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In France?

We learn from well-informed sources that Secretary of the Treasury, Henry Morgenthau, Jr.,

Sec. Morgenthau

Harry D. White

and Harry D. White, Assistant to Mr. Morgenthau, are presently abroad and are not expected to return to this country until late this month. Mr. Morgenthau and his Assistant were prominently identified with the work of the recent Bretton Woods Monetary and Financial Conference.

Omitted This Week

Owing to the paper situation, we were unable to accommodate in today's issue, several of our regular feature articles and a considerable amount of special editorial matter. Among the features omitted was "Our Reporter On Governments." We will resume publication of this column in next week's issue and also expect to accommodate the special articles that unfortunately could not be contained in today's edition.

Index of Regular Features on page 600

*Post-War Employment, Flexible Costs And Profits

By ELISHA M. FRIEDMAN

Consulting Economist Maintains Full Employment At All Times Cannot Be Maintained Under A Rigid Wage System—Advocates Flexible Wages Accompanied By Profit Sharing And A Tax System To Encourage Risk Taking—Holds Rigid Wages Mean Rigid Selling Prices And That Means Monopoly

Full employment under free enterprise is the post-war aim of labor, of capital and of the government. The Twentieth Century Fund lists over 100 organizations that are studying post-war problems. The average man, busy with his day-to-day work, may be confused by the numerous proposals.

E. M. Friedman

Many theories of unemployment have been advanced. But the income account of any business provides a realistic explanation. **Costs must not exceed selling prices.** Profits are basic. Production cannot continue at a loss. A single, simple prerequisite underlies every solution. If selling prices are less than costs, the risk-taker has a loss. Such loss cannot long continue. When it does, he must reduce his costs by discharging labor temporarily. Otherwise he goes bankrupt, and the workers lose their jobs permanently.

At no place in the world and

*With thanks to the New York "Times" and New York "Sun" for permission to use portions of this paper.

(Continued on page 588)

Bretton Woods In Review

I—The World Bank

By PHILIPP H. LOHMAN, Ph.D.

While at the United Nations Monetary and Financial Conference held at Bretton Woods, N. H., July 1-22, for three weeks, I breathed the atmosphere of the proposed world stabilization fund and the world bank. I practically slept with the delegates and knew—this despite criticism of secrecy surrounding the conference—what was going on day by day. But when one lives as closely to the making of events, there is of course a danger that personalities rather than issues influence one; a danger that even the most objective observer may lose some of his objectivity by being drawn into the vortex of day-by-day evolving issues.

P. H. Lohman

The Conference organized into three commissions which dealt with the proposals for the fund, the bank, and miscellaneous matters. I am sorry to say that Commission III (other means of international financial cooperation) has received so little attention. Out of 10 resolutions submitted, but three were acted upon. These resolutions dealt with (1) axis-looted funds, (2) silver, and (3) the Bank of International Settlements. As regards the first, many delegations felt that steps should be taken to prevent axis leaders from enjoying any of their ill-gotten gains after the war. It was proposed to take up this question with the interallied commission which was established for such purpose two years ago. At that time 18 nations agreed to insist upon the principle of caveat emptor for any securities acquired during the war from axis or axis-suspected sources. Later on, that declaration was amended to include the statement that axis gold

(Continued on page 590)

"Plan For V-Day Now"

Paul G. Hoffman Urges Immediate Concentration On Post-War Plans—Says These Plans Must Provide For Expansion Of Production And Consumption Of From 30 To 45% To Create Needed Jobs—Holds Selling And Advertising Must Go Into High Gear And Tax System Changed To Permit Proper Rewards For Risk Taking "Climate Favorable To Enterprise Essential"

Addressing Borough of Queens Committee for Economic Development, Aug. 2, P. G. Hoffman, Pres. of Studebaker Corp. and National Chairman of the Committee for Economic Development, stressed the importance of planning immediately to achieve "a sound prosperous post-war economy for our fighting men to come back to." This problem "of winning the peace," he stated, "may be even greater than that of winning the war."

Paul G. Hoffman

Continuing, Mr. Hoffman said:

We know from our experience in World War I that A-Day will bring unemployment to America. Immediately after our first rejoicing over the defeat of Germany, telegrams will go out of Washington cancelling thousands of contracts for the manufacture of war materials. Upon receipt of those telegrams, industry will be forced to begin laying off workers. How

(Continued on page 585)

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The Farmers' Cooperative Movement And Its Future

By C. N. SILCOX *

Of Cooperative Grange League Federation Exchange, Inc.

Farmers' Cooperative Representative Predicts Further Future Expansion Of Cooperative Activities And Describes The Growth Of These Organizations — Lists Among Their Activities (1) Cooperative Buying Of Seeds And Supplies, (2) The Operation Of Fertilizer Plants And Other Supply Factories (3) The Operation Of Flour, Cereal And Other Processing Mills, As Well As The Maintenance Of Egg Stations, Produce Auctions, Retail Stores And Warehouses

I feel that I am among friends. The statement in the bulletin sent to me as to the purpose of your society reads as follows: "The New York Society of Security Analysts, Inc. is a non-profit membership corporation." The Cooperative Grange League Federation Exchange, Inc., of which I am an employee, is also "a non-profit membership corporation."

C. N. Silcox

As an employee of a farmer cooperative, I am pleased to have the opportunity of appearing before a group of financial men to tell you something about the farm cooperative movement and the activities of a typical farm cooperative which operates here in the northeast.

Mr. Shelby Davis, who extended to me the invitation to meet with you, asked that I tell you particularly about the farm cooperative plans for the future. To understand the probable future developments of farm cooperatives you must first understand why they were organized and what they are now doing.

Why Farm Cooperatives?

The farmer is about the only rugged individualist left in this country. Recently it has looked as if the Government were going to take him over, but the farmer is fighting vigorously to maintain

*Address delivered by Mr. Silcox before the New York Society of Security Analysts in New York City on July 25, 1944.

(Continued on page 592)

Municipal Forum At NSTA Meeting Aug. 25

The Municipal Forum of the National Security Traders Association will be held in Chicago at the Palmer House, Aug. 25, at 2 p.m.

The program and discussion will be most interesting and a full attendance of municipal men is expected.

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(Special to The Financial Chronicle)

FRESNO, CALIF.—Raymond E. Hall and Gabe H. Chance have formed Chance-Hall & Co. with offices in the Helm Building to engage in a securities business. Both were formerly connected with Bankamerica Company.

Wickard Warns Against Farm Land Boom

Agriculture Secretary Says Stage Is Set For Repetition Of The Disastrous Experience Following Previous War

In a radio address over the Columbia Broadcasting System on Aug. 2, 1944, Claude R. Wickard, the Secretary of Agriculture sounded a grave warning against the rapid rate in the rise of farm land prices. "Another farm land boom," stated the Secretary, "closely paralleling the one that ended so disastrously after the last war, is building up in this country. Most rural Americans over 40 years old remember all too well the suffering, heartbreak, and misery that stalked the Nation as the tide of farm foreclosures, bankruptcies, and bank failures swept the country in the 20s and 30s after land prices had hit the downhill trail. Much of that economic chaos was traceable to the original mistake of people going into debt to buy farms at boomtime prices. In other words, they paid more than the land was worth when viewed from its long-range earning power. So when the price of commodities grown on the farm went down, while payments and interest charges remained up, trouble was inevitable. The question that many are asking now is: Will that unfortunate experience be repeated after this war?

Claude R. Wickard

"Well, all I can say is that the stage is set, and the performance to date points definitely to future trouble *unless* the purchasers and prospective purchasers of farm land take a hand in changing the picture. The rate at which farm land prices is rising, coupled with the large number of sales, are unmistakable signs that an inflationary land spree is under way in many regions. The American people have incomes that could be used to bid up land prices even higher. About one-third of the farms being sold today are purchased by city people. War workers particularly are buying a piece of land to go to when the war is over. In too many cases, city people and war workers, as well as farmers, are paying too much for land. People who go into debt to buy farms at inflated prices stand to lose in the long run, through foreclosure or economic ruin, when peacetime conditions return to the farm commodity-and-real-estate market."

"The alternative to farm land inflation," Mr. Wickard concluded, "is to pay debts or put extra money into sound investments, such as war bonds."

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Unlisted Trading And The Exchanges

By J. GENTRY DAGGY *

Writer Asserts That Unlisted Trading On Exchanges Arose As "A Proving Ground" For New And Unseasoned Securities—Views Its Decline As Due To Better Security Marketing Control And Development Of Over-The-Counter Markets—Says The SEC's Defense In 1936 Of "Unlisted Trading Has Become Outmoded By Its Power To Control Over-The-Counter Trading"—Holds The Use Of Special And Secondary Offerings Under Exchange Regulations Prove Close Interrelationship Between Over-The-Counter And Exchange Markets

The SEC report of 1936, previously referred to, comprised a study of trading in unlisted securities upon exchanges. As a result of recommendations therein contained, and later discussed, the Commission acquired broad discretionary powers to continue, grant or terminate such privileges.

J. G. Daggy

Since much of the caterwauling and internecine strife within the business is centered upon the explosive topic of unlisted trading privileges on exchanges, it is in order to examine this hydra-headed anomaly.

To understand it, we must go back a few years to the early days of the New York Curb. The Curb Market came by its name honestly. For many years, prior to the early 1920's, the market was actually on the sidewalks and curb of Broad Street. Brokers, attired in Jacobean coats-of-many-colors and other distinctive regalia, milled about the street, flashing quotations and executions in sign language to window-sill order clerks in adjacent office buildings.

Naturally, there was little possibility of regulation and control as it is practiced today. In the early days there was no such thing as a formal listing. If a series of transactions in any given security took place, then that security became a Curb security. Even the tabulation of sales and publication of quotations were highly subject to inaccuracies and omissions. It was bright and colorful and as wide open as the sky above it. And it worked. It fulfilled an economic need of the time.

The New York Curb was regarded as a proving ground for new and unseasoned securities. Among many which lived a fitful existence and died in oblivion, the stocks and bonds of many subsequently great corporations were cradled and nurtured in this strange market.

In 1921 the New York Curb moved indoors and set up machinery of operation patterned after that of the New York Stock Exchange.

This marked the establishment of two similarly constituted exchange markets operating in the same city, and, to some extent, competitively. However, the general character of Curb securities

*Taken from a report prepared by Mr. Daggy for the Investment Traders Association of Philadelphia. Other sections of the report were printed in the "Chronicle," issues of July 20 and Aug. 3, 1944. Mr. Daggy is associated with the trading department of the Philadelphia office of H. M. Byllesby and Company.

(Continued on page 596)

Says Independent Poland Essential To Continental Democracy

Senator Vandenberg Of Michigan Scores "Apparent Determination" Of Russia "To Insist Upon A Unilateral Settlement Of The Polish Problem"—Pleads That Non-Aggression Pact Of Allies Be Upheld

In an address dealing with the post-war status of Poland, Senator Arthur H. Vandenberg of Michigan, a member of the Senate Foreign Relations Committee, expressed grave concern regarding the Soviet Government's attitude toward the re-establishment of a post-war independent Poland. "I want to be as realistic as possible in my discussion of this theme tonight," Senator Vandenberg said. "I want to be as frank as the necessary restrictions and the inevitable uncertainties of war will presently permit. If we have erred at all along this line in recent months, I fear we have erred on the side of too much strategic silence in the face of danger signals on these new horizons of our destiny.

A. H. Vandenberg

"First let me say that I agree emphatically with American statesmen in high places who appropriately counsel us that we must not jeopardize the winning of the war by splitting apart the essential fighting unity of the United Nations through prematurely quarreling among ourselves over the nature and the definition of the peace to come. I agree that we must be patient and tolerant with one another, that we must ever subordinate the lesser to the greater current needs, and that we serve no useful end by dangerously disagreeing among our-

(Continued on page 598)

Is Conservative Investing Justified?

Roger W. Babson Says Investors Need More Vision

CHICAGO, ILLINOIS—My father was a real conservative. He voted the straight Republican Ticket, stuck close to home, ran his farm, served on the board of his local bank, went to church regularly and hung on to his money. Upon his death there was found in his estate a particularly choice selection of stocks and bonds. During his lifetime he successfully preserved his principal and maintained a generous income. Conservatism in investing was warranted during his time. Now, however, the picture has changed. It will progressively take far different investment qualifications to even maintain, let alone increase, capital and income.

Roger W. Babson

Investors Being Squeezed

Most current large fortunes were accumulated before the years of inheritance and income taxes, and, of course, before the decade or more of Government regulatory practices. Particularly in recent times, investors have had to contend with rising taxes, rising living costs and lower interest rates. Many investors have developed a defeatist attitude with respect to their position. There are certainly as many investment opportunities, but investors may have to throw overboard many of their former theories to take advantage of them.

Ten years ago an investor with funds conservatively divided between Governments, corporate

(Continued on page 584)

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Criticizes Plan Of International Monetary Fund

National Securities And Research Corporation Lists Six Defects And Expresses View That Changes Should Be Made Before Adoption By Congress

The National Securities and Research Corporation, in "Investment Timing" Aug. 3, lists six criticisms of the plan of the International Monetary Fund recently adopted by the United Nations at the Bretton Woods, N. H., International Monetary and Financial Conference. Their objections to the plan are summarized as follows:

L. H. Bradshaw
Editor
"Investment Timing"

"1. The fund is too large for genuine stabilization purposes and would invite misuse; it would tend to discourage prudent management in member countries; it would encourage countries to continue borrowing instead of putting their affairs in order and their currencies on a sound basis.

"2. The quota system would foster the idea that countries are entitled to credit up to the amount of their quotas without much question as to proper use of the funds or their capacity for repayment.

"3. The fund is not adapted to the transition period immediately after the war, when the chief need will be for relief and long-term credit for rehabilitation and the release of blocked sterling balances.

"4. While the United States would put up about $2¾ billion as its quota, or theoretically about a third of the initial fund, actually our gold and dollars would constitute a much larger share of the dependable purchasing power of the fund, because much of the other countries' contributions would be payable in their own currencies, not freely convertible into gold and hence unreliable for international use.

"5. As the fund's holdings of dollars are exhausted, the United States will have to put up more dollars or be exposed to the charge of responsibility for the breakdown.

"6. The plan provides no adequate undertaking for currency stability or for removal of exchange controls. In addition to an initial change of 10% that member countries may make in their currency parities, a country may apply for further changes 'if essential to the correction of a fundamental disequilibrium,' not to be denied 'because of the domestic social and political policies' of that country.

"Senator Robert A. Taft has voiced disapproval of the plan, saying: 'Nearly all the real assets of the fund will come from this country. They will be dispensed by a board the control of which is held by countries whose currencies are much weaker than ours. It will not be long before all of our assets are gone and the fund is entirely made up of weaker worthless currencies. The whole of the elaborate machinery seems designed to cover up the fact that our money is, in effect, to be loaned away by a board in which we have only a minority interest."

"Dr. Benjamin M. Anderson, the economist, said that the plan would pave the way for a world inflation, pointing out that it would permit the gold content of the dollar to be changed without the consent of Congress, and that it seeks to achieve exchange stabilization without doing anything about currency stabilization."

In concluding its review of the plans for both a stabilization fund and an international bank, the National Securities and Research Corporation states that "while the international bank has not been discussed to nearly the same extent as the fund, critics assert that the objections to it from the standpoint of magnitude and credit risks are equally great and that it is even more important that decisions should not be made by a bank the majority of whose directors are debtors."

"We are in agreement as to the desirability of stabilizing international exchange and financing post-war reconstruction," the review continues. "The delegates of the forty-four nations at their recent conference evidently made a sincere effort to solve these problems. However, the two plans they evolved, indicating our actual commitment of nearly $6 billions, are not basically sound from the United States viewpoint in light of the facts brought out in criticism, and they should be changed considerably before being passed by the Congress."

H. C. Wellborn Joins Clyde C. Pierce Corp.

(Special to The Financial Chronicle)

JACKSONVILLE, FLA. — Hilliard C. Wellborn has become associated with Clyde C. Pierce Corporation, Barnett National Bank Building. Mr. Wellborn was formerly connected with Stranahan, Harris & Co., and was an officer of Investors Service Association, and in the past was head of H. C. Wellborn & 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.

Time For Decision

Our readers will remember that the hearing on the "5% spread limitation policy" took place before the Securities and Exchange Commission on June 13 last.

After the oral argument time was allowed by the Commission for the filing of briefs, and of reply briefs, the last day for such ultimate filing falling on July 5, 1944.

Briefs were duly filed by the Security Dealers Committee, by S. C. Parker & Company, and by the National Association of Securities Dealers. The Securities Dealers Committee also filed a reply brief.

More than a month has elapsed since all the papers are in, and we think it is time a decision came down.

Of course, there are a number of elements which play a part in our belief. It is summer, a beastly hot one, and no doubt some of the Commissioners, whose duty it is to decide, may have taken vacations. On the other hand, the issues involved are of first importance to the public and to the dealers in securities. The sooner the existing state of indecision is terminated, the better for all concerned.

Under all the circumstances, what is a reasonable time for determination, is open to debate. At any rate such time is fast approaching.

Attempts to regulate over-the-counter business hit a snag in the NASD effort to enforce an "interpretation" previously sponsored by the SEC that sales of securities must bear some reasonable relation to the market price.

The term market price seems simple enough, and is easy of ascertainment with respect to securities dealt with on exchanges.

Sales, of course, are the best evidence of the market. Therefore, as to listed securities, any reputable newspaper publishing results of daily trading is evidence of market price. Here is simplicity itself, and we are informed that because such newspapers are of general circulation, available to everyone, and contain records of actual sales, they may be introduced in evidence in the courts as proof of market price.

The tests seem to be (1) publication of actual sales, and (2) availability to the general public.

The problem posed by the over-the-counter field is that no such corresponding information is generally available to the investing public.

Even those quotation sheets usually depended upon by the trade, contain no records of actual sales, are privately subscribed for subject to the approval of existing subscribers, and the number of listnigs are limited by the subscription price.

Clearly, such publications constitute no true evidence of the market. We have no ready cure-all for this unfortunate condition. However, this seems clear to us, the remedy does not lie in the present attempt by enforcement agencies to tamper with over-the-counter quotations through so-called "Quotation Committees."

In our opinion the NASD particularly would do well to adopt a hands-off policy, and desist in its present efforts to artificially regulate over-the-counter quotations. A free, open and ready market is always the result of supply and demand, and not the product of behind, the desk enforcement agencies.

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Joe Phillips of Drumheller, Ehrlichman Co., Seattle, receives our sincere thanks. Swell business, Joe! Keep it up!

Ray Bernardi of Cray, McFawn & Co., Detroit, has sent in a number of advertising contracts. Looks like Detroit affiliate will be well represented.

Ernie Blum of Brush, Slocumb, San Francisco, has confirmed ads to us from the Golden Gate.

Corb Liston of Prescott & Co., Cleveland, advises that the Cleveland Securities Traders Association will be accounted for very shortly.

We have the largest "national" committee operating this year. Results so far prove real possibilities. Why don't all members of the NSTA make a resolution to immediately get behind their National Advertising Committee and make the year of 1944 an outstanding one for your NSTA Treasury? Isn't the objective worth a few phone calls on your part?

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 So. Broad St., Philadelphia 9, Pa.

Agreement On Post-War Oil Policy Signed By U. S. And Great Britain

Anglo-American discussions, looking to a post-war oil policy, which were brought under way at Washington on July 25, resulted on Aug. 8 in the signing of a petroleum agreement by Acting Secretary of State Edward R. Stettinius, Jr., and Lord Beaverbrook, who led the British delegation. The agreement, which calls for the formation of an International Petroleum Commission, and the orderly development of world oil resources, is, it is noted in Washington advices to the New York "Journal of Commerce" Aug. 8, the direct outgrowth of technical Anglo-American discussions held in April, and the policy meetings just concluded. The advices to the "Journal of Commerce" by M. E. Hodgson also had the following to say in part:

"The agreement, recognizing the fact that world petroleum trade problems cannot be isolated in the producing areas held by the two governments, proposes that other interested countries enter into an international petroleum agreement. This multilateral agreement, to be arrived at after discussions with other producing and consuming countries, would establish a permanent International Petroleum Council composed of representatives of all signatory countries.

"Touching directly upon one of the old points of disagreement on oil between the United States and Great Britain, today's agreement provides that increased petroleum supplies will be derived from various producing areas of the world on an equitable basis, thereby reducing the drain upon Western Hemisphere reserves.

"Available reserves, sound engineering practices, relevant economic factors, the interests of the oil producing and consuming nations, and the full satisfaction of expanding demand will be taken into consideration in this phase of the development picture, the agreement provides.

"Six basic principles are set up by the agreement to be used as working guides in carrying out the orderly development of world reserves. These are:

"1. Adequate petroleum supplies shall be available to the nationals of all 'peaceable' countries at fair prices and on a non-discriminatory basis, considering, of course, military security and any provisions for peace and non-agression which may be in force.

"2. Development of oil resources and the benefits received by the producing countries shall be used to encourage the sound economic advancement of these countries.

"3. Development of petroleum reserves shall be conducted with a view to the availability of adequate supplies of petroleum to both countries as well as other 'peaceable' countries.

"4. Equal opportunity shall be respected by the U. S. and Britain in acquisition of exploration and development rights in countries not now under concession.

"5. The two governments and their nationals shall respect all valid concession rights and shall make no effort unilaterally to interfere directly or indirectly with such rights.

"6. Exploration, development, construction and operation of refineries and other facilities, and the distribution of oil shall not be hampered by restrictions imposed by either Government or its nationals.

"Although these broad principles should effectuate the aims of the two governments in regard to world petroleum development, the agreement points out that numerous problems of immediate mutual interest necessitate the formation of an International Petroleum Commission.

"This Commission will be composed of eight members, four members to be appointed immediately by each government, and will serve in an advisory capacity to the United States and the United Kingdom on oil problems. The expenses of the body will be shared equally by the two countries, according to the agreement."

A previous item in the matter, noting the arrival of Lord Beaverbrook for discussions of the subject appeared in our July 27 issue, page 411.

Industry's Post-War Responsibilities

By THOMAS B. McCABE*
President of the Scott Paper Company

Prominent Industrialist Traces the Plans and Accomplishments of the Committee for Economic Development, and Points to Need of Building Up of "Peace-Time Mass Consumption to Take the Output of Our Industrial Machine"—Holds Chief Problem Will Be the Restoration and Development of Markets Through Better Distribution and Sales Work

There were good reasons to believe that industry should take the initiative because of its war performance. Beginning in the middle of 1940 industrialists by the hundreds had answered the call of the Government to go to Washington to assist in the war production program. The cooperative effort of government, industry and labor had resulted in a production miracle with the attainment of the highest level of productivity and employment in our history. Men like Stettinius, Nelson, Wilson, Batt, Knudsen, Harriman, Johnston, and scores of others, have displayed outstanding ability as public servants and have assisted in bringing industry closer to government and government closer to industry. These men will be of inestimable value in assisting with plans to create a better environment in the post-war period.


Thomas B. McCabe

This is a war of materiel, and this country has become the arsenal of the United Nations. Without us Russia, with her giant army, or Great Britain or China would not have been able to withstand the German and Japanese war machines. This Arsenal of Democracy was created by Amer-

*Address delivered by Mr. McCabe before the 1944 annual meeting of the Committee for Economic Development, Chicago, July 13, 1944.

(Continued from page 593)

Urges "Controlled Decontrol" For Post-War Collaboration

Prof. J. B. Condliffe in Pamphlet Issued Under Auspices Of Committee On International Economic Policy Sets Up Grounds For Restoring World Stability

The Committee on International Economic Policy, of which Winthrop W. Aldrich, President of the Chase National Bank, is chairman, has issued, in cooperation with the Carnegie Endowment of International Peace, a pamphlet entitled "The International Economic Outlook," written by John B. Condliffe, Professor of Economics in the University of California. This is the second of a series of studies prepared for the Advisory Committee on Economics of the Committee on Economic Policy and, although published by the Committee, the views expressed are those of the author.

A Plan of Economic Cooperation Essential

After pointing out that post-war economic and political conditions are unpredictable at this time, and that remedies for restoration will depend largely on the duration of the war and the disruptions prevailing in both allied and enemy nations, Prof. Condliffe considers that "it is essential to look ahead now and consider what steps will be necessary to create again a workable system of international economic cooperation." He, therefore, in his paper "attempts a preliminary survey of the more important questions which will call for constructive economic statesmanship when the war ends. Statesmanship, if it is to be constructive, must strike a balance between utilizing what is tried and proven in past experience and adapting that experience so that it may be applied to the changed circumstances of the post-war world. In the confusion and complicated detail of urgent post-war situations it is well to remember that the essential principles of economic organization are relatively simple.

(Continued on page 595)

AMERICAN MADE MARKETS IN CANADIAN SECURITIES
Abitibi Pr. & Ppr. 5s, 1953
Algoma Cen. Hud. Bay Ry. 5s, 1959
Canada Steamship 5s, 1957
Can. Pac. Ry. 4s, '49, 3½, '51
Minn. Sault Ste. Marie 5½s, '78
Minnesota Ontario Paper 5s, '78
Montreal Island 5½s, 1957
Quebec Power 4s, 1962
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American Water Wks. & Elec. 5s, 1975
Community Water Service 6s, 1946
East Coast Public Service 4s, 1948
Eastern Minnesota Power 5½s, 1951
Peoples Gas Co. (N. J.) 5s, 1968
Tyler Building (N. Y.) 6s, 1953
Frederic H. Hatch & Co.
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1961 1969
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J. H. Kolb In Denver

(Special to The Financial Chronicle)

DENVER, COLO.—J. H. Kolb, Jr. is engaging in a securities business from offices in the Denver National Bank Building.

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Customers' Refunds Out Of Excess Profits Taxes

Residential rates charged by utilities have decreased from an average of 8.70 cents per kwh. in 1913 to 3.60 cents in 1943. The rate of decline was quite steady during the period 1925-1940, averaging about 4% per annum — though it increased slightly after the New Deal came into power. Since 1940, however, rates have tended to level out with a decline of only 2 or 3% a year, due to rising costs and taxes. Had taxes remained the same in relation to revenues as in 1940 — instead of increasing from 17.7% to 24.5% of gross — the customary 4% rate of decline could just about have been maintained — despite the fact that the residential load could not be stimulated during war-time by sale of household appliances.

Some time ago someone in Detroit had the bright idea that rate cuts could be continued by taking them out of Federal taxes. If the utility did not make so much money its Federal tax burden would be lighter, and consumers would reap the benefit. Back in 1942 the city attempted to make Detroit Edison refund customers $8,000,000 which was later changed to a $4,000,000 refund and a 25% rate cut. But the Public Service Commission of Michigan, surprisingly, turned down the city plea (although it was backed by the OPA in Washington). The Commission held that rates were reasonable and that excess profits taxes must be construed as an operating cost. But the Supreme Court of Michigan decided this year, in a 4-to-3 decision, that the Commission "completely ignores its discretionary authority to exclude those items of public utility operating expenses which place an undue burden on the consumer." In other words, the Court assumed that Federal wartime taxes were taken out of the consumer. In so reasoning, the Court apparently ignored the fact that the Detroit utilities had not raised rates to residential consumers, and that the reason they paid excess profits taxes was that industrial companies with substantial war business were using (at very low rates) substantial blocks of power. Thus the Federal Government was, in effect, partially recouping itself in taxes from the huge amount it was spending for war products in that city.

Meanwhile, the city wanted to make doubly sure that they would get the money from the utilities, so it imposed a 20% tax on the utilities' gross revenues. While the law was not passed until the end of November, it was made retroactive for the calendar year 1943. This tax was immediately taken to the courts. And recently the State Commission, ignoring this move by the city and carrying out its "orders" from the State Court, ordered Detroit Edison to rebate $10,450,000 to consumers and directed other utilities to prepare for possible similar orders.

