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Lewis In AIB Educational Post

Appointment of Leroy Lewis, secretary of the North Carolina Bankers Association, to the post of assistant educational director of the American Institute of Banking, educational section of the American Bankers Association, has been announced by Dr. Harold Stonier, executive manager of the Association.

Leroy Lewis

Mr. Lewis, who was instructor in speech at Duke University, Durham, North Carolina, for eight years, has been identified with Institute activities in the Tarheel State for most of that time, having been an instructor in public speaking at A. I. B. chapters. He joined the North Carolina Bankers Association as its secretary a year and a half ago.

Mr. Lewis is a native of McAlester, Oklahoma, and a graduate of Oklahoma City University from which he obtained his B. A. degree. He took his master's degree at the University of Michigan and did graduate study at Northwestern University.

From 1930 to 1935 Mr. Lewis

(Continued on page 904)

Index of regular features on page 904

Price Control During The Period That Lies Ahead

By CHESTER BOWLES, OPA Administrator*

Head Of Price Control Points Out That Impact Of War Does Not End When Shooting Stops. Warns Against Repetition Of Conditions Following Last War and Lists The Three Objectives Of Post-War Control As (1) Avoid Price Inflation, (2) Prevent Deflation In Our Economy and (3) Keep Up Full Production And Full Employment. Holds Only Government Can Underwrite The Level Of Production And Income.

The war has entered its climactic phase. The long months of training and preparation, the long months of sweat and strain are now paying dividends in great strides being made toward victory. We know, of course, that a lot of hard fighting lies ahead for our boys before even the European phase of the war is ended. And all of us here on the home front are determined to keep war production going at full blast, so that those boys shall have everything they need where and when they need it. That is our first job and for a long time to come will continue to be our first job. But, while doing everything we on the home front can do to help win the war, we must prepare to face the problems of peace and reconversion.

Chester Bowles

*An address by Mr. Bowles before the San Francisco Chamber of Commerce, Aug. 25, 1944.

(Continued on page 894)

Bureaucracy Vs. Free Enterprise

By Hon. LYLE H. BOREN*
Representative in Congress from Oklahoma

Congressman Boren Warns Against Growth Of Bureaucracy In Washington As A Danger To Free Enterprise And States That The Removal Of All Restraining Handicapping Regulations Are Musts For Our Economic Survival On The Basis Of A Free Economy. Holds About Nine-tenths Of All The Bureaus In Washington Ought To Be Abolished And Urges Stronger Fight Against Regimentation.

There is a great deal of confusion in the world of finance today. When I went to Congress the national debt limit was 25 billion dollars. The debt was not that high. Then they raised it to 40 billion. I didn't think it could be done successfully, but it was. Then it went to 50, and I voted "no" again, and then to 60, and I voted "no" again. Then they got ambitious and made it 80, and I was still on the dissenting side. Of course you know where it is now—210, and I'm still a dissenter.

Lyle H. Boren

Anyway, I want these opening

*An informal talk made by Congressman Boren at the annual meeting of the National Security Traders Association in the Palmer House, Chicago, Aug. 25, 1944.

(Continued on page 893)

More Special Articles In NSTA Supplement

Because of the paper situation a number of special articles which would ordinarily appear in this portion of the "Chronicle" had to be incorporated in the special supplement, issued today, covering the eleventh annual convention of the National Security Traders Association held in Chicago Aug. 25-26. As our readers will undoubtedly be interested in these additional articles we enumerate them herewith. In addition to listing the titles and authors of these papers, we give the appropriate page number on which they appear in the NSTA Supplement:

(Continued from page 884)

Some Limitations Of Easy Money And Collateral Theories

By JAMES A. HOWE

After Analyzing The Financing Of The War And Measures Taken Against Inflation, Writer Holds That "A Degree Of Inflationary Finance Appears Economically As Well As Politically Unavoidable" — Doubts Whether Measures Taken Will "Be A Satisfactory Means Of Determining Interest Rates, Prices, Wages And Production," And Concludes That "The Ultimately Desirable Peace Time Organization Will Provide A High Degree Of Decentralization In Most Economic And Business Affairs"—He Discusses Interest Rates And Sees Present Policies Necessary For A Time After The War.

The world reflects an infinite variety of colors. Little is pure white or jet black. It is by determination of the proper relativities of many inter-relations, conditions and characteristics that we make discriminating distinctions and arrive at appropriate actions. A broad view is more likely to produce satisfactory policies than one which omits consideration of collateral influences and effects.

James A. Howe

The war is being financed by taxes, savings and inflation. The inflationary portion is included within the sales of bonds to banks, a process which increases deposits, the principal circulating medium of the country. When the circulating medium is expanded, the amount of apparent capital available for expenditure increases. If there is no corresponding increase in the supply of peacetime goods, prices rise. If prices rise, wages are likely to rise, too. Were monetary affairs allowed to take their normal course, the demand for money to finance the war would raise interest rates. The cost of borrowing would increase. Rising prices, wages and interest rates would further increase the apparent cost of war and still more borrowing would be necessary. A cumulative spiral of inflation would be thus set in motion. Since the expenditure for war is determined by military necessities rather than by economic considerations, higher

(Continued on page 898)

J. P. Gallagher With Dempsey-Detmer & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—James P. Gallagher has become associated with Dempsey-Detmer & Co., 135 South La Salle Street, members of the Chicago Stock Exchange. Mr. Gallagher was previously in the trading department of Link, Gorman & Co., Inc., and prior thereto was with Kneeland & Co. and Hickey, Doyle & Co.

