did not also point out that another major "price tag" on governmentally assured economic security is a complete loss of political freedom.

In the entire history of the world, no government which has ever undertaken to provide its citizens with economic security has found it possible to maintain political freedom. It cannot tolerate the constant interference with its economic plans by a democratically elected Congress or corresponding body. Therefore the inevitable end of governmentally assured economic security is a complete loss of both economic and political freedom. The most recent examples of this are Russia, Germany and Italy. Political dictatorship is therefore one of the inevitable "price tags" of security, and in my judgment it is fully as important a consideration as economic dictatorship.

WILLIAM A. ROBERTSON
National Board of Fire Underwriters, New York

I have read "What Price Economic Security?" by Dr. Philipp H. Lohman with the most cordial approval and admiration. It is precisely the sort of thing which the whole country needs today in the worst way. Dr. Lohman's views are simply fine. I hardly think there is anything he says to which I cannot subscribe. Certainly, as a whole, the paper is one deserving of high commendation. His sentence near the close of his paper, that "the price of progress itself is insecurity," sums up the whole philosophy of life for one of my way of thinking. I am a fellow born and raised in the 19th century, during the Victorian era, of which fact I am proud. I have never unlearned the teaching of Jefferson as to "life, liberty and the pursuit of happiness." I am close to being a disciple of **laissez faire** without restraint save where absolutely necessary. I think our Interstate Commerce Commission comes close to being something very like a failure, after about 57 years of struggle and floundering. The task given to it was nearly impossible of fulfillment: I fear the Federal Reserve Board is likely to make a second failure.

Wm. A. Robertson

WALTER P. NAPIER
President, Alamo, National Bank, San Antonio, Texas

I have read Dr. Lohman's article, "What Price Economic Security?" with a great deal of interest, and think that it is one of the best treatises that I have seen on the subject.

Walter Napier

F. L. LIPMAN
Chairman of the Board, Wells Fargo Bank & Trust Co., San Francisco, Calif.

It is refreshing to read an essay based on sound economics. What Dr. Lohman says about social security, economic freedom, the interest rate, is fundamental. When he says, "Socialization of bank credit may be around the corner unless financial leaders will leave their foxholes into which the New Deal has driven them, brave whatever storm might come, get together and sit down with the politicos." I wonder. Such a prescription is not uncommon, but is it practicable? Characteristically, the politician talks, the business man acts. A conscientious statesman may inquire into a situation and open his mind to grasping it, but how can business leaders tell him anything beyond such a leader's experience of his own limited field? Such an approach by business men is bound to be theoretical, and, on the whole, the business man is not as good a theorist as the politician. When the initiative has come from the politician, we have seen results. When a business enterprise is not prosperous, it can hardly be improved through advice of men engaged in other activities. It needs a new management.

HON. A. WILLIS ROBERTSON
Representative in Congress from Virginia

The article by Dr. Lohman in your July 6 issue is interesting and stimulating. The fullest measure of self-government necessarily implies the fullest measure of personal responsibility. On the other hand, farmers can't sell on a free world market while buying the products of industry in a protected market. Unorganized industrial workers can't compete with the power of concentrated wealth. In a highly technical era the uneducated and unskilled can't compete with the educated and skilled, yet the poor, without Government help, can't get an education. It follows that the more complex organized society becomes the more rules of the game are required to make competition equal and fair. In a representative democracy that is the proper function of government—not to play the game but to make fair rules under which capital, brains, energy and character may be suitably rewarded. When the war is over we should have two peace conferences—one in Europe to deal with war problems and one in Washington to deal with domestic problems. The latter conference should be between capitaly, labor, agriculture and the white-collar workers, and they, like those attending the European conference, should strive for a peace that is both just and lasting.

A. W. Robertson

BERKELEY WILLIAMS
Richmond, Va.

By the laws of permutation and combination I do not know how many different ways there are in which Dr. Lohman's subject might be discussed but I have read at least 300 and right here I am mindful of what Virgil Jordan said in what I regard as a classic address to the 28th Annual Meeting of the National Industrial Conference Board, May 18, this year. I saw it in The Chronicle, and incidentally practically all of the ablest discussions on Finance, economy and politics appear in The Chronicle. Introducing three speakers who were to talk on the "post-war riddle" viz.: What we might do that will employ our labor and machines and use up our materials as fully as war has done or, as he expressed it, the "economic equivalent of war," Mr. Jordan said, "in all the 261 meetings of The Conference Board during the 28 years since it began its work before the last preceding World War we have been discussing one aspect or another of the opportunities and problems of employment, before, during, after and between wars. . . . If after all this discussion, you were to ask me what we know about the opportunities and problems of post-war employment we did not know 25 years ago, or a year ago, it would be hard to say. . . . Statesmen and business men, too, still circle swiftly in their statistical squirrel cages in search of the right answer to the riddle, hoping to discover the Secret of the Pyramids . . . at least the political secret of permanent prosperity and complete employment apart from war and its peace time counterpart of fake work with fake money."

Berkeley Williams

Dr. Lohman says, "Nearly five years of war have fundamentally altered American ideas of values." I think Mr. Jordan was nearer right when he declared, "Somewhere along the road that led to this disaster during the DECADE (my own emphasis) of delusion and confusion and demoralization just ended we have lost or surrendered that unique and almost instinctive faith which heretofore, in every crisis or difficulty, had framed the questions and the answers for us infallibly. And having lost it we forgot what till that time every American had always known, unconsciously and surely, from the beginning, which is that government at home or elsewhere in the world is ultimately the only enemy of peace or plenty he has to fear, because it has always been the greatest common multiple of the limitless greed for power among men and groups. This war should have reminded us of that, both in business and labor, but so far it has not, and so we face the future and frame our questions and answers for it, confused and frustrated as we never were before, believing no longer in ourselves, but in the providence, omnipotence and omniscience of the unlimited State."

But Dr. Lohman is on safe ground when he says, "Democracy is still an experiment" but it is doubtful if "The next 20 years, if not the next 10 years, may well decide whether it has been a successful experiment." In the first place what is democracy, and in the second, the cycle has been Capitalism, Communism and Revolution for 6000 years and will probably continue to be for another 6000.

"Like leaves on trees the race of man is found,
Now green in youth, now withering on the ground.
Another race the following spring supplies;
They fall successive, and successive rise.
So nations in their turn decay,
Some come to life, while others pass away."

The Doctor is also on safe ground when he says, "Insecurity is not a bad thing." If I may inject a personal reference I'll say that my father had six sons and two daughters with his maiden sister and my mother's maiden aunt—we were 13 in the family and lived in a house with four bedrooms and two hall rooms, no running water or any modern convenience, never more than two meals a day and never heard of insecurity but father and all six sons made "Who's Who in America"—we never set the world on fire with any stupendous accomplishments but there we are, all seven of us. So poverty is bad but has no terrors for me.

Another doubtful point in Dr. Lohman's contribution is his assumption that men can or will "inform themselves of the ability and trustworthiness of their candidates and perpetually cast a wary eye toward incumbents." He gives man too much credit for thinking.

Here's what Edgar James Swift said in "The Jungle of the Mind":

"Among the many myths of the mind the most disastrous, perhaps, is the belief that man is a thinking animal. That he

(Continued on page 498)

Canadian Securities

By BRUCE WILLIAMS

In a world where economic trends have become increasingly dependent on political trends, it is not surprising that Canadian securities markets continue to mark time pending the outcome of the provincial elections scheduled for August.

Competent American observers are saying that the political future of Canada is likely to be determined in these three provincial elections, the first of which will come on August 8, when Quebec and Alberta go to the polls, followed by New Brunswick on Aug. 28. Should the socialistic Cooperative Commonwealth Federation win out as it did recently in Saskatchewan, the result may well be to advance the date of the Canadian federal election.

According to the five-year limitation, Prime Minister Mackenzie King may prolong the term of the present Canadian Parliament until the end of next March, with an additional two-months grace for the actual voting. However, a repudiation of the Prime Minister's Liberal Party in the coming provincial elections would likely force the hand of the Government in calling an earlier national election.

As pointed out in this column recently, the implications of such a development are not as chaotic as they would appear on the surface. Actually, Canada has been participating in the world-wide political swing to the left in recent years within the framework of the Liberal Party—just as we have participated in the same leftward movement through the Democratic Party.

* * *

From the recent downtrend in Canadian production, it would now appear that the peak was reached last February when the Financial Post Index topped at an all-time high of 264.1. Since then, Canadian production has declined steadily to 248.5 for June—the first month in which production fell below the output of the preceding year since the outbreak of the European war.

According to the Financial Post, unproductive manpower and materials are the key to the drop, with war's demands finally overbalancing the power of the economy to expand. "Unproductive labor, machines worn out after nearly five years of accelerating production and small replacement, apparently cannot keep up the pace set by the economy at its peak."

It is noteworthy that our own production peak was reached last October — four months ahead of the Canadian peak.

The markets for Dominion bonds and Canadian provincials were quiet and inactive last week. After declining rather sharply on the election returns, Saskatchewans have shown some recovering strength, with the 4½s at 86½ bid and the 5s at 92 bid.

Canadian internals were slightly easier in a dull market, closing the week at 10%-9½% discount.

In the second-grade corporate list there was somewhat more activity without much net movement either way. Abitibis started the week at 84½, declined to 81½ and recovered to 83⅝-4.

Until the uncertainties raised by the coming provincial elections have been settled, it appears likely that the markets will continue dull and listless with activity confined to sporadic interest on either side.

Comments On Dr. Lohman's "What Price Economic Security?"

(Continued from page 497)

may think is proved by the achievements of the few. That he does think is quite a different claim because it implies that thinking is his natural prerogative, that it characterizes each individual and that it distinguishes man from his primitive and remote ancestors of the jungle.

"Thinking is not a natural, spontaneous process. It is an adventure in unknown regions, and adventuring appeals only to sturdy, vigorous minds. Many soon tire of trying to understand the strange things in this strange world. For them meaningless phrases, whether they be in politics, science, healing, or philosophy, are knowledge, and repetition completes their thinking. Obscurity sounds like wisdom.

"We all fondly cherish the belief that we are ultra-modern today, yet primitive credulity was not banished with the arrival of radios and airplanes. Belief that a mysterious name explains a mystery! Mistaking unintelligible phrases for the coin of knowledge! Innocent trust in the evidence of our senses! Letting the emotions pilot us in the mental explorations which our complacency calls thinking! These are among the characteristics of both savage and twentieth-century man.

"After getting just enough knowledge to misunderstand it, many people join some group, either a cult, a sect, or a party, whose leaders manufacture their beliefs and opinions."

I will not close without an expression of admiration for the patriotic service you render in your consistent and persistent support of a sound finance and sound economy. Keep it up, and remember St. Paul's words to Timothy, "Preach the word; be instant in season, out of season, reprove, rebuke, exhort."

J. B. HILL

President, Louisville and Nashville Railroad Co., Louisville, Ky.

The article by Dr. Philipp H. Lohman, entitled "What Price Economic Security?", is an interesting and forceful presentation. One sentence in the article sums it up, namely, "How far are individuals willing to fork over their freedom of action in return for security?" None of us would deny to all mankind the best condition it is possible for it to attain. The question at issue is, what will produce the best condition? Perhaps the people of the United States have been better off under our form of government, on the average, than the people of any other country under any other form of government. This is an effective argument if it is widely enough presented. Those of us who believe in the capitalistic system have, for the most part, done a poor job in presenting the importance of preserving freedom of individual action and what it has accomplished.

J. B. Hill

Some times I think that it is impossible for the average man to think of principles which should control the wants and desires of 130 million people. We ought to be able to reduce these desires to some common denominator and to a much smaller group; perhaps 130 different classifications would suffice and this 130 would be truly representative of what is good for the 130 million. If somebody could make this classification, and from a study made by representatives of the 130 groups some set of principles probably could be arrived at which could be presented to the average man as something he could support in the interest of all men. I doubt if there is any way for the average man to understand sufficiently the complexities of government and business to exercise the right of sufferage intelligently. If it is to be done intelligently, then help and direction must be given by intelligent leadership. This does not rest with men elected because of their popularity and ability to get votes. It must necessarily rest with men who are less self-interested, and who will advocate the election of better qualified men to represent us in government.

WILFORD I. KING

Professor of Economics, New York University

I am favorably impressed with Dr. Lohman's thesis and his manner of expressing it, particularly when he says, "The price of progress itself is insecurity." His article should be read along with the chapter in Henry M. Riston's book, "Challenge to Freedom"—the chapter on the cost of full employment.

Willford I. King

It seems to me that someone should have the courage to say simply and clearly that "full employment" and "security from cradle to grave" means penalizing the clever, studious and hard working, in favor of the stupid and lazy.

FRED W. ELLSWORTH

Vice-President, The Hibernia National Bank, New Orleans, La.

I enjoyed reading Dr. Lohman's discussion of "What Price Economic Security?" and find it easy to agree with most of his conclusions.

I am not so sure, however, that we can consider Democracy still an experiment; of course it is not perfect, but we must remember that no form of human government can be perfect this side of the millennium. After all, Democracy certainly has given mankind its very best opportunity to live a free and comfortable life.

I am glad that he gives credit to the bankers for having "carried a tremendous burden in financing the war." As I recall it, the bankers have raised about 85% of each of the five War Loans, but the general public doesn't know it. Perhaps the bankers are at fault for this condition because they are too reticent about blowing their own horns.

I am wondering if Dr. Lohman, in referring to the bankers having been driven into foxholes by the New Deal, didn't indulge in a confusion of terms, for I opine that he meant the dog-house rather than the **foxhole**. It is a well-known fact that scheming politicians always look for a whipping-boy whenever things go wrong, and that means the dog-house for the victim that they decide to whip.

And I am glad that he called attention to the fact that this thing called "Social Security" is not handed out by a Santa Claus, but is **paid for** by a very definite deduction from each recipient's salary check **every pay-day**; and, according to my information, the proceeds are used for the current expenses of the Government!

JEREMIAH D. MAGUIRE

Chairman of the Board Federation Bank & Trust Co. New York, N. Y.

The article by Dr. Lohman, "What Price Economic Security," is indeed one that challenges the attention of any reader.

Dr. Lohman is very sound in his philosophy. He has a rare grasp of the co-relationship between industry, banking and labor. His caution signal on the bank's contribution to war finance deeply impresses me, as I dare say it does many of my cotemporraries.

J. D. Maguire

I have been thinking along the same lines as Dr. Lohman. It is comforting to have a man of his intelligence in the same school of philosophy.

EVERIT B. TERHUNE

Vice-President, Chilton Co., Inc., New York City (Publishers of "Iron Age")

I have read Dr. Lohman's article that appeared in the "Chronicle" of July 6 over very carefully and approve most heartily of everything Dr. Lohman says. In fact, I wish I might have written this article myself.

I was especially impressed with his statement that "insecurity is not a bad thing. Insecurity of some sort is the essence of adventure." How true that is. And then he concludes with this statement: "The price of progress itself is insecurity."

Everit B. Terhune

There is no doubt but that the price for economic security will always cost Mr. and Mrs. J. Q. Public a reduction in their freedom of action.

W. L. KEADY

President, United States Gypsum Company, Chicago, Ill.

I read Dr. Lohman's article and consider it one of the best things I have read on the subject. It seems to me there is a continuing line of thought which would pierce the fog of "Economic Security" by exposing the sandy foundation upon which it is being built. Dr. Lohman must have had that clearly in mind when he wrote the article. If this could be stated in simple terms for the benefit of our deluded people, it might put some sense into this silly security thinking.

J. RAY CABLE

President, Missouri Valley College, Marshall, Mo.

The demand for security in such a world as we have today is quite understandable, but it has always been my opinion that the price of security may easily be too high. No serious student of American economic history should fail to see that intelligent risk-taking has been the mainspring of progress in this country.

D. P. SHEEKS

President, First National Bank of Port Arthur, Texas

We heartily agree with Dr. Philipp H. Lohman in "What Price Economic Security?"

We are getting more and more socialistic and losing individual initiative. Invested capital will decrease. Government by Bureaus is the trend.

Jobs After The War

(Continued from first page)

for jobs within a year after the firing ceases. Is there any chance that this large and sudden collapse in government buying and this swift flooding of the labor market will fail to plunge the country into a depression far worse than that of 1933?

II

The need for goods will be at an all-time high. In 1941, with five million people unemployed, Americans were driving 29 million automobiles; at the end of 1943, 26 million. Automobiles are now leaving the road at the rate of about 5,000 a day. By the end of 1944 the number of cars will be down to about 24 million. If employment after the war is higher than in 1940, Americans will wish to drive considerably more than 29 million automobiles—probably 33 million or 34 million. There are over six hundred articles of iron and steel that have not been made for civilian use since early in 1942. By the end of the war (say, in 1945 or 1946), the accumulation of deferred purchases of these goods will probably be equal to two years' sales at the 1940 rate. This assumption indicates the following accumulated needs:

	Million
Vacuum Cleaners	3.5
Clocks	7.2
Radio Receivers	23.0
Refrigerators	5.2
Washing Machines	3.1
Waffle Irons	1.5
Heating Pads	1.8
Percolators	3.7
Toasters	4.5

If every house lasted forever, we should need about 550,000 new dwelling units each year to provide for the increase in families. In 1942, the number of permanent dwelling units constructed was 358,000; in 1943, 163,000; and in 1944 it will apparently be about one-fifth less than in 1943. By the end of 1944 there will be a deficiency of at least 750,000 in the number of permanent dwelling units constructed since Pearl Harbor.

The normal number of marriages in the United States is about 1,400,000 a year. At present there are about 1,200,000 more married couples in the United States than there would have been had the war not occurred. In 1944 and 1945, the number of marriages may be below normal, but even if the war ends by 1946, the number of families will perhaps be 800,000 greater than it would have been had the war not occurred. A high proportion of the 6,600,000 couples who have been married during the last four years have not set up housekeeping and have purchased little furniture and household equipment. The greatest marriage year in history was 1920. The marriage peak in the United States after the present war is likely to be less than after the first World War but some peak is to be expected. It seems certain that the accumulated need for household goods, after the war, will reach new highs.

III

Great and pressing needs for goods do not necessarily mean demand. That requires purchasing power. During the last three years individuals have been compelled, by the sheer scarcity of consumer goods, to save over $75 billion. This is as much as they would have saved in 10 years at the 1940 rate. Business enterprises have also greatly increased their liquid assets. Although profits have increased far less rapidly than output, and the tax liabilities of corporations have increased nearly $15 billion between 1930 and 1943, corporate holdings of cash, bank deposits, and government securities increased by $25.5 billion and their net working capital by $17.0 billion.

IV

No one really knows whether individuals and business concerns will be willing to spend their enormous purchasing power freely after the war. It is at least conceivable that the swift drop in government buying will produce a sort of economic shell shock and will leave people too frightened and dazed to spend their money. But if this happens, men will be behaving in a new way. Never before have millions of people with a huge excess of liquid assets over liabilities been unwilling to use their purchasing power freely to feed and clothe themselves and to buy shelter, education, travel, and amusement provided goods could be had at more or less customary prices.

V

Let us suppose that 57 million people are working after the war, and that they are working about 7.5% fewer hours per week than they are working today. At 1943 prices and at present efficiency, they would turn out about $156 billion of goods a year. The government will use about $31 billion of this product, leaving $125 billion of output available for consumption by individuals, business concerns, and our foreign customers. Would this quantity of goods be sufficient to meet the demand?

The income of 57 million people working 7.5% fewer hours than in 1943 would be $130 billion. After the payment of personal taxes, they would have about $118 billion to spend on consumer goods or to save. How much would they spend on consumption? The experience of 1943, when people spent $84.5 billion out of $124 billion on non-durable goods and services, is a guide. How much more would they have spent on non-durable goods if beefseaks, butter, cheese, fuel oil, gasoline, tires, Pullman space, hotel accommodations, had been readily available, if they had had time to take vacations, if they could have found labor to paint houses or to make repairs, if they had not been buying war savings bonds as a patriotic duty? It is a conservative estimate that the demand for non-durable goods would have been 10% more than it actually was. This would indicate that with incomes of $118 billion after taxes consumers would buy $88 billion of non-durable goods a year. On durable goods consumers spend in good years about 10% of their incomes after taxes. With incomes of $118 billion, they would then buy nearly $12 billion of durable goods.

These estimates take no account of the demand that has accumulated during the war and which for durable goods may be conservatively put at double the quantities sold in 1940. In 1943 prices the deferred demand would be about $17.8 billion, or, spread over four years, $4.4 billion a year. A demand of $88 billion for non-durable goods, a "normal" demand of $12 billion for durable goods, and an annual "catching up" demand of $4.4 billion for durable goods would mean a total postwar consumer demand of $104 billion.

If the government takes $31 billion and consumers $104 billion of an output of $156 billion, there will remain $21 billion with which to increase the number of houses in the country, to increase the plant, equipment, and inventories of business, and to supply our foreign customers.

The demand for residential building may be abnormally low for a year or two because many people will await clarification of economic conditions before starting to build. If no more houses are built than in 1939, the cost, at 1943 prices, will be about $2.6 billion.

Most demands of business will be very large—at least for several years. The restoration of business inventories will take about $3 billion for nearly three years. A survey of about 100 enterprises in widely scattered industries indicates that they intend to spend about one and three-quarters of their depreciation allowances on plant and equipment during the first few years after the war. This would mean purchases of about $14.3 billion of plant and equipment a year by all established concerns. Purchase by new enterprises may be expected to bring the total up to $16 billion.

In view of the great needs of the rest of the world and the large foreign balances in the United States, the export of goods from this country will exceed imports by at least $3 billion a year for several years after the war.

All of this indicates that the total demand for housing, industrial plant and equipment, inventories, and net exports will be about $22.5 billion. With government demanding $31 billion of goods and consumers $104 billion, the total demand would be about $157.5 billion, or $1.5 billion more than the estimated output of 57 million men working 7.5% fewer hours at present efficiency. The conclusion is that the post-war demand for goods is likely for two or more years to test the productive capacity of American industry, but that business enterprises, by small improvements in efficiency, should be able to meet the demand and to prevent a disorderly rise in prices from being started by an excess of demand.

VI

The economy which will follow the war for some years may be called a "catching up" economy, because the demand for goods will be based upon the large needs that have grown up during the war. Many of the catching up demands, however, will be temporary and this may introduce violent fluctuations in production and employment. After four or five years of very large automobile production the output of cars is likely to drop to the number needed to meet ordinary increases in demand and replacements. The deferred demand for many durable household goods will have been met in about three years. The business demand for the building up of inventories will prove temporary. The surplus of exports over imports may also prove temporary — indeed, it **must** prove temporary unless the United States is to play Santa Claus to the rest of the world.