Sometime ago, Detroit Edison stockholders and directors made Prentiss M. Brown, formerly head of the OPA, chairman of their board—possibly in the hope that he would find a way to circumvent the campaign against rates. This move did not bear fruit. Mr. Brown recently remarked "neither the ratepayers nor the city can get this Federal money without taking from Edison a part of the funds we desire to retain to carry us over the post-war period of adjustment. As it now stands, by reason of the Commission's decision, the city and the ratepayers both take the money, some ten million dollars each unless the city tax is declared invalid. The Commission must have assumed the tax was invalid. We do not know what the courts will do with it."

Meanwhile, the Michigan idea has been spreading rapidly among municipalities and states. The Cleveland city council ordered a $1,200,000 rate reduction and Cincinnati is reported making a similar move. Similar plans have been reported in Oregon, Georgia, New Jersey and California. President Sachse of the California Railroad Commission stated "these (excess profits) taxes are not paid by the utilities out of their profits but are paid by the patrons of the utilities as an operating expense in addition to the profits which are allowed the utilities in the fixing of the rates as a 'fair return. . . . The utilities are in a position to transfer such war taxes to the ratepayers and to add this tax burden to the private individual's own tax burden."

A more unfair statement, from the utility standpoint, would be difficult to imagine. The average revenue which Pacific Gas & Electric (biggest California utility) received in 1943 per unit of output dropped to 1.38c compared with 1.50c in the previous year. The company did not increase rates, but lowered them as it had been doing right through the wartime period. The reason why it was paying heavy Federal taxes was that it operated at near-peak capacity, with heavy wear and tear on facilities, to supply industrial power for war operations.

A more reasonable attitude was displayed by the Utility Commission of Connecticut, which in its recent report stated: "Some commissions have ruled that all taxes, no matter the caption under which paid, are legitimate operating cost. Other commissions, notably the Federal Communications Committee, have decided that only taxes of the pre-war level should be included in operating cost and that any additional taxes over and above the old rates should fall properly upon stockholders as their contribution to the war effort. Still other commissions, as that in the District of Columbia, have attempted a compromise. . . . It has seemed to this Commission that the realistic approach and the equitable solution lie in the inclusion of all taxes assessed against utility operations as operating cost. It follows from this conclusion that the rate of return of a utility corporation in a period of war should reflect inclusion of war taxes as an operating cost. In other words, what constitutes a proper rate of return varies, depending upon whether taxes have or have not been permitted as operating cost. The acid test, from the long range view, is the need of allowing invested capital a rate of return that will insure adequate service to customers. This criterion may be ignored from a short time point of view, but in the long run its acceptance is necessary for the protection not only of investors but also the consuming public."

While the Connecticut opinion would apparently also encourage temporary refunds out of Federal taxes, the use of net return as a yardstick, instead of the amount of taxes (which as the commission points out, may vary considerably with different capital structures) is a fairer method, though the net result may be much the same. What all of these commissions neglect to emphasize is that in helping the consumer at the apparent expense of Uncle Sam, the utility stockholder must also fork over 14½% of the refund or rate cut (or 60% if there is no excess profits tax). But the utility stockholder seems to be the "forgotten man."

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(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Donald M. Palmer has become affiliated with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Palmer was formerly with Morgan & Co. and its predecessor, Cavanaugh, Morgan & Co. Prior thereto he was an officer of Nelson Douglass & Co.

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.

W. V. Smeaton Dead

William V. Smeaton died at his home at the age of fifty-nine. He had been engaged in the securities business in Milwaukee for many years.

Denies FDR Accorded "Unlimited And Indefinite Controls"

Senator Samuel I. Jackson, Democrat, of Indiana, in addressing the Connecticut Democratic State Convention at Hartford, Conn., on Aug. 5, while defending the liberal legislation program of the Administration, took occasion to deny that Congress, in its recent legislation, has been giving the President, "certain controls, unlimited and indefinite as to time."

Sen. Samuel Jackson

"Less than sixty days ago," Senator Jackson stated, "the greatest military expedition of all time crossed the choppy waters of the English Channel and landed on the beaches of Normandy.

"There was launched the genius, the sacrifice and three and one-half years of the toil of our people.

"That flotilla of four thousand ships and eleven thousand aircraft carried the best trained and best equipped soldiers we have ever sent to war.

"They are neither Republicans nor Democrats. They are not interested in politics. But they want to see the Stars and Stripes above Berlin (and Tokyo, too, for that matter). Then they want to get home. And then they want to be assured that we have put an end to this succession of murderous conflicts.

"They want another thing. They want economic post war security. This administration has laid down early outlines for post war reconstruction according to the Baruch Report. Part of that plan has already been turned into law for the cancellation of war contracts, settlements, and plant clearance. This highly industrial state will soon be reassured by further legislation fostered by this administration looking toward the disposal of surplus commodities and the careful readjustment of millions of industrial workers. Human demobilization, plant demobilization, and surplus property legislation is now under active consideration and will be before the Senate next week. The G. I. Bill, already law, takes care of the rehabilitation and readjustment of the returning veteran.

"And right here let me make the observation that the Republican Party has sought to create the impression that because of the war, Congress and the administration have deliberately undertaken to fasten upon the people, by grants of extraordinary power to the Executive, certain controls, unlimited and indefinite as to time.

"Not only is this not true, but on the contrary by the very language of these Acts themselves the exercise of any perpetual or protracted unusual controls is specifically prohibited.

"Every grant of extraordinary power carries with it its own limitation as to time, as witness: lend-lease, stabilization and war power legislation.

"All such extraordinary powers expire by lapse of time unless renewed by the Act of Congress. Congress, also, has retained the right to terminate these powers at its own will by concurrent resolution of the two bodies, not requiring the approval of the President.

"This administration demonstrated by a program of economic relief and social reform, both long and broad, that it has the knowledge, vision and courage to achieve a sound reconstruction. Industry, on its own efforts, will do much to absorb the ten million men when they return and to reconvert to peace time production, transportation and assimilation of goods. But industry and organized labor, great as their achievements may honestly and wisely be expected to become, will sorely need to be complemented by the hands of a sound and experienced governmental administrator.

"So, while we await the outsome of our soldiers' long, hard march to Berlin, now in the midst of their rendezvous with destiny, let this convention resolve to guarantee to them their best hope for an early victory, a permanent peace, and a secure post war economy."

TWA Smashes Previous Volume Record For 2nd Consecutive Month

Smashing all previous cargo records for the second consecutive month, Transcontinental & Western Air, Inc., reported today that the airline increased their mail and express volume, out of LaGuardia Field, by 44% during July, carrying more than 2,500 tons of air cargo, as compared with July, 1943. Stanley E. Russ, Eastern Regional mail and express traffic manager, announced that preliminary figures reveal that TWA carried 265,000 pounds of mail and 240,944 pounds of express, during the month, exceeding the line's previous record, set in June, by 12,899 pounds.

Mr. Russ pointed out that the increased volume is primarily due to two factors. Continued operation of two daily cargo flights have been of material aid in setting the current records, he reported. The use of these facilities as well as the use of additional facilities made available on passenger ships recently returned to the airline by the Army, have afforded greater cargo capacity to air shippers, Mr. Russ added. The cargo manager pointed out that as a result of the increased facilities non-priority shippers are, more and more, utilizing the additional space made available.

In June, Mr. Russ said, TWA carried 493,045 pounds of mail and express, which, at the time, set a record.

The July total of 505,944 pounds, or more than 2,500 tons of cargo, exceeds July, 1943, by 156,810 pounds. In that period, TWA carried 153,247 pounds of express and 195,887 pounds of mail.

The preliminary figures also indicate that during the record month, an all-time daily high was set when the airline's two cargo flights carred a total of 13,131 pounds out of LaGuardia Field. The Sky Express, which leaves the airport at 2:15 a.m., for the West Coast, carried 6,517 pounds of mail and express, and the Dearborn Express, which leaves New York at 5:00 a.m., carried 6,614 pounds of cargo. Regular passenger flights that day carried 9,835 pounds of cargo, making a total tonnage for the day of 22,966 pounds or more than 11 tons of mail and express.

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.

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War And Gold—A Russian View

By Y. VINTSER*

Russian Writer Reviews The History Of Gold Reserves And Gold Production Since First World War, And Points Out That If Free Market For Gold Existed, A Large Part Of U. S. And British Reserves Would have Moved To India And Other Countries—Holds That The Role Of Gold As A Measure Of Value Will Inevitably Be Maintained As Long As Production Of Goods Is Maintained

On the eve of the last World War the gold standard functioned in most of the large countries and gold coins were in circulation; the second World War however was started in conditions when paper money was in circulation. Already before the present war began most gold was concentrated in central banks and state reserves which were generally secret, and only a small part was held by private owners. But this part of the gold was requisitioned by the governments at the very beginning of the war, and in this way nearly all gold was placed in centralized stocks.

At the begnning of the war the gold reserves concerning which information was available were distributed as follows:

Centralized Gold Reserves At The End Of August, 1939

(In millions of "new" dollars)

("Federal Reserve Bulletin," December, 1939, pp. 1042, 1134; December, 1941, p. 1222)

U. S. A.	16,640
England	2,038
Canada	215
British India	274
Egypt	55
New Zealand	23
Union of South Africa	222
Mexico	29
China	21
Brazil	35
Colombia	20
Denmark	53
France	3,000
Holland	770
Belgium	614
Czechoslovakia	60
Greece	28
Norway	107
Poland	84
Yugoslavia	57
Java	88
Germany	150
Italy	193
Japan	164
Bulgaria	24
Hungary	24
Rumania	148
Switzerland	585
Sweden	355
Spain	525
Portugal	69
Turkey	30
Argentina	431
Chile	30
Peru	19
Uruguay	68
World total, all countries (excluding U. S. S. R.	27,325

During the war big changes have taken place in the distribution of gold reserves.

The basic fact in the redistribution of gold was its further concentration in the U.S.A. The U.S.A. gold reserve during the war (at the end of September, 1942) rose to 22,754 million dollars, i.e. by 6,108 million dollars by 36.7% (in 1913 the centralized gold reserve of the U.S.A. was only 1,290 million "old" dollars or 2,184 million "new" dollars). In this connection it should be borne in mind that only 505.7 million dollars of this amount was obtained by the U.S.A. Treasury from gold mined in the U.S.A.; therefore 5,602.3 million dollars consisted of gold acquired by the U.S. Treasury either by way of import or by purchase of foreign gold already deposited in the U.S.A. before the war. ("Federal Reserve Bulletin," November, 1942, p. 1114).

From September, 1939, to August, 1941, England spent gold amounting to 1,887 million dollars, with the result that her gold reserve was reduced to 151 million dollars. ("Federal Reserve Bulletin," December, 1941, p. 1222).

Nearly all the gold spent by England in the course of the war was sold to the U.S.A. Treasury, and the dollars thus realized went to pay for England's military orders in the U.S.A. Simultaneously the U.S.A. Treasury brought considerable amounts of gold coming in from other countries of the British Empire. The actual U.S.A. gold imports for the period September, 1939, to the end of 1941 (from the beginning of 1942 the publication of figures was stopped) comprised 3,539 million dollars from Canada, 500 million dollars from South Africa, 84 million dollars from British India and 204 million dollars from Australia. ("Federal Reserve Bulletin," December, 1939, p. 1104; November, 1942, p. 1159). Most of the gold imported by the U.S.A. from Canada consisted of English gold (it entered the U.S.A. via Canada in transit) and has already been considered above. How much gold was obtained by the U.S.A. from Canada directly is not known. Gold mined in Canada during the period September, 1939 — August, 1942, amounted to 548.5 million dollars, in South Africa to 1,484.4 million dollars, in British India to 30.6 million dollars and in Australia to 156.3 million dollars.

As the gold obtained by the U.S.A. from countries of the British Empire had current mining as its source of supply, the gold reserve of several of these countries has not decreased, and in some cases has even increased. Thus, the gold reserve of British India has remained at the level of 274 million dollars, and the gold reserve of South Africa had increased to 551 million dollars by the end of September, 1942, i.e. by 329 million dollars or 150%. The gold reserve of New Zealand has remained unchanged.

There should be a considerable decrease in Canada's gold reserve, but no figures concerning it are being published. Egypt's gold reserve remains approximately at its pre-war level.

The U.S.A. Treasury did not obtain gold from countries of the British Empire only. It is impossible for us to ascertain how

*Translated from the Official Soviet magazine "World Economy and World Politics," Nos. 1-2, 1944.

(Continued on page 594)

Financially— The Railroads are Prepared for Post-War
By
Patrick B. McGinnis
Copies on WRITTEN request
PFLUGFELDER, BAMPTON & RUST
Members New York Stock Exchange
61 Broadway New York 6
Telephone—DIgby 4-4933 *Bell Teletype—NY 1-310*

Are Railroad Bonds "War Babies"?

By WHITMAN C. HAFF

It is the mistaken belief of many people that Railroad Bonds are not in the post-war class of securities, yet, if close consideration was given to this question it would be found that just the opposite is the case.

Recently the president of one of the largest railroad systems in this country stated that, in his opinion, railroad earnings will continue large for at least seven years after the war, although they may be reduced to about 60% of present earnings. This statement is undoubtedly based and figured out on many real facts, the most important of which, perhaps, is the very heavy debt reduction that has been made in the financial structures of most of the larger systems and many of the smaller roads as well. Of course this huge debt reduction will be of tremendous help after the war and if earnings are 60% of present earnings they will be far more easy to maintain.

Back in 1937, with large debt structures, railroad bonds were selling at very much higher prices than they are today. Many were still in the process of reorganization or receivership. A large number of these roads are already out of receivership and many will be, perhaps, before the war is over.

All these facts go to prove that the railroads are immensely better off but let us see how earnings are going to keep up to 60% of present earnings after the war. There are many facts to back up this statement. For one the rebuilding of Europe which undoubtedly the United States will be called upon to supply an immense amount of materials of all kinds, the demand for new automobiles of which it has been stated that orders have already been placed for over two million cars, and the building industry of which it is said that New York City alone will spend over a billion dollars, over a short period of time, for immense amount of materials. If New York City spends this huge amount for building and building materials certainly large cities like Chicago, Boston, San Francisco and many others will do the same.

Millions of other products, upon which priorities will have been released, will be shipped for both foreign and home consumption. Of course, after the war is over, Government movements of troops and material will gradually slow up, but it will take sometime to demobilize, while we are demobilizing the business world will be "mobilizing" millions of products which we have not enjoyed having since the war started.

Until other means of transportation can be found to carry large tonnage such as the railroads do, railroad transportation will continue on a large scale for many years to come. It is needless to say that nothing has been more helpful to the railroads than the war as it has practically cleared up their financial difficulties and helped them meet the future with their "decks almost clean." Therefore war conditions have immeasurably helped the railroads to meet peace conditions.

New York Stock Exch. Borrowings Down In Month Of July

The New York Stock Exchange announced on Aug. 4, 1944, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business July 31, was $786,574,524, a decrease of $77,404,979 over the June 30 total of $863,979,503.

The following is the Stock Exchange's announcement:

The total money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $276,387,651; (2) on all other collateral, $510,186,873; reported by New York Stock Exchange member firms as of the close of business July 31, 1944, aggregated $786,574,524.

The total of money borrowed, compiled on the same basis, as of the close of business June 30, 1944, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $346,306,718; (2) on all other collateral, $517,672,785. Total, $863,979,503.

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Tax Free In Pennsylvania

H. H. Robertson Company, which is tax free in Pennsylvania, offers interesting possibilities according to a memorandum issued by Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had from the firm upon request.

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Donald MacKinnon Is Forming Own Company

(Special to The Financial Chronicle)

Donald A. MacKinnon is forming Donald MacKinnon & Co., with offices at 1775 Broadway, New York City, in partnership with Richard Woike.

D. A. MacKinnon

Mr MacKinnon was formerly Vice-President of J. A. Ritchie & Co. in charge of the government bond department. The author of many articles on governmental obligations, he was Vice-President of Bondex, Inc., in the past.

The Business Man's Bookshelf

Along The Line In Ohio—The Nickel Plate Road, Cleveland, O.—paper.

Post-War Monetary Standards (A Symposium) — Monetary Standards Inquiry, Graybar Building, New York City—paper—50¢ (in U. S.); 75¢ abroad.

System of Financial Administration In India—P. J. J. Pinto—New Book Company, 188-90 Hornby Road, Bombay, India—cloth—Rs. 15.

Interesting Situation

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

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Real Estate Securities

By JOHN WEST

On June 1 in this column, we advised caution in the purchase of real estate bonds in the Garment Center Section of New York on the theory that a ultra-modern building was planned for construction in this section immediately after the war end. We expressed the opinion that this building would draw tenants away from other buildings.

. . . Last week according to the New York "Times" the landlords of 19 buildings in the Garment Center (of which 10 have bond issues) were so cognizant of the threat to present occupancy of their own buildings in this neighborhood that they combined in an unsuccessful effort to lease the ground plot on which the new building is expected to be erected in order to prevent its construction.

* * *

Our farecast of a 3 point extra interest payment on 870—7th Avenue (Park Central Hotel) 4½% bonds on Aug. 1 has become a reality. . . . When we recommended these bonds on May 13, 1943, less than a year and three months ago, a $1,000 bond could have been purchased for $450. Since that short while ago these bonds have paid a $137.50 per $1,000 bond in current and accrued interest reducing the cost of the $1,000 bond to $282.50. . . . Bonds are now $570 bid for $1,000 bond.

* * *

At the risk of bending our arm with a little self back slapping, we would like to compare current prices with the prices of a few real estate bonds first recommended in this column Dec. 31, 1942. . . Governor Clinton Hotel now 63 then 23. . . . Lexington Hotel 84 then 52. . . . St. George Hotel now 59 then 42 and hold your breath — Waldorf Astoria bonds now 39¾ then only plan 4½.

* * *

The unusually excellent experience of real estate bond selection by this column makes us reluctant to make new suggestions in view of present unsettled conditions. Opinions vary as to New York Real Estate post-war. . . . Government leases are supposed to approximate 10% of commercial building space . . . added to this is the possibility of OPA ceiling prices being extended to include commercial buildings. The writer feels that post-war activity will absorb vacated Government leases. . . If OPA regulations are not strict this vacated space should bring higher rentals. . . . Government does not pay very high rentals for space occupied. . . . Good hotel business is anticipated for at least a few years after the war.

* * *

Interesting situations worth while watching are 42 Broadway Bonds (Broadway New 4s, 1961) Trading flat. An interest payment of 4% is expected Sept. 1. . . . We also anticipate a good sinking fund in this issue either this or next month. . . . Broadway Motors Building have announced a fund of $50,000 to be utilized to purchase bonds on Aug. 14.

* * *

A low price speculation is the Broadway Barclay 2s 1956. . . . Selling at 28 they paid additional interest this past June and also operated a small sinking fund at the same time. . . . Barring any drastic change in rental conditions we look forward to a much larger extra interest payment next year and also a larger sinking fund. Fixed 2% interest offers over 7% yield at current market prices.

* * *

For a high yield the First and General Mortgage 165 Broadway 4½% bonds seems worth a gamble. Paying 4½% fixed interest, bonds may be purchased at about 40¾.

* * *

If, in a speculative mood, Gramercy Park Building might be worth some attention. Current market 22-3. Paid 2% in 1943 and 1% so far this year. Bond issue of $1,691,500 selling at 23 amounts to $339,045 add to this first mortgage of $150,000, places a value of $539,045 for the property assessed at $785,000. Bonds carry stock representing 100% of the ownership.

Mrs. Roosevelt Advocates Compulsory Military Training After War

Mrs. Franklin D. Roosevelt, speaking at a luncheon given in her honor at the Horace Mann-Lincoln School in New York City on August 3, advocated compulsory military training after the war for both girls and boys, beginning at 18 years, saying that the training should emphasize citizenship responsibility. The New York "Times" of Aug. 4 in reporting this added:

"If we're going to have compulsory miltary training after the war," Mrs. Roosevelt declared, "then it should be for boys and girls and it should provide training in citizenship responsibility. Our youngsters must all get it into their minds that they have a responsibility to their country, and they should spend that year or so in developing such a knowledge within themselves. Boys and girls have to have the feeling that they've done something for the community. Schools have fallen down terribly in giving children ideas about practical self-government."

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.

Conservative Investing Justified?

(Continued from page 579)

bonds, preferred stocks and common stocks could count on a return of 4.75%. From this a married man with no dependents would pay about .82% in taxes, leaving a net return of 3.93%. Today these same securities while showing an increase in value of 1.66% would yield 4.43% and taxes would amount to 2.28%, leaving a net yield of only 2.15%. It is obvious that investors must forget certain orthodox methods of investing but still cling to broad diversification.

Market Trends Superseded

Conservative investors have long been accustomed to making a choice of "blue chip" securities and then sitting tight. For the successful management of their portfolio they have depended upon correctly forecasting general market trends. The trend of market averages still plays a part in determining security values. The most important consideration in portfolio management should be the minute and continued study of relative values among individual securities and groups.

For example, as a group, most bonds and many preferred stocks are too high today, but there is no indication of immediate rising money rates to indicate any change in the near future. Common stocks in relation to earnings are about "average" in price and the return from fixed income securities is still attractive. Thus, it is okay to keep normally diversified between bonds, preferred and common stocks. Yet, we all know that in individual instances certain of these securities will rise substantially and others will decline regardless of market trends.

Seek Special Situations

From a tax standpoint, many investors would be better off by avoiding income securities in favor of capital appreciation bonds and stocks. A portion of every portfolio should be set aside for investment in "special situations." Perhaps the most outstanding of these have been in reorganization railroad bonds. However, every other industry, such as merchandising, financing, chemicals, paper, bus transportation, oil, electrical and so on, has shown in specific instances large capital gains.

The investor should be continually on the watch for outstanding attractive situations which will be better than average market performers. Certain preferreds with large dividend arrears are well set for gains. In every group, little-known companies as contrasted with "popular" companies may turn out the best. Companies with no outstanding debt, whose capitalization consists solely of a relatively small number of common shares, are particularly good. Investors should pay less attention to security ratings and more attention to indenture terms in the case of bonds and to issue provisions with respect to the rights of common and preferred stockholders.

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.

Tomorrow's Markets Walter Whyte Says—

Reaction through previous lows intensifies pessimism. Early end of war also adds to bearishness. Theory that industry will be hurt by termination of hostilities now widespread.

By WALTER WHYTE

Since last week's column was written the market has again turned around and in some cases broken through the lows of July 22. Accompanying this reaction has come news from the fighting front when our forces broke through the German lines in Normandy, entered Brittany and at this writing are traveling the road to Paris. This news intensified bearishness on the theory that as, we were unprepared for war in 1941, so are we apparently unprepared for peace. That section of the public which is swayed by emotions and by what they read believes that industry is in no shape to withstand an end to hostilities and has begun selling all over again. Whether this selling will bring out important liquidation remains to be seen. But if tape action is any indication of the immediate future this breaking of previous lows does not point to a revival of important selling.

* * *

Offhand it is difficult to give any sound reason for this belief. As a matter of fact the phrase "sound reason" is quite foreign to the stock market. For the market is seldom, if ever, concerned with reasons, sound or unsound. This doesn't mean that prices move on instinct. On the contrary, the waves and ripples that make up market movements are a reflection of the belief of the initiate in the future. It isn't until this belief is substantiated by actual events that the outer fringe of the speculative public comes in. It is at such times that "reasons" are widely circulated.

* * *

Last week I saw what I believed was an increase in the quality of buying. You will recall that two weeks ago, after the first market crack, I advised re-entering the market. I gave stocks and the prices at which I thought they should be bought. Last week, in reviewing the action of the market, I came to the conclusion that I was too pessimistic. So I recommended that prices be raised.

* * *

In the latter part of last week (after last week's column had gone to press) the market nose-dived and a number of the stocks suggested

(Continued on page 597)

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"Plan For V-Day Now"

(Continued from first page)

many? We can't estimate exactly. But various forecasts have been made that the successful conclusion of the war with Germany will cut our war production requirements 30 to 50%. On this basis, I believe it is a fair guess that three to five million jobs will be affected. In addition to the men thrown out of employment by cut-backs in war production, the soldiers will start coming home—not suddenly but far more quickly than most of us realize. I believe it is reasonable to assume that with the defeat of the Nazis, our armed forces will be in a position to release several million men.

V-Day will bring a repetition of our experience following A-Day. But instead of a partial cut-back in our war production and a partial demobilization of our armed forces, V-Day will bring cancellation of practically all remaining war contracts and the demobilization of all but two or three million of our service men.

Some people are suggesting that we should first concentrate on the A-Day problems and then worry about the bigger problems of V-Day. To me that sounds like a "makeshift" approach. Rather, I would urge sound comprehensive plans **now** for V-Day—for the end of the war. Our A-Day plans should be a part of the bigger job.

Here is why I say that: Suppose you are an individual company doing war work. As far as you are concerned, you don't know when you are liable to get one of those telegrams telling you to stop or cut-back your war production immediately. Your part of the production for war may be over on A-Day, V-Day, or anywhere in between. For that matter, plenty of war contracts are being cancelled right today.

That is one reason why I say plan for V-Day now. There is another important reason why we should have our plans ready. Obviously, with uncertainties as to what specific contracts will be cancelled first—plus the further uncertainties as to when the green light will be given for the resumption of specific types of civilian goods—the only safe course to follow is for **all** individual companies to have their V-Day plans ready.

If this is done we will avoid unnecessary unemployment. We shouldn't lose a day or even an hour in making the shift from war to peacetime production. Hours and days during this reconversion period will be precious. At best the temporary unemployment will be hazardous. There is a psychological front in winning the peace just as there is in winning the war. If too many men wait too long to get back to work, it will be an invitation to political panaceas which would abort our opportunity to achieve a sound post-war economy.

In the final analysis there is only one kind of planning currency that will pay off, either on A-Day or V-Day — and that is jobs. We in C. E. D. believe that our post-war employment goal must be 7 to 10 million more well-paid productive jobs than we had in 1940. And there is only one sound way to get those jobs. That is through the attainment of a new high-level in our output of goods and services — a level 30 to 45% above that for the record-breaking year of 1940.

Obviously a healthy post-war business expansion will depend on many factors — government policies, labor policies and business policies. All must be aimed in the same direction. But first and **foremost**, expansion calls for bold smart plans by America's two million business employers. That's where it all must start, and those are the plans we have been talking about. Those are the same plans we must have **ready to go into action** on A-Day **or** V-Day.

Now let's take a closer look at those plans. We said they must provide for expansion of production, distribution and consumption of 30 to 45% more goods and services in order to create the new jobs we need.

About our actual physical ability to expand production there can be no question. We're demonstrating right now that we can produce almost twice the volume of goods and services that we did in 1940 — and we thought then we were achieving some kind of a record.

Our job on the productivity side is to see that we plan new products, improve old products, reconvert and expand our peacetime facilities to meet our estimated goal of something like one-third more than our 1940 output.

However, plans to expand the output of goods and services are futile unless we have customers with unsatisfied wants, the money to gratify these wants, and a willingness to part with that money. In order to maintain high level production we must have continuing high level consumption. At present our wants and needs are pyramided to an all-time high, and are backed up by an all-time record accumulation of **potential** purchasing power. Private savings are nearing the hundred billion dollar mark.

But on this matter of savings, I want to sound this warning. Let us not be fooled by the simple fact that savings will be at a record level when this war ends. Savings are static. They become dynamic as purchasing power only when those who have them also have a reasonable promise of continuity of income — in other words, a well-paid productive job. This simply underscores the vital importance of having **jobs** ready without delay. With a satisfactory post-war employment situation, America's savings will become dynamic very quickly.

But jobs alone are not enough. They must be productive, and they must be well-paid. Any idea that, once the war is over, we should **go back** to a pre-war standard of living is at variance with our whole progressive American tradition. We cannot and must not go back to pre-war levels of production, of employment, — nor to pre-war levels of wages.