Interesting Situations

Straus Securities Company, 135 South La Salle Street, Chicago, have prepared analyses, memoranda, studies, surveys and statistical reports on a number of interesting situations in industrial, public utility, rail and traction issues. Copies may be had from the firm upon request.

Contest Brewing In Congress On Bretton Woods Agreements

By HERBERT M. BRATTER

The Bretton Woods monetary and financial conference managed to achieve agreement on plans to create machinery for the extension of financial aid to countries engaged in rebuilding or in developing their resources. As everyone knows, Congress must still act before this country is committed to the course laid out at the conference. Senator Wagner has indicated the Administration's desire to postpone Congressional consideration until after the election. However, there already have been some expressions of opinion from members of the Congress, and one speech on the floor.

Herbert M. Bratter

A distinctly negative statement from Senator Arthur Capper (R., Kan.), a member of the Senate Banking and Currency Committee, characterized the Bretton Woods program as designed to make all the world prosperous at the expense of the United States Treasury. An equally skeptical speech was delivered by Congressman Charles S. Dewey (R., Ill.), printed in the "Chronicle" of Aug. 17, page 682, as had been foreshadowed by his statements at Bretton Woods. As reported in the Congressional Record, Mr. Dewey's position was clarified by questions from Congressman Charles L. Gifford of Massachusetts, a member of the House Committee on Banking and Currency and a fellow Republican. Thus:

Mr. Gifford: Does the gentleman think that he is going to approve the action of the Bretton Woods Conference?

Mr. Dewey: No; I could not enter into approval—speaking for myself—of a fund which may increase the public debt such as we have. I cannot approve the idea of going into partnership with other governments, all of whom have their own selfish and national aspirations, before we know what those aspirations are. Where is our bargaining sense?

Mr. Gifford: The point is that we may feel, we may know, we are going to lose all the money we put up, but in spite of that fact, we are not isolationists? I want to vote for that, but I want to vote for it with my eyes open. The gentleman may warn us that we will lose it, but even though we lose it, will the gentleman oppose it?

Mr. Dewey: Yes, sir. . . . I

(Continued on page 888)

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Trial By Competitors

Our thesis emphasizes the oft repeated opposition of this paper to the participation of judges who have a personal stake in the result in any proceedings.

Again, we say that a just decision is not likely to emanate from those having adverse interests.

Some such thought must have been in the minds of an existing Congressional Committee headed by Representative Howard W. Smith of Virginia, which is urging court curbs upon United States agencies.

The prospective legislative program of this Committee would require the President to name hearing officers to settle disputes between individuals and Federal agencies, these officers to be "independent of the agencies involved in the litigation instead of subservient to the agency heads."

In the administration of justice a bad odor exists as the result of the many faceted functions of administrative bodies, making them at one and the same time detectives, prosecutors and judges. Being human, the interest in each office is to create a record. Decisions are frequently the product of this impulse with judicial determinations veering away from impartiality because the particular bench, or panel, is not disinterested in the final outcome.

For example, can one reasonably contend that the Securities and Exchange Commission has no stake in the outcome of the "5% spread philosophy" fostered by the Board of Governors of the National Association of Securities Dealers? Nevertheless, the controversy of whether that philosophy is or is not a rule capable of enforcement, is to be decided by the SEC.

Convincing proof of the embarrassment this has caused the trial Commissioners is found in their failure to answer the suggestion of counsel for the Securities Dealers Committee that they themselves may have had a hand in establishing the 5% spread principle.

Had the law authorized a hearing and determination before an officer unconnected with the controversy, the SEC would have been saved embarrassment, and the charge of possible participation in the conferences which gave rise to the 5% yardstick would have had no place in the proceedings.

The same principle applies in trials before the NASD and the Exchange Committees. Here competitors constitute the board of judges, their motives are frequently questioned, and the results are sometimes unfair and even disastrous to the dealers involved.

One such deplorable case came to our attention recently. It involved a damage suit brought by John W. Jones, former member of Avery & Co. Here Judge Botein of the New York Supreme Court criticized the Curb Exchange. He said:

The practice of reading to the board, at the trial,

(Continued on page 885)

Lower Wage Income Ahead

Says Wage Structure Based On Supply And Demand Factor, Rather Than Political Considerations, Is In Order

Roger W. Babson

BABSON PARK, MASS.—For the year 1943 total industrial wages and salaries, without including incomes of those employed in agricultural enterprises, amounted to $89,500,000,000. Of this, some $12,000,000,000, or approximately 13½%, represented payments for overtime work. If the above workers had not benefited from overtime they would have earned only $77,500,000,000.