As the accumulated demand for durable consumer goods, industrial equipment, inventories, and other goods subsidies, the country must depend upon an expansion of industrial construction and residential building to prevent a drop in total employment. The potential demand for construction and equipment is enormous. Certainly with 57 million people working and spending their incomes, nearly every large city in the United States will need at least one new good hotel. Much new railroad equipment will be necessary even with automobiles back on the road and gasoline available for cross country driving. The present high levels of industrial employment have been achieved with present equipment only by widespread use of night shifts. With 57 million people employed after the war, the number of holders of non-government jobs will be 3 million more than it now is. These people will need places to work and machines to run. To produce an annual product of one dollar ready for delivery to the consumer, there is needed an investment of two dollars in plant, equipment, and inventories. If annual consumer expenditures after the war are about $104 billion, or $30 billion more than in 1940 (in terms of 1943 dollars), the fairly immediate needs for industrial plant, equipment, and inventories will be about $60 billion above 1940. One should remember that even in 1940 the country had far less plant and equipment than would have been needed for reasonably full employment of the work force. During the previous 10 years the work force had increased by 6 million with virtually no net additions to plant.

The potential post-war demand for housing will also be very large. The demand for new housing comes almost entirely from families receiving $2,000 a year or more. In 1925, our best housing year, such families spent about 12 cents out of each dollar of income on new housing. With income payments of $130 billion, families receiving $2,000 a year or more would have total incomes of $80 billion. If these families spent for housing 12 cents out of every dollar after taxes, the annual demand for housing should run nearly $10 billion a year.

VII

Sooner or later the country will have to make the shift from a "catching up" economy to a self-sustaining economy. This second shift, however, will in some respects be more difficult than the first shift from war production to peace-time production. Business will need to do a better job in getting people to spend their incomes for consumer goods and the government will need to do a better job of providing a hospitable environment for enterprise and of encouraging pioneering, innovation, and expansion. Among the reforms needed in government policies, for example, will be a thorough overhauling of the present system of taxation. The federal government for some years has taxed out of existence billions of dollars of possible payrolls because it has imposed far heavier levies upon incomes derived from giving jobs than upon incomes derived from holding jobs.

The people will need a yardstick by which to test whether the government is doing a reasonably good job of encouraging enterprise and of providing incentives to pioneers and innovators. The test of a reasonable rate of economic progress might be 15% more output available for consumption for each man, woman and child every 10 years. This is a slower rate of increase than the country has achieved in any decade of its history except the decade of the thirties. An increase of 15% per capita every 10 years would mean that output would rise (in 1943 prices) from about $156 billion shortly after the war to $187 billion by 1950, and to $229 billion by 1960. Awareness of these great potentialities of our economy will help us keep our sights high, stimulate our confidence in our power to achieve, help us retain and strengthen the spirit of pioneering and innovation.

Attractive Speculation

Central Electric & Telephone common offers interesting speculative possibilities, according to a detailed memorandum on the situation issued by Amott, Baker & Co., Inc., 150 Broadway, New York City, which is particularly timely in view of the fact that stockholders have just authorized a capital adjustment program. Copies of this memorandum may be had from the firm upon request.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Milton E. Ladish** has become associated with **Slayton & Company, Inc.,** 111 North Fourth Street, St. Louis, Mo.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Edwin J. Ludwig** is now affiliated with **F. S. Moseley & Co.,** Field Building. Mr. Ludwig has recently been with the office of the Alien Property Custodian; prior thereto he was with A. C. Allyn & Co., Inc. and Webber, Darch & Co. In the past he conducted his own investment business in Chicago.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Wilson Moran McKim** has become associated with **Alfred O'Gara & Co.,** 209 South La Salle Street. Mr. McKim was previously with Wayne Hummer & Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Beulah D. Bogue** is now with **Allman, Moreland & Co.,** Penobscot Building.

(Special to The Financial Chronicle)

FAIRMONT, MINN.—**Dean A. Anderson** has been added to the staff of **Daniel F. Rice & Co.,** Board of Trade Building, Chicago, Ill.

(Special to The Financial Chronicle)

JOPLIN, MO. — **Vincent C. Looper** has become associated with **White & Company,** Mississippi Valley Trust Building, St. Louis, Mo. Mr. Looper was previously local manager for B. C. Christopher & Co.

(Special to The Financial Chronicle)

JOPLIN, MO. — **Benjamin G. Chinn** is now with **White & Company,** Mississippi Valley Trust Building. He was previously connected with B. C. Christopher & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Sam H. Smith** has become associated with **Gross, Van Court & Co.,** 639 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Paul Williams** has joined the staff of **Lester & Co.,** 621 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**James R. Choate,** formerly with D. G. Grant Company, is now connected with the **Pacific Company of California,** 623 South Hope Street.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—**Owen Cripper DeVine** has become associated with **Otis & Co.,** Terminal Tower, Cleveland, Ohio. Mr. DeVine in the past was with E. B. Mount & Co., D. D. Schroeder & Co., and was an officer of Bankers Co. of Minneapolis.

(Special to The Financial Chronicle)

PASADENA, CALIF.—**Alvin M. Cowden** is with **Hill Richards & Co.,** Citizens Savings Bank Building.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **Theodore K. Thurston** has rejoined the staff of **Coffin & Burr, Inc.,** 120 Exchange Street. Mr. Thurston has recently been on war duty.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **Valeda Nadeau** is with **Clifford J. Murphy Co.,** 443 Congress Street.

(Special to The Financial Chronicle)

ROCKFORD, ILL. — **Ralph E. Dickson** has been connected with **King & Conrads,** 317 West State Street. Mr. Dickson was previously with Ryan-Nichols & Co., Geo. F. Ryan & Co., and Banning & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Edward J. Fitzpatrick,** previously with Bankamerica Company, is now affiliated with **H. R. Baker & Co.,** Russ Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**David Von Cram** has joined the staff of **Hannaford & Talbot,** 519 California Street.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Joseph E. Biallas** is now associated with **Waldron & Company,** De Young Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Herman A. Bangert** and **Frederick E. Thomas** have been added to the staff of **Dean Witter & Co.,** 45 Montgomery Street.

(Special to The Financial Chronicle)

SAINT PETERSBURG, FLA. — **John B. Breymann, Jr.** is with **The Ranson-Davidson Company, Inc.,** Florida National Bank Building.

(Special to The Financial Chronicle)

SEATTLE, WASH.—**J. R. Tichbourne** has joined the staff of **Arthur E. Nelson and Co.,** Paulsen Building.

Mutual Funds

(Continued from page 495)

times (114%) between the years 1936 and 1943 for the 50 bonds currently held in Keystone Bond Fund B-4.

* * *

Vance, Sanders & Co. discusses at length the "Common Trust Fund" in the current issue of **Brevits.** The increase in assets held by such funds together with the recent offering of a new type of common trust fund service by a New York bank has apparently raised a question as to the differences between common trust funds and common stock funds, such as MIT. The answers given will be interesting to anyone concerned with investments.

Further discussing the differences between the two types of investment, Brevits comments as follows: "Thus, the open-end investment companies, such as **Massachusetts Investors Trust** and **Boston Fund,** are not in any sense in competition with the common trust fund—far from it. They may legitimately expect, we think, to establish eligibility for their shares in the portfolios of the common trust funds of the country; for they offer to the trustees of the common trust fund, just as they offer to the trustee of the individual trust, or to the average American investor, a readily marketable investment in the highly specialized common stock field."

* * *

Distributors Group, in a recent letter to dealers, compares the 1944 first half sales and repurchases of 69 open-end funds with those of **Group Securities, Inc.** Total sales of the 69 open-end funds amounted to $76,514,000, of which Group Securities, Inc., accounted for $11,550,000, or 15.10%.

After taking into account repurchases during the period, net sales of the 69 funds were $38,927,000, as compared with $8,210,000 for Group Securities, Inc., or 21.09% of total net sales.

* * *

The current issue of **Abstracts** points out the weaknesses in the present Federal tax laws with respect to executive compensation, stressing the abuses which current inequities in the tax laws encourage. Also discussed in general terms are some of the "Things to Come" after war has been won.

* * *

Hugh W. Long & Co. announces that, with the dividends declared payable Aug. 25, 1944, on the several series of **New York Stocks, Inc.,** a change in dividend policy on that fund from a semi-annual to a quarterly payment basis will go into effect.

The sponsor writes: "As a result of correspondence with shareholders, the management believes that the large majority prefer these more frequent distributions, and we are hopeful that this decision of the board of directors will both please present shareholders and add to the attractiveness of **New York Stocks** for those of your clients who are not now stockholders. . ."

* * *

From Mutual Fund Reports

Group Securities, Inc.—Net assets on June 30, 1944, stood at $29,783,134, up 64% from the first of the year. As of July 20, 1944, net assets had further increased to above $31,000,000.

General Investors Trust—Net assets at June 30, 1944, amounted to $2,137,448, or $5.50 per share.

Investors Mutual, Inc.—On June 30, 1944, net assets totaled $35,435,550, compared with $25,825,678 at the beginning of the year.

George Putnam Fund—Net assets amounted to $9,806,000 on June 30, 1944, compared with $8,843,000 at the end of the first quarter.

Selected American Shares, Inc.—Net assets are reported "substantially above the $10,000,000 mark with diversification in 100 companies; 20 industries."

Bond Investment Trust—Net assets show an almost three-fold gain over the last 12 months, amounting to $3,148,349 as of June 30, 1944, compared with $1,123,000 a year earlier.

Mutual Fund Literature

Lord, Abbett—Revised portfolio folders on **Union Bond Fund "A"** and **Union Preferred Stock Fund.** . . . **Keystone Corp.**—A leaflet showing the primary lists for the 10 **Keystone Custodian Funds** as of July 1, 1944. Revised portfolio folders on Keystone B-1, B-2, B-3, B-4, K-1 and K-2. . . . **Selected Investments Co.**—The current issue of **"These Things Seemed Important."** . . . **Distributors Group**—Current issues of **Steel News** and **Railroad News.** Also a memorandum showing principal trunk lines and giving a traffic analysis of the railroads represented in **Railroad Stock Shares.** . . . **National Securities & Research Corp.**—A new prospectus on **National Securities Series;** a current issue of **Investment Timing,** discussing "The Democratic Platform and Business." . . . **Hare's Ltd.** — A folder entitled "Bank Earnings Continue Their Upward Course."

Dividends

New York Stocks, Inc.—The following distributions, payable Aug. 25, 1944, to stockholders of record Aug. 5:

Special Stock—	Amount of Dividend Per Share
Agricultural Industry Series	$.08
Alcohhol & Dist. Industry Series	.12
Automobile Industry Series	.06
Aviation Industry Series	.12
Bank Stock Series	.06
Building Supply Industry Series	.03
Business Equip. Industry Series	.10
Chemical Industry Series	.05
Electrical Equip. Industry Series	.06
Food Industry Series	.09
Government Bonds Series	.00
Insurance Stock Series	.07
Machinery Industry Series	.10
Merchandising Series	.08
Metals Series	.08
Oil Industry Series	.07
Public Utility Industry Series	.04
Railroad Series	.08
Railroad Equip. Industry Series	.07
Steel Industry Series	.08
Tobacco Industry Series	.10

Post-War Problems Viewed By A Retailer

(Continued from page 482)

1. Accumulated purchasing power in the hands of the consumers of one hundred billion dollars.
2. Substantial liquidation of consumer debt.
3. Large social security reserves.
4. Substantial mustering-out benefits for the military personnel.
5. Subsistent wage levels eliminated.
6. Pent-up demand for consumer durable goods.
7. Necessity of catching up on general maintenance and modernization deferred during the war.
8. New methods, processes, and techniques of production.
9. New and improved materials.
10. Greatly expanded force of highly skilled workers.
11. Expanded plant facilities.
12. Renewed confidence in ourselves and our institutions.

The total of the asset side of this pro-forma balance sheet might show that business will enter the post-war period with an adequate supply of the primary ingredients for a good business era. We shall have demand, purchasing power, and ability to produce, and we shall have each of these in abundance. In the language of one of the current radio advertisers, "These are facts, not fiction."

A balance sheet, however, has two sides. No one would consider making a decision or formulating a policy by looking only at the asset side of a company's balance sheet. Any good credit man will tell you that the extent and nature of liabilities are as important, if not more important, than assets. What are the liabilities which we must list on this pro-forma balance sheet?

1. An annual Federal, State and local tax burden of from thirty-to-forty billion dollars.
2. A high cost base for all production.
3. An enormous surplus property disposal problem.
4. Economic and social maladjustments resulting from reconversion or closing of war plants.
5. Labor unrest when costs must be controlled, overtime pay eliminated, and workers downgraded or forced back into lower paying service industry jobs.
6. Unemployment resulting from inability of industry to absorb immediately ten million additional workers.
7. Lack of sufficient corporate working capital to finance necessary expansion of production and distribution.
8. Tax laws which paralyze industry.
9. The possible extension of bureaucratic controls to a point where they will stymie reconversion.
10. Possible social turmoil due to an intensification of class, religious and racial prejudices.
11. Fiscal problems of handling a new, largely undigested Federal debt of three hundred billion dollars.
12. The contingency that the political manipulation of demagogues will again substitute an economy of scarcity for one of abundance and will be able to reverse the present wave of confidence in the free enterprise system to one of distrust, or worse, one of apathy.

You will note that so far my balance sheet balances as all good balance sheets should. I have 12 items on each side. **I planned it that way.** You will note that the 12 asset items were largely factual or existent. The liability items are less measurable and by nature more problematical. Some of them are more in the nature of contingent liabilities. While contingent as to nature they are great as to magnitude.

Evaluating each of these 24 items—12 assets and 12 liabilities—is much more difficult than enumerating them. If positive evaluations were possible, we could strike a balance and find our net position. All we can do is to appraise them in very general terms. We must each make our own definite evaluation according to our own judgments. Perhaps the composite judgments so arrived at will be reasonably accurate. At least that is one of the suppositions upon which democracy is based. Suppose we review each of these 24 items and discuss them briefly.

1. Consumer savings of one hundred billion dollars—What will be the meaning of one hundred billion dollars of accumulated purchasing power in the hands of the public? No one knows, because no comparable situation has ever existed. Will there be a wild rush to convert it all into goods? If so, nothing, not even Government controls, can save us from wild inflation. On the other hand, will these savings lie dormant and sterile through personal fear of future need? Aside from the direct effect of these savings, what will be their indirect effect as a fulfillment of the need for future savings out of future income?

Certainly all these savings will not be converted into tangible goods at an early date. It is equally certain that the entire amount, plus the amount of normal future savings, the need for much of which has been fulfilled, will not lie dormant or sterile. How much will fall into each class is the unanswerable question. In this respect we must consider the enormity of the amount involved. One hundred billion dollars is a great deal of purchasing power. Suppose one-tenth of this amount flows into the channels of consumption each year. Ten billion dollars is also a great deal of money. Dissavings of even this amount can feed a great deal of steam into our economic boiler. Compare it to the total amount received from foreign trade in any pre-war year.

2. Substantial liquidation of consumer debt—Will consumer purchasing power of the post-war period be increased by a building up of the balances of consumer credit? Will consumers again buy automobiles, refrigerators, and radios by the millions by pledging their future income? The answer is certainly, yes, many of them will. Instalment credit worked too well for seller and buyer in the pre-war period for it to be discarded as a method of merchandising and promotion. Experience, even in the deep depression years, was too satisfactory for the credit grantor for him to overlook this means of building business volume. Current thinking on means of financing a residential building boom is a straw which shows the direction of the wind in this respect.

3. Social security reserves—Large employment and an absence of the need for benefits have resulted in the accumulation of large unemployment reserves. We hear much talk of additional aids for war workers as part of contract termination. The effect is to cushion the impact of unemployment on purchasing power. The reserves are large. Therefore, we have a large cushion. One must appraise the psychological effect of such reserves as they affect the savings habits of the workers. To the extent that social security benefits are substituted for personal savings in the thinking of the workers, to that extent they free purchasing power for current use.

4. Mustering-out benefits—The first ticket in the form of aid for veterans of the Second World War has been written. No doubt others will follow. The total amounts are of staggering proportions. These amounts will represent additional consumer purchasing power. These funds will be in the hands of people who will be in the frame of mind to spend. They will hit the market before reconversion has been completed and production of consumer goods has gotten well under way. The impact will be great.

5. Elimination of subsistence wage levels—We all know that a consumer working on a subsistence wage is a poor customer. For many of us, one customer earning $40 a week is worth five earning $20. The amount left after the bare necessities of food and shelter are paid for is the dynamic part of any personal budget. We all know that in many localities and in certain industries many workers were on a subsistence wage rate in the past. We also know that the pendulum may have swung too far and too fast in this respect. Such pendulums, however, seldom swing all the way back. They do not need to do so. Technological improvement is forced by higher wages and, within reason, supports them. Augmented earnings from this source can add substantially to post-war purchasing power.

6. Pent-up demand—Perhaps little need be said about this. We are all acquainted with it. We know that an inability to spend has been the chief reason for large personal savings. Just to catch up on the production of consumer durable goods will be a Herculean task. It has been reliably estimated that car, bus, and truck production must reach the fantastic figure of eight million a year. I have seen an even more optimistic figure of seventy-two million for the first post-war decade. Compare that with prewar production. Apply those ratios to refrigerators, radios, washing machines, etc. Consider the deficit in home building which has been accumulating since 1929 and the deficit in farm building, fencing, etc., which has been accumulating since 1921. Yes, the amounts are large.

7. Delayed general maintenance—Amounts spent for general maintenance in the decade prior to the war were subnormal due to general economic conditions. Drastic curtailment from even this low standard has been forced due to man-power and material shortages. Much equipment is crowding 15 or 20 years of normal use into four or five years. Mechanical equipment has suffered greatly from improper care and unfavorable operating conditions. We started living off our fat at a time when we were already subnormal physically.

Our railroad system requires new locomotives, freight cars, coaches, tracks, and improved roadbeds. Our stores have worn our their cash registers, bookkeeping machines, and delivery equipment. Their elevators, escalators, and heating plants need overhauling badly. And so it goes through industry. Take a look at any company's post-war budget for expenditures on plant and equipment. It is estimated that the requirements of the retail industry alone run into the billions. Several million will be required for my own company. This means a demand for the use of material and man-hours. It means business for you and me.

8. New methods, processes and techniques of production—One does not need to be a reader of the Sunday supplements to know that products to be manufactured and our capacity to do the job have both been greatly accelerated by the war effort. In the post-war world new things must be made and sold. Old things must be made in new and better ways. Much of the old will be forced into the scrap heap. Production of the new should be more desirable and relatively cheaper. All of this is good for general business.

9. New and improved materials—Laboratories have also been working on a 24-hour basis. Ideas have been forced out of hiding and onto the production line. In looking for substitutes much that was better than the original has been discovered. Therefore, products have improved and their number multiplied. New businesses will be born. New opportunities will arise. The impossible becomes a reality. Business will benefit in a big way.

10. Expanded force of skilled workers—Our capacity to produce has been increased greatly through adding to improving the skills of the workers. War industries have converted the unskilled into skilled workers by the millions. The Army also has done much in this respect. There is hardly a hamlet in America which does not have its quota of skilled workers and technicians. Demobilization will throw still others with newly acquired skills into each community. An oversupply of skilled workers is bound to be a strong force in our economy.

11. Expanded plant facilities—If our well-being is related to our capacity to produce, our greatly expanded plant facilities should be an asset of great value. Our production facilities built within the past five years loom large in terms of dollar cost when compared to total plant facilities of 1940. Considering that these new facilities lack the element of obsolescence so prevalent in post-war facilities, there is little wonder that we can and have doubled our pre-war production record. A doubled capacity to produce should certainly be an asset of sizable proportions.

12. Renewed confidence—Perhaps the greatest of all assets is self-confidence. We, as a nation, did not have it in the thirties. We were told we were through, and a majority of us believed it. We were scared out of at least 10 years of growth by being told that we had already stopped growing. We were told that our leaders were stuffed shirts and selfish crooks, and a majority believed that.

We were told that the private enterprise system was obsolete, and we proceeded toward scrapping it without first discovering that the proposed substitutes which were being offered as the cure-all for that brave new World of Tomorrow had really been taken out of the archives and just given a new coat of paint—red paint. We were ready to scrap the wonder of all mankind in exchange for something which was centuries old and which never worked anyway—Government control.

Perhaps we should be thankful for the war. Perhaps it took a sock on the jaw of that magnitude to wake us up and bring us to our senses. Be that as it may, we have under the stress of war answered many of the charges. Were we through growing in the thirties and were there no new frontiers to conquer? Look at our present size. Were our leaders stuffed shirts and selfish crooks? What would we have done without them? Had private enterprise lost its effectiveness? Look at our production record. The private enterprise system has been acclaimed by the AFL, CIO, and Earl Browder. Even the Washington bureaucrats who were wielding the spade in its burial speak low and softly, if at all. If we continue to believe in ourselves, our institutions, and in our free enterprise system, this asset can be our greatest.

Superficially it might look as though we were amply solvent. We certainly have a large group of wonderful assets. We have purchasing power, demand, ability to produce, and self-confidence. What else do we need? Nothing, except we need these assets unencumbered. At least we need to be able to meet our liabilities. Insull had customers with purchasing power and a demand for his product in 1929. He had some wonderful power plants—productive capacity. He went broke because he also had liabilities—liabilities he could not meet. We also have some liabilities—you will remember.

Let us take a second look at these liabilities and see how they look in relation to our impressive array of assets. Can our liabilities be met or funded on a basis which will permit us to utilize these assets in the post-war period? If so, there is hope. If not, the future is dark.

1. Tax burden of thirty-to-forty-billion dollars—We have been told on good authority that, historically, governments are wrecked on the rocks of loose fiscal policies. The fall of most governments and of most civilizations were preceded by unbearable taxation. When government takes too large a part of the national income for overhead purposes the living standards of its citizens must decline. Taxes which are too high on the wealthy drive money into hiding and industry starves for the want of capital. The balance of the country soon starves also. Taxes which are too high on business drives business into a slow death of liquidation. Taxes which are too high on the consumer dry up purchasing power at its source and again the whole structure tumbles.

Taxes on the wealthy and on those of high income must be low enough to make possible the accumulation of wealth and to encourage its investment in industry. Taxes on industry must be low enough to enable industry to produce sufficient profit after taxes to enable it to expand out of profits and to pay a reasonable dividend return on the investment of its stockholders. Taxes must be low enough on the masses to insure their having enough purchasing power left after paying the taxes to enable them to buy the products of industry. Yes, but taxes must be high enough to raise thirty-to-forty-billion dollars in that post-war period.

If government is to have a first claim on national income to the extent of thirty-to-forty-billion dollars per year, it becomes evident that:

A. National income must be at a very high dollar rate. The Government cannot exact a tribute of thirty-to-forty-billion dollars out of a forty-billion-dollar national income, which we had in 1932, or even out of an eighty-five-billion-dollar national income, which we had in 1929. I doubt that it can be done out of a national income of one hundred twenty billion dollars.

B. The tax burden must be placed with the greatest of care or the impact of its weight will destroy our economy. A small tax burden can be carelessly distributed. The handling of a thirty-to-forty-billion-dollar tax burden is no job for the careless or the amateur. It will require the greatest of skill in its distribution even after we have a national income sufficient to bear up under its weight.

It is obvious that this liability number one, tax burden, is a very serious one. The best minds of the country must be put to work on it. It is no job for demagogues, partisans, or amateurs. It is the kind of a rock which could sink our ship with the precious cargo of assets mentioned.