But labor must understand that the surest way to increase the annual wages of the worker is through an increase in the annual output per worker. That doesn't mean a speed-up or a working of man's muscles harder. It does mean that we must take advantage of every mechanical and technological advancement which helps manpower become more efficient.

The history of the company of which I am President illustrates perfectly the point I am making. In 1870 Studebaker employees were making 17 cents an hour — an annual wage of slightly under five hundred dollars. The annual output per worker was approximately eighteen hundred dollars. After payment of expenses, the Studebaker profit per employee was less than fifty dollars per man.

In the 38 years between 1870 and 1908, there was very little mechanization in our plant. The three thousand "hands" as they were then called — and rightly so because the work was almost all manual — made an annual wage of $624 per man. The annual output had increased during this same period only slightly — up to twenty four hundred dollars. But between 1908 and 1937 a revolution in manufacturing methods took place. Studebaker in that period invested almost forty million dollars in machinery—thus bringing machine power to the aid of muscle power. In 1937 annual earnings per man, for two thousand hours of work as against more than three thousand hours in 1908 were eighteen hundred dollars. The hourly rates per man had increased four-fold; annual earnings had more than trebled; output per man had more than doubled.

Perhaps it is worth adding that in 1908 the pride of the Studebaker line was the Studebaker-Garford limousine, selling for five thousand dollars. In 1937 the Studebaker Commander, comparable in size to the Studebaker-Garford of 1908, but infinitely superior in quality, in precision workmanship, and in luxury, sold for only twelve hundred dollars.

I think the conclusion is inescapable that labor must join with management in supporting policies which foster an expanded productivity. Never was this more clearly shown than in a recent statement by Dr. Robert D. Calkins, Dean of the School of Business at Columbia University.

Dr. Calkins said that "this war is demonstrating that labor has relatively more to gain by increasing the **national product of industry** than by increasing **labor's share** of an **average** product produced with **average** efficiency and **average** effort." He supported that statement with the following figures: "Wage earners received 54% of the gross national product in 1940. Their share was $52 billion out of a total of $97 billion. In 1943 the national output increased to the staggering sum of $186 billion, or $151 billion expressed in 1940 prices. By this expansion of output, employees increased their income from $52 billion to $85 billion, both expressed in 1940 prices. Thus, labor's share of the gross product rose from 54% to 56%. But it may be noted that of the $33 billion improvement in the income of the workers, $30 billion accrued because of the **enlargement of national output** and only $3 billion accrued as a result of the increased 2% in the **share** going to employees." In short, labor got $3 billion more from collective bargaining — $30 billion more from increased production.

And now let's consider the part that distribution has to play in achieving high level consumption. At no place in our economy is there a greater need for bold, aggressive planning. During the war period half of our production has gone to one customer. On the homefront we have had a sellers' market. Sales forces have been depleted. They must be rebuilt, and swing into action promptly at A-Day, because, as Walter Fuller of the Curtis Publishing Company has well said, "A selling way of life is America's secret weapon." Selling and advertising must go into high gear, along with increased output, if consumption is to keep pace with production.

The triumvirate—more production, more distribution, more consumption—is the one sound road to more jobs, higher wages, and a higher standard of living. I'd like to see all of us get on that road and stay on it. And I believe that, if businessmen do make those two million bold, smart plans we can get on the high road.

But I would also be the first to admit that the boldest kind of individual planning could be for naught unless there prevails in the post-war period an economic climate favorable to the expansion of enterprise, to the creation of new business, and the birth of new jobs.

We in C. E. D. are making our contribution toward the creation of a favorable post-war climate through our Research Program.

Under it, we are studying some two dozen major economic problems confronting our economy—among them taxation, the demobilization of wartime controls, post-war credit and finance, small business, etc.

As an example of how such broad factors can stifle even the boldest individual post-war plans, let me discuss taxes for a moment.

Federal Taxation, as it now stands, constitutes a very serious block to the attainment of a dynamic post-war economy. It does not permit proper rewards for risk-taking, and as such it must be changed. Up to now, our tax laws have been largely the result of the desire to raise the revenue needed, with the loss of the fewest votes. It is highly important that the new approach be from the standpoint of losing the fewest jobs rather than the fewest votes. And let us never forget that unless our tax policy is so changed as to encourage risk-taking, we will have little hope of achieving the level of national income required to carry the record-breaking post-war tax burden of at least $16 billion a year.

C. E. D.'s research study on taxation, conducted by Dr. Harold M. Groves of the University of Wisconsin, has now been completed and published by McGraw-Hill under the title of "Production, Jobs and Taxes." Dr. Groves' findings and recommendations are already receiving widespread attention among business and government circles. Very shortly the C. E. D. will issue a statement of national policy on taxes setting forth the Committee's own recommendations for tax reform to encourage business expansion and more jobs.

A second C. E. D. Research Report has been completed and published on the vital problems of liquidating war production, and the disposal of government-owned plants and inventories. This study was done for us by Dr. A. D. H. Kaplan on leave from the University of Denver.

The calibre of these first two reports gives us confidence that the C. E. D. Research Program will make a real contribution to our understanding of what is needed to establish this favorable post-war climate for business expansion and the creation of the necessary new well-paid productive jobs.

Also I think the government has already made a good start toward the solution of demobilization problems. On the executive side, the Baruch-Hancock report represents an important contribution. On the legislative side, the George Committee on Post-War Planning in the Senate and the Colmer Committee on Post-War Economic Policy and Planning in the House—for which Marion Folsom, one of the C. E. D. Trustees, is directing studies—both hold real promise.

But perhaps our greatest hope for the future rests with a group of men whom too often we are apt to regard as a problem. I am referring to those eleven million men now in the armed forces. These are the men who can supply the youth, courage, daring, resourcefulness, and initiative needed to bring our plans to eventual fulfillment.

Not all of these men want jobs. As a matter of fact no less than a million are determined to start businesses of their own—and thus to become job-givers. But whether as job-givers or job-holders, they will be a great, new dynamic force. It's our task to see that the door of opportunity is kept open for them. I have every confidence that their America will be a better America than any of us have ever known—a country worthy of all the sacrifices they are making for it today.

Bright Long Term Outlook

Detroit Harvester Company offers a situation with an attractive long term outlook according to a memorandum issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this detailed memorandum, discussing possibilities for peace-time production and varied outlet, may be had from Amott, Baker & Co. upon request.

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number forty-four of a series.* SCHENLEY DISTILLERS CORP., NEW YORK

Pedigreed

Sometime ago we wrote a piece entitled "Leaven." We told you something about distiller's yeast—but not very much. There is so much more to tell about these busy little bees in a distillery; the miraculous little fellows so tiny that a single cell is invisible to the naked eye. But what a powerful job they perform!

I wonder if the connoisseur—the man who knows good whiskey when he tastes it—knows too that yeast plays so important a part in determining the flavor and bouquet of whiskey? Yeast possesses the strange ability to absorb sugar by its own life process and convert it into alcohol. And, yes, indeed there is pedigreed yeast. Many of the specially developed cultures have been in distillers' families for generations, and during the fourteen-year period of prohibition they hibernated in cold storage. And that's where they are now, until they are called out to go to work.

Always fascinating, yeast, to this writer. "A man in white" let me see a single cell of a new culture of this plant life, under a high-powered microscope—yeast in its purest form. Then, I saw the chemist take a platinum loop and place the culture in a small flask containing malt wort. And the activity began.

Generations come fast in the life of the yeast cell. Soon a larger flask was provided, and then a small tub. This remarkable growth went on until the yeast filled a great tub holding many hundreds of gallons. Amazing, isn't it?

When this yeast is placed in the fermenters containing malted mash it starts to work immediately, and again men in white stand by to check acidity, aroma, and sugar content—constantly. In just about three days the sugar in the mash is converted into alcohol, and perhaps you remember that in addition, the process also produces carbon dioxide gas. The alcohol remains, but the gas is carried off and made into dry ice.

And all this has been going on for many centuries—from earliest recorded time. It is a natural process. Man has little to do with it. He only waits, and watches, and *controls*. How carefully and how scientifically he controls every step in the fermentation process, and later in the distillation process, determines the quality of the product that finally finds its way into a bottle bearing a label—a name. The distiller is proud of that name.

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FREE—*Send a postcard or letter to Schenley Distillers Corp., 350 Fifth Ave., N. Y. 1, N. Y. and you will receive a booklet containing reprints of earlier articles on various subjects in this series.*

Form Johnston & Lunger

Reed Johnston, member of the New York Stock Exchange, and Harry W. Lunger have formed Johnston & Lunger, with offices at the du Pont Building, Wilmington, Del., and at 1 Wall Street, New York City. Mr. Johnston has been active as an individual floor broker for some years. He will make his headquarters at the firm's New York office; Mr. Lunger will be in Wilmington.

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.

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Earnings of the Oil Companies
Our Investment Research Department has just prepared a brief analysis of the petroleum industry which discusses the present international situation and gives current statistics on leading companies.
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Chicago Brevities

A ruling by the National Association of Securities Dealers, Inc., on the old when-issued securities contracts of the Chicago, Milwaukee, St. Paul & Pacific Railroad is expected to be delivered soon, Chicago dealers believe, and the local investment firms declare that settlement of the old contracts will stimulate trading in when-issued securities generally. Dealers and brokers here point out that when-issued trading has increased greatly in recent months, especially in the Midwest, although there has been activity in the when-issued rails for about four years.

The NASD decision may cancel all or part of the old when-issued transactions in Chicago, Milwaukee & St. Paul securities, or may possibly leave all of the dealings intact. In any case, the ruling will relieve the uneasy status that now holds back extensive trading in the new bonds and stocks.

When-issued securities of five roads are now traded in Chicago—Chicago, Milwaukee & St. Paul; Rock Island; Soo Line; Western Pacific; Denver & Rio Grande. A few firms also handle contracts of the Chicago, Indianapolis & Louisville road.

Meanwhile, the new reorganization plan of the Chicago, Milwaukee & St. Paul line has run into some objections, but dealers feel that consummation of the plan should not be too far off.

* * *

Commonwealth Edison Refunding

Local corporations, taking advantage of low interest rates and tax inducements, are engaging in extensive refunding programs. The largest to be announced is the $178,000,000 Commonwealth Edison refinancing operation, to refund $98,000,000 outstanding Edison 3½s of 1968 and $80,000,000 Public Service Company of Northern Illinois 3½s of the same year.

Commonwealth Edison announced that the new flotation would not be privately placed, but would be publicly offered through a nationwide underwriting group.

Since the company is not legally a holding company, under the Public Utility Holding Company Act of 1935, there is no required competitive bidding for the securities to be sold.

Although at least one underwriting group has been formed, to bid on the refunding bonds if a competitive sale is decided on, investment banking opinion generally holds that there is not enough capital in the underwriting business to form two groups to bid on the giant issue. The only chance of competitive bidding, it was said, would be in the event that the utility decided to split the refunding into several blocks to be marketed at intervals. The suggestion was advanced, however, that a large group of insurance companies might form a syndicate to bid for the securities.

Except for the fact that Commonwealth Edison's 50-year franchise expires in 1947, the company would be ranked among the nation's top credits, financial circles stated.

* * *

Armour & Co. Issue Pending

For some time confronted with the necessity of refinancing, long anticipated in financial quarters, Armour & Co. (Illinois) last week announced tentative plans for a $76,000,000 refunding operation for the dual purpose of reducing interest charges and extending maturities.

Details of the plan have not been worked out but it is estimated that a reduction in interest costs to about 3¼% and an extension of maturities by approximately ten years may be effected through the refunding of the company's outstanding first mortgage 4%, series B of 1955 and series C of 1957, and its series D of 1964, 3¼% sinking fund bonds. Funded debt of the company also includes approximately $33,000,000 cumulative income 7% subordinated debentures, due April 1, 1978.

The company, which is faced with dividend arrears of approximately $15,000,000 on its $6 prior preferred stock, has for some time been seeking a solution to its financial problems. Quarterly dividends on the prior preferred were resumed in January of this year, but arrears of $28.50 per share still remain to be paid. In addition, the company has back dividends on its 33,715 shares outstanding 7% cumulative preferred to meet. As of July 1, these amounted to $45.50 per share, or a total of approximately $1,500,000. The latter class of preferred is redeemable at $115 per share and accrued dividends on 30 days' notice.

Banking interests with whom the tentative refinancing plans have been discussed, said George Eastwood, President, were disposed to view present money market conditions favorable to the consummation of the

(Continued on page 587)

Chicago Recommendations

Adams & Co., 231 South La Salle St., have an attractive four-page brochure on the common stock of **Bayway Terminal Corp.**, which is available to dealers on request.

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

Caswell & Co., 120 South La Salle St., have issued an interesting circular discussing the current situation in **Central Steel & Wire Co.** common stock. Copies of this circular may be had from Caswell & Co. upon request.

Thomson & McKinnon, 231 South La Salle St., have prepared a brief analysis of the **Petroleum** industry which discusses the present international situation and gives current statistics on leading companies. Copies are available upon request from Thomson & McKinnon.

Fred W. Schulz Joins Blair & Co. Staff

(Special to The Financial Chronicle)

CHICAGO, ILL. — Fred W. Schulz has joined the staff of Blair & Co., Inc., 135 South La Salle Street. Mr. Schulz was previously with Philip D. Stokes and Stokes, Woolf & Co., Inc. Prior thereto he was in the trading department of Knight, Dickinson & Kelling, Inc. and Bartlett Knight & Co. In the past he had been associated with the Continental Illinois Bank & Trust Co. for many years.

Gauge Of Railroad Credit

From the practical standpoint of the safety of the investor in railroad securities, there seems to be little justification for not treating joint facility rents and debits for equipment hire in the same group as fixed charges, according to "A Suggested Gauge of Railroad Credit," a study just announced by Baker, Weeks & Harden, 52 Wall Street, New York City, members of the New York Stock Exchange.

The study says that since debits for equipment hire may be reduced to some extent by purchases of new equipment, "Availability of this option more or less justifies the propriety of including debit Hire of Equipment as a fixed charge, since in substantial degree such debits are merely a substitute for the fixed charges which would exist were the railroad to own rather than lease its equipment."

The study includes tables of gross revenues, joint facility rentals, equipment rental debits, and fixed charges for 41 leading railway systems, and gives the coverage of funded debt including facility and equipment rentals.

Copies of the study may be had from Baker, Weeks & Harden upon request.

T. Weller Kimball Dead

T. Weller Kimball, a partner in Glore, Forgan & Co., and a former vice-president of the Investment Bankers Association, died of a heart attack on Aug. 6. Mr. Kimball had been associated with Glore, Forgan & Co. and its predecessors for 24 years. He had previously been with A. B. Leach and Co. and Swift & Co. He was a member of the Chicago Stock Exchange, and a former president of the Bond Men's Club of Chicago.

Green Treasurer Of Investors Syndicate

MINNEAPOLIS, MINN.—Donald W. Green, Vice-President in charge of the Investment Department of Investors Syndicate and its subsidiary and affiliated companies, Investors Mutual, Inc., Investors Syndicate of America, Inc., and Investors Syndicate of Canada, Limited, has been elected Treasurer of Investors Syndicate, Earl E. Crabb, Chairman of the Board and President of Investors Syndicate, announced.

Mr. Green will continue to head the Investment Department of the Syndicate group of companies in addition to his duties as Treasurer.

Before joining Investors Syndicate in 1938, Mr. Green had been a partner in the brokerage firm of Piper, Jaffray and Hopwood of Minneapolis from 1933 to 1938, prior to which time he was Secretary and Treasurer of Folds, Buck and Company of Chicago.

Capt. Lauro Visits NYSE

Captain Francis G. Lauro, a member of the Exchange and a partner of Matheson & Lauro, on furlough in this country after 26 missions as a Flying Fortress pilot over Germany and France, Mrs. Lauro, and his father, Francis X. Lauro, partner of Whitehouse & Company, were luncheon guests of John A. Coleman, Chairman of the Board, and Emil Schram, President. Captain Lauro's bombardment group holds a Presidential citation and he has also won the Distinguished Flying Cross with two Oak Leaf Clusters and the Air Medal with four Oak Leaf Clusters.

New Chi. Exch. Members

CHICAGO, ILL. — Homer P. Hargrave, partner of Merrill Lynch, Pierce, Fenner & Beane, and John J. Quail of Davenport, Iowa, President of Quail & Co., were elected to membership in the Chicago Stock Exchange by the Executive Committee, it has been announced. Quail & Co. is the 13th registered member corporation of the Exchange.

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.

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OUR REPORTER'S REPORT

If your confirmations are a little late these days it might be well to bear with the firm, or underwriting house, which is at fault. For the Street's investment banking firms, along with brokerage houses find themselves, currently, with a real labor problem on their hands.

This came out in the course of ordinary conversation with officials of several underwriting firms. These men admitted that the situation has them pretty much at their wits end.

The rank and file are doing things very much "on the double" in an all out effort to keep their heads above water. The problem is not one of manpower shortage alone, that has been a condition since the draft started to cut into the ranks some months ago. It now goes much deeper and presents even greater difficulties, say those who find themselves in the squeeze.

Superimposed upon the actual shortage of help, firms, by and large, are faced with the problem of an unusually high "quit" rate among employees, and there is nothing they can do about it because of the fixed wage scale set for work in the lines involved.

As one spokesman explained it, wages are "frozen" at a low-scale level. This makes it well-nigh impossible to grant pay increases in keeping with expanded work which many employes are handling.

There is only one way in which a man can obtain greater compensation for his services. That is by quitting and securing another job. And, he said, such procedure is widespread adding, we don't blame the worker, but there isn't much we can do about it.

Cincinnati Union Terminals

Taking a quick glance at the price paid for the bonds, it was recognized in bond market circles that the job of marketing the $24,000,000 of Cincinnati Union Terminal 30-year 2¾% first mortgage bonds sold on Tuesday, would require a bit of selling effort.

A total of five bids were entered for the issue with the winning tender fixed at 101.08. The successful group set a price of 101.85, less ⅜s for reoffering, indicating a yield basis of about 2.66% to the investor, or close to the 2.60% average level of top grade industrials and utilities.

But it was indicated that the bonds were moving out persistently, if not with all speed, with savings banks and trust funds showing a lively interest in the issue.

Commonwealth Edison

Banking interests were inclined to anticipate something in the way of further information shortly with regard to plans of the Commonwealth Edison Co., for its record-breaking refinancing.

No further official word has been forthcoming since the company announced it was considering refunding of $98,000,000 of its own 3½s plus $80,000,000 of 3½s of Public Service Co. of Northern Illinois.

Opinion in banking circles, hereabouts, however, continues to be that if the company goes through with the entire program in a single operation, it is unlikely that there will be more than one banking syndicate in the business. Should some remote development send the financing to competitive bidding, these bankers hope that the company will split the operation. Then perhaps two banking groups could be organized.

New York Central Trusts

Judging from the hairline bidding which has developed in connection with recent issues of the type there will be plenty of pencil work in buying departments between now and Aug. 22 when the New York Central opens bids for its issue of equipment trust certificates.

The company has just issued a call for bids for a total of $15,500,000 of certificates to mature over a period of one to ten years, with the bidder to name the interest rate.

Proceeds of the issue will provide approximately 75% of the cost of the equipment which will secure the loan.

James Curtiss With Bacon, Whipple Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—James Curtiss has become associated with Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Curtiss was formerly with D. B. Peck & Co. and prior thereto was an officer of Dangler-Lapham & Co., Inc. for many years.

Coin Collection At Central Savings Bank

Central Savings Bank of New York is exhibiting in the lobby of its Uptown Office at 73rd Street and Broadway, unusual portions of the celebrated Chase Coin Collection of 50,000 coins. The exhibit will be open for public inspection during banking hours until after Labor Day. Central's exhibit includes famous coins of ancient and modern times—commodity money, money of war and peace—ranging from the bamboo currency used in ancient China to the paper cent which circulated in Boise, Idaho, in the early part of 1943. Among the unique specimens on display at the Central exhibit are Invasion Currency printed by both the United States and the Allied Military Government for use in Italy, Sicily and France; money circulated by the Japanese Government in the Philippines; money printed by Germany for distribution in occupied territories.

Illustrating how money follows the path of war, Central's exhibit contains currency issued during the American and French Revolutions and the Civil War as well as paper notes of each of the 37 United Nations. A specimen of the much-publicized "short snorter" is also included in the current exhibit at Central Savings Bank.

Chicago Brevities

(Continued from page 586)

refunding operations. No decision had been reached, company officials stated, whether the refunding bonds would be open to competitive bidding or handled through negotiated sale.

* * *

Other Local Financing Plans

Although details were not disclosed, Wilson & Co. and Marshall Field & Co. were understood to be considering refinancing operations to take advantage of present low money ratio. As regards Wilson & Co., dividend arrears of approximately $1,000,000 on its 323,230 shares of $6 cumulative no par preferred were cleared up last March 10 and recently $399,000 of the company's first mortgage 3s of 1958 were called for redemption. Considering the improved financial condition of the company, investment banking circles pointed out the company was in a position to obtain a better rate on a new preferred issue.

The preferred stock of the company, of which 323,230 shares were outstanding at the close of the fiscal year, Oct. 30, 1943, is redeemable on 60 days' notice at $100 per share. Besides the approximately $18,500,000 first mortgage 3s of 1958 outstanding, giving effect to the partial redemption, the company has other obligations totalling $75,350 due after one year.

Marshall Field & Co., which is also studying refinancing operations, has two bond issues outstanding, one of 3% serial bonds, due 1943-55 and aggregating $10,500,000, and another of 3 to 6% first mortgage sinking fund bonds due 1959, totalling $11,200,000. Both were privately placed with the Metropolitan Life Insurance Company.

Its two series of 6% preferred stock, aggregating 150,000 shares are redeemable on 30 days' notice, one at $110 a share and the other at $105. Both are reportedly closely and largely held by members of the Field family.

National Tea Tempest

Dissatisfaction with the company's earnings record led a group headed by John F. Cuneo, President of Cuneo Press, to demand representation on the board of directors of the National Tea Co., according to La Salle Street circles. Net sales of the company, which have climbed to successive peaks in the last three years have not been reflected in net income, which has declined steadily during the period.

The Cuneo group which had acquired approximately 200,000 shares of National Tea common and a small amount of preferred stock, giving it about 38% of the voting power, is considering the formation of a stockholders' protective committee to enforce its demands. Mr. Cuneo's proposal that the group be permitted to name three directors of the company's board, with three to be named by the present management and a seventh to be chosen by the two groups, was refused by the management.

* * *

Chicago Traction Plan

A complete and detailed financial plan for municipal ownership of Chicago's elevated and surface lines will be submitted to Federal Judge Michael L. Igoe on Aug. 16, the date set for hearings on petitions for institution of bankruptcy proceedings against Chicago Surface Lines, the City Council's transportation committee announced.

The plan, which early this week was submitted to the City Council, was drafted by Philip Harrington, Commissioner of Subways and Superhighways, who expressed optimism that the plan would be accepted by both council and court.

No solution of the traction problem under private capital ownership was possible, Mr. Harrington told the council's transportation committee, and any city offer accepted by the companies would be subject to a referendum and the sale of securities. The city made a preliminary offer of $83,000,000 for both lines several months ago. In drafting the plan, Mr. Harrington stated, efforts were made to ensure the prime requisite of the traction problem's solution—agreement between the city and the attorneys of the local transportation companies as to price.

A sale by the court order under foreclosure proceedings would take the matter out of the hands of the Illinois Commerce Commission and the Securities and Exchange Commission, Joseph F. Grossman, Assistant Corporation Counsel, stated.

With Negley, Jens & Rowe

(Special to The Financial Chronicle)

PEORIA, ILL. — Kenneth B. Stucker has been added to the staff of Negley, Jens & Rowe, Jefferson Building.

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Wisconsin Brevities

Nekoosa-Edwards Paper Company, Port Edwards, Wisconsin, earned $4.46 a share on the Common stock in the first six months of 1944, in contrast to $4.01 a share in the corresponding period of 1943. The book value of the Common stock as of June 30 exceeded $152 a share. Net current assets as of the same date exceeded $50 a share.

Kearney & Trecker Corporation, Milwaukee, declared a dividend of 25¢ a share, payable Aug. 15 to stock of record Aug. 1, bringing to $2.00 the total distribution made during the current fiscal year ending Sept. 30. This most recent dividend rate represents a reduction from 50¢ paid in Feb. and May, and 75¢ paid in the first quarter of the current fiscal year.

Common and Class A Preferential Participating stockholders of **Hamilton Manufacturing Company** have been notified of a special meeting on Aug. 17 at which it is proposed to authorize the sale of 38,996 additional shares of Class A stock (hereafter to be known as "Preferential Participating Stock") to investment bankers. The proceeds will be used to redeem $300,000 principal amount of First Mortgage Bonds thereby anticipating six years' fixed sinking fund requirements; to redeem the balance of $100 First Preferred stock outstanding; and to provide additional working capital. Stockholders will vote on the question of raising the liquidation value of the Preferential Participating Stock from $10 to $15 a share; to give voting rights to the Preferential stock in the event of dividend defaults; and to place a call price of $17.50 on the Preferential Stock which will become the senior stock issue of the company.

It is expected that a registration statement covering the proposed issue will be filed with the Securities and Exchange Commission sometime during the week of Aug. 7.

The Hamilton Manufacturing Company is a leading manufacturer of medical, dental, laboratory, printers' and drafting room equipment. It also has developed a domestic clothes dryer (both gas and electric models) which will go into manufacture as soon as the necessary materials are released.

Northern Paper Mills (Green Bay, Wisconsin) Common stock was delisted from the Chicago Stock Exchange as of Aug. 7, 1944.

The Stock Market

The two forces straining and struggling for the upper hand of the market lately have seemed of almost equal strength. The reason may be that each side is talking more strenuously than it is pulling, that both sides may prefer to stall until the war and the political situation clarify after Labor Day.

As for talk, the bears are more convinced than ever that the war will be over two hours after this reaches you. They are just as convinced that war's end will shake out the war boom—and not bring tax relief! The only blue sky some of the more extreme pessimists can see begins with War III.

But to the bulls, the Dow-Jones industrials at 150 look 50-60 points too low. They are banking heavily on the tremendous national income, the huge sums in individual and corporate savings, government bonds, and cash, the unprecedented demand for houses, autos, refrigerators, radios, etc., and the quadrennial hope for a change of Commander-in-Chief.

The Democratic Convention last month gave the bulls even more to cheer about, politically speaking, than the Republican Convention. The key inside Democrats left Chicago with their optimism turned to doubt. A few ultra-potent chieftains, whose names, but not opinions, are off-the-record, have gone very pittery. They now foresee a desperate fight, and wonder if Roosevelt's organization is good enough today to win a real fight. The trouble was the brawling and double-crossing for the vice-presidential nomination. The final choice did not seem to be a good one!

(1) Truman was unsatisfactory to the CIO, to liberals and to Negroes. Loss of any significant portion of these blocs could be decisive.

(2) Truman is not a good campaigner.

(3) Roosevelt's remote control over the Convention did not work. If he insists on running the campaign the same way, Dewey's chances will boom.

(4) Truman's record makes him vulneralble.

(5) Dewey will shoot at the "sinister alliance" between the Big City machines and Big Labor.

The GOP now has a real opportunity. If they can exploit it, they can win. The state of the war can help them too. As Dewey's chances grow brighter—even if it takes peace to elect him—the bulls may well win out in the market's tug of war. — *Arthur Wiesenberger & Co.*

An Attractive Exchange

Exchange of Philadelphia Electric Co. common into United Corporation $3 preferred offers attractive possibilities according to a discussion of the situation issued by Newburger & Hano, Stock Exchange Building, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this discussion may be had from Newburger & Hano upon request.

Suggestions For Purchase

The July-September issue of Estabrook & Co.'s "Investors' Almanac" contains interesting discussions of the current situation in the stock and bond markets and lists several suggestions for purchase. Copies of this "Almanac" may be had upon request from Estabrook & Co., 15 State Street, Boston, Mass., members of the New York and Boston Stock Exchanges.