Overtime Out

While the war lasts, manufacturers cannot complain too much at the high cost of labor. As a matter of fact, currently high wages, including overtime, are a direct operational cost, and in the instance of most war contracts the Government pays the bill. However, in the final analysis, it is really the taxpayer who foots these charges.

When the big war contracts are a thing of the past, manufacturers will not have their present high volume of business, while selling expenses will be much higher. Their first step, however, will be to cut out overtime. In fact, overtime is already on the way out.

Work Hours May Be Raised

During World War I industry was averaging a 50-hour week. During World War II the normal work-week has been reduced to 40 hours with overtime paid for anything in excess of that. During the last great boom industry

(Continued on page 888)

Ayres Cites Problems Of Industry Involved In Reconversion

Brig. Gen. Leonard P. Ayres, Vice President of the Cleveland Trust Co., in the monthly "Business Bulletin" under date of Aug. 15, says:

"On some unpredictable day in the weeks that lie ahead the demand for more munitions will be suddenly and greatly curtailed. Until that time the demand will increase rather than diminish. Meanwhile there will be increasing unemployment in some areas, and more serious labor shortages in others. Reconversion will demand from business much resolution and resourcefulness.

Leonard P. Ayres

"Today the War Production Board issued the last of a series of four orders designed to enable industry to begin reconversion for the production of civilian goods. The first of these was issued a month ago, and lifted restrictions on the use of aluminum and magnesium. The second order authorized industry to make experimental models of post-war products. The third order permitted industry to buy machine tools needed for the production of peace-time goods. Today's order permits manufacturers to produce limited amounts of civilian goods, provided their factories are not fully engaged in making war goods, and if the regional WPB authorities believe that their new operations will not interfere with the production of munitions.

"Reconversion has begun, as it was inevitable that it should begin as soon as signs of German disintegration became apparent. The progress of reconversion will be slow, and the difficulties to be overcome will be numerous. The supplies of many essential materials will be small, and that will be particularly true in the case of steel, which nearly all manufacturers of civilian goods will need as a first requisite. Component parts will be hard to get, and the lack of only one component may prevent production of the com-

(Continued on page 901)

The Cotton Dilemma And Its Importance To American Business

Guaranty Trust Co. Sees Solution Of Cotton Problem In Tariff Revision And Ending Of Price Support Policy.

The passing of the present war emergency will confront the nation once more with one of the most important and perplexing economic questions that the nation will have to face—the necessity of finding a solution to the cotton problem, states the Guaranty Trust Company of New York in discussing the cotton dilemma and its importance to American business in the current issue of *The Guaranty Survey*, its monthly review of business and financial conditions in the United States and abroad.

"The provisions of the stabilization act exempting cotton and other farm products from full price control are not such as to encourage the hope that the country is prepared to face the issue in a realistic way," *The Survey* continues. "The problem is primarily one of recognition of the principles underlying foreign trade; and the way in which it is solved will be of exceptional interest to American business as a whole, not only because of its intrinsic importance but also because it may set a pattern for the nation's entire post-war foreign trade policy.

A National Problem

"The importance of cotton as an element in the national economy is well known. Cotton and cottonseed account for more than one-fifth of the nation's estimated cash income from crops. The sixteen principal cotton States contain more than one-third of the country's population. Most of these States are predominantly agricultural, and cotton is their main cash crop. Cotton-growing has largely determined the growth and development of the Southern States, the opening of lands, movements of population, locations of towns and cities, and routes of transportation. Although the South, and particularly the South Atlantic States, has made great strides in diversification and industrialization since the last war, the prosperity of large sections still depends to a considerable extent on the economic position of this one commodity.

"Developments in the cotton situation, moreover, cannot fail to have repercussions far beyond

(Continued on page 887)

More Special Articles In NSTA Supplement

(Continued from first page)

Hilda Williams To Trade For L. C. Dick

PHILADELPHIA, PA.—Lewis C. Dick Co., 1420 Walnut Street,

Hilda H. Williams

announces that Hilda H. Williams has been appointed trader. Miss Williams was formerly with W. H. Bell & Co. Prior thereto she was in the Corporate Trading Department of Buckley Brothers.

California Bank Adds Arthur Kane To Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Arthur G. Kane has become associated with the California Bank, 625 South Spring Street. Mr. Kane was formerly Pacific Coast Manager for Century Distributors. Prior thereto he was with Dean Witter & Co. and was manager of the bond department of Wm. Cavalier & Co.; in the past he was with E. H. Rollins & Sons, Brown Harriman & Co. and the National City Company of New York.

J. P. Masterson Is With Buckley Brothers

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—John P. Masterson has become associated with Buckley Brothers, 530 West Sixth Street. Mr. Masterson was formerly manager of the trading department for the California Bank.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana Limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

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.

Trial By Competitors

(Continued from page 883)

the testimony heard by the investigating committee, and thereafter resting the case, so to speak, upon such testimony, when considered in the light of the constitutional provision permitting the accused to cross-examine only those witnesses who were produced, effectually deprives the plaintiff of the opportunity to cross-examine the witnesses who furnished the testimony upon which his suspension was predicated."

