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Barber Officer of Sterling Nat'l Bank

Sterling National Bank and Trust Company of New York announces the election of Henry G. Barber as a vice-president of the bank. Mr. Barber, who was formerly executive vice president of the National Bronx Bank, is president of the Building Industry League, Inc., a governor of the Bronx Real Estate Board, and a director of the Bronx Chamber of Commerce.

Henry G. Barber

In This Issue

For information pertinent to dealer activities in States of Connecticut, Michigan and Missouri see pages 690 and 691.

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Predicts Sugar Rationing For Industrial Users Through 1945

President Of Lamborn & Company, Inc. Looks For A Continued Post-War World-Wide Shortage Due To War Havoc In European And Oriental Producing Areas—Urges Increased Sugar Prices As A Remedy

Ody H. Lamborn, President of Lamborn & Company, Inc., Sugar Brokers, commenting on the probable duration of sugar rationing in a letter dated July 28, 1944, states:

Ody H. Lamborn

"We think we can say with a reasonable degree of certainty that the rationing of sugar to industrial users will continue through the year of 1945, whether the war ends this year or not. Indeed, even if the war should end this year, we believe there is a strong likelihood that rationing of sugar to industrial users will be maintained through a substantial part of 1946, certainly during the first six months — or say, for approximately the next two years.

"As we see it, it makes no difference whether the war in Europe ends tonight or any time in the next six months—the conditions surrounding the sugar industry will require the rationing of sugar for the period indicated. Of course, the maintenance of rationing after the war does not mean necessarily that industrial users would be held to 70% or 80% sugar allotments. Depending upon the supply situation, allot-

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Economic Stabilization In The Post-War Era

By IVAN WRIGHT
Professor of Economics, Brooklyn College

Economic relationships finally right themselves and balance out but without any very definite pattern of timing or justice about the conflicts which arise. It is well known that if the supply of some article exceeds the demand that the surplus will pull down the price, if left to a free competitive market, and the less efficient producers who can not stand loss will be driven out of business. In foreign trade the country that exports more than it imports must sooner or later receive payment in gold and thus expand its credit base and increase its prices or become an investor in foreign securities. The increase in price will finally expell the eager buyers and imports and exports will again stabilize at an equilibrium. Too much money and credit, in time, will cause a rise in prices, and too little money and credit relative to the volume of work to be done with money and credit will bring a decline in prices. These equilibrium adjustments are called inflation and deflation. In the long run, maladjustments of prices, production debts, taxes and all other contributing factors to value relations adjust themselves and stability is

Dr. Ivan Wright

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The Probable Price Level

By DR. CHARLES F. ROOS*

President Of Econometric Institute, Inc. Examines The Price Making Process, Pointing Out The Interplay Of Supply, Demand And Monetary Factors—Holds "Statistical Analysis Indicates That The Most Significant Price Determinant Proves To Be The Domestic Purchasing Power"—Predicts Post-War Price Controls Will Be Much Less Effective, And Unless Higher Prices Are Permitted On Some Goods, Their Production Will Cease

In popular discussions monetary inflation is usually confused with or made a part of price inflation. While monetary inflation and price inflation are related, the connection is not nearly so close as popular discussion would indicate. It is possible to have monetary inflation without price inflation. For instance, in 1934 the dollar was devalued and we had monetary inflation without corresponding price inflation. During the early part of 1940 we had price deflation coupled with a form of monetary inflation—inflation of bank deposits. During the early part of 1937 we had price inflation and bank deposit deflation.

Dr. Charles F. Roos

Whenever demand exceeds current supply, price usually increases. The price increase usually tends to decrease the demand and increase the supply until a new balance is struck. So long as a price advance calls forth increased total production, it performs a useful social function. But when total production cannot be

*A talk given by Dr. Roos on Aug. 9, 1944, before the National Retail Dry Goods Association at Absecon, N. J.

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Rep. Chas. S. Dewey's Views On International Monetary Fund

Sees Possible Benefits To United States Economy Outweighed By Risks Involved—Predicts That Under Plan Scarcity Of American Dollars Will Lead To Fund Liquidating With Heavy Loss To U. S.—Urges That As A Substitute For International Fund Congress Enlarge Operations Of The Export-Import Bank "As Our Method Of Participation In World Reconstruction"

Congressman Charles S. Dewey, Republican member from Illinois, who attended the International Monetary and Financial Conference at Bretton Woods, N. H., in an address prepared for delivery in the House of Representatives, gives his views on the plan adopted by the Conference and making suggestions for other methods of post-war world reconstruction and improvement of foreign trade. Because of Congressman Dewey's activities in presenting an independent plan for post-war rehabilitation, represented in House Joint Resolution 226, introduced on February 1st (text of Resolution appeared in "Chronicle" of Feb. 10, 1944), we present his remarks below in their entirety:

Rep. Chas. S. Dewey

The 78th Congress, which is approaching that time when it will adjourn sine die, may look with some satisfaction upon its achievements in preparation for the end of the war in Europe which will bring with it problems of such vast magnitude that they are scarcely conceivable.

The soldier's GI Bill of Rights has been passed, the Termination of Contract Bill, providing for the speedy conversion from war to peacetime production by industry, has been enacted into law, and a bill for the disposition of surplus government inventories and property of all sorts, on a basis that will not interfere with our future economy is in committee.

One item, however, has not been considered to any extent in the halls of Congress, i. e., the subject pertaining to America's participation in post-war monetary collaboration with other nations, regarding which there

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H. W. Wilson To Be Union Securities V.-P.

H. Warren Wilson will become associated with Union Securities Corporation, 65 Broadway, New York City, as vice-president, on Aug. 21. Mr. Wilson, who has been in the Street for about 25 years, was manager of general sales at Smith, Barney & Co. He began his career with Dillon, Read & Co., joining E. B. Smith & Co. in 1927, which firm was later merged with C. D. Barney & Co. to form Smith, Barney & Co.

How Will Germany's Defeat Affect The Market?

Germany's defeat appears on the horizon. Winston Churchill is by nature and experience a conservative and a realist, not given to rash expression of sanguine hopes, over-confidence or self-delusion through unfounded enthusiasm. He has never hesitated to give the British public bad news in the same measure as good news. His report on the war to the House of Commons on August 2, therefore, was significant in his statement: "I no longer feel bound to deny that victory may come perhaps soon." This, coupled with Foreign Secretary Anthony Eden's more specific mention of September as a possible ending of German resistance, together with the consensus of military and other Washington opinion, indicates that we may see the end of the war with Germany this Fall.

L. H. Bradshaw
Editor
"Investment Timing"

In fact, in view of the rapid advances now being made by the Allied forces on three fronts, together with multiplying signs of German internal disintegration, the end appears almost a certainty by the end of the year, and it could occur at any time.

When the news of this happy event comes, what impact is it likely to have on the stock market?

Technical Position Important

While the long-term fundamental effect of peace undoubtedly will be bullish, we think that the impact of the news on stock prices will depend largely on two factors: first and most important, the technical position of the market, and, secondly, the extent of the progress that has then been made in reconversion from war to peacetime production.

As time goes by, the market shows progressively increasing ability to absorb bearish impulses that might develop from peace news. A year ago the news of Mussolini's abdication and Italy's quitting as an ally of the Nazis was followed by a substantial and prolonged reaction. The recent Allied victories, together with the discord in the German ranks evidenced by the abortive plot to assassinate Hitler, have been followed by a much milder reaction, which proved short-lived in comparison. Both reactions followed sustained advances, but liquidation this time appears to have dried up in a few weeks, against several months on the former occasion. Added to this evidence of a stronger internal market position is the indication that industrial reconversion has now begun to some extent, while a year ago no preparations for peace were in sight.

Result of the Invasion

The news of the invasion was awaited for many weeks with considerable apprehension, while the market remained in a narrow trading range. Yet when the news finally came on June 6 the market reacted barely a point in the Dow-Jones Industrial Average, and closed at 142.21, higher than

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Superior Rights For Inferiors

By DONALD R. RICHBERG*

Eminent Attorney Points Out Evils Of Trend To Regard Freedom, Equality And Justice Concepts As (1) Freedom Without Responsibility—(2) Equality Regardless Of Fact—(3) Justice As Absolution For Sin. Considers Government's Aid To Organized Labor By Increasing Its Power Without Increasing Its Responsibility A Major Blunder In Public Policy. Looks For Return Of Old Ideas By Majority Of American People.

A few streams of unsound thinking have risen and flowed together in recent years to make a great, swollen river of bad ideas that threatens to flood and devastate this land of ours. Out of the original concepts of freedom, equality, and justice have developed demands for (1) freedom without responsibility, (2) equality regardless of fact, and (3) justice as absolution for sin. These demands coalesce in a cult which has many devotees and which can be fairly described as the cult of those claiming **superior rights for inferiors.**

Donald R. Richberg

This statement may arouse antagonism—by its apparent assumption that some persons are superior to others, and that apparently the speaker regards himself as a superior person! This sounds like Nazi philosophy. The fact is that the Nazi—or Fascist—claims of superiority and the rights of a master race have produced a strong reactionary swing

*Mr. Richberg is a partner in the Washington, D. C., law firm of Davies, Richberg, Beebe, Busick & Richardson.

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Advocates U. S. Participation In World Organizations

Cong. Robertson Warns Against Isolationist Policy

Editor, Commercial & Financial Chronicle:

I have had no opportunity to study the final act of the Bretton Woods Monetary and Financial Conference and am, therefore, not in a position to comment on the details of the plans agreed upon by the participating nations. At this time, therefore, I can merely say that I am 100% in accord with the objective of a stabilized international exchange. Since we own so large a part of the world's gold supply and since gold in the past has proven to be the most satisfactory medium of international exchange, I would naturally like to see the currencies of the major trading nations of the world geared to gold.

A. W. Robertson

Following World War No. 1 our Government made large loans to our Allies to assist the post-war rehabilitation program, the total of which far exceeds the proposed contribution of working capital on our part to the international stabilization fund and also to an international bank should one be established. In addition to that our international bankers, in an effort to supply the world with dollars and to stimulate the post-war export of American products, sold to small banks and private

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Outlook For Employment

By A. F. HINRICHS*

Acting Commissioner of Labor Statistics

Government Official Estimates Post-War Full Employment Will Require Labor Demand Large Enough For From 53 To 55 Million Jobs, Or In Excess Of Present Volume—Predicts Serious Unemployment In Some Centers But Total Will Not Likely Exceed 5 Million—Holds Nation-Wide Unemployment May Be Avoided By Government Expenditures And Large Consumer Demand

Our job in the post-war period is to make sure that everyone who wants a job is able to find one. What does this mean? It means in the first place that we grant that the decision to seek work is a personal one; that one of the essential freedoms is the freedom of the individual to make up his or her mind that he wants to work. It means as a corollary that we should not attempt to build up segregated groups of those who "need" jobs and those who do not. It means in the second place that the measure of our success will be the length of time it takes a new worker, a discharged soldier or a laid-off war worker to find a job. If job seekers are able to find work quickly—generally within a few days or weeks; at worst, well within the period for which unemployment compensation is provided—we shall have achieved our goal. If they cannot, to that extent we shall have failed. But to achieve this goal, wanting work implies

A. F. Hinrichs

*An address delivered by Mr. Hinrichs before the Post-war Conference of the National Retail Dry Goods Association at Absecon, N. J., Aug. 9, 1944.

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"5%" Markup Decision Expected In September

PHILADELPHIA, Aug. 16—The attorneys for the Securities Dealers Committee, Messrs. Edward A. Kole and Abraham M. Metz, today visited by appointment the office of the Securities and Exchange Commission and conferred with Louis Loss, attorney for the Trading Division, and Joseph Keenan, in an effort to ascertain how soon the Commission may be expected to render a decision on the pending 5% spread limitation controversy.

Messrs. Loss and Keenan were pinch-hitting for James E. Treanor, Secretary to the Commission, who was compelled to break his appointment with Messrs. Kole and Metz by reason of the illness of his son.

Commissioners Healy and Purcell are now vacationing and not expected to return until about Labor Day. Therefore, no decision is likely to come down until early in September, or shortly thereafter.

Over-the-Counter Quotations

During the course of the conference the attorneys for the Securities Dealers Committee indicated that they were making a survey of market conditions as affected by dealings in over-the-counter securities.

They asked permission to examine certain data on file with the Commission, dealing with over-the-counter quotations.

The representatives of the Commission promised to take this matter up with Mr. Treanor and to have an answer shortly.

Inquiry was also made into whether any application was pending for the approval of any association under the Maloney Act in competition with the NASD. The answer was "No."

Will Bretton Woods Agreement Revive The Gold Standard?

By A. M. SAKOLSKI, City College, New York City

"At last, we are rid of the Gold Standard", exclaimed a British economist, when on September 21, 1931 the Bank of England was ordered by the British Government to cease the redemption of its notes in gold. This remark, in essence was uttered by other economists and monetary theorists throughout the civilized world. And this, despite the fact that for more than a quarter of a century preceding World War I, the general adherence to the gold standard had created an international exchange stabilization never before experienced among trading nations. This period was indeed the "golden age" of international trade relations. The supply of monetary gold was fairly well distributed throughout the world in accordance with commercial and financial needs. When, occasionally, there developed a disequilibrium, it was soon corrected by international loans or trade readjustments. The classic Ricardian theory that the distribution and flow of gold among the nations tends toward a common level seemed to operate. The system of central banking, with gold reserves maintained as a backing for currency note issues, had become firmly established in most of the leading countries, while international payments and settlement of international balances were effected without domestic monetary disturbances or severe commercial crises. Though the purchasing power of gold may have fluctuated from time to time, with resulting changes in price trends, these occurred, as a rule, simultaneously in the leading countries, so there were few occasions for disturbances in reciprocal international exchange rates. In fact, the "gold points" were rarely exceeded in international exchange quotations, and these instances were of short duration.

A. M. Sakolski

But even in this "golden age" period of international monetary stability, economists were active in pointing out the defects of a metallic based currency. There were rumblings of complaints against the "inadequacy of gold," of its power to hinder free exchange and the flow of goods; of its changing value in relation to other commodities, and of its fluctuating volume of production, and the manipulation and monopolization of its supply.

All these complaints have been reiterated from time to time since the days of John Law and Adam Smith, but they were more forcibly and more "scientifically" presented by economists of the modern type, such as Irving Fisher, Gustav Cassel and John Maynard Keynes.

When the first European War broke out in August, 1914, one of its immediate effects was the abandonment of note redemptions by the central banks of the belligerent countries and the enforcement of severe restrictions on gold movements. Modern wars, if of a serious magnitude, are bound to have this effect. Wars also disrupt international trade relationships and thus tend to disturb the established equilibrium in the distribution of the world's gold reserves. As a result, the United States, before it entered the conflict in 1917, together with a few other non-belligerent countries whose exports mounted because of the war, greatly increased their gold holdings at the expense of the warring nations. But, despite the paper money regime that existed in most European nations during and following the war, gold was not permanently "dethroned" as an international monetary medium. In fact, its importance in this connection, for a time was intensified as was evident from the measures taken by various nations to acquire gold for international exchange purposes.

The struggle which Great Britain and other nations underwent to restore their currencies to a gold basis following the first World War is an indication that the academic attacks against the gold standard met with little success. Even the South American and other undeveloped countries which had been operating on a gold standard currencies. Both paper basis, attempted to establish India and Mexico, though still

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Jules Adell Joins A. Wiesenberger Co.

Jules Adell has resigned as officer and head of the Clearance Department of the Trust Company of North America to accept an executive position with the New York Stock Exchange firm of Arthur Wiesenberger & Co., 61 Broadway, New York City.

Mr. Adell will supervise the general office and all over-the-counter activities of the brokerage firm. He was associated with the Trust Company of North America for the past 14 years.

NSTA Advertising Notes

Fellow Members:

Your advertising committe is anxious that you know your Vice-Chairman, Al Tryder, has produced over $1,000 in contracts in these past two days, which is credited to the Investment Traders Association of Philadelphia. This brings our gross total over $10,000, but we still have another 10 days to go, and we are certain this amount will be increased. Al deserves much credit, but like a good politician, he brings in late, but surprising, returns. By the way, Al will become associated with W. H. Newbold's Son & Co. on Sept. 1.

Our old friend Johnny O'Neill of Stein Bros. & Boyce, Baltimore, called in voluntarily a few days ago and offered his services in helping your advertising committee. Johnny is a swell character, and he has produced some business in Baltimore. It is also pleasing to note that Ray Bernardi of Cray, McFawn & Co., Detroit is still sending in contracts. Many thanks, Ray. Keep it up! Remember, we are still taking advertising contracts up until Aug 28. Will your firm be represented in the NSTA supplement of the "Chronicle" which will be published Aug. 31? Let's see.

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.

Nat'l Stamping Looks Good

National Stamping Co. offers interesting possibilities, according to a report prepared by Mercier, McDowell & Dolphyn, Buhl Bldg., Detroit, Mich., members of the Detroit Stock Exchange. Copies of this report may be had from the firm upon request.

Attractive Outlook

Florida Portland Cement Co. has an attractive outlook, according to a study of the situation prepared by G. A. Saxton & Co., Inc., 70 Pine St., New York City. Copies of this interesting study may be had from the firm upon request.

Compulsory And Private Social Security Essential: Pink

Former New York Superintendent Of Insurance And President Of Associated Hospital Service Maintains That Government Should Take Up The Work Only When Voluntary Effort Fails—Says Danger Is Not In Compulsion But In Bureaucratic Centralization

The need for cooperation between the proponents of compulsory social security and the advocates of voluntary efforts to protect the public against illness, poverty, and unexpected catastrophes was stressed by Louis H. Pink, President of the Associated Hospital Service of New York and author of "Freedom from Fear" at a meeting of the Kiwanis Club of New York held on Aug. 9 at the Hotel McAlpin, New York.

Louis H. Pink

Referring to the world-wide interest aroused by the Beveridge Plan Mr. Pink declared that an American Beveridge Plan must be based upon the American philosophy of government and the American way of life.

"What people seek today," said Mr. Pink, "is reasonable certainty of fair employment, and freedom from the fear of want. They also want to save their children and their children's children from another devastating war. For fulfillment, these desires are dependent upon each other. We cannot have security at home unless we have cooperation in international affairs. Even with the best of laws and intentions, no nation can be prosperous and secure unless other nations are also prosperous and secure.

"A great many people look to social security, which too commonly implies some compulsion on the part of government, for protection against want. Social security is one of the most helpful agencies and many nations have gone far along this road. The Beveridge Plan has aroused unusual interest not only in Britain but in many nations, including the United States. Too often compulsory social security and voluntary efforts are pictured as hostile, when in fact they should be complementary and supplement each other. True social security means more than compulsory government insurance. It embraces all voluntary effort to protect against illness, poverty and unexpected catastrophes. Seventy per cent of life insurance, the most important form of social security, is in this country and Canada. We lead the world in group insurance, which is inexpensive and provides many types of protection for the employed worker. The Blue Cross Plans span the country with hospital care for almost 15 million people, and they are only 10 years old. In some cities half of the population belongs to the Blue Cross Plan. These hospital plans are growing very rapidly and in another 10 years probably will protect a large proportion of the middle income group which is able to provide for itself. The rich may not need it, and the poor cannot be taken care of by any insurance scheme—even the Wagner Bill does not pretend to care for the indigent.

"Medical plans have made less progress but the profession is waking up to its responsibility not only for providing good medical care but for spreading it widely among the people. All voluntary types of protection as well as the compulsory types such as compensation and unemployment insurance, old age and survivorship insurance, help protect

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National Security Traders Association To Hear P. L. Smith At Annual Meeting

P. L. Smith, President, Middle West Corp., will address members of the National Security Traders Association, Inc., at their annual meeting, Aug. 25 and 26, at the Palmer House, on the outlook for public utilities in the post-war era, Wm. Perry Brown of Newman, Brown & Co., New Orleans, President of the Association, announced today. Other speakers will be Congressman Lyle H. Boren of Oklahoma, who will speak at a dinner meeting the opening day, and Joseph A. Matter, Chapman & Cutler, who will address the municipal forum on "Some Practical Phases of Post-War Municipal Financing." Ralph Chapman, Chairman of the NASD, will preside at the corporate forum. Congressman Fred E. Busbey of Illinois will address the luncheon meeting on the final day. His subject is "Wake Up America."

The complete program for the meeting is:

Friday, Aug. 25

9:00 a. m.—Registration.

10:30 a. m.—National Committee Meeting.

1:30 p. m.—Municipal Meeting; Joseph A. Matter, Chapman & Cutler, "Some Practical Phases of Post-War Municipal Financing."

4:00 p. m.—Corporate Meeting; Ralph Chapman, Chairman NASD.

4:15 p. m.—P. L. Smith, President Middle West Corp., "Outlook for Public Utilities in Post-War Era."

6:00 p. m.—Informal Reception.

7:00 p. m.—Dinner; speaker, Hon. Lyle H. Boren.

Saturday, Aug. 26

10:30 a. m.—National Committee Meeting; Election of Officers.

1:00 p. m.—Luncheon; speaker, Hon Fred E. Busbey, "Wake Up America."

4:00 p. m.—Closing Reception.

Advance registrations should be sent at once to Leo J. Doyle, Doyle, O'Connor & Co., 135 So. La Salle St., Chicago, Ill., with checks payable to the NSTA. Larry Higgins of Hulburd, Warren & Chandler, is supervising hotel reservations, but it is suggested members send the reservation cards directly to the Palmer House. Also it is suggested that those attending the meeting arrange to arrive Thursday afternoon, Aug. 24, as it is impossible to guarantee that rooms will be available immediately on arrival the morning of Aug. 25.

The Market After Victory

In the August issue of the "Fortnightly Market and Business Survey," E. F. Hutton & Co., Members of the New York Stock Exchange, point to the strengthened technical position of the stock market arising from the "fear psychology of a market break" that was in evidence before "D" day.

"The unfavorable possibilities, so-called, of an early surrender by Germany on business and the market have been very much to the fore. Thus the short-run or near-term position is better and traders should continue to find profits, buy—on weak days," continues the review.

Strength After Surrender Day

"Stocks seem in a position where the final act of German surrender, if it comes with the market as it stands now, should usher in even more buying than followed 'D' day," it is further stated.

The Market February 1945

"The longer term, i.e., popularity six months or more, is very much more difficult to correctly forecast. This means attempting to gauge the dominant factors of February 1945. Will Germany be defeated as expected before winter? How will the Oriental war look? Who will be President? Will we be thinking then of a longer war than we now expect or will peacetime problems dominate? If the latter, will it be a time of fear, deflation, unemployment or will it be a period of enthusiasm as to the future?

"The bearish argument rests very much on the certainty of a drop in business and employment in the transition period sufficient to upset the markets and provide an opportunity to buy equities cheaply for the equally certain deferred demand and reconstruction recovery which will follow.

Transition Period Short

"The bullish point of view considers that the moment the war ends its waste ceases. Real wealth is always destroyed by wars in precise proportion to every moment additional time the wars last. With the coming of peace the process of rebuilding wealth will again begin. With this country dominant in the world and all the intellectual power which we turned to the problems of war focused on the opportunities of peace, it would seem as if the transition time will be shorter than we now judge and that profits generally will hold at a rather even keel through it.

"However, both these points of view are efforts at forecasting business and economic developments. There is no possibility that any market will ever synchronize its peaks, valleys and trends with actualities. The key to market profit lies in correctly gauging how far ahead and to what degree coming events will be discounted in prices. The market profits in the war stocks came almost entirely in the peace period before war earnings materialized. Actual war earnings had little effect when published. $9 per share net for New York Central did not cause it to sell at $90. And, likewise, the decline in New York Central earnings, already under way, is not going to cause a comparable contraction.

"In fact, the changes which are going to occur may be exactly the opposite. Central may sell higher earning $3 than earning $9 if investors see a greater degree of permanency in the latter level than they hope for now. Some marginal motor and electronic corporations may fail to even approximate the post-war net discounted in today's prices, with resultant declines.