2. High cost producer—We all know what happens to a high cost manufacturing plant or mine when the going gets rough. We must face the fact that America is a high-cost country today. National policies of the past 15 years have been such as to make it so. How will we stand up when the going gets rough? Who can afford to buy our products if they have to pay for them either with money or goods? How can we protect even our home market and at the same time foster internationalism, good neighborliness, etc.? It seems that our policies of high cost on one hand and internationalism on the other may be compared to trying to ride two horses going in opposite directions. It will work for a while, but only for a **very, very short while.** The probabilities are that he who attempts it won't be riding at all.

3. Surplus property disposal—Policies followed in the disposal of surplus war property can be a negative factor in the post-war period. The continued accumulation of these surpluses during this period of scarcities will be doubly harmful if such surpluses are dumped indiscriminately after reconversion has taken place. Failure to dispose of such surpluses and having them constantly hanging over the market would be almost equally harmful. The time to dispose of known surpluses is now—today. If we wait until tomorrow the effect will be bad at best. Needless harm in the way of disturbing normal markets should be avoided. On the other hand, it cannot be assumed that any particular manufacturer or industry has a vested right in the market. The common good calls for a gradual, well-timed liquidation of large quantities. The time to start liquidation of all known items is now.

4. Maladjustments of reconversion—It is all very well to discuss these subjects on a broad, national basis. On the other hand, many maladjustments will be local in character. The period of reconversion will be extended for some and short for others. Many plants will never reopen. Some of these will be in localities offering no opportunity for other employment. Such industries as aviation and shipbuilding cannot be kept going on anything more than a very small fraction of their capacity. Regardless of how national figures on demand, supply, purchasing power, etc., balance out, there will be no balance for thousands of people affected by these situations. Social and economic problems of this character spread like a contagious disease. Evils growing out of these maladjustments could wreck our chance to make the most of our possibilities. This is another liability which could force an otherwise solvent economy into bankruptcy.

5. Labor unrest—What will be the economic, social, and political costs of labor unrest which will follow in the wake of the war? We hear of policies looking forward to no reduction in take-home weekly pay in the post-war period. Is this a genuine hope or just some whistling in the dark? Overtime payments constitute a substantial part of the weekly take-home, both because of the number of hours and the higher rates.

What will be the effects of lay-offs and down-grading of employees? What will be the reaction of the thousands who will be forced to return to the relatively lower paid service industries? How many workers will prefer working two or three days a week for a dollar an hour to working full time at 50 cents? How many will prefer living on relief to lowering their hourly wage rate? It is obvious that this is another sizable liability.

6. Absorption of military forces—Even if we grant the possibility of full employment, how soon can this take place? Will jobs be open as wanted by those being mustered out? What will be the effects if no jobs are available when wanted? Will this become a political issue for a demagogue?

7. Lack of corporate capital—There has been little new equity capital flowing into industry within the past 15 years. Was this a result or a cause of our having 10,000,000 unemployed in 1940? A high volume of business has been financed during the war period, but largely on Government funds. Can an equally high rate of business activity be maintained in a peace-time civilian economy with our present corporate structures? Certainly not. Steps must be taken to lend encouragement, or at least to eliminate discouragement, of equity investments by individuals.

8. Tax laws which paralyze industry — Steeply graduated personal income taxes coupled with high corporate income and excess profits taxes result in practical confiscation for the investor who is in the higher tax brackets. Corporations are forced into unsound funded debt operations rather than the sale of equity securities. The only capital available for corporations is current bank loans and institutional funds which are restricted to senior positions. The equity holder is being liquidated gradually. There must be a rationalization of tax laws if free enterprise is to function.

9. Extension of bureaucratic controls—Will controls be lifted so reconversion can take place? Will some political slogan such as "Hold the Line" continue to take precedence over realistic pricing policies? How long will we continue to consider that production and price are unrelated factors? Much depends on the answer to these questions.

10. Intensification of class prejudices—Will the closing of the war bring us closer together or will we drift farther apart? Playing on group prejudices has been successful politics for the past several years. Such things are easier to set in motion than to control or stop. The persecution of one minority leads to the persecution of others. It spreads like a disease. Your pet hate may be based on economic distinctions, another's on race, a third on religion. They are all of the same ilk. He who is guilty of one should be considered guilty of all, because each breeds from and builds on the other. Intensification of prejudices frequently follows a war. It probably results from regimentation and the habit of acting as part of a group. Such intensification at the close of this war could be very serious. The possibility of its development must be weighed heavily on the liability side of our pro-forma balance sheet.

11. Federal fiscal problems—We shall have a new, undigested Federal debt of approximately $300,000,000,000. Much of this debt has been placed on an emotional appeal. Many of these securities must find new homes in the post-war period. The interest rate on these securities is about one-half that of those issued in the last war. The amount is 10 times as great. If we have a free market, what will be the market price on these securities? What will be the effect of these prices on the solvency of our institutional holders? If the market is not a free one, what will be the effects of a controlled market? These are things which must be considered when we try to appraise our chances of cashing in on the 12 assets mentioned.

12. Political contingencies—Has the free enterprise system earned its right to stay out of the doghouse by its contribution to winning the war? Will it again become politically expedient to make a whipping post of business? Can business maintain the confidence it has regained? Can business maintain self-confidence? These are some of the intangibles which I leave with you to think about.

To sum up our balance sheet, we shall have good prospects of unprecedented purchasing power, demand, and production capacity. On the other hand, we shall have heavy taxes, high costs, and many problems of a fiscal, economic, social, and political nature. It is hoped that each of these problems can be solved. If so, the post-war period looks inviting. If these problems are not solved due to mishandling in any one of a dozen different ways, the entire picture could deteriorate rapidly.

As citizens each of us has our responsibilities to do what we can to assure a proper environment for the development of free enterprise. Each must do our part, as we see it, in an endeavor to assure that problems of a general or political nature are handled by the best people available for the job. As sales executives we should make the selling of the free enterprise system and all that it means our number one job. If you can't sell that bill of goods and make the sale stick, what good will it do you to sell your other products? Your competitor's product—planned economy under Government control—has many full-time salesmen. They are selling because they see their future in that product. Your future is in the free enterprise system. Who will prove to be the better salesmen?

And now down to our day-to-day jobs. How must they be done in that post-war period? We have the general pattern. There are standards of achievement below which we cannot—below which we dare not—fall. Considering the picture from a purely statistical angle, we know that to support our post-war tax burden we must have an annual national income of from $125,000,000,000 to $150,000,000,000. An annual national income of such proportions can result only from a very high rate of business activity. When armament manufacturing no longer contributes to this activity, the slack must be taken up to a very substantial degree by the manufacture and distribution of consumer goods at unheard of, and seldom dreamed of, levels of production. We must produce and distribute tremendous quantities of such merchandise in the post-war period in order to carry our tax burden.

Can this tax burden problem be met by manipulation of prices, and therefore the buying power of the dollar? When we pose this question, we are impressed with the fact that we can't divorce dollars from people in our thinking. We find that the fields of finance and economics overlap the social fields. Producing and distributing merchandise at pre-war rates and simply marking up the prices cannot answer the problem. France discovered that in the last post-war era, but too late.

In that post-war world we shall have more workers than ever before. Politically, socially, and economically, those workers must work if unemployment is to be held within reasonable bounds. Production must be greater, much greater, than any possible demand as judged by past standards. New standards of production, distribution, and consumption must be evolved, and we must achieve those standards. To fail in this is to fail utterly. The alternative is chaos.

Everyone has a contribution to make in meeting these obligations of the post-war world. Manufacturers must not only produce merchandise to satisfy existing demands. New items about which the present-day consumer has never heard must be developed and a desire for them created. New and improved materials must be so used as to create new needs, wants, and demands. Improved design must make the old obsolete. New and better styling must be so dynamic in character that the old will be scrapped long before the last grain of utility value has been squeezed from it.

The manufacturer must exercise ingenuity and resourcefulness in planning his product. But manufactured products are useless and the whole effort futile unless these products flow into the hands of consumers at an equally high rate. This means that the tempo of distribution must be stepped up to keep pace with the increased tempo of production. The impact of selling must be of sufficient strength to constitute a complete follow-through on the efforts of the producer. Just as 1920 methods of production, merchandise specifications, or design and styling will not be good enough in the past-war period, neither will 1920 methods of distribution, advertising, and selling suffice. The post-war world cannot be built out of policies, practices, and techniques of the yesterday, regardless of how well they seemed to work in that period.

It is to the sales executives of America that we must look for the dynamics which will assure the high rate of distribution, and therefore the production, which will make the post-war world a better world.

Says Western Powers Helped Germany's War-Based Economy

Dr. Antonin Basch Of Columbia Publishes A Book Analyzing Reich's Economic Policy In Forcing Bilateral Trade

The major economic powers of the world could have forced Germany to abandon her policy of compulsory bilateral trade in the seven Danube Basin countries, initiated in 1933 as a measure to strengthen the Reich's war-based economy, Dr. Antonin Basch says in *The Danube Basin and the German Economic Sphere*, published by the Columbia University Press.

Dr. Antonin Basch

The Western countries were more concerned with Germany than with the problems of Southeastern Europe, and consequently failed to take the initiative which would have forced the Reich to change her plans and return to multilateral trade, declares Dr. Basch, a lecturer in economics in Columbia University. "Such a move would have thus not only freed the countries of the Danube Basin from economic aggression but would also have prevented the strengthening of the greater German economy essential to the virtual self-sufficiency of the Reich," he points out.

"Alternatively it would have forced Germany to fight both before she had undisputed access to these resources and before she was prepared internally. The issue would have been forced at pitifully small cost compared with the price being paid today."

Differences of interest among the powers or failure to grasp the full significance of the problem may have prevented unified action, according to Dr. Basch. "But there is also reason to believe that, even at that time, German propaganda had already succeeded in convincing the Western countries that it was to the advantage of European and world economy and in the interests of the preservation of peace to recognize Germany's special economic interests in this part of Europe."

Germany busily encouraged differences between the Danubian countries to make them more dependent on the Reich for trade, Dr. Basch points out.

"This reorganization of trade was based on various aspects of the military demands of the coming war," he continues. "It was highly desirable to be able to obtain the maximum volume of supplies from Southeastern Europe, which could be reached by land during the war.

"The armed economy, introduced in 1933, requiring huge supplies of raw materials and greater food imports, quickly changed German commercial policy by transforming it into a totalitarian trade policy. The purpose of foreign trade was not to export in order to provide employment but to import those things necessary for the war economy and to provide the required payment by planned and, whenever necessary, subsidize export. The idea of multilateral trade and international price competition was replaced by bilateral treaties and clearing agreements whenever possible and advantageous."

Austria, Hungary, Czechoslovakia, Rumania, Yugoslavia, Bulgaria and Greece were subjected to increasing pressure to trade solely with Germany after 1933, Dr. Basch explains. "Germany's aim was to convert Southeastern Europe into a kind of hinterland to supply her with food and raw materials, to build a Berlin-Bagdad economic axis. As her political power grew, unchallenged by any determined or unified policy of the Western Powers, her influence in the Southeast also grew.

"The Southeastern countries faced many problems; the threat of monetary instability, difficulty in balancing government budgets, loss of export markets, extremely difficult problems of adjusting prices to those on the world market, and even scarcities in many consumer goods.

"To all these must be added the fact that—after many disappointments—they had no great hope of obtaining help in the form of concerted international action by the Western countries, who still paid far more attention to Germany than to Southeastern Europe. One could hardly imagine better circumstances for the launching of Germany's economic offensive to the Southeast."

90-Day Suspension From NASD

Leedy, Wheeler & Co., brokers and dealers of Orlando, Fla., were ordered suspended from the National Association of Securities Dealers, Inc. for a period of 90 days effective Aug. 5. The company had been charged with "preparing and using a pro forma balance sheet which concealed a deficit incurred by the insurer." The commission decided that revocation of the company's registration would not be necessary under the circumstances in view of its previous good reputation and the fact that the present case "appears to be an isolated instance not indicative of a systematic practice."

Louis Goldstein Manager For Wm. Rosenbaum Co.

Wm. M. Rosenbaum & Co., 285 Madison Avenue, New York City, members of the New York Stock Exchange, announce that Louis Goldstein has been appointed manager of their office.

Monetary Fund According To Plan

U. S. Treasury's Interpretations Prevail

Now that the Agreement on the International Monetary Plan has been published, it is increasingly evident that it was molded closely along the lines of the preliminary proposals of the "United National Experts" (as published on cover page of second edition of the "Chronicle" of Apr. 27, 1944), and that there have been no radical or even substantial departures from the original scheme. This has been accomplished despite the differences of views as expressed by the representatives and the economists or financial experts of the leading countries prior and during the Conference held at Bretton Woods, N. H., from July 1 to July 22. It is borne out by the "interpretations" issued by the U. S. Treasury on June 10, and distributed to the delegates at the Conference. Thus, Article I of the Agreement, which lists the purposes of Fund states definitely that it is to be a "permanent institution." This was the view of the Treasury as shown in the following question and answer:

QUESTION 1

Will the operations of the International Monetary Fund be limited to the immediate post-war period?

REPLY

In the Foreword to the Joint Statement by the experts on the establishment of an International Monetary Fund, Secretary Morgenthau said:

"The tentative proposals that have been under discussion by the experts are part of a broad program for cooperation on international economic problems among the United Nations. The objectives of this program are the expansion and development of international trade, the revival of international investment for productive purposes, the establishment of orderly and stable exchange rates, and the elimination of discriminatory exchange practices that hamper world trade. The attainment of these objectives will go far toward preventing serious economic disruption in many countries during the critical decade after the war."

It is still too soon to know the precise form and magnitude of post-war monetary problems. But it is certain that we shall be confronted with three inseparable monetary tasks: to prevent the disruption of foreign exchanges, to avoid the collapse of monetary systems, and to facilitate the restoration and balanced growth of international trade. Clearly, such formidable problems can be successfully handled only through international action.

While the Fund can be of enormous help in the solution of the monetary problems growing out of the war, it would be a serious mistake to regard the Fund as an agency designed exclusively or even largely for the immediate post-war period. To think of international monetary problems as simply an aftermath of the war is to overlook the fundamental realities. For two decades before the war the world suffered from serious monetary disorders without having any means to act together to prevent or to remedy the ills out of which they grew and the evils which were their fruit.

Long before the war, the necessary monetary and financial basis for international prosperity had been weakened by competitive currency depreciation, by exchange restrictions, by multiple currency devices, and by other discriminatory foreign exchange practices that hampered and even throttled world trade and the international flow of productive capital. Unless the United Nations cooperate to provide a sound foundation for the balanced growth of international trade, we must expect a recurrence of the same monetary disorders.

These are not transitory problems of the immediate post-war period affecting only a few countries. They are continuing problems of vital interest to all countries. There must be a general realization that world prosperity, like world peace, is indivisible. Nations must act together to restore multilateral international trade, and to provide orderly procedure for the maintenance of balanced economic growth. Only through international cooperation will it be possible for countries successfully to apply measures directed toward attaining and maintaining a high level of employment and real income which must be the primary objective of economic policy.

International monetary problems cannot be solved by occasional cooperation improvised among a few great countries to meet a threatened disaster. Such monetary difficulties can be met only by continuous cooperation, to prevent them if possible, to remedy them when necessary. It is for this reason that the International Monetary Fund of the United and Associated Nations is proposed as a permanent institution for international monetary cooperation.

A second question as to the purposes of the plan, and which was not definitely expressed in the preliminary proposal was whether it was intended that the fund was to carry out the objectives of Article VII of the United Nations' Mutual Aid Agreement in promoting and maintaining high levels of employment and production.

Article I section ii of the Fund Agreement reads:

"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."

This is along the lines of the Treasury's interpretation as indicated by the following:

QUESTION 3

Is the Fund intended to provide for international expansion of production and exchange which is one of the objectives stated in Article VII of the Mutual Aid Agreement? Is it intended to introduce measures for controlling the trade cycle?

REPLY

As is stated in the Joint Statement on the International Monetary Fund, the primary objective of economic policy must be the maintenance of a high level of employment and real income. It is recognized that only through international cooperation will it be possible for nations successfully to apply measures for achieving this end. It is a fundamental purpose of the Fund proposal to provide an agency for monetary cooperation among nations to aid in the securing of economic advancement and rising standards of living for all.

The operations of the International Monetary Fund are designed in the first instance to prevent discriminatory and restrictive exchange devices and to promote exchange stability through the cooperation of member countries. Obviously, a greater degree of stability of exchange rates is not an end in itself. It would be a complete inversion of objectives if a high level of business activity were to be sacrificed in order to maintain any given structure of exchange rates. Nor can we expect that a high level of production and employment will be automatically brought about through international monetary cooperation. But the Fund can contribute to the success of national policies intended to facilitate the attainment of a high level of production and employment by providing an international economic environment favorable to the development of such policies.

By helping to keep exchange rates relatively stable and removing the fear of large and sudden changes in exchange rates, the Fund will contribute to the revival of international trade and the resumption of international investment. With international cooperation on exchange policy, it will be possible to avoid the "beggar my neighbor" tactics of the 1930's which contributed to the spread of depression from country to country.

By discouraging bilateral clearing arrangements and putting an end to the use of multiple currencies and other restrictive exchange devices, the Fund will make it possible for member countries to enjoy the advantages of multilateral international trade without which the possibilities for the balanced growth of international commerce can never be fully realized.

Finally, by providing member countries with exchange resources when they are needed to meet an adverse balance of payments on current account, the Fund will free member countries from the necessity of taking extreme measures that have the effect of contracting income and employment in order to restrict imports and adjust an adverse balance of payments.

Under the Fund, corrective measures can be taken to adjust an adverse balance of payments which need not involve domestic contraction and a drastic reduction of imports. Under adequate safeguards, the Fund will provide the necessary exchange to maintain imports while more fundamental adjustments are being made. Likewise, in the case of member countries with a favorable balance on current account, the operations of the Fund will enable them to maintain their exports while adjustments are made, instead of being forced to undertake a sharp reduction in exports with the resulting adverse effects on domestic employment.

The Fund is not designed directly to control business fluctuations. In our opinion no international agency could assume the responsibility for the control of the trade cycle. To a considerable degree the volume of international trade is a reflection of the internal economic health of the trading nations. The work of the Fund is confined to the provision of some of the conditions necessary for international prosperity.

The maintenance of a high level of employment and the expansion of production can be achieved ultimately only through the development of its productive capacity by each member country. We may reasonably assume that while national policy in each country should and would be concerned with such development, the principal purpose of the Fund is the creation of a healthy international monetary environment in which the economies of member countries can enjoy a high level of employment and production.

We believe that to the extent the Fund is successful in realizing its objectives, fluctuations in the trade cycle will be mitigated. The Fund can minimize the deflationary monetary pressure that adverse balances of payments have had in the past. It can eliminate competitive currency depreciation and a variety of discriminatory trade practices. In this way it will help prevent a recurrence of the unfortunate policies that have had the effect of intensifying international depression and spreading it from country to country through nationalistic policies designed to secure recovery of one country at the cost of depression in other countries. Because the Fund holds resources to which all member countries have access, member countries may more freely undertake policies designed to stimulate investment and employment during periods of recession, without fear that such policies will lead to a serious depletion of their exchange resources and imperil the stability of exchange rates.

It is, perhaps, the adoption of the attitude taken by the United States with regard to the position of gold in relation to the Fund that is probably the most important feature of the whole Agreement. This is borne out in the Treasury's replies to Questions 6, 12, and 14 as given in the brochure:

QUESTION 6

In what form will the Fund hold the quota subscriptions of the member countries?

REPLY

The subscriptions of the member countries to the Fund will be in the form of local currencies and gold. The Fund will keep a portion of its holdings of the currency of each member as a deposit in the Central Bank of that country, such portion being in accordance with the needs of the Fund for its current operations. It is the view of the technical experts of the United States that the balance of the Fund's holdings of the member countries' currencies should be in the form of bills, notes, or other forms of indebtedness, issued by the governments of the member countries. These securities would be non-negotiable, non-interest-bearing and payable at their par value on demand by a credit to the deposit account of the Fund at the Central Bank of the member country.

Why is it desirable for the Fund to keep its surplus currency holdings in the form of securities of the member countries?

There are some countries for whom the required subscription of currency to the Fund can be made only with great difficulty. For such countries the problem is created by the existence of a monetary system under which the issue of currency (or the creation of central bank deposits) requires a high marginal reserve of gold.

For example, some countries can issue local currency only when secured in whole or in large part by gold or foreign exchange. It is not possible for such countries to issue local currency as a means of meeting the required subscription to an International Monetary Fund. Nor can such countries borrow at once the needed resources from the banks or the public except at rates of interest that would be burdensome. Such countries could, however, meet the subscription requirement if the Fund were to hold their subscriptions in the form of their own obligations.

There is another reason why some countries would find it desirable if a part of their subscription were held in the form of their own obligations. Clearly, the Fund is not going to use the entire local currency subscription of a country at the time operations of the Fund begin. For the Fund's purposes it would be satisfactory to have an adequate working balance at the Central Bank of the member country, holding the remainder of the local currency subscription in the form of Government obligations. This would avoid the appearance of inflation or illiquidity of the Central Bank, which might be mistakenly inferred from the sudden increase of its deposit liabilities.

To meet the needs of countries that would find it more convenient not to pay all of the local currency subscription at once, it is proposed that part of the quota subscription be held in the form of Government obligations, redeemable at par on demand. Whenever the working balance of the Fund in local currency is depleted by its sales of such currency, the Fund can replenish the balance by presenting for redemption the securities it holds.

There is no reason for believing that the Fund takes any more risk in holding Government obligations than in holding local currency. When the Fund requires local currency for its operations, the national monetary authorities will presumably wish, as a matter of monetary policy, to redeem the securities held by the Fund and to borrow from the market.

QUESTION 8

What is the formula for determining the quotas of member countries?

REPLY

A formulation of a method to be used in measuring the participation of the various member countries was not included in the joint statement by the experts on the establishment of an International Monetary Fund. This was considered to be a matter on which a decision should be reached only after there has been ample opportunity for consultation with all of the prospective participants. Considerable attention has been given this matter in discussions among the technical experts of the United and Associated Nations.

After examining a great number of suggested bases for quotas, it is the view of the technical experts of the United States that no single factor can allocate participation among the various nations in a satisfactory manner. Several methods for combining a number of factors were tested. The method which is discussed below seems to combine the important relevant factors in a reasonable way and to give relative quotas that seem fair when applied to the approximate data available for a number of countries.

A satisfactory quota formula must give consideration to the multiple functions of the quota. The size of a member country's quota determines the amount of the subscription which that country makes to the resources of the Fund and is the basis for determining the normal rights of that country to purchase foreign exchange from the Fund. The size of the quota is also one of the factors which determines the relative voice of that country in the management of the Fund. The aggregate size of the quotas will determine the total subscribed resources of the Fund.

In view of the functions of the quotas, it would seem that the formula for the determination of relative quotas for member countries should take into account the ability of a country to subscribe resources to the Fund, the need of a country for use of the resources of the Fund, and the economic significance of a country.