What part the desire of competitors to destroy Avery & Co. played in the decision of the Board of Governors of the Curb Exchange, if any, is yet to be developed on the trial of a series of pending actions which involve this among other issues.

We believe the recognition of the need for impartial judgments was responsible for appointment of arbiters, such as Mr. Hayes in the motion picture field, and Judge Landis in baseball.

The right to trial by an impartial and distinterested judge or judges is fundamental in our institutions and should be preserved at all costs.

Comstock & Co. Is Formed In Chicago

CHICAGO, ILL.—Organization of a new Chicago firm, Comstock & Co., is announced by the partners, Erling J. Hansen, Edward P. Renier and Daniel F. Comstock, all of whom were formerly executives of Adams & Co. here. All have been in the investment business here for more than 20 years specializing in over-the-counter securities and reorganizations. They will continue to specialize in servicing dealers and institutions throughout the country. Offices have been taken at 231 So. La Salle Street.

Increased Production For Merchants Dist.

Merchants Distilling Corporation of Terre Haute, Ind., has completed arrangements with The Southern Comfort Corporation to produce and bottle their well-known brand of 100-proof liqueur, "Southern Comfort." For the past 10 years this liqueur has been manufactured only by the company at its St. Louis plant.

Merchants Distilling Corporation has its executive offices at Midland Building, Chicago, Ill., under the management of Mr. W. C. Dunn, President.

Post-War Outlook For The Steel Industry

Higher Labor Costs Believed Not Likely To Prevent Favorably Situated Companies From Showing Satisfactory Earning Power

TARRYTOWN, N. Y.—The demand for steel should be excellent for several years after the war, according to a study of the post-war outlook of the steel industry just completed by the research department of E. W. Axe & Co., Inc. Labor costs have of course risen sharply, but some of the wartime increase is attributable to causes which will not be fully operative after the war. It seems probable moreover that the increase in labor costs will be partly offset by reduced corporation taxes, so that many companies whose principal customers are producers of consumers' durable goods, for which there is a huge deferred demand, should be able to show generally satisfactory post-war earning power. This is of considerable importance from an investment standpoint because the common stocks of most steel companies are today selling at lower levels than the 1937 and 1939 highs and several are selling very much lower.

The basis for the expectation of an excellent demand for steel after the war is mainly the huge deferred demand for automobiles, farm machinery, domestic household appliances, railroad equipment, new construction, and other steel-consuming products the output of which has been restricted or completely banned by war regulations. It is true, the study points out, that there has been a marked increase in steel mill capacity, so that there is some danger of high costs owing to the possibility that some mills will be forced to operate at much less than full capacity. There is also danger that the wartime increase in capacity will tend to encourage price cutting.

The study concludes, however, that the situation in this respect is considerably different from the situation that prevailed after the World War. Steel prices rose sharply during the World War, whereas during the present war they have remained virtually unchanged. Before the present war there had been little increase in capacity for nearly a decade, so that the wartime increase may represent in part merely an extension of the normal secular growth of the industry. The less efficient units will bear the brunt of whatever reduction is necessary from the present extremely high rate of operations, so that the wartime increase in capacity should increase rather than decrease the industry's average operating efficiency.

The study presents an analysis of the War Production Board's expansion program and concludes that some of the wartime increase in capacity may not be a permanent post-war influence because about one-third of the increase has been in districts where there were no steel mills before the war. Some of these units may be abandoned because of their uneconomic locations.

The study concludes with an analysis of the post-war investment prospects of 36 individual steel companies and selects the securities of those which appear to be reasonably priced relative to pre-war, war, and probable post-war earning power.

Mutual Funds

Before Labor Day

The usual August lull in investment activity has been reflected again this year in the output of mutual fund literature. While the practice of investment company sponsors to save their good ideas until investment dealers are all back on the job may be sound in theory, the situation it creates can work both ways.

A really good piece of sales literature issued in August will stand out like a sore thumb. And with those dealers who ARE on the job during this period, it will make a lasting impression.

Among the few sponsors who have redoubled their efforts during the current month, **National Securities & Research Corp.** is one which has to its credit a considerable volume of interesting and unusual material. Not only are the discussions in the last two issues of **Investment Timing** on "Post-War Tax Planning" and "OPA Ceilings in Reconversion" worthwhile and informative reading on those vital subjects, but the memoranda on **National Stock Series** and **Industrial Stock Series** are packed full of new sales slants.

A dividend check, signed by all the companies represented in National Stock Series, is portrayed. It looks fantastic and the caption reads, "You will never see a dividend check like this." But it is effective in putting across the idea that dividends from National Stock Series come from the earning of a select list of American corporations.

Another memorandum on National Stock Series is headed with the "football" figures 20-97-4-44. These figures turn out to have statistical significance with respect to the list of holdings of this fund. Two memoranda on Industrial Stocks Series carry the same kind of sales punch.