"'Distribution' as one popularly attempts to gauge it has not occurred to as great an extent this year as it did previous to the 1943 decline. The top prices for stocks are more likely to occur

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A. W. Tryder To Join W. H. Newbold's Son

PHILADELPHIA, PA.—Alfred W. Tryder as of Sept. 1 will become associated with W. H. Newbold's Son & Co., 1517 Locust Street, members of the New York and Philadelphia Stock Exchanges, as manager of the municipal trading department.

Alfred W. Tryder

Mr. Tryder was formerly manager of the Municipal Department for H. T. Greenwood & Co. Prior thereto he was with Suplee, Yeatman & Co., Inc. and was manager of the trading department for Edward Lowber Stokes & Co. He is vice-chairman of the NSTA advertising committee and is a governor of the Investment Traders Association of Philadelphia.

Public Utility Securities

Illinois Power's Progress

Illinois Power Co. (formerly Illinois Iowa Power Co.) has been making rapid strides in the past year towards putting its financial house in order. The company became over-capitalized back in the 1920's when it took over from its parent company certain railway and terminal properties. As a result of its heavy bonded debt, dividends on the preferred stock were omitted and after some $24 arrears had accumulated in 1937, a partial recapitalization was proposed. Holders of the old preferred stocks had their holdings cut in half, obtaining $2.50 new preferred share for share (plus a share of common and a "dividend arrears certificate" of $24). Due to litigation by holders of the old preferred, dividends on the new stock (though fully earned) were not paid until 1941. While payments have been in excess of the regular $2.50 amount, arrears of $7.35½ still remain.

Last year the company sold its Iowa subsidiaries for a substantial amount, applying the cash to debt reduction. Later it was able to refund nearly all the remaining debt, placing some $65,000,000 bonds with a large group of insurance companies. This left only $6,000,000 debenture 5½s, which will probably be refunded next year. The company has thus improved its earnings, though taxes absorb a substantial part of the gain.

In 1942 the common stock, though earning $2.26 per share, sold as low as 5/16 (about 31¢). Last year earnings increased to $2.64 and current figures (not available) would probably be better. The common stock has advanced to 8⅝ (this year's range 10¾-4¼).

Meanwhile the company is trying to recover some $40,000,000 ($26,586,787 plus interest) from North American Light & Power Co. and the latter's paper subsidiary, Illinois Traction Co. Illinois Power has also extended its claims to include North American Co., which controls North American Light & Power. Some of these claims pertain to transactions during the late 1920's, which in ordinary court proceedings might be too old for consideration, but this limitation probably does not carry weight with the SEC. Once the amount of these claims is settled North American Light & Power will be liquidated. Here enters a problem of subordination or reduction of the North American Co. interest, which has been taken to the courts. Obviously, however, the size of Illinois Power's claim (if any) is the first problem to be settled. Once this has been fixed by the SEC other matters may be settled by compromise. It is of course impossible to predict either the amount or the timing of any successful claim, but the writer's guess is that some $10-15 million might be granted, and this could readily be realized through sale of part of North American L. & P.'s portfolio.

At the end of 1943 Illinois Power had a strong current position with net assets of nearly $7 million, and this excess cash was apparently only partially used in connection with the big refunding operation in February. Preferred dividend arrears amount to only about $3,550,000 and dividend arrears certificates call for about $11,600,000, or a total of $15,150,000. This could probably be paid off out of surplus cash, plus any reasonable settlement of the claims against the parent company. This would in turn clear the way for common stock dividends, unless the SEC should restrict such payments.

The company would like to sell its large railroad property, Illinois Terminal Railroad Co. This company earned net income of over $1,500,000 in 1942 and over $1,000,000 in 1943. It paid $500,000 dividends in each year to Illinois Power (plus a still larger amount in interest), and excess earnings were not included in the Power Co.'s income statement. These earnings constitute a "hidden equity" but they reflect wartime conditions. Illinois Power would like to sell the road, but thus far has been unable to find a purchaser. The sale of the property, if effected, would permit further reduction of funded debt. Failing in this objective, it is barely possible that the SEC might earmark future earnings on common stock for debt reduction because of the high debt ratio. Prospects for dividends on the common stock are therefore subject to a variety of factors and contingencies, but certainly the outlook is much more hopeful than two years ago.

Attractive Situations

Panama Coca-Cola, and Piper Aircraft common and preferred offer attractive situations, according to memoranda just issued by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of these interesting circulars may be had upon request from Hoit, Rose & Troster.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF. — **Philip D. Allison** has joined the staff of **E. F. Hutton & Co.**, 463 North Rodeo Drive. He was previously with J. A. Hogle & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—**William J. Mains** has been added to the staff of **W. H. Bell & Co., Inc.**, 49 Federal St.

(Special to The Financial Chronicle)

BOSTON, MASS.—**B. Edwin Redden** is now with **Trusteed Funds, Inc.**, 89 Broad St.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Barbara Hughes** has joined the staff of **Whiting, Weeks & Stubbs**, 36 Federal St.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Ray N. Stolp** has become associated with **G. J. Case & Co.**, 208 So. La Salle St. Mt. Stolp was previously with the Federal Reserve Bank, and prior thereto was with Sills, Troxell & Minton, Inc.

(Special to The Financial Chronicle)

CINCINNATI, OHIO — **Roy A. Hodges** has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, 330 Walnut Street. Mr. Hodges was formerly with Granberry & Co., W. L. Lyons & Co. and W. D. Gradison & Co.

(Special to The Financial Chronicle)

GREENSBORO, N. C. — **James A. Love, Jr.** is now with **Thomas Darst & Co.**, Southeastern Bldg.

(Special to The Financial Chronicle)

HIGH POINT, N. C. — **Charles E. Diffendal, Jr.** has been added to the staff of **Kirchofer & Arnold, Inc.**, Insurance Building, Raleigh, N. C.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**James D. Kent** is now connected with **Bankamerica Company**, 650 South Spring Street. Mr. Kent was previously with Fewel & Co. and Searl-Merrick & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Erwin W. Widney** is now affiliated with **Bingham, Walter & Hurry**, 621 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Willard A. Campbell** has joined the staff of **Cruttenden & Co.**, 634 So. Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Eugene Ellery, Jr.** has become associated with **Harris, Upham & Co.**, 523 West Sixth Street. Mr. Ellery was previously with Pacific Co. of California and Bingham-Walter & Co.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—**Oscar F. Loeffler** is with **Paine, Webber, Jackson & Curtis**, 605 No. Broadway.

(Special to The Financial Chronicle)

MILWAUKEE, WIS. — **Monnie Elholm** has become connected with **Budd L. Sholts**, 61 West Wisconsin Ave.

(Special to The Financial Chronicle)

PORTLAND, ORE. — **Elizabeth Grimm** is with **Merrill Lynch, Pierce, Fenner & Beane**, Wilcox Building.

(Special to The Financial Chronicle)

PORTLAND, ORE.—**Ralph R. Macartney, Jr.**, formerly with Hess & Butchart, has become affiliated with **John Galbraith & Company**, Porter Building.

(Special to The Financial Chronicle)

ST. PETERSBURG, FLA.—**A. T. Moorefield** is with **Cohu & Torrey**, Florida National Bank Building.

(Special to The Financial Chronicle)

TOLEDO, OHIO — **George E. Chapin** has become associated with **Hayden, Miller & Co.**, Union Commerce Building, Cleveland, Ohio. Mr. Chapin was previously with J. A. White & Co., Ryan, Sutherland & Co. and Stranahan, Harris & Co.

(Special to The Financial Chronicle)

WEST PALM BEACH, FLA. — **Walter G. Jester** is with **Thomson & McKinnon**, 319 Clematis Street.

(Special to The Financial Chronicle)

WORCESTER, MASS. — **Helen A. Tsianco** is now affiliated with **Hanrahan & Co.**, 332 Main St.

Capper Fears Tariff Laws Might Be "Nullified" By International Monetary Pacts

Ratification of the Bretton Woods International Monetary agreements, according to Senator Arthur Capper (Rep.-Kans.), should be decided "as provided by in Constitution, by the Senate of the United States." In Associated Press advices from Washington Aug. 13, as given in the New York "Herald Tribune," Senator Capper is reported as saying that "a proposed fund and bank both apparently would have power to 'nullify' our tariff laws and," he added, "that 'some of our tariff laws from time to time should be modified, but they should be modified by Congress, not by an International Fund Board or by an International Bank Board on which the United States representatives would have only 28% and 27% of the voting strength respectively.'"

[In a statement prepared for the "Chronicle," Senator Capper said:

The Bretton Woods program seems to me to be open to the definition that it proposes to make all the world prosperous and happy and contented through funds provided largely from the Treasury of the United States, and through a world bank financed largely by the Treasury of the United States.

At first glance all this might seem to be putting a pretty heavy load upon the Treasury of the United States, considering that when the war ends the national debt of the United States promises to exceed 250 billions (that is 250 thousand millions, or a quarter of a trillion dollars.

I might add that the impression one gets from a first glance at these proposals becomes stronger at second, third and fourth glances.

Any proposals to make everybody in the United States prosperous through payments from the Federal Treasury should be studied very carefully.

Any proposals to make all the world prosperous, happy and contented through funds provided by the Federal Treasury also should be studied with great care before being adopted.]

"Asserting that the world fund and world bank proposals were referred to as agreements rather than treaties, Mr. Capper said he assumed 'we will learn later whether the U. S. Government is to be bound to them by executive agreement,' or whether they are to be ratified as treaties by the Senate."

Various items on the monetary agreement appeared in recent issues of our paper: July 27, pages 377, 379, 388 and 390; the summary of the agreement appeared in issue of Aug. 3, page 518; also in our Aug. 3 issue, page 486, we noted that Senator Taft had indicated his support of Senator Wagner in a move to delay Congressional action on the Monetary Fund.

Tomorrow's Markets Walter Whyte Says—

War news leaves market cold. Pessimism on post-war plans increasing in boardroom circles. Tape action, however, points to higher prices.

By WALTER WHYTE

Little has happened marketwise since the last column appeared. The outstanding feature of transactions seems to have been dullness. But if tape action made watchers yawn then the news from the war fronts kept them wide-awake.

* * *

The most exciting of the war developments was the Tuesday's flash that the Allies had made new landings on the South of France. Yet while the news made newspaper headlines it left the market strangely untouched. This refusal to act one way or another has deepened the confusion. Here was a big piece of news, the boardroom watchers argued, and still the market didn't go up. Others said this refusal to advance was proof that prices were on the edge of falling off and you'd better watch out.

* * *

Both statements or beliefs are interesting but have as little to do with the stock market as a discovery that life exists on Mars. Fact is that the announced landings in Southern France were discounted by the market some time ago. I don't mean that the market actually knew of these occurrences. But once a trend is established the odds are in favor of this trend continuing until something comes along and changes it. When we made our first invasion—D-Day—it was obviously a nip and tuck affair. As we deepened our advances it became clear that we had the whip hand. From that time forward it was no longer a hope of victory that was presented to us. It was a certainty. The trend for victory had been established. From that time forward practically anything which happened on the fighting fronts would hasten the day when the actual day of victory would come.

* * *

The market realizing this state of affairs decided then what it would do. And just as always its decision left many people high and dry. Before D-Day the belief that

(Continued on page 699)

International Security Conference To Open At Washington On Aug. 21—Russian Proposal

In disclosing on Aug. 14 that Russia and China as well as Great Britain have been fully apprised of American plans for a post-war world security organization, Secretary of State Hull stated that the British and the United States are in substantial accord on the main lines of the proposed organization.

Mr. Hull indicated that the Russians within the last two days had sent a memorandum on their own security ideas but he had not had time to study it thoroughly enough for comment.

As was noted in our Aug. 3 issue, page 517, the post-war security conferences will be held at Dumbarton Oaks, a famous Georgetown estate, and will open on Aug. 21 with Undersecretary of State Edward R. Stettinius as American delegate, Sir Alexander Cadogan, Undersecretary of the British Foreign Office as British representative, and Ambassador Andra Gromyko as Russian spokesman.

According to Washington Associated Press advices, Aug. 14, a Russian proposal for organizing the post-war peace in a manner which would place control firmly in the hands of the great powers capable of using force to suppress aggression has aroused intense interest among Washington officials as being probably the key to Soviet security planning. From these press advices we quote:

"The proposal is contained in a lengthy analysis of failures of the League of Nations and suggestions for a new world organization which was recently published in a Leningrad writers' magazine, 'Zvezda.' . . .

"The main point of the Russian proposal is that the 'genuinely guiding and decisive role' in the organization 'must be assumed by the great powers, which have demonstrated in fact during the present war their greatness, stability and power.'

"This would be accomplished, the article implies, by creating the 'directive organ' of the peace agency solely out of great powers and giving the world's small nations a position only in the general assembly of nations. The assembly would decide routine matters by majority vote and important questions by two-thirds vote, so that there would be no 'false equality' extending to the small powers a voice in decisions greater than their real influence in world affairs, the article declares.

"The ties binding the great powers within the peace agency framework would be supplemented by separate treaties among them covering the use of force, which would be decided upon by the great states on a basis of unanimity.

"'In these treaties,' the Russian proposal states, 'there must be defined as precisely as possible the role of each power in extinguishing this or that center of aggression. This role, of course, will not be the same for each power in each case, and will depend on a number of political, geographical and strategic conditions, but at the same time their mutual aid to one another in any action for safeguarding peace must be assumed in one degree or another.'

"Other sections of the article make clear that this means a regional responsibility for each great power in the maintenance of peace but no one of them would act except on unanimous agreement with the others.

"On the question of organizing force for maintenance of peace, the Russian proposal calls for an international air force which would be able to strike swiftly against any aggressor, but it describes as impractical the organization of an out-and-out international police force."

Secretary Hull praised the British and Russian delegations as able groups of experts whose assignment he described as a matter of considerable satisfaction to this Government. Reporting this, the Associated Press on Aug. 14 said:

"At his news conference, his first in two weeks since he has been away for a rest, he also noted that today is the third anniversary of the Atlantic Charter, and tied that fact with the forthcoming security talks.

"'There is sound reason,' he declared, 'for believing that the present effective collaboration of the United Nations, which began in the midst of a terrible war for survival, will be continued and strengthened in the future for the maintenance of peace and security.'

"Mr. Hull said the gist of the American security plan was given out by President Roosevelt in his statement of mid-June in which he called for a collaborative association of sovereign States backed by force but declared against a super-State or an international police force."

The President's plans for an International Security Conference were referred to in our issue of June 22, page 2609.

John C. Roberts With Peters, Writer Firm

(Special to The Financial Chronicle)

DENVER, COLO.—John C. Roberts has become associated with Peters, Writer & Christensen, Inc., U. S. National Bank Building. Mr. Roberts has been assistant manager for the Reed Partnership for six years. In the past he was in charge of the municipal department of the Denver office of Otis & Co.

Situations Interesting In Conn. Companies

Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange, have prepared memoranda on Acme Wire Co.; Veeder-Root, Inc.; Scovill Mfg. Co.; Arrow-Hart & Hegeman Electric Co.; Landers, Frary & Clark, and United Illuminating Co., Connecticut situations which appear attractive at current levels. Copies of these memoranda may be had from Chas. W. Scranton & Co. upon request.

Railroad Securities

The approval by the Interstate Commerce Commission of a reorganization plan for the Missouri Pacific, following very closely the terms set forth in the so-called "Compromise Plan" formulated many months ago, came as a surprise to most rail men who have followed reorganization procedure closely. The surprise was a pleasant one to most of the road's bond holders. At one time, and based on the long term earnings record of the constituent properties, it had generally been conceded that the original reorganization plan set up by the ICC was unusually liberal in point of amount of income bonds allowed.

In other reorganizations the Commission has displayed no recent inclination to adopt a more liberal policy with respect to reorganized capitalizations in the face of high war earnings. In the Missouri Pacific case, however, fixed interest debt is to be moderately larger than contemplated in the original Commission plan and contingent interest debt is to be increased to $159,175,000 from the $120,661,000. In the earlier stages of the proceedings this latter was considered somewhat on the heavy side. As an offset, the amount of new preferred stock is to be reduced and the total capitalization is to remain very closely in line with that of the Commission's original plan.

It appears hardly likely that the Commission was influenced in its decision to substitute income bonds for preferred stock by the consideration of the tax benefits to the reorganized company. If that were the case the argument would apply just as strongly to every other railroad reorganization. In the other reorganizations the Commission has not provided similar capital readjustments. It seems, rather, that the Commission was strongly influenced by the substantial measure of accord among various bond holders' groups, and felt that action calculated to minimize lengthy litigation was justified even though it weakened to some extent the original conservative capital structure.

Parties to other reorganization proceedings now pending before the Commission would do well to give this point serious consideration. Time spent in consultation and arriving at a plan acceptable to representatives of holders of a large number of the various affected liens before presentation to the ICC will be well worth while if it is to result in a material liberalization of the new capitalization.

While the ICC has finally approved a plan of reorganization for Missouri Pacific, consummation is still a long way off. By the mere mechanics of reorganization under Section 77 it would appear overly optimistic to expect the proceedings to be brought to a close before early 1946 at best. The Commission must hold further hearings and bring out its final modified plan before it may even be presented to the Federal District Court for hearings and approval (or disapproval). Then, even if everything runs smoothly, there will be the voting by security holders, the certification of the results of the balloting to the court, and final confirmation by the court, to say nothing of drawing of indentures, having the new securities approved by the ICC, etc. To this will be added the time consumed in appeals—even where bond holders are unanimously in favor of a plan it may virtually be taken for granted that the debtor itself will appeal against elimination of the old stock holders. Compared with equity proceedings, once a plan has been approved, Section 77 is a notably slow process.

While the date of possible consummation of a reorganization plan is still a long way away, the time element is not considered by rail men as detracting from the speculative appeal of most of the system bonds, on the basis of the treatment they are to receive. As a matter of fact time may work towards improving the potentialities of the old bonds, as it has in the past in most reorganizations, in allowing the accumulation of further substantial cash. In the long run this is true regardless of whether the cash is distributed directly to the old bond holders or held intact to be passed over to the new company and used by it to improve the properties or retire new debt.

Loeliger With Arnhold And S. Bleichroeder

Arnhold and S. Bleichroeder, Inc., 30 Broad St., New York City, announce that Fred V. Loeliger has become associated with their firm, specializing in foreign dollar and currency securities.

Ransom Edwards Joins Riter & Co. Dept.

Ransom R. Edwards, formerly with Newborg & Co., as manager of the trading department, is now associated with Riter & Co., 40 Wall Street, New York City 5, members of the New York Stock Exchange, in charge of the trading in unlisted securities and railroad bonds, and the developing of out-of-town business with dealers.

Ransom R. Edwards

Mr. Edwards, who has been in Wall Street for 16 years, is widely known not only in New York but also in many cities all over the country by brokers and dealers with whom he trades.

Riter & Co. maintains a direct private wire to their branch office in Chicago.

Mr. Edward's new telephone number will be HAnover 2-8000; the teletype is NY 1-1092.

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.

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.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, Newe 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.

Real Estate Securities

By JOHN WEST

Triple A Real Estate Bonds

It is a mighty broad statement to rate a bond Triple A. Surely such a bond must be conservative indeed. Just what is a conservative real estate bond? Ample interest coverage? Only partially so. Changing conditions can materially affect real estate income. Good management? Again only partially so. Good management may save on operating costs but unless the merchandise they offer is in good demand, it is hard to realize a profit. The absolute deciding factor of this conservativeness of a real estate bond is the value of the property securing the bond issue. The smaller the mortgage securing the bonds in relationship to the value of the property—the better the bond.

As an example, we have selected two real estate bond issues that are so conservative that it may be possible to consider them Triple A.

Prince & Lafayette Street debentures due December, 1952, are interesting. There is no funded debt ahead of these debentures and the outstanding issue is only $306,300 compared with a $1,075,000 bond issue originally issued on the property. An important feature of these debentures is that they trade with stock representing a share in the ownership of the property. Bonds pay 5% interest and surplus funds are used to retire bonds. Bonds can usually be purchased in the middle ninety's.

How very low the bond issue of $306,300 actually is can be realized by the assessed value of the property which is $800,000. Property consists of land owned in fee improved with a 15 story loft building. Property occupies the entire block front of Prince Street (84.8½) between Lafayette Street (173') and Crosby Street (143').

Our second example is the First Mortgage bond issue on the Tyler Building at 19 John Street currently outstanding in the amount of $408,500 compared to $1,400,000 bonds originally issued and an assessed value of $1,025,000. An important feature of these bonds is that they trade with stock representing an equal share of the ownership of the property. Bonds are secured by a First Mortgage on land owned in fee and 15 story office building in the heart of the Insurance Section of New York. Bonds sell below 90 and have been paying 6% interest.

Advocates U. S. Participation In World Organizations

(Continued from page 683)

investors foreign bonds to the total of approximately $7,000,000,000. On the loans made by our Government only token payments were made and the default on the foreign bonds sold to private investors was almost 100%. In the light of that unhappy experience the American people made the fatal mistake of assuming that we could go it alone, that foreign markets and a stable medium of international exchange were of no great moment to us and that we could work out our own salvation provided we would, as far as possible, withdraw from and isolate ourselves from world affairs. That tragic mistake must not be repeated. We now know that the world is round and not flat and that the major industrial centers of the world are within 24 hours bombing range of the North Pole. We know that our oceans are avenues of approach and not protective moats, that the steamship and the airplane have wiped out distances and that the radio, which knows no international line, has given to new ideas the wings of the morning. In a word, as Saint Paul would say, "We are all of one body," and if Europe or any other major part of the world is sick we will share in the headache. Since we cannot escape the impact of world events our goal should be to shape those events, or to participate in their shaping, to our own best interest. Such a program will include participation in an international organization with power to stop any aggressor, in a world court for the peaceful arbitrament of international differences of a juristical character and in an international program that will implement the commitment of the Atlantic Charter that all nations of the world shall have appropriate access to essential raw materials. In a word, if we want friends in the post-war era as guaranty against another world conflict we must be a friend.

Aside from the fundamental objective of a lasting peace we can't hope to have anything approaching satisfactory employment at adequate wages in this nation without an outlet for our surplus production. The home market, of course, is our most important market. Approximately 20% of our population is dependent upon agriculture for a livelihood. If our farmers are to have full employment and parity prices for their production there must be foreign outlets for approximately 40% of our cotton, 30% of our tobacco, 20% of our wheat, apples, etc. If our automobile, airplane, machine tool, electrical equipment and office equipment industries are to have satisfactory employment they should have a foreign outlet for at least 10% of their production. As President McKinley so wisely said, we can't sell abroad unless we are willing to buy from abroad as that will be the principal means by which those desiring our products can acquire dollars for payment. Personally, I attach more importance to the plans we adopt for international trade and a stable medium of international exchange than the particular plan of international cooperation adopted for the purpose of international peace since, in the past, trade wars have usually eventuated into shooting wars.

Concerning the formulation of peace plans, we should not reject what is presently possible simply because it may not be theoretically perfect. The Ten Commandments do not furnish a blueprint for the entire social and economic needs of the 20th Century, but they are good starting points and I do not favor their repeal.

Some will say that international cooperation to prevent aggression in which the sovereignty of the participants is preserved will not be effective; some will say that it is futile to formulate plans to stabilize a medium of international exchange until you have worked out a full and complete program for post-war world trade; and some will say the nations of the world have always fought each other and will always continue to do so. Our Chinese Allies furnish the correct answer to those pessimistic views when they say "A journey of a 1,000 miles is commenced with one step." If, because we can't at the start work out perfect plans we refuse to take any step toward the elimination of the fundamental causes of international conflict and disagreements we might as well stop talking about a post-war tax bill that will give substantial relief from war taxes because the military establishment we will be forced to maintain as an isolated nation will consume all the tax money we can possibly raise and then some.