The ability of a country to subscribe resources to the Fund is best indicated by its national income. In a sense, participation in the Fund is an investment. The extent to which a country can devote resources to this or other purposes depends very largely on its national income. However, because the Fund is an international institution that can function more effectively if some of its resources are in the form of gold, it has been thought desirable to require payment of part of the quota subscription in this form. Under the circumstances, the ability of a country to subscribe resources to the Fund in the form of gold is also indicated by its holdings of gold and gold-convertible exchange.

The probable need of a country for use of the resources of the Fund is best indicated by the magnitude of the fluctuations in its balance of payments. There is a good deal of difficulty in dealing directly with fluctuations in the balance of payments. For this reason it was found preferable to utilize import and export data. A country's need for foreign exchange generally arises from the fact that its imports may be maintained when its exports fall off. We have, therefore, made use of average annual imports and maximum fluctuations in exports as indications of a country's need for use of the resources of the Fund.

The economic significance of a country in the world's economy is an intangible factor impossible to measure even approximately. It depends on its national output, its foreign trade, its foreign investment, its economic and political strength. In the final determination of quotas allowance is made for this factor through use of a special allotment for the equitable adjustment of quotas, which is further discussed below.

In order to take account of the above factors it is suggested that the quota of a country be determined by the following formula:

(a) 2% of the national income of 1940;
(b) 5% of the holdings of gold and gold-convertible exchange as of Jan. 1, 1944;
(c) 10% of average annual imports, 1934-1938, inclusive;
(d) 10% of maximum variation in annual exports, 1934-1938, inclusive.

It is further proposed that the total so determined be increased for each country by the percentage ratio of its average annual exports (1934-1938) to its national income. In this way special consideration is given to those countries whose national income is particularly affected by international trade.

After testing this formula for a number of countries, we have come to the conclusion that on the whole the results are as satisfactory as can be obtained through the use of any formula. We recognize that under this formula some countries may, for various reasons, be given entirely inadequate quotas. With any formula, provision must be made for adjustment of inequitable quotas. We have proposed that before determining individual quotas 10% of aggregate quotas be reserved as a special allotment for the equitable adjustment of quotas. For example, if the aggregate quotas for all member countries should be equivalent to $8,000,000,000, the formula would be used to apportion 90% ($7,200,000,000) of the authorized aggregate quotas among the member countries. The remaining 10% ($800,000,000) could be used to increase the quotas of any countries whose quotas, as determined by application of the formula, seem inadequate. The adjustment of the quota need not always be based upon a country's need for access to the Fund. Since no formula can take account of the intangible factors, the special allotment will also be needed to assure to each country a share in the responsibility for management of the Fund commensurate with its potential position in international economic affairs.

It is provided in the joint statement that quotas may be revised from time to time by changes which require a four-fifths vote and no member's quota may be changed without its consent. It is the view of the technical experts of the United States that provision should be made for the adjustment of quotas on the basis of the most recent data three years after the establishment of the Fund and at intervals of five years thereafter, in accordance with an agreed upon formula. At the time of revision of quotas, the special allotment mentioned above may be used to increase the quota of a country if the quota as determined by the formula is still termed inequitable. This special allotment may also be used in the periods between recurrent adjustments, if developments indicate that a country is entitled to a larger quota.

QUESTION 12

What is the purpose of requiring that a portion of the subscribed quota be paid in gold?

REPLY

Because of the unquestioned acceptability of gold as an international exchange medium the power of the Fund to serve its members will depend in part upon the size of its gold holdings. With gold the Fund can buy the currency of any member country. If the assets of the Fund consisted solely of currencies of member countries, there would be a danger that relatively small disturbances in the balance of payments positions of member countries would leave the Fund short of certain currencies.

So long as the Fund holds gold it can acquire additional amounts of any member currency. The lack of such generally acceptable resources as gold could in time compel the Fund to take measures to restrict its sales of foreign exchange to the currencies that are available. It is of the utmost importance, therefore, that the Fund hold resources that can be used, as needed, to acquire any currency that becomes temporarily scarce.

In many respects an ideal Fund would be one consisting predominantly of gold. It is recognized that such an ideal Fund cannot be immediately established. There is every reason, however, to provide the Fund with as much of such general exchange resources as is within the power of member countries to furnish through their quota subscriptions. For this reason part of the quota subscription is to be made in gold, graduated for each member country according to its capacity to meet part of its quota in this form. While large gold holdings would strengthen the Fund, such holdings will have to be accumulated, gradually in order to avoid pressure on the reserves now held by member countries. Gold subscriptions of 25% of the quota or 10% of the official gold and gold-convertible exchange holdings of a member country, whichever is the smaller, would appear to meet the immediate needs of the Fund and to be within the present capacity of member countries.

Apart from the original contributions in gold, there are provisions for strengthening the Fund by gradually increasing its holdings of gold. Provision is made for sale of gold to the Fund by member countries desiring to obtain other member currencies. Part of the payment for foreign exchange purchased from the Fund must be made in gold if the member country's official gold and gold-convertible exchange holdings exceed its quota. And member countries are required to use part of the increase in their official gold and gold-convertible exchange holdings, if they exceed their quotas, to repurchase their local currencies from the Fund. These provisions will in time add to the gold holdings of the Fund without putting pressure on the gold reserves of member countries.

It should be noted that a member country will not necessarily in fact find its foreign exchange position impaired by making part of its quota subscription in the form of gold, or by substituting gold for its local currency in the Fund, since the right of a member country to purchase foreign exchange from the Fund is directly related to the Fund's holdings of its local currency. The greater the original subscription in gold and the later replacement of local currency holdings with gold, the more foreign exchange a member country has the right to purchase from the Fund. The net foreign exchange position of a member country (its own holdings of gold and foreign exchange, plus its unused right to purchase foreign exchange from the Fund) is unaffected by its use of gold in payment of part of its subscription and by its sale of gold to the Fund. On the other hand, the liquidity of the Fund's assets, and hence its usefulness to member countries, is increased when local currency is in part replaced with gold.

There is, of course, the possibility that a member country will find that although the unused portion of its right to purchase foreign exchange from the Fund is large, the one currency it requires is scarce and can be acquired from the Fund only in limited amounts. It is true for such a country that its gold subscription to the Fund is not fully equivalent to holding gold for itself. Such a difficulty can be overcome only by strengthening the Fund and by avoiding in this and in other ways the development of a situation in which a currency must be declared scarce.

QUESTION 14

Are all countries that are members of the International Monetary Fund under obligation to buy all gold offered to them at a fixed price?

REPLY

The Fund proposal provides no explicit obligation on the part of member countries to buy all gold offered to them at a fixed price. Provision IX-1 of the joint statement on the Fund Proposal is intended to prevent member countries from depreciating or appreciating their currencies through an increase in the price at which gold is bought or a decrease in the price at which gold is sold. While this provision does place limitations on the prices at which gold transactions may be undertaken, it does not itself require a member country either to buy or sell gold at all.

Despite the fact that there is no explicit provision requiring member countries to buy all gold offered to them, it is our view that provision IX-2 implicitly requires member countries to buy gold offered to them by member countries when this becomes necessary to prevent an appreciation of the exchange beyond the range established by the Fund. Appropriate action to prevent exchange transactions in its market in currencies of other members at rates outside the prescribed range involves the acquisition of gold offered by other member countries or by the Fund.

Obviously a member country can take steps to limit the demand for its currency by the nationals of other countries, and in this way it can minimize the import of gold. It may, with the approval of the Fund, restrict capital movements when the influx of foreign funds is regarded as undesirable. It may even adopt measures that will reduce the demand for its exports in other countries, although certain forms of such measures can be adopted only with the approval of the Fund. But in any case, so long as there is a demand for its currency to settle international transactions on current account, a member country is implicitly obligated to provide its currency for gold.

Also, it is clearly expected that the Fund can replenish its supply of the currency of any member country through the sale of gold when this is necessary to provide exchange for the purposes for which the Fund is authorized to sell exchange. Because the Fund's gold holdings are regarded as a liquid asset equivalent to any member currency, provision is made for the gradual replacement of local currency by gold. It would be contrary to the purposes of these provisions if gold were not purchased freely by member countries when this becomes necessary to prevent an appreciation of the exchanges.

The Securities Salesman's Corner

A Productive Sales Presentation Is Based Upon A Thorough Study Of The Facts

There is a good deal of common sense behind the title of this new song which goes, "Is you is, or is you ain't?" It's not good grammar but it goes to the point. It's the sort of thing you'd expect a Southern Negro to say to his gal—he's come to the point and he wants his answer—no ifs, ands, or buts about it. He's made a complete study of the whole situation and he wants to know where he stands—all the rest is superfluous talk as far as he is concerned.

A productive presentation of a security which is being recommended for purchase by a securities salesman, also relies upon building a groundwork, or foundation of understanding in the mind of the prospective purchaser, before a sale is consummated. If the presentation is logical, interestingly presented, based upon facts, and does not ramble or become confused in the telling, there is no doubt that the point where you can ask, "Is you is, or is you ain't" going to buy this security can be reached many more times during a week's work than would otherwise be possible of achievement.

In order to tell an interesting story—one that follows step by step in logical sequence—it is necessary to undertake the preliminary study and research work in order to familiarize the mind with sufficient background material. It is surprising to see that many securities salesmen believe they can read a few brief digests which have been prepared by the Statistical Services, or an analysis which has been put together by their firm, and then consider that they are ready to go out and make a sales presentation of a security. This is taking a short cut to the knowledge and information required to do a real job of making a sales presentation. The effectiveness of the results based upon this type of preparation for presenting a security are also conspicuous by their absence.

As an opposite illustration of how effective a sales presentation can become, we had the pleasure of sitting in on a conversation a few weeks ago between a securities dealer (who had specialized in textile securities for the past 25 years) and one of his prospects. The dealer was offering a small block of the inactive preferred stock of a New England textile company which during the past year has been making some exceptional and progressive forward strides. Point by point he developed the company's background, how it started, how new management came into the situation and established progressive ideas, the efficiency of the machinery which was recently installed a few years ago, the plans of the management for popularizing its brand and trade name throughout the country, and as he went along he maintained complete attention and interest. His story was interesting because it rolled on without effort—we found ourselves listening to every word he said because he KNEW OF WHAT HE WAS SPEAKING. He had clippings of newspaper articles recently obtained which told of the company's expansion program and new personnel which had been added. He opened his brief case and he placed a dozen copies of some of the most colorful advertising copy we have ever seen before his prospect. It came from national magazines which had carried the message of this company during the past few months. He created interests in a company NOT IN AN INVESTMENT. His sales talk only took up about ten minutes in the telling but we were in the conference for almost an hour. The rest of the time was taken up with questions on the part of the prospect. He asked about conditions in the rayon field, in markets, what this mill was doing about conversion to peace and what another would be expected to earn this year. Every question had its answer, concisely put, and clearly explained. When we got ready to leave, the prospect gave this dealer his order for the stock which he had been offered almost as a matter of course. He just said, "On that block of XYZ preferred you offered me, I guess I'll take it. If you think its AS GOOD AS YOU SAY IT IS, THAT'S ENOUGH FOR ME."

You either KNOW WHAT YOU ARE TALKING ABOUT or YOU DON'T. There is no short cut to knowledge. The only way you can get it is by digging into a situation and finding out what is going on, what lies BEHIND THE FIGURES, what a company is doing and what it expects to do. Then you can say, "Is you is, or is you ain't."

Trade magazines are one of most helpful sources of product, industry, and company information that any salesman can read. Every industry today has its leading publications—it is surprising how well informed one can become by reading these magazines and periodicals.

SEC Refuses Re-Hearing Of Hughes & Co. Case

The Securities and Exchange Commission on July 21, refused to entertain the petition of members of the firm of Charles Hughes & Co. to reconsider its order of July 19, 1943, revoking the firm's registration as a dealer-broker. Charles Hughes & Co. were charged with selling securities at prices not reasonably related to current market prices. Mark-ups in the transactions involved averaged about 25%.

The concern carried an appeal against the SEC's order to the U. S. Circuit Court of Appeals, which on Dec. 10, 1943, rendered a decision upholding the order. The case was then carried to the U. S. Supreme Court, which refused to review the proceedings.

In the petition to the SEC to reconsider the case, it was maintained by the petitioners that the concern did not have a fair trial. In answering this contention, the Commission stated, in dismissing the petition, "we think we are under no duty to entertain the petition, for all the essential issues in the case have been finally determined and that the order has been already reviewed and affirmed by the United States Court of Appeals."

New York Stock Exchange Weekly Firm Changes

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

Norman S. Walker, partner in Wood, Walker & Co., died on July 23, 1944.

Interest of the late Roy E. Smith in Moors & Cabot, ceased July 25, 1944.

Interest of the late John A. Clark in Wood, Struthers & Co., ceased as of July 13, 1944.

James S. Rutherford retired from partnership in Norris & Kenly on July 31.

William W. Peabody, general partner in Hendrickson & Co., became a special partner, effective Aug. 1.

The Treasury's Interpretations Of The International Bank

On June 10, the U. S. Treasury issued and later distributed to the delegates of the International Monetary and Financial Conference at Bretton Woods, N. H., a multigraphed brochure entitled, "Questions and Answers on the Bank for Reconstruction and Development." There are 22 questions listed and answered, ranging from the basis for fixing quotas to the Bank's capital to the likelihood of the Bank "Making Loans Based Chiefly on Political Considerations." Of the variety of inquiries answered, perhaps the most important are those relating to: (1) the functions of the Bank; (2) the position of gold in the Bank's capital, and (3) the relations of the Bank to the Internationaly Monetary Fund and foreign exchange stabilization. We have selected and print below from the list of questions, and the replies those which have a direct bearing on these topics.

Question 4—What is the appropriate role of the Bank in the field of international investment? Will the Bank compete with private financial institutions?

Reply—The function of the Bank is to aid and encourage international investment through the customary private channels. Its appropriate sphere of activity is to assist private investors in meeting the needs of an expanding world economy. In the immediate post-war years capital will be urgently required for reconversion to peacetime production, for the reconstruction of destroyed areas and for the development of economically backward regions. The revival of international long-term lending on an adequate scale is essential to the attainment of a high level of world trade without which prosperity is impossible.

Private investors will be prepared to do some lending after the war. It is doubtful, however, whether unaided they will be willing to undertake more than a small part of the total investment required. In view of the losses suffered by international investors in some countries in the pre-war years, aid and encouragement will undoubtedly be necessary if adequate international long - term credits are to be provided by private investors. It is this specialized role which the Bank is to play. To the extent necessary, it will guarantee private investment abroad and thus encourage lending by private investors through the usual investment channels. In some instances it will lend directly, out of its own resources or by participation with private investors.

Procedures will be established to make certain that the Bank does not compete with private investment agencies and does not grant loans which can be placed in the private capital market on reasonable terms (IV-6). The selection of specific methods to assure the application of this principle would be left to the discretion of the governing board of the Bank.

The work of the Bank will be of great assistance to private investors. A competent committee under its auspices will investigate the loan projects for which the Bank's aid is requested. The committee will be especially concerned with the productivity of the project and with the anticipated balance of payments position of the prospective borrower. Methods will be employed to assure the use of the proceeds of the loan only for the approved purposes. The Bank will also make possible the extension of loans over a longer period than would otherwise be feasible. The schedule of repayment will thus be better adjusted to the character of the project that is financed. These services will be performed in connection with all loans guaranteed by the Bank as well as with loans in which it participates.

The Bank's operations as guarantor, participant and lender will undoubtedly encourage private investors. Its guarantee may well become the mark of a high-grade security appealing to a wide range of investors. The Bank's cooperation will be particularly necessary in the immediate post-war period when private investors may be hesitant because of the heavy losses they have suffered on international investment in the past and because of the uncertain business conditions which may be expected to prevail for some time in the future. The defaults of the past did incalculable harm in generally discouraging international investment. The Bank, by reducing and sharing risks and by establishing standards for sound loans, will help to restore confidence in international investment.

Although the major part of the Bank's activities will be concerned with loans, it will also provide assistance in the equity capital market. The fact that the foreign loan capital required for a project will be available through the Bank should considerably facilitate the acquisition of the equity capital which may be necessary. Moreover, the Bank will offer active help to equity investment in two ways. It will obtain the guarantee of the national government that conversion of earnings on foreign-held equity investments into foreign exchange will be permitted. It may also participate in equity investments itself, although its aggregate participation in such securities may not exceed a small portion of its paid-in capital (IV-4).

Question 3—Why is it necessary to have any gold subscription to the Bank or for the Bank to hold any gold resources?

Reply—The Bank must hold resources that will enable it to serve the interests of borrowers and lenders. This is possible only if the Bank holds sufficient gold to acquire the member currencies it may need. An adequate holding of gold will enable the Bank to maintain the liquidity it requires for its operations.

Where the Bank participates in loans or makes loans directly it will be necessary to provide the borrower with the currencies needed for procuring equipment and supplies. If the Bank could lend only in the currencies it holds, the borrowers might be restricted to obtaining their goods in the countries whose currencies happened to be available, even though more suitable equipment or better prices could be obtained elsewhere.

With its holdings of gold, the Bank could acquire the currency of any member country and make or participate in approved loans it would otherwise have to refuse. In this way it is possible for the Bank to avoid a type of bilateralism in capital transactions which may restrict trade and may involve uneconomical use of the borrowed money. Since the Bank is to "impose no condition upon a loan as to the particular member country in which the proceeds of the loan must be spent" (IV-7), it must hold some gold resources to enable it to implement this policy. This point is discussed more fully in the answer to question 6.

The Bank will also need gold occasionally to compensate capital-goods supplying countries for the adverse effects on their balances of payments which may result indirectly from the Bank's loans. To produce the goods required, some countries may have to import additional raw materials. For example, if China borrows from the Bank in order to pay for electrical machinery and equipment purchased in the United Kingdom, the loan (with the approval of the United Kingdom) would be in sterling, but Britain might need additional dollars or Chilean pesos to buy copper. Accordingly the Bank would furnish Great Britain, on request (IV-14), with foreign exchange or gold equal to an appropriate portion of the sterling loan.

In some instances a borrowing country might find that its need for foreign exchange, other than that required to pay for equipment for the loan project, has increased as a consequence of a developmental program financed with the aid of the Bank. The construction of an electric power plant would increase imports of electrical equipment and machinery that must be paid for with foreign exchange, or the construction of a railway would temporarily require the shifting of labor from the production of export goods. Although the loan would provide the foreign exchange needed in connection with the project, so that the investment program would not directly affect the foreign exchange position of the borrowing country, the indirect effects could under some conditions temporarily disturb the borrowing country's balance of payments. Under such circumstances the Bank may provide part of a loan in gold or needed exchange as the circumstances warrant (IV-8-d), as explained in the answer to Question 19.

The Bank must also be in a position to meet promptly its obligations to security holders regardless of the currencies in which they are due. Only in this way can the Bank retain the full confidence of private investors which is essential to its successful operation. As guarantor on loans made to member countries through private investment channels, the Bank has a contingent liability which would come into force if the borrower defaulted. The Bank has a direct liability to the holders of securities it has issued for the purpose of raising funds for its lending operations. The Bank will, of course, have receipts as well as payments in the currencies of member countries. The holding of an adequate balance of gold would give further assurance that the Bank will always be in a sufficiently liquid position to meet its obligations.

For these reasons, it is necessary to provide the Bank with a balance of gold at the outset and to assure it a flow of gold from its operations. The proposed gold subscription will not be a burden to the members since it will vary with the members' holdings of gold and gold-convertible exchange (II-4-a) with perhaps 20% as a maximum. The amount of gold payments will, of course, depend on the graduated scale adopted by agreement of the members. Assuming a 12.5% average, the initial gold subscriptions to the Bank would be about $250 million. Aggregate gold subscriptions of this amount would be a very small part of the gold holdings of member countries. The Bank will be able to replenish its gold balance through the payment by borrowers of interest and principal which must be made in gold or currencies acceptable to the Bank (IV-10).

Every effort has been made in the proposal to avoid pressure on the gold and exchange reserves of member countries. The provisions for a moderate gold subscription and gold payments are intended solely to enable the Bank to perform the important functions for which it is to be established.

Question 18—What will be the relationship between the proposed Bank and the International Monetary Fund?

Reply—The Bank and the International Monetary Fund are both needed to help solve the international monetary and financial problems that will confront the world in the period after the war. While the two agencies will cooperate with each other in many ways, each has distinct functions of its own to perform. The Fund has been specifically designed to promote currency stability, whereas the Bank is intended to facilitate international investment for productive purposes.

The establishment of the Bank would simplify the task of the International Monetary Fund, and the successful operation of the Fund would enhance the effectiveness of the Bank. The existence of one, however, is not essential to the other. Each could stand and function alone; together, they could make a more significant contribution to the development of world prosperity. It is hoped that all the United and Associated Nations will participate in both organizations.

Although each agency could exist alone, the establishment of the Bank and the Fund would be helpful to both institutions, and would facilitate their successful operation in the immediate post-war period and the years thereafter. The loans made with the assistance of the Bank will expand the volume of foreign trade and thus improve the opportunity for all countries to maintain a balanced position in their international accounts. The extension of long-term credits will be less variable, as explained in the answer to Question 17, and the existence of the Bank should help prevent the reappearance of the large unstable short-term indebtedness which was in part a result of an unwillingness to invest at long-term, as explained in the answer to Question 19. The Fund, in turn, will decrease the risks of foreign investment by minimizing disorderly fluctuations in exchange rates which have discouraged long-term foreign loans. It will help to eliminate foreign exchange restrictions which, by preventing the withdrawal of income earned on investments, have seriously deterred international lending.

In the course of carrying on their separate activities **the Bank and the Fund will cooperate and consult with each other on matters of joint interest. The Bank may find it necessary on occasion to buy or sell foreign exchange as part of its operations.** It will undertake such transactions after consultation with the International Monetary Fund and only with the approval of the countries concerned (IV-15-c). Furthermore, in so far as the Bank converts gold into member currencies needed for its operations, it may choose to do so through the Fund.

It is clear that the two major financial problems of the post-war period are closely interrelated. Currency stabilization cannot be completely separated from the provision of long-term international credits. The two institutions designed to deal with these problems will find that cooperation between them is essential. Together, they can help to provide a sound financial foundation for a prosperous world economy.

Question 19—Will the Bank's operations facilitate the maintenance of equibilibrium in the balance of payments and thus help to stabilize exchange rates?

Reply—The operations of the Bank will generally contribute to the maintenance of equilibrium in the balance of payments of both lending and borrowing countries.

Short-run equilibrium in the borrowing country is facilitated because international loans enable it to purchase capital goods on credit, where it might otherwise be compelled to employ an excessive part of its gold and foreign exchange resources to pay for such imports. International investment helps prevent the development of pressures on the exchanges that might necessitate exchange control and similar restrictive measures designed to force a balance in a country's international accounts or an undesirable alteration in exchange rates to offset a temporary disequilibrium.