* * *

Hugh W. Long & Co. has issued a new folder on "Steel—The Master Metal." It is a four-page job with some striking charts to illustrate the basic position of steel in our economy and to explain: (1) why steels are behind the market; and (2) why steel stocks are cheap. For an attractive steel investment, the folder suggests the **Steel Industry Series of New York Stocks, Inc.**

* * *

Maintaining, as in the past, the sales potency of a simple presentation, **Keystone Corporation** has just published a new folder entitled "Security Market Performance." It covers the first six months of 1944 and compares the market performance of various well-known bond, preferred stock and common stock indices with that of the 10 **Keystone Custodian Funds.** The folder contains no "selling copy" regarding the excellence of the Keystone performance. The figures speak for themselves.

* * *

Lord, Abbett devotes the current issue of "Abstracts" to the performance of **American Business Shares.** Commenting on the "cumulative effect of value selection" as illustrated by the performance of American Business Shares over recent years, Lord, Abbett reproduces the *BARRON'S* figures on the performance of combination funds from the end of 1940 and the end of 1942 through June, 30, 1944. Over the longer period American Business Shares just about equaled the average performance of the 10 other funds. From the end of 1942, however, American Business Shares led the entire list with a gain of 58.5% compared with an average advance of 45.7% for all the combination funds.

Mutual Fund Literature

Calvin Bullock—The August issue of **Perspective** discussing the post-war outlook of packaged foods; a brochure entitled **"Who Owns Dividend Shares and Why"**. . . . **Lord, Abbett**—Revised portfolio folders on **American Business Shares** and **Union Bond Fund "C"**; also a revision of the **Affiliated Fund** folder, "How $1,000 Gets the Investing Potential of $1,700." . . **Hugh W. Long & Co.**—A revised Fundamental Statistics brochure on **Fundamental Investors** and a portfolio folder on **New York Stocks. . . . National Securities & Research Corp.**—Two suggested letters for dealer use in soliciting inquiries on **Industrial Stocks Series** and **National Stock Series. . . . Hare's Ltd.**—A new folder "Are Aircraft Stocks Undervalued?" . . . **Broad Street Sales Corp.**—The August issue of **Broad Street Letter. . . Selected Investments Co.**—Current issues of "These Things Seemed Important."

Dividends

Massachusetts Investors Second Fund, Inc.: A dividend of 10c per share payable Sept. 20, 1944, to stockholders of record Aug. 31.

Maryland Fund: A dividend of 6c per share payable Sept. 15, 1944, to stockholders of record Aug. 31.

Price Recessions Following Peace Will Probably Be Less Severe Than Some Expect

Although it is believed in many quarters that an early peace will be followed by a sharp reaction in commodity prices predicated on the confusion and unemployment which will follow widespread cancellation of Government contracts, the Commodity Research Bureau in a recent survey of the "Outlook for Commodities", says that price recessions will probably not be as severe as many expect.

"The considerations leading to such a conclusion," the Bureau writes, "are:

"1. Prices of major farm commodities are protected by government loans.

"2. Ceilings have prevented runaway price advances so that declines do not have as far to go as they did after previous wars.

"3. Current price declines are, to some extent, discounting peace. Hence, if peace comes, prices will partially have adjusted to the event.

"4. We will be on a partial war economy inasmuch as the conflict in the Pacific must be pushed to a successful end.

"5. Relief requirements of the liberated areas, together with the large volume of accumulated domestic purchasing power, suggest that the demand will remain strong."

Death Payment Benefits On Civilian Policies Owned By Service Personnel In First Half Of '44

Thirty million dollars in death benefits was paid in the first six months of 1944 by American life insurance companies under 27,800 claims involving civilian policies owned by members of the armed forces and of the merchant marine, according to records compiled by the Institute of Life Insurance, and made public on Aug. 30. The aggregate of payments resulting from deaths in service since the start of the war is $94,200,000 under 75,900 claims, said the report, and added:

"These payments to the dependents of service men who have died are in addition to benefits they may have received under National Service Life Insurance," the Institute said. "The amount paid and number of claims met indicate how generally men going into service have continued the civilian policies they bought for the protection of their families, and how this insurance is paying out under war conditions.

"While war death claims represent a steadily increasing proportion of total death benefit payments by the life insurance companies as the intensity and scale of fighting increases, they accounted in the first six months of the year for only 4.9% of the $614,000,000 death benefit payments by the companies. In 1943 death benefits paid under policies on the lives of service men amounted to 4.1% of all benefits in that half year.

"A breakdown of the claim payments on policyholders in the armed forces and the merchant marine shows that up to June 30 last 38,300 claims for $39,900,000 were on the lives of policyholders killed in action. Of these 16,400 claims for an aggregate of $14,900,000 were paid in the first six months of this year.

"Deaths of service men resulting from accidents and other external causes since Pearl Harbor have resulted in 28,800 claims for $38,800,000, with 8,800 of these claims involving $10,700,000 paid in the six months ended June 30, last.

"Deaths from diseases among the service men accounted for 8,800 claims and the payment of $15,500,000 in benefits. In the latest six months' period 2,600 claims for $4,400,000 were settled."

New Jersey Municipals

J. B. Hanauer & Co's monthly publication, "The New Jersey Municipal Bond Market," contains essential facts on New Jersey Municipals. Copies may be had regularly upon request from J. B. Hanauer & Co., 1180 Raymond Blvd., Newark, N. J.