A. WILLIS ROBERTSON.
Washington, D. C.,
Aug. 9, 1944.

OUR REPORTER'S REPORT

Latest returns on War Bond sales, covering the first twelve days of the current month are not too encouraging considering the fact that redemptions came within striking distance of equalling new sales in the period.

The figures show that a total of $121,416,110 of Series E, F and G bonds were disbursed in that interval. But they reveal also that no less than $119,224,341 were turned in by holders for redemption.

And only a few days ago it was announced by the Treasury that October 1 had been set tentatively as the date on which the commercial banks would begin cashing war bonds with a minimum of delay. Aside from probable needs for additional cash for vacation spending, there does not appear to have been any special explanation for the heavy redemptions other than the hopeful character of the war news.

Perhaps it behooves Secretary of the Treasury Morgenthau, who is touring the European battle areas, to get on his plane and hustle home. Certainly if this rate of redemptions is maintained, the head of the national exchequer probably could leave the business of war to the Generals and the Admirals.

He, evidently, has his work cut out for him on the home front. But perhaps living costs are beginning to make themselves felt now to the point where more than a little dipping into reserves is necessary on occasion. The August 1 to 12 record may be only a temporary situation, but then it is worth looking into just the same.

Kansas City Terminals

What with the bulk of new corporate issues, now reaching market, being sold on a competitive bid basis, this is far from a dull summer for investment banking firms even though the volume of new offerings is not large by any means.

The underwriters are currently awaiting a call for bids, expected within the next week or so, on $47,000,000 of 30-year first mortgage bonds of the Kansas City Terminal Railway. The company has applied to the Interstate Commerce Commission for approval of such an issue to mature serially to and including Oct. 1, 1974.

Proceeds, together with such treasury funds as are necessary, would be applied to the redemption of $49,000,000 of 4% bonds, due 1960, now outstanding. The new bonds will be sold at par with the bankers being called upon to fix the interest rate and consequently the cost to the issuer.

Port of New York Authority

How widely price and market ideas of banking groups may differ at times was rather clearly indicated this week when the Port of New York Authority opened bids for its new issue of $17,671,000 of general and refunding bonds.

Only two groups sought the bonds, but the spread between their tenders was unusually marked, being equivalent to 1.73 points. The winning syndicate paid the Authority 95.85 for the issue, indicating a cost of 2.2184%, and proceeded to reoffer the securities on the basis of 97½ to yield the investor a return of 2.12%.

On the basis of the second bid received by the Authority, 94.12, the interest cost would have been 2.30947. The bonds were reported going well on the reoffering.

Rail Equipments Active

The flow of new railroad equipment trust certificates to market continues at an active pace in the wake of War Production Board action allowing increased material for the construction of rolling stock.

New York Central recently called for bids on an issue of $15,000,000, and this week Chesapeake & Ohio applied to the ICC for authority to issue $2,500,000 while Chicago & North Western seeks to issue $5,180,000.

Narragansett Electric Co.

The backlog of pending public utility company flotations was substantially augmented this week when the Narragansett Electric Co., subsidiary of the New England Power Association, registered with the Securities and Exchange Commission for a new 1st mortgage issue.

This company proposes to sell $31,500,000 of new first mortgage Series A 3s, due 1974, which means that buying departments of banking houses will be busy for a while figuring what the market will take here in the matter of pricing.

Receipts from the sale, with company cash, would be used to redeem $31,732,000 of the outstanding Series A 3½s due to mature in 1966.

Hirsch, Lilienthal Adds Edward Shensa

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Edward Shensa has become associated with Hirsch, Lilienthal & Co., Union Commerce Building. Mr. Shensa was formerly with Ira Haupt & Co.; was manager of the statistical department for C. E. Unterberg & Co., and was with Singer, Deane & Scribner and Soucy, Swartswelter & Co. of Youngstown. In the past he had his own investment firm in Boston.

Economic Stabilization In The Post-War Era

(Continued from first page)

again restored. This of course assumes a free competitive society in which values can adjust according to the knowledge of value relationships which is quickly understood by the general public. But do we have that kind of a society? Does management and regimentation prevent values from readjusting? A free society worked most imperfectly and unjustly at times, but does a managed economy work any more perfectly and justly?

Some Maladjustments That We Have Now

The reconversion from war to peacetime business has caused a maladjustment following all wars. But this war is different. It is world wide. It is larger and it has brought about a greater concentration of the population in places necessary for war work but not practical for peace times. It seems quite safe to say that a larger percentage of the working people are engaged in war work than was the case during any previous war. Also it is perhaps safe to say that more women are working at war jobs and peace time jobs than ever before, and a large percentage of these women will wish to continue to work. Then there is the large number of men and women in the military forces to be demobilized and returned to their former peace time occupations. The numbers actually in the military forces are perhaps more than 100% larger than in World War I.

While the war has been in progress there has been a great concentration of industry. More than one million businesses have ceased to exist, while only about a half million new businesses have been formed. The government has many billions worth of war plants for sale. Some of these are useful and some have only junk value. Many peace time industries have been expanded for war purposes a thousand per cent. People have changed their habits in everything from food to transportation. New products have been created and the uses of old products made obsolete. A list of these maladjustments would fill a large catalogue.

Some Economic Figures On Maladjustments

From figures presented in the Federal Reserve Bulletin income payments have increased from an index number of 98.5 in 1938 to 211.7 in 1943; the physical volume of production (unadjusted) from 89 to 239; factory employment from 91 to 168; factory payrolls from 85.1 to 316.4; department store sales from 99 to 168; wholesale commodity prices from 78.6 to 103.1 and the cost of living from 100.8 to 123.6. (These Indices are compiled by the Federal Reserve Bulletin. However, they do not have the same base year. For example, the cost of living is based on 1935-39 as 100, while the wholesale prices are based upon 1926 as 100. Nevertheless, the trend of the changes is quite evident.)

When similar maladjustments have occurred in the past, though never so extreme, a period of adjustment causing a depression occurred. For example, taking 1926 as 100, all commodity prices moved from 68.1 in 1914 to 154.4 in 1920, and back to 95.3 in 1929 and then down to 65.9 in 1933. The adjustments in manufacturing, mining, factory payrolls and international trade were very similar to the price adjustments. The history of these times is too well known to require further comment. But suffice it to say that maladjustments are followed by adjustments, inflationary or deflationary, and no matter which comes first the other inevitably follows as all past history informs us.

SOME INDICATORS OF FINANCIAL MALADJUSTMENTS

Year—	Total U. S. Receipts	Expenditures	Gross National Debt
1917	$1,124,325,000	$1,977,682,000	$1,023,557,000
1919	5,152,257,000	18,522,895,000	26,594,268,000
1930	4,177,924,000	3,994,152,000	16,185,308,000
1941	7,607,212,000	12,774,890,000	58,019,773,000
1944 (Estimated)	41,186,000,000	99,276,000,000	250,000,000,000

OUTSTANDING NET PUBLIC AND PRIVATE DEBT

(In billions at the year ends)

1916	74.7	1938	158.0
1920	124.3	1939	161.4
1929	173.4	1943	273.5
1933	151.3	1944 (Estimated)	400.0

NUMBER OF BANKS, LOANS, INVESTMENTS AND DEPOSITS

(Dates selected to indicate trend)

	No. Banks	Loans & Inv.	Loans	Investments	Deposits
		(000,000 omitted)			
1914, June 30	26,274	$20,788	$15,257	$5,532	$18,566
1920	29,829	41,684	30,839	10,845	39,721
1929	25,110	58,474	41,531	17,442	53,852
1933, Dec. 30	15,219	40,477	22,077	18,400	38,646
1941, June 30	13,422	46,186	19,909	26,276	65,608
1943, Dec. 31	13,270	83,507	18,841	64,666	104,094
1944 (Estimated)	13,200	125,000	19,000	105,000	145,000

After World War I a short period of readjustment and a mild depression was followed by about eight years of financial inflation with only a few mild interruptions worthy of the name of a few months' reaction. During the first war our net public debt had increased sharply and bank deposits had increased more than 100%. But during the decade that followed the Federal debt was reduced by about 10 billion of dollars, while the city and state debts increased rapidly and the net public debt was marked up more than twice as much as the Federal debt costs of the First World War. In addition, the debts of private corporations expanded as never before. Also, it should be pointed out that it was in this period that instalment credit had its great expansion. Everything from automobiles to house furnishings were sold on the instalment plan, and when the credit wanted was restrained there was a network of loan companies licensed by the states to make loans at rates of 42% per annum to meet all extra needs. This decade of credit expansion following the recovery beginning in 1921 witnessed an increase in total public and private debt of more than twice the small Federal debt cost of the First World War. But the payday came in 1929, as has been the case of all bubbles and over-expansion of credit from the "South Sea Era" to the "New Era."

Credit Expansion of World War Two — What Is Ahead?

During this war the national debt and the net public debt have expanded many times that of World War One. In fact, the rise of these public debts has outstripped anything recorded in financial history, and we have no records to compare this credit expansion with in the pages of history of this country or any other country. As a result, bank deposits will probably reach 150 billion dollars by the end of the fiscal year 1945. What is to follow this "era" of war credit expansion? Will speculation and rising prices consume this increased credit? How will the debts be paid or reduced, and the bank deposits reduced? Can these debts and bank deposits be managed so as to prevent another wild boom and the inevitable collapse that always has followed booms? Recovery and inflation booms are always interpreted as "New Eras," "Prosperity" and just the natural activity of an industrious people until they burst. Then the blame is placed squarely upon the bankers, the speculators or the government. All of which undoubtedly bear a portion of the blame. But they in turn blame the public.

Can we escape a "New Era" and its consequences?

Television Prospects Bright

James H. Carmine, Vice-President Of Philco Corporation, Says Survey Reveals 86% Of People Would Like To Have Television In Their Homes—Radio Industry Prepared To Meet Post-War Demands

Approximately $25,000,000 has been invested in television research and development by the radio industry to get television ready for the public, according to James H. Carmine, Vice-President in charge of merchandising for Philco Corp., speaking before the Radio Executives Club television seminar in New York City on Aug. 10th.

James H. Carmine

"Probably never before has the product of a great new industry been so completely planned and so highly developed before it was offered to the public as has television," Mr. Carmine said. "Through long years of research and development the television art has been so perfected that the product itself and the service it renders will be ready for the public in a highly-developed state as soon as the war is over. The best evidence that the public thinks well of television is the universal response that comes from those who have a chance to see it. As soon as television receivers can be made and sold, the public will eagerly buy them in tremendous quantities."

A recent consumer survey revealed that 86% of the people would like to have a television receiver in their homes, Mr. Carmine pointed out. Few, if any, post-war wants are more general.

"Because it is a highly technical scientific instrument, a television receiver to operate properly must be installed by skilled personnel and serviced by those who are especially trained in this work," Mr. Carmine continued. "Here again television will start off with a great advantage over automobiles, radios and all our modern household appliances in that a large body of experienced personnel, who have had the benefit of Army and Navy radio and high frequency training, will be ready to handle installation and service as soon as the war is over. We estimate the number of these expert service men, who can be given the latest television information very quickly, at 20,000. Their availability and desire to get into television will give a tremendous stimulus to the video art."

Over and above its post-war employment opportunities, television will make great contributions to the public welfare in the fields of education and entertainment, Mr. Carmine pointed out. By combining sight with sound, television is the ideal medium for the transmittal of ideas and intelligence. It is the next best thing to talking with a teacher face-to-face. Properly used, television can do much to make the people of the United States better informed and better educated than ever before. In the entertainment field, it opens whole new vistas which courageous pioneers are now spending time and money to explore and develop in anticipation of the day when television stations will cover the whole country and a tremendous audience will exist.

"Present television broadcasting is within the reach of about 25,000,000 persons, if receivers were available," Mr. Carmine said. "If all the stations for which permits have been requested are constructed, television coverage would expand to 70,000,000 people—more than half the population of the country. The New York-Philadelphia relay link which Philco has developed sets a pattern whereby the stations in different cities can be tied together to begin a national hook-up and make the outstanding shows and news events of the country available to the television audience.

"As you may already know, television is now becoming international, and construction of a transmitter in Mexico City is being considered.

"In popularizing television and giving it the initial impetus it needs to get underway, the most important thing is to let people see it for themselves. Television itself is many times more powerful than any words that can be said about it. Even today, only an infinitesimal number of people in the whole United States have seen television. What all of us in the industry need to do, as quickly as possible, is to give demonstrations all over the United States. If we do this, such questions as demand, price, production, and markets will almost solve themselves. The public response will surprise all of us in its enthusiasm and spontaneity."

Sugar Situation Of Interest

With the Cuban commission appointed to negotiate for higher sugar prices, Warner Sugar 1st and refunding 7s offer attractive possibilities, according to a special bulletin being distributed by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this bulletin may be had from the firm upon request.

Printing Ink Looks Good

General Printing Ink offers an attractive situation according to a memorandum issued by Newburger & Hano, 1419 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum discussing the outlook may be had from Newburger & Hano upon request.

Connecticut Brevities

Scovill Manufacturing Co. of Waterbury has called for redemption on Sept. 1, 1944, the remainder of its 3¼% debentures due July 1, 1950. The bonds, presently outstanding in the amount of $4,500,000, are redeemable at 102½ and accrued interest to the call date. Upon completion of the call, the company's sole capitalization will consist of 1,046,838 shares of common stock.

* * *

The Connecticut Light & Power Co. is currently offering to purchase its outstanding 7% first and refunding mortgage bonds due on May 1, 1951, at a price of 125% of par and accrued interest to and including Aug. 21, 1944, on which date the offer expires. Bonds not tendered are subject to call for the sinking fund at 103½ on Nov. 1, 1944.

The company has also announced that it will redeem on Sept. 1, 1944, the $7,000,000 first and refunding 3½% series F bonds due Sept. 1, 1966.

* * *

Collections of Internal Revenue in Connecticut for the fiscal year ended June 30, 1944, amounting to $896,529,929, showed an increase of 65% over the preceding year. Total collections indicate that Connecticut ranks 12th among the United States as a source of revenue.

* * *

For the first six months of 1944, **Bigelow-Sanford Carpet Co., Inc.,** showed net profit of $1.39 per share on the common stock after a provision for depreciation and taxes and preferred dividend. This compares with 49¢ a share for the corresponding period a year ago when no provision was made for Federal taxes due to the fact that a refund on 1941 taxes was more than sufficient to offset taxes for 1943. Net sales of $19,753,489 for the first half of the year showed an increase of $861,814 over the first six months of 1943. War contracts amounted to approximately 71% of the total sales.

The company is the largest single producer of blankets for the armed forces. Their most recent contract is for 300,000 O. D. wool army blankets. Completion of this order will bring the total production of blankets over 5,000,000. Sleeping bags are turned out in large quantities, the latest allotment of wool for this purpose being more than sufficient to produce 300,000 such bags.

* * *

Graham H. Anthony, President of **Colt's Patent Fire Arms Manufacturing Co.,** recently announced the sale of their electrical division to the Federal Electrical Products Co. of Newark, N. J. Output of this division includes heavy industrial switches, circuit breakers, panel boards and service equipment.

Colt's Patent Fire Arms Manufacturing Co. has been instructed by the Springfield Ordnance District to step up its production of .45 caliber automatic pistols. The armed forces are in a position to utilize maximum production of this weapon.

* * *

The decision of Pratt, Read & Co. of Deep River to discontinue its reconversion to peacetime work will hold back piano production in the entire nation as this company is the sole source of supply of piano keys and action mechanisms in the country. With costs increased approximately 35%, the refusal of the OPA to lower ceiling prices of pianos has made profitable operations impossible, and until this controversy can be settled the plant will close down.

* * *

The Navy Department in Washington recently announced that there would be a cutback in submarine production due to the fact that fewer submarines had been lost than had been anticipated and that the need for other types of ships was greater. To what extent this will affect the **Electric Boat Co.** of Groton may not yet be determined, but present indications are that the company will produce submarines through 1946. The current rate is two "subs" a month.

* * *

Peck, Stow & Wilcox showed gross profit of $918,939.88 for the fiscal year ended June 30, 1944. After depreciation of $66,109.48 and provision for taxes of $647,891.29, net income totaled $204,939.11 compared with $174,126 in the preceding fiscal year.

The company added $139,939 to surplus during the year and set up a $25,000 reserve for contingencies. The volume of sales was the greatest in the history of the company and surpassed the previous year's record by more than $1,500,000.

* * *

During the first six months of this year United Aircraft Corp.'s total sales were $419,925,815—26% ahead of the corresponding period of 1943. Net income, however, only showed an increase of approximately 4%, or $2.93 a share against $2.81 a share.

* * *

The Collins Co. of Collinsville earned $191,791 or $12.79 a share during the fiscal year ended May 31, 1944, as compared with $186,680 or $12.45 a share for the preceding fiscal year.

Boston Traders Ass'n Gets Slate For Office

BOSTON, MASS. — The Nominating Committee of the Boston Securities Traders Association has made the following selection for officers and governors for next year, to be voted upon at the annual meeting scheduled for Sept. 26:

Walter J. Connolly

President: Walter J. Connolly, Walter J. Connolly & Co.

V.-President: A. N. Winslow, Jr., Perrin, West & Winslow.

Treasurer: Arthur E. Engdahl, Goldman, Sachs & Co.

Recording Secretary: James F. McCormick, Jr., Mixter & Co.

Corresponding Secretary: James R. Duffy, Paine, Webber, Jackson & Curtis.

Governor for one year term: H. R. Beacham, Josephthal & Co.

Governors for two year terms: John W. Altmeyer, Hayden, Stone & Co.; Herbert C. Smith, Blyth & Co., Inc.; and Sumner Wolley, Coffin & Burr, Inc.

Members of the Nominating Committee are: James B. Maguire, E. H. Rollins & Sons, Inc., chairman; William S. Prescott, Carver & Co., Inc.; William Burke, Jr., May & Gannon; William S. Duncklee, Brown Bros. & Harriman; and Ralph F. Carr, Ralph F. Carr & Co.

Securities Traders Outing Huge Success

DETROIT, MICH.—The members of the Securities Traders Association of Detroit and Michigan held their 1944 summer outing last week. A large attendance of members and out of town guests pronounced the affair a great success.

George C. Dillman of Harriman Ripley & Co., Incorporated, won the Director's Trophy in the Golf Tournament.

Among the unusually large number of out-of-town guests were: Edward E. Parsons, Jr., Wm. J. Mericka & Co.; Corwin L. Liston, Prescott and Company; Richard Gottron, Gillis, Russell and Company; Morton Cayne, Cayne, Ralston & Company, and C. J. Odenweller, regional director of the Securities and Exchange Commission, all from Cleveland. Oliver Goshia, Collin, Norton & Co., Toledo, was also present.

Ray P. Bernardi, Cray, McFawn & Co., is president of the Association.

Fahnestock Co. Opens Branch In Hartford

Fahnestock & Co., members of the New York Stock Exchange, announce the opening of a new branch office at 75 Pearl Street, Hartford, Conn., with Gordon C. Hurlbert as manager. The firm now has four branches in Connecticut, the others being located in New Haven, Torrington, and Waterbury.

Michigan Brevities

Highlight of the financial news in Detroit in the last few weeks has been the purchase of virtual control of Graham-Paige Motors by Joseph Frazer, backed by Floyd Odlum and a New York syndicate for a reported $1,000,000 plus.

In brokerage circles here the runup in the stock from below 3 to $7 a share caused more consternation than enthusiasm.

Purely by coincidence, the Graham deal announcement coincided with the resignation from G. M. of the Fisher Brothers and every school teacher, housewife and factory worker rushed to buy Graham when rumors swept the city that the Fishers were interested.

While the Fishers seriously considered an official denial, they were deterred by the realization that such a denial would have to follow every such rumor from here on in and the rumor was only laid in its grave when Joseph Frazer stated flatly at his first press conference that no such move was in prospect.

Announcement that the SEC was investigating was welcomed by brokers who knew better than anyone else that it was public "hysteria" that carried the stock up rather than any planned manipulation.

* * *

Newest on the list of company officials to supplement "tax limited" salaries via the long-term capital gains route was Howard Colby, President of Tivoli Brewery.

Statement to stockholders said that Colby had been given an option on unissued company stock and can take up 10,000 shares a year at $3. The option runs for ten years and the stock is selling at $3.50.

Tivoli stockholders were told that Colby got the option to give him a greater interest in the company's welfare and to insure his remaining with the firm.

* * *

Charles G. Oakman, Detroit City Controller, will receive bids Aug. 28 for the purchase of $2,020,000 Detroit bonds.

* * *

Murray Corporation of America recently completed negotiations with the National Bank of Detroit for a $25,000,000 V-T revolving credit.

The credit, which is immediately available, will be used as needed to finance war orders held by the corporation.

* * *

The stockholders battle in the Detroit and Cleveland Navigation Co. was finally settled at a resumption of the annual meeting which was ordered by the court.

Two members of the minority group — from Cleveland — were elected to the board of directors. They were Frank C. Gee, chairman of the board of the First of Cleveland Corporation, and Ernest S. Dowd, President of Dowd-Feder Inc.

* * *

The Commercial and Financial Chronicle has learned from informed sources that there will be no immediate public financing by the Manufacturers National Bank of Detroit.

Brokers in both Detroit and New York have been angling for some time for this anticipated business which would constitute the sale of part of the late Edsel Ford's shares.

It has been learned, however, that a sizable block of the bank's stock was disposed of at a private sale, which makes further sale unnecessary at this time.

* * *

A special meeting of McCord Radiator stockholders has been called for September 12 to vote on a recapitalization plan and adoption of the abbreviated name to include the word "McCord."

Stockholders are asked to—

1. Authorize a change in the name of the present no par, class B stock to common stock and change the number of shares from 303,400 to 306,523.

2. Authorize an issue of 37,947 shares of new, no par, preferred carrying a rate of $2.50 cumulative and redeemable at $50 a share.

Under the recapitalization plan each class A holder will receive 1.4 shares of new preferred, plus one share of common for surrender of each class A share and all rights to accumulated unpaid dividends which aggregated $19.50 per share on Aug. 1.

Ins. Stock Interesting

Employers' Group Associates offers an attractive situation according to a detailed memorandum prepared by Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., members of the New York Stock Exchange. Copies of this memorandum, and the latest issue of the Mackubin, Legg Insurance Stock Index, may be had from the firm upon request to the Insurance Stocks Department.

Senate Passes Reconversion And Unemployment Bill Sponsored By Senator George

Murray-Kilgore Measure Defeated By Vote Of 49-25

The Senate by a vote of 55 to 19, passed on Aug. 11 a "States rights" post-war reconversion and unemployment bill. The bill went through the Senate with the support of a Republican-Southern Democratic coalition, after the rejection, by a vote of 49 to 25, of the Murray-Kilgore measure setting up Federal standards of unemployment compensation. Both the George bill and the Murray-Kilgore measure were referred to in our issue of Aug. 10, page 600.

The bill passed by the Senate on Aug. 11 sets up an Office of War Mobilization and Reconversion under a Presidentially-appointed director to coordinate planning for the gigantic switch-back to a peacetime economy. We quote from Associated Press accounts from Washington, which also stated:

It embraces a provision extending post-war unemployment compensation coverage to 3,500,000 employees of the Government, in addition to the millions now covered, but leaves the fixing of rates to the States. Under it the Government would reimburse the States for payments to ex-Federal workers and set up a Federal fund to guarantee the solvency of State unemployment systems.

The rejection of the Murray-Kilgore bill, setting up a much broader Office of War Mobilization and Adjustment, came on an indirect vote by which the Senate substituted provisions of the George bill for sections of the rival measure which included the Federal jobless pay plan.

In an eleventh-hour effort to overcome opposition, the Murray-Kilgore bill proponents reduced from $35 to $25 a week the proposed maximum benefits payable under its terms.