Post-War Employment, Flexible Costs And Profits

(Continued from first page)

at no time in history has business long been done at a loss. But at many times and many places there have been good business and full employment when prices were low as well as high, or when interest rates were high as well as low. So it seems that the level of interest rates and of commodity prices is not the chief factor in full employment.

What is the chief factor? Profits. Profits are uncertain. They are not inevitable. 95% of all new businesses fail. Of corporation tax reports, over 35% showed no profit in 1929 and over 55% in 1939. Genius is as rare in business as in music or in science, and leadership is never common.

Profits depend on wages. Wages have the first claim on the dollar of sales. Even a bankrupt employer must pay wages in full. Who has the last claim? The owner or stockholder — the man that took the risk. Of the national income, wages are about 70% and dividends are about 6%. But the 6% of dividends hires the 70% of wages. The risk taker is the employer.

High and constant employment pre-supposes flexible costs. Rigid costs mean periodic employment. If all the elements in the cost of production declined in proportion to selling prices so as to avoid a loss to the business, employment could continue. Rigid wage rates are an important cause for widespread unemployment.

When profits turn to losses, unemployment results. The unemployed are also the underfed, the underhoused and the underclothed. Profits create employment and wages. But when our government employs, it takes no risks. It merely collects taxes from those that do take risks. But when the Soviet government employs it does take a risk. There are no private business men to whom to pass the buck. Therefore, it fixes wages to leave a profit.

What else is needed for full employment? **The customer must have buying power.** Low buying power means low business volume and low employment. When farm prices are low, the farmer does not buy automobiles and machinery. Then the industrial worker is idle. When white-collar wages are low and union wages are high, the white-collar class cannot buy automobiles, refrigerators and washing machines. When builders' wages are high and tenants' wages are low, there is little building. Therefore, we need public subsidies for housing. There must be balance between the farmer and the industrial worker, balance between white-collar wages and union wages, and balance between building wages and tenants' wages. Each group in the community really hires the other.

Our foreign customers must also have buying power. This requires, between nations, freer movement of goods, freer movement of men and freer movement of money. The nineteenth century was a period of world lending and therefore of economic expansion. The 1930s, however, were a period of international defaults and therefore of economic contraction. The post-war world could repeat, and even dwarf, the great prosperity of the nineteenth century, if foreign investments, like domestic investments, enjoy protection of the law.

Concerning full employment, let us examine a few of the fallacies and cure-alls proposed. **Unemployment is only a symptom of upset balance.** Most of the cure-alls treat the symptom instead of the cause.

(a) **"If we can have full employment for a destructive war, why not for a constructive peace?"** The answer is clear. We can under the same conditions, viz: profit for the producer. In war the government's demand is unlimited. It must have guns, urgently and regardless of price. But in peace, the consumer's demand depends upon selling prices. Buying can be postponed. In war, the government's prices are fixed to allow some profit even after heavy taxation. But in peace, neither prices nor profits are fixed. However, hourly wage rates are fixed. When demand declines and prices fall, profits turn into losses. But if wages were flexible, to yield a profit to the risk taker, we could have high constant employment in peace as in war.

(b) **"Why the paradox of poverty amid plenty?** Why starvation amid surplus food? Why idle men amid idle plants?" The bookkeeper has the answer. When selling prices decline and wages are rigid, the risk taker has a loss. Therefore he fires workers. Then what follows? Declining employment, declining purchasing power, declining consumption and therefore surplus and oversupply. If wages were flexible, however, losses could be avoided. Then business could continue—to produce, to employ workers, to pay reasonable wages and to create purchasing power.

(c) **Another fallacy is that high wage rates for some maintain purchasing power in a depression.** But high fixed wages for organized labor means high selling prices for everybody. The white-collar workers—policemen, teachers and ministers—therefore cannot buy. And organized labor becomes unemployed. They have a high wage rate but no wages. Higher prices for the product and restriction of production are illegal for manufacturing monopolies, tolerated for labor monopolies and legislated for farmers.

(d) **Another fallacy is that pump-priming will bring recovery.** Instead of restoring equilibrium between the groups in the community, pump-priming counterfeits employment. There is no test of a profit and loss statement for the government. Pump-priming often produces not economic goods, but projects that require maintenance and interest and taxes. Business can support pump-priming, but pump-priming never can support business.

(e) **Another fallacy is that if industry won't give employment, the government will.** But if there is a profit, private industry will produce. If there is no profit, even the government cannot produce, indefinitely. For the taxpayer cannot perpetually subsidize losses of public business.

What Must Be Our New Policy

The war is approaching a climax. The end seems in sight. Post-war problems will be numerous and complex. **Unemployment is the chief problem.** A stable free society depends on its solution.

To solve the post-war problem of employment we must face frankly some simple truths. **Wages must be flexible.** Income of various groups must be in balance. Economic theories and political programs must be tested against the profit and loss statement. Bookkeeping must be applied. Profits create employment. Losses cause unemployment.

The following recommendations may be obvious. But as Justice Oliver Wendell Holmes wisely said, "We need emphasis on the obvious rather than elucidation of the obscure."

1. **Recognize that profit creates employment.** Even the Soviet Government insists that business produce a profit. Therefore, the Soviet Government can take responsibility for full employment because, as an employer, the state has the power over wage rates. The American employer has no such power. We say we believe in the profit motive, and then we tolerate and encourage policies which prevent profits. We thus create unemployment. Labor leaders should educate the workers on how flexible wages could maintain employment.

Corporations should show the workers how much of the sales dollar went to wages and how much to dividends. Certain costs are beyond control of the employers, such as prices paid for raw materials, supplies, fuel, maintenance, depreciation, insurance and interest. The only items in the income account that can be controlled are wages to workers and the balance available for dividends to investors and for expansion of plant. Obviously, wages may not take all the balance. It should leave the employer enough so that he can continue to be an employer.

2. **Make costs flexible.** The interests of employer and workers are mutual. Both sides must give and take. Wages should move with the cost of living, both down and up. But the worker should not get maximum wage rates when the owner has deficits.

Though unions demand rigid high wage rates when prices decline, they refuse the responsibility for the results. Then the Government assumes the responsibility for union policy. It hands a dole to the idle. What economic nonsense! A dole is also income. But no goods are produced. A dole means a wage cut of 70% or more. But the employer generally requests a cut of only 10%, perhaps, to enable him to produce goods, to keep his men working and to remain solvent.

There is much less purchasing power in a dole than in a slightly reduced wage. When ten million are unemployed, the effect is a catastrophe. Deflation proceeds in a vicious cycle. Mass unemployment will bankrupt any insurance fund. Beveridge and other experts admit this. To save the unemployment reserve fund from bankruptcy, the Government should insist on such wage cuts as will maintain full employment in a recession.

A free economic system cannot be rigid. It must have some flexible elements. If wage rates are kept rigid, employment must become flexible. But rigid full employment requires flexible wage rates. There is a wage rate, much higher than the dole, at which most workers can be employed most of the time. Flexible costs prevent deficits or leave some profit to the risk-taker. In Great Britain wages are flexible in several industries, like coal, iron, steel, metal trades, textile, shoes, pottery and railroads. There wages move up and down with the cost of living, with the per cent of capacity operations, and with the earnings of the employer.

Profits should be shared with the workers. This is the employer's offset in prosperity to the employes' wage cut in depression. Profits are a small per cent of national income. A share of profits, after normal dividends, paid to workers will educate them in business bookkeeping. America pioneered in profit-sharing. A French-Swiss immigrant, Albert Gallatin, later Secretary of the Treasury, began profit-sharing in 1794 at his glass factory at New Geneva, Pa. In 1886 Procter & Gamble, soap makers, introduced profit-sharing and have maintained it to this day. Of course, management continued responsible for policy. Col. William Procter was then denounced as a radical. But he came to be regarded as a far-sighted business man with social vision.

Can we have flexible wage

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rates plus profit-sharing with the voluntary agreement of the unions? Or shall we by rigid wage rates prevent private enterprise from working and be forced to the Soviet system of state ownership of business, or to the Nazi system of state dictation of wages? **Rigid wages foster rigid selling prices.** Labor monopoly requires business monopoly. Rigidity ends in economic bankruptcy. Fascism is political receivership. Rigid economy ends in rigid politics.

Nazi Germany achieved full employment by destroying the unions and all voluntary labor agreements. Costs were thus lowered. Can we achieve full employment by American methods of freedom and voluntary agreement? **We need faith in our system of private enterprise and statesmanlike cooperation.**

3. **Reduce fluctuations in business.** Keep business in balance and you maintain employment. Efficient corporations regulate and balance their purchases of raw materials according to their inventories and to their customers' orders. Information for each industry should be collected on orders received, size of inventories and shipments to customers. This is a job for the industry or the Government. It should not be regarded as a violation of the anti-trust law.

4. **Public works will help a little.** But they are not the most important factors in employment. We tried public works from 1934 to 1939. What was the result? Our unemployment in January, 1939, was about the same as in January, 1934. Our budget had continuous deficits. Our debt increased. Cockeyed theories flourished to rationalize the evil of budget deficits. When national income in a depression falls 20 or 30 billion dollars, public works of 1 or 2 or even 3 billion dollars are insignificant. They do help a wee bit. Better to have high employment under flexible wages rather than low employment under rigid wages plus public works for some of the jobless and doles for the rest.

5. **Labor should not restrict output,** but stimulate efficiency. In Soviet Russia the highly efficient worker is rewarded, but in the United States he is discharged from the union unless he restricts production. This is stupid and destructive.

6. **Taxes should be revised to encourage taking risk.** We tax both the corporation and the stockholder. England does not. Such double taxation must cease, as the writer pleaded since 1942 before Congressional Committees on taxation. Else we shall have unemployment. The tax on risk-taking, miscalled the capital gains tax, should be reduced and ultimately abolished, as the writer urged since 1938 before Senate and House Committees and in the press. Risk-taking creates unemployment.

7. **An individual income tax of 90% checks risk-taking.** A 1% return, after taxes, checks risk-takers. But we offer a loophole of escape in our tax-exempt securities. Why shall anyone take risks to employ people?

8. The Securities and Exchange Commission did a fine job in controlling dishonest financing. However, some of the rules about new issues are too rigid and should be relaxed to encourage business to expand.

9. **We must change our attitude toward the railroads and the utilities.** The British in 1921 consolidated their 126 railroads into four systems. None went bankrupt ever since. Orders for locomotives and cars were fairly steady. Employment was steady. We do have a single nation-wide telephone service and recently also telegraph service. But we did not permit our railroads to consolidate. Almost 40% went bankrupt in the last ten years—the highest in history. Their orders for equipment fluctuated violently. Then workers in the railroad-equipment industry lost their jobs. We should consolidate the railroads.

10. We are breaking up the utility holding companies. In two years, 1934-35, orders for utility equipment declined 80% below the average of 1919 to 1933. **We should not disintegrate but consolidate the utilities as the law demands.** We could thus stimulate expansion and employment.

11. **We must teach bookkeeping to our Government officials and labor leaders.** Bookkeeping is the alphabet of business. But they are illiterates in bookkeeping. Economics deals with wealth and income, which in real life is the province of bookkeeping. Our economic system grew faster than the ability of Government officials or labor leaders to understand it. We need more statesmanship both in politics and in labor unions. The ideas about full employment require not deep knowledge but practical intelligence. The American worker is intelligent. But politicians and labor leaders treat him like a spoiled child or petulant simpleton.

We must develop labor statesmen. Labor has great power. It must accept responsibility. The law has given it rights. It must accept obligations. Otherwise the economic system will not work and we are headed for economic bankruptcy and political receivership, which is fascism. The British do have democracy in their unions—secret ballots, protection of the members by publicity of accounts since 1870, and protection of the majority against pressure group tactics by prohibition of political contributions since 1910. The British laws are old and tried. We should imitate them.

We must solve the problem of mass unemployment or else the Government will intervene. Government intervention abroad brought loss of freedom. The Nazis had full employment but no freedom. We can have both. We should put a floor under suffering, but we should put no ceiling over effort. If selling prices remain flexible, wages must remain flexible. Rigid wages mean rigid selling prices. And that means monopoly. Rigid economics does not go with free politics. A nation cannot exist half free and half authoritarian. The promise of American life can be realized only with high employment. And that requires economic balance, flexible wages and sound bookkeeping.

Editor's Note—Mr. Friedman, writer of the above, is a consulting economist. He has engaged in labor relations and management, is a member of pro-labor organizations and has appeared before Congressional committees and served in the Treasury. He is the author of "Russia in Transition," a survey of Soviet labor, and "Labor and Reconstruction in Europe."

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

Condemns Ruml-Sonne Plan To Abolish Corporate Income Taxes

Editor, "Commercial & Financial Chronicle":

". . . to lower prices, increase wages, . . . encourage the distribution of earnings as dividends . . ." Messrs. Ruml and Sonne have suggested the abolition of Federal income taxes on corporations, according to an account of the National Planning Association memorandum in the July 27 issue of the "Chronicle." There is not much doubt about this theory having quite a following who believe in the magic because they want to believe!

(It may be noted that this tax proposal is one of the three inseparable suggestions—any one of which is undesirable by itself according to its author—appearing in a paper winning one of the Pabst Post-War Employment Awards. Presumably this paper was read by Mr. Ruml as he was one of the contest judges, and it was written by a member of the staff of the National Bureau for Economic Research of which Mr. Ruml is a director.)

The objections to the abolition of corporation income taxes may be stated as follows:

(1) It would be more than double the individual income tax deductions currently withheld without a corresponding increase in pay, because it cannot be expected that corporation executives would raise employees' pay until after they had made a study of the economic repercussions which would follow such a radical departure from our customary tax policies, or until such time that it is reflected in corporation earnings.

(2) Are we going to say to the returning service men and women, "You have done a fine job, now let's see you continue the good work at home. We'll give you jobs, and when our taxes are abolished and your taxes doubled, we'll pay you more money, when, as and if!"

(3) Business expansion takes place when the factors are such that business executives anticipate a widening in the margin of the national spendable income. The business outlook is contingent on the consumer spending power. The consumer spending power is contingent on many factors, such as taxes, status of inventories in relation to current and prospective demands, the public psychology or condition of confidence which underlies these and many of the other factors. A sharp reduction in consumer spending power by a doubling of the withholding tax would be a decidedly unfavorable factor and would tend to generate another depression.

Following are suggestions for revision of tax policy:

(a) Reduce individual income taxes when the budget warrants by an increase in exemptions and allowance for hired help.

(b) After individual income taxes have been reduced and when the Federal budget warrants it, reduce corporation normal taxes but retain a surplus or excess profits tax somewhat modified for the purpose of stabilizing earnings and pari passu the security markets. During prosperous times the excess profits tax would siphon earnings for national debt reduction and in poor years would act as a cushion. It is true that a surplus profits tax is a tax on good management but the latter seems to be able to take care of itself such as via stockholders' proxies!

C. H. HAINES

Watertown, Mass., Aug. 2, 1944.

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Standard & Poor's index of New York City bank stocks was 105.1 on Aug. 2, 1944, exactly the same as it was over eight years ago, on June 3, 1936. This naturally raises the question, how do values today compare with those of 1936? The following tabulation throws some light on this question.

	Book Value Per Share		*Net Earnings Per Share		Asked Price	
	6-30-36	6-30-44	1935	1943	6-3-36	8-2-44
Bank of Manhattan	$22.72	$25.53	$1.87	$2.48	28½	24⅝
Bank of New York	282.58	365.24	21.66	28.59	495	428
Bankers Trust	37.64	51.37	3.25	5.18	58	54⅜
Central Hanover	80.62	99.95	6.03	7.28	114½	106¾
Chase National	30.16	37.60	1.82	3.33	39½	40⅝
Chemical	36.34	41.78	4.39	3.73	55½	53¼
Corn Exchange	42.22	50.07	3.55	3.56	60¾	50⅞
First National	1,007.50	1,264.63	113.54	106.16	1,925	1,675
Guaranty Trust	297.39	328.95	14.22	22.94	291	342
Irving Trust	21.82	21.48	0.70	1.12	15¾	16½
Manufacturers Trust	28.50	43.05	4.04	6.52	48	53⅜
†National City	24.81	40.13	2.03	2.83	35½	38¾
‡New York Trust	70.49	86.90	6.78	8.41	123	102¼
Public National	43.54	49.70	2.02	3.30	42½	44¼
United States Trust	1,510.44	1,520.98	85.03	101.79	1,980	1,455

*Excluding recoveries. †Includes City Bank Farmers' Trust. ‡Adjusted for change in capitalization.

Turning first to market prices, it will be observed that even though the index was 105.1 on both dates, yet six stocks currently enjoy higher prices than on June 3, 1936, while nine stocks are quoted lower. United States Trust registers the greatest loss with a drop of 26.5%, and Guaranty Trust registers the greatest gain with an appreciation of 17.5%.

In the case of book-values, all but Irving Trust show increases, varying from moderate to substantial. In 1936 the market dollar would buy only 77c of book-value, based on the average ratio for the fifteen stocks, while today it will buy 96c of book-value. In other words today the average bank stock dollar will buy 25% more book-value than it would in June, 1936.

Annual net earnings of the banks, exclusive of recoveries, were higher in 1943 than in 1935 for all banks except Chemical and First National, and the average earning yield of the 15 banks today, based on 1943 earnings, is 7.8% compared with 5.6% on June 3, 1936, based on 1935 earnings, or 39% better.

Earning assets of the 15 banks on June 30, 1936 aggregated $9,575,000,000, and on June 30, 1944 they aggregated $21,228,000,000. This remarkable expansion of $11,653,000,000 or 122% has naturally been reflected in greater earnings, despite high wartime taxes and increased operating costs, and also has been an important factor in increasing book values.

With regard to dividends, seven of the banks are paying the same rates as in 1935, but seven have reduced rates as follows: Bank of Manhattan, from $1.50 to $0.90; Bankers Trust, from $3.00 to $1.40; Central Hanover, from $7.00 to $4.00; Corn Exchange, from $3.00 to $2.40; First National, from $100.00 to $80.00; Irving Trust, from $1.00 to $0.60, and New York Trust, from $5.00 to $3.50. On the other hand, Manufacturers Trust has increased its rate from $1.00 to $2.00. Generally speaking, the dividend policy of each of these banks is on the conservative side, and most of the reductions have been made in the interest of strengthening capital funds.

The average coverage of dividends by earnings in 1935 for the 15 banks was 1.55 times, compared with 2.21 times in 1943. Some of the banks could without doubt restore their former dividend rates, but it is not likely that any such action will be taken while the war is in progress. Meanwhile both state and federal banking authorities are urging the banks to build up their capital position as an offset to the strong uptrend in deposits.

To sum up: the average bank stock dollar today, compared with that of June 3, 1936, produces a lower cash dividend yield, but, on the other hand, it buys approximately 25% more book value, 120% more earning assets and 39% more earnings. These comparisons are based on the reported figures of the 15 leading New York City commercial banks listed in the tabulation.

In view of favorable long term prospects, and despite the current relatively low cash dividend return, it seems likely that these marked discrepancies must ere long be corrected by the bank stock market through moving up into higher ground.

Quarterly Comparative Analysis of 17
New York City Bank Stocks
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Bretton Woods In Review

(Continued from first page)

was tainted gold and hence unacceptable to the United Nations.

This resolution deserves a lot more attention than it has been given. Such questions as the following will certainly arise before long. How can Laval or Goering be prevented from transferring funds to Argentina or Spain? What pressures if any can be brought to bear upon recalcitrant neutrals to disclose such transactions? What and who is a neutral?

But much more than that is involved. What will be done about the disputed ownership of corporate securities in Europe? What will for example the Netherlands Government do in this respect upon its return to Holland? Some of my Bretton Woods foreign acquaintances seem to think that Holland will register all corporate securities outstanding. Those holders whose political status is beyond question will immediately receive back their property. Others will be dispossessed and their securities sold by the government. The proceeds of such sales will be applied to reduce the Dutch war debt. This figure might well run up to one billion guilders. Obviously, there will be a tie up of many securities in order to ascertain the questionable status of some owners.

There are still other questions which enter into this matter of the ownership of European corporate securities. What about the many instances in which the Germans increased the capitalization of corporations in occupied territories, "bought" up shares with local currency obtained under occupation costs levied, and thus "legally" obtained control? In case of common stocks temporarily in the possession of a government awaiting settlement of disputed ownership claims, who votes these certificates in the meantime? In some countries, it will be very difficult indeed to find the answer to the question "Who owns what?" Does that mean then that governments will assume an increasing share of control in such businesses? Does that mean socialization in some instances?

United States investors and financial institutions have sufficient interest in such questions to insist upon full information of any talks that have been or are being made with foreign governments on that topic. As a matter of right, they should be represented at such discussions. But here we come to one of the great weaknesses of the conference as far as the United States is concerned. No banker versed in international finance had been invited. Indeed, when disagreement precludes an invitation to a conference, a most undesirable if not dangerous situation arises. If critics are not given an opportunity to understand just what goes on at such a conference, they will quite naturally oppose its results—regardless of merits. When there is as much distrust as there exists today between the administration and those responsible for the nation's financial leadership —a feeling of distrust which is so utterly mutual—the outlook for our post-war participation in international financial problems is at best somewhat muddy.

In regard to silver, the conference did very little. Despite a deluge of mail from silver interests and silver congressmen, despite appearances of silver lobbyists "it was the sense of Commission III that the subject should merit further study by the interested nations." But there was at Bretton Woods a determined effort made on the part of certain silver producing countries (particularly Latin American countries) "to do something for silver."

I do not share the belief that nothing will be done for silver. Let us not be unmindful of the sentiments for silver conveyed in the President's message to Congress of May 22, 1934, which accompanied the Administration's Silver Purchase bill. It said that "we should not neglect the value of an increased use of silver in improving our monetary system. Since 1929 that has been obvious. Increasing the proportion of silver in the abundant metallic reserves back of our paper currency is in the public interest. We seek to remedy a maladjustment of our currency by the further acquisition and monetary use of silver. . . ." What a splendid argument to use for the post-war reconstruction of currencies! There is a distinct possibility of another one-sided international silver agreement as that of London in 1933.

The third resolution of Commission III proposed the liquidation of the Bank of International Settlements "at the earliest possible moment." There is quite a story to this apparently innocuous resolution. Originally, the resolution had coupled with it a proposal for an international investigation of the bank's activities. Another resolution introduced would have barred membership in the fund, and hence in the bank, to any nation which would retain its membership in the BIS. Quite obviously, someone at Bretton Woods wanted to bring up the old question of the Czecho-Slovak gold transfer to Hitler made by the BIS and use it as a smear campaign directed against certain international bankers.

Before entering upon a discussion of the fund and the bank, a word should be said concerning the other recommendations of the Conference. Among them are: (1) Reduction of obstacles to international trade. This will certainly mean the calling of an international economic conference, without doubt the most important general conference that will be held, and a conference on shipping. (2) to "bring about the orderly marketing of staple commodities at prices fair to producers and consumers alike." This is extremely important because reports seeping out of certain government quarters indicate that plans are being discussed for government sponsored cartels, the only manner in which prices fair to producers could be guaranteed. That this would mean regimentation by government fiat of practically all extractive industries seems to be quite clear. Surely no agreement as to price maintenance of a commodity is worth the paper on which it is written unless its supply is controlled. Just how such recommendations which are by their very nature restrictive can be reconciled with the purpose of the Conference, which was to expand trade, is quite another problem. Consistency thou art indeed a jewel! (3) to "deal with the special problems of international concern which will arise from the cessation of production for war purposes" and (4) "to promote and maintain high levels of employment and progressively rising standards of living."

These are all very interesting resolutions. Do they foreshadow the rise of bureaucratic regulation not only by national administrative bodies, but by international administrative agencies?

Now to the main work of the Conference, the world stabilization fund and the world bank for reconstruction. Since the fund is so complicated and technical (Harry White once remarked "every word in it has a definite meaning") and since its ramifications are so many, it was thought best to leave the discussion of the fund to a separate article and take up here the bank.

The purpose of the bank is "to assist in the reconstruction and development" of member territories (only fund members can be bank members) "with equitable consideration to projects for development and projects for reconstruction alike." A considerable clash of opinion developed at this point in the Conference. Latin American nations stressed the development angle; Europeans quite naturally emphasized reconstruction. To what extent the phrase "equitable consideration" will allay such feeling remains to be seen. No one raised the question that at times it would be difficult to distinguish between reconstruction and development. Anything destroyed will certainly not be rebuilt as it was, but will incorporate the most recent technical innovations.

The bank's capital was boosted to $9.1 billion after Russia decided

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to increase her subscriptions to the bank by $300 million, thus bringing her pledge up to her fund quota of $1.2 billion. Total authorized capital is $10 billion, leaving $900 million for countries now on the neutral or axis list.

The somewhat amusing aspect was the almost universal struggle for a large quota in the fund, but for a small quota in the bank. For the quotas in the fund determine borrowing power, whereas the quotas in the bank determine the liability a country assumes. As a matter of fact, one might say, the bank really is the fund whereas the fund is in reality the bank. That is, the fund acts as bank in that members come to it to borrow, whereas in the bank members pool their resources in the fashion of an investment fund.

How much shall the bank lend? That amount must not exceed 100% of the bank's unimpaired subscribed capital, reserves and surplus. Said Harry White: "It is a very conservative bank, so conservative it leans over backward and touches the ground with its head." The U. S. Treasury did not pretend it liked the loan limitations. It had originally spoken of loans and guarantees (Only an amount up to 20% of the authorized capital may be in form of the bank's own loans or participation in direct loans. Eighty percent of the bank's capital is to be used as guarantee for loans.) as being extended to twice or three times the bank's capital. This attitude was shared by most of the European countries, but Lord Keynes, Chairman of Commission II which dealt with the bank, insisted that if the bank's loan ratio were to be increased beyond the 1:1 ratio, England would be forced to reduce her commitment in the bank.

Such an attitude on the part of the chairman alarmed many a member, for they argued that if the loans were sound business propositions, a loan ratio to capital of 2:1 was still very sound. They expressed concern lest the loans should be, from a business point of view, improper loans and hence explain the British attitude.

At any rate, the theory upon which the bank is predicated is this. Since only 20% of the bank's capital is to be used for direct loans or direct participations, only 20% of the quotas subscribed need be paid in. Only 10% of that amount, that is 2% of the quotas, are payable in gold. Thus one might argue that the bank is not at all based upon a loan ratio to capital of 1:1, but of 5:1. A nation under this setup would be in the position of a stockholder in a bank with a quintuple liability.

The bank's proponents insist that should the bank function for a generation, the guarantee commission of 1-1½% per annum charged on every loan in addition to interest would be sufficient to meet any claims against the bank in case of a debtor's default. A similar commission is charged in case of direct loans or participations. Of course, everything turns on the question: What types of loans will be made or guaranteed?

The bank is an institution jointly owned by governments. Hence a country may deal with it "only through its treasury, central bank, stabilization fund or other similar fiscal agency." The bank may guarantee, participate in, or make loans when "the bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower." Or when "in the opinion of the Bank the rate of interest and other charges are reasonable and such rates, charges and the schedule for repayment of principal are appropriate to the project."

In other words, the bank (meaning very likely a preponderance of debtor opinion) will determine what are suitable interest rates and by refusing to guarantee loans could well be instrumental in depressing interest rates not only on the loans but in the market in general. Whether that would prove beneficial to the United States or other countries remains to be seen. Who is "the opinion of the bank?" There are 12 executive directors. Five are elected, one each by the United States, Russia, England, China, and France. Seven directors are to be elected by the remaining members. But a quorum is a majority of the directors exercising not less than one-half of the total voting power. The Big Five could meet that requirement. But will they represent a united creditor front? The answer to that question would hardly seem to be an unqualified "yes."