M. S. Wien Celebrates 25th Anniversary

M. S. Wien & Co., 25 Broad Street, New York City, is this year celebrating the twenty-fifth anniversary of the formation of the firm in 1919.

Tomorrow's Markets Walter Whyte Says—

Bearish sentiment now general in Street. But market persists in acting good. Market ready to advance again according to present indications.

By WALTER WHYTE

Under a barrage of good to excellent war news the market persisted in acting as a stray maverick. It wandered around, apparently friendless, seeking to attach itself to something that had some appearance of stability. But the exception of some better than average buying, which the public doesn't know about, or if it does, ignored, the board room crowd that makes for most of the vocal whoop-la just looked on with a dull lack lustre in its eye.

* * *

That everybody is beginning to look at the war as something over the dam is no great secret. Financial columns are full of grandiose theories of what plans for the post-war era will be. Some view the prospect with alarm, others with satisfaction. Voracious readers of these plans usually end up with headaches and confusion. For the fact is that nobody really knows what is in store for business or industry once the shooting is over.

* * *

Congress, with its head in the clouds, had two plans before it. The upper chamber had the Kilgore-Murray bill which it threw out in favor of the George plan. The House got the George bill and threw so many knives into it that it no longer means a thing.

* * *

The British "Economist," in discussing the Bretton Woods talkfest, points out that the plans set up by the conference can work only ". . . in a world in which the major countries were successful in avoiding . . . crises." It further points out that the United States is the "least persuaded of the necessity of taking positive action to control the economic environment."

* * *

Congress apparently is not the least concerned about the future. In its own way it is going through the motions. Motions which, if fruitful, will almost certainly lead to a major depression.

* * *

All this has of course nothing to do with the immediate market outlook. For, so far, the market isn't concerned with long-pull objectives. Its primary concern is the prospects for the next few weeks.

* * *

Looking at the market through these short-range

(Continued on page 901)

The Cotton Dilemma And Its Importance To American Business

(Continued from page 884)

the borders of the South. Wholesale distress and unemployment in the Cotton Belt would severely restrict markets for products of the North and West, besides causing desperate competition by the displaced Southern workers for livelihood in the production of commodities that have been supplied elsewhere. Preservation of the Southern cotton-growing industry is a matter of vital moment to business, agriculture and labor throughout the country.

"In the absence of wholly unforeseen developments in the cotton situation, it appears inevitable that the nation will find itself face-to-face with a serious dilemma in the not distant future. No single means of escape yet suggested seems both adequate and practicable. If events follow their usual course, a partial solution is likely to be sought in a combination of measures—some price concessions, some modification of acreage restrictions with increased production, some tariff adjustments, some reliance on foreign credits, some use of subsidies.

"For the rest, the salvation of the industry must depend on such aid as may be found in industrial research, trade promotion, improved methods of cultivation, more favorable conditions of international commerce and higher standards of living throughout the world. Both farmer's organizations and manufacturers are beginning to give serious attention to research with a view to developing new uses for cotton, means of substituting cotton for other fibers, and methods of combining cotton with other natural fibers and synthetic materials. Further improvement in agricultural methods to the point where yields averaged ¾ bale per acre would go far toward reestablishing American cotton on a competitive basis in world markets. Textile manufacturers also are improving their methods, thus preparing the way for lower costs and permanent enlargement of sales outlets. Prospects of this kind, while necessarily somewhat vague, may in the aggregate outweigh the adverse factors that have been operative in the past and result in a more favorable outcome than can be definitely foreseen at present.

Effects of the War

"The enormous wartime demand for cotton goods has radically altered the situation by making American cotton growers temporarily independent of foreign markets. From an average annual volume of 6 million bales before the war, domestic consumption has risen to approximately 11 million bales; the acreage-restriction program has been suspended; and the price of raw cotton has more than doubled. Price support, however, remains an official objective, as evidenced by the provision of the price-control act requiring the Office of Price Administration to make ceilings for cotton products reflect parity prices to growers of the raw material.

"For an indefinite period, perhaps several yearse. following the end of hostilities, the demand for cotton is expected to equal, if not exceed, world production. The people of many countries have been without adequate supplies of cotton goods for several years, and an enormous accumulated need will have to be filled as soon as peacetime trade channels are reopened. To meet this demand, large stocks of raw cotton are still available in producing countries; but these stocks, in some countries at least, are apparently declining, and their probable size at the end of the war is problematical. Unless production can be increased rapidly, stocks may be reduced to low levels and producing capacities taxed to meet the immediate post-war demand. A possible offsetting factor, the importance of which cannot be accurately judged now, is the reduction in the world's cotton-processing capacity due to wartime destruction and deterioration of plants and machinery.

The Long-Term Outlook

"The long-term outlook for cotton depends partly on general economic conditions and international trade policies, partly on the development of new uses for cotton products, and partly on the competition of other fibers and substitutes. The net effect of these various factors is admittedly impossible to forecast with any assurance at present. Swift progress in the chemical industries and in industrial techniques in general will probably bring increasing competition to cotton in some of its uses and at the same time give rise to new sources of demand for it. Many trade authorities look forward with very serious apprehension to the inroads which they believe will be made in cotton markets by the various synthetic fibers. Some consider the outlook in this direction quite as menacing, from the standpoint of the cotton grower, as the prospective competition of foreign cotton. Others believe that the new uses will fully offset the competition and that, if a general economic background conducive to healthy international trade can be set up, the future world market for cotton will at least equal that of the past.