But with the votes in their pockets and the White House keeping hands off, the opponents of the measure were in no mood for a compromise.

The George bill now goes to the House for action with indications that it will be referred to the Ways and Means Committee for consideration early next week.

It provides for a demobilization setup which sponsors, say carries out, recommendations of the Baruch-Hancock report drafted at the suggestion of President Roosevelt. The director of the new agency would work with an advisory board of 12 members, three each from industry, labor, agriculture and the public.

A joint committee of Congress would maintain a "continuous surveillance" over the demobilization program.

Absent from the bill were AFL-CIO proposals under which workers would be given six months' vocational education at Government expense with payments for subsistence while going to school.

Also missing were labor-proposed regional and industry advisory councils which Republicans said would mean "another NRA."

On Aug. 12 Senator Carl A. Hatch (Democrat) New Mexico, charged that a Republican minority which "has controlled the Senate for the last two years" refused to permit Senator George to work out a broader and more generous demobilization bill.

The United Press, in reporting this from Washington, added:

Senator Hatch, a Murray-Kilgore supporter, asserted that "for the last two years the Republican minority, aided by certain elements among the Democrats, has controlled the United State Senate."

He said Senator George "has a complete understanding and comprehension of the conditions which require a broader and more effective consideration" than his bill would permit.

"Had Senator George been permitted to by the Republicans who supported his bill," Senator Hatch said, "he would have worked out a compromise. But supported as he was by the entire Republican side, he was unable to do so."

Told of Senator Hatch's comment, Senator George remarked that he had "no desire to enter upon a controversy on the philosophy projected in the Murray-Kilgore bill."

On Aug. 10 Senator Taft (Republican) criticized as "fundamentally wrong" what he said were attempts by sponsors of the Murray - Kilgore demobilization bill to provide post-war benefits to war workers on a par with those provided for soldiers and sailors. In part, the Associated Press advices of that date also said:

"I cannot see a parallel between soldiers and sailors serving at $50 a month and others receiving high wages in war industry," Mr. Taft told the Senate in urging defeat of the CIO-supported measure under which discharged war workers would receive up to $35 a week in unemployment compensation.

* * *

Estimating that the George proposal would cost "something less than $1,000,000,000," as against "at least $15,000,000,000" for the Murray-Kilgore proposal, Senator Taft said the tax burden under the latter would be so heavy that "it would gradually destroy private enterprise and we would be forced into State socialism."

New Deal Senator Pepper (Dem., Fla.) replying, declared that it is not the profits of the corporations, "but the purchasing power of a nation at work that is the recipe for prosperity."

He declared that unemployment and other provisions of the Murray-Kilgore bill would prevent a costly depression by stimulating production and purchasing power.

The Senate shouted down a motion by Senator Aiken (Rep., Vt.) to recommit both bills to committee on the ground that both ignored "post-war security for the American farmer."

Arbitrage Situation

With the acceptance by the Interstate Commerce Commission of the reorganization plan for Seaboard Air Line, the issues offer attractive possibilities as an essentially arbitrage situation, according to a memorandum issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum and a report on the continuing rise in railroad gross revenues may be had from Vilas & Hickey upon request.

New York Stock Exchange Weekly Firm Changes

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

Alfred J. Duff retired from partnership in Arrowsmith, Post & Welch, New York, on Aug. 4.

Frazier Jelke To Admit

George Jordan will become a partner in Frazier Jelke & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Sept. 1.

News Review

The current issue of Huff, Geyer & Hecht's "News Review" contains interesting data on various insurance and bank stocks, including a table of comparative values of certain bank stocks. Copies of this interesting release may be had upon request from

Missouri Brevities

Chester, Illinois Toll Bridge

Reflecting the collapse of two spans of the bridge during an electrical storm July 29, 1944, **City of Chester, Illinois 4% Toll Bridge Revenue Bonds due September 1, 1965** have dropped from a trading range of 89 - 91 flat to a present bid price of around 40 flat. However, bondholders have been reluctant to sell at this level and no trades have been reported by local dealers. There are $1,385,000 of bonds outstanding on which interest was defaulted March 1, 1944. "All risk" insurance (with a 2% deductible clause) was carried on the bridge in an amount equal to the construction cost. It has been reported that the insurance company has assumed the liability for rebuilding the two spans (estimated cost $400,000 to $450,000), but has not assumed the expense of removing the steel from the river. The Bridge Commission also carried "use and occupancy" insurance, effective after seven days, providing a maximum payment of $75,000. Present estimates indicate that the bridge is not likely to be ready for traffic again until April 1, 1945.

Meantime, in order to keep traffic from being diverted from the area, a contract has been let to provide ferry service at the site. Funds available for debt service in the six months ended June 30, 1944, amounted to $12,998 compared with half year interest requirements of $27,700.

Hussmann-Ligonier Earnings

Hussmann - Ligonier stockholders were cheered by the company's resumption of profitable operations during the first half of 1944 when net earnings totaled $132,525, equal to $0.69 per share on the common stock after preferred dividends, compared with a deficit of $15,758 in the corresponding period of 1943. Net sales increased 12%. Reflecting this improvement, the common stock has recovered sharply to its present trading range of 10-11.

Activities of St. Louis Dealers

Reinholdt and Gardner, in a leaflet recently distributed to their clients, call attention to the importance of the "over-the-counter" market and the fact that many interesting investment opportunities are available in unlisted securities. A total of 43 issues are included in the tabulation. Copies are available to dealers.

Scherck, Richter Company have issued an interesting analysis of Panhandle Eastern Pipe Line. Copies are available to dealers.

St. Louis Traders Will Attend NSTA Annual Meeting

Numerous early reservations give assurance that the **Security Traders Club of St. Louis** will be well represented at the **Annual Meeting of the NSTA to be held Aug. 25 and Aug. 26 at the Palmer House, Chicago.** Among those already signed up are the following:

Firmin Fusz, Ray Denyven, Fusz, Schmelzle & Co.; Bert Horning, Stifel, Nicolaus & Co.; Joe Petersen, Eckhardt - Petersen & Co.; Emmet Byrne, Robert Walsh, Jerry Tegeler, Dempsey-Tegeler & Co.; Henry Richter, Gordon Scherck, Scherck, Richter Co.; Richard Walsh, Newhard, Cook & Co.; Clarence

(Continued on page 696)

Ins. Stocks Attractive

White & Company, Mississippi Valley Trust Building, are distributing an interesting circular outlining the attractions of fire and casualty insurance stocks, copies of which may be had from the firm upon request.

Also available for distribution is a very attractive and complete report on Maryland Casualty Company, the cover of which is a composite half-tone reproduction of the national advertising done by this company. White & Company believes that this piece of literature will act as a decided sales stimulant to those dealers who wish to distribute the only really speculative security contained in the fire and casualty list.

Copies of this circular and a memorandum on Mid-Continent Airlines will be sent by White & Company for the asking.

Customers Brokers Nominate Officers

Richard G. Horn of Peter P. McDermott & Co. has been nominated for the presidency of the Association of Customers Brokers. Donald C. Blanke was nominated for vice-president; Archie F. Harris, secretary; John A. Hevey, treasurer; Robert J. Davidson, Spencer Phillips, Richard Ross, and John Duff, for four-year terms on the executive committee; John S. McLain and Frank Saline for one-year terms on the executive committee.

The Association's annual election will be held on Sept. 13.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

About this time of year it is possible to pause and appraise the current trend of the insurance business as revealed by such mid-year statements of insurance companies as have thus far been released.

Casualty companies are reporting profitable operations in the first six months on an increasing volume of premium business. Nine leading stock casualty companies, for example, show an average increase of approximately 14.7% in premium volume for the first six months of 1944 compared with the similar period last year, as shown in the accompanying table:

Company—	Net Premium Volume First 6 Months, 1944	% Increase Over First 6 Months, 1943
*Century Indemnity	$5,082,000	11.9%
Fidelity & Deposit	5,833,000	4.4
Home Indemnity	2,610,000	14.8
Manufacturers Casualty	3,365,000	47.2
Massachusetts Bonding	9,288,000	7.0
National Casualty	2,859,000	22.7
U. S. Casualty	4,354,000	8.5
U. S. Fidelity & Guaranty	23,947,000	5.9
U. S. Guarantee	2,884,000	9.6
Average		14.7%

*Owned by Aetna Insurance Co.

Each company in the group reports favorable underwriting results and net investment income in the face of heavy war-time taxation. Compared with the 1943 year-end, admitted assets and surplus are substantially higher in each instance.

Very few fire insurance companies' reports have yet been released. The first mid-year statement to appear was that of St Paul Fire & Marine, which shows net premium writings for the first six months to have been $10,590,021, a gain of 15% over the first half of 1943. The company reports that satisfactory operating results were experienced, despite heavier taxes. Consolidated net operating profits, including those of affiliates, are reported at $2.27 per share, compared with $2.26 for the same period last year.

Continental Insurance Co. reports net premium writings at $15,261,115, compared with $14,086,257 for the first half of 1943, a gain of 8.4%. Net adjusted operating profits for the six months, after taxes, are estimated to be $1.62 per share compared with $1.65 for the first half of last year.

Fidelity-Phenix Insurance Co. also reports a substantial gain in premium business, with a net premium volume of $11,925,274 against $11,295,852 for the first six months of 1943. This represents a gain of 5.6%. Total net adjusted operating profits, after taxes, are estimated at $1.85 per share, compared with $1.95 per share for the 1943 first half year.

Dividend coverage by Continental Insurance for the half year is 1.62 times, and for Fidelity-Phenix, 1.68 times.

One reason why net operating profits of the fire insurance companies for the first six months of 1944 are fractionally below those of the first half in 1943 is that there was a 12% increase in fire losses, as shown in the following tabulation:

MONTHLY FIRE LOSSES IN THE UNITED STATES
(Reported by National Board of Fire Underwriters)

	1943	1944	Increase
January	$27,733,000	$38,572,000	39.1%
February	33,175,000	38,280,000	15.4
March	39,214,000	39,084,000	—0.3
April	34,241,000	34,746,000	1.5
May	29,297,000	32,815,000	12.0
June	26,854,000	30,355,000	13.8
Total	$190,514,000	$214,052,000	12.4%

The increased tempo of industry under the pressure of the war effort, necessitating two and three shifts of workers and the employment of thousands of inexperienced men and women, and even boys and girls, has introduced an abnormally high degree of fire hazard which has been manifested in a substantial increase in fire losses since Pearl Harbor. It is reasonable to believe that the trend will be reversed as the war effort lessens and normal peacetime operations are resumed. Nevertheless, fire losses in the United States are expected to remain at a fairly high level, a fact which justifies and necessitates the continued existence of an active, alert, progressive and financially prosperous fire insurance industry.

Commenting on fire losses in the nation, a recent issue of Best's Insurance News has this to say: "Good progress has been made in fire prevention work but nevertheless many thousands of lives continue to be taken annually by fire. In addition there are huge property losses which for the current year are expected to exceed $400,000,000, many of which resulted from pure carelessness. This terrific toll will continue unabated until public indifference to the fundamental requirements of fire prevention is overcome."

With regard to the tragic circus fire at Hartford, Conn., on July 6, it is reported that fire insurance coverage in an amount exceeding $500,000 was carried by Fidelity-Phenix Fire Insurance Co., Glens Falls Insurance Co., Home Insurance Co. and Royal Insurance Co., Ltd.

Predicts Sugar Rationing For Industrial Users Through 1945

(Continued from first page)

ments might be raised to 100% or even higher—but any opinion as to the percentage figure must be the rankest guesswork because of the very uncertain conditions surrounding supply. Our guess would be that the Government, in order to keep dissatisfaction at the lowest point possible under the circumstances, would try to increase the allotment at least to 100% of 1941 use—which would not take into account the normal increase in population or the return of soldiers to civilian life.

"In making clear our line of reasoning, we wish to bring out some salient points concerning the world sugar situation and the indicated supply picture for the United States during the next two years. First of all, we should observe that there is a world-wide shortage of sugar. As we pointed out in our study of March 27, 1944, approximately 40% of the world sugar-producing areas is either under Axis domination or has been crippled or destroyed. Of a world production of 29,478,000 tons in 1938-1939, 11,841,000 tons were produced in these areas. As an example of what this means, consider the case of Russia where a substantial part of the ability to produce sugar has been destroyed. There is every indication that Russia in the post-war period will be, until she rehabilitates her industry, a substantial purchaser of sugar in the world markets.

"Little news trickles out of Java and the Philippines, two important producers. We have recently learned, however, on good authority that sugar mills generally throughout the Philippines are intact. Yet it is recognized by Philippine sugar men that when and as the Japs are forced out of the Philippines, they may work a great deal of havoc, to say nothing of the possibilities that the sugar properties may become battlefields and thus be destroyed. One cannot talk with confidence, therefore, of a substantial flow of sugar from the Philippines except in terms of, say, two years or longer. The same observation may be applied with equal justice to Java.

"India is one of the world's greatest sugar producers in point of volume, but, as you know, India normally consumes her own production, and will not become an important exporting country unless prices in other countries should rise so phenomenally high that she would feel impelled to sell. We believe, however, that India in the next several years will not become an important exporter of sugar because we do not expect prices high enough to induce her to part with her sugar.

"Australia, a substantial producer of sugar (in 1938-1939, she produced 834,000 long tons, raw value, of which she consumed approximately 350,000 tons—the balance of which was shipped chiefly to the United Kingdom and Canada) has lost much ground during the past few years as the result of the war. Indications are that her 1943-44 crop will run only a little over 520,000 tons, which leaves relatively very little for export, especially considering the fact that she must supply our troops in Australia and other areas.

"As for the European situation, the sugar world is very much in the dark as to conditions at present. Europe (including Russia) prior to the war produced 8,590,000 long tons and consumed 11,783,000 tons. It has not been getting enough fertilizer. Labor is scarce. For five years, only essential repairs have been made to the factories. Much of the territory has been bombed relentlessly. We might also state that the European sugar industry has suffered tremendously from the lack of skilled technical men, as many of these have been drawn into the armies of Europe. It is reasonable, therefore, to assume that whenever the war ends in Europe there will be a tremendous amount of work to be done to rehabilitate the fields and sugar factories.

"Considering, then, the principal areas outside of the Western Hemisphere (we have only attempted to review briefly the probable situations in the major sugar-producing areas), it will be seen that the sugar picture is anything but a bright one and that it will take a long time to balance consumption and production, certainly two or more years from the time hostilities cease in Europe.

"Let us consider the situation in the Western Hemisphere. Comparing total *normal* production of the Western Hemisphere with consumption, we have this picture: In 1938-1939, the Western Hemisphere produced 10,326,000 tons and consumed 9,157,000 tons, the major portion of the balance being sold in the world market. A substantial part of that balance went to the United Kingdom. Obviously, the Western Hemisphere in normal times is self-supporting as far as sugar is concerned. It is not a net importing area.

"The war has naturally brought about a disruption of the normal trade routes and a shifting in movement, with the result that we in the United States can no longer depend upon the regular amount of sugar from our normal supplying areas. Lend-lease, this year, will probably take from the Western Hemisphere an amount in the neighborhood of 700,000 tons. This will probably be increased in 1945, further aggravating our supply picture. And bear in mind we are not normally an important sugar exporting country. To illustrate, in the 700,000 tons mentioned, about 150,000 tons are going to North and West Africa, which areas normally imported 300,000 tons annually. Then too, under the UNRRA program, it is reasonable to assume that after the first flush of victory, substantial quantities of sugar will be moved to the freed nations of Europe. A large part of it will undoubtedly come from us or our normal areas of supply. Our armed forces this year will consume something in the neighborhood of 800,000 tons. Although, obviously, these men would have been fed if they were home, it is well known that in the army their sugar consumption is stepped up. Some estimates indicate that on a per capita basis they will consume 135 pounds as compared with the normal civilian figure of a little over 100 pounds per capita.

"In the foregoing we have attempted to show that there is a world shortage of sugar, that the normal supplies of the United States are being encroached upon, and that this will continue for at least two years more.

"We have not as yet discussed the production potentialities of the several areas supplying the United States. This, of course, is an extremely important subject. As you know, the beet crop in 1943 was a disastrous failure, amounting to 853,000 long tons, raw value, as compared with 1,543,000 tons in the preceding campaign. The current crop will probably not exceed last year's crop by more than 100,000 tons. As to beet production in 1945, it is too early to make an estimate. Much will depend on Government cooperation in the matter of price, farm labor supply, competing crops, etc. It is safe to say that it will not reach record proportions.

"Normally, Puerto Rico produces around 900,000 long tons per annum, of which we receive all, after allowing for local consumption. This year her production is 647,000 tons, or a loss of over 250,000 tons. Puerto Rico has many problems, i.e., politics, labor, scarcity of the right kind of fertilizer, etc. We cannot, therefore, be optimistic at this time as to improvement in Puerto Rican sugar production in 1945.

"Cuba this year produced 5,046,000 long tons, of which approximately 800,000 tons were in the form of high test molasses to be used for industrial purposes. This was an abnormally large crop, only 110,000 tons below her all-time record of 1928-29, when 5,156,000 tons were produced. This was only accomplished by her grinding every stalk of sugarcane standing in the fields. That there was so much sugarcane to grind was the result of enlarged plantings in 1942, which were not repeated in the same volume in 1943. For 1945, therefore, we estimate that Cuba will produce at least 10% less than she produced this year. Of course, it should be observed that there may not be taken from the 1945 Cuban production as large a quantity of sugar for industrial purposes as was taken this year. To the degree that this is so, it will bolster the sugar supply available for industrial users and the public in the United States.

"We do not anticipate any material change in the production picture in Louisiana and Florida, either this year or next year.

"A word is in order on the subject of invisibles. Obviously, invisible supplies are infinitesimal today. Almost everybody is on a hand-to-mouth basis. In 1941, the invisible supply reached approximately 1,000,000 tons. With invisible supplies practically nil and with the production and supply picture generally uninspiring, it may be anticipated that our Government will find it necessary to maintain rationing until we have in sight sufficient supplies to take care of normal demands and the building up of invisibles in the hands of the trade.

"The foregoing will make clear the reasoning by which we reach the conclusion that industrial user sugar rationing will be maintained during the next year and a half or two years. We believe that under the conditions our estimate is conservative.

"As we see it, there is only one method by which this unfortunate dilemma may be improved, and that is for our Government to find ways and means of increasing sugar production. The most direct method and the one likely to produce the quickest results is to raise the price. We are fully in sympathy with the 'hold the line' order, but the situation may so develop as to present two alternatives: (1) more sugar and a higher price, or (2) much too little sugar at the present price.

"We mention this situation because the decisions taken in connection with it will have a most important effect on the duration of rationing and the allotments given industrial users."

How Will Germany's Defeat Affect Market?

(Continued from page 682)

the previous day; a week later it was three points higher, and two weeks later six points higher, reaching a new high on July 10 at 150.50.

This Average is now fluctuating in the neighborhood of 145, and for the near-term we look for a trading range of from 143 to 150. If when the peace news comes the market is at the lower level of this range, we anticipate a reaction hardly any greater than occurred on the invasion news, followed by steady absorption of stocks by the plethora of funds seeking investment.

If the peace news should come with the market at the higher level or after it has enjoyed a further advance, a more substantial relapse would be likely. On the other hand, if in the meantime the market should have worked lower to any material extent, in all probability a rally would be seen.

The Factor of Reconversion Progress

The conversion of industrial production to war purposes was expedited by Government orders and was accomplished rapidly. The same urgent and patriotic atmosphere does not apply to the reconversion process. There has been sharp difference of opinion between the military authorities and the War Production Board on the subject of the desirability of allowing reconversion to begin.

The controversy was ended with the preparation of four WPB orders to go into effect as follows: July 15, aluminum and magnesium released; July 22, making of experimental models permitted; July 29, placing of machine tool and manufacturing machinery orders approved; and Aug. 15, limited civilian manufacture allowed to begin, provided that it does not interfere with necessary war production.

While industry has made plans for reconversion, the Government so far has not acted with the same celerity. Legislation is still to be enacted on the orderly disposal of war surplus materials and on demobilization unemployment compensation. Much will depend, therefore, on the progress that has been made in reconversion by the time Germany admits defeat. If necessary legislation has been enacted and satisfactory progress has been accomplished, it should act as a cushion against whatever immediate shock the news of peace produces in the minds of investors.

Bureaucracy a Possible Handicap

Even when an industry has finished its war production and apparently has been given the green light to resume production of civilian goods, it can still be handicapped by the heavy hand of bureaucracy. The piano industry, while relatively small, can serve as an illustration. The piano factories are motionless on the brink of reconversion, for the nation's only factory manufacturing piano keys and action mechanisms has been shut down because of what is termed the failure of the OPA to issue adequate ceiling price regulations, its ceiling prices being based on the maximums of March 1942 which, in view of a 35% rise in costs since that time, preclude profitable operation.

If similar conditions should obtain in other and more important industries, so that while ready themselves for reconversion they are prevented from operating profitably, the result could hardly fail to be a depressing influence on stock prices.

Peace news arriving before November might have a somewhat bullish influence on the theory that the Republican party's chances in the Presidential election would be improved if the European war were over.

Conclusion

The end of the war with Germany is visible in the near future, and in our opinion the action of the market will be largely dependent on its technical position at the time. If the news comes with prices in the neighborhood of the prevailing level (145), a slight and temporary reaction can be expected, which would be more substantial from a higher level (150 or more), while from a lower range of prices (143 or below) a rally would be logical. Much may depend on the extent to which reconversion is being accomplished efficiently and profitably within OPA price ceilings. After the initial impact of the news is absorbed, we feel that the long-term effect cannot be other than constructive.—From "Investment Timing," issued by the Economics & Investment Dept. of the National Securities & Research Corporation.

Canadian Securities

By BRUCE WILLIAMS

Events in Canada continue to confound the prophets of gloom and disaster. Since the Saskatchewan elections when the complacency in Canadian financial quarters was rudely disturbed by the sweeping C. C. F. gains in that province, there has been a tendency towards pessimistic forebodings in every direction.

The C. C. F. victory in Saskatchewan, the birthplace of the movement, was always a distinct possibility, just as it was predicted in this column that the well organized Social Credit party in Alberta should emerge triumphantly. In Quebec, again the party best organized provincially gained the day, and despite fearful prognostications, the French Canadian electorate once more showed its conservatism and completely rejected the extremist Bloc Populaire.

Thus, with all the alarmist forecasts to the contrary, the people of Canada have clearly demonstrated that, given a practical alternative, they will readily ignore the C. C. F. What happended to the C. C. F. in Alberta where it was confidently anticipated that the party would sweep the province? The expected pairie fire movement proved to be a very damp squib — two C. C. F. members elected—and in Quebec, that solid bulwark against all forms of extremism, one seat only, and this not in one of the wide-spread industrial areas where it would not have been surprising to see the C. C. F. make some headway.

The immediate political outlook, therefore, is decidedly clearer and it now seems certain that there will be no Federal elections until after the war. It would also appear that the chances of Mr. King to continue in power are now decidedly improved. The key province of Quebec with its 65 seats in the House of Commons should continue to support its best friend outside the province and the Union Nationale is a provincial and not a Federal party.

Mr. John Bracken, the Progressive Conservative leader, has failed to make any headway and his failure to seek representation in the House of Commons has contributed in no small degree to the decline in popularity of the Conservative party.

Mr. King, who is the most astute politician in the Dominion, will not fail to capitalize on the present C. C. F. debacle, and the Family Allowances Act recently passed in the Canadian Parliament is indicative of the fact that the King Government is effectively stealing the socialistic thunder of the C. C. F. A further proof of the strength of the present Administration is the final passage by a vote of 84 to 6 of Mr. Ilsley's bill to amend the Bank Act and to extend for another ten years the charters of the banks.

As was to be expected, in view of the beneficial clarification of the political atmosphere, the market during the past week ceased to drag and in many sections registered definite improvement. The long-term Canadian Nationals which have recently been pressed for sale were no longer in supply and prices improved about a ½ point.