Probably one of the unfortunate byproducts of modern civilization has been an emphasis in many cases on money in which money is only a side issue. The proposal for the bank talks of lending money when it is really a question of lending capital goods. Despite many questions directed at representatives of foreign governments at Bretton Woods, I have yet to receive a satisfactory answer to the question: "How fast will your country be able to absorb capital goods?" After all, roadbuilding and other machinery cannot be just dumped at a dock. It may well be that it will be years before the $10 billion can be parceled out because it takes time to draw up private or governmental blue prints for reconstruction or development.

Since it is a question of lending capital goods, the United States will certainly be primarily called upon to deliver such goods. If there should be a heavy demand for them at a time when already a large domestic and foreign demand exists, this may contribute to an undesirable upward pressure on our price level.

It has been said that it would be better for the Unitde States to lend through the bank than to extend loans directly to other nations, for the bank gives a guarantee and in case of default would meet the debtor's liability. That is true, but if we make our own loans we not only can stipulate conditions, but we can say "buy American."

The bank's best features are its insistence upon productive loans and its ability to have access to information by which to judge the soundness of loans (if that is really desired), information which has hitherto been unavailable to private investment circles. But its worst feature is that it constitutes a rather hidden device to control American capital markets. Such control might well be exercised to a large degree by debtors or countries with a debtor sentiment.

The proposal for the bank is a gauntlet thrown at the feet of the country's financial leaders. I am not so sure that the formation of a huge private investment syndicate, on the board of which the Government might well have a representative as well as industrial leaders, would not be more advisable.

The fact remains that at Bretton Woods 44 nations met and worked together. Underlying all their deliberations were three definite assumptions: (1) The future of the world depends to a large degree upon a high volume of employment in key countries, particularly in the United States. (2) There is no promise of peace unless allied unity is maintained. (3) Loans for reconstruction or for development carry in themselves revolutionary implications in that an increase in the standard of living of a people usually brings radical changes along many social and economic lines.

If the United States will not participate, other arrangements for international economic developments will be made. Russia could not obtain credits, so she let millions of her people starve to death to industrialize and modernize. I do not believe that the world has quite appreciated that fact as yet. Is China to follow the same path? Other countries with their reconstruction problems? Besides there is always a question of maintaining our employment volume. We shall need capital goods exports later on.

But the main issue will still be, how shall we participate? Can a private economy organize itself in such a fashion as to answer the world's need for funds? I think it can, but it will call for an organization that will have the capital and information needed at its disposal. Everyone agrees loans could not be made on the basis of the procedure used in the 1920's. But private capital has still a lot of spirit left. It could do the job which is going to be done—one way or another.

Russian Economist Doubts Exchange Stabilization By International Agreement

Academician I. Trachtenberg, Writing In Official Soviet Magazine, Says Changes In Domestic Currency Values Will Occur Independently Of An International Fund

In reviewing the plans for an international stabilization fund in a recent issue of the official Soviet magazine, "World Economy and World Politics," I. Trachtenberg, a prominent Russian economist, concludes that, because the purchasing power of national currencies is altered from time to time independently and that these changes occur at different times in different countries and in different degrees of intensity, the aim to stabilize foreign exchange rates through an international agreement "will not be attained." He lays down three general propositions for the regulation of currency exchange rates. These are:

"First, that it is impossible to achieve the stabilization of exchange rates by means of international agreement.

"Second, it is impossible to make the principle of divorce from gold the basis of a currency agreement. Capitalism can only loosen the 'golden fetters,' but cannot 'dislodge gold from its throne.'

"Third, the newly created institution should be organized in such a way as to avoid interference in the internal policies of individual countries and remove the danger of the loss by individual countries of their economic independence."

Referring to the means employed in maintaining the stability of the Russian currency under the present regime, and Russia's interest in world monetary stabilization, Mr. Trachtenberg remarks:

"The stability of our currency exchange rate is guaranteed by our socialist system of economy, and, in particular, by the monopoly of foreign trade. The stability of the purchasing power of our money is stipulated by the inner laws of our economic structure.

"Nevertheless, we are interested in the stability of the currencies of foreign countries, both of those to which we export goods and those from which we import them. We are interested in the development of world trade. Any kind of measure which to any degree might aid in solving the above problems, including currency measures, should therefore attract our attention."

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.

Davis Heads Bond Dept. Of First National Bank Of Memphis

MEMPHIS, TENN. — Joe H. Davis, Assistant Vice-President of the First National Bank of Memphis, has been named Manager of the bank's Bond Department, succeeding Joe E. Denham, Vice-President, who is now with the Correspondent Bank Division of the First National.

Mr. Davis has been acting manager of the department for the past 19 months, having served in that capacity since December, 1942, when Mr. Denham entered the armed services. His designation as Manager comes just six months after his promotion to Assistant Vice-President.

Mr. Davis became associated with the First National Bank in 1928. During 1939-40 he represented the Bond Department in Mississippi with headquarters in Jackson. He became Assistant Manager in 1942.

Interesting Rail Situations

In the current issue of their "Railroad Securities Quotations," B. W. Pizzini & Co. discuss several interesting rail situations, some attractive as speculations and others as a good grade of investment. Copies of the release, which contains quotations on guaranteed stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks, and guaranteed telegraph stocks, may be had from B. W. Pizzini & Co., Inc., 55 Broadway, New York City, upon request.

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.

Spencer Koch To Admit

Marion E. Cohn will become a limited partner in Spencer B. Koch & Co., 120 Broadway, New York City, on Aug. 17.

This announcement is not to be construed as an offer to sell or as an offer to buy the securities herein mentioned. The offering is made only by the prospectus.

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The Farmers' Cooperative Movement And Its Future

(Continued from page 578)

his independence. He does not wish to be a ward of the Government, neither does he intend to be a serf or peasant, which is the level of farmers in many foreign countries. The farmer wishes to give his family its fair share of the high standard of living which has become a part of the social and economic life of this country. The farm cooperative gives him that opportunity.

The farm cooperative is one of the greatest factors in the social and economic life of American agriculture. To the farmer it is a means of self-help and self-expression. No matter how frustrated a man may feel about things beyond his control, he is still a free man if he can express himself and act. Farm cooperatives offer that opportunity to the farmer. Before farm cooperatives were organized farmers were forced to purchase all their farm production supplies at retail and sell the products of the farm at wholesale, without having anything to say as to the prices they must pay or receive at either level. That this was a problem of importance to the entire nation is shown by the following statement of the attitude of Congress in considering farmer cooperatives and the privileges granted to them:

"Agriculture, as a basic industry, affects the daily life and well-being of every citizen to an extent not reflected in any other line of endeavor. The production of food is vital to the maintenance of health, and of life itself. The prosperity and progress of agriculture is essential to the life and well-being of the nation, and all of its people. Therefore, those measures which will benefit and strengthen agriculture are in furtherance of a sound public policy. They are not merely an aid to a special group of citizens—the farmers—but are *primarily*, an essential contribution to a sound economy of the *entire nation*, affecting the welfare of all of its people."

The Congress more specifically states its position in the Agricultural Marketing Act of 1929, a section of which reads as follows:

"It is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in inter-State and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of inter-State and foreign commerce in the marketing of agricultural commodities and their food products.

"(1) By minimizing speculation.

"(2) By preventing inefficient and wasteful methods of distribution.

"(3) By encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies."

One could go on quoting at length from various reports of legislative bodies and from the laws of our various States and the nation, but I think the two items which I have quoted to you set up sufficient background.

The Cooperative Grange League Federation Exchange, Inc., of which I am an employee, is one of these farm cooperatives. It was set up by farmers in 1920 to purchase their farm production supplies and to market their farm produce. This organization is known briefly as the "G. L. F." The "G" stands for Grange, which is the farmers' fraternal organization. It was this organization that some of the first activities of farmers in purchasing farm production supplies started in 1870. The "L" stands for the Dairymen's League, which is the farmers' milk marketing organization in the New York Milk Shed. The "F" stands for the Farm Bureau Federation, which is the farmers' educational organization. The farmers of these three organizations banded together to form this farm cooperative—G. L. F.

Present Activities

Today over 200,000 farm families in the New York Milk Shed purchase all or a part of their farm production supplies or market some of their farm produce through this organization. It is inevitable and highly proper that the mere force of the combined volume of business of this farm cooperative will have a regulating effect upon price structure and standards of quality.

The major volume of tonnage of the Cooperative G. L. F. Exchange, Inc., is in feed, seed and fertilizer. For the fiscal year ending June 30, 1944, this was 1,850,000 tons. For any corporation, whether privately owned or a farm cooperative, to have done that volume of business, there must be some good reasons for its initial activities and the building of such a patronage by farmers on a voluntary basis.

Speaking locally for this area, the findings of legislative investigating committees of the State of New York bear eloquent testimony to the need of the establishment of some agency to set up standards of quality with respect to these supplies. Farm cooperatives furnish feed and fertilizer according to open formula, with the ingredient contents, as well as the chemical formula, appearing on the tag for the purchaser to see. This practice has resulted in the elimination of weed seeds and screenings from feeds and a disproportionate amount of inert matter from fertilizers. Seeds of known origin adapted to our northeastern farms have taken the place of unadapted seeds handled for profit only, grown in the warm climates of Italy, Africa, the Argentine and the southwestern part of the United States. Such adapted seed has alone saved farmers of the New York Milk Shed millions of dollars each year from the crop failures which they formerly experienced.

Farm cooperatives are sometimes accused of not spending any money for research, but of leaning on the research of private industry. Here are the facts. The experiment stations of our colleges of agriculture were set up to carry on research with public funds. Private industry for years ignored the results of such research, particularly on feed and fertilizer, and would not supply farmers with feed and fertilizers based on the experimental work of our colleges of agriculture. In the main, feed and fertilizers made by private industry were built around some by-products which they wished to dispose of. Farm cooperatives put into action the research of Agricultural Experiment Stations.

In the process of supplying farm production supplies to farmers, manufactured or purchased according to specifications, farmer cooperatives have gone upstream on the supply lines, in some cases reaching right back to the raw products. This has been true in some cases because by-products of industry did not supply enough materials, or because industry would not supply them according to the specifications which the farmers wrote for those supplies.

As the result, G. L. F. farmers operate the following plants for farm production supplies:

3 feed mills,
5 seed plants,
11 fertilizer and chemical plants, and
1 lumber mill.

This lumber mill and box factory is a splendid example of how farm cooperatives are forced into certain activities. For years this lumber mill located at Crown Point, New York, was simply a trading post where farmers in that area traded the logs they cut in the winter time for feed, seed and fertilizer. When the war came along manufacturers, who had been engaged in making fruit and vegetable boxes, could make more money by manufacturing ammunition boxes. You people in the city still wanted fruits and vegetables on your tables and the farmer had to have containers in which to pack those crops and get them to market. So the farmers decided to enlarge this lumber mill and put in a box factory. Today this box factory is making about 3,000,000 fruit and vegetable containers per year, and I doubt if it is going to discontinue after the war, because farmers have found out how to make fruit and vegetable containers according to their specifications and at a fair price. This incident gives you a lead as to some of the future activities of farm cooperatives.

What are farm cooperatives doing in the field of marketing? Here is what the Cooperative G. L. F. is doing in the territory which supplies New York City with much of its food. It is operating:

2 canning factories,
4 bean plants,
5 flour and cereal mills,
15 country egg stations with five terminal egg sales services as the outlets,
3 produce auctions,
2 cold storage warehouses

and is operating six retail egg stores in New York City and has been experimenting with three retail food markets* in up-State New York.

Let us just analyze two of these activities to learn why farmer cooperatives are in this field of business. Why should farmers operate their own canning factories?

New York is a great canning crop State. It has the right kind of soil, the right climate, and farmers who know how to grow these crops. Yet, after growing the canning crops farmers often times found that they had no market for them. In years of plenty the canning factories would not make contracts. When there were surpluses, prices offered were so low that they did not cover the cost of production, and if the farmer did not accept these prices, his crops rotted in the fields.

So a group of G. L. F. farmers around Waterloo, New York, decided to open their own canning factory. These farmers contracted to grow canning crops sufficient to operate their factory at maximum capacity and at a price which they figured to be fair on a basis of the going market prices for canned goods. Our competitors have said that the operation of a few canning factories by farmers had done more to stabilize this industry than any one factor. Farmers intend to set up a few more cooperative canning factories to spread this influence throughout the territory. They do not intend to monopolize the canning business.

One might well ask, why should farmers be interested in operating retail food markets? The answer is that farmers want to learn something about what happens to their food products after they leave the farms, and they also want to be able to influence the movement of those products, the prices at which they are sold, and the returns which are made to them as the producers.

Here is just one good example, which standing alone shows the value both to the producer and to the consumer of a few farmer activities in the retail food business. Last fall many of you will remember when the retail price of eggs was about 75¢ per dozen or higher. The early winter surplus began to build up and the price which farmers were receiving dropped from about 55¢ to 35¢ per dozen and then to 30¢ per dozen, but the retail price of eggs remained at 75¢ per dozen and consumption slowed down. The less eggs were eaten in the city, the greater the surplus piled up on farms and in storage.

At the two retail food stores which G. L. F. farmers were then operating the retail price of eggs was dropped to 55¢ per dozen and consumption immediately jumped. All the retail food stores in those areas were forced to meet that competition, so the retail price of eggs to the consumer went down, the price to the farmers stabilized and the development of a huge surplus of eggs was delayed until late winter.

What Is The Future Trend?

Mr. Davis asked me to tell you something of the plans and ambitions of farm cooperatives for the future. For example, is it probable that cooperatives will go further into the farm equipment field, into food processing or into other phases of manufacturing or distribution? My answer in general is "yes." Farm cooperatives are going into these fields. They are already in some of these fields. How far they go will depend to a considerable extent on the attitude of private industry.

Let us take as an example farm equipment. Many of our present models of farm equipment show little or no refinement over the original models made 25 or 30 years ago. A farmer riding a mowing machine or a hay rake still feels at the end of the day as if the machine were developed for the sole purpose of driving his backbone up through the top of his head. It took a farmer to develop the idea of putting farm machinery on rubber tires. If farm machinery manufacturers will go to farmers to get the specifications for their farm machinery and will distribute it at fair prices, they may continue to control the major volume of business in that field. Some evidence that this is going to occur is shown by the fact that as of today two large manufacturers have come to the G. L. F. asking for help in the development of new lines of farm equipment. These manufacturers, however, are not the old line implement companies, but new manufacturers who are looking for new fields after the war is over.

I think farm cooperatives are going still farther in the food processing business. Here is a good example in the meat processing business. The value of cull dairy cattle and cull hens in New York State is $35,000,000 per year. This is the value of cows and hens which are taken out of production each year. Most of these are sold by farmers to dealers who travel around from farm to farm and deal with the farmer to buy these cows and hens at the lowest possible price. That is the last word the farmer has to say about this important source of farm income.

While cull dairy cows and cull hens do not supply prime food for your table, they are a great source of canned meats, sausage and bologna. Investigation into the prices of these processed foods indicates that farmers are not getting a fair price for these cull animals. They are going to find out if there isn't more money in the bologna than is indicated by the price they get for the cull dairy cows.

In none of these activities do the farmers ask for a monopoly. Farm cooperatives want to carry on enough activities in these new fields so that they may accomplish two results. First, to learn at first-hand how the job is done, and thus gain an understanding of the risks and of the trials and tribulations of private industry and capital in the same fields. Second, farm cooperatives in these fields will set up standards for quality, for price and for services which will influence private industry in those fields.

I hope that I have given you the story of why farm cooperatives are organized and that I have told you something of their future ambitions.

With your permission I would like to speak for a moment regarding an attack against farm cooperatives which is now being carried forward by the National Tax Equality Association. This is an association organized with the overall purpose, it claims, of combating certain tax provisions which it holds to be unfair as between private industry. on one hand and farm cooperatives, religious and charitable organizations, savings banks, mutual insurance companies, building and loan associations and other similar groups. The opening attack is directly against farm cooperatives. The National Tax Equality Association states that it is not opposed to farm cooperatives, yet it attacks the very fundamentals of the right of farm families to join with their neighbors and conduct their business in the cooperative way.

The basic principle of an operating farmer cooperative is that of the relation of a principal to his agent. Although many legal interpretations have been made supporting this point, and the Internal Revenue Bureau of the U. S. Treasury Department recognizes it, the National Tax Equality Association waves aside these legal decisions and interpretations and bases its case on its own definition.

This attack of the National Tax Equality Association on farm cooperatives will result in one or both of the following actions on the part of farm cooperatives:

1. If farm cooperatives are denied the right of paying patronage refunds, they will be forced to reduce their prices to a level where there will be no net margins to distribute, and thus force private industry to operate with little or no profit, probably bringing about a series of ruinous price wars.

2. If industry in general takes up the attack, it will result in driving agriculture away from its now friendly relations with industry.

I thank you for the opportunity of telling you something about farm cooperatives. I think it would be fine if we who are engaged in that field of effort had more contacts with you in the world of finance.

*On operations of this type farm cooperatives are subject to the same rules and regulations as private business, and when the experimental stage is over, these activities must be completely divorced from a farm cooperative.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Alexander M. Main to Frazier Jelke will be considered on Aug. 17. Both are partners in Frazier Jelke & Co.

Charles F. Henderson, partner in Charles F. Henderson & Sons, died on July 31, as of which date his interest in the firm ceased.

Interest of the late J. Thilman Hendrick in W. B. Hibbs & Co. ceased Aug. 1.

Robert K. Wurts, partner in Wurts, Dulles & Co., died on July 30.

Interest of the late Norman S. Walker in Wood, Walker & Co. ceased as of July 23.

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Industry's Post-War Responsibilities

(Continued from page 581)

ican industrialists and workers, with the assistance of government, in furnishing the capital, writing the rules, umpiring the game, and directing the flow of material. American industrialists by working together and in harmony with their workers and with government can produce a post-war miracle, if government will create a favorable environment, write the proper rules of play, and create a wholesome atmosphere of goodwill and fair play. Long-range planning is not new to industry. The creation of the great industrial research laboratories, the establishment of their forecasting or planning departments, the development of their executive training programs, and the forward projection of their budgeted programs are proof of their planned operations. What other group in our nation is better trained by experience to take the initiative in economic post-war planning than they?

With this background of understanding concerning the proper relationships and importance of cooperative effort of industry and government the CED was organized. It is independent of government, yet it has had the cooperation of and has been cooperating with many agencies of government, especially the Department of Commerce. While this gives an ideal basis for independence of thought and operations, yet it recognizes dependence on government for writing the rules of play and for acting as a fair and impartial umpire.

The accomplishments of CED to date have exceeded our expectations. The field organization has had a remarkable development and the time, effort and expense of the Research Committee would have been justified had they produced only the tax report. Dr. Grove's book and the supplementary report on taxation will have a profound effect in shaping the public mind on post-war taxation. Taxes, as everyone should know, will be one of the most important contributing factors in accelerating or retarding post-war employment. The research program has been intelligently planned and is one of the most extensive ever attempted by an industrial group.

"It must be apparent," says Ted Yntema, "that we do not as yet have all the technical 'know-how' or anything like understanding and responsibility on the part of the public which are necessary to achieve a high level of employment in a private enterprise system. We need more study and research; we need more economist statesmen to lead the way; and, above all, we need more education of the public to induce them to support intelligent leadership."

One of the most significant events in Congressional history was the selection of Marion Folsom as the Director for the Congressional Committee on Post-War Planning and the appointment by the Senators' George-Murray Committee of a Macon, Ga., business man to direct their post-war studies. I can never recall when important committees of the Congress selected business men in similar capacities.

These appointments indicate that a non-partisan, fact-finding organization comprised of the leaders in each community has an important role in the life of the nation, provided it does not publicize itself to death or develop the reputation of being another minority pressure group.

The field organization has followed the grass roots approach by appealing to every reasonable sized community to organize its own CED committee and wherever possible to have its own local Research Committee. In this manner both the action and fact-finding activities are conducted on the national and community level, each contributing plans and suggestions to the other—as exemplified in this meeting today. I cannot speak too highly of the magnificent accomplishments of Marion Folsom and Ralph Flanders and their staffs in the proper coordination of the field and research activities, and of John Fennelly and Scott Fletcher and their associates.

The great military successes of recent weeks are bringing nearer the end of the war in Europe, and make it more imperative than even that CED's program be quickened. The gigantic problems that face us as we pass from war to peace are beyond our comprehension, and their urgency makes speed essential.

It is much easier to arouse industrialists or research workers to a war than a peace program, because war is urgent and dramatic and lives are at stake. Planning for peace is not only more difficult psychologically, but the problems are more complex and will require political and industrial statesmanship of the highest order. A few of the major domestic problems are:

1. Cancellation of Government contracts and the loss of the Government as a 75-billion-dollar-a-year customer.

2. Finding employment for 10 million munitions workers plus 10 million returning service men and women.

3. Sale of Government-owned property and its impact on private enterprise.

4. Problems of the over-expanded capital goods and machinery industries.

5. Dislocation of populations due to the shift of war workers.

6. Labor relationships.

7. Taxes.

8. Government debt and deficit financing.

9. Relaxation of war-time Government controls.

10. Inflation.

11. Monetary and banking policies in the transition stage.

12. The special problems of small business.

13. Post-war problems of agriculture.

I think is was Sumner Slicter who raised this question:

What are we going to do about the millions of soldiers returning to peace-time pursuits, eager to work? Matured by their experiences, possessing new and breader viewpoints, they will constitute a vigorous social force with which to reckon. Here is a job which challenges all the abilities, ingenuity and resources of American business and other groups. Upon our success in meeting this unprecedented challenge may depend the survival of a dynamic free society in this nation. We dare not underestimate the staggering proportions of this assignment nor the consequences of failure.

It is obvious that industry's most important problem is marketing. We have mastered mass production, but we have not built up peace-time mass consumption to take the output of our industrial machine running at top speed. The solving of this problem will go far in solving the post-war problem of providing jobs.

The whole distribution system has been seriously and dangerously paralyzed. What we call "markets" have been sacrificed to a large degree to war needs. It will take tremendous sums of money invested in research and sales work, and especially consumer advertising, to repair the damage to markets and distribution.

Advertising, one of the most powerful forces in merchandising, has never been subjected to what we term the scientific approach, except in a very timid and halting manner. Starch is doing an excellent job in measuring the effectiveness of copy. But I mean getting down to the roots and studying causes. It might be said that advertising is to merchandising what electricity is to production. Think of the great men of science, the electrical wizards and research laboratories, who are studying electricity. Where would we be in this war without electricity? The prospects of electronics in the post-war period are positively thrilling. But what do we hear about post-war advertising? What great universities, laboratories and wizards are studying merchandising, especially advertising, to the same extent as electricity? And why not?

In the post-war period our domestic economy will more than ever before be affected by international considerations. One need only pose the question: What sort of a peace shall we make, one with the United States playing a leading role, at the peace table, and in post-war financial and commercial reconstruction, or one in which we accept outwardly our leadership, but pursue an independent domestic policy? The answer to this question will largely determine the possible implications in the fields of banking, commerce, communications and international relations.

Among the favorable factors is the greatest accumulation of purchasing power which the world has ever seen, including:

1. Liquid savings of individuals and businesses approximating 165 billion dollars.

2. Instalment credits which can be vastly expanded, due to liquidated debts during the war period.

3. Surplus funds of State and municipal authorities.

4. Surplus dollar exchange in foreign hands.

5. Possible long-term credits to foreign governments.

6. UNRRA purchases.

A balance sheet appraisal of the most favorable aspects on the asset side and the difficult problems of solution on the liability side leads me to the conclusion that although we face a great crisis with all of its potential dangers we likewise face the greatest opportunity in our history.

It is my opinion that CED can grasp this opportunity, and can play the greatest role in the industrial history of our country provided it continues to adhere to its single purpose objective.

Through CED leadership we must attain statesmanship in our industrial planning and in every phase of our economic life. The responsibility for taking our planning activities from the blue print stage, and for bringing them to the action stage, must not be that of a small group, but individually and collectively, of every citizen, business organization, whether large or small, and representative of industry, labor, or government.

Through the coordinated effort of all, and the whole-hearted support and faith of public and government in creating the proper post-war environment, industry can lead the way for a high level of production and employment, and an era of prosperity such as this country has never before known in peace-time.

Mutual Funds

From Mid-Year Reports

Massachusetts Investors Trust—Concluding its 20th year of operation, **MIT** reports a total of 54,848 shareholders on June 30, 1944, a new high figure which compares with 200 shareholders on Dec. 31, 1924, the year in which the fund was established.

Net assets on June 30, 1944, amounted to $153,547,373, equal to $22.22 per share on the 6,909,970 shares outstanding. These figures compare with net assets of $144,341,829, equal to $20.95 on March 31, 1944.

* * *

Incorporated Investors — Total net assets on June 30, 1944, amounted to $53,936,461, as compared with $49,600,987 at the end of the first quarter. In the three-months period covered by the report, net asset value per share increased from $20.84 to $22.76, or 9.2%.

William A. Parker, President of Incorporated Investors, devotes the major part of his letter to stockholders to a discussion of the investment policy which the management has pursued in recent years. Mr. Parker describes it as "flexible and unprejudiced for or against any industry." The results have been excellent as shown by the rise in net asset value per share of Incorporated Investors to $22.76 on June 30, 1944, from $12.13 on Dec. 31, 1941. This is an increase of approximately 88% and does not include dividends totaling $1.97 per share which were declared during the period.

* * *

Fundamental Investors, Inc. — Mr. Philip W. K. Sweet, President, reports that "assets of the company have increased more than one and a half million dollars during the last six months." On June 30, net assets totaled $11,335,021, compared with $9,682,308 at the year-end.

* * *

Keystone Custodian Funds Series "B1" and Series "K2" — Net assets of the Series "B1" on June 30, 1944, amounted to $2,734,467 compared with $2,237,383 at the close of 1943. Net assets of Series "K2" rose from $1,265,503 to $2,005,555 during the first half of 1944.

Combined net assets of the 10 Keystone Custodian Funds stood at $87,000,000 on Aug. 1, representing a gain of $24,000,000 in the last 12 months.

* * *

American Foreign Investing Corp.—Net assets were $1,006,325 on June 30, 1944.

Selected American Shares, Inc.—In the first half of 1944 net assets rose from $9,179,481 to $10,378,511, with asset value per share increasing from $9.16 to $10.16.

Chemical Fund, Inc.—Net assets on June 30, 1944, totaled $10,665,530, compared with $10,509,844 at the end of the first quarter.

Broad Street Investing Corp. — Net assets on June 30, 1944, amounted to $6,731,384, equal to $29.70 per share.

Eaton & Howard Balanced Fund—In the first half of 1944, net assets increased from $6,540,200 to $8,295,900.

In the Mailbag

"A Comparative Study of Economic Conditions" in World Wars I and II in **Calvin Bullock's** July issue of **Perspective**. . . .

A review of the mid-year standing of the various contestants in the **Hugh W. Long & Co.** Industry Selection Contest is given in the July 15 issue of **The New York Letter**. The market performance of the various industry groups is also shown, with railroad, automobile, business equipment, building supply and machinery leading in that order. . . .

"Just By Moving a Decimal" **Lord, Abbett** shows, in a recent issue of **Abstracts**, what an advance from $1.84 to $3.96 looks like for **Affiliated Fund** when translated into a ten-fold higher price. It spells the equivalent of a move from 18⅜ to 39⅝. . . . A later issue of **Abstracts** quotes the comments of certain rail bond authorities on the vulnerable position of lower grade railroad bonds. . . .

National Securities & Research Corp. discusses "The Proposed International Monetary Fund and World Bank" in the current issue of **Investment Timing**. . . .

Distributors Group — A little stuffer folder "Profits vs. Income"; new issues of **Railroad Equipment News** and **Steel News**. . . . **Lord, Abbett — Composite Summary** folder for August, covering the

(Continued on page 596)

Railroad (Bond) Shares

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS GROUP, INCORPORATED

63 WALL STREET, NEW YORK 5, N.Y.

NATIONAL SECURITIES SERIES

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LOS ANGELES, 634 S. Spring St., (14)
BOSTON, 10 Post Office Square (9)
CHICAGO, 208 So. La Salle St. (4)

SELECTED AMERICAN SHARES INC.