"With the possible exception of tariff revision, abandonment or modification of the price-support policy would appear to be the most essential feature of any sound and lasting solution of the cotton problem. Unfortunately, the political difficulty of this course has been only too clearly demonstrated by recent developments. With cotton prices at home far above those abroad, with the average domestic price more than twice as high as the outbreak of the war, and with a national policy devoted to the maintenance of general price stability, Congress has seen fit to exempt cotton, along with other farm products, from the full control exercised over other commodities. As long as this state of mind persists, there seems little prospect of thorough-going revision of price policy."

Railroad Securities

The old bugaboo of the "monopolistic practices" of the railroads has been brought out of moth balls a little earlier this year than usual. Last year it was not until October that Vice-President Wallace, who was then carrying the ball, viewed with alarm this blight to the economic growth of large sections of the country. This year it is the Justice Department which finds the collusive discrimination deplorable. Last year Vice-President Wallace's sympathies were largely with the Southern territory. This year the spotlight is on the politically more doubtful western section of the country.

The anti-trust action recently instituted against railroads in that territory, two agencies of the railroads, and two banking houses, according to representatives of the Justice Department, will not be tried for six months or a year. Nevertheless, publicity attending the action may be expected to remain fairly active until after the fall elections. It hardly seems credible, in the light of the facts known to any one with even a rudimentary knowledge of railroads and railroad operations, that the action is motivated by other than political considerations.

The action naturally finds fault with the rate structure and rate-making practices. This has also long been a favorite political cry in the Southern territory. It is charged that rates imposed in violation of anti-trust statutes discriminate against the West and have retarded the growth of that territory. Population trends and the consistent rise in the value of manufactures from that area in relation to the Eastern territory for many years prior to the war hardly support any such claim. Moreover, rates are in the province of the ICC, and if there had been discrimination it would have been a very simple matter to complain to that body. If it is unrestricted competitive rate wars between individual railroads that the Justice Department is trying to bring about they are woefully ignorant of the entire transportation legislative setup and are certainly inviting chaos.

The Justice Department further accuses the railroads of hindering and preventing development of highway, waterway and pipeline competition by forcing them to keep rates to the high levels maintained by the railroads. The traffic already diverted to these competitive carriers is one answer to this argument. Another is that by and large many factors point to the conclusion that all transportations charges in the area are uneconomically low rather than artificially high.

A very large percentage of the total bankrupt railroad mileage in the country is in the Western section. The trucking industry as a whole has an operating ratio of close to 100%, and unless it gets higher rates is apt to die of malnutrition. If the waterway competition referred to is intercoastal, it is notable that that industry cannot operate profitably consistently under normal conditions with the present rate structure. If inland waterways were referred to, that is a subsidized industry with rates acknowledged as well below the level necessary to cover costs.

Another contention is that the Western roads, through collusive action, have been deterred from improving passenger facilities and service. Any one who has traveled west of Chicago knows that the Western roads were actually the pioneers in improved passenger service both with respect to equipment and low-cost tourist accommodations. In large measure, trains on regular runs west of Chicago compare favorably with the de luxe passenger trains running between Eastern metropolitan centers. The most charitable conclusion is that the instigators of this action have never been forced to travel by train.

All in all, it is difficult to visualize any means by which the Justice Department can hope to uphold the arguments put forth in the anti-trust action. The action may well be continued for quite a lengthy period, and will unquestionably be bothersome. Nevertheless it is not believed likely that this suit will have any real effect on the railroads involved nor on railroad operations in general. If by any chance the Justice Department should be successful in bringing about a new system of independent rate setting by individual roads it would unquestionably mark the beginning of the end of private ownership of railroads in this country.

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.

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.

Tax Free In Pennsylvania

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

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.

Boston & Me. Looks Good

Boston & Maine Railroad prior preferred and first preferred offer attractive possibilities according to an analysis of the situation issued by Price, McNeal & Co., 165 Broadway, New York City, who point out that there was no post-war slump in railroad business after the first World War and that pessimistic predictions may also be wrong this time. Copies of the study, discussing the situation in detail may be had from Price, McNeal & Co. upon request.

Real Estate Securities

By JOHN WEST

Broadway Trinity Place Corporation A Study Of Deflated Values

The statement attributed recently to John H. Fayey, commissioner of the Federal Home Loan Bank administration was of special significance to investors in New York real estate bonds. He was quoted as saying, "The inflation of real estate before the depression attained a record high level in New York State. The succeeding deflation carried values to lower depths than elsewhere and the recovery in later years has been much slower in New York than in the rest of the nation."

Around this statement hinges the most important hypothesis and intellectiveness of real estate bond buying, namely, the actual value of the property securing the bond.