Albertas strengthened nearly 2 points and it appears that past predictions concerning the early refunding of the provincial debt are now well on the way to fulfillment. Before the elections, the Social Credit party leaders gave considerable publicity to their efforts in this direction and they can now consider that they have a mandate from the electorate to implement their proposals. Should this be finally consummated, the only remaining blemish on the Canadian financial record will thus be removed.

Internal issues continued in supply and the Canadian dollar in the "free market" was still offered at 9⅞% discount. Now that Canada no longer enjoys the benefit of the Hyde Park Agreement and has largely utilized her surplus U. S. dollar balances in payment for various war installations built by us within the Dominion, the question of the Canadian dollar returning to parity seems to be definitely deferred at least until after the war.

Meanwhile, there will be a further supply of Canadian exchange in the free market resulting from the payment of the 4½% Dominion Refunding Loan due next October 15 and the probable call on the same date of the 3½% Refunding Loan of Oct. 15, 1949, which issues are both fairly widely held in this country.

With regard to possible future market developments, there is no doubt that the technical position is now definitely strong. In addition to the steady liquidation that has taken place due to political uncertainties, the supply of external bonds from Canada is becoming increasingly limited and the recent private refunding of $18,325,000 Ontario 4½s of Sept. 1, 1944, introduces a difficult replacement problem.

Heavy Munitions Production In Canada

"Intensive production of the munitions of war continues to dominate the industrial scene in Canada, with the Government's program calling for still greater expenditures on military account as the war approaches its climax," said the Bank of Montreal in its July 22 Business Summary, in which it also stated: "The effect of the continuing high level of Government expenditure is increasingly evident upon domestic trade, the dollar volume of which is substantially greater than at this time last year, despite shortages of labor and materials. Holiday resorts are crowded and passenger traffic is taxing the capacity both of railways and of inland steamship lines. Freight traffic, too, continues in great volume. In June, railway loadings of revenue freight were at an all-time high, the total being 9,451,000 tons, as compared with 9,364,000 tons in the previous month and 11.4% higher than the total for the corresponding month of last year. For the first half of this year the cumulative total was 52,144,000 tons, an increase of 10% over the total for the first six months of 1943. The total in the pre-war comparison of the first six months of 1939 was 27,796,000 tons."

Good Crop Yields Forecast

The Bank of Montreal in its Business Summary July 22 stated that "reports from all sections of the Dominion forecast good yields, in the aggregate, of the majority of the principal field crops." "In the Maritime Provinces and in Quebec the hay crop is short owing to dry weather, but cereals and other crops are making good progress," said the bank, which added: "In Ontario, as a whole, crop prospects are for average or better-than-average yields. In the Prairie Provinces the previous favorable weather conditions have been well maintained by timely rains and good growing weather, and although in dry areas in southern Alberta and south-west and west-central Saskatchewan yields will be low, good yields, on the whole, are in prospect, the outlook being particularly good in Manitoba, where a start is expected on wheat-cutting before the end of the month. Reports indicate that crops are two weeks ahead of last year's condition at the same date. All crops in British Columbia are reported to be satisfactory."

Superior Rights For Inferiors

(Continued from page 683)

to an equally insane line of thinking. According to this new doctrine, since all persons must be regarded as equal, those who are in obviously inferior positions must be given superior rights so that they can maintain their claimed equality with their actual superiors.

Equality

1. Let us have a few moments of sane discussion of "equality."

If this is to be "the century of the common man," let us understand whether we intend to glorify the common man by enlarging his opportunity to advance himself, or by preventing any uncommon man from achieving more than mediocrity.

No one has ever been fool enough to claim that all persons are equal in mental or physical power. Every shade of brain power from imbecile to scientific genius, every variety of muscular skill from clumsy plodder to deft mechanic or agile athlete, provides proof positive of inequalities in capacity. But there is a democratic principle of equality of opportunity which is sane and logical. The whole virtue of this principle is: Let inequality be demonstrated and determined as a fact. Do not impose an artificial inequality **by law**, either as a birthright or a special privilege. The purpose of "equality before the law" is not to create or maintain a fictitious equality, but to establish social and economic **inequalities** on the basis of genuine differences.

How absurd to compete for prizes and then take them away and deny credit to the winners so as to maintain the silly pretense that all contestants were equally good!

The claim of a "master race" or a "superior people" is fraudulent. Biological and anthropological science, and historical knowledge, prove the claim a fraud. But some individuals are superior; and it is entirely reasonable to claim that some communities or nations are, as a whole, superior to others, as a whole. Of course the claim may be disputed. But faith in oneself and one's companions is essential to progress. We must believe that in some ways our course and our results are better. Otherwise thinking and planning become sterile.

Then there are inequalities of position which give at times superior rights to persons who may be inferior to their subordinates in a hundred ways, but whose temporary superiority of position must be recognized. The traffic policeman has a superior right to tell you where and when to move. The salesman, behind his counter, has one superior right over the customer. He is in control of the goods and the cash register. The works manager or the foreman has a superior right over the wage-earner to direct what work shall be done and how and when. None of these superior rights makes the other party inferior except to the extent that he is actually in an inferior position. The automobile driver is only subject to the policeman's orders when he comes within the sphere of his authority. The customer is only inferior to the salesman on one side of the counter. The worker may have equal or superior rights in bargaining, in fixing the terms of his employment. But the management must have, and be free to exercise, a superiority in bossing the job. To give the inferior position a superior right of control is worse than wrong. It is ridiculous.

Freedom

2. Now consider "freedom." Real freedom isn't an absolute right. It is the **product** of self-control. The "freedom" of an irresponsible person is like the liberty of a child. It can be only a strictly limited freedom, regulated by a superior who accepts responsibility for the child's conduct and welfare. When people seek liberty without self-discipline, only a paternalistic, tyrannical government can take care of them.

Justice

3. Justice for all people does not include forgiveness of wrongdoing. If no one paid a penalty for wrong, there would be anarchy and increasing rewards of evil. If only **some** are forgiven, that means injustice to those who are punished. There must be rules of penalty and compensation for wrong which **are enforced** universally. A modern tendency to find social responsibility for all bad conduct is a denial of justice to the law-abiding. This does infinite harm to weak, anti-social persons. They are encouraged in wrong—just as doles encourage idleness.

(1) We have gone too far in seeking unearned "freedom," because of the persistence of tyranny.

(2) We have gone too far in seeking unearned "equality," because of the persistence of oppression and inherited handicaps.

(3) We have done too far in seeking unearned "justice," because of the persistence of so much avoidable injustice.

But, now we are facing the great evils of an attempt to establish an all responsible government for an irresponsible people. It simply cannot be done. A perfect example of this vain effort is provided by the present confused relations of government, management, and labor.

Government, Management, and Labor

For many years, labor leaders sought to restrain the autocratic powers of management by creating a counteracting or balancing power in labor unions. The main effort was to build up the economic strength of organized men to equal the economic strength of organized money. In this struggle, government for a long time gave potent aid to management, because of the public duty to preserve law and order and to protect property rights.

A Major Blunder

Then organized labor began to mobilize its political power—the voting strength of the masses. Government became the ally of the workers and an active force to restrict and weaken the economic power of management. **Right here began a major blunder in public policy.** The creation or the grant of power without corresponding responsibility is an economic or political sin. Any sound plan for economic or political progress must avoid this evil.

A glaring weakness in our capitalistic economy had been the irresponsible power of organized money. As the minor power of a millionaire had grown into the major power of a billion dollar corporation, there had been no corresponding increase of social obligations. Yet self-preservation **did** impose upon this money power a strong interest in order and discipline, and a moderate, even though a secondary, interest in the general welfare.

But, when government lent its great aid to increasing the economic strength of the workers, it tolerated and actually encouraged a private interest in disorder and disregard for the general welfare. It created and sustained a legalized right in the workers to disorganize production and distribution as the way to self-advancement. Management was not merely forbidden to interfere with labor organization, but was made legally helpless to boss the job and to insure the fulfillment of the public duties of private enterprise.

As a result, in order to meet its

(Continued on page 696)

Mutual Funds

Emphasis Where It Belongs

"Competent management is worth more than its modest cost."

That is the conclusion which **Hugh W. Long & Co.** reaches in a new folder on **Fundamental Investors** entitled "A Good Story Gets Better." The story is about a $500,000 order from a large estate which this sponsor did not get. Instead the money was placed in a list of 20 "Blue Chip" common stocks by the estate managers.

That was 3½ years ago. What has happened since? The $500,000 investment is now worth $554,476.07 as against $703,676.16 had the original investment been made in Fundamental Investors instead of the "Blue Chip" common stocks.

The net advantage scored by Fundamental Investors on the original investment of $500,000 over the 3½-year period, amounted to $149,200.09. Interestingly enough, the income from Fundamental Investors over this period was almost exactly the same as that received from the list of common stocks—$89,044.16 for Fundamental, as compared with $89,253.58 for the "Blue Chip" list.

* * *

The Parker Corporation has issued a dignified, attractive folder entitled "10 Reasons For Owning Shares of **Incorporated Investors.**" We handed this folder to a fellow-commuter coming in on the train—a man not connected with the financial field. His comment was: "This sounds like a good thing to me."

* * *

Distributors Group has just published a new edition of its basic booklet describing **Group Securities, Inc.**, outlining the investment policies pursued, and showing the record achieved. The booklet is entitled "Group Investing in Undervalued Securities," and from the standpoint of both layout and content it is a strikingly "different" piece of literature.

* * *

National Securities & Research Corp. makes an interesting analysis of the big question mark of the present—"How Will Germany's Defeat Affect the Market?" This discussion is contained in the current issue of **Investment Timing.** The conclusion is divided into three parts, depending upon the prevailing level of the market at the time of Germany's defeat.

"If the news comes with prices in the neighborhood of the prevailing levels (145) a slight and temporary reaction can be expected, which would be more substantial from a higher level (150 or more), while from a lower range of prices (143 or below) a rally would be logical. . . . After the initial impact of the news is absorbed, we feel that the long-term effect cannot be other than constructive."

* * *

A simple and convincing exposition of the "Indestructibility of the Class" is presented in the current issue of **Keystone Corp.'s Keynotes.**

The 12 original stocks in the Dow-Jones Industrial Average are listed to show what may happen to even the best of individual issues. Only two of those original 12 stocks are still in the Average, but high-grade stocks as a class remain, and the Dow-Jones Industrial Average, by the process of making substitutions whenever necessary, also remains—providing a reliable picture of the price movement of industrial stocks.

"The issues within each class change — just as the Dow-Jones Industrial Average has changed since 1900 — but the classes are always there. They are indestructible."

* * *

We've noticed steady improvement in mutual fund prospectuses in recent years. However, the best job, from a selling presentation standpoint, which has come to our attention is the new prospectus on **Investors Mutual.** It is tops in attractive layout and inviting readability.

Continuing to stress the need for careful analysis in security selection, **Lord, Abbett** has reprinted in the current issue of **Abstracts** a recent editorial by Ralph Hendershot, Financial Editor of the New York "World-Telegram." The gist of this editorial is defined in the title: "Careful Analysis Essential in Buying Stocks — War Has Brought Big Changes — Pre-War Success No Guide."

Mutual Fund Literature

Distributors Group—The current monthly **Investment Report** on **Group Securities, Inc.;** current portfolio folders on **Low Priced Shares, Railroad (Bond) Shares** and **General Bond Shares. . . . Parker Corp.**—A new prospectus on **Incorporated Investors; Keystone Corp.** — A revision of the folder, "Information for Trustees, Trust Officers, Bankers, Institutions, Corporations," on **Keystone Bond Fund B-1;** a new supplemental prospectus on **Keystone Preferred Stock Fund K-2. . . . Hugh W. Long & Co.**—A current portfolio folder on **Manhattan Bond Fund. . . . Selected Investment Co.** — A current portfolio memorandum on **Selected American Shares** and a list of additional purchases for their own account by directors of that Fund. . . . **Hare's Ltd.**—A folder "Fire Insurance After Two Wars" and a revision of the folder discussing the possibilities of a trading position in the various groups of **Institutional Securities, Ltd. . . . Eaton & Howard, Inc.**—A new prospectus on **Eaton & Howard Balanced Fund.**

Dividends

Institutional Securities, Ltd. — A dividend of 2¾c per share payable Sept. 30, 1944, on **Bank Group Shares** to holders of record Aug. 31, 1944.

C. F. Henderson Co. To Admit

Mary F. Henderson will be admitted to a limited partnership in Charles F. Henderson & Sons, 29 Broadway, New York City, members of the New York Stock Exchange, on Sept. 1.

Professor Fisher Lauds Outcome Of Bretton Woods Conference

Editor, The Commercial & Financial Chronicle:

My main comment on the Bretton Woods conference is one of rejoicing that at last an international monetary and economic conference has made a fine record, and of hopefulness that its proposals will be accepted without change by all the signatory nations.


Prof. Irving Fisher

I have no doubt that any economist can find faults. But after all of the painstaking efforts in good faith to work out an acceptable set of plans no possible good service could be served by scrapping the finished product, which would almost inevitably be the result of trying now to amend it. Senator Taft, for instance, has had full opportunity to present his views at Bretton Woods and it is to be hoped that he will not, as some fear he may, try to induce the Senate to complain of "the final act." The Senate is not qualified to improve on what has run the gauntlet of the experts either before or at the Bretton Woods Conference. And even if they were so fitted and even if they should think, and be justified in thinking, that Uncle Sam would be carrying too big a share of the load, it would be better policy to assume the extra burden than to have nothing done at all.

For monetary stabilization is by far the most important economic problem today — the problem of preventing future inflation and deflation; and a close second is the problem of post-war international loans.

Personally, I find very little which I would take out of either plan. I could name some worthwhile additions. But the time for changes has gone by. The whole question is whether on the whole the plans should be accepted or should be rejected. There can be but one answer.

Sincerely,

IRVING FISHER.

New Haven, Conn., Aug. 11, 1944.

Superior Rights For Inferiors

(Continued from page 694)

own obligations to the general welfare, government was forced constantly to intervene as a peacemaker between the fighting forces of labor and management. Finally, in a time of war, government had to **beseech** the workers and to **order** the managers to work together in order to furnish essential supplies to the defenders of the nation, fighting against foreign enemies.

The present weaknesses in our political economy flow largely from this major blunder in public policy; our failure, as a government, to require that a legal obligation to serve the general welfare shall always rise to the level of any legalized power to affect the general welfare. This blunder has been partly cancelled in time of war by a temporary assertion of the supreme authority of military command. But, when military authority ends and only civil authority remains, we shall face the urgent choice between an impotent government, bewailing the civil warfare which has been encouraged by the great blunder, or a strong government which, regardless of Sewell Averys and John Lewises, will assert the supremacy of law and the public interest over the self-serving aggression of any government-defying private interest. (The motives of an Avery or a Lewis, however lofty, do not alter the fact that defiance and obstruction of constituted authority is a revolutionary act.)

Of course, in the future as in the past, any government will be denounced as Fascist or Communist or reactionary or radical, which demands that the law and the general welfare shall be upheld regardless of selfish demands for anarchistic freedom, fictitious equality and sentimental justice.

The cult of "Superior Rights for Inferiors" has many followers. Time-worn ideas of self-reliance, self-support and self-discipline do not appeal to a multitude of shirkers and leaners and borrowers and illiterates who cast their ballots in favor of the seductive program: "Let somebody take care of me today and let somebody else worry about tomorrow."

Demagogues may lead astray a host of weak-minded persons with the claim that democracy should bring to the masses an irresponsible freedom, an artificial superiority and a preferential justice. But I am confident that this idiot's dream will never become a dominating illusion in America. I believe that the majority of the American people are still faithful to the ideals of freedom under law, equality of opportunity, and justice without fear or favor. In that faith, the home front battle after the war should be won by those sane idealists upon whom the whole world must rely for any lasting victory in the world-wide war of liberation.

Missouri Brevities

(Continued from page 691)

Maender, Ken Hagemann, G. H. Walker & Co.

More are expected momentarily by Firmin Fusz, who is in charge of reservations.

Missouri Public Service Commission General Order No. 38

Utility managements with properties located in Missouri have been studying the effect of the Missouri Public Service Commission's recently issued General Order No. 38 which states that beginning Jan. 1, 1945, all electric, gas, water, telephone, telegraph and heating utilities under its jurisdiction must credit depreciation reserves with earnings at the rate of 5½% per annum. This, in effect, means that the present annual operating expense charge of each company for depreciation would be reduced by the amount of the 5½% credit thereby raising the "earnings available for return" by a corresponding amount.

Thus, if a company is now earning the 6½% rate permitted by the Commission, its rate of return would be raised by the amount of 5½% credit, thereby, making itself subject to possible rate reductions.

The theory on which the majority of the Commission bases its Order is that depreciation belongs to the consumer and the owners of the property are only entitled to a service charge of 1% (6½%-5¾%) for handling the reinvestment of depreciation funds. The Order was to become effective Aug. 17, 1944, however, representatives of the various water, gas and electric companies appeared before the Commission on Aug. 11 to enter protests and secured a 30-day extension. Miss Agnes Mae Wilson, one of the Commissioners, questioned order's validity,

Municipal News & Notes

North Carolina Governor Urges Provision Now For General Debt Redemption

North Carolina's general fund surplus, which stood at $57,648,870 on June 30, last, is likely to reach $75,000,000 by the close of the current fiscal year, on June 30, 1945, Governor J. Melville Broughton predicted recently. In discussing the surplus in relation to the State's outstanding debt, Governor Broughton said that the general sentiment is to set aside a sufficient amount of the surplus to offset the State's general fund bonded debt. This debt, he said, now totals in principal amount approximately $50,403,500, against which there is now a sinking fund of $6,241,000.

"It is regrettable," the Governor declared, "that this general fund bonded indebtedness cannot be paid off while money is on hand more than sufficient for such purpose. However, the bonds have no callable provision, and the only alternative is to set aside in a sinking fund specifically allocated for this purpose enough of the present surplus in its invested form to offset and be available for the payment of the general fund bonds. By this action, except for the difference in interest rate, this bonded indebtedness will be in effect retired. Such action will have a definitely stabilizing effect upon the credit and financial standing of the State. There should be no deviation from this course.

"With the general fund indebtedness thus disposed of, the State will be in a very satisfactory condition with respect to its other bonded indebtedness, which consists of highway bonds in a total amount of $55,855,000, less the sinking fund of $13,400,195, or a net highway indebtedness of $42,454,805. All highway bonds, payable in annual amounts and under present schedules of payment, these bonds will be retired completely in seven years. At the end of that period the State will have no outstanding bonded indebtedness whatsoever."

Continuing, Governor Broughton noted as follows:

"If the suggested plan of utilizing enough of the existing surplus to offset the general fund bonded indebtedness is followed, there will remain an estimated surplus of $35,000,000 at the end of this biennium. The utilization of this surplus would present to the general assembly three alternatives: Expansion of plant and facilities of State agencies and institutions where such need exists; supplementing the program of State services, including such new and additional programs as service to returning veterans and a comprehensive health and hospital program now being studied by a commission appointed for this purpose—tax reduction.

"The budget statement discloses a highway surplus of nearly $40,000,000. This is not in fact a surplus but merely a deferred maintenance account. Every dollar of this amount—and more—is needed immediately for improvements and extensoin of our highway system and would have been used already if materials had been available.

"It would be blind optimism to expect that revenues which have been abnormally increased by war conditions will continue after the war is over. There are already indications of declining trends in certain classifications of revenue. The general assembly will therefore wisely refrain from any unnecessary extravagant appropriations. North Carolina is on a financial basis unsurpassed by that of any State in the American Union and equalled by few."

Halsey, Stuart & Others Awarded Spokane Sch. Bonds

The issue of $3,400,000 building bonds offered Aug. 11 was awarded to a syndicate headed by Halsey, Stuart & Co., Inc., Chicago, and the First National Bank of Chicago, on their bid of 105.402, for various interest rates, a net interest cost to the district of about 1.2468%. The bonds mature annually from 1946 to 1967 and are being re-offered by successful group at prices to yield from 0.55% to 1.20%, according to maturity. The bonds are being issued for construction purposes and in the opinion of counsel will constitute valid and legally binding obligations of the district payable from ad valorem taxes levied upon all of the taxable property therein without limitation as to rate or amount. The bankers regard the bonds as being legal investment for savings banks in New York State.

Outlook For Employment

(Continued from page 683)

also a willingness on the part of the worker to take suitable employment, to go to the place where work is available, and to fit himself for types of work that are required in peacetime.

This goal cannot be translated in an exact statistic. We need to plan with enough flexibility to use the labor that is available under a system of freedom to choose to enter the labor market or to retire from it.

* * *

It will help, however, to see our problem in terms of minimum numbers. Where do we stand today? Where have we come from? In Apr., 1940 (which we can take as a benchmark) there were about 54 million men and women in the labor force, including 45½ million employed persons, about 8 million unemployed, and less than ½ million in the Armed Forces. Four year later (in Apr., 1944) the total labor force had expanded by over 9 million to 63 million. Employment was above 51 million—about 6 million above the Apr., 1940 figure. The unemployed had decreased by 7 million, and the Armed Forces had increased by 10½ million. Our ability to expand the labor force by 9 millions explains much of the success of our war mobilization. This represents a growth of 6 million to 7 million over and above the growth which normally might have been expected to occur during four years as a result of population growth. Three million of the so-called abnormal increment to the wartime labor force have been women—about 1½ million under 24 years of age and about 1½ million over 35 years of age.

* * *

Where do we have to set our sights for the post-war period? It is certain that many older workers will wish to retire, that many women will prefer to take up their work as homemakers, and that we shall once again start to raise the school-leaving age. Thus we do not need to visualize 63 million in the post-war labor force. But we do need to visualize a larger force than we had in 1940, first because of population growth and second because of residual influences of the wartime expansion. The smallest number we dare think about for the fall of 1947 would approximate 58.5 million. This is no greater than the number that prewar trends have led us to forecast for 1947.

It is highly improbable that abnormal wartime influences on the labor force will vanish without leaving any trace. But let us say that conditions are such that only 58½ million people are at work or in the Armed Forces or seeking work in 1947. There will be, perhaps, 2½ million persons in the Armed Forces. If we grant that 2½ million is a maximum volume of permissible unemployment, we are faced with the need for 53½ million jobs. This is 7 million more than in November, 1940, 3 million above November, 1941 (just prior to Pearl Harbor), and 2 million more than reached at the peak of the war effort in November, 1943. This suggests the magnitude of the post-war employment problem, particularly if we recall two facts: (1) the vast expansion of certain war industries, and (2) that most non-munitions industries except construction have expanded rather than contracted during the war.

The Bureau of Labor Statistics has not attempted to forecast employment or unemployment because we hope that it may be possible that all of us may raise our sights. But remember that 53½ million jobs is a bed-rock minimum to satisfy approximately what we mean when we say that there should be full employment. Actually, because of residual influences of the war on the labor force, you had better think of 55 million jobs as the minimum needed in 1947.

Various organizations have made forecasts with a good deal of agreement as to the expected level of employment in the post-conversion period. These estimates range between 49 and 52 million in agricultural and non-agricultural employment two years after the end of the war. In other words the very best of the expectations (52 million) runs considerably under the lowest possible forecast of needed jobs (53½ million), and at least 3 million under a reasonable forecast of need. Some of the estimates run 3 million below this level.

So the first thing I want to say to you is that all of us need to raise our sights. At this writing the actual expectations of the business community do not add up to anything like full employment two years after the end of the war with Japan.

If we arbitrarily take a figure of 50 million jobs as an assumed figure that corresponds to our current sighting, what does this mean? It means a net movement of about 4 million out of manufacturing.