Prospectus may be obtained from authorized dealers, or

SELECTED INVESTMENTS CO.

135 South La Salle Street
CHICAGO

Keystone Custodian Funds

Certificates of Participation in Trust Funds
investing their capital as follows:

SERIES
B-1, 2, 3 and 4 IN BONDS

SERIES
K-1, 2 IN PREFERRED STOCKS

SERIES
S-1, 2, 3, 4 IN COMMON STOCKS

Prospectus may be obtained from your local investment dealer or

THE KEYSTONE CORP. OF BOSTON
50 CONGRESS STREET, BOSTON, MASS.

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War And Gold—A Russian View

(Continued from page 583)

much gold was bought from other countries. Figures of actual U.S.A. gold imports do not answer this question as, on the one hand, part of the gold imported by the U.S.A. was not sold to the Treasury but was deposited on foreign account, and on the other, gold deposited in the U.S.A. even before the war was sold to the Treasury. Nevertheless we are giving figures of actual U.S.A. gold imports from non-British countries.

Actual U. S. A. Gold Imports From September, 1939 to December, 1941
(In millions of dollars)

From France	241.9
From Sweden	188.1
From Holland	106.6
From Switzerland	100.8
From Portugal	75.1
From Italy	59.7
From Norway	44.4
From Yugoslavia	16.3
From Hungary	11.9
From Spain	10.4
From Belgium	1.0
From Argentina	59.1
From Mexico	56.5
From Colombia	54.9
From Chile	14.4
From Brazil	10.8
From The Philippines	93.7
From Japan	179.7
From China and Hong-Kong	43.0
From Dutch Indies	20.6

Imports of gold from France, Holland, Norway, Yugoslavia and Belgium took place of course before these countries were occupied by Germany. Import of gold from such neutral countries as Sweden, Switzerland and Portugal also was essentially continued only until 1940, and already in 1941 had decreased to an insignificant amount. Gold imports by the U.S.A. from Italy and Hungary continued in the period between the beginning of the war in Europe and the entry of these countries into the war. Considerable gold imports from the Latin American countries and from the Philippines continued even in 1941. Gold imports from Japan were already in 1941 very insignificant owing to the limitation of Japanese-American trade and other measures. Thus, the American gold reserve grew mainly during the first period of the war before the passing of the lend-lease law for armaments and materials.

Germany's loot of gold in occupied countries is a matter of great interest. Not only were the centralized gold reserves of these countries looted, but also gold and gold articles belonging to the population.

Of the occupied countries France held the first place in respect of its gold reserves. At the beginning of the war France held a centralized gold reserve 50% larger than that of England. We see that the actual gold imports from France into the U.S.A. before the capitulation totalled 242 million dollars. In addition, part of the French gold reserve was deposited in the U.S.A. before the war, but this part can not have been very large as all the foreign gold deposited in the U.S.A. at the outbreak of the war amounted only to one milliard dollars. A certain part of the French gold reserve was apparently brought out of France before the capitulation and deposited in England. According to estimates, out of the gold reserve held by the Bank of France comprising two thirds of all the centralized French gold reserve at the outbreak of war, 23.8% is in the U.S.A., 11.9% in England and 11.9% in Canada. The principal part of the French gold, i.e. 47.6% of the Bank of France's gold reserves, was taken to French West Africa (Dakar), and possibly partly secured by the Allies when they occupied Dakar. Finally 4.7% of the gold reserves were on the island of Martinique and in other French colonies out of reach of the Germans. In this way the Germans, apart from the gold which they succeeded in pumping back into France out of Dakar before its occupation by the Allies, can hardly have benefited very much on account of the French gold reserve.

The Germans have tried in every way to confiscate gold from the population. Already on June 14, 1940, the Germans declared the compulsory registration of all privately owned valuables, and opened the safes of the banks, etc.; as the accumulation of gold in private hands was fairly large in France, the looting of this gold may have given the Germans a considerable amount.

In respect of its gold reserves, Holland held the second place among the occupied countries. At the time of the German occupation her gold reserves had reached the figure of 650 million dollars. According to a statement made by Dutch Minister of Finance who arrived in London from Holland in May, 1940, only two thirds of this gold was taken out of Holland, and therefore, the Germans got about 200 million dollars of bank gold from Holland. Besides this a fairly considerable amount of gold fell into their hands by means of "requisitioning" privately held stocks.

At the time of the occupation the Belgian centralized gold reserve amounted to 734 million dollars. The greater part of this reserve was taken out of Belgium before the Germans came in. Two hundred and sixty million dollars were deposited by the Belgian National Bank in the Bank of France and taken to Dakar together with the French gold. Later on instructions from Berlin all this Belgian gold was transferred on aeroplanes back to Belgium by the Vichy Government and handed over to the Germans. Later on the Belgian Government in London obtained a decision from the American law courts, according to which an arrest was put on French funds in the U.S.A. for an amount equal to the value of the gold handed over to the Germans. In addition, the Germans succeeded in getting part of the gold privately owned in Belgium.

The fairly large gold reserve of the Norwegian Bank had already been taken out of Norway at the time of the German attack and was deposited in the U.S.A. and Canada.

The Polish gold reserve was also taken to England and did not fall into the hands of the Germans.

The fate of the Czechoslovak gold reserve is interesting. After the occupation of the Sudetenland the Germans received from the Czechoslovak National Bank 16 million dollars' worth of gold in return for transferring to the bank the Czechoslovak kronas withdrawn from circulation in the Sudetenland. The major part of the remaining Czechoslovak gold reserve was exported in good time and did not get into the hands of the Germans. However, about 25 million dollars were deposited in the Bank for International Settlements, which in its turn deposited this gold in the Bank of England. In accordance with the policy of "appeasement" then being carried out by Chamberlain, this gold was handed out to the Reichsbank, which in this way received Czechoslovak gold worth 25 million dollars.

The Yugoslav gold reserve (77 million dollars at the time of the occupation) and the Greek (28 million dollars) were saved from the Germans.

The Danish gold reserve was also chiefly placed abroad. The Germans, however, found new means of looting the Danes. The American paper "PM" wrote in its issue of May 18, 1941: "The looting of gold in Copenhagen is a good example of commercial trickery by the Hitlerites. The Germans made the National Bank in Copenhagen turn its gold into rings, cups, etc., and then the Germans bought up these articles with their occupation marks and sent the gold to Germany. They also compelled the bank to buy up gold rings, watches, etc., and all this was also sent to Germany." Already when Austria was occupied the German Reichsbank had taken the Austrian gold reserve, which at that time amounted to 49 million dollars and was not included in the data published concerning the German gold reserve. In this way, the Germans nevertheless managed to loot in the occupied countries a considerable amount of gold, although the predominant part of the centralized gold reserves was saved. Besides, Germany in point of fact holds at its disposal the gold reserve of her "allies"—Hungary, Rumania and others.

All this loot of gold was carried out by Germany at the same time as the pumping out of goods from the occupied and vassal countries, pressed into a Procrustes' bed of clearing agreements. It is clear that in such "trade" relations with these countries Germany does not require gold. The whole of the German press is filled with talk that gold has outlived its meaning and that the significance attached to it is a hellish invention of the U.S.A., England and other important holders and producers of gold. But notwithstanding this loud talk the German-Fascist robbers never scorned to take even the most insignificant quantity of gold, if only this could be found in an occupied country.

The changes which have taken place in the gold reserves of neutral countries are particularly characteristic of the actual part played by gold during the war. The gold reserve of Switzerland on Oct. 23, 1943, was 898 million dollars, i.e. it had increased by 313 million dollars or by 53.5% during the war. This increase was largely due to the conscious policy of the Swiss National Bank which converted its holdings of foreign currency into gold. The accumulation of this currency was, in its turn, connected with the repatriation of capital into Switzerland and with other factors. The same could be observed in Sweden, where the gold reserve amounted to 369 million dollars at the end of July, 1943, i.e. 14 millions more than at the beginning of the war. The growth of the Swedish gold reserve was also dependent on the conversion of foreign currency into gold and is partly connected with payments of insurance indemnities for the sinking of Swedish ships. The same picture can be observed in Turkey, where the gold reserve by the end of July, 1943, had grown to 158 million dollars, i.e. by 128 million dollars or 427%. In this way the most important neutral countries have not only not reduced their gold reserves during the war, but on the contrary have increased them.

Before coming to the drawing up of conclusions concerning the distribution of the world's gold reserves it is necessary to make a brief halt on the question of the production of gold during the war. The world production of gold (excluding the U.S.S.R.) continued to rise during the first years of the war, right up to 1941. From 1,136 million dollars in 1938 it rose to 1,209 million in 1939, 1,279 million in 1940 and to 1,289 million in 1941; in 1942 it was estimated at 10% less than in 1941.

Gold mining increased most of all in the largest producing country, i.e. South Africa. Here it increased from 426 million dollars in 1938 to 504 million dollars in 1941, i.e. by 18 odd per cent. In 1942 it amounted to 494 million dollars remaining approximately on the level of the record year of 1941, and in 1943 to less than 455 million dollars.

In Canada gold mining increased from 165.4 million dollars in 1938 to 186.6 million dollars in 1941 or by nearly 13%; in 1942 it amounted to 168 million dollars and in 1943 to about 126 million dollars.

In West Africa where gold is mostly mined in the English possessions, mining increased from 24.7 million dollars in 1938 to 28.6 million in 1939, and to 32.4 million in 1941, i.e. by 13%. For nine months of 1942 it amounted to 22.7 million dollars.

The position was somewhat different in the other producing countries of the British Empire. In Rhodesia the mining of gold in 1939 was somewhat lower than in 1938, and after a temporary rise in 1940 it decreased again in 1941 to 27.8 million dollars as against 28.5 million in 1938 (for nine months of 1942 it was 20.2 million dollars).

Mining in Australia grew somewhat in 1939 as compared with 1938, but in the following years of war it was reduced very considerably owing to the transfer of labor to war production. Gold mining in 1941 amounted to 51 million dollars as against 56.2 million dollars in 1939 (for nine months of 1942 it was only 31.8 million dollars).

Gold mining in India fell during the years of war and was 9.9 million dollars in 1941 as against 11.3 million dollars in 1938 (for nine months of 1942 it was 7.3 million dollars). In this way gold mining did not develop equally in different parts of the British Empire. However, gold mining as a whole increased considerably during the years of war, and its proportion in the world production (excluding the U.S.S.R.) remained at the pre-war level of 1938 (62.5%).

Of the remaining gold producing countries the largest producer of gold is the U.S.A. During the first years of war gold mining grew considerably (in 1938—178.1 million dollars, in 1940—210.1 million dollars and in 1941—209.2 million dollars). However, after the U.S.A. entry into the war the reorganization of economics to war conditions brought about a drastic reduction in production. During 1942 it amounted to only 121 million dollars, and in 1943 to about 54 million dollars.

A different movement in gold mining was to be seen in the Latin American countries. For instance, in Mexico it fell in 1939 as against 1938, and after a slight rise in 1940 it again fell very considerably in 1941 and 1942. It grew during the war years in Colombia and Nicaragua and also in Chile in the first years, where however already in 1941 a considerable reduction took place. It can be said that before the entry of the U.S.A. and Japan into the second world war gold mining generally grew, and only after this a tendency towards a slight reduction could be observed, which became particularly apparent in the U.S.A., Canada, South Africa and so on. This tendency is as a rule connected with the transfer of workers, materials, etc. to direct war production.

GOLD PRODUCTION
(In millions of dollars)
("Federal Reserve Bulletin," December, 1942, p. 1253)

Year—	World (excl. U. S. S. R.)	South Africa	Canada	West Africa	Rhodesia	Australia
1938	1,136.4	425.6	165.4	24.7	28.5	54.3
1939	1,208.7	448.8	178.3	28.6	28.0	56.2
1940	1,279.5	491.6	185.9	32.2	29.2	55.9
1941	1,288.9	504.3	186.6	32.4	27.8	51.0
1942 (9 months	---	375.7	130.3	22.7	20.2	31.8

Year—	India	U. S. A.	Mexico	Colombia	Nicaragua	Chile
1938	11.3	178.1	32.3	18.2	1.6	10.3
1939	11.1	196.4	29.4	20.0	3.5	11.4
1940	10.2	210.1	30.9	22.1	5.4	12.0
1941	9.9	209.2	28.0	23.0	7.5	9.3
1942 (9 months)	7.3	101.7	23.5	16.2	6.0	5.3

We shall now summarise. The concentration of world reserves of monetary gold in the U.S.A., which had reached an immense amount even before the war, increased drastically in the course of the war, but its further growth had already stopped in 1941. England has spent practically all her centralized gold reserve, but the British Empire as a whole has even now at its disposal quite considerable gold reserves; besides, her position in this respect is defined not only by stock reserves, but also by the fact that she remains the decisive producer of gold. In so far as its flow from countries of the British Empire to the U.S.A. has practically stopped, the current production may now go to replacing reserves. The most important neutral countries have not only not lost their reserves of gold during the war, but have actually managed to increased them. Germany has looted a considerable amount of gold in the occupied countries, but most of it at the expense of private holdings rather than at the expense of centralized reserves which were exported in time. All this proves not only that the U.S.A. and the British Empire will remain very interested in gold, as is for instance emphasized in the English "Economist," but also that other countries are in no way altogether deprived of gold reserves as is sometimes made out.

The question of the so-called price of gold during the war is of great interest. A free market for gold did not exist in the most important countries even before this war was started. War measures limited this possibility still further, and the fixing of firm "prices for gold" by the state became a general practice. The state as a rule is the only legal buyer of gold (excepting such gold as is required for industrial needs).

In view of the absence of a free market for gold its price is formed on an illegal market; in those countries where a more or less free market exists, the price of gold is legally fixed, and then by calculating at the existing rate of exchange this price may be given in any currency.

In order to explain we quote instances from the actual position. The U.S.A. Treasury as the only legal buyer obtains as from January, 1934, an ounce of fine gold of any origin for 35 dollars. This means that one dollar is equal to 1/35th of an ounce of gold, and is the mark of value for this quantity of gold. The English Treasury (and the Bank of England) as the only legal buyer of gold in England obtains it as from the beginning of the war at the "price" of 168 shillings per ounce, which also means that one shilling is the mark for the cost of 1/168th of an ounce of gold, and one £ sterling equals 20/168ths ounces. The correlation of these "prices for gold" in the U.S.A. and England fixes the correlation of the dollar and £ sterling. As both 35 dollars and 168 shillings are equal to one ounce of fine gold, they are equal to one another, and one £ sterling is equal to 4 dollars and 16.66 cents. The small difference between this rate and the one actually fixed (4 dollars 2½-3½ cents) is explained by the cost of transport and insurance of gold.

As both in the U.S.A. and in England the free market for gold has been abolished, legal "market" prices do not exist. In India, however, in Bombay some marketing of gold has been retained. At the beginning of 1943 gold was quoted on this market at 67 rupees per tola (1 tola=180 grains (troy)), i.e. 178 2/3 rupees for an ounce (as against 41 rupees per tola or 109 1/3 rupees per ounce at par). ("The Banker," January, 1943, p. 53.) This means that one ounce of gold was quoted at 268 shillings and not at 168 shillings,

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i.e. one £ sterling on the Bombay market was equal to 20/268 or 10/134 ounces of gold and not to 20/168 ounces. In other words the £ sterling had depreciated on the Bombay market 37.3% in comparison with the official rate. As the official "price of gold" in the U.S.A. is 35 dollars per ounce, and the Bombay market price is 53.8 dollars, we arrive at a depreciation of the dollar of 35% in comparison with the official rate. In this way the fact is disclosed (which cannot be noticed either in England or in the U.S.A. in view of the absence of a free market for gold there) that the £ sterling and the dollar have depreciated and the market has made them equal to a much smaller quantity of gold than that of the official exchange. This at the same time means that prices for goods in England and the U.S.A. in terms of gold are lower than when these prices are calculated on the basis of the official rates.

In conditions of a free gold market this situation would have been impossible. Gold from England, the U.S.A. and other countries would be directed to India against arbitration operations, and the gap between the "gold prices" would be quickly liquidated. In the absence of a free gold market a paradoxical situation arises when the American and English treasuries buy gold much "cheaper" than it could be bought on the market. In other words, the American producer or the English currency fund must sell gold to the U.S.A. Treasury at 35 dollars per ounce, although they could have obtained 54 dollars for the same ounce had they sold it on the Bombay market; and the South African producer must sell his gold at 168 shillings per ounce, although he could realize 268 shillings for it by selling in Bombay. It is clear that this situation gives rise for all manner of illegal deals and speculation. At the same time a gap is formed between the depreciation of the dollar and £ sterling in respect of the gold, measured by the Bombay market, and the depreciation of these currencies in respect of home prices for goods measured at the official "gold price."

When talking of the "future" fate of gold, it must be said that its role as a measure of value will inevitably be maintained so long as production of goods is maintained. This role is quite independent of the existence or absence of a gold standard or of gold circulation. Even inflation (depreciation of money) rests on the role of gold as a measure of value. This role of gold is also not influenced either by the volume or the distribution of the world's gold reserves. The question concerning the role of gold with regard to other functions of money is quite another matter. Generally gold stopped being used for monetary circulation inside individual countries already from the time of the 1914-1918 war. As a means for payment it only comes in times of crisis, when the machinery for credit breaks down. As treasure it played an essential role between the two world wars, and undoubtedly will continue to play it in the future. Even earlier, gold as world money, as Marx pointed out, did not so much play the role of a means of purchase as that of a means of settlement. A number of present day schemes are aimed at bringing this latter role to a minimum.

In this way, although the significance of gold as money changes (and has already changed more than once) in the historic process, nevertheless the role of gold in the monetary system of the capitalistic world will be inevitably maintained independently of the money standards which will be accepted after the war.

Urges "Controlled Decontrol" For Post-War Collaboration

(Continued from page 581)

They consist primarily in establishing simple rules and regulatory mechanisms, by the acceptance of which men are able to cooperate to their mutual advantage.

"The first section of this paper is devoted therefore to stating the need for simple mechanisms to clear and adjust economic transactions between citizens of different countries. Such clearing and balancing of payments must now be organized more consciously and formally than was necessary in the long period of peace before the first World War; but the essential needs remain much as they were then. In particular the mechanisms of clearing and adjustment should be such as to facilitate enterprise and promote active markets leading to abundant production and interchange.

"The second section of the paper surveys some of the more difficult questions of readjustment and reconversion that are likely to arise in the aftermath of war. It would be relatively easy to outline an ideal world of peace and prosperity; but before the foundations of such a world can be laid there is a difficult period of transition to be traversed from war to peace. Here in the United States we know that war-time industries must shrink, equipment must be scrapped or converted, workers must be transferred from war to peace production. This vast process of reconversion must entail shifts not only in production but in prices and costs. In countries that have suffered more directly from the havoc of war these tasks of reconversion and reconstruction will be infinitely more complicated. The second section of this paper is therefore a plea for a period of "controlled decontrol" rather than a hasty abandonment of war controls in an effort to get back at once to the freer economy of peace.

"Finally attention is drawn in the third section of the paper to many important new elements of economic organization that must be taken into account in any attempt to reconstruct international economic collaboration. These derive partly from new industrial and trading techniques, partly from new objectives of social policy, and partly from inevitable shifts in the balance of economic power among the nations. The United States is emerging from this war with its economic capacity and financial strength greater than it has ever been. The structure of its economic activity, however, has changed. The mere fact that it has functioned as the arsenal of democracy is indicative of this change. Account must be taken of these developments in considering the economic policies to be followed in the post-war world."

Demobilization a Domestic Problem

Prof. Condliffe regards the problem of demobilization as one which each nation must solve for itself. "There was never any possibility," he writes, "that some general plan of intergovernmental action could serve to reconvert the world from war to peace. As the time for demobilization draws nearer, it becomes obvious that the patient farmers in the rice-bowl of China, the sheep-raisers in Australia, the farmers and factory workers in the United States, the Soviet Union, and Britain, and all the other specialized producers in these and other lands must contribute the greater share of their own reorganization. The salvation of the occupied lands will depend primarily upon the efforts of their own peoples. The misguided populations of the enemy countries must, in Mr. Churchill's phrase, work their own passage back to acceptance in the family of nations.

"This truth, which constitutes the inescapable argument for restoring the greatest possible degree of individual initiative becomes clearer with every passing day; but the complementary truth must be equally emphasized. Individual initiative, if it is to be constructive, must proceed within a framework of social order. Unless it is articulated and combined to achieve social purposes, individual enterprise lapses into anarchy and defeats its own ends. This paper is not concerned with the reconciliation of individual freedom and social order which must be made nationally within each individual country according to the circumstances and genius of its own people and their traditions. But something needs to be said of the necessity for international order and organization."

Despite his contention that reconversion is a domestic problem, Prof. Condliffe calls for a plan of cooperative international action, particularly in the establishment of an international clearing system. "In order to maintain active and healthy economic activity," he points out, "there must be an effective international mechanism through which goods and services can be exchanged and payments can be cleared. In the absence of such a central mechanism competition becomes destructive. As the governor of an engine absorbs and smooths out irregularities of movement and pressure, the clearing mechanism coordinates the flow and interchange of goods and services. When the governor fails to function, irregular pressures put a strain on the whole mechanism and, if this strain cracks any part, the uncoordinated and uncoordinated pressures may wreck the whole machine. Something very like this happened when the restored international gold standard broke down in 1929-1933. The violent market fluctuations that ensued were like the threshing of a complicated machine of which the governing mechanism had snapped. From time to time, after each successive national currency devaluation, some relief appeared to have been given to different national economies, but the ultimate result of the breakdown symbolized by the collapse of exchange stability was impoverishment for all."

"It may be argued," he continues, "that the greater part of the vigorous economic activity which was so productive of social advancement in the latter half of the nineteenth century was national rather than international. This is true. Indeed it has always been true and must be true in the future as in the past, if prosperity is to be restored. In particular it must be true for the United States which is now the greatest manufacturing country and therefore the greatest buyer of raw materials in the world. Unless there is active production and employment it is unlikely that this country can take an active part in organizing an effective system of international trade. If it does not do so the chances of such a system being organized are remote. Yet it is as unrealistic to consider national economic activity apart from its international repercussions as it is to draw a distinction today between the home front and the battle lines. The connection between domestic and international economic policy is so intimate that for many practical purposes they constitute a single entity. This paper is not primarily concerned with domestic economic policy either in the United States or in any other country; but it

(Continued on page 598)

Canadian Securities
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Canadian Securities

By BRUCE WILLIAMS

It now develops that the Canadian bid for post-war export markets is going to be on a much broader scale than had been previously anticipated in most quarters.

Recognition by the Dominion Government that Canada has become one of the great trading nations of the world is underscored by formation of the Export Credit Insurance Corporation, with capital to be supplied by the Dominion treasury.

Initially, the plan will be supported by a capital fund of up to $30,000,000. Under the insurance and loan provisions of the plan, Ottawa's commitments are limited to guarantees of $200,000,000 at any one time and loans and purchases of foreign government securities up to $100,000,000.

In explaining the measure to the House, Trades Minister MacKinnon stated that: "The essence of export credit insurance is that the exporter enters into an export sales contract with an importer in another country and is able to insure himself on a premium basis in respect of the payment risks that are involved.

"The Export Credit Insurance Corp. that is to be set up in Canada is intended to develop for the assistance of Canadian exporters a business of this kind, and it is the intention that it shall operate on a self-sustaining basis, but that it shall be essentially non-profit making."

Thus, the plan is designed to aid Canadian exports in three ways:

1. It guarantees the obligations involved in contracts to buy goods from Canadian exporters.

2. It provides loans to foreign governments for the purchase of Canadian goods.

3. It permits purchase or guarantee of securities issued by foreign governments to Canadians in payment for Canadian goods.

* * *

Another measure designed to underwrite post-war prosperity in Canada is the proposed "floor" under prices of farm products contained in the Agricultural Prices Support Act introduced by Agriculture Minister Gardiner in the House last week. Provision for an outlay of up to $200,000,000, exclusive of administration expenditures, is called for in the bill.

This measure is decidedly more controversial than the Export Insurance Credits Act, but it points clearly to the fact that Canada is determined to maintain the tremendous gains which she has achieved during the last five war years.

* * *

As was anticipated, the market last week remained a very quiet affair. Veteran traders found it difficult to remember a previous period, even in August, when there was so little activtiy.

The recovery in Saskatchewans continued as a result of a gradual increase on the bid side with no offers to be found. The bids on Canadian Nationals and Dominion external bonds also moved upward slightly, largely as a result of nothing being available on the offering side.

With some of the uncertainty resulting from the current provincial elections due to be cleared up this week, there is reason to hope that before long the stalemate will be broken.

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Unlisted Trading And The Exchanges

(Continued from page 579)

did not materially change. Trading in the unlisted department of the Curb waxed and flourished. To admit to unlisted trading privileges, no consent of the issuer or of security holders was required. Any dealer, member or non-member, could apply for such privilege, accompanying his application with a brief description, cursory statistical data and a lick and a promise that an effort would be made to maintain a market.

Under such conditions, it was inevitable that serious charges of manipulation and deception should develop. As a result of an investigation by Attorney General Bennett of the State of New York in 1933, over 1,000 issues were expelled from unlisted trading with the recommendation that this category be abolished.

Nevertheless, as of Dec. 15, 1935, out of a total of 1,085 stock issues traded on the Curb, 753 were unlisted and out of 543 bond issues, all but 40 were dealt in on an unlisted basis.

In its study of trading in unlisted securities on national exchanges (1936), the Securities & Exchange Commission summed up then prevalent objections to such privileges as follows:

1. Full and accurate information concerning the issuer is vital to the proper functioning of a free and open market. A properly functioning exchange market is therefore impossible for unlisted securities.

2. The Exchange should not have power to determine the market in which a security is to be bought and sold without the consent of the issuer.

3. Exchanges frequently admit securities to unlisted trading when no real market exists on the Exchange. In such cases it is frequently contended that the Exchange quotation reflects only a kind of arbitrage against the over-the-counter market.

4. Manipulative practices have been rife in connection with unlisted trading upon Exchanges.

5. The continuance of unlisted trading will involve an unfair discrimination against issuers of listed securities and will, because of such discrimination, tend to discourage listing and encourage delisting.

6. As a practical matter, it is extremely difficult to bring home to the investing public the distinction between a fully listed security and one admitted to unlisted trading privileges.

The report then proceeded to a rebuttal of the objections, in effect, as follows:

1. A rule providing for the registration of all securities, including those dealt in over-the-counter, would serve to provide considerable information on all issues. National Exchanges could establish a limited basis for information which would serve the purpose for unlisted trading.

2. As to whether the issuer or the applicant Exchange should possess the right to determine the market place for a security, the Commission recognized the sole right of neither, and recommended that the Commission be vested with the power of determination "in the public interest."

3. The report conceded that, in the past, there had been many evidences of granting unlisted privileges to securities which had no real market on the Exchange. The Commission averred that it possessed the power to weigh the controlling factors of adequate distribution and local trading activity and to issue orders based on the merits of individual applications.

4. Again conceding the prevalence of past manipulative and deceptive practices, the report referred to Sections 9 and 10 of the Act which provide sanctions against such practices.

5. The report admitted that the exemption of securities granted unlisted privileges from Sections 12, 13, 14 and 16 of the Act (which sections, respectively, deal with registration of securities, periodical and other reports, solicitation of proxies and liabilities of directors, officers and principal stockholders) "seemed unfair," but added that, for practical reasons, the discrimination should be eliminated by gradual adjustment rather than by precipitous change.