Long run equilibrium in a borrowing country's international accounts is facilitated by investments that increase its productivity and capacity to export relative to its import needs. For example, international investment for the development of the iron ore deposits of Brazil or the petroleum resources of Venezuela and Colombia will increase the exports of these countries, with the proceeds available for both debt servicing and additional imports. One of the most difficult problems of some debtor countries has been the great fluctuation in their foreign exchange receipts resulting from excessive dependence on one crop. Loans which would diversify their output and their exports would clearly be helpful in maintaining a greater degree of equilibrium in their balance of payments.

Foreign loans extended for the purchase of capital equipment will help restore equilibrium in the balance of payments of a country whose current accounts are already favorable. Some exports of capital equipment that would otherwise have been paid for by an inflow of gold or the accumulation of balances abroad would be paid for with the proceeds of the loan. Furthermore, foreign investment by a country with a favorable balance of payments will increase exports, production, and income at home, and bring about an increase in imports of raw materials and consumption goods which will contribute further to the balancing of its current international accounts. In the long run, the maintenance of equilibrium in the balance of payments of the capital exporting country must depend on the adjustments in reciprocal demand that grow out of the development of the productive resources of the borrowing countries.

Where a loan is made in one country and expended in others, the transaction could be disturbing to the foreign exchanges if the favorable balance on current account of the lending country were less than its new foreign investment. The draft proposal safeguards against such a development by providing that the Bank must take into consideration the effect of a loan on financial conditions in the lending country and must obtain the consent of the country concerned (IV-13). Furthermore, the Bank may not buy or sell foreign exchange except with the approval of countries concerned (IV-15-c).

Countries not directly concerned as borrowers or lenders are also likely to benefit from a larger volume of international investment. As explained in the answer to Question 17, the level of production and income in the borrowing and lending countries will rise with more international investment. At the higher level of production and income, their imports will also increase. All other countries not directly concerned as borrowers or lenders will be affected by the increased demand for their export goods and will consequently find their balances of payments on current account more favorable than they would otherwise be.

Although the general effect of international investment is to facilitate the maintenance of equilibrium in the balance of payments on current account, there may be some instances in which this will not be so. Where investment is undertaken with the aid and encouragement of the Bank, provision is made to offset the resulting adverse effects on the balances of payments of the member countries concerned.

If long-term credits are extended by a member country with an unfavorable balance of payments, the loan may temporarily increase the disequilibrium in its position. Of course, the loan may result directly in an increase of an equal amount of exports and this will tend to limit the adverse effect on the balance of payments. Furthermore, the Bank will repurchase for gold or foreign exchange a part of the local currency spent in the lending country (IV-14). With the application of this provision, a country will find that its balance of payments will not deteriorate as a result of loans made through or by the Bank. Again, it should be emphasized that loans cannot be made through or by the Bank without the consent of the country concerned (IV-13).

The Bank's assistance may also be needed to help maintain equilibrium even when a lending country invests abroad no more than its favorable balance on current account. Increased exports of capital goods stimulated by long-term lending may increase the level of production and income in the lending country, with a consequent rise in imports of raw materials and consumers' goods. This indirect effect on the balance of payments is the same whether or not the Bank is a guarantor or participant in an international loan. However, in the case of loans through the Bank, the exporting country will be protected against difficulties of this kind by the provision that the Bank will repurchase for gold or foreign exchange a part of the local currency spent in the lending country.

Provision is also made to offset any tendency to increased disequilibrium in the balance of payment of the borrowing country which may temporarily arise as a result of loans through the Bank. A country importing capital for a developmental program may find its trade position impaired for a short period because of augmented imports induced by a rise in the national income or by the diversion of labor to the new project which necessitates imports to compensate for decreased consumers' goods output. A nation undertaking extensive capital improvements may also for a time divert capital and labor from the export trades. Obviously, the pressure on the balance of payments from such forces must be of a temporary character or there would not be a sound basis for extending foreign loans. The Bank in making loans agrees that "whenever the developmental program will give rise to an increased need for foreign exchange for purposes not directly related to that program yet resulting from it, the Bank will provide an appropriate part of the loan in gold or desired foreign exchange" (IV-8-d).

Special consideration is given to the problem of servicing of loans made with the Bank's assistance so that it will not cause disequilibrium in the borrower's balance of payments. Protection is given through the requirement that loans must provide for a schedule of repayment appropriate to the character of the project and the balance of payments prospects of the borrower (IV-1-e). To the extent that the debt service is geared to the life and nature of the capital project, repayment may be feasible out of the increased productivity and export surplus resulting from the loan, without straining the country's balance of payments. In the event of an exchange stringency the Bank may permit payment of interest and principal in local currency for brief periods (IV-10-c). To protect the Bank, the borrower must arrange for the repurchase of such currency.

The Bank will improve the general prospects for achieving equilibrium in the balances of payments of the major trading countries by preventing drastic declines in the total volume of foreign lending. There can be no doubt that the general effect of international investment is to help maintain equilibrium in the balance of payments of debtor and creditor countries; but when the world has become adjusted to a given level of international investment, a large and sudden reduction in the volume of international investment can be extremely disturbing. The Bank can help to maintain a greater degree of stability in the provision of capital for international investment.

Municipal News & Notes

The importance of the facilities of the Port of New York Authority in expediting war production was pointedly demonstrated in figures released July 27 by Chairman Frank C. Ferguson, which showed that 75% of the traffic moving over the bridge and tunnel facilities of the inter-State agency is in the highly essential class. At the same time, it was stated that a part of the remaining 25% of the traffic consists of passenger cars making legitimate use of "A" gasoline coupons.

"Sharply increased bus and truck traffic during the first six months of 1944, as compared with the first six months of 1941, tells a story of the heavy movement of war workers and war material over the bridges and through the tunnels," Mr. Ferguson said. "In addition, during the past six months more than 413,000 military vehicles have used the facilities. Passenger car traffic for the first half of 1944 is still 13½% below that for the same period in the normal year, 1941, despite a considerable comeback from the low levels of 1943."

The figures released by the Port Authority indicate that traffic from January through June of 1943 represented a low point in travel by passenger car. During this period two bans were imposed on "pleasure" driving, and the movement of passenger cars fell to about 60% of the total for the first six months of the "normal" 1941. In contrast to this drastic decline in passenger car volume, bus traffic during the first six months of 1943 showed an increase of almost 18% over the same period in 1941. Truck traffic declined about 4%.

In the first six months of 1944 both buses and trucks have shown an increase over the 1941 figures, while passenger cars, which were up about three million from 1943, were still almost a million and a half under the 1941 figures.

"Trucks using Port Authority facilities are doing an important job in handling wartime freight," Mr. Ferguson said. "Informed truck operators estimate that exclusive of foodstuffs 75% of the civilian truck traffic is in essential war goods. About 10% of the trucks are military vehicles." An interesting fact was disclosed when Mr. Ferguson stated that military vehicles move in convoys of as many as 80 trucks at a time. "It would require at least four ferryboats to move one such convoy across the river if the bridges and tunnels were not available," he declared.

Stating that while more than a million private passenger car trips were made over the four bridges and through the two tunnels under the "strictest kind of rationing and pleasure bans" in the first half of 1943, Chairman Ferguson explained that the week-day private car traffic in June, 1943, continued at two-thirds of the 1941 peak.

"Checks made on cars bearing 'B' and 'C' stickers indicate that at least two-thirds of the passenger car traffic now moving over these facilities represent the highly essential travel of war workers to and from their jobs in the New York-New Jersey area," Mr. Ferguson said. "Taking two-thirds of the passenger traffic and adding the buses, trucks and military vehicles, it is clear that over 75% of the traffic now moving is in the highly essential class."

Port Authority traffic for the first six months of each of the years from 1941 through 1944 was as follows:

	1941	1942
Passenger cars	10,670,195	9,589,114
Buses	887,720	948,047
Trucks	2,206,301	2,210,070
Total	13,764,216	12,747,231

	1943	1944
Passenger cars	6,279,308	9,255,465
Buses	1,043,976	1,046,220
Trucks	2,118,674	2,330,966
*Military vehicles	------	413,504
Total	9,441,958	13,046,155

*Not recorded until 1944.

Wisconsin Cities Debts Declined 13% Since 1940

The Wisconsin Taxpayers Association reports that the average city in the State had 13% less indebtedness and 34% more cash on hand at the close of 1943 than was the case at the end of 1940. According to the survey, outstanding indebtedness had been cut from $31,438,252 to $27,222,773, and the interest requirements were lowered to $1,094,648 in 1943 from $1,362,257 in 1940, a drop of about 20%.

Noting that the cities had invested large cash balances in 1943 in United States Government notes and bonds, the survey cited three advantages of this policy:

The municipality gets a higher interest rate than it would if the money were deposited in banks; city helps fill local war bond quotas; and, by not leaving the cash on deposit in banks, certain State insurance charges are avoided.

Other conclusions of the study follow:

The typical Wisconsin city during these war years is spending more for general government, education, and protection of persons and property than before the war, but is spending considerably less for health and sanitation, highways, and charities than in the pre-war years.

In the typical city, disbursements were higher for functions where salaries are the major item of cost. Disbursements were lower in categories where wartime demands on materials and labor have severely restricted spending.

The alliance stated that those cities which are accumulating reserves can use the funds to help reduce property taxes in the future, but warned that today's deferred maintenance, postponed construction and minimum relief costs, coupled with possible declines in normal income tax collections at the end of the war, may mean higher property taxes in the future.

N. Y. City Bonds Offered By Chase National Bank

A new issue of $13,740,000 City of New York 1¾% Airport Construction Bonds dated Aug. 1, 1944, is being offered today by the Chase National Bank of the City of New York. The bonds mature from 1945 to 1974, inclusive, and are priced to yield from .40% to 1.65% for the 1945-64 maturities. The 1965-74 maturities are priced at 101½ to 99½. The bonds are interest exempt from present Federal and New York State income taxes and are legal investment for savings banks and life insurance companies in the State of New York.

Minnesota's Permanent School Fund Exceeds $100 Million

The Permanent School Fund of the State of Minnesota reached the hundred-million mark on May 11, 1944, and, in commemoration of the achievement, State Treasurer Julius A. Schmahl has prepared a pamphlet outlining the history and development of the State Lands and School Funds of the State. The total of these trust funds on the foregoing date was $129,112,265.19 and included $100,000,034.56 in the school fund, $15,915,343.23 in permanent university fund, $302,843.65 in internal improvement fund and $12,894,043.75 in swamp land fund.

All four funds came into being as a result of the policy of the Federal Government in making grants of lands in order to encourage settlement and development of the country. The lands thus bequeathed to new territories and States were intended to be sold or otherwise managed by the recipients for the purpose of assisting in the construction and maintenance of institutions of learning, charitable and other institutions.

Many of the States admitted to the Union before Minnesota used the proceeds obtained from sale of their school and other public lands for immediate purposes and with "no thought for the future," Mr. Schmahl related. By way of contrast, he says, Minnesota originated the policy (subsequently emulated by other States) "of conserving these resources for the benefit of future generations."

Accordingly, the money it received from sales of land and timber, and royalties from iron ore mined on State lands was and is placed in trust funds and only the income from investments has been used for the purposes for which the funds were dedicated.

An important factor mentioned by Mr. Schmahl in the growth of the State's school fund to the $100,000,000 mark was the early decision of the State (subsequently adhered to) to retain fee title in the tracts of land from which timber had been sold. The wisdom of this practice was justified in the subsequent discovery of rich deposits of iron ore throughout the State. Millions of tons of such metal have since been extracted and the State received substantial sums in royalties from mining operations.

Had the State sold these lands outright, Mr. Schmahl writes, "we would not today be talking of a $200,000,000 school fund."

Wartime Debt Changes In The United States

(Continued from page 483)

rise in the Federal debt itself. The reason for this is that the large increase in the Federal debt resulted in a huge expansion in the flow of income, profits, and local government revenues which have provided funds for debt retirement and have made borrowing to a large degree unnecessary.

However, limitations on spending both because of shortages of goods and manpower and because of direct control of debt creation, as in the case of consumer debt, have been important influences in the reduction of non-Federal debt. In addition, non-Government debt creation has been limited by the fact that the Federal Government financed the bulk of the war-needed expansion of industrial facilities.

The wartime decline in non-Federal debt is a significant factor that must be considered in appraising the post-war economic situation. By improving the financial position of many types of borrowers, it obviously will make possible freer action with regard to expansion in the post-war period.

Recent Changes in Debt

The decisions with respect to the extent to which war costs would be met out of current revenues have determined the extent of the rise in Federal debt outstanding. So far during the war about 40% of expenditures subsequent to Pearl Harbor have been met by revenue collections. The remainder has been met by borrowings which raised the Federal Government's gross debt (including obligations of Federal corporations) by 57.4 billion in 1943 compared with an increase of 48.0 billion in 1942. The corresponding changes in the net debt were 53.6 and 45.8 billion dollars, respectively.

From the end of 1941 to the end of 1943, the net Federal debt rose approximately 100 billion dollars, an increase equal to almost three times the net Federal debt at the end of the 1930s. The net Federal debt on Dec. 31, 1943, stood at 147 billions of dollars, and was approximately 170 billion as of June 30, 1944.

The total volume of non-Federal debt outstanding, and most of the major components declined in 1942 and 1943, period characterized by the most rapid increase of national product and national income in the Nation's history. The net non-Federal debt outstanding at the end of 1943 totaled 126.1 billions, a drop of 9.7 billions in two years.

State and Local

Gross and net State and local government debt each declined 1 billion dollars in 1943, compared with a decline of 0.5 billion in 1942. State and local governments have been able to effect substantial reductions in their outstanding indebtedness during the war years by the continued receipt of large revenues at a time when expenditures for construction and other projects were greatly reduced by manpower and material shortages as well as by prohibition, limitation, and conservation orders.

The estimates of net State and local government debt understate the real improvement in the fiscal position of these Government units in 1943. There was a large increase in the total State and local government holdings of both Federal and non-Federal Government securities. A substantial portion of this increase, however, is not reflected in the volume of duplicating debt, since the State and local government duplicating debt total relates only to the holdings of State and local government obligations, whereas the increased holdings were largely of Federal securities.

Corporate

The net long-term debt of corporations other than railroads which had remained essentially unchanged in 1942, declining less than 100 million dollars, dropped 400 millions in 1943. The reduction in the 2 years was possible only because the Federal Government financed approximately 15 billion dollars worth of industrial facilities, while plants not engaged in war production found it difficult to expand or even to replace plant and equipment.

It is estimated that the railroad long-term debt was reduced 300 million dollars in 1943, compared with a reduction of 400 million in 1942, as the railroads continued the policy of applying high wartime earnings to the reduction of their funded debt.

Total net corporate short-term debt declined in 1942 by 1.0 billion dollars, and increased only negligibly in 1943. A dividend policy which was highly conservative by reference to earlier periods of comparable profits, and the resulting high volume of corporate savings placed corporations in a position to largely self-finance expanded current expenses accompanying the high production level in both war and non-war industries. The decline in the physical volume of non-farm business inventories during 1942 and 1943 also limited the increase in corporate short-term loans.

Mortgage

Total urban real estate mortgage indebtedness of non-corporate mortgagors, which had increased 500 million dollars in 1942, declined during 1943 by almost 700 million, despite a marked increase in real estate activity in some areas of the country. New construction loans were limited by existing wartime construction restrictions, but the volume of new loans on urban real estate was nevertheless maintained in 1943, and certain groups of lenders increased their new loans above the 1942 totals. For example, the estimated volume of new loans by savings and loan associations amounted to 1,184 million dollars in 1943 compared to 1,051 million in 1942.

Despite the new loans, a reduction in total outstanding urban real estate mortgage debt during 1943 was made possible by the even higher and greatly accelerated amount of repayments resulting from the substantially increased incomes and large savings of most of the mortgage borrowers.

A recent report of the Home Owners' Loan Corporation indicates that during 1943 many borrowers from the corporation increased the amount of their monthly repayments and that many, who up to that time had made no principal repayments whatever, began such payments in reduction of their loans. The Home Owners' Loan Corporation, which ceased its lending activity in 1936, had achieved a liquidation of approximately 60% by the end of 1943.

The decline of an estimated 500 million dollars in farm mortgage debt during 1943 reflected the increased volume of principal repayments made possible by the unprecedented farm income combined with restricted opportunities for spending. This was in contrast to earlier declines which resulted chiefly from foreclosures. The decline in farm mortgage debt amounted to almost 1 billion dollars for 1942 and 1943 combined, and thus accelerated for these years the declining trend in evidence since 1922.

Non-Corporate Short-Term

Consumers' short-term debt at the end of 1943 totaled 5.2 billion dollars, down over a billion dollars from the end of 1942 and 4.6 billions from the high of 9.7 billions reached in 1941. Consumers' short-term debt continued to drop in 1944, amounting to 4.8 billions at the end of the first quarter. The chief declines within the consumer credit structure occurred in the instalment sale and instalment cash loan debt categories as a result of the unavailability of new consumers' durable goods and the consumer credit regulations of the Federal Reserve Board.

New short-term business loans of non-corporate borrowers, which dropped more than 700 million dollars in 1942, were slightly curtailed during the early part of the war by the increasing elimination of many non-war activities and by the lessened need for outside financing by businesses engaged in war-connected activities. During 1943, however, non-corporate short-term debt owed for business purposes increased approximately 300 million (chiefly in brokers' loans), thus providing a partial offset to the decrease in consumer debt outstanding in 1943, so that total short-term debt of individuals and other non-corporate borrowers declined approximately 700 million dollars during the year.

The volume of most classes of short-term indebtedness has in the past been directly affected by changes in income, prices, and business activity in general. The movement of consumer debt in particular has closely followed that of income payments to individuals as may be seen in chart 4. The reasons for opposite movements of these two series for 1942 and 1943 have been already noted.

Current Pattern

By and large, the debt trends that have been established so far during the war will continue at least until the end of the conflict in Europe. Some significant shifts in the magnitude of changes, however, may be expected. Although the Federal debt will continue to rise by about the same amount as in 1943, the proportionate increase will be less, inasmuch as the peak of war production has already been reached. If cut-backs in the war production program are made in the latter part of this year, the absolute increase in the Federal debt may be smaller than during the past 2 fiscal years, though not by a substantial amount.

So far as private debt is concerned the reductions in the immediate future will most likely be larger in long-term than in short-term debt. The primary reason for this is that the drop in consumer debt, which accounted for the bulk of the decline in short-term debt, cannot be expected to continue at its former pace if, indeed, any further decline is recorded.

It may be noted that there was actually some rise in consumer debt during the latter part of 1943, and though the downward movement was resumed in the first quarter of 1944 the total fluctuated within a narrow range of the low point of the previous year.

For long-term debt, on the other hand, most categories are likely to show more substantial declines in 1944 than a year earlier regardless of the course of military developments.

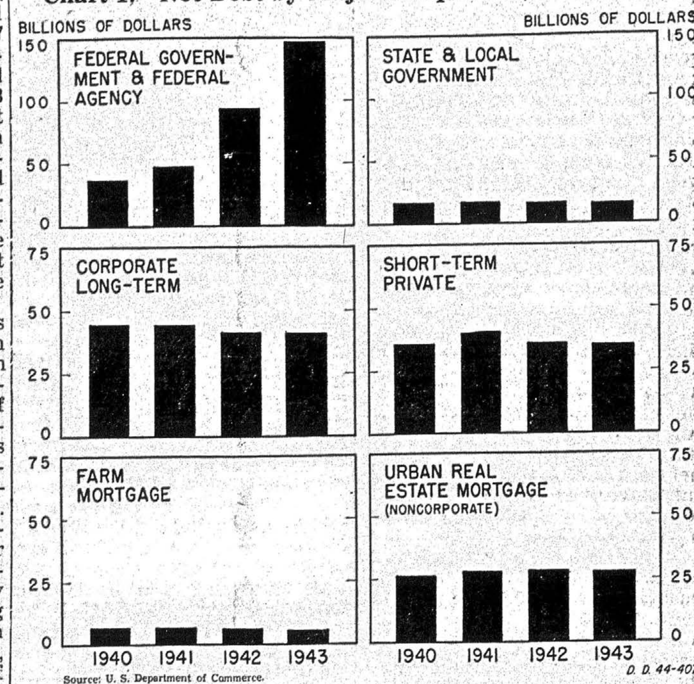
From this pattern, it would appear that the post-war private as well as State and local government debt structures will be in a position to absorb relatively large amounts of borrowing. The improved position of such prospective borrowers may exert an important influence in that they could provide a partial offset to the decreasing Federal Government expenditures after the war.

Trends in Net Debt, 1916-41

A brief resume of the trends of debt for the 25-year period ending with 1941 clearly indicates the contrast between Federal and non-Federal debt considered as a whole. In general, with the exception of the Federal all major types of debt increased from 1916 to 1929 or 1930, and have subsequently followed a downward pattern.

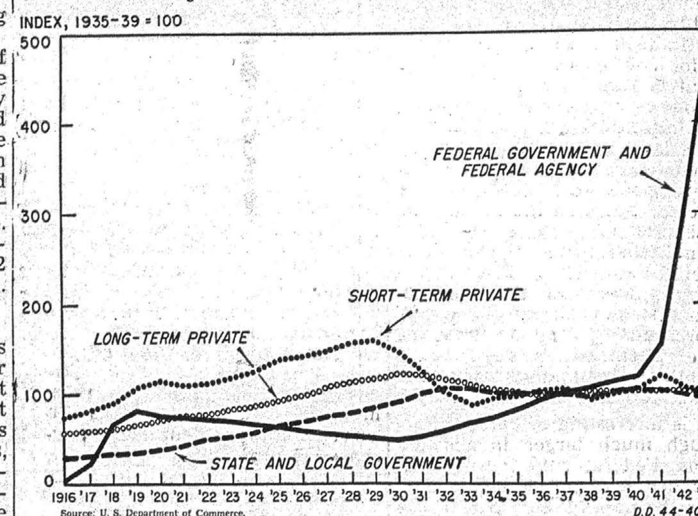
The broad trends of debt during this period were as follows: From 1916 to 1920, a sharp rise in the Federal, with a moderate rise in all other major groups; from 1920 to 1930, a substantial decline in the Federal, with a moderate increase in the non-Federal categories; from 1930 to the end of 1941, a large increase in the Federal, especially marked in 1941, and a steady moderate decline in the non-Federal structure. The increase in non-Federal debt during World War I is in contrast to the reductions that have taken place in the present war.

Chart 1.—Net Debt by Major Components, End of Year



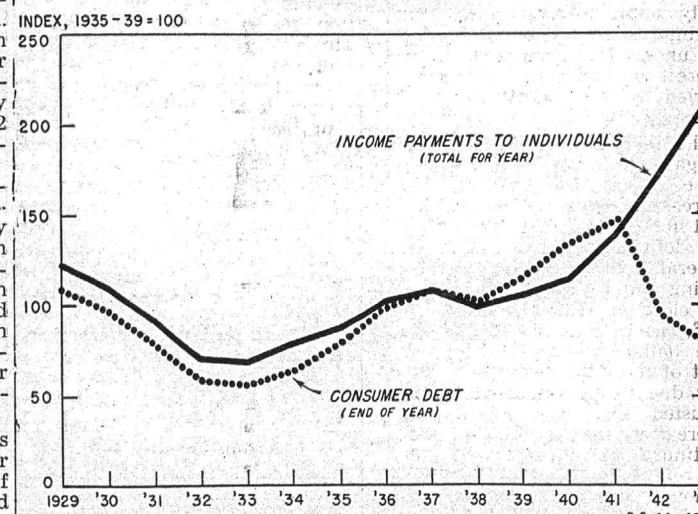
Source: U. S. Department of Commerce.