More than 4 million workers will have to be moved out of iron and steel, machinery, aircraft, shipbuilding, non-ferrous metals and chemicals industries. A few hundred thousand additional workers would be absorbed in furniture, textiles, leather goods, paper and similar industries. Employment in such nonmanufacturing industries as construction, trade, finance and services is likely to expand after the war but not enough in the aggregate to offset the contraction in manufacturing industries.

The retail trade can do much to help raise the sights of the business community. You know that your business depends on the income of a community. The average manufacturer has less experience that involves thinking of his business in terms of national income. Rather he thinks back to some earlier period of good or bad business and uses it as his benchmark.

Businessmen have never experienced the kind of demand that would result if 53 to 55 million people were actually at work. 1941 was our closest approximation and even then there were less than 52 million employed and shortages made it impossible to satisfy consumer demand. In part, buying power that year was being sopped up in rising prices. The first part of the post-war job is to translate full employment into income and that income into consumer goods and services. We will find a need for fundamental expansion of equipment that will in turn require the employment of many hundreds of thousands.

Once we have done that, however, we need to start asking what kind of assurance the individual businessman needs to translate his plans, to meet that market, into contracts for new plant and equipment. If he waits to place his orders until he sees the market in terms of orders on hand, we may never get full employment. If he places the orders and full employment doesn't materialize, he may lose his shirt. Do you know the way out of this dilemma? I hope some of you will discuss it after I have finished.

* * *

I have talked at some length about the more distant period two years or so after the end of the war with Japan, because it is with respect to that period that we can talk of the possibility of full employment. The rapidity of reconversion and expansion during the transitional period will also depend upon the firmness of our belief that we will have full employment at the earliest moment that it is technically possible. Let me repeat that—"The rapidity of reconversion and expansion." We will not accomplish our task if we concern ourselves exclusively with reconversion. Expansion is also required. It is implicit in everything that I have said about raising our sights. And since I shall be talking next about the problems of the transition back to peace, I want to give a final word of warning that we must during that period expand the demand for labor so that there will be 53 to 55 million jobs—not 51 as at present; not 46 as before the war.

The transition to a peacetime economy will be made in two stages. There will be no significant reconversion before Germany is defeated. In total, munitions employment will decline

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Will Bretton Woods Agreement Revive The Gold Standard?

(Continued from page 684)

clinging to silver as a monetary base, sought means of linking their domestic currency to gold. Great Britain, desirous of reestablishing her position as an international financial center, made the serious error of restoring the pound sterling to its old gold basis, thereby increasing the cost of its products sold abroad, and raising its domestic wage and price levels. Moreover, the gold cover of its currency was decidedly inadequate.

A further error was committed by British bankers and financiers in their efforts to participate in the financing of European reconstruction by placing large loans abroad, particularly in Germany and Austria. When these "reconstructed" areas underwent serious commercial and banking disturbances following our own financial panic of 1929, the Bank of England was unable to maintain a sufficient gold reserve to meet the heavy redemptions of its notes, largely because of the withdrawal of foreign deposits. On Sept. 20, 1931, the British Government gave the order to cease specie payments and again the world's center of finance for more than a century was on a paper currency basis.

The situation was greeted with a sort of rejoicing in British political and financial circles. Now, the nation was freed from "the cross of gold," and Great Britain need not penalize her own businessmen by restricting discounts in order to maintain the gold convertibility of her currency. The pound sterling could be "cheapened" so that British products could compete with those of other depreciated currencies! "The relic of barbarism," as Lord Keynes characterized the gold standard, was indeed, now merely a relic.

What happened in the years immediately following the abandonment of the gold standard by the British is quite well known. It led to a sort of international monetary chaos, which had serious repercussions on our own fiscal and monetary policies. The international currency warfare which ensued was but partly mollified by the truce involved in the Tripartite Agreement of September, 1936, when the second European war broke out. As has already been stated, a gold or any other metallic standard cannot be maintained by a modern nation engaged in a serious and prolonged war, so any proposal or suggestion to fix a metallic standard even for international exchange purposes during hostilities would seem to be ruled out. However, as the prospects of the defeat of Germany and her satellites became more evident, farseeing statesmen and economists began to look forward to a condition of peace that would be free from competitive currency wars and international trade and financial handicaps. It was recognized that this could be accomplished only through an effective international cooperation agreement or organization, in which mutual rather than individual competitive advantage would be the primary object. Since the major part of the world's monetary reserves was concentrated in the United States, and most of the leading trading nations lacked an adequate supply, it was of paramount importance that a mechanism be evolved which would not be entirely dependent on gold to assure international exchange equilibrium.

The first plan to be proposed as an international exchange mechanism or clearing house emanated from Great Britain. It became known as the Keynes Plan, because of its author, Lord Keynes, the prominent British economist and British treasury official, who had a hand in the peace negotiations of the First World War and whose book, "The Economic Consequences of the Peace," was read widely throughout the world. The Keynes Plan was soon followed by the so-called White Plan, whose author, Harry D. White is an Assistant to the Secretary of the Treasury. Both plans, accordingly, bear the stamp of official origin.

It is unnecessary to describe here in detail the differences and similarities of these proposals. They have been printed and thoroughly analyzed in the pages of "The Chronicle." But it will bear repetition to state the position occupied by gold as an international exchange medium in each.

Lord Keynes proposed an international monetary unit, the value of which in gold may be changed when desired, but said nothing about the method of making such changes. The White Plan proposed a definite monetary unit of 137 1/7 grains of fine gold, equal to the amount of gold in ten U. S. dollars. The domestic currency of each country would be fixed in terms of gold, as a ratio of this international unit, and no alteration of this ratio could be made unless approved by an overwhelming vote of the cooperating nations.

Thus, the United States, as might be expected, is interested in maintaining and strengthening gold as a universal international exchange medium, whereas Great Britain, though acknowledging the importance of gold for this purpose, desires to weaken the status of gold in effecting international monetary settlements.

The final wind up, as indicated in the United Nations Agreement at Bretton Woods, establishing an International Monetary Fund and an International Bank for Reconstruction and Development was a complete victory for the United States proposals. It went even further! Instead of creating a new international monetary unit, it made the U. S. gold dollar, of its present weight and fineness, the basic international money.

Was Great Britain opposed to this arrangement? In an address to the House of Lords on May 23, 1944, Lord Keynes expressed satisfaction with this new set up, but denied that it meant the adherence to a domestic gold standard. "There is no longer any need for a new fangled international monetary unit," Lord Keynes maintained, but he still claimed that "the dog that died, (i. e. his 'bancor' unit) was a more thoroughbred animal than has now come out from a mixed marriage of ideas."

Regarding the effect on the British pound sterling of the adherence to a fixed weight of gold as the basic unit of value in the International Fund, Lord Keynes remarked:

"The question which has recently been given chief prominence is whether we are in a sense returning to the disabilities of the former gold standard, relief from which we have rightly learned to prize so highly. If I have any authority to pronounce on what is and what is not the essence and meaning of the gold standard, I should say that this plan is the exact opposite of it. The plan, in its relation to gold is, indeed, very close to proposals which I advocated in vain as the right alternative, when I was bitterly opposing this country's return to gold. The gold standard, as I understand it, means a system under which the external value of a national currency is rigidly tied to a fixed quantity of gold, which can only honorably be broken under force majeure, and it involves a financial policy which compels the internal value of the domestic currency to conform to this external value as fixed in terms of gold. On the other hand, the use of gold merely as a common denominator, by means of which the relative values of national currencies—these being free to change — are expressed from time to time, is obviously quite another matter."

In thus trying to reconcile his own opposition to the gold standard and the system of fixing exchange ratios of different countries in terms of gold, as approved by the Bretton Woods Conference, Lord Keynes apparently forgets that under any national currency system, a sovereign nation is free to alter the weight and fineness of its monetary unit, or otherwise alter its value. It may even fix or alter from time to time, the exchange ratio of its own currency with that of other nations and rigidly control exchange operations. Of course, if a nation adheres to an absolute gold standard, it should not seek to interfere in any way with a free market for gold as a commodity or to control its movement by force, or to interrupt or impede the redemption of all forms of lawful money into gold. But, as Prof. Edwin W. Kemmerer has pointed out in his testimony before the Foreign Relations Committee of the House of Representatives, a gold standard in practice does not assume absolute freedom from governmental controls that may affect the value of the metal.

Lord Keynes, perhaps, rejoices that the International Monetary Fund plan would permit a member nation to change the gold parity of its currency to the extent of 10%, and further, when in the judgment of the governing powers over the Fund, circumstances require a more drastic adjustment, it may be permitted. But this does not give full freedom to a nation to lower or raise the value of its monetary unit to suit its own economic designs or to further its own interests at the expense of others, as happened in the case of Great Britain following the abandonment of the gold standard in September, 1931. For, in addition to the other restrictions placed upon changes in gold parities of domestic currencies, it is provided by Article IV, Section 8 of the International Monetary Fund Agreement that "(a) the gold value of the Fund's assets shall be maintained, notwithstanding changes in the par or foreign exchange value of the currency of any member, and (b) whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Fund, depreciated to a significant extent within the member's territories, the member shall pay to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of its currency held by the Fund."

This provision, if effective, would act as a check against par value alterations that might otherwise be carried out independently by a single country, when it may for some reason, deem it advantageous to itself to depreciate the exchange value of its money.

But, a still more significant provision, which would seem to maintain "gold on its throne," despite Lord Keynes' boast of its dethronement, is found in Article V, Sec. 6, in which a member nation is required to buy gold from the Fund in exchange for its own currency. Under the first draft of the United Nations Experts' Plan, it was a moot question whether any nation would be required to buy gold from the Fund, if it did not desire to do so. Certainly, Great Britain and other nations that have abandoned the maintenance of gold reserves against currency issues, would have, at times, little use for this "sterile commodity." Accordingly, it was believed that the British delegation to the monetary conference would insist that the provision should be made such, that gold purchases from the Fund should be voluntary.

But, the United States, supported undoubtedly by Russia, having consideration for maintaining the value of their large gold reserves, stood firm for the compulsory gold purchase provision. The Treasury's attitude on this point was made plain in its list of "interpretations," which it published and distributed at the International Monetary Conference. To the question, "Are all countries that are members of the International Monetary Fund under obligation to buy all gold offered to them at a fixed price," the published reply was:

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

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

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

Thus, any member nation, which has "dethroned" gold, and therefore has no particular use for the metal as a currency backing, may be required to hold large and "sterile" amounts whether it wants to or not. In this way, the vast U. S. holdings, buried at Fort Knox, may be distributed throughout the world, and maintain its value, despite the gloomy predictions that its future worth might depend on its use as roofing material.

It is quite evident that Russia also is desirous of upholding the status of gold in international exchange. Unlike the other United Nations, Russia conducts its foreign trade and foreign exchange operations as a state monopoly. It is, therefore, the only important nation which may maintain a domestic currency system completely divorced from its exchange status in other countries. In other words, the value of Russia's internal currency can be maintained or altered, regardless of its quotations abroad, or the balance-of-payments position of the country. Its gold reserve, therefore, can be applied solely in effecting its payments or receipts from abroad. Accordingly, Russia is primarily interested in maintaining gold as an international exchange medium. As the country is a large producer of the metal, it is also desirous that its value be upheld and stabilized. The attitude or policy is borne out in recent Russian official utterances.

In an article by Y. Vintser, published recently in the official Soviet magazine, "World Economy and World Politics," and reprinted in translation in the "Chronicle" of August 10th, the author remarks:

"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."

The policy expressed in the foregoing except is reiterated by another Russian economist, I. Trachtenberg, writing in the same Soviet official publication. This authority holds that "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." And 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."

Thus, it is apparent that two of the three major members of the International Monetary Fund, whose combined votes will have controlling force, are strongly interested in maintaining the status of gold as an exchange medium and in fostering the universal restoration of the gold standard.

What will be the ultimate effect of all this on future domestic currencies, assuming the objects of the International Monetary Fund will be attained? Will the trading nations of the world be forced to again adopt gold as a backing for their internal medium of exchange, just as during the period from 1870 to 1900 they were practically forced to give up silver or bimetallism, because of the unyielding attitude and policies of Great Britain, Germany and other gold standard adherants?

The answer is decidedly, Yes.

It should be remembered that during the period of "the battle of the standards," both the United States and France (the latter backed up by the Latin Monetary Union), made almost frantic efforts to bring about the restoration of universal bimetallism, and to maintain their own domestic system of two metal bases, but they were eventually forced to abandon the struggle, and to join with others in adopting gold as their basic money. Certainly, unless a nation is situated as Russia is today, in which all foreign trade and exchange transactions are closely controlled by the State, it would be impossible to maintain a stable internal currency free from price fluctuations induced by the purchasing power of foreign currencies, and at the same time permit freedom in foreign trade and international capital movements.

Past monetary experience has proven that a system of free enterprise, combined with the free international movement of capital, in the form of money, credit, goods and services, does not permit a nation permanently to have one kind of money system for internal transactions, and another system for foreign transactions, without fixing a relationship or interconvertibility between the two. Argentina's history furnishes an illustration of this. From 1885 to 1899, Argentina operated on a paper currency basis. At the same time it carried on a large volume of international trade — both in imports and exports. However, because of the internal price fluctuations and recurring foreign exchange irregularities, the business of the country suffered serious handicaps. As a means of effecting a stabilization between the internal currency and its external value, the Argentine Government in 1899 adopted the gold exchange standard — a monetary system whereby the domestic currency was linked to the British pound and a fixed ratio established between a "gold peso" (which did not circulate) and the "national money," the circulating medium. This convertibility, however, could be effected only through the exchange of domestic money for drafts on foreign gold currency. As long as such an arrangement could be maintained, the value of the nation's internal currency was substantially on a gold basis, and internal values were held in line with external values.

Compulsory And Private Social Sec. Essential

(Continued from page 685)

us from want and make life more livable. Both are essential for true social security.

"An American Beveridge Plan must be based upon our philosophy of government and our way of life. Social security should be gradually and soundly extended so as to take up the slack when voluntary effort fails. Some people fear compulsion as a menace to our institutions, but the danger is not in compulsion but in bureaucratic centralization which separates the people from government, dwarfs the states, the local communities and voluntary efforts of all kinds. We do not want to lose our rights as individuals or our energy and enterprise as a people, but we do need the assistance of the Federal Government in leadership, financing, and in creating and maintaining high standards.

"Contrary to the warning of Archibald M. MacLeish, renowned poet and librarian of Congress, that we must not make this a peace of coal, and iron, and oil—it is upon just such things that an enlightened and lasting peace must be based. There will be little left of "the four freedoms" unless the wealth, science, and natural riches of the world are made available on a fair basis to all nations. Oil in Saudi Arabia must not be exploited and controlled by the United States and Britain but by an appropriate international agency. If a few great nations divide up the basic natural resources of the world, we shall have an imperialistic universe and power politics which will lead to serious future conflict.

"Bretton Woods, hopeful as it is, is but a beginning. While there is controversy among bankers and economists as to some of the provisions of the plan for an international bank which will provide loans, and of the agency proposed to stabilize the currency, the important thing is that such agencies be created. The nations must learn to work together for common ends and some plan of organization is essential. The two agencies envisioned at Bretton Woods lead inevitably, if they are to be effective, to tariff reduction on a multilateral scale, and to the removal of all major barriers to trade. We cannot have a cooperative world unless peoples buy as well as sell and economic nationalism is abandoned. The natural resources of the world must be equitably shared. The foundation of world peace and world government must be economic. Upon these agencies may be erected that cultural and political association of nations which Mr. MacLeish envisions.

"In addition, there are other related protections, which are quite as fundamental. Jobs must be available for all who can work. We must plan for an expanded economy and use the vast producing power released after the war to raise the standard of living here and in other countries. Slums must be cleaned out; cities must be rebuilt; decent housing must be provided. Health, sanitation, adequate medical and hospital care, and recreation must be brought within the reach of all.

"We must learn to live fully and help others do the same. Victory against the German aggressors is coming nearer every day. We must be prepared for the problems of the peace which are even more difficult than the problems of war. The end of hostilities must not find us confused and uncertain of our directions. It is just as necessary to plan for peace as war.

"There is no such thing as victory unless it brings both individual and national security. We must be willing to sacrifice as much for peace as for war. We must be willing to join with other nations in providing those economic and political agencies necessary for a prosperous and peaceful world.

"After the last war it was said that we would have peace because civilization could not go through another destructive world war, but this did not prove true. We lacked the courage and vision to create lasting peace. It is far more true today than after the First World War that war must be eliminated if civilization is to survive. The destructive power of modern mechanisms, of robots, the potential power of the atom, the threat of virulent germs, the destruction of cities, the unsettlement of the social organization—all of these are so great that for the preservation of civilization itself, we must find a formula for peace and the economic and political guidance of the world."

Tomorrow's Markets Walter Whyte Says—

(Continued from page 686)

a market break would come was quite common. Readers will recall that this column flatly observed that instead of a reaction D-Day would likely mark the beginning of a substantial rally. The rest is history and while interesting and naturally flattering to point back to, has nothing to do with the future. That will have to be taken care of by itself.

* * *

Any discussion of the market must, to be unbiased, rest on technical factors. These are also based on all sorts of events, known and unknown. Their interpretation is seen in the action of the tape and to the initiate speak volumes.

* * *

For example reactions generally fall into three classifications. A "news" break which shortly corrects itself and more often than not presents buying opportunities; a corrective or so called technical setback that seeks to overcome or equalize preceding excesses, and finally the major break which means the end of the bull market.

* * *

The first one is unimportant. The second type may lead to spills in various stocks which often gives you the tip-off on the major trend. The third one is of course the one to be scared of. For if you are caught in the third stage you're just out of luck.

* * *

From where I sit it looks as if we had a combination of the first and second stages to contend with. I rule the third one out because there are no stocks which look as if they are going through the cellar. There is one small possibility that presents the fly in the ointment and that is the action of the oils. But so long as that is limited to them I don't see any signs of an important break in the offing. That being the case I continue to recommend retention of holdings recently acquired and additions when as and if other stocks mentioned here two weeks ago get within the buying zone.

* * *

For those not familiar with the issues recommended I repeat: Bendix bought under 38½ (now about 40½) hold with a stop at 35. Lockheed bought at 17 (still available) stop at 15. U. S. Steel bought at under 58½ (still there) with a stop at 55. The following got within fractions of buying areas: Bethlehem Steel between 59 and 60 (now 61½). Latter is the only stock which I re-recommend if available. Another issue which looks good here is Crown Zellerbach. Buy that one between 18 and 18½ with a stop at 17½.

That will be about all for now. If others appear before next week rolls around I'll tell you which ones they are.

* * *

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.]

NY Bank Stocks Compared

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

Attractive Situations

Laclede-Christy Clay Products Co. common, which is listed on the St. Louis Stock Exchange, offers an interesting situation, according to a memorandum issued by Herzog & Co., 170 Broadway, New York City. Copies of this memorandum and also circular on Bartgis Bros. and Federal Screw Works may be obtained from Herzog & Co. upon request.

Extend Franking Privilege In International Mails

Postmaster Albert Goldman announced on Aug. 1 that information has been received from the Post Office Department that the International Committee of the Red Cross in Geneva is being appealed to more and more for aid in reuniting members of families scattered because of the war. To accomplish this end, measures must be taken to collect and centralize information on the present addresses of the scattered persons.

Indicating that for this purpose the American Red Cross will distribute through various organizations a correspondence card about 5¾ by 4¼ inches in size, the announcement from Postmaster Goldman added:

"This card will be made available to refugees, including evacuees, in this country who have changed their address and wish to make their present address known to their relatives, whose address they do not know themselves.

"When the particulars called for on the reverse side of the cards have been filled in, the cards may be mailed free of postage under Order No. 25467. These correspondence cards, and postcards and letters mailed by the American Red Cross to the Central Agency of Prisoners of War at Geneva, Switzerland, which are entitled to freedom of postage as above stated, must bear the notation 'Refugee Mail—Postage Free (See Order No. 25437).'

"The above-mentioned correspondence cards will be treated the same as postcards.

"Letters and cards mailed to addresses in this country by the Central Agency of Prisoners of War, Geneva, are entitled to free postage in Switzerland and should be delivered without the collection of postal charges of any kind, unless marked for the collection of postage due by the Swiss service.

"Also all cards and letters mailed by the said Central Agency to addresses in this country and all letters and postcards mailed to the said Central Agency by the American Red Cross are exempt from all postage charges.

"This postage free mail is not entitled to registration nor to airmail service."

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 Ave., New York 1, N. Y.

Public National Attractive

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

Speculative Appeal

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

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad St., New York. Copies of this interesting study may be had from the firm upon request.

The Probable Price Level

(Continued from first page)

increased, as at present, a price advance merely redistributes production.

When the national economy is operating at or near capacity, supply of a particular goods can be increased only at the expense of the supply of other goods. While a price increase under such circumstances does tend to shut off demand, the increase in price required to bring about a balance between supply and demand is necessarily large. It is too large to be received comfortably. It is inflationary.

During wartime many members of the working force are engaged in the production of goods which are not to be consumed in the usual sense by them or by the workers who are producing the goods that do go through the usual channels of trade. Yet the workers who produce war goods are paid in the same kind of money as those who produce consumers' goods. The war worker thus receives claims for consumers' goods (money) which are on a par with the claims, of the producers of consumers' goods. The total claims for goods thus increase substantially. If the production of war goods is considerably greater than the usual savings of the public, excessive claims to goods (excessive purchasing power) are necessarily created.

It is because of these excessive claims to goods created by war and the pressures built up by them and the Government controls that the problem of the future course of commodity prices is important today. There are at least two ways in which we could approach this problem. We could merely talk about it, each offer his own opinion and after some discussion go away with the combined opinion, which would still be only an opinion. Another method would be to try to determine the price-making factors, their relative importance and probable trends, and on the basis of informed analysis and discussion reach more soundly based conclusions.

When Mr. Hahn asked me to lead this discussion, I told him I would choose the second approach. Let us, therefore, examine in detail the price-making process.

A "market" price is the net result of decisions of many buyers and sellers. Probably no two persons base their decisions on identical principles. The same buyer or seller may emphasize different factors at different times; some even base their decisions on hunches and misinformation. In view of such human behavior in the market it might seem presumptuous for any one to claim that he can measure the effects of price-making factors.

The saving element lies in the law of averages. Even though the great majority of all commodity transactions may be based purely on guesswork, the transactions of those who over-estimate tend to counterbalance the transactions of those who under-estimate, leaving the trend of the market to be determined by the residual few whose judgment represents careful appraisal of the price-determining factors.

How prices are determined by basic economic factors, Government intervention and the minor effect of the so-called "trading" influence can be illustrated by the following discussion of the price of cotton.

Federal attempts to raise the price of cotton have included acreage restriction, loans to induce farmers not to market their crops, stamp plan distribution to increase demand, and lately, Lend-Lease purchases. The price of cotton, therefore, has often varied with actual and rumored Government policies. Yet it is clear that all the Government's policies have aimed to rise price by changing either the supply or the demand or, as in 1933 and 1934, the value of the dollar. Political action, while seeming to have made price forecasting difficult, has actually provided many speculative opportunities for those who have seriously studied the likely trends of supply and demand. This is because very often really important foreseeable changes in demand have sometimes operated to intensify and sometimes to nullify or negate the Government's efforts. Indeed, one can say that the price of any non-monopolistic commodity reflects the interplay of supply, demand and monetary factors affecting that commodity.