6. In respect to confusion in the mind of public between fully listed securities and those admitted to unlisted trading, the report stated that the Commission required that quotations by ticker differentiate between listed and unlisted issues by adding the letter "L" to quotations for listed securities. The Commission admitted, however, that its power to require this differentiation did not extend to persons unconnected with Exchanges, such as newspapers. Thus the confusion continues to exist.

The report further advanced the case in favor of unlisted trading on Exchanges by alleging (a) the probable danger of a serious decline in security values if securities now admitted to unlisted trading should be precipitated onto the over-the-counter markets, and (b) the risk that the smaller Exchanges will lose many of those securities the issuers of which may elect to seek listing rather than to go over-the-counter.

In studying the above pros and cons of the unlisted trading question, it should be remembered that these views were based on conditions as they existed approximately ten years ago, at which time the SEC was somewhat in awe of the vast, over-the-counter market, which it considered unorganized, unregulated and extremely difficult to "police." Thus it may have appeared wiser — and certainly more expedient—at that time to recommend the continuance and extension of unlisted trading privileges on Exchanges from the single standpoint of more feasible surveillance. This thought seems to have received outstanding and almost exclusive basic consideration.

But, since 1936, the SEC has formulated and put into effect many rules and regulations relating to the transaction of business over-the-counter. These rules effectively regulate and control almost every conceivable activity, from the registration of brokers, dealers and securities down to the prescribing of approved confirmations and office forms. The over-the-counter market remains "vast," but it is no longer "unregulated."

Thus the expediency motive so apparent a decade ago can no longer properly be offered in defense of an outmoded philosophy.

Yet, in evidence of a consistent continuation of that philosophy, the granting of unlisted trading privileges on Exchanges reflects no important change. As of Jan. 1, 1944, the New York Curb record disclosed a total of 1,019 stock listings, of which 543 "enjoyed unlisted trading privileges." Of a total of 210 bond issues eligible for trading, only 26 were fully listed.

We believe it is proper to suggest that the Securities & Exchange Commission re-examine the subject of unlisted trading privileges on Exchanges in its entirety. *It is extremely doubtful that the conclusions of 1936 could be honestly arrived at today.* It is rather more likely that the intent of Congress, as expressed in the original act, would be reaffirmed and translated into action and that this hybrid classification would be eliminated.

We have traced the continuing philosophy of the SEC favoring the listing of securities, either fully or by admitting to unlisted trading privileges. We have seen that, in pursuance of its preference for auction markets, the Commission has persistently ignored virtually all relevant factors except that of expediency. We have examined the understandable support of this philosophy by the members of national Exchanges.

Special and Secondary Offerings

Now we arrive at something of a paradox. Members of the national Exchanges, alert to their own interests, have been quick to recognize the value of over-the-counter methods and procedures, particularly in instances when the facilities of the Stock Exchange have proved inadequate for the job at hand. Frankly adopting the profit motive inherently present in retail salesmanship, the Exchanges have brought to a high state of development the marketing devices known as "Special Offerings" and "Secondary Distributions." In simplest terms, these designations are applied to the distribution of securities at net or fixed prices under arrangements whereby the profit paid to the distributor is substantially in excess of the stated comparable Stock Exchange commission.

Shields & Co., members of the New York Stock Exchange, have been prominently identified with this type of distribution. In a brochure entitled, "A Review of Special Offerings and Secondary Distributions, Jan. 1, 1940, to Dec. 31, 1943," the firm lists a total of 1,085 such offerings, embracing the distribution of something over 23,000,000 shares of stock. That the allowable profits incident thereto are generous compared with fixed Exchange commissions may be observed from the following excerpts:

From the following examples, it will be seen that commissions paid ranged as high as ten times the equivalent Stock Exchange commission and, in some instances, the profit exceeded 10% of the amount involved. The profit motive in merchandising securities has been liberally employed in the distribution of blocks too large to be readily absorbed in auction trading. There is no fault to be found with this procedure. It possesses distinct advantages to the sellers, who, in most instances, are administrators, trustees or liquidators of estates. It is fair to the buyers who are assured of an adequate offering at a fixed price. And it affords the distributing dealers and brokers a reasonable profit for the salesmanship involved. We quote from Shield's brochure:

"We believe that the distribution of blocks of securities having investment qualities represents an opportunity for security houses to render a real service to their customers in the field of intelligent merchandising."

Date—	Security	Shares	Price	Selling Group Commission	Stock Exchange Commission
4-16-40	Florence Stove Co.	40,000	36⅝	$1.00	$.2166
4-26-40	Merchants Fire	6,000	48	2.50	.2450
12-10-40	Parke, Davis	50,000	30	1.25	.2000
12-11-40	Hammermill Paper	30,000	25⅜	2.25	.1891
3-21-41	Servel, Inc.	50,000	9¾	.62	.1400
6- 2-41	Fairbanks Morse	9,500	35	1.00	.2165
6- 5-41	F. W. Woolworth	50,000	27½	1.00	.1938
12-18-41	Western Auto	5,000	19	1.25	.1725
12-23-41	Bond Stores	32,000	18¼	1.25	.1706
1-26-42	Great Atl. & Pac.	2,272	80½	2.50	.3263
4- 1-42	Cinti. Sub. Tel.	3,000	63	2.25	.2825
5- 1-42	Hartford Steam Boil	1,300	45	2.00	.2375
5-13-42	Standard Stoker	6,000	17	1.50	.1625
6- 3-42	Anheuser-Busch	9,290	56	4.00	.2650
10-13-42	National Linen	19,148	27	3.00	.1925
12-24-42	Lionel Corp.	10,000	9	.50	.1400
3- 1-43	Sunray Oil	70,000	3½	.25	.0800
1-13-43	Kendall Refining	12,100	13¼	1.00	.1581
4- 1-43	Int'l Cigar Mach.	1,000	13⅜	1.00	.1584
4-21-43	Sloss, Sheffield	7,650	110	5.00	.3500
6- 7-43	Electric Pow. & Lt.	1,730	28½	1.00	.1963
7- 9-43	Diamond Alkali	3,700	58½	2.00	.2713
10-25-43	Muskogee Co.	2,650	6¾	.68	.1100

Thus is the inter-relationship of the listed and over-the-counter divisions of the securities business graphically illustrated.

Merrill Lynch, Pierce, Fenner & Beane, one of the country's largest member houses, with 88 offices located in 29 States, Washington, D. C., and Cuba, is keenly and aggressively aware of the interlocking elements of the business. The following are excerpts from the firm's 1943 Annual Report:

"Last year the firm's Off-Board revenue increased $583,000 although its percentage of the firm's total security and commodity revenue declined from 18% in 1942 to 13.4% in 1943. We participated in the distribution of 128 primary and secondary offerings.

"Our Off-Board Trading Department, through our offices and wire network, offers unique access to nation-wide supply and demand for unlisted securities such as Governments, State and Municipal bonds, bank, trust and insurance stocks, as well as thousands of important corporate issues. . . . During 1943, this Department handled an average of 6,000 quotations daily and completed 63,301 transactions in unlisted securities, 13,494 more than in 1942. The volume of the firm's business in U. S. Governments was more than tripled over 1942. . . . The firm underwrote or participated with other houses in 24 issues of bonds and 51 offerings of common stocks. Here is an example of a firm alert to the extensive and diversified opportunities afforded by the broad field of investments and finance and fully cognizant of their over-lapping relationships."

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 154
Common Dividend No. 138

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1944, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1944, to holders of record September 7, 1944. The stock transfer books will remain open.

J. P. TREADWELL, JR.
July 26, 1944 *Secretary*

RADIO CORPORATION OF AMERICA

Dividend on First Preferred Stock

The Directors have declared, for the period July 1, 1944 to September 30, 1944, a dividend of 87½ cents per share on the outstanding $3.50 Cumulative First Preferred Stock, payable October 2, 1944 to holders of record at the close of business September 8, 1944.

GEORGE S. DE SOUSA
Vice-President and Treasurer
New York, N. Y., August 4, 1944

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

• THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending September 30, 1944, payable October 2, 1944, to holders of such stock of record on the books of the company at the close of business September 6, 1944.

Common Stock Dividend

• THE regular quarterly dividend of Forty Cents (40c) per share on the Common capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending September 30, 1944, payable September 15, 1944, to holders of such stock of record on the books of the company at the close of business August 17, 1944.

FRANK B. BALL, Secretary.
August 9, 1944.

Atlas Corporation

Dividend on Common Stock

NOTICE IS HEREBY GIVEN that a dividend of 25¢ per share has been declared on the Common Stock of Atlas Corporation, payable September 11, 1944, to holders of such stock of record at the close of business August 14, 1944.

Dividend No. 32 on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending August 31, 1944, has been declared on the 6% Preferred Stock of Atlas Corporation, payable September 1, 1944, to holders of such stock of record at the close of business August 14, 1944.

WALTER A. PETERSON, *Treasurer*
August 3, 1944.

THE ATLANTIC REFINING CO.

COMMON DIVIDEND NUMBER 156

At a meeting of the Board of Directors held July 31, 1944, a dividend of twenty-five cents per share and a special dividend of twenty-five cents per share were declared on the Common Stock of the Company, payable September 15, 1944, to stockholders of record at the close of business August 21, 1944. Checks will be mailed.

W. M. O'CONNOR
July 31, 1944 *Secretary*

THE BUCKEYE PIPE LINE COMPANY
30 Broad Street

New York, July 29, 1944.

A dividend of Twenty (20) Cents per share has been declared on the capital stock without par value of this Company, payable September 15, 1944 to shareholders of record at the close of business August 18, 1944.

C. O. BELL, Secretary.

Mutual Funds

(Continued on page 593)

Lord-Abbett group of investing companies; a revised folder on **Affiliated Fund**; a new prospectus on **Union Trusteed Funds**. . . . **Hare's Ltd.**—A folder on the advantages of trading in the groups of **Institutional Securities, Ltd.**

Dividends

New England Fund—A quarterly dividend of 15¢ per share payable July 31 to shareholders of record July 21, 1944.

American Business Shares—An extra dividend of 5¢ per share payable Sept. 1, 1944, to stockholders of record Aug. 15.

Keystone Custodian Fund "K1"—A regular semi-annual distribution of 65¢ per share and a special distribution of 55¢ per share, payable Aug. 15, 1944, to shareholders of record July 31.

Institutional Securities, Ltd.—A dividend of 2¾¢ per share payable Sept. 30 to **Bank Group** shareholders of record Aug. 31.

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Spahr Notes Discrepancies In FDR's 1933 Money Policy And Sec'y Morgenthau's Present Views

Prof. Walter E. Spahr, in the August issue of *Monetary Notes*, published by the National Committee on Monetary Policy, calls attention to the change in the Administration's policy regarding currency stabilization since President Roosevelt on July 3, 1933, sent his telegram recalling the American delegates from the World Economic Conference.

Dr. Walter E. Spahr

"The principal grounds on which so many economists and others deplored the Roosevelt telegram of July 3, 1933, which wrecked the World Economic and Monetary Conference in London,'' writes Prof. Spahr, "were not that settlement of basic economic factors did not precede currency stabilization but that the London Conference was designed (1) to solve those problems and to open up foreign trade, and (2) to prepare the way for currency stabilization and a thoroughgoing return to an international gold standard. They objected to the President's excuses, for torpedoing that conference, which were not then pertinent. They condemned his adoption of the policy of currency depreciation and devaluation as a means of raising prices and generating recovery in this country. Many of these economists regarded his wrecking of that conference as one of the great catastrophies of modern times. Some even thought that the conference, had it been permitted to fulfill its purposes, might have enabled the world to avoid the present war.

"Now, some of the President's arguments of 1933 are pertinent to the problems of 1944 in so far as the proper order of attack on international economic and monetary problems is concerned. Today Europe is in a state of chaos. Several countries lack even governments; and the proper order of procedure is, as stated by *The Economist* (London) of May 20, quoted above: first, there must be a stable government; next, the economic conditions that undermine the value of a nation's currency must be corrected, and, last of all, comes currency stabilization.

"Now, Secretary Morgenthau puts currency stabilization first—even before governments are established in several of the countries concerned with this monetary enterprise, and before any serious effort is made to determine what the international political machinery is to be. And, furthermore, be it noticed, the so-called 'stabilization' provided for in the plan for the International Monetary Fund is not real stabilization, such as so many monetary economists wanted in 1933 and want now, but rather a plan for manipulation of monetary standards. It would again unfix our standard gold unit and subject the American people to the uncertainties that surround a monetary standard whose unit of value may be changed at any time.

"The present contentions of Secretary Morgenthau have no better foundation than the unwarranted observations of the President in his message of July 3, 1933. And, moreover, the latter are in sad conflict with the various pronouncements made by the President just prior to the meeting of the London Conference—for instance, his statements issued jointly with Prime Minister Ramsey MacDonald of Britain (April 23-26, 1933); with Prime Minister Bennett of Canada (April 27, 29); with M. Herriot of France (April 28); with Finance Minister Jung of Italy (May 6); with Dr. Schacht of Germany (May 12); with Finance Minister Soong of China (May 18); with Viscount Ishii of Japan (May 27); with Senor Torres of Chile (June 3). In his fireside chat of May 7, 1933, the President said of his conferences with the representatives of foreign nations regarding the planned London Conference:

"'In the conferences which we have held and are holding with the leaders of other nations, we are seeking four great objectives: first, a general reduction of armaments and through this the removal of the fear of invasion and armed attack, and, at the same time, a reduction in armament costs, in order to help in the balancing of government budgets and the reduction of taxation; second, a cutting down of the trade barriers, in order to restart the flow of exchange of crops and goods between nations; third, the setting up of a stabilization of currencies, in order that trade can make contracts ahead; fourth, the reestablishment of friendly relations and greater confidence between all nations.

"'. . . The international conference that lies before us must succeed. The future of the world demands it and we have each of us pledged ourselves to the best joint efforts to this end.'—*The Public Papers and Addresses of Franklin D. Roosevelt* (Random House, New York, 1933), Vol. II, p. 167.

"In his appeal to the nations of the world, May 16, 1933, President Roosevelt said: '. . . To these ends the nations have called two great world conferences. The happiness, the prosperity, and the very lives of the men, women and children who inhabit the whole world are bound up in the decisions which their governments will make in the near future. The improvements of social conditions, the preservation of individual human rights, and the furtherance of social justice are dependent upon these decisions.

"'The World Economic Conference will meet soon and must come to its conclusions quickly. . . .'

* * *

"'Common sense points out that if any nation refuses to join with genuine sincerity in these concerted efforts for political and economic peace, the one at Geneva and the other at London, progress can be obstructed and ultimately blocked. In such event the civilized world, seeking both forms of peace, will know where the responsibility for failure lies. I urge that no nation assume such a responsibility, and that all the nations joined in these great conferences translate their professed policies into action. This is the way to political and economic peace.

"'I trust that your Government will join in the fulfillment of these hopes.'—*Ibid*., pp. 185-186, 187-188.

"Then on July 3 he sent the message that wrecked the London Conference."

Railroads Are Prepared

Patrick B. McGinnis, in an interesting study issued by Pflugfelder, Bampton & Rust, declares that "Financially the Railroads are prepared for Post-War." Copies of this study may be had upon written request from Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange.

Municipal News & Notes

The forthcoming offering, on Aug. 15, of $17,671,000 Port of New York Authority general and refunding bonds of 1974 is likely to attract keen competitive offers from various syndicates. Outstanding bonds have been consistently strong for some time now and the prospect of an early end of the European war and a collateral diminution in the restraints on passenger car travel, suggests an extension of present market strength. While pleasure driving bans, etc., have naturally curtailed revenues of the interstate agency, the impact has not been unduly severe and certainly not as pronounced as that experienced by some other agencies catering to automotive travel.

As a matter of fact, the record shows that the facilities of the Port Authority have been an important factor in the nation's war economy. This was pointedly demonstrated in figures released July 27 by Chairman Frank C. Ferguson (see Aug. 3 issue, page 505), which showed that 75% of the traffic moving over the Authority's bridge and tunnel facilities is in the highly essential class.

Although passenger car traffic is still considerably below the pre-war volume, a decided improvement is indicated in this category. During the first six months of 1944, such traffic totaled 9,255,465 vehicles, as compared with 10,670,195 in the same period in the normal year of 1941. The 1944 aggregate, however, compares with only 6,279,308 in the first half of 1943.

The number of all types of vehicles using the Authority's crossings in the initial half of 1944 was 13,046,155, as against 13,764,216 in the corresponding period of 1941. The 1944 figures included, for the first time, 413,504 military vehicles. All of these comparative figures serve to indicate the vital importance of the Authority's facilities in both war and peacetime. Moreover, with the return of normal passenger car travel, it is not difficult to foresee the marked expansion in traffic and revenues in prospect for the agency.

In announcing his intention to receive bids until Aug. 15 on the new issue of $17,671,000 refundings (8th series), Chairman Ferguson said that the proceeds of the sale are to be applied toward the redemption of an equal amount of 6th series general and refunding 3s of 1975, which first become callable on Dec. 1, 1945, at 103. If necessary, the Authority will make up the difference between the amount received for the new issue and the sum required for the redemption operation from its general reserve fund. Mr. Ferguson also stated that bidders for the new bonds must name a coupon rate not exceeding 2%.

The last previous appearance of the Port Authority in the long-term capital market was in August, 1943, at which time an issue of $14,281,000 2¾% 7th series refundings of 1973 were awarded. The successful bidder was a syndicate headed by C. J. Devine & Co., New York, which purchased the issue at a price of 101.33711, a net interest cost to the bridge agency of 2.68%. This was the lowest interest cost ever attained by the Authority on long-term borrowings in the 17 years it had been marketing bonds. In addition to the successful group, several other syndicates competed for the issue, with the second high bid of 100.831 being tendered by Halsey, Stuart & Co., Inc., and associates. An account headed by Blyth & Co., Inc., named a price of 99.3099.

Miami Beach, Fla., Tax Roll 99% Collected

The City of Miami Beach, Fla., had collected by June 20 all but $6,404.24 of a total tax roll of $1,722,686.50, according to City Clerk C. W. Tomlinson. Collections represented more than 99% of the amount due and the excellent results were ascribed by Mr. Tomlinson as a reflection of the soundness of Miami Beach, and the stability of general business, housing, real estate and other factors in the local economy.

Miami Beach, by the way, is scheduled to open bids Aug. 16 on an offering of $1,670,000 public improvement bonds. The offering consists of three series: $920,000 Bay Shore Golf Course bonds, $500,000 water supply bonds, and $250,000 sanitary sewer pumping system bonds.

All three issues mature serially from 1946 to 1964 incl. and are noncallable. Although bids may be for all of the bonds or for any individual issue, the rate of interest in any case must not exceed 3½%. The offering represents one of the largest pieces of new capital financing in the Florida municipal market in many months.

Atlantic City Refunding Approved By State Body

Now that the New Jersey State Funding Commission has approved Atlantic City's projected $22,119,000 refunding operation, the next step will be formal promulgation of the plan for consideration of the creditors. In announcing that the commission had approved the plan on Aug. 4, Chairman Walter R. Darby stated as follows:

"The plan will result in an over-all saving to the taxpayer in excess of $3,400,000 over and above all fees and expenses necessary to put the plan in operation. The interest cost, which averages 4.221% on the outstanding bonds which are to be refunded, will be reduced to 3.117% on the new bonds, a reduction of 1.104% on the entire debt of the city. During the time the plan has been before the commission it has been possible, with the concurrence of the city and the bankers, to make modifications which have resulted in this very low average interest cost."

Mr. Darby also observed that as a result of the plan, which was prepared for the city by Stifel, Nicolaus & Co., investment bankers of Chicago and St. Louis, and Wainwright, Ramsey & Lancaster, municipal finance consultants of New York City, the city's annual budget appropriations for debt service over the next twenty years will be materially reduced. The reduction, Mr. Darby said, will range in amounts between $143,000 and $85,000.

Under the plan, the city will replace its present indebtedness consisting of $20,433,000 general obligations and $1,686,000 of water debt, with new refunding instruments bearing lower interest rates. Atlantic City's financial structure has been materially improved in recent years and this fact alone augurs well for the success of the impending operation. Despite the lower rate contained in the new refunding bonds, the return to investors is still substantial, particularly when compared with the yields now available on municipal bonds generally.

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.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 584)

became available; the following coming into the list: Bendix bought between 37½ and 38½; Lockheed bought between 16 and 17 and U. S. Steel bought between 57½ and 58½. The prices on Bethlehem, Douglas, and Jones and Laughlin remain the same.

* * *

As far as stops are concerned they remain the same as given here last week. If you wonder why stops, when I believe prices are headed higher, the answer is that there are always possibilities of accidents that cannot be guarded against without some kind of protection. While there is no protection that is absolutely safe I have long ago discovered that putting a stop below a stock is one of the methods that has proven its value.

From the action of the tape it doesn't look like stocks will start up for a while yet. I believe they will continue their sporadic declines during which dullness will dominate. But on this decline I think more and more stocks will develop a resistance to selling that will be the tip off to the next phase. Among the leaders of this rally the steels appear likely to stand out. The airplanes also seem to possess the kind of market action which indicates better prices. It is obvious that few so called logical reasons can be found to explain why these groups can go up.

* * *

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.*]

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Says Independent Poland Essential To Continental Democracy

(Continued from page 579)

selves over such things, for example, as future national boundaries before we have won the united victory which alone can give us the right to control the answers to such questions. The first and paramount necessity is to win this military war with maximum speed and minimum casualty. Dominating every other impulse, we want victory—and then we want our soldier-sons back home.

"On the other hand, we cannot too often remind ourselves—and our allies—of the solemn promises which we have exchanged with each other, of the ideals and objectives which we have mutually sworn to defend—all for one and one for all—and of the obligation which our statesmanship owes to these soldier-sons to match their courage with our own in clinging relentlessly to the winning of a just and lasting peace. We cannot too often search our souls to find if we are keeping faith, or whether we are drifting, or whether we are compromising with expedient appeasement. At least, we of America certainly have the right to discuss events as frankly as do our major allies. We do not have to be the only silent partner in this enterprise.

"And so, upon this occasion, I speak of Poland, typifying other conquered lands; and necessarily I speak of Russia. I would not withhold from Russia any measure of exalted credit for the magnificent and invincible battle, at awful cost and against awful odds, which she wages against our common foe. On the contrary, I proclaim the tremendous fact. I would not withhold full and free and grateful acknowledgment of the cumulative debt which all the United Nations, ourselves included, owe to the Soviet Socialist Republics for the indispensable and intrepid heroism with which they have hurled back the Hitler Huns and brought the hour of our common victory infinitely nearer. I would not withhold the expression of our prayerful hopes that despite the basic difference in our ideologies, these bonds of war shall be cemented in the subsequent bonds of a friendly and cooperative peace.

"But neither would I withhold the equally candid disclosure of our anxieties that we may be drifting toward misunderstanding and bitter disillusionment—which cannot possibly be good for either one of us or any of our allies—unless we speedily restore a better understanding of what we thought we meant when, at the altar of our common sacrifice, we swore to each other to see sovereign rights and self-government rstored to those who have been forcibly deprived of them.

"I have said that Russia fights magnificently. So do others in full and equal measure. So does intrepid Britain and her indomitable commonwealth. So does China, against incalculable odds. So does our America, with a prodigality and devotion unmatched in martial history. So do the nations that have felt the tyrant's heel. Poland, for example—Polish legions at the battle fronts, Polish aces in the air, Polish underground resistance in the stricken home land, the most dangerous belligerence of all. It is a fraternity of combat. It must be followed by a fraternity of peace in which all shall share the decisions and the blessings for which they strive and die.

"I do not mean that we should turn aside now from the war itself to attempt now to settle many definitive questions which must necessarily remain more or less fluid pending victory. But I do mean that we should never for an instant retreat from a firm restatement of our understanding of our mutual pledges; and we should never, by our silence, invite the presumption that we do not intend, at the right time and in the right place, to urge every reasonable and practical achievement of a peace that shall be permanent because it shall be just. Our real war aims should never become a mystery to us or to our allies.

"This leads me to quote from an anxious appeal made to Soviet Russia three weeks ago by a group of unimpeachable American patriots, all of whom were vigorous pioneers in the cause of aid to Russia, and none of whom by any stretch of the imagination could be accused of domestic, partisan malice:

"'The apparent determination of the Soviet Government to insist upon a unilateral settlement of the Polish problem, without mediation or consent either of Russia's allies or the Polish Government, has come as a shock to American opinion. . . . The American and British peoples cannot forget that Poland was the first nation to stop Hitler's procession of bloodless victories. The Poles determined to fight even though war meant the temporary conquest and enslavement of Poland because they believed that the justice of Poland's cause and the loyalty of her allies would insure her resurrection in the end. . . . They made this decision at a time when Russia thought it necessary to collaborate with Hitler; and yet Poland, after suffering untold agony, is now asked to surrender far more to Russia than she refused to give Hitler. . . . We appeal to our Russian allies to take cognizance of the legitimate disquiet of the American people. We ask this not only because it would strengthen our unity in the war and hasten the day of victory, but because it would cement the friendship between the Russian and American peoples in the crucial years to come.'

"Mr. Chairman, that is a friendly and temperate statment. Also, it is an understatement. It is devoid of threats—as it should be. But it is packed with wisdom and with truth. I fully understand that there must be many major readjustments in the peace to come, and that we cannot hope to anticipate the details of these readjustments. But we can hope to preserve the spirit of democracy and self-determination when these readjustments are made. And whether it be at Quebec, or Moscow, or Tehran, or whether it be in the Kremlin or in Downing Street, or in our White House, we can, if we will, keep this precious spirit alive.

"I repeat that I am using Poland tonight as an example. Other conquered peoples invite a similar prayer in their behalf. I repeat, also because it cannot be repeated too often, that the security and welfare of our own United States is always and forever the first charge upon our hearts and hands. Whatever is necessary must be done. It is declared in Holy Writ, 'He who provideth not for his own, and especially for those of his own house, hath denied the faith and is worse than an infidel.' But we can be safe and happy only in a safer and a happier world. Whether we like it or not, we cannot live wholly unto ourselves alone. Whether we like it or not, we face external obligations. Whether we like it or not, we must exert our total influence in behalf of peace with justice.

"And so I ask, What would peace with justice for Poland be?

"Obviously I cannot expect to answer with intimate specifications. No one can today. We have not reached that point. For example, when new Poland shall again arise either as a separate unit or as a sovereign state in what might well become the United States of Europe, there is room for considerable, legitimate difference of opinion as to precisely where new Poland's boundaries should be drawn—although certainly they cannot honestly be drawn along the line of the criminal czarist partition of Poland more than 150 years ago, or the line of the no-less criminal partition of Poland in 1939. As for the so-called Curzon line—it is merely the consultation of authentic history to remember that it was only an armistice line proposed originally by the Supreme Allied Council in 1919 and again when Britain intervened in the Russo-Polish war in 1920, and that it was declined by Russia. The question was settled by the peace of Riga in 1921, representing a reasonable compromise between extreme Soviet and Polish aspirations; and Russia subsequently pressed for treaties of nonaggression based on mutual respect for these existing borders. Let that paramount fact never be forgotten. Poland and Russia concluded such a treaty in 1932 and, at Soviet initiative, extended this pact for 10 years in 1934. Yes, and Poland loyally lived up to these obligations and rejected three offers from Hitler to cooperate on the basis of surrendering territory to Germany in the west at Russia's expense in the east. I simply recite unemotional facts—omitting many other bitter facts—which will deserve full credence when the time to mark new boundaries comes, if we are still wedded to a peace with justice.

"As I have said before, I concur in our own State Department's plea that this is no time—until we have won the war—to start the reallocation of innumerable controversial boundary lines. But if it is no time for us to do so, then it is no time for others to do so either, and I know of no reason why our Government should not persistently and relentlessly say as much. It is a poor rule which does not restrain all the United Nations alike and in equal measure; or which, by the same token, does not permit as great a candor in Washington as is enjoyed by Moscow.