Chart 2.—Major Trends of Net Indebtedness, End of Year



Source: U. S. Department of Commerce.

Chart 4.—Income Payments to Individuals and Consumer Debt



Source U S Department of Commerce

Relation to Business Activity

During the entire period from 1916 to 1941, the Department of Commerce series for total net private debt showed a tendency to move in the same direction as general business activity. Unlike the Federal debt, the trend of State and local government debt has rather closely followed the general movements of the major components of the private debt structure during this entire period.

During periods of declining business activity, over all private indebtedness was reduced, due to the decreased need for financing and to the increase in foreclosures and corporate reorganizations. Similarly, during periods of increasing business activity, total volume of private debt tended to increase, because the amount of new borrowings generally exeeded the increased volume of ebt retirements.

Private long-term indebtedness, owever, followed the basic trends f industrial production and national income with an apparent g of from 1 to 3 years behind he movements of these two series, s can be readily seen by the ovement of private long-term ebts during the post-depression nd recent pre-war years.

On the other hand, although ovements in all classes of shortrm indebtedness have not folwed a clear pattern with reect to the turning points of past usiness cycles, short-term debts s a whole revealed a greater sentivity to economic changes. This clearly shown by chart 5, indiating, for example, the reversal f the downward trend of conmer debt in 1934 and the subseuent movement paralleling the eneral trend of business expanon and contraction until 1941.

Federal

During the past 30 years the ederal debt has moved rapidly pward during three national nergencies, namely, World War the severe business depression the 1930s, and the present war. he net Federal debt amounted to ightly more than 1 billion dolrs in 1916, essentially the same for the entire period subseent to 1890.

However, with the entrance of e United States into World War the large loans abroad plus the penditures for the production war goods and for the maintence of the armed forces resulted the relatively sharp expansion the Federal debt to more than billion dollars in 1919. In line th the prevailing policy of debt duction and aided by a decade prosperity during the 1920s, the deral debt was reduced by over billions and stood below 16 llion dollars by 1929.

It is interesting to note that alough much larger in absolute rms, Federal debt service will much less per dollar of debt ter the present war than it was ter World War I. The present r is being financed by the Fedal Government at low and rly stable interest rates, with e interest on war bonds averag under 2%, compared to the terest rates of from 3½ to 4½% rried by the Liberty Loans of e earlier war.

The increased volume of debt ligations incurred to provide r emergency expenditures plus creased revenues resulted in 31 in the first peace-time Treasy deficit since 1915. The net deral debt practically doubled ring the 6-year interval from e close of 1930 to the end of 36, rising from 15.4 to 29.5 biln dollars during this period. rt of the debt increase in 1936 as due to the payment of the justed service certificates. ereafter, the net Federal debt ntinued its upward trend, rig relatively moderately to 36.7 llion dollars at the end of 1940. e increase of almost 11 billions the Federal debt in 1941 was viously due to the enormous ancial outlay required, first national defense, and later for r purposes.

Non-Federal

Net State and local government bt, which amounted to 4.6 biln dollars at the end of 1916, e slowly but consistently each ar until it reached a high of ost 17 billions in 1933. Thereer, it steadily decreased until 38, and subsequently increased ghtly until the end of 1941, en it amounted to 16.3 billion. Net private long-term debt rose om less than 44 billion dollars 1916 to over 93 billion by 1930, ile net corporate long-term bt, the largest private debt mponent, rose from 29 to 51 lion. During the same period, private short-term debt doued, rising from 26 to 51 billion, d the volume of outstanding ban real estate mortgages of individual and other non-corporate mortgagors practically quadrupled, climbing from less than 9 to almost 33 billion dollars.

The only major component of private debt to reach a peak before the end of the 1920s was farm mortgage indebtedness. During the years of wartime expansion from 1916 to 1920, farm owners, in anticipation of increasing incomes and land values, incurred additional debt due to purchases at high prices. During the depression following the 1920 collapse, many farmers incurred mortgage debt in order to carry out other previous obligations. The result was that farm mortgage debt rose from less than 6 billion dollars in 1916 to a peak of almost 11 billion dollars at the end of 1922. Subsequent to 1922, farm mortgage debt dropped irregularly to 9.4 billions at the end of 1930.

In the following decade private net debt dropped annually from 1930 to 1936, increased slightly in 1937, fell again in 1938, then rose each year until 1941. Corporate long-term and short-term debt, consumer short-term debt, and urban real estate mortgage debt followed much the same pattern as, the total though with varying amplitudes of fluctuation and with slight differences in timing.

The volume of outstanding debt on urban residential 1-4 family homes was substantially reduced from 1930 to 1937, because of the low level of new lending activity on residential properties and the acquisition of real estate by mortgagees through foreclosure. However, the decrease in home mortgage debt during this period would probably have been much larger through more extensive foreclosures if the Federal Government, through the Home Owners' Loan Corporation, had not refinanced over 3 billions of distressed home mortgages in all parts of the country.

Farm mortgage debt in the general depression of the 1930s continued the decline instituted in the agricultural depression of the 1920s, a decline primarily attributable in both periods to foreclosures, rather than to repayments. The reduction of farm mortgage debt was maintained successively to the end of 1941, although the decline in recent years was, of course, due to the increasing improvement in farm income and in prices of farms, whereby many farm owners have been enabled to retire their debt more rapidly.

New Tax Forms Planned By Revenue Bureau —Income Tax Calendar For Taxpayers

Relief is in sight from the annual complications of filling out income tax forms, it was indicated in Associated Press accounts from Washington, July 30, in which Internal Revenue Bureau experts were reported as saying they believe they are on the road toward forms which the average taxpayer can understand. The advices from which we quote went on to say:

For about 30,000,000 taxpayers there will be a matter of answering a few simple questions. For 20,000,000 others it will be somewhat more difficult but still considerably easier than in former years.

A person with an income under $5,000, provided that more than $100 of it is not from dividends, interest and wages not subject to withholding, will be allowed to make his return on the withholding receipt provided by the employer.

All the taxpayer will have to do is fill in the amount of wages, other income and a few other answers, mostly listing dependents. No figuring is involved. The taxpayer will mail the information to his collector, who will do the mathematics, and sit back to await a bill for the balance due, or a refund if he has overpaid.

Individuals with higher incomes will use a so-called regular blank, but the experts promise this, too, will be less confusing than in the past. These taxpayers will have to figure the amount of tax, but tables accompanying the forms will make this easy.

For most, it no longer will be necessary to remember how much they gave to the church, the Red Cross, etc.

There is a flat deduction of 10% for contributions, interest, taxes, medical expenses, etc., all of which formerly had to be listed within specific limitations.

Those who claim larger deductions must use a regular blank and give full details.

The 1944 tax law makes numerous changes in allowances for dependents, for instance:

Each person is entitled to a $500 exemption, instead of $500 for a single person, $1,200 for a married couple, and $350 for a child. Thus a couple without a child will pay more income tax, while a couple with one child will pay about the same, and a couple with more than one child will pay less.

The old rule that a dependent had to be under 18 or mentally or physically incapable of self-support goes out the window. There is a new rule, however, that a dependent must be a citizen of this country, or live in this country, Canada or Mexico.

The Associated Press at the same time supplied the following income-tax calendar for individual taxpayers:

Sept. 15—Third quarterly payment due on 1944 taxes. Also time for amending estimate declarations if they have become out of kilter. The final tax is supposed to be within 20% of the estimate, but there is no penalty if it exceeds that amount as a result of the new tax law.

Dec. 1—All employes must file a new exemption certificate with employers. This is due to changes in exemptions.

Jan. 1—Employers begin using new withholding rates. Withholding taxes average about the same, but they will differ in individual cases, chiefly due to changes in exemptions.

Jan. 15—Deadline for fourth-quarter installment on 1944 taxes. The old date was Dec. 15, but was changed by the new tax law. Also deadline for filing 1944 declarations or amended declarations. The new declarations for the most part will come from farmers, not required to make estimates previously. A taxpayer may make a return, instead of this declaration.

Jan. 31—Deadline for employers to give employes receipts for wages paid and taxes withheld in 1944.

March 15—Persons who did not file a return Jan. 15 must file return for 1944. Any balance due is payable in full.

Avoid Trade Battle With Great Britain

(Continued from page 485)

to choke off by a submarine blockade, as Napoleon tried nearly a hundred and fifty years ago, to choke England by a different kind of blockade. And they can only get that lifeblood by exporting their manufactures and services to pay for it. They are perfectly willing to get that support from us, which we can supply to a considerable degree, but we have to take their manufactures and services to get our pay for it.

"The British are exporting now so far as it does not interfere with the war effort, just as we are, in order to reduce their mounting war costs, but what they ship out is way below pre-war, much farther below than United States trade. Our exporters think the British are jumping the gun, and their exporters are equally certain we are making it impossible for them to get back their markets.

"Neither view is accurate. Equally wrong is the battle of giants theory. The place of governments is to see that their nationals are not discriminated against, but we have no business to make trade competition an argument between governments. One difficulty is that the private enterprisers themselves often want just that, a government intervention that gets them the contract.

"Our first objective is to eliminate our trade controls as fast as they are no longer necessary for the prosecution of the war. Immediately that runs us into efforts of foreign countries to prevent wartime, or transitional, inflation, and their feeling that they must keep or put on new controls for that purpose. And some of the proposals for relaxation of controls means more United States exports, and runs into the dollar exchange problem of England, who would have to release dollars to pay for this new trade.

"So our second objective is to devise a system for prompt and friendly discussion, with the British especially, through which we can work out this basic transitional problem effectively and promptly.

"But one of the most important objectives must be for each country to study sympathetically the financial and commercial problem of the other, in the light of its own longtime interests and to work out measures in each country which can form the basis for world trade among them, and the basis for approaches to the other trading nations for similar trade.

"There are two theories of our relation to Great Britain in connection with the war. One is that this war is Britain's war, not ours really. We do want Britain to win, however, and so we give them the extra push, the extra men, the extra equipment and supplies to supplement their effort. We expect them to spend themselves empty, empty of vigor, empty of resources, empty of their young men's lives, while we spend only the supplement we give them that they need. Any surplus comes back to us. That theory seems to me profoundly immoral. It leads to argument about the percentage of Americans on some particular European front compared to British. It leads to demands for the control and domination of British finance after the war, because they have used their resources, and owe us the balance. It means the end of any Anglo-American friendship and collaboration.

"The other theory is that we are partners. That reflects our actual operations. We have pooled our resources and our men, and we try to share the destruction and wastage of war, because we are engaged in a common effort to maintain the elements of our civilization, in which we cooperate even in matters of mutual irritability. Yes, there are evil things in our civilization, and certainly there are events in the history of both countries which do not live up to our best ideals. Some of our allies may have a different political tradition. But our two countries have in different ways built up the content of the democratic ideal for human existence, and our common opponents in this war have dragged it down and threatened our own existence. Individuals from each of our nations are shortsighted and irritating to the other nation, but our past and our future are inextricably linked.

"We must win this war together, and we must work together in political and economic matters for a peaceful world of commerce and friendship and sound standards of living for ourselves and for all others whom we can help to rise."

"What Is All The Shooting About?"

(Continued from page 483)

derwritings, and the like, are unconstitutional. These violate the anti-monopoly laws and are a form of special legislation discountenanced by the Courts.

The requirement that NASD members must treat non-member dealers as they do the general public, denying these dealers discounts to which they are legally entitled, is particularly reprehensible. It is special privilege personified. Here monopoly has raised its head in ugly form.

Is it so astounding that the constitutionality of this legislation has been raised? Even the Department of Justice of the United States has done that, but upon another issue, on which we do not here express any opinion.

This law as a whole is not unconnected with the old, now demised, NRA, which our Supreme Court declared unconstitutional. The mental attitude behind that statute has much in common with the one which we are considering.

During the very hearings in Committee before Congress, which gave rise to the Maloney Act, doubts were expressed concerning the sweep of this legislation.

Though we oppose monarchy, a benign ruler may sometime be forgiven, but a despot never. So with NASD. Had its Board attempted to administer in a spirit of understanding the affairs entrusted to it, constitutional tests may have been deferred. By willful blindness, it is forcing the inevitable. Passing rules by bypassing its membership, ignoring the opinions of that membership evidenced by polls, these indiscreet gestures mark the beginning of the end.

We venture this expression of opinion, which may be considered daring because it is prophetic. Unless sooner terminated by Court edict, there will be, one day soon, a congressional investigation of the NASD. When and if that investigation takes place, there will come to light information that a campaign has been and is on foot to force all securities dealers into the NASD. In our opinion, the tampering with over-the-counter quotations by so-called "quotation committees," forms a part of that campaign.

Finally, securities dealers pay dues to and are assessed by NASD to the tune of several hundred thousand dollars each year. For what? Does this auxiliary police force represent a need? Strip it of its anti-monopolistic features and it would die an almost immediate death.

Give to Caesar that which is Caesar's. Let the Securities and Exchange Commission perform its functions openly and not through the medium of behind closed doors collaboration.

Let us erase institutions which are neither wholly public nor wholly private but which cement their existence by a binder of unholy monopoly, depending upon a regimented membership, which is claimed to be voluntary.

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.

Markets, Prices And Profits

(Continued from page 484)

sometimes inappropriate regulation. For such a condition, all must share the blame.

In all fairness, let us start with the assumption that there is little evidence to support any belief that the Securities & Exchange Commission has ever acted in deliberate bad faith. Its rules, regulations and directives have been based on a proper course of action as the **Commission has viewed the evidence.** If the presentation has been incomplete, inconclusive, faulty or obviously prejudiced, there can be no logical complaint against any reasonable order issuing from such premises.

Strange as it may seem, there are far too many important men in the securities business, capable, intelligent and of high integrity, who have never looked beyond the narrow limits of their own specialized activities. There are thoroughly experienced stock exchange men who are not well versed in the intelligent handling of an over-the-counter order. And there are likewise many security distributors and salesmen who have never acquainted themselves, other than superficially, with exchange market procedure.

The writer believes that an appreciation of the **inter-relationship** of all divisions of the securities business, **with an adequate realization of certain fundamental differences,** will go a long way toward eliminating internal dissension and misunderstandings with corresponding benefits to all.

The following report is an attempt to provoke intelligent thought about certain basic concepts of the business. It is offered in the belief that facts are the deadliest foes of prejudices, wherever and to whatever extent they exist.

Aside from the issuance of new securities by private placement, negligible transactions at public sale and, omitting for the purpose of this discussion, the exchange of new securities for old through reorganization or reclassification, all securities bought or sold in the United States today are dealt in (a) a national exchange, (b) the unlisted department of a national exchange or (c) over-the-counter.

Why do we have these three market classifications? How did they develop? Are they related? Do they conflict? What are their distinctive functions?

Background

The urge to exchange things of value is inherent in mankind and is as old as antiquity. Genesis records that Jacob acquired Esau's birthright for a mess of pottage, much to the latter's subsequent discomfiture. Primitive forms of barter still prevail in many parts of the world, although, for the most part, wealth in its economic sense is divided, accumulated, distributed and exchanged by dealing in the tokens of wealth, i.e., money, credits and securities.

The progress and development of every civilized nation has been immeasurably accelerated by the opportunities afforded its citizens to participate in its commercial and industrial growth, a fact which is most obvious when viewed in reverse: the backward countries today are those in which relatively few investment opportunities are available. The very existence of most of our great domestic corporations is rooted in the pooled savings of hundreds of thousands of small participants—the security holders — who have bought senior obligations as investments, or who have chosen to express their faith and confidence by advancing risk capital and accepting an equity position. This is almost axiomatic in its truth and simplicity, and yet, we believe, is frequently lost sight of in the welter and barrage of controversial technicalities.

The issuance and distribution of securities and the development and maintenance of facilities by which they may freely be bought and sold is a basic economic necessity. It is fundamentally good, not bad. IT IS THE LIFE-STREAM OF BUSINESS PROGRESS.

Origins

As a matter of history, the development of present-day financial markets goes back scarcely a hundred and fifty years.

In the post-Revolutionary period, a wide diversity of financial business was transacted by early merchant houses and private commercial banks. The first bonds issued by the Federal Government were thus distributed and dealt in, as were shares in insurance companies, banks and other early business enterprises. The term "over - the - counter" originates from the fact that investors and dealers of that period actually transacted their business over the counters of these private banking houses. The custom, with variations and refinements, has endured.

The forerunners of present exchanges were to be found in the "coffee houses" where it was natural that individuals with common interests should meet as a matter of convenience. As the young nation grew and as shares in its development increased in diversity, availability and volume, there followed the gradual establishment of "stock and exchange boards." By present standards, activities were limited, usually consisting of a roll call of bid and asked prices once or twice a day following which orders were matched.

It is unnecessary here to trace the respective growths of the over - the - counter and exchange markets through the years to their present state of development. Suffice it to indicate that, historically, so-called over-the-counter trading is the great-grandfather of all exchange markets.

In the matter of volume, again the over-the-counter market overshadows exchange transactions. Precise data, other than that covering exchange trading, is difficult to obtain. However, the Securities & Exchange Commission in a report dated January, 1936, pointed out that the total of all listed issues on Dec. 15, 1935, was approximately 6,200 while the National Quotation Bureau's stock and bond summaries for the same period reported quotations for over 90,000 issues. While the latter figure probably included all or almost all the 6,200 listed issues, even after deducting these, the resulting difference "remained enormous."

In the light of these facts, it appears pointless, juvenile and thoroughly illogical to champion one type of market to the exclusion or detriment of the other. There are surely sound reasons for the existence of both. Straight thinking should supply the answers.

Securities, like water, will seek their level. Not only is this true as regards price, but also true in respect to tending to seek out the market place best suited to their individual characteristics. It is elemental to state that there is the widest divergence in the qualities as well as the forms and terms of securities, but the fact should not be overlooked. This report need not concern itself with qualifications other than those which have a bearing on the development of adequate and appropriate markets.

Two Principal Classifications

In this respect, all securities may be broadly classified as (a) those possessing auction market characteristics and (b) those for which an adequate market may be established and maintained only by negotiation. There are borderline instances, of course, and even some relatively few issues that can flourish reasonably in either or both environments. But, generally speaking, the distinctions are clear-cut and fundamental.

A typical auction security must be of sufficient size to provide an adequate floating supply; i.e., its distribution must be widespread to the extent that potential buyers and sellers may readily be found among many holders. It should be the obligation of a company that is well-known, or of a company in an industry that is well-known. Complete information as to assets, liabilities, earnings and corporate history should be available over a period of years. It should lend itself to comparison with other issues of like kind. There must be sufficient continuing interest on the part of the investing public to assure a broad and active market and to record a continuous series of transactions.

To the extent that a security fails to possess the above characteristics, to that extent it fails to belong to the classification of auction securities and the more properly does it belong to the group for which markets can be maintained only by negotiation.

It is obvious that many auction characteristics either are, or are not, inherent. The prerequisites cannot be conferred by wishful thinking, whimsy or edict.

It is true that characteristics of some securities may change over a period of time as a result of new trends in industry with resultant change-abouts in public favor. An auction security may lose its market following and become hopelessly inactive. Or a negotiation security may encounter new or increased interest to the extent of becoming sufficiently active to support a true auction market, provided it is otherwise qualified.

It would appear, therefore, that in the best interest of service to the public and to themselves, national exchanges should not seek to add listings indiscriminately in the mere hope of increasing trading volume. Rather should they be on the alert to delist those issues which no longer possess auction characteristics, or, in some instances, never possessed them. Additions to listings should be made only when requirements are fully met.

This viewpoint is fully supported in the SEC report to Congress, previously referred to, from which the following is quoted:

"Admitting a security to trading privileges on an exchange amounts to a representation by the exchange that an appropriate and adequate market for that security exists on that exchange. . . . If that representation is incorrect the quotations which an exchange disseminates are misleading and have a tendency to react harmfully upon the bid and asked prices for that security in other markets. Consequently, no exchange should be permitted to admit to trading privileges a security when the admission of that security to trading privileges on the exchange means a misrepresentation to the public that an appropriate and adequate market for that security exists upon that exchange."

Inappropriate Listings

That made sense in 1936 and is no less applicable today. Let us see what, if anything, the exchanges are doing about it. At random, we have examined the "Wall Street Journal" of May 15, 1944, although any current issue will disclose approximately the same results.

On the New York Stock Exchange, among "Stocks Not Traded In" on that date, we find 19 issues in which a buying order could not have been executed at any price for the simple reason that no offering existed. Not an inappropriate, inadequate or even an out-of-this-world offering—just no offering at all. We find 32 additional issues, not traded in, in which the spread between the published bid and asked varies from 3 to 30 points.

In the same edition, on the New York Curb we find 30 issues for which there was no offering and one issue offered without a bid. An additional 28 issues were quoted with spreads up to 13 points. Not necessarily high-priced stocks, either. Note the following:

	Bid	Asked
Canada Bread	3	7
S. M. Bruck	5⅝	10
Woolworth, Ltd. pfd.	4	7

An examination of the year-end summaries also yields some illuminating information. During the entire year of 1943, 20 issues on the New York Curb did not sell at all, and, in 65 other issues, volume for the year varied from 20 shares to less than 500.

Of related interest is the odd situation existing in Camden Fire Insurance stock. This issue enjoys a broad and active over-the-counter market in which the inside spread seldom exceeds a quarter of a point. Camden is quoted on the Curb usually with a spread of 1 to 1½ points, but rarely, if ever, sells. There were no transactions in 1943 and none thus far in 1944. To the best of the writer's knowledge, total listed sales have not aggregated 100 shares in the last eight years although there are 400,000 shares issued and outstanding. The Curb market is based solely on and around the true market which is strictly over-the-counter.

The above indications of inappropriate listings and inadequate markets have been taken from the country's largest exchanges. On the smaller exchanges such examples are tremendously increased percentagewise. It may be noted that of the 456 issues eligible for trading on the Philadelphia Stock Exchange, transactions in 25 to 30 issues is a normal daily average, and, during all of 1943, sales took place in a total of only 54 issues.

The preceding paragraphs have endeavored to set forth that inadequate markets exist in many listed securities. This, of course, is no fault of the respective exchanges. The machinery of the market is equally available to all. The rub lies in the simple fact that for one or more reasons that are readily ascertainable, the securities don't measure up. They just don't belong on national exchanges. **Listing, in itself, is no assurance of liquidity or activity.**

Let us inquire as to how this situation came about and why it is permitted to continue. The answers, we believe, are to be found in the consideration of two principal factors, (a) the persistent philosophy of the SEC generally favoring the listing of securities and (b) an easily understood support of this view by the national exchanges. We will examine them separately.