Cotton is distinctly a world commodity. In prewar years the United States consumed about 25% of the world's cotton and just before the war produced about 45%, as compared to pre-AAA production of 55-66%. In view of the world-wide aspects of the cotton industry a proper appraisal of the price at any given time should evaluate both foreign and domestic factors. With these things in mind, the following data were subjected to analysis:

Supply Factors

U. S. production
Foreign production
Stocks in the United States
Stocks outside the United States

Demand Factors

Consumption in U. S.
Consumption outside U. S.
Domestic consumer purchasing power

Monetary Factor

Rate of change of foreign exchange

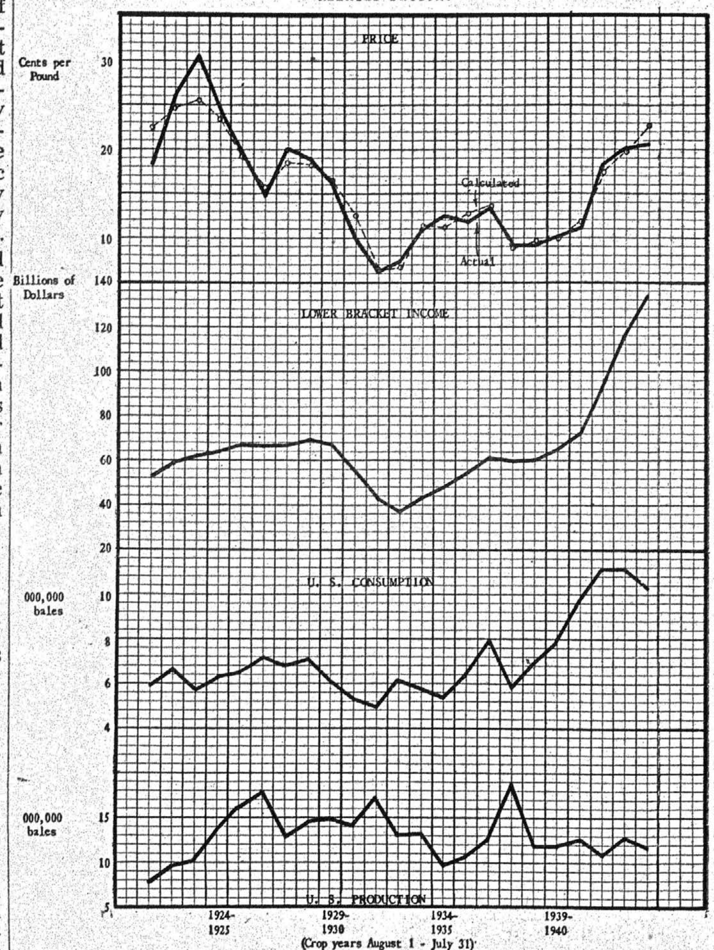
Figures referring to U. S. and foreign production, stocks and consumption are available in publications of the U. S. Department of Agriculture. As a measure of domestic consumer purchasing power, we have used lower bracket income, which is composed of incomes below $3,000. Statistical analysis indicates that the most significant price-determinant proves to be the domestic consumer purchasing power, or lower bracket income, which is of course an excellent measure of the potential consumption of cotton and the prices which consumers are able to pay.

Specifically, we found that a 1% change in lower bracket income has produced a 1.1% change in the price of cotton, other things being equal. Since lower bracket income to a large degree represents the net domestic demand for cotton, domestic consumption only has weight to the extent that it has to supplement the effect of income. A 1% change in the consumption rate has on the average resulted in a .22% change in price in the same direction. Still other things influence our calculated price, so that further adjustments have to be made according to the level of the remaining factors. For instance, a 1% change in the crop has meant on the average a .75% change in the opposite direction in the price of cotton. A 1% change in U. S. stocks on the average has produced a .09% change in price in the opposite direction. The weight of this factor would have been larger if it had not been that the level of stocks is related to production and consumption and the weight accredited to production and consumption is measured either directly or indirectly through income.

Foreign factors also have importance. However, because crop conditions, stockpiles and consumption in different parts of the world may change in opposite directions, the world figures on these variables show much more stability than our own domestic figures. Therefore, the effects of these foreign factors on prices are small compared to our own, even though, for instance, a 1% change in the annual rate of foreign consumption means on the average a 1.2% change in price in the same direction, and a 1% change in foreign stocks means on the average a .72% change in the opposite direction. The rate of change of foreign exchange has an important effect at such times as 1931 and 1933.

These are the factors and weights which are used to compute the calculated price of cotton. They are shown in the lower panel of the chart.

COTTON PRICE
AND
RELATED FACTORS



Similar studies have been made with equally good results for such commodities as wool, hides, leather, copper, lumber, rubber, paper, corn, eggs, barley and various feeds. In each case the most important variables have been either national income payments or some derivative of them such as lower bracket income, and new production and stocks of the commodity. It would seem, therefore, that discussion here might be concerned to a considerable degree with the future of national income and the supplies of the various commodities.

The last war and the present one differ in several important respects:

(1) At the beginning of the last war we had rather full employment of both men and machines, whereas at the beginning of this war we still had several million unemployed and new plants rapidly being built.

Although it is difficult to piece together the entire World War I picture because of lack of statistics, there are fragmentary data which approximate the conditions. For instance, at the end of June, 1917, not quite three months after our entry into the war, unemployment among organized wage earners in Massachusetts amounted to only 3.5%. On the other hand, in December, 1941, national unemployment amounted to about 8%.

(2) During the last war production averaged 62 in 1913, 76 in 1917, only 75 in 1918, and 75 in 1920. This index was computed on the basis of the new Federal Reserve Board Index of Production, 1935-39 = 100, and was estimated back beyond 1919 with the aid of the Day-Thomas Index.

On the other hand, the new FRB Index of Production (1935-1939 average = 100) was 176 in December, 1941. This index reached a high of 247 in October-November, 1943, and has since declined to 237.

(3) National income increased from $46.4 billion in 1917 to $57 billion in 1918 and $62.9 billion in 1919. The national income in December, 1941, on the other hand, was at the rate of $113.7 billion a year and is currently at the rate of $147.5 billion a year.

(4) During the last war and afterwards Government control of prices was not very effective and prices rose sharply, whereas this time the price level has risen only moderately.

During the present war the War Production Board has prohibited or restricted sharply certain civilian demands. It has also placed limitations on inventory demand. Thus speculative demand has been largely eliminated and potential civilian consumption arising from income, which would interfere with war production, has been prevented to a great extent from becoming a price factor.

In addition, the WPB has initiated increases in the supply of materials to take care of increased military demands. Wage and salary controls plus excess profits taxes have operated to retard advances in national income. A consequence has been that price advances in 1943 were small.

Our studies indicate that the efforts of the Office of Price Administration have largely been unfruitful. Many of the effects of OPA ceiling prices have been to shift demand and price pressure to competing commodities not under the same degree of control. However, OPA has contributed something to overall control of prices by rationing certain goods at retail and thereby limiting the demand for them and to a lesser degree by placing ceiling prices on certain raw materials such as copper, steel, leather and pulp. During the last war these commodities rose sharply in price because of increased war demand and the failure to curtail civilian demand.

In view of the striking differences in economic characteristics between World War I and World War II it may be dangerous to plan on post-war prices following a pattern similar to that of World War I. A careful analysis of supply (stocks and production), military demand during and after the war and the degree to which civilian demand has been restricted by WPB controls will be required before conclusions may be reached.

There is, however, one point of similarity that should be noted. When this war is over, price controls, as after the last war, are likely to be much less effective than today. When that point is reached, industrialists who have regarded it as unpatriotic to stop unprofitable production during the war will demand higher prices and will not hesitate to stop production if their requests are denied.

Since quite a number of commodities are today produced at a loss for patriotic reasons, such stopping of production after the war will force the controlling agency to raise ceiling prices. This will result in quicker adjustments to the economic levels determined by income, demand and supply.

There is still another important point that must be considered. The personnel of the controlling bureaus has been largely chosen from the universities and the sales departments of large industries. When the war is over, the universities will experience a tremendous influx of students. To provide the necessary teachers, the universities will advise their professors who are on leave of absence that they must either return at once or resign. Most of the professors will go back to the security of the university jobs, as they did after the last war.

A similar development can be looked for with respect to the sales department personnel. Once civilian goods are again in substantial production and industry can begin to see the disappearance of sellers' markets, sales departments will recall their men.

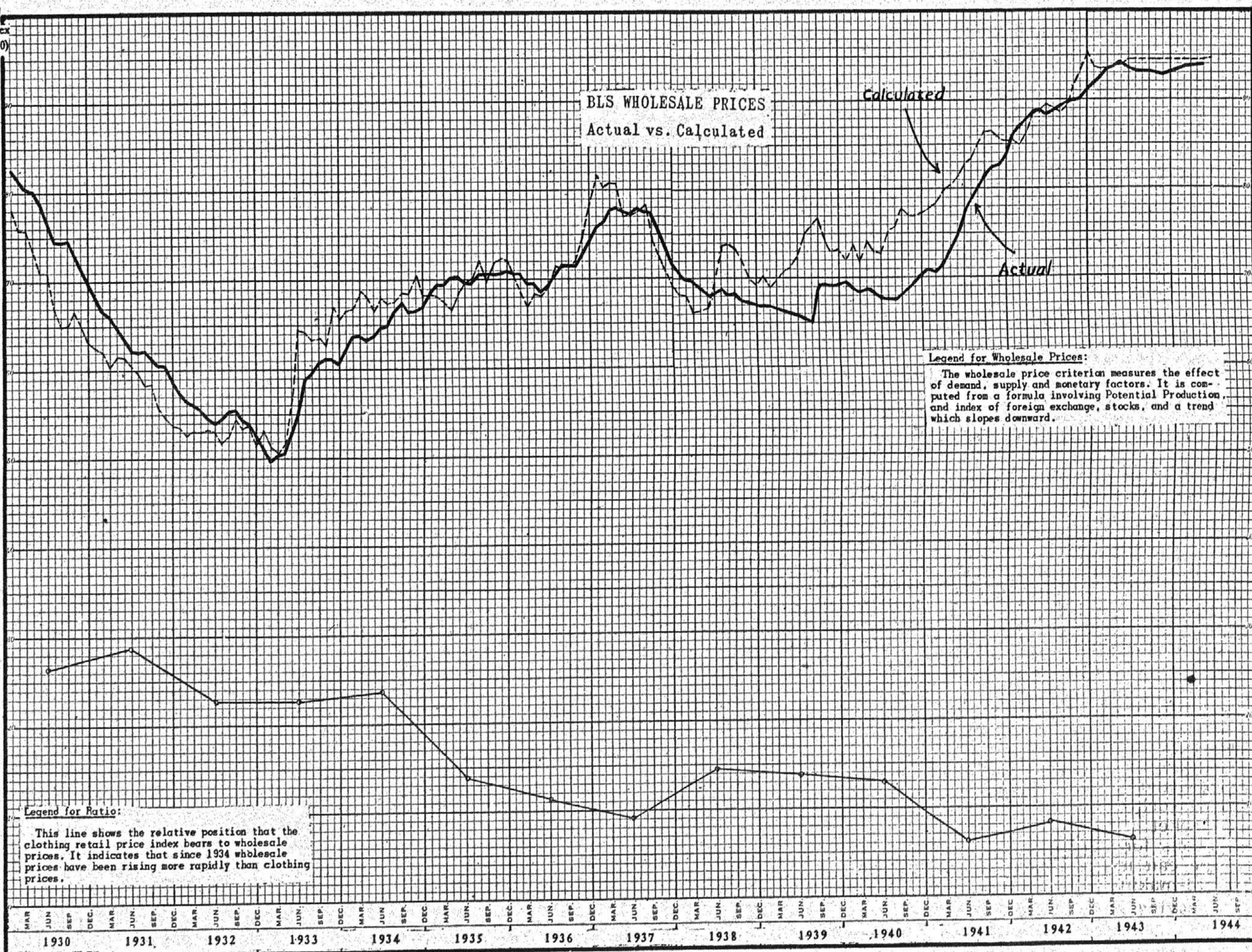
When this happens, the people who made the rules will be back in industry operating under them and learning at first hand their irksomeness. As after the last war, these men will work for revision or elimination of controls. They will be able to accomplish revision or repeal because they will know more about the background and operation of the controls than their less capable subordinates who will be left in control in Washington. One should bear in mind, however, that time will be required both to achieve adjustment of prices and eventual elimination of controls.

In view of such likely developments with respect to control bureaus, it is important that the discussions here should be centered on the usual price-making factors: income, our capacity to produce materials at different cost levels, the relation of present stocks to average stocks, the probable external or gold value of the dollar, British pound and possibly the French franc. With this in mind, I have made some calculations as to the likely level of the Bureau of Labor Statistics Wholesole Price Index.

The accompanying chart shows the BLS Wholesale Price Index and a calculated or theoretical level of such prices. This calculated level, which had tended to lead or precede the actual level is computed from a series composed of new orders, productive capacity of industry, an index of stocks of industrial raw materials, an index that measures long-term variations in costs of raw materials and production, and the rate of change of the dollar with respect to principal foreign currencies. The component parts are thus indexes of demand—as measured by new orders and finished goods capacity—and of supply—as measured by stocks, cost of production and monetary factors.

One might expect that the new production of raw materials would also have an effect on the price level. We have not used a measure of new production of raw materials, because the production of finished goods (productive capacity or new orders whichever is lower), production of raw materials and stocks are mathematically related; any two of the three can be used.

From the chart shown it can be seen that the current price level is within 5% of where it would have been without OPA ceiling price controls. Our studies indicate that efforts of the OPA have largely been unfruitful. Many of the effects of OPA ceiling prices have been to shift demand and price pressure to competing commodities not under the same degree of control.



released manpower because some plants that are needed for civilian production will have to be retained in war production; (3) in many communities the unemployment problem will be severe and can be relieved only if people are to spread out again. I think you can see what I mean when I distinguish between the nation-wide unemployment situation and local situations in which there have been particularly severe cutbacks. Our unemployment problem will arise from high percentages of unemployment in some war centers, even while the labor market remains tight elsewhere. In grand total we are not likely to have more than 5 million unemployed, and we might hold it to 3 or 4 million. But it will not be evenly distributed, so that we shall face the need for a strong system of unemployment compensation and the strongest possible employment system whereby individuals may move from areas of high unemployment to the tighter markets. Incidentally, businessmen in planning production programs had better watch employment and national income figures rather than newspaper headlines. The latter will trace the declines, which will be spectacular; they are likely to overlook reemployment that occurs in smaller numbers.

In this connection you may find the BLS data helpful. Current information on employment by industry and by area will be more useful than ever before.

The BLS publishes monthly employment estimates industry by industry, estimates which are based upon voluntary monthly reports from about 150 thousand employers and which are accurate enough for most uses.

The BLS publishes, also, monthly indexes of changes in industrial employment in 102 metropolitan cities and is assembling from every source the best estimates that are available of employment in November, 1943, and May, 1944, in 185 war production centers as compared with pre-war employment in these centers.

These data probably will be available for release some time the latter part of August. In each of these 185 areas numbers of persons employed have increased 5,000 or more since 1940. They are the areas where the impact of war production cutbacks are likely to be most severe.

At the request of various state agencies, the BLS is also compiling tabulations of employment by industries from the 1939 and 1940 censuses and setting up as nearly comparable employment figures by states and industries for September, 1943, as are available. In the fall of 1943 many industries reached their peak levels of wartime production. This information is grist for the retailers mill because wartime expansion in munitions industries implies post-war cutbacks in these industries, and difficult readjustment problems where the wartime expansions have been greatest.

Outlook For Employment

(Continued from page 697)

from something like 9½ million to about 9 million by the end of this year, if the war with Germany is still in progress. The situation today is one of specific and limited labor shortages, especially for able-bodied males for heavy and sometimes relatively low-wage work. The decline of employment that has occurred to date reflects cutbacks and increased productivity. On the whole, you should expect to continue to hear somewhat conflicting stories: Stories of acute shortage of manpower from those who are faced with the necessity of breaking bottlenecks of production; stories of displacement from workers who have been subjected to displacement on short notice; a more balanced story from those who know that there is no over-all manpower problem but is an increasingly difficult problem of bottlenecks—a problem that is made more difficult as workers interpret local and often poorly planned cutbacks to mean that the war is over.

But when the war with Germany is over, employment will be reduced sharply. Precise estimates cannot be made yet. Reduction of at least 30% and possibly as much as 45% in munitions production have been indicated. This means that 3 to 4 million people will come out of the munitions industries — more than half of them in the first three months and most of them within six months of the end of hostilities with Germany. In addition, 300,000 to 500,000 would be likely to come out of war-time government employment.

A high proportion of those laid off will be relative newcomers to the labor force. But we shall indeed be fortunate if the excess workers in the labor force are reduced from 6½ million at the end of 1944 to 4½ million by the summer of 1945. In its effect on the labor market this decrease will be balanced by the demobilization of almost an equal number of veterans.

Thus at end of six months we shall have about the same number in the civilian labor force as at the end of hostilities with Germany. The war economy will offer 3 million less jobs.

How many of these people will find employment? At this time I prefer not to offer my guess, but to tell you where they may go. They will not go into mining, transportation or public utilities after the end of the war with Germany. Actually employment in these industries is more likely to contract. There should certainly be expansion in construction, trade, in domestic service and in self-employment. But unless there is a much larger expansion of employment than appears probable in local government employment, the service trades and financial institutions, and manufacturing for civilian account, there will be increasing unemployment throughout the year that the war with Japan may be estimated to last. It will rise most rapidly in the first six months. In the last six months the expansion of durable goods manufacture and withdrawals from the labor force may just about balance the discharges from the armed forces.

With reference to this period I want to say three things: (1) we may be saved from a serious nation-wide unemployment problem because of continued volume of government expenditures and the large consumer demand of the period; (2) it will be almost impossible to achieve the full use of

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, Scoville Mfg.; Douglas Shoe; and American Export Airlines.

Rep. Chas. S. Dewey's Views On International Monetary Fund

(Continued from page 682)

seems to be little public understanding although it has a very direct bearing upon our own prosperity.

The International Monetary Fund and the International Bank for Reconstruction and Development were tentatively agreed to at Bretton Woods by representatives of 44 nations. I say tentatively agreed to, as our Congress as well as the Parliaments of the other nations must give final approval. In all of the discussions the point was stressed that if the currencies of the world were not stabilized and the industries of foreign nations were not rehabilitated so that the purchasing power of their citizens will increase, the United States with its great industrial and agricultural equipment would be the chief sufferer. Our factories would reduce operations, men would lose jobs and agricultural prices decline.

Probably these dangers are much exaggerated, but on the other hand, none can gainsay the desirability of an active world trade, provided the credit and other risks involved are not too great.

From my study of the plans proposed at the International Monetary Conference at Bretton Woods, N. H., I have come to the conclusion that any possible benefits to the economy of the United States are far outweighed by the risks involved.

It is quite obvious that at the termination of the war some of the currencies of nations, who have suffered extreme devastation, will have little or no value, and in some of the larger nations, owing to the tremendous burden of war debt and expenditures, it is problematical what the purchasing power of their currency will be.

The International Monetary Conference attempted to produce a plan by which every nation's currency would be given a purchasing power related to gold or the United States dollar of present value and fineness. In order to solve this very unusual economic problem, an International Monetary Fund has been tentatively agreed upon by the 44 nations attending the Conference in which Fund each nation was given a quota of participation. The total of all these quotas amounted to 8 billion 800 million dollars, of which the United States supplies 2 billion 750 million dollars.

To give a simple example of how the fund would work, let us take the example of Greece. Greece was given a quota of 40 million dollars. At the present time it is most difficult to state what would be the value of Greek currency, but for the sake of argument, the managers of the Fund might assign a value of 1 cent to the Greek drachma. Once the Fund would be put into operation, the Greek Government could come to the Fund and in each year until its quota was exhausted purchase one quarter of its quota equivalent to 10 million dollars of any currency that it desired, paying for it with one billion of their drachma.

It is obvious that at the present time and for a number of years in the future the principal market in which any purchases probably can be made will be the American market; hence, the Greek Government more than likely would request dollars to be used in our market for the purchase of machinery or any commodity it required. What happened in the case of the Greeks would happen in the case of all the other countries that have been devastated and desire to rebuild themselves. As a result, there would be a constant demand for the United States dollar quota in the Fund, to be paid for by currencies of somewhat doubtful value until all of the dollars were exhausted.

I will admit that probably I have over-simplified the description of the operation and it is the hope of the proponents of the Fund that with the growth of international trade, the members of the Fund would trade between one another and the exclusive demand for the dollar would diminish. This, however, is only wishful thinking and there is danger that the Fund might be unable to carry on its operation due to the exhaustion of dollars and be forced to liquidate, in which case the United States would become the possessor of at least 2 billion, 750 million dollars of foreign currencies for which it had little or no use, but in exchange for which the American taxpayers would have delivered to the countries operating through the Fund 2 billion, 750 million dollars of real wealth, as evidenced by American machinery and commodities.

Another questionable feature from the American point of view is our control over the operations of the Fund. According to the accepted plan, vote control is closely allied to the amount of the quota participation by each nation in the Fund. America's quota of 2 billion, 750 million dollars gives it 28% of the vote, while the remaining 72% is lodged in the control of the countries which will do most of the borrowing from the Fund, and as the ordinary decisions of the Fund managers are approved by merely a majority vote, it is obvious that we would not have a large voice in any proceedings.

While I always try to keep an open mind on the advantages of providing assistance to the peoples of other nations, there are very definite limits beyond which such aid will be of doubtful assistance to the recipient and will undoubtedly injure our own people.

This country will emerge from the World War with a public debt somewhere in the neighborhood of 300 billions of dollars. For the sake of comparison I wish to recall that when we entered the first World War in 1917, the public debt of the country was under three billions and at the termination of the first World War the public debt was under 26 billion dollars. It will, I know, be of interest for the public to learn that as of June, 1944, the amount of assistance under Lend Lease to our allies of the United Nations reached 28 billions, or two billion dollars more than the total public debt incurred by this country to fight the first World War.

A public debt of 300 billions of dollars even for as great a country as our own is an incomprehensible figure, but I believe that it can be serviced and steadily reduced, provided, first the financial policy of the Government follows a course of economy and, second, that Government follows a policy of full production by all phases of agriculture and industry, which will have the effect of maintaining a high national income. The success of such a policy must stem from the people themselves, actuated by individual initiative and desire for gain and not from a regimented, bureaucratic economy.

In the agreement reached at the International Monetary Conference at Bretton Woods a chief purpose unanimously endorsed was as follows: "To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy."

This "purpose" expresses all our aspirations but there are many who believe that the proper method to obtain them differs greatly from the agreements arrived at during the International Monetary Conference, which, as I have already stated, involve credit and other risks disadvantageous to the United States. By other risks I refer to lack of political stability existing in many of the nations who may be our associates in the International Monetary Fund. Further, at the present time it has not been fully developed that some of the international policies of our associates may not be compatible with American thinking, and being a member of the Fund, we would either have to withdraw or assist the financing of plans and programs of government which we do not approve.

The thought expressed so many times in the discussions at the Conference, that the benefits of the Fund would only be used to achieve the purposes of the Fund above referred to, seems to me to be based on an international altruism that has never been evident in the past and is a doubtful quality in international dealings of the future. It is almost safe to believe that when the war terminates the governments of the 44 nations, with which we might be associated in the Fund, once they had been established and become the actual accepted representatives of their people, having their own economic problems and policies to consider, would not be inclined to accept the dictation of the board of governors of the Fund unless the benefits far outweigh in value the surrender of their own independent judgment.

As has been stated, one of the principal purposes of the International Monetary Fund is to promote and maintain high levels of employment and the development of productive resources throughout the world. Such goals can only be achieved by selling many devastated countries productive machinery and raw materials on credit terms, but it is well known that for a number of years to come, the principal market in which such purchases can be made and such credits extended is the United States. Under the provisions of the Fund, with our small voting power, we have little to say as to who will receive such credits, what the terms of repayment will be and, of course, despite the fact that we will be the chief provider, little thanks will come to us as all dealings will have been made through an international body.

As opposed to joining up with any international group at the present time, it might be advisable for the people's Congress to consider attempting to achieve the high purposes of the Monetary Conference but with a little more assurance that we, too, would be included among those benefited.