"But I speak tonight upon a broader and more basic phase when I deal with the question, What would peace with justice for Poland be? Our State Department said, on July 23, 1940:

"'The policy of this Government is universally known. The people of the United States are opposed to predatory activities no matter whether they are carried on by the use of force or by the threat of force. They are likewise opposed to any form of intervention on the part of one State, however powerful, in the domestic concerns of any other sovereign State, however weak.'

"That was sound and brave in 1940. It is sound and brave in 1944. It will be sound and brave and right when peace comes to this distraught earth. Let's say it again. Let's keep on saying it so that none may misunderstand our foreign policy. Admittedly we cannot always have our own way about these things because we are not the sole dictators of global destiny; and I do not believe we ever intend, upon our own responsibility, to police the whole, round earth to force our judgments upon others. But we can always assert our ideals and our purpose to cling to them as best we may. Therein lies peace with justice for Poland and for kindred victims of this Axis crime.

"On Aug. 14, 1941, we promulgated the so-called Atlantic Charter. There is plain language in its first three points to which the signatories unreservedly subscribed:

"'1. Their countries seek no aggrandizement, territorial or otherwise.

"'2. They desire to see no territorial changes that no not accord with the freely expressed wishes of the peoples concerned.

"'3. They respect the rights of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them.'

"Apply that rule to new Poland and new Poland will be content.

"On Sept. 24, 1941, the Union of Soviet Socialist Republics endorsed these objectives, and on Jan. 1, 1942, joined the other United Nations in dedication to 'the common program of purposes and principles embodied in the Atlantic Charter.' We signed, too. So did Poland. These 'purposes and principles' mean much to Poland, or they mean nothing at all to anybody else. I'll agree that the cruel circumstances of war often alter the best intentioned plans. But they need not alter purposes and principles. Our purposes and principles are not supposed to be the object of unconditional surrender. Yet, if we are to accept, by our silence, some of the unilateral decisions which appear to have already been pronounced by one of our allies—without consultation and without the consent of other allies—we have already mortgaged this portion of our program, regardless of the ultimate triumph of our united arms.

"I go on with the record. Now comes lend-lease. Why did we extend billions of dollars of critical and indispensable lend-lease aid to Russia? To help us win our war. For that purpose, I do not hesitate to say that it has been worth all it cost. But 'our war' is something more than the military defeat of Hitler and Hirohito. That would be only temporary victory. No one need to grope in doubt upon this score. It is written in our lend-lease agreements. For example—and it is a very pertinent example—it is written in our standard master lend-lease agreement with Russia. It was signed on June 11, 1942. He who runs may read. We are extending 'mutual aid in the persecution of the war against aggression.' We are laying the bases 'of a just and enduring peace.' We are mutually subscribing to the 'common program of purposes and principles embodied in the Atlantic Charter.' We are asserting that 'the defense of U. S. S. R. against aggression is vital to the defense of the United States of America.'

"Fit those specifications to Poland, my fellow countrymen, and all will be well. No aggression. A just and enduring peace. Withhold them from Poland—and from other victimized nations in this tragic war—and we shall find that we have merely won another Versailles, then another Munich, and then World War No. 3.

"The record is clear. The future is not. Our promises are clear. Our prospectus is not. Our American 'foreign policy,' as of today, is sound when it puts military victory in this war ahead of every other consideration. Beyond that point, our American 'foreign policy,' as of today, is a vague and often *mystifying* generality. Frankly, it is largely locked up in the White House—across from which Kosciuszko still dominates Lafayette Square. The poet rightly said of him:

"'Hope, for a season, bade the world farewell,
And Freedom shrieked, as Kosciuszko fell!'

"Hope will similarly bid this world farewell if this war does not terminate in a just peace. I have touched but one of its pregnant factors here tonight. I repeat Poland is a symbol. I repeat that I would not disunite the war effort by premature efforts to organize the subsequent peace—particularly on the eve of what may well prove to be the most important military movement in the history of civilization. But I also emphatically repeat that I would never for an instant let the world forget what we think we are fighting for. I would never accept voluntary bankruptcy for our ideals: 'No aggression. A just and enduring peace.' Ah, yes; it is easier said than done. We cannot dictate the charter for the world's tomorrow. Our major allies have earned the right of consultation—and this obviously includes indomitable Moscow. But God knows that we have earned the right of consultation, too. So has suffering, sacrificial Poland. So have others who have flung their naked hearts and lives into this global defiance of a global plague. My prayer—my challenge—is that none shall be forgotten, exploited, or ignored when the great accounting comes.

"'No aggression. A just and lasting peace.'

"Then free Poland in a free Europe—a symbol of the world's emancipation—shall rise again."

Urges "Controlled Decontrol" For Post-War Collaboration

(Continued from page 595)

assumes that parallel action in all the great trading countries will need to be cleared through some effective international mechanism."

Restore "Equal Trading Opportunity"

Arguing that nationalist movements in the different countries following the First World War not only broke down the international clearing system that had been based upon the gold standard, but imposed discriminatory legislation and taxation on foreign enterprises and imposed other trade barriers, Prof. Condliffe maintains that "the first and principal task of commercial policy in the post-war period, therefore, must be to reestablish the principle, and enforce the practice, of 'equal trading opportunity.' This must be done by insisting upon equal treatment as among all foreign traders, and also upon equal treatment between foreign traders and nationals of each trading country. This means security from discriminatory legislation and taxation and the right to equal treatment under national law. It means agreement upon an international trading code, the main provisions of which might well be based upon the approved practice of the nineteenth century, but brought up to date.

"This restoration of cooperative guarantees," he continues, "must precede, but must be supplemented by, a real effort to reduce the trade barriers that have had such an extraordinary growth in recent years. Not only tariff duties which have risen to unwarranted heights, but also customs formalities, tariff classifications and valuations, quotas, licensing systems, various forms of indirect protection, and, above all, exchange controls used as an instrument of 'selective import control,' must be grappled with.

"Reasonable freedom in the movement of goods across national boundaries is the sine qua non of a properly functioning system of internationl economic cooperation; but it must be supplemented by reasonable freedom of capital transfers. This presupposes security of investment, not indeed against business risks, but against the unpredictable occurrence of currency devaluation, blocked exchanges or discriminatory treatment. In the nervous and incalculable conditions likely to follow the close of a great war, it is not likely that productive capital movements will take place freely.

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Rather the exchanges must remain under control to prevent flights of capital. Special arrangements and guarantees may be needed for a time; but in the long run, freedom and security of capital transfers must be resumed.

"Stability of the exchanges in a free market can only be the consequence of a gradual restoration of active trade and investment. Such restoration of active trade will be impeded if the exchanges are allowed to fluctuate violently in the immediate post-war period. But for the time being de facto stability must probably be maintained by arbitrary agreement. The finding of appropriate rates at which the controls over exchange can gradually be relaxed will be one of the most important tasks to be performed in the period of controlled decontrol following the close of hostilities."

"Controlled Decontrol"

Regarding other controls, which may be required as an aftermath of war, Prof. Condliffe holds that there should be a period of "controlled decontrol."

"The period during which control will have to be maintained as a pivot upon which to swing from war to peace cannot be estimated at the present time," he states. "It will almost certainly vary in respect of different types of control. Freedom of the exchange market may need to be postponed until trade is again proceeding freely and some measure of security and stability has returned to the world's capital markets. The world cannot look forward to the immediate restoration of a smoothly functioning system of international economic cooperation."

"Decontrol is necessary," he continues, "if enterprise is to function. But too sudden abandonment of war controls would, as after the last war, expose an unbalanced economic situation, glaring shortages of some commodities and surpluses of others, a scarcity of labor in some industries and an oversupply in others, prices out of line, not only in the sense of industrial costs not being geared to prices of finished products, but also in the sense of the prices of whole categories of goods and services being out of equilibrium — farm prices with industrial products and wages with the cost of living.

"A prudent policy would seek out the strategic points at which to maintain minimum controls while proceeding as rapidly as possible to demobilize harassing procedures."

New Factors in International Relationships

Considering next the new factors in international relations, following the war, Prof. Condliffe remarks that "while normal trade has been interrupted, there have inevitably been great shifts in the organization of industry, including agriculture. In large measure these shifts may well prove uneconomic by peacetime standards; but it will not be an easy or painless process to revert to more efficient types of international specialization. Australia, faced by imminent invasion, has taken long strides on the road of industrial development. With the first heavy costs written off as a war expense, much of this development may turn out to be competitively efficient; but in any case there will be resistance to any considerable reversal of it. In the same way, China lost the great bulk of whatever industry it possessed within the first few weeks of invasion and will certainly strive to establish a much greater industry more securely at inland bases. The U. S. S. R. will be confirmed in its policy of interior development. India also has expanded its industrial capacity very considerably. Examples of this kind might, indeed, be drawn from almost every region and it seems unlikely that world trade will be allowed, as it was after the last war, to flow back into the pre-war channels with little change. It is probable that world trade will be increased but its direction will be changed.

"Even if there had not been extensive severance of the trading connections built before the war, there would necessarily ensue a critical period at the close of the war during which a new, and in many ways different network of world trade may be woven. The tapering off of mutual aid in the immediate post-war period will provide an opportunity to feel out the new situation. Inter-governmental negotiations will be necessary to set up a new framework within which private traders may exercise their initiative. By Article VII of the Mutual Aid agreements the United Nations have committed themselves in setting their obligations, to 'expansion by appropriate international and domestic measures of production, employment and the exchange and consumption of goods . . . to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers.' Negotiations in fulfillment of this commitment will provide the occasion for setting up an international trading code and eliminating the most vexatious obstacles to trading enterprise."

Calendar Of New Security Flotations

OFFERINGS

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.

Offered Aug. 3, 1944 at $10 per share by Watling, Lerchen & Co., Townsend, Dabney & Tyson, Cruttenden & Co., First of Michigan Corp. and E. H. Schneider & Co.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share.

Company is offering to the holders of its 7%, 6% and 5½% preferred stocks the opportunity to exchange their shares for shares of 5% cumulative preferred stock on a share for share basis, plus a cash payment as follows: (1) as to the 7% preferred stock $13.533 per share; (2) as to the 6% preferred stock $5.766 per share; (3) as to the 5½% preferred stock $3.133 per share. Exchange offer expires Aug. 31, 1944. Continental Illinois National Bank & Trust Co., Chicago and Chase National Bank, New York, are exchange agents. The First Boston Corp. has formed a group of security dealers to solicit acceptances of the exchange offer.

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.

Offered Aug. 4, 1944 at 104 and dividend by F. Eberstadt & 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.

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

DERBY GAS & ELECTRIC CORP. has filed a registration statement for an undetermined number of shares of common stock (no par). Proceeds are to be used in connection with the acquisition of the securities of the Danbury & Bethel Gas & Electric Light Co., from Cities Service Power & Light Co. Filed July 24, 1944. Details in "Chronicle," Aug. 3, 1944.

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. Brailsford & Co., and C. O. Kalman, Paul R. Doels and Edwin White are considered to be the principal underwriters. Filed July 27, 1944. Details in "Chronicle," Aug. 3, 1944.

THURSDAY, AUG. 17

INDIANA & MICHIGAN ELECTRIC CO. has filed a registration statement for 120,000 shares of cumulative preferred stock (par $100). The dividend rate will be supplied by amendment.

Address—220 W. Colfax Ave., South Bend, Ind.

Business—Public utility company.

Proceeds—Company proposes to make a loan from not more than six New York City banks in the amount of $7,880,000 and use proceeds for purchase for cancellation of 544 shares of old 7% and 35,473 shares of old 6% preferred of Indiana from American Gas & Electric Co. for $3,596,749, and for redemption and cancellation of 38,731 shares of old 7% preferred and 245 shares of old 6% preferred of Indiana now in the hands of the public, at the redemption price of $110 per share plus accrued dividends. The cost of these two transactions is placed at $3,596,749 and $4,287,360, respectively. Proceeds from sale of the new preferred and common stocks are to be applied to the payment of the bank loan. Balance will be included in general corporate funds of Indiana and used to acquire property and for construction purposes.

Underwriting—The preferred stock is to be sold subject to the competitive bidding rules of the Commission. Names of underwriters will be filed by amendment.

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

Registration Statement No. 2-5435. Form S-1. (7-29-44).

SUNDAY, AUG. 20

MISSISSIPPI POWER & LIGHT CO. has filed a registration statement for $12,000,000 first mortgage bonds series due 1974. The interest rate will be filed by amendment.

Address—Lampton Building, Jackson, Mississippi.

Business—Public utility.

Underwriting—The bonds will be sold under the competitive bidding rule of the Securities and Exchange Commission and names of underwriters will be filed by amendment.

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

Proceeds—Net proceeds from the sale of the bonds and $2,000,000 principal amount of promissory notes, together with such additional cash from its general funds as may be required, will be used to redeem at 102½ the $15,000,000 first mortgage gold bonds, 5% series due 1957.

Registration Statement No. 2-5437. Form S-1. (8-1-44).

FOUNDATION PLAN INC. has registered 250,000 shares of Foundation Trust Shares, Series A.

Address—52 Vanderbilt Avenue, New York City.

Business—Investment trust.

Underwriting—Foundation Plan Inc. is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5438. Form C-1. (8-1-44).

ARTLOOM CORPORATION has filed a registration statement for 100,000 shares of common stock (no par).

Address—Allegheny Avenue and Howard Street, Philadelphia, Pa.

Business—Manufactures and sells wool and worsted Wilton rugs and carpets.

Underwriter—Stroud & Co., Inc., Phila.

Offering—Holders of common stock of record Aug. 4, 1944, will be given the right to subscribe to the new common stock at $5 per share in the ratio of one share for each two shares then held.

Proceeds—Almost the entire net proceeds will be used to retire the company's preferred stock which it is estimated will require approximately $470,235. Any balance will be added to the working capital of the company.

Registration Statement No. 2-5439. Form A-2. (8-1-44).

BUFFALO BOLT CO. has filed a registration statement for 141,054 shares of common stock (par $1). Of the total 78,834 are to be sold for account of the company and 62,220 for account of certain stockholders.

Address—North Tonawanda, N. Y.

Business—Leading independent manufacturer of a complete line of standard bolts and nuts, etc.

Underwriting—Van Alstyne, Noel & Co., New York, head list of underwriters. Others will be supplied by amendment.

Offering—Price to the public is $6 per share.

Proceeds—Company's proceeds will be used to augment its working capital and for other corporate purposes. Proceeds from sale of 62,220 shares will go to the selling stockholders.

Registration Statement No. 2-5440. Form S-2. (8-1-44).

MONDAY, AUG. 21

CARRIER CORP. has filed a registration statement for 70,000 shares of cumulative preferred stock (par $50). The dividend rate will be filed by amendment.

Address—300 South Geddes Street, Syracuse, N. Y.

Business—Engaged in air conditioning, refrigeration, and industrial heating business.

Underwriting—The principal underwriters are Harriman Ripley & Co., Inc., and Hemphill, Noyes & Co., both of New York.

Offering—Of the 70,000 shares registered, 66,506 are being offered by the corporation to the holders of its common stock for subscription pro rata at the rate of 1 share of preferred for each 100 shares of common stock held of record at the close of business Aug. 18, 1944. Subscription warrants will be exercisable beginning Aug. 19, 1944, and will expire at the close of business Aug. 25, 1944. The subscription price will be filed by amendment. The underwriters are offering to the employees of the corporation at a price to be filed by amendment any shares not subscribed for by the holders of common stock or otherwise purchased by the underwriters. Any remaining shares will be offered to the public at a price to be filed by amendment.

Proceeds—Part of the proceeds will be applied to the retirement of $1,558,000 10-year 4½% convertible sinking fund debentures. Balance will be available for expenditures on plant or for other corporate purposes.

Registration Statement No. 2-5441. Form S-1. (8-2-44).

WEDNESDAY, AUG. 23

NATIONAL CYLINDER GAS CO. has filed a registration statement for 35,000 shares of cumulative preferred stock (par $100). The dividend rate will be completed by amendment.

Address—205 West Wacker Drive, Chicago, Ill.

Business—Manufacture and sale of industrial gases, welding rods, welding electrodes, etc.

Underwriting — Principal underwriters are Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., Chicago. Others will be supplied by amendment.

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

Proceeds—Proceeds will be added to the cash funds of the company to be available for general corporate purposes. Pending specific allocation, some of the proceeds may be used to carry additional receivables and inventories, to increase bank balances and to pay current liabilities.

Registration Statement No. 2-5442. Form A-2. (8-4-44).

THURSDAY, AUG. 24

CENTRAL SOYA CO., INC., has filed a registration statement for $2,250,000 sinking fund debentures, due Aug. 1, 1959. Interest rate will be supplied by amendment.

Address—300 Old-First Bank Building, Fort Wayne, Ind.

Business—Engaged in the processing of soybeans.

Underwriting — The underwriters are Glore, Forgan & Co., $900,000; First Boston Corp., $450,000; A. G. Becker & Co., Inc., $300,000; Bacon, Whipple & Co., Kebbon, McCormick & Co., and Reynolds & Co., $200,000 each.

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

Proceeds—Part of the proceeds will be applied to the purchase and cancellation or redemption of $1,400,000 aggregate principal amount of first mortgage and leasehold 4% sinking fund bonds due Nov. 1, 1952. Balance will be added to working capital of the company.

Registration Statement No. 2-5443. Form A-2. (8-5-44).

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.

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.

C. E. Paige, President of the company, announced Aug. 3, 1944 that company had entered into a firm agreement with Halsey, Stuart & Co., Inc., for the sale of the proposed $30,000,000 of mortgage bonds and $12,000,000 of debentures. Halsey, Stuart & Co., Inc., has agreed to pay not less than 100 for the bonds as 3½s and not less than 100 for the debentures as 4s, providing the company will submit both issues to competitive bidding.

The New York State Public Service Commission previously had denied the company permission to sell the $30,000,000 of bonds privately to insurance companies and declared that both the bonds and debentures should be thrown open to competitive bidding.

EMPIRE DISTRICT ELECTRIC CO. has filed a registration statement for $10,600,000 first mortgage bonds, 3½% series due 1969, and 350,000 shares of common stock (par $10). The shares of stock are issued and outstanding and are being offered for the account of Cities Service Power & Light Co. The net proceeds to be received by Empire District from the sale of the bonds, together with the net proceeds from the sale of 6,500 shares of 5% cumulative preferred stock, par $100, which the company expects to sell contemporaneously with the issue and sale of the bonds are to be applied to the redemption at 101¾ of $10,044,900 first mortgage and refunding bonds, 5% series, due March 1, 1952, and to the redemption at 105 of $851,200 of Ozark Power & Light Co. first mortgage sinking fund 5% bonds due March 1, 1952, assumed by Empire. Empire District Electric Co. which is controlled by Cities Service Power & Light Co. proposes to acquire by merger the properties of Ozark Utilities Co., Lawrence County Water, Light & Cold Storage Co. and Benton County Utilities Corp. In conjunction with this merger Cities Service Power & Light Co. is surrendering all the securities of the constituent companies owned by it in exchange for an aggregate of 350,000 shares of common stock, $10 par, of the Empire District Electric Co. Both the bonds and stock will be offered for competitive bidding under the Commission's competitive bidding rule U-50. Names of the underwriters will be filed by amendment. Filed July 1, 1944, Details in "Chronicle," July 6, 1944.

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.

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 proceds 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.

(This list is incomplete this week)

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The Securities Salesman's Corner

By JOHN DUTTON

The Power Of A Plain Everyday Illustration To Make A Strong Selling Point Vivid And Clear

Securities buyers are not all professional investors who know and understand the many details which make up the science of successful investment procedure. In fact, the vast majority of the millions of small investors throughout this land must rely almost 100% on the guidance of the securities dealers and their salesmen, who do the bulk of the investment business which is transacted by this type of investor.

One of the problems which most salesmen must face from day to day is that they must make an impression on the mind of the securities buyer who does not know much about securities, so that they can guide their customer into the proper channels of investment. It is one thing to talk to a professional investor, such as a bank, insurance company, or large individual buyer of securities, who will either see the merits of a situation or he will pass it by. Such an investor can appreciate the entire business picture, the merits or demerits of an individual offering, and he understands a professional approach to the subject.

But when you come to the point of sitting down in the living room of John and Mary Jones' little cottage, and you begin discussing the "where's and why's," of why they should purchase, or sell, a certain security, it is an entirely different matter.

First of all these people are not professional investors. They do not make investment their business. This is not to say that they are unintelligent—by far the opposite is usually the truth of the matter. But John Jones may be a merchant, or an engineer, or a doctor. Also his wife is usually a competent business manager in her own right —it takes management today to run a home and do a good job of it. Secondly, these so-called middle-class investors (who make up such a large segment of the nation's bond and stock owners), do NOT HAVE A LARGE FUND AVAILABLE FOR INVESTMENT AND THEIR SAVINGS REPRESENT A VERY PRECIOUS NEST-EGG WHICH THEY MUST HUSBAND EVEN MORE CAREFULLY THAN THE LARGE INVESTOR. For these reasons it is therefore much more difficult to do a good job of investment counselling for them than would otherwise be the case.

When we say "investment counselling" we mean just that. Some security dealers today seem to be in the dark about whether or not they should act as counsels and advisors for their clients. This is clearly and definitely the position of every security dealer in the business today, whether he is registered as an investment counsel with the SEC or not. NO SECURITY DEALER WHO IS DEVELOPING A CLIENTELE OF SATISFIED CUSTOMERS TODAY CAN POSSIBLY ACT IN ANY OTHER CAPACITY PROVIDING HE WISHES TO DO A GOOD JOB FOR HIS CLIENTS AND HAS THEIR WELFARE AT HEART. He must advise the purchase of certain securities, and he must direct the selling of others. Whether or not he acts as principal or agent, if his customers think enough of him to buy a security from him, they also want him to tell them when a security should be sold. A security may be a purchase today, unforeseen events or changes in the economic and political situation may make that same security an undesirable investment tomorrow. Anyone who does not appreciate the truth of this statement shouldn't be connected with the securities business. The obligation to direct, advise, oversee, and protect an investor's position remains a continuing obligation as long as he holds a security which he has bought upon the advice and urging of any security dealer.

But oftentimes it is extremely difficult to explain the subtle nuances and intangible factors underlying a situation to this type of investor. As we have said before, he doesn't know—at best his understanding of all the factors involved in analyzing a situation is limited. But if he is to be guided along the right channels of investment HE MUST BE LED BY THE SALESMAN WHO IS DOING THE TALKING AND THE EXPLAINING.

This narrows down to the best way to do it. After trial and error most competent securities salesmen, we believe, will agree that the most efficient method of making a point clearly visible and understandable, is TO MAKE IT SIMPLE. Put it into language the investor can understand. We once heard a preacher say that Jesus teachings reached all of the millions who follow his religious tenets today because he always spoke in parables. He always gave an illustration, he said, "Do you see?" He took the highest moral principles that learned Rabbis of his day spent weeks in discussing, and he boiled it down to "let he that is without sin cast the first stone."

Bringing it down to cases we will use an illustration of our own. A salesman was sitting with a husband and wife and he was urging the purchase of a security, because among other things, the company behind the bonds had excellent management. Now management is a vital factor in judging the future of any company and the securities which it has issued. But management in itself is a difficult proposition to explain. It is an intangible—but it exists nevertheless. This salesman turned to the wife and he said, "You know what good management means Mrs. X, you have always impressed me as the type of person who knew the value of a dollar, and you know how important it is in running a home and rearing a family. With good management a home can usually be a successful and happy enterprise, without management it is an impossibility to achieve either one." Then he looked at the husband and said, "Isn't that right?"

He explained the importance of management. The same can be done with practically any other phase of security salesmanship—and securities must be sold—they don't sell themselves. That's what a good securities salesman gets paid for when he sells a security—advice, guidance, counsel, PLUS A STOCK OR A BOND—and it takes "KNOW HOW" TO DO IT.

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*Omitted this week because of space limitations.

Senator George Offers Compromise Measure On Reconversion And Unemployment

Seeks To Defeat Murray-Kilgore Bill Criticized As Setting Up Another NRA

As a substitute for his own bill on reconversion and unemployment, Senator George (Democrat) of Georgia, joined on Aug. 8 with Republican leaders in offering a new compromise bill for the transition period, it was noted in advices on that date to the New York "Journal of Commerce" from its Washington bureau, which also stated:

Directly aimed at defeat of the controversial Murray - Kilgore measure, which includes Federal unemployment compensation standards, the new measure reflects earlier recommendations of the Baruch-Hancock reconversion report and was believed to have won the support of Republicans at a special session which preceded opening of the Senate debate.

Senator George paved the way for his compromise proposal by citing estimates by Social Security Board Chairman Altmeyer that, with a peak of 8,000,000 unemployed during the two years following end of the war, the cost of the Murray-Kilgore measure would be some $10,500,000,000. Double that number of unemployed would cost $21,000,000,000, Mr. Altmeyer was quoted as having said.

State standards for unemployment compensation would remain unaltered under the compromise proposal, drawn up by Senator George and Senator Robert A. Taft (Republican), Ohio.

Vote by Thursday was thought likely by Senator George after close of today's debate. During the day's session Senator George had first offered his limited proposal to extend State unemployment compensation to Federal workers, without affecting State standards, but to set up a revolving fund for supplementing State funds if needed.

Senator James E. Murray (Democrat), Mont. countered by proposing amendment of the George bill by adding, without removing the George provisions, the entire Murray-Kilgore measure. The third development came just before close of the session when Senator George brought forward the compromise plan.

Specifically, the compromise would: (1) Throw out the Murray-Kilgore provisions establishing an Office of War Mobilization and Adjustment; (2) substitute for Title II of the bill relating to industrial demobilization and reconversion proposals not essentially different, although eliminating a provision which says that civilian production should not be restricted to plants previously producing a particular item; (3) drop the Murray-Kilgore bill Title III, relating to retraining and re-employment of war workers and returning servicemen, and substitute a title on retraining and re-employment. The latter is drafted along simple lines and eliminates controversial features such as continuance of the United States Employment Service for a two-year period, and Federal compensation standards;

(4) Include the original George bill plan for State unemployment compensation for Federal workers;

(5) Retain Murray-Kilgore bill provisions relating to housing and public works (Title IV) and miscellaneous matters (Title V).

The above action figured in the first day's (Aug. 8) Senate debate on the proposed legislation. In our issue of a week ago (Aug. 3, page 487) we referred to the reconvening of Congress after its recent recess and the plans incident to demobilization and reconversion legislation.

On Aug. 2 the unemployment compensation phase of post-war reconversion got a Congressional head start on other parts of the problem (said the Associated Press) with Senate Finance Committee approval of a bill to bring 2,000,000 Federal employees under the benefit program while leaving full control of rates and standards to the States. The advices added:

"The Committee acted in an executive session less than 24 hours after the bill was introduced by its chairman, Senator George. Thus advocates of the 'States rights' policy of caring for discharged war workers stole a march on supporters of rival bills under which Congress would fix uniform scales of benefits substantially higher than existing State rates.

"The latter bills are due to come up tomorrow before the Senate Military Affairs Committee and may also be speedily sent to the floor."

On Aug. 4 the Senate Military Affairs Committee approved by a vote of 10 to 7 the so-called "liberal" Kilgore-Murray industrial, demobilization and reconversion bill, denounced by opponents, according to Washington advices to the New York "Times" by C. P. Trussell as representing a formula for a post-war NRA and WPA. Criticisms of the bill on Aug. 5 came from Republican and conservative Democratic Senators said the "Times" which had the following to say in part:

Attacks were made on the bill today (Aug. 5) by Senator Richard B. Russell, Democrat, of Georgia; Senator Robert A. Taft, Republican, of Ohio, and Senator Chapman Revercomb, Republican, of West Virginia. The attacks covered the whole bill, but were centered chiefly on its provisions of unemployment compensation up to $35 a week until two years after the war for war workers made idle by reconversion and creation of a work administrator who would supervise the retraining and re-employment of war workers and returning service men.

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