Early SEC Theory

The SEC attitude stems directly back to the origin of that body. Most of us recall somewhat painfully the stock market catastrophe of 1929 and its aftermath. Regardless of the responsibility attributable to its own excesses, the public demanded a scapegoat. Wall Street became the symbolic whipping-boy of the nation. A new administration obligingly provided us with the Securities & Exchange Commission and charged it with the task of purging the Street of all real and fancied corruption. The crusade was on.

The personnel of the SEC was originally composed of members of the legal profession, well versed in Blackstone but not too conversant with the usages, customs and common practices of the securities business. This weakness, and such we consider it, has been largely perpetuated in the personnel of succeeding Commissions.

Admittedly, the task before the first Commission was something akin to awesome. But they resolutely, zealously and somewhat cheerfully addressed themselves to it, flailing away at obfuscations, great and small, as they were individually and collectively encountered. Confronted with a mass of complicated, inter-related and technical problems, unfamiliar to its members' previous experience, the Commission speedily recognized that exchange markets were easier to comprehend—and hence to regulate—than over-the-counter activities. We quote from the 1936 report:

"It should be observed that exchanges constitute an organized mechanism of control which can be utilized to good advantage. Manipulation or deceptive practices in the comparatively unorganized over-the-counter markets are more difficult to detect and prevent. In consequence, if our purpose is the effective regulation of trading practices, it would be profitless to drive securities from the exchanges into the over-the-counter markets."

And again:

"Inasmuch as the theory both of the Exchange Act and belief of the Commission is that an exchange market under appropriate conditions operates for the public interest and for the protection of investors, it may be undesirable to prevent an exchange market from coming into existence for a particular security for the sole reason that reports comparable to those now received . . . are not available and that insiders will not be liable for trading profits as provided."

The further development of this philosophy throughout the report led to a recommendation to Congress that the Exchange Act be amended to empower the Commission to prescribe terms and conditions under which securities would be "permitted to enjoy" an exchange market.

The recommendations made by the Commission were adopted and further powers granted designed to regulate activities in the over-the-counter markets. Rules and regulations based on these broad powers "in the public interest or for the protection of investors" are now in effect.

It is inescapable to conclude that the first SEC, in approaching the problems which then confronted it, was motivated by expediency more than by logic and that subsequent SEC personnel has adhered closely to that pattern.

Nowhere, in any SEC report have we observed that any consideration has been given to the inherent differences in the characteristics of securities, or to the economic usefulness of employing the functions of salesmanship and merchandising in their distribution.

National Exchange Attitude

The attitude of most national exchanges, large and small and wherever located, in seeking to increase the number of issues eligible for trading thereon is readily understandable. This policy, for the most part, is pursued with scant consideration of the individual fitness or adaptability of any security to auction trading. Rather it is based on the theory that whatever activity ensues, even though negligible, will benefit the exchange.

However much national exchanges, or, to be more specific, the policy - controlling members thereof, lean toward the theory of abundant listings, there are certain concepts of a fundamental nature that are too obvious to be ignored. The SEC has consistently ruled that, among other requirements, exchange trading privileges be granted only to issues in which there has been adequate public distribution and in which there is substantial local trading in the vicinity of the applicant exchange.

"Vicinity"

And what a mare's nest that word "vicinity" has aroused! An eminent and authoritative lexicographer, one Noah Webster, defines the word in simple terms: "Quality or state of being near; nearness; proximity. A region about, near, or adjacent; neighborhood."

In reference to a recent application to extend unlisted trading priveleges on the New York Curb to two midwestern utility company bond issues, the "vicinity" of the New York Curb was variously argued to be (a) New York City alone, (b) an area within one hour's commuting distance of New York City, (c) the territory enclosed by lines drawn midway between New York City and Philadelphia and New York City and Boston (Philadelphia and Boston being the closest cities to New York in which national exchanges operate) and (d) the states of Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania and Ohio. The latter panoramic viewpoint apparently conformed to the SEC's own interpretation of "vicinity," and an order granting the application was issued. The ruling was appealed and brought to trial before the U. S. Circuit Court of Appeals at Philadelphia. Thereupon was handed down a decision, supporting the SEC order, in which it would seem that amazing and reckless liberties had been taken with the English language. The mental aberrations of the Court are worthy of direct quotation. (The bold face is ours.)

"We can conceive of circumstances in which a most widespread distribution of a security might not aid an exchange in establishing a **vicinity** in respect to an application for extending unlisted privileges to that security. For example, there might be a very extensive distribution of a given security in an area where the Curb had neither members or facilities. Such an area could not be considered to be in the vicinity of the Curb. On the other hand, if Curb **facilities** are present in a given locality, the extent of the distribution and nature of the holdings of a certain security in that locality must be deemed to be relevant in determining **vicinity**. . . . The Commission must consider the circumstances attendant upon each application made to it and decide it on the particular facts inhering in each case. . . . The Congress intended the Commission to approve the extension of unlisted trading privileges to a security when the applicant exchange can demonstrate its ability to support an adequate market in that security."

By a stroke of the pen, so to speak, the word "vicinity" has been deleted, the word "facilities" substituted therefor, and the nearness, neighborhood, proximity or adjacency" of the New York Curb has been extended, shall we say, to San Francisco, by virtue of the fact that a Curb member has an office in California with wire service back East! Thus has Biddle been out-biddled.

Moreover, the Court's rather precocious interpretation of the intent of Congress is open to challenge. As a matter of fact, the original Securities and Exchange Act of 1934 provided for exchange trading in only registered and **fully listed** securities. The first Commission was empowered, where it was deemed "necessary or appropriate in the public interest or for the protection of investors," to extend then existing unlisted privileges for short lengths of time. In respect to unlisted trading privileges on exchanges, the Act provided **that none should be continued beyond June 1, 1936.**

Peru Calls For Another Internat'l Conference Having Broader Scope

Delegates From The South American Republic State That Further Economic Action Is Required To Create Conditions For Attaining Purposes Of The International Fund And Bank

The Peruvian delegation to the International Monetary Conference, through its Chairman, Juan Chavez, Commercial Counselor of the Peruvian Embassy in Washington, issued a statement expressing support of the efforts to create a world organization "to bring nations together," and recommending another conference with broader economic action "to create conditions necessary to make possible attainment of the specific purposes of the Fund and the Bank."

The text of the statement is as follows:

Peru heartily supports every move to bring about closer cooperation between the nations of the world both in the political field and in the economic field to promote general welfare and to raise the standards of living of the people everywhere. Records of international gatherings are enough evidence of this and more particularly so those of the Montevideo Conference of 1933 and of the meeting at Rio de Janeiro early in 1942 after Pearl Harbor.

In a way it may be said that this Conference represents the first attempt to create a world organization meant as a permanent institution to bring nations together. It is most important, therefore, that all factors be studied carefully so that failure will not attend any such attempt at closer world cooperation, for such failure might well set back its possibility for generations. After all, there is unfortunately so much skepticism among a large proportion of people in all countries about the possibility of world cooperation that the greatest care should be taken so that every forward step proves to be a success, for failure might bring the whole scheme into disrepute. The first steps are the most important because they will show to the unbelievers the feasibility of world cooperation. Once this comes to be generally accepted then it will be possible to be more daring and to risk more because any failures would not endanger the whole movement. There is so much to be gained from world cooperation that no pains should be spared to be sure to get firmly established the foundations on which the whole structure will come to be built.

At the start one should, therefore, set out to study the necessary pre-requisites to the establishment of some such scheme of international monetary cooperation as the one on which this Conference is working. To do this, let us be clear what the plan purports to achieve. It is meant to facilitate exchange transactions and to prevent unnecessary disruptions in the exchange relationships between the different currencies. It would tend to smooth out those temporary difficulties which can be overcome by appropriate help at the right time. It is not meant to provide permanent subsidies to an economy which, for some reason or other, is out of balance or is in need of long term help, to prevent the depreciation of its currency for instance. It is meant, rather, to smooth out differences of a tidal character which ebb for a time only to flow back later. Movements of this kind have often caused unnecessary trouble which might have been avoided if the appropriate machinery had been available to make possible outside help.

It goes without saying that any such mutual help for this kind of emergencies can only be based on an honest realization by the different nations of the world that they all have the same interest at stake; that they stand or fall together; and that nothing that can be harmful to the rest can in the long run be beneficial to any one of them individually. This seems to be the first pre-requisite of the whole scheme as it is of any other kind of world cooperation. To start with it assumes the abandonment of any attempts at prosperity within any one country by voluntary depreciation of its exchange below the level corresponding to the true economic value of its currency.

But there are other pre-requisites of an economic nature which will be necessary for the success of the plan. When it starts functioning, conditions should be such that it will not have to face disruptions of a permanent or acute nature that may prove beyond its scope or with which it may be unable to cope. Great care should be taken that it will only have to tackle such problems as it is meant to. To overlook this would be to take risks of such nature that unless extraordinarily fortunate and unforeseen events were to take place the whole plan might not escape failure.

In the years before the war the principal problem was a strong and persistent current which kept in the red the balance of payments of the debtor countries. There was nothing of a tidal nature in this movement. It was a continuous flow in one direction. It is true that this flow was greatly intensified by transfers of capital and "hot money." But apart from these, if account be only taken of the other items which enter into the balance of payment, there had been a definite trend for quite a number of years so that, even if transfers of capital had been controlled, a deficit would have been shown by the debtor countries. The Fund is not meant to cope with sustained movements of this type; and yet, can anyone feel confident that the war will have changed that trend? If conditions similar to those existing before were to obtain again, would the Fund be able to operate successfully for any length of time? In other words, could it stand the strain of a movement as strong as the one we witnessed in the prewar years which might exhaust its resources of currency of the creditor countries?

A fundamental matter in exchange stability is the determination of the right parities between the different currencies. Unfortunately, five years of war have brought about such artificial conditions in most countries that it seems practically impossible to foretell what the rates of exchange will tend to be. Take, for instance, the question of the internal purchasing power of the currencies. Production and distribution controls, ceiling prices, subsidies, and innumerable other forms of government interference have brought about, in almost every country, such an artificial state of things that perhaps not many people would venture to say what the relative value of the different currencies might be according to their actual economic value. Yet a mistake in starting with the proper exchange relationships might, to say the least, have the effect of seriously undermining from the very beginning confidence in the success of the whole scheme.

If the world is going to tend towards greater freedom and towards the elimination of as many artificial government controls as possible, as seems to be the general wish, matters like this will become of paramount importance. In the long run, whether official controls remain or disappear, such questions will always be fundamental. It does not seem possible to run the whole economy of countries with a democratic system of government on basically unsound lines. Sanctions of a very severe nature to make people comply with certain regulations cannot have the backing of public opinion for very long. The general outcry is almost bound to be for shortening of the transition period as much as possible so that these shackles be thrown away.

Then there is the question of the peculiar exchange position of the different countries due to the war with which, by its very nature, the plan is not meant to cope. For instance, the indebtedness which has accumulated in the shape of loans of various sorts, large amounts of blocked currencies, and so on. It is evident that these matters have to be tackled before by different means. Otherwise, they would almost be bound to develop such disruptive tendencies as might be capable of wrecking any plan, for they are not only of concern to both debtor and creditor but to other nations as well. We must not forget what a stumbling block to post-war world reconstruction the Reparations Problem was last time.

Let us examine one specific case. England has been the world's leading market. Goods from everywhere could reach her ports with every certainty of finding a market where they could be sold and the proceeds transferred to other countries. Could that be the same again as long as the blocked sterling problem is not solved? For as long as it remains unsolved, untold restrictions will have to remain in force and they may well prove unsurmountable difficulties. Now for many new countries, of which Peru happens to be one, the existence of such a problem is a serious matter. England has been the only market on which they could rely in good or bad times, from the very beginning of their trading history, one might say. If this now ceases to be so, where else will they be able to sell freely? Other possible markets still remain closed. Nothing seems to point yet to their being open in the reasonably immediate future. At least a very large proportion of the new countries with a simple economy based on the export of raw materials would be in this same predica-

(Continued on page 510)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 485)

the war looked like the surprise to watch out for. As that subject has been mulled over and discussed by every commentator, the element of surprise has evaporated. The only surprise that can now spring out of the war is the political tie-ups and their economic implications.

* * *

Our own elections may, to some extent, have an element of surprise. With Dewey beginning his active campaigning, statements made may tend to upset long established beliefs. But that, too, cannot be considered of terrific market importance.

In the final essence it is known methods probably already decided by various industries and organizations that will prevail in solving the knotty problems the end of the war will bring. And the market, little concerned with methods or social solutions, is in its own way saying that all the talk, now theoretically in a speculative stage, will resolve itself into action which will bring higher security values.

* * *

The public is still selling. But the public always sells on declines and dullness. The only time the public is interested in stocks is when the market is active and stocks are strong.

* * *

Last week I mentioned a list of securities I thought would be attractive on the next decline. With the market improving I think some of the prices I gave were too pessimistic. I now therefor suggest lifting buying levels all along the line.

* * *

Here's the new list:

Bendix—Buy between 37½ and 38½. Stop at 35.

Bethlehem Steel—Buy between 59 and 60. Stop at 57.

Boeing—Buy between 13 and 14. Stop at 12.

Douglas—Buy between 50 and 51. Stop at 48.

Jones & Laughlin—Buy between 22½ and 23½. Stop at 21.

Lockheed — Buy between 16 and 17. Stop at 15.

U. S. Steel—Buy between 57½ and 58½. Stop at 55.

* * *

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.]

Peru Calls For Another Internat'l Conference Having Broader Scope

(Continued from page 509)

ment. They would have to face very difficult times which would continue for as long as this problem had to await a solution. If this is not done in advance, nobody can tell for how long it may drag.

There is also the problem of the need of many countries for making large purchases abroad merely to refit their productive equipment which has been deteriorating during the period when replacement of machinery has not been possible. To stand on their feet after the war, countries will have to regain their previous productive capacity and to do that many small nations, at least, will have to import large amounts of machinery and spare parts to refit their equipment and stocks. This may put too severe a strain on the exchange resources of even those countries which have been able to accumulate a certain amount of foreign balances. Where the figures are relatively small, the problem may not be of world importance from the point of view of the amount of help required, but sight should never be lost of the fact that the problem itself, for each of the countries involved, may be of paramount importance. This is particularly so in the case of those nations who in the immediate past have only managed to make small additions to their foreign exchange or gold holdings. As long as such re-equipment only serves the purpose of bringing back their productive capacity to where it was before the war, it cannot be said that any help received from abroad will automatically produce enough exchange for its repayment. Long term help will thus be required, and, unless very insignificant in amount, such long term help could not come within the scope of the International Monetary Fund.

Now it seems as if the World Bank for Reconstruction and Development were to be the type of organization to take care of problems of this character. But account should be taken of the fact that the help needed might have to be of a very long term nature. Otherwise, it might not have the desired effect. If the services of the funds advanced put a severe strain on the economy of the needy country, the help extended would not be really relieving it from its difficulties. The point is that the country receiving help to meet this kind of difficulty should only be called upon to meet obligations arising out of such help when it can afford to do so. After all, the idea is to prevent situations that have arisen from producing their ill effects, and such ill effects can as well be caused by letting the present situation run its course as by being too insistent on prompt repayment of the help granted.

But apart from possible difficulties such as those just mentioned it does not seem possible for a monetary scheme like the Fund to prove workable unless the world is made safe from severe depressions which in the past have acted as strong disruptive forces slowing down economic life in a general way everywhere but with different intensity in each country.

Much of the discussion of these problems that takes place today seems to assume that there will be no other such general depressions in the future. That is something everyone earnestly desires. But whether a scheme of this nature can be based on such an assumption is something which anyone can be forgiven for doubting. When we come to compare the various measures advocated to assure prosperity and full employment permanently in the world we are baffled not only by the disparity of the suggestions but also by the criticism which each one of them seems to imply, in one way or another, of the others. No one can be blamed for being afraid that too much perhaps may be taken for granted; that wishful thinking may be having the better of cold reasoned analysis and that, if and when a depression sets in, it may prove almost as difficult to overcome as in the thirties. Even at present, when in countries at war full employment seems to be the case among the civilian population no one can overlook the fact that men and women will one day be released from the services and other war government agencies and that there will then be millions thrown into the labor market who may only be able to find a job for themselves by displacing those at present occupied.

If a depression were to come, the lot of the small, raw materials exporting countries might indeed be a very difficult one. It was so during the thirties and no one can blame them for being afraid that it may be so again. Supposing they struggle, as some did last time, to maintain stable their rate of exchange by a deflationary policy at home. This led to a general stagnation in economic life which caused unemployment, thus further depressing the standard of living of the people. The only thing left to them then was to go off the gold standard and let the rate of exchange take its course. Well, in such a case, if the Monetary Fund agreement had already been in force, would they have been just as free to make such decisions based on their intimate knowledge of their own problem? After all, it is only natural that countries with the biggest say in the administration of the Fund have their own difficulties and their own problems more in mind when determining its policy. Well now, their policy may not be exactly the one best suited to the small countries struggling with their own peculiar difficulties. Let us consider, for instance, the concrete case of abandoning the stabilization and letting exchange loose to find its own level in a free market, which ten years ago proved to be about the only way out of an extremely difficult situation. The international body in charge of the monetary arrangements might have frowned on such a course. Yet, at the same time, it might not have found fault with large and important countries which, by continuing to adhere to some mistaken policy, might have been the main cause of all the trouble. It may even happen that one or just a few such large countries might have solved the problem of many a small one by changing their fiscal policy, for example, and letting some imports enter their markets from abroad. In fact, by adhering to the wrong fiscal policy, they may not only have been hurting a few small countries but world economy at large. Yet the monetary governing body might have had nothing to say against that. Nobody can question the fact that it is not always the debtor countries that are to blame for disruptions in the relationship of the different economies that so often lead to world depressions. It seems to be rather the case that creditor nations, by not always living up to the obligations inherent in their more fortunate position and by following short-sighted policies, may come to upset world trade, impoverish the lesser countries, and end by being the victims of their own deeds.

It is for these reasons that there seem to be so many misgivings about the possibility of achieving success in the monetary field unless some further progress is made in the matter of avoiding deep depressions which affect the welfare of all countries. These misgivings are particularly common in new raw material producing nations because their economies depend mostly on just a few commodities and yet nothing is being done to provide them with markets on which they can count, capable of absorbing sufficient amounts at reasonable prices. That is why people wonder whether it is possible for any scheme of world monetary cooperation to be successful over a certain period of time as long as such fundamental economic problems as greater freedom of trade and fair security for large groups of producers are not tackled. For if things are left as they were before the war it does not seem unreasonable to fear a repetition of what we witnessed then, when a strong current in the international balance of payments continued in the same direction for quite a number of years keeping in the red the balance of payments of the debtor countries. With this sort of disequilibrium the Fund could not cope.

Perhaps the basic difference between the economies of large industrial countries and of new raw material producing nations is not always given due attention. It is evident that both are seriously affected by world depressions such as the last one, but the effect seems to be deeper in the new country. It is also somewhat of a different character. And then there is always the lack of resources upon which to fall back.

It might be said that the solution lies in the diversification of the economies of new countries, so that they also become industrialized. There is no question that everything possible should be done in that respect and the Bank for Reconstruction and Development may do a great deal of good in this field, but the young industries will be in need of a certain amount of protection from the sort of unfair competition that large manufacturers in the great industrial centers can carry on to prevent them from developing from the very start. It cannot be questioned that we have seen much disloyal competition killing at birth what promised to be healthy enterprises in countries struggling to strengthen their infant industrial development.

We might sum up by saying that there is no question that more can be achieved at present in the way of bringing about closer cooperation between different nations of the world than was perhaps ever possible before. As such a favorable state of mind might not last, an honest attempt should be made now in this direction. But for the very reason that world cooperation is so important, practical steps should only be taken when it becomes pretty evident that enough of every problem has been considered to have reasonable hope of success. Granted this to be so, we might say that perhaps we should not attempt this work piecemeal but rather in a comprehensive way. And yet it must be admitted that though nobody can differ from the "Purposes and Policies of the Fund" as outlined in the first section of the Joint Statement of the Experts, the machinery in view does not give the impression of being comprehensive enough to achieve such aims. The question seems to be whether the International Monetary Fund or the World Bank can stand on its feet unless adequate steps are taken at the same time to have freer trade in the world, to have proper markets for the staple products on which so many national economies depend, and to assure full production and employment and prevent the occurrence of severe depressions. In other words, whether it is possible to have successful monetary cooperation without setting up, at the same time, a comprehensive scheme that will cover the basic economic and financial ground on which monetary matters rest. And this is most important for we should not fail to take advantage of the present mood of public opinion, so much in favor of world cooperation, and at the same time we should not run the risk of bitter disappointment that may set back all attempts at achieving unity of action in the world for very many years to come.

Lord Keynes in his speech in the House of Lords on May 23, speaking on the subject of the Monetary Fund, is reported to have said the following:

"If the experts of the American and British Treasuries have pursued the monetary discussions with more ardor, with a clearer purpose and, I think, with more success so far than has yet proved possible with other associated matters need we restrain them? If, however, there is a general feeling, as I think that there is, that discussion on other matters be expedited, so that we may have a complete picture before us, I hope that your Lordships will enforce this conclusion in no uncertain terms. I myself have never supposed that in the final outcome the monetary proposals should stand by themselves."

And Secretary Morgenthau in his opening address after his election to the Chair of the United Nations Monetary and Financial Conference, spoke as follows:

"We are more likely to be successful in the work before us if we see it in perspective. Our agenda is concerned specifically with the monetary and investment field. It should be viewed, however, as part of a broader program of agreed action among nations to bring about the expansion of production, employment and trade contemplated in the Atlantic Charter and in Article VII of the mutual aid agreements concluded by the United States with many of the United Nations. Whatever we accomplish here must be supplemented and buttressed by other action having this end in view."

And further on, in the same address, he said the following:

"But provision for monetar stabilization alone will not mee the need for rehabilitation of war wrecked economies. It is not, i fact, designed toward that end. is proposed, rather, as a perma nent mechanism to promote ex change stability. Even to dis charge this function effectively, must be supplemented by man other measures to remove impedi ments to world trade."

It seems sensible to cover th whole economic ground and n to leave some of the problems f later treatment. Measures shoul be taken in other fields that hav a bearing on the whole econom situation as mentioned by Lor Keynes and Secretary Morger thau in the quotations just give Mr. Harry D. White implied much in his opening address the first meeting of Commissio of the Conference. At the prese Conference both the Monetar Plan and the Project of the Worl Bank can be thoroughly studi and revised with the greate possible care. That will be much of the work accomplishe But at this meeting it should resolved that an Economic St bilization Commission or a Co ference on Commercial Policy organized at once to seek a sol tion to those other problems. Th Conference has shown how mu can be accomplished at the meetings and as some time w elapse before the different natio formally ratify the Internation Monetary Plan and the Wor Bank Project, a commission th started working now might ready with actual proposals time to allow of their being p into effect all at the same tim Many countries may delay rati cation of the Fund and of t Bank on the plea that they do n think the two plans cover t whole ground and that unless solution is also worked out f the other problems these two ca not be satisfactorily taken ca of, and these countries would ha no such excuse if they were co fronted with a comprehensi scheme taking everything i account.