It has been pretty generally agreed that in order that we may service our public debt and prevent inflation, this country must maintain a high national income derived by full production and full employment. Such a program has certain dangers attending it; namely, the creation of surpluses, due to the high efficiency of our labor, the ingenuity of our manufacturers and the development in agricultural production. On top of these for a number of years to come will rest certain war surpluses now owned by the Government. Both these types of surpluses can be disposed of outside the continental United States and produce the same economic benefits throughout the countries of the world and satisfy the same purposes sought to be accomplished by the International Monetary Fund, providing adequate domestic financial facilities are developed to handle operations of this magnitude.

On the other hand, should the Government of the United States continue the practice of buying up and holding such surpluses, they could have no other effect than stifle industrial and agricultural production as no one would know when they might appear on the domestic markets and cause a break in prices.

We have then, a choice to make of the following: One, to join up with an international fund in which we have little control and in which our losses might be very severe, or, two, as I have said, develop our own international credit machinery to such a point that in cooperation with private capital the question of surpluses can be solved in a manner satisfactory to ourselves and with a fore-knowledge of what, if any, our losses may be. I recommend for the consideration of the Congress the latter method.

By executive order, the Export-Import Bank of Washington, D. C., was incorporated in 1934 and from time to time its activities have been increased as well as its loaning power. During the early stages of its development its activities related almost exclusively to inter-American trade and the development of resources of the countries of the Western Hemisphere. It is, however, empowered to operate anywhere in the world. In fact, its purposes are somewhat similar to the purposes mentioned at the International Conference at Bretton Woods; to wit, "to make loans to any governments, their central banks or to any other acceptable banking institutions and when guaranteed by any such government, a central bank or any other acceptable banking institution, to a political subdivision, agency or national of any such government for the purpose of assisting in the development of the resources, the stabilization of the economies, and the orderly marketing of the products of the countries of the Western Hemisphere."

I now make you a startling statement. In the eight years of active operation of the Export-Import Bank it has had a turnover of 1 billion, 275 millions of dollars, has made a profit on its operations and up to date has suffered no loss. It has financed the export of all types of machinery, transportation equipment, the production of raw materials and the sale of agricultural products. It has done these things in harmony with the private financial houses of the country and has entered fields of credit not covered by ordinary financial institutions. The Export-Import Bank has been quietly rendering an important service to labor and industry and up until the outbreak of the war has assisted in the financing of a small percentage of our exportable surpluses. The disposition of these exportable surpluses means jobs to American workmen and stabilization of prices to American agriculture.

At the present time the loaning ability of the Export-Import Bank is limited to 700 millions of dollars and while it has been constantly expanding its operations, particularly until the outbreak of the war and even since by the extending of credit for the development of critical materials in foreign lands needed in our domestic war production, yet it has not taken the position in our over-all economy that it might well do.

I offer the suggestion that the Congress of the United States give consideration at this time, as a part of our reconversion legislation, to the development and increase of activities of the Export-Import Bank as our method of participation in world reconstruction, rather than becoming a partner in any great international fund in which the interests of the United States might become subordinated to those of the other associates.

On Feb. 1 last I offered House Joint Resolution 226 which set up a board of American directors to supervise the operations of a central reconstruction fund which had the same purposes as set forth in the International Monetary Conference and the by-laws of the Export-Import Bank. The board of directors through the use of the Reconstruction Fund could participate in joint accoutn to the extent of not more than 50% of the total cost in the case of any one risk with any other government or governments or any duly authorized agents thereof, or to the limit of 50% in any one risk in any one nation with any individuals or corporations within the limits of their charter, through the purchase assignment or resale of notes, bonds or equity shares, providing that in all such financial operations the recipient nation should take steps looking toward the balancing of their federal budget, and that in all cases the operations would be for sound economic objectives.

In view of its large experience, gained over eight years, the Export-Import Bank can probably better serve the public interest than a new Fund as proposed in H. J. Res. 226; provided, however, certain changes are made in its charter, in its governing board and through an enlargement of its sphere of action.

At the present time such policy as may exist in regard to the financing of surpluses outside of the country, and the assistance of labor and management in developing ways and means for disposition of surplus production, are spread throughout many agencies and bureaus of the government.

The financing of our foreign trade is a highly technical operation and requires special knowledge and experience, and also there will be arising during the coming years matters of domestic policy in the extension and development of oversea markets. If the United States expects to keep full employment it must also consider the disposition of the industrial and agricultural surpluses that may develop, and this, as I have already stated, requires forward-looking thought as to whom and under what credit terms they will be sold.

I believe that the time is now ripe for us to give consideration to the setting up of one advisory council whose duty it should be to submit foreign trade policy decisions to the Congress for such legislative action as would be required, or under such authority as exists to advise the operations of one Federal institution such as the Export-Import Bank in its financial dealings in the disposition of surpluses and such other international operations as are collateral to our foreign trade.

As a suggestion, I believe that the Charter of the Export-Import Bank should be changed to set up an advisory board of 12 positions, some of which shall be filled by members of the Government and others chosen for their technical knowledge in the business world. The position to be filled would be as follows:

1. Labor.
2. Agriculture.
3. Critical Materials — within and without the U. S.
4. Surpluses — both industrial and agricultural.
5. International policy (State Department).
6. Geographic (world population movements and territorial developments).
7. Political Domestic Policy (representatives of Senate and House of Representatives).
8. Domestic Finance (Treasury Department).
9. Advertising and Services (The time will come when American goods in a highly competitive market will be sold on quality and servicing).
10. Transportation (by sea).
11. Transportation (by air).
12. Financing of Foreign Trade (civilian of broad foreign trade experience).

The charter of the Bank would further provide for a technical board of directors composed of government employees who will oversee the executive operations of the bank in line with the general recommendations of the Advisory Board.

At the present time the loaning limit of the Export-Import Bank is 700 millions of dollars. While at no time has the limit been reached, the Bank is empowered to sell additional stock to the Reconstruction Finance Corporation to increase its loanable funds. In lieu of this I would recommend that the capital of the Bank be increased to 1 billion dollars and that the charter provide that it may sell its debentures to the Treasury Department in an amount not in excess of 2 times its paid-in capital.

While it is understood that under certain conditions the Export-Import Bank can cooperate with private capital in its financial undertakings, the new Charter should definitely provide for assistance along this line with a view of stimulating our own private sources of financing foreign trade.

In offering the above suggestion, I again wish to emphasize the point that while it will be advantageous to the American people to participate in the redevelopment of the purchasing power of foreign countries through aiding them in re-establishing their wealth - producing possibilities, yet we should maintain an intelligently selfish point of view. Frankly, I am more anxious that our returning soldiers are provided with good jobs and the opportunities of success in their lives than I am as regards the future of the soldiers of other countries, and I further believe that the person who looks after his own business achieves greater success than does the person who surrenders the power of decision to someone else.

Market After Victory

(Continued from page 685)

on anticipation than realization and it seems as if we still have time to anticipate.

Post-War Outlook Good

"The press is already talking of lend-lease to Britain after the war. There are indications that point to the war being paid for through a basic increase in the price level. It looks as if post-war unemployment and economic reverses will be staved off, for a time anyway, through American financing of world reconstruction. The funds advanced by our Government will probably be spent through ordinary commercial channels here and added to the domestic deferred expenditures.

When and What to Buy

"There are those who think they see a good short-term buying level but feel that expecting the market to be higher six months from now is too much to ask. Our opinion is that buying should be done whenever the market seems at an attractive buying point. No one can tell in advance whether what seems to be a trading purchase will change into a profitable long-pull investment. Delayed purchasing until everything seems ideal often means paying premiums. Individual issues which, in our opinion, are worth investigating as purchases for various reasons include Amarada, Westinghouse Electric, Johns-Manville, Monsanto, International Harvester, General Motors, Pepsi-Cola, Montgomery Ward, Atlantic Refining, Columbia Broadcasting, United Aircraft, Republic Steel, International Paper, Rayonier, Engineers Public Service, Houston Oil, Radio, American Water Works.

Taxes, Earnings and Stock Prices

"With the war apparently reaching a crisis, the problems and possibilities of post-war loom large in the calculations of investors. Taxes are among the many uncertainties under consideration. Although the 1943 Tax Act somewhat increased the excess profits tax load, it seems clear to legislators as well as economists and businessmen that we have about reached the point of diminishing returns in wartime corporate taxation.

"Our present tax needs severely restrict potential rewards from the use of venture capital by reason of the drastic taxation of corporate profits. However, the trend of present official thought offers assurance of post-war elimination of excess profits taxes. Such relief would greatly improve general corporate earning and dividend paying ability and be particularly beneficial to companies which will resist declines in pre-tax net and at the same time enjoy substantial tax savings with resultant higher per-share earnings. A measure of the advantage to be gained from elimination of this burden is implicit in the fact that a representative cross section of industry paid out, in Federal taxes for 1943, some 64% of pre-tax net before provision for post-war refunds. This compares with a 40% tax remaining if excess profits taxes are eliminated.

"Following is a selected group of stocks which are, in our opinion, at attractive levels for purchase by those who seek issues with possible savings from elimination of excess profts tax sufficient to exceed declines in pre-tax net income resulting from reduced war spending."

	1943 Pre-Tax Net (Mil)	1943 Inc. & EPT. (Mil)	Income & E.P.T. of Pre-Tax Net (%)	1943 Net (Per-share)	Theoretical Deferred Demand Levels — 1943 Div.	Pre-Tax Net (Mil)	Fed. Inc. Tax@40% (Mil)	Earns. (Per Share)	Price	Recent Price
U. S. Rubber Co.	$59.8	$44.4	74	$5.09	$1.00	$29.0	$11.5	$7.00	75	48
Westinghouse Elec.	104.0	74.8	72	6.97	4.00	43.0	17.0	8.25	150	103
Monsanto Chemical	15.4	10.1	71	3.56	2.25	15.0	6.0	6.50	130	84
Sears Roebuck	86.0	52.2	61	5.81	4.25	85.0	34.0	8.75	125	94
American Tobacco	55.1	32.5	59	4.32	3.25	53.0	21.0	6.50	100	71
Johns-Manville	17.2	10.0	59	5.27	2.25	15.0	6.0	10.50	160	97
Amer. Home Prod.	14.0	8.3	59	5.16	2.65	11.3	4.5	6.75	100	70
Columbia Broad.	13.1	7.6	58	2.64	1.80	12.8	5.1	4.50	50	32
Philco Corp.	17.0	9.9	58	2.60	1.00	10.5	4.2	4.50	50	33
General Foods	36.5	20.8	57	2.42	1.60	27.0	11.0	3.00	60	43
Pepsi-Cola*	14.8	8.0	54	3.31	2.25	19.0	7.5	6.00	90	55

*Figures for 1942 year.

Interesting Situation

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

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.

Calendar Of New Security Flotations

NEW FILINGS

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

THURSDAY, AUG. 17

INDIANA & MICHIGAN ELECTRIC CO. has filed a registration statement for 120,000 shares of cumulative preferred stock (par $100). 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. The preferred stock is to be sold subject to the competitive bidding rules of the Commission. Names of underwriters will be filed by amendment. The offering price to the public and the dividend rate will be supplied by amendment. Filed July 29, 1944. Details in "Chronicle," Aug. 10, 1944.

SATURDAY, AUG. 19

ASSOCIATED GROCERS CO-OP has filed a registration statement for 5,520 shares ($50 par) capital stock.

Address—Seattle, Wash.

Business—Cooperative wholesale grocery.

Underwriting—No underwriter.

Offering—In exchange for refund credits held by members of the Association on basis of 14 shares for $700 principal amount of refund credits.

Proceeds—To reduce outstanding refund credits.

Registration Statement No. 2-5436. Form S-1. (7-31-44). Statement originally filed in San Francisco.

SUNDAY, AUG. 20

MISSISSIPPI POWER & LIGHT CO. has filed a registration statement for $12,000,000 first mortgage bonds series due 1974. Net proceeds from the sale of the bonds and $2,000,000 of promissory notes, together with such additional cash from 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. 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. Filed Aug. 1, 1944. Details in "Chronicle," Aug. 10, 1944.

ARTLOOM CORPORATION has filed a registration statement for 100,000 shares of common stock (no par). 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. 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. Stroud & Co. are underwriters. Filed Aug. 1, 1944. Details in "Chronicle," Aug. 10, 1944.

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. Company's proceeds will be used to augment working capital and for other corporate purposes. Van Alstyne, Noel & Co., New York, head list of underwriters. Others will be supplied by amendment. Price to public $6 per share. Filed Aug. 1, 1944. Details in "Chronicle," Aug. 10, 1944.

MONDAY, AUG. 21

CARRIER CORP. has filed a registration statement for 70,000 shares of cumulative preferred stock (par $50). 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. 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 16 shares 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 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. The principal underwriters are Harriman Ripley & Co., Inc., and Hemphill, Noyes & Co., both of New York. Filed Aug. 2, 1944. Details in "Chronicle," Aug. 10, 1944.

WEDNESDAY, AUG. 23

NATIONAL CYLINDER GAS CO. has filed a registration statement for 35,000 shares of cumulative preferred stock (par $100). 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. Principal underwriters are Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., Chicago. Others will be supplied by amendment. Filed Aug. 4, 1944. Details in "Chronicle," Aug. 10, 1944.

THURSDAY, AUG. 24

CENTRAL SOYA CO., INC., has filed a registration statement for $2,250,000 sinking fund debentures, due Aug. 1, 1959. 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. 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. Interest rate and offering will be supplied by amendment. Filed Aug. 5, 1944. Details in "Chronicle," Aug. 10, 1944.

SUNDAY, AUG. 27

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund note.

Address—Alva, Okla.

Business—Corporation is a new company and proposes to store and handle grain.

Underwriting—None named.

Offering—Approximate date, July, 1944.

Proceeds—Proceeds received from the the notes will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house.

Registration Statement No. 2-5444. Form S-2. (8-8-44).

MONDAY, AUG. 28

HAMILTON MANUFACTURING CO. has filed a registration statement for 38,996 shares of preferential participating stock (par $10).

Address—1316 18th Street, Two Rivers, Wis.

Business—Established lines of business include wood and steel professional furniture and equipment etc.

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

Proceeds—to redeem and retire on or before Jan. 1, 1945, at 103, plus accrued interest, $300,000 5% first mortgage sinking fund bonds and at 105% of par value, plus accrued dividends, all of outstanding 7% cumulative first preferred stock consisting of 838 shares.

Underwriting — Straus Securities Co., Chicago, 19,498 shares and Loewi & Co., Milwaukee, 19,498 shares.

Registration Statement No. 2-5445. Form S-2. (8-9-44).

WEDNESDAY, AUG. 30

THE BOND INVESTMENT TRUST OF AMERICA has filed a registration statement for 60,000 shares of beneficial interest.

Address — 49 Federal Street, Boston, Mass.

Business—Investment trust.

Underwriting — Principal underwriter Whiting, Weeks & Stubbs, Boston.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5446. Form S-5. (8-11-44).

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.

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.

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.

BROOKLYN UNION GAS CO. June 29, 1941 filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Company planned 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.

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.

In amendment filed with SEC Aug. 10 company proposes the issuance of $30,000,000 general mortgage sinking fund bonds due 1969 and $12,000,000 25-year sinking fund debentures due 1969. Both issues will be offered for sale by the company pursuant to Commission's competitive bidding rule U-50 and names of underwriters and interest rates will be filed by post effective amendment.

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.

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.

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.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

(This list is incomplete this week)

"Our Reporter On Governments"

JOHN T. CHIPPENDALE, JR.

There have been large purchases by trust companies in the last 10 days of the long-term 2½% Government bonds, and as a result these obligations are selling at their highest prices of the year. . . . It was learned that the trust companies have been making changes in the holdings of many of their trust accounts and in several instances have disposed of long-term low-coupon corporate bonds and reinvested the proceeds principally in the long-term 2½% Government bonds that have been offered in the various War Loan Drives. . . . It was reported that trust officers are of the opinion that the spread between high-grade corporate bonds and Government obligations has reached a point where it is now so narrow that it is no longer considered advisable to continue to hold the corporate obligations, since the differential between corporates and Governments is bound to widen from here on. . . .

Likewise, it is believed by many that the present time affords as good an opportunity, as may be presented, to make the change from corporates into Government bonds. . . . It was pointed out that at the conclusion of hostilities the supply of Government obligations will tend to decrease, while the amount of corporate obligations will tend to increase with a widening of the price spread between them. . . .

MARKET PROTECTION

The scarcity factor, which has been very important in the corporate bond market, will be eliminated, and with a larger supply of corporate bonds, prices lower than those presently prevailing are anticipated. . . . Through the purchase of the long-term Government bonds, trust funds are being invested in the best security in the world and one that has the best protected market in the entire bond group, since with large refunding operations to be carried out over a period of years, following the ending of the war, the Treasury, in order to do this successfully, must keep Government bond prices stable. . . .

These long-term 2½% bonds are marketable obligations, eligible collateral for loans and acceptable at par for the payment of Federal estate taxes, and at present prices are selling only about one-quarter of a point above par, all of which make them desirable investments for trust accounts. . . .

A comparison recently made of high-grade corporate bond yields and those of the U. S. Government obligations is as follows:

CORPORATE BONDS

	Price	Yield
Cleveland Electric Illuminating Co., 1st mtge., 3%, 1970	108½	2.55%
Consolidated Gas, Electric & Power Co. (Baltimore), 1st ref. mtge., 2¾%, 1976	104¼	2.55
Southwestern Bell Telephone Co., 1st ref. mtge., 3%, 1968	107¼	2.59
Boston Edison Co., 1st mtge, 2¾%, 1970	102⅞	2.60
Public Service Electric & Gas Co., 1st and ref. mtge., 3%, 1972	108	2.60
Philadelphia Electric Co., 1st and ref. mtge., 2¾, 1971	102¾	2.61
Dayton Power & Light Co., 1st and ref. mtge., 3%, 1970	106¾	2.63
Illinois Bell Telephone Co., 1st mtge., 2¾, 1981	102¾	2.63
Southern Bell Tel. & Tel., deb., 3%, 1979	108	2.65

UNITED STATES GOVERNMENT BONDS

Issue	Due	Price	Yield	Issue	Due	Price	Yield
2½%	6-15-1967-62	100.17	2.46%	2½%	12-15-1969-64	100.9	2.48%
2½	12-15-1968-63	100.10	2.48	2½	3-15-1970-65	100.9	2.48
2½	6-15-1969-64	100.9	2.48				

As is indicated by this study the differential between corporates and U. S. Government bonds of a comparable maturity ranges from only .07 in basis to .17 in basis in favor of the corporates, an extremely narrow margin and one that many believe must widen substantially in the future. . . . It is contended by experts on the bond markets, that high-grade corporate obligations will sell between .50 and .75 in basis above Government bonds of a similar maturity in the post-war period. . . . Based upon these ideas, it is indicated that the trust companies, in disposing of high-grade corporate bonds and reinvesting the proceeds in long-term Government obligations, are taking advantage of an opportunity which may not last too long. . . . It was also reported that many trust accounts have not replaced corporate issues that have been recently refunded with lower coupon obligations but have turned them in for redemption and reinvested the proceeds in the long-term Government 2½% bonds. . . .

MUNICIPALS LIQUIDATED

Some of the savings banks outside of New York City have been able recently to dispose of their municipal holdings of the smaller communities, at very high prices, and have used these funds to take up deferred subscriptions in the 2½% due 3-15-70/65. . . . The market for these lesser known municipal bonds was very limited, at present high prices, but has improved, now, that the communities which issued them are buying in their own bonds. . . . This has been of advantage to the savings banks which held these securities, since some of these institutions have not had the expected increase in deposits while others have lost deposits, which, if not for the sale of this type of municipal obligations, would have necessitated major portfolio changes in order to meet deferred commitments made during the last War Loan. . . .

PARTIAL EXEMPTS AND EXCESS PROFITS

The partially tax-exempt Government bonds gave ground again during the past week and it was reported that there were large blocks for sale in both the intermediate and longer-term obligations. . . . There appears to be considerable uncertainty concerning the future of these securities because of the favorable war developments. . . .

It was pointed out that at presently prevailing high levels, these securities are in demand only by those institutions that need excess profits tax exemption. . . . The prospects of an early ending of the war, together with the belief held by many in the financial district, that excess profits taxes will be among the first taxes to be reduced, are given as the reasons for the withdrawal of considerable of the demand that existed for these obligations. . . .

As a result the market for the partially exempt is very thin and is principally an "order market" with the dealers tending to stay close to the side lines pending further clarification of the situation . . .

TRADING ACTIVITIES

It was learned that some of the institutions have been trading out of the 2% due 12-15-51/49 at about 100 23/32 into the 2% due 9-15-51/49 at 100 24/32 at a differential of only 1/32, and in some cases it was reported this change had been made at the same prices for both securities. . . . It was pointed out that ordinarily for a three-months' difference in maturity the spread is about 4/32, but in this instance, with practically no differential existing, the December maturity is considered to be high and the September maturity low, and out of line, and this has brought about some switching in these two issues. . . .

Some of the dealers have been advising the purchase of the 2% due 9-15-53/51 at about 100 22/32 and the 2% due 6-15-54/52 at 100 15/32, since it is believed that these two securities are the most attractive of the 2% group. . . . One of the switches recommended was out of the 2% due 6-15-51/49 at 101 27/32 into the 2% due 9-15-53/51 at 100 22/32, since it is believed that the shorter maturity is very close to its top levels for appreciation, whereas the longer bond at these levels appears to have good possibilities for price betterment. . . .

Where the lengthening of maturity by slightly more than two years is not too important, this change results in the lowering of premium by more than a point, while income is increased from 1.60% for 2% due 6-15-51/59 to 1.90% for the 2% due 9-15-53/51.

Construction Contracts Awarded In July

Private construction is playing a relatively more important part in building activity than it did a year ago. This fact was revealed on Aug. 14 in a report by F. W. Dodge Corporation on construction contracts awarded in July in the 37 States east of the Rocky Mountains. The report went on to say:

"The trend is most remarkable in residential construction where the relative positions of public and private construction have been reversed in a year, but it is being demonstrated in non-residential construction as well.

"In the residential field, public construction during the first seven months of last year represented 61% of the total as compared with 35% so far this year.

"Public construction represented 92% at this time last year as compared with 76% today in non-residential building. In this category are included commercial, manufacturing and educational buildings, hospitals, public and religious buildings, social and recreational buildings, as well as miscellaneous non-residential buildings.

"Although the total July construction volume of $190,539,000 exceeded by $6,878,000 the volume reported during the corresponding month of last year, the seven-month total for 1944 lags considerably behind the total for the January-July period of 1943. The comparative figures for the seven-month periods were $1,150,760,000 and $2,034,933,000, the Dodge company's reports show.

The Business Man's Bookshelf

Facts & Figures On Government Finance—The Tax Foundation, 30 Rockefeller Plaza, New York, N. Y.—paper.

International Currency Experience, Lessons of the Inter-War Period—League of Nations Publication 1944.II.A.4—International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N. Y.—cloth—$3.25.

Post-War Monetary Plans and Other Essays—John H. Williams—Alfred A. Knopf, Inc., New York—cloth—$2.50.

Super Power Interesting

American Super Power preference stock offers interesting possibilities, according to a current analysis of the situation issued by John J. O'Brien & Co., 231 So. La Salle St., Chicago, Ill., members of the Chicago Stock Exchange. Copies of this analysis may be had from John J. O'Brien & Co. upon request.

Interesting Situation

Common stock of Central Vermont Public Service offers attractive possibilities, according to a memorandum being distributed by Buckley Brothers, 1529 Walnut St., Philadelphia 2, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be obtained from Buckley Brothers upon request.

Interesting Situation

Aeronautical Products, Inc., offers an interesting situation according to a memorandum issued by Mercier, McDowell & Dolphyn, Buhl Building, Detroit, Mich., members of the Detroit Stock Exchange. Copies of this memorandum may be had from the firm upon request.