NAM Study Shows Corporation Profits Low In Relation To Tremendously Increased Productio

American business is making money, but at a lower rate th it was before the war, it was shown on July 27 by Robert M. Ga lord, President of the National Association of Manufacturers. It pointed out by Mr. Gaylord that although the dollar volume of corp rate profits was considerably higher in 1943 than in 1939, last yea net earnings were low when considered in relation to the treme dously increased volume of production — $298,000,000,000 as against $131,000,000,000 in 1939. The rate of profit declined from 3.1 in 1939 to 2.8 in 1943. Production increased 127%, and profits 101%. "Profits are staying in line, even in wartime, when they don't go up as fast as output," said Mr. Gaylord, who is President of the Ingersoll Milling Machine Co. of Rockford, Ill.

The figures were made public in an analysis of the nation's wartime profits which was prepared by NAM's Research Division under the direction of John C. Gebhart. This study, which held a statistical mirror before the nation's expanded wartime economy, showed that while business is making money, its annual rate of profit was less than the average rate of peacetime years of 1936, 1937 and 1939.

The study, based primarily on Department of Commerce figures, revealed that the actual corporate profit figure in 1943 was $8,200,000,000 on a gross volume of $298,000,000,000.

With regard to the figures Mr. Gaylord said:

"These are big figures, but we could scarcely expect to see little ones when we consider the tremendous expansion that has taken place in the past three years. While the dollar volume of profits is big, it must be remembered that all of these profits were in cash, but that a high perce age is represented by inventor and receivables, which are worth 100 cents on the dol Another large part of these called profits are tied up in e cess profits tax credits which be paid at some unknown futu date.

"When we consider these con tions, and the fact that industry earning lower profits on its w time sales than it did on pea time sales, which were set competition, then industry ha right to feel that it has not o done a good job in producing war, but that it has done that at a fair price."

The NAM analysis, which is companied by numerous tables statistics, reveals the definite rigid limitations which have k war profits in line with the tional conscience, and sets fo some highlights which cast furt light upon current concepts wartime business. In making p lic the results of the study NAM says:

"Dividend payments, for exa ple, have had no spectacular despite the increase in the amo of money corporations earned. general, total dividend payme were substantially lower in 1 and 1943 than they were in prewar years of 1936 and 193

"As a matter of fact, only about half of industry's earnings have been paid out in dividends. For the past three years business has been plowing back about 50 cents of every dollar it earned into working capital. These "retained earnings" are tied up in inventories and receivables which will have a doubtful value after the war. Certainly, they will not be worth their full book value, therefore while they are technically profits they are in part paper profits.

"Wages and salaries skyrocketed from $44,000,000,000 in 1939 to $102,000,000,000 in 1943, an increase of $58,000,000,000, or 131%. The profits increase was $4,000,000,000, or 101%. Wages and salaries, therefore, have run well ahead of the volume of goods produced, while profits have run behind.

"Income taxes were approximately twelve times those of 1939, although dollar profits before taxes were increased only about four times. American corporations have paid Federal taxes amounting to $33,000,000,000 in the past three years, a sum greater than all corporate income taxes from the Armistice of 1918 to Pearl Harbor in 1941.

"There are other factors implicit between the lines of the NAM study which reflect general business concern for actual short term working capital needed for the transition period of war to peace. This is evident in the statistical demarkation between profits as cash money and profits still on paper, or tied up in inventories.

"The analysis mirrors the changing conditions surrounding the entire subject of business profits to reveal a present-day lack of finality concerning it. In other words, business is, and has been making money, but it does not yet know exactly how much in the light of long-term limiting factors and taxes, or how much it will need to finance its share of a future geared, according to current economic estimates, for a national income of perhaps $150,000,000,000 and some 55,000,000 postwar jobs."

In his further comments Mr. Gaylord says:

"If we do have a national income of $150,000,000,000, it is going to require a lot of new investment in industry. Certainly, industry cannot support an economy of that size on the present capital. Neither can industry supply all of these 55,000,000 jobs. Manufacturers will supply about 25% of them, provided there is the necessary investment in manufacturing enterprises.

"This profit study should dispel once and for all the idea that the war has greatly enriched all industry. It does show, however, that industry, except for a few major cases of hardship, should come out of the war in a reasonably healthy condition, and with additional capital, should do its full share in creating postwar prosperity. Capital, of course, will not be invested in unsound enterprises, therefore our future economic well-being depends upon the soundness of business at the end of the war."

Tribute to Woodrow Wilson

On the motion of Josephus Daniels, who served as Secretary of the Navy under Woodrow Wilson, the Democratic Convention at Chicago adopted on July 20 a resolution of tribute to the 1912-20 President. Reporting this, the Associated Press said:

"Gov. Colgate W. Darden of Virginia seconded the resolution offered by the Raleigh publisher. Adopted by a unanimous voice vote, it said:

"'Resolved, That this convention consecrates itself to the advancement of lasting peace,

"'We pause to pay tribute to Woodrow Wilson.

"'In his leadership of his party and the Republic he gave us the vision of world peace and tranquility.

"'We highly resolve to complete the tragically unfinished task.

"'We remember that he foretold the world tragedy of this global war, when his plan was rejected and denied.'"

Calendar Of New Security Flotations

OFFERINGS

IDAHO POWER CO. has filed a registration statement for 60,587 shares of 4% preferred stock, $100 par value. Underwriters are Blyth & Co., Inc., and Lazard Freres & Co., New York, 45% each, and Wegener & Daly Inc., Boise, 10%. Company will offer to holders of its 32,130 shares of 7% and 28,457 shares of $6 preferred stock the opportunity to exchange their shares for new 4% preferred stock on a share for share basis together with $8 in cash and accrued dividends to Aug. 1, 1944. The exchange offer will be open from about July 1 to July 22. The new preferred stock will be cumulative from Aug. 1, 1944. Any shares of the 7% and $6 preferred stock not deposited for exchange will be redeemed on Aug. 1, 1944, at $110 per share plus accrued dividends to that date. The underwriters have agreed to purchase any of the 4% preferred shares not issued pursuant to the exchange offer. The price to the public will be $102 per share. Filed June 13. 1944. Details in "Chronicle," June 22, 1944.

Unexchanged 21,000 shares offered at $102 per share.

NATIONAL AUTOMOTIVE FIBRES, INC., has filed a registration statement for 86,310 shares of common stock (par $1). Proceeds will be used to increase working capital for war purposes, and to place company in a position to carry additional inventories and additional notes and accounts receivable for anticipated post-war business, particularly in the automotive field. Reynolds & Co., New York, is principal underwriter. Filed June 30, 1944. Details in "Chronicle," July 13, 1944.

Offered July 28 at $11.50 per share by Reynolds & Co., Schwabather & Co. and Laurence M. Marks & 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, 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. Price to the public is $33 per share. Edward D. Jones & Co., St. Louis, is named principal underwriter. Filed July 17, 1944. Details in "Chronicle," July 27, 1944.

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). 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. 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. F. Eberstadt & Co., New York, heads the group of underwriters. Filed July 19, 1944. Details in "Chronicle," July 27, 1944.

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. Underwriter is P. W. Brooks & Co., Inc., New York. Proceeds will be applied to the reduction of bank loans. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

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. 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. 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 succesful bidder will name the dividend rate on the stock Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

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. 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. 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. 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. Filed July 22, 1944. Details in "Chronicle," July 27, 1944.

THE E. KAHN'S SONS CO. has filed a registration statement for 35,000 shares 5% cumulative preferred stock (par $50). 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. Westheimer & Co., Cincinnati, Ohio, is named principal underwriter. Filed July 22, 1944. Details in "Chronicle," July 27, 1944.

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. The bonds or notes are being offered to the present holders of first mortgage certificates of Certificate Holders Corp. 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. Filed July 24, 1944. Details in "Chronicle," July 27, 1944.

DERBY GAS & ELECTRIC CORP. has filed a registration statement for an undetermined number of shares of common stock (no par).

Address—33 Pine Street, New York.

Business—Registered public utility holding company.

Underwriting—To be filed by amendment.

Offering—To be filed by amendment.

Proceeds—To be used in connection with the acquisition of the securities of the Danbury & Bethel Gas & Electric Light Co., a public utility company of the state of Connecticut, from Cities Service Power & Light Co.

Registration Statement No. 2-5433. Form S-1. (7-24-44).

MONDAY, AUG. 14

ATHEY TRUSS WHEEL CO. has filed a registration statement for 71,590 shares of common stock (par $4). The shares are issued and outstanding and do not represent new financing by the company.

Address—5631 West 65th Street, Chicago, Ill.

Business—Tractor-trailers, wheels, tools, etc.

Underwriting—Brailsford & Co., and C. O. Kalman, Paul R. Doels and Edwin White are considered to be the principal underwriters of the securities according to the prospectus.

Offering—Price to public will be supplied by amendment.

Proceeds—The proceeds go to the selling stockholders.

Registration Statement No. 2-5434. Form S-2. (7-27-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ARDEN FARMS CO. has registered 35,714 shares of $3 cumulative and participating preferred stock, without par value. Company has offered to holders of its preferred stock rights to subscribe for shares of the new preferred at the rate of one share for each 2½ shares held at $45 per share. Company proposes to sell to the public any shares not subscribed. Net proceeds will be used to improve the cash and working capital positions of the company and to the acquisition of additional plants. No underwriters named. Filed June 21, 1944. Details in "Chronicle," June 29, 1944.

BEN-HUR PRODUCTS, INC.—$300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

Registration statement withdrawn July 20, 1944.

BROOKLYN UNION GAS CO. has filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Company plans to refinance its entire outstanding debt by the issuance and sale to the public of $12,000,000 debentures and the concurrent issuance and private sale of $30,000,000 general mortgage sinking fund bonds, 3¾% series, due Aug. 1 1969. The net proceeds of the sale of the new securities will be applied together with approximately $6,000,000 from the general funds of the company to the following purposes: payment at maturity May 1, 1945, of $14,000,000 first consolidated mortgage 5% bonds; to pay at maturity $6,000,000 first lien and refunding mortgage bonds series A, 6%, due May 1, 1947; $10,000,000 to redemption on Nov. 1, 1944, of $10,000,000 first lien and refunding mortgage bonds, series B, 5%, due May 1, 1957, and $18,000,000 to redemption on Sept. 9, 1944, of 20-year 5% debentures. The last two redemptions involve the payment of $300,000 and $360,000 in premiums, plus interest, respectively. F. S. Moseley & Co., Boston, is named principal underwriter. Filed June 29, 1944. Details in "Chronicle," July 13, 1944.

The New York P. S. Commission on July 27 informed company that the Commission will not approve the refunding plan in present form. Halsey Stuart & Co., Inc., offered to purchase the debentures at par and hold the debentures in escrow for competitive sale later in the year. The Commision, it is expected, will require competitive bidding for both issues.

EMPIRE DISTRICT ELECTRIC CO. has filed a registration statement for $10,600,000 first mortgage bonds, 3½% series due 1969, and 350,000 shares of common stock (par $10). The shares of stock are issued and outstanding and are being offered for account of Cities Service Power & Light Co. The net proceeds to be received by Empire District from the sale of the bonds, together with the net proceeds from the sale of 6,500 shares of 5% cumulative preferred stock, par $100, which the company expects to sell contemporaneously with the issue and sale of the bonds are to be applied to the redemption at 101¾ of $10,044,900 first mortgage and refunding bonds, 5% series, due March 1, 1952, and to the redemption at 105 of $851,200 of Ozark Power & Light Co. first mortgage sinking fund 5% bonds due March 1, 1952, assumed by Empire. Empire District Electric Co. which is controlled by Cities Service Power & Light Co. proposes to acquire by merger the properties of Ozark Utilities Co., Lawrence County Water, Light & Cold Storage Co. and Benton County Utilities Corp. In conjunction with this merger Cities Service Power & Light Co. is surrendering all the securities of the constituent companies owned by it in exchange for an aggregate of 350,000 shares of common stock, $10 par, of the Empire District Electric Co. Both the bonds and stock will be offered for competitive bidding under the Commission's competitive bidding rule U-50. Names of the underwriters will be filed by amendment. Filed July 1, 1944, Details in "Chronicle," July 6, 1944.

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

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

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

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

HAYES MANUFACTURING CO. has registered 100,000 shares of common stock $2 par value. Net proceeds will be received by Porter Associates, Inc. The moneys paid to the corporation by Porter Associates, Inc., on account of the purchase of said shares will, in the estimated amount of $187,500, reimburse the corporation in part for the $200,000 expended by it in purchasing such shares. Porter Associates, Inc., underwriters. Details in "Chronicle," May 31. Filed May 25.

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.

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

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $200,000 series K 5% preferred stock and $300,000 series L 6% preferred stock, both $100 par value. Securities will be offered by Morrison-Knudsen Co., Inc., at par. Any part of the issue not sold by company officials will be sold through Wegener & Daly, Inc., Boise, Idaho, as underwriters. Company in an amendment filed June 10 proposes to offer $100,000 4% series F demand certificates and $100,000 4% series Y certificates at $100. Proceeds for working capital. Details in "Chronicle," May 31. Filed May 23.

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

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

Proposals for exchange and purchase of the 5% preferred stock were received by the company up to 10 a.m. CWT July 10. Only one bid, made by Stone & Webster and Blodgett, Inc. and associates, was received, which the company rejected. The price named by the bankers was 101.

In amendment filed July 29 company proposes to exchange the new 5% preferred stock for (1) 69,858 shares 7% preferred on share for share basis, plus $13.533 in cash; (2) 124,505 shares 6% preferred on share for share basis plus $5.766 in cash; (3) 25,715 shares 5½% preferred on share for share basis, plus $3.133 in cash. Unexchanged shares through underwriters at not less than $102. First Boston Corp. may be underwriter.

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

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

Revenue Freight Ton-Miles Up 8.5% In June

The volume of freight traffic handled by Class I railroads in June, 1944, exceeded the same month last year by 8.5%, the Association of American Railroads announced on July 21. Freight traffic, measured in ton-miles, amounted to approximately 63,000,000,000 ton-miles, according to preliminary estimates based on reports just received by the Association from Class I railroads.

Class I railroads in the first six months of 1944 performed approximately 5.7% more revenue ton-miles of service than in the same period of 1943, 27½% more than in the same period of 1942, and 154% more than in the first six months of 1939.

The following table summarizes ton-mile statistics for the first six months of 1944 and 1943 (000's omitted):

Period—	1944	1943	Inc.
1st 4 mos.	242,748,437	229,820,329	5.6%
1st 3 mos.	242,748,437	229,820,329	5.6%
Mo. of May	*64,000,000	62,146,617	3.0
Mo. of June	†63,000,000	57,968,242	8.5
Total	369,748,437	349,935,188	5.7%

*Revised estimate. †Preliminary estimate.

"Our Reporter On Governments"

JOHN T. CHIPPENDALE, JR.

Although the commercial banks have been given only very limited participations in both the Fourth and Fifth War Loan Drives, they nevertheless have been important in both of these drives in an indirect way. . . . It is indicated that the reporting member banks of the Federal Reserve System during the Fourth War Loan purchased, exclusive of bills, about $1,900,000,000 of outstanding Government obligations, consisting of $218,000,000 of certificates, $999,000,000 in notes and $683,000,000 in bonds. . . . A similar trend was shown during the Fifth War Loan when these banks bought aside from Treasury bills $3,065,000,000 of outstanding Government securities with certificates amounting to $1,862,000,000, notes aggregating $320,000,000 and bonds totalling $883,000,000. . . .

While total sales of Government obligations during the Fifth War Loan will probably exceed $21,000,000,000 compared with $17,300,000,000 raised in the Fourth War Loan, the question is raised whether larger loan drive totals do not mean larger purchases by the banks of outstanding Government securities. . . .

Individuals, as well as corporations and other institutions, have subscribed heavily to the securities offered in these drives, but they in turn have sold some of the outstanding issues in order to make these new purchases. . . . The principal buyers of the outstanding obligations have been the banks who have become more important in each drive, and this indirect financing of the War Loan effort by the commercial banks mean a corresponding increase in bank deposits. . . . While this indirect participation by the banks in the War Loans has thus far been held to modest proportions, the point of discussion is whether such a condition will continue to prevail in the future. . . .

A study of the purchases of outstanding Government obligations made during the last War Loan by member banks in the 12 Federal Reserve Districts shows that the banks in the New York and Chicago districts were the largest buyers of the certificates with the greater part of the notes and bonds being taken by institutions outside of these two areas. . . . The San Francisco and Atlanta banks, aside from those in the New York district, were the largest buyers of the notes, with the San Francisco institutions next to New York in the purchases of bonds. . . .

FIFTH WAR LOAN SALES

The Fifth War Loan gives every indication of exceeding a grand total of $21,000,000,000, and such a figure would make it the most successful drive so far undertaken by the Treasury. . . . While final results have not yet been announced, many estimates have been made, and one of them is as follows:

Certificates	$4,750,000,000
Notes	1,950,000,000
Tax Notes	2,400,000,000
Bonds	8,500,000,000
Savings Bonds	3,500,000,000

Whether the final figure be $21,000,000,000 or $22,000,000,000, as expected by some people in the financial district, it shows that a tremendous job has been done, and one the whole country can be proud of, since this very large amount of funds has been made available for the war effort without a corresponding increase in deposits and purchasing power, neither of which are needed at this time. . . . It likewise indicates that the Treasury will be in a comfortable cash position for some time to come, which may mean that the next "War Loan" or "Victory Loan," reported in some quarters to be scheduled to begin on Armistice Day and to end on Pearl Harbor Day, may not come until early 1945. . . .

PARTIAL EXEMPTS SENSITIVE

The partially exempt securities have just gone through another jittery period, although the latter part of last week they settled down with some strength appearing near the end of July, so that in the course of the past 10 days they have ended about unchanged. . . . Due to the substantial premium at which these obligations are selling and the decreasing supply the market is quite thin, and it does not take many bonds either way to have a pronounced effect upon the prices of these obligations. . . . The Ruml-Sonne tax plan, which was recently published and calls for the abolition of corporation income taxes, was reported to have been the principal unsettling factor in the market for partially exempt securities. . . . It is reported that several institutions that are substantially interested in these obligations are closely watching tax developments particularly, as they might effect these securities, since there appears to be considerable differences in opinion about future taxation. . . . Nevertheless, there seems to be agreement on one point, that there will be no reduction in taxes while the war is on. . . . It is indicated that there are at least two prominent schools of thought on future tax problems, namely, those that believe there should be an immediate lowering of all corporate taxes when hostilities cease, and those who contend that taxes should remain high with only a gradual reduction with the return of peace. . . . The latter group maintains that substantial sums can be collected by the Government with only minor tax reductions during the period of good business that should follow the war, and this money can be used to retire Government bonds and cut debt charges. . . . No changes are looked for in the normal rate at first, but a gradual lowering of the excess profits and surtaxes would take over a period of time. . . .

DIVERGENT TAX VIEWS, BILL OFFERINGS AND MARKET ACTION

These different ideas on future taxation are having an effect on the partially exempt obligations, but it is pointed out that until the war is won and we are on our way back to more normal conditions too much probably will not be known about the future tax structure. . . . With heavy debt charges and large Government expenditure indicated even after the war ends, a national budget of between $18,000,000,000 and $20,000,000,000 is forecast, which means taxes must remain high for a considerable period. . . . Accordingly, it has been reported that the interested groups that have been studying this problem of taxes have concluded that, pending further clarification of future tax matter, it is still advisable for institutions that need tax protection to continue to hold their partially exempt obligations. . . .

The recent announcement of invitations for tenders on $1,200,000,000 of Treasury discount bills to replace the $1,017,000,000 maturing August 3, brings to an end the 13 weeks' cycle of $1,200,000,000 offerings and with it interest as to whether the next weekly invitation for tenders will be raised to $1,500,000,000. . . . The last increase in the weekly bill offerings of $200,000,000, the largest ever made by the Treasury, took place early in May following 47 weeks in which the bill offerings amounted to about $1,000,000,000. If the Treasury is to raise new funds by means of the discount bills, as many contend, an increase in the weekly offering to approximately $1,500,000,000 is to be expected. . . .

The Government market in taxable issues was firm in the past week with continued out-of-town banking buying still being in evidence with most of the activity taking place in the 2% group with some buying taking place in the 1½% notes due Sept. 15, 1947, and the 1½% notes due Sep. 15, 1948. . . .

Fifth War Loan Oversubscribed — Yield $20,639,000,000

It was made known on Aug. 1 by Secretary of the Treasury Morgenthau that the Fifth War Loan Drive resulted in total subscriptions of $20,639,000,000. The goal was $16,000,000,000. The corporation quota of $10,000,000,000 was exceeded by $4,309,000,000 and the individual quota of $6,000,000,000 was exceeded by $330,000,000, said Washington advices Aug. 1 to the New York "Times" which added that according to preliminary figures, the E bond goal of $3,000,000,000 was exceeded slightly. In the same advices it was stated that Mr. Morgenthau hailed the final yield as an "unprecedented total" and a "remarkable achievement, possible because of the whole-hearted cooperation of all the American people" and "excellent news to send to our fighting men."

Sec. of the Treasury Morgenthau announced on July 7 that the subscription books for the four issues of marketable securities would close, and the Fifth War Loan Drive would terminate, at the close of business July 8. These issues are the 2½% Treasury Bonds of 1965-70, the 2% Treasury Bonds of 1952-54, the 1¼% Treasury Notes of Series B-1947 and the ⅞% Treasury Certificates of Indebtedness of Series C-1945. Sales of the three issues of savings bonds, Series E, F and G, and of Series C Savings Notes, would, he said at that time, continue. The Treasury announcement added:

"Subscriptions for the four issues of marketable securities which are placed in the mail up to midnight of July 8 will be treated as timely subscriptions. As previously announced, subscriptions for savings bonds and savings notes processed by the Federal Reserve Banks or the Treasury up to the close of business July 31 will be credited to the Drive."

Secretary Morgenthau announced on July 5 that the official Treasury Department circulars governing the current offering of 2½% Treasury Bonds of 1965-70 and 2% Treasury Bonds of 1952-54 have been amended to permit deferred payment for such bonds allotted to life insurance companies, to savings institutions, and to States, municipalities, political subdivisions and similar public corporatons, and agencies thereof. Payment in full on any such subscriptions must be completed on or before Sept. 30, 1944. The Treasury Department's announcement also said:

"The Secretary stated that the Treasury has received a number of requests for such an amendment. It has been pointed out that in the next few months there will be substantial accumulations in the way of premiums and deposits and payments to sinking and other funds. This provision affords an opportunity to arrange at this time for the investment of such anticipated funds."

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.

INDEX

	Page
Bank and Insurance Stocks	492
Broker-Dealer Personnel Items	499
Calendar of New Security Flotations	511
Canadian Securities	497
Municipal News and Notes	505
Mutual Funds	495
Our Reporter on Governments	512
Our Reporter's Report	495
Public Utility Securities	486
Railroad Securities	487
Real Estate Securities	488
Securities Salesman's Corner (The)	503
Tomorrow's Markets—Walter Whyte Says	485