Real estate bonds have for years sold at large discounts from par value. The reason for this was the necessity at arriving at a level that would sufficiently discount the predepression inflation. In the last couple of years, with the aid of wartime earnings, real estate bond prices have had a continual upswing. According to one index covering 200 Eastern realty issues, that average now stands at 48% of par value.

The important problem, however, is to ascertain the proper level at which a given real estate bond should sell in order that it may be considered a safe investment. If this figure can be ascertained, it would become a valuable asset to the potential real estate bond buyer. The advantage of being able to purchase this type of security below the safety price level is obvious. In addition to a good investment, the buyer would also have the advantage of leverage of price appreciation.

How then to go about ascertaining the proper value of a piece of property securing a real estate bond issue? Shall we take the original cost of the property and deduct so much each year for depreciation? This would not be feasible because the cost may have been inflated and reproduction value may be much less. Shall we take the assessed value of the property as a criterion? This procedure would not be satisfactory either, because we must discount the fact that the higher the municipality assesses the property, the more tax they receive, and we must therefore consider their opinion of the value to be prejudiced. Shall we therefore rely on an appraisal of the property by a reputable real estate broker? This might help, but is not entirely satisfactory inasmuch as it would give an opinion as to the value of the brick, mortar and the land. Earning capacity of the property is an important factor and very often determines the price at which the property is marketable. However, if all the facts mentioned are taken into consideration together and not separately, and then are weighed, a pretty fair conclusion may be reached.

We have taken a bond issue called Broadway Trinity Place Corp., representing a first mortgage on a 38-story office building, as a study today. We feel that this issue has appreciation features and emphasizes the lack of proper recovery from excessive deflation.

Recently completed reorganization of the bond issue resulted in maximum benefit to the bondholders. In addition to a new first mortgage bond each bondholder received stock representing an equal share in the ownership of the property. The value of this equity may be judged by the fact that during reorganization the former owners offered to turn over to the bondholders approximately $120,000 in order to retain approximately 80% of the ownership while the bondholders would receive the other 20%. The owners' plan was refused and the bondholders received all the equity. The bond issue of $4,595,500 was left intact and not reduced, as is being done in so many current reorganizations. The advantage of this is apparent from a tax standpoint. Large funded debt permits deduction of large interest distributions before being affected by income taxes.

As stated before, this $4,595,500 bond issue represents a first mortgage on a 38-story office building at 39 Broadway and each bond carries with it stock representing an equal share in the ownership of the property. The building is one of the most modern in the financial section, having been completed in 1928. It is well located, just one block south of Wall Street fronting 89 feet on Broadway extending back 190 feet to Trinity Place. It has a ground area of about 17,250 square feet and a rentable area of about 330,000 square feet.

At the current price of the bonds, 36%, a value of only $1,650,000 is placed for the entire property. In 1929 the former owners paid approximately $9,500,000 for the property of which cash investment was about $4,300,000. Current assessed value is $4,950,000.

During the month of July, 1944, announcement was made that 15 office buildings in New York City were sold at an average of 68.3% of assessed value. Assuming therefore that the reasonable current sales possibility of this property is the same percentage of assessed valuation, a price of $3,385,500 is arrived at, which certainly compares most favorably with the value of $1,650,000 at current market of the bonds.

Available net income of the property is applied, first, to interest at 3% per annum cumulative. Second, to payment of accumulated unpaid interest. Third, balance up to $75,000 per year to sinking fund. Fourth, to payment of additional non-cumulative interest up to 1½%. Fifth, all remaining income is to be paid into a sinking fund until issue is reduced to $2,000,000. Providing their interest is paid at 4½%, then net income is to be divided into two equal parts, one part for sinking fund and one part for dividends on the stock. Working capital of $40,000 must be maintained.

Present corporation took title to the property on Dec. 31, 1943, and in the first four months of 1944 reported gross income of $203,340. Earnings for the four months' period were $49,566 or 1.08% on the bonds. Interest of 1% was declared payable as of July 1, 1944, and $3,611 was paid into sinking fund (this should retire about $10,000 of bonds at prevailing prices). Occupancy is about 96%. The annual rent roll of some $540,000 should produce earnings of at least 3% on the bonds.

Contest Brewing In Congress On Bretton Woods Agreements

(Continued from page 882)

want our country to assume the normal responsibilities of a great nation toward other nations suffering like ourselves in this war.

Mr. Gifford: But with $28,000,000,000 lend-lease operations going on, think of our loss there as compared to the possible loss under the fund.

Mr. Dewey: But I want to do it from an enlightened, selfish point of view just exactly as every other nation will, to protect our rights.

Mr. Gifford: . . . the gentleman's way of dealing out things and explaining convinces me that if we are not willing to run the risk of losing money we run the awful risk of being charged with unwillingness to cooperate and with being termed "isolationist"—which I am not.

Thus, it would appear, "face" is not exclusively the property of Orientals and a consideration in the adoption of the Bretton Woods plans is what the rest of the world would think of us if we chose some other policy. Many Americans prefer this country to be called "Uncle Sap," rather than "Uncle Shylock." The trouble is, we might be called both, in succession, as we were last time.

The Congressional silver bloc has been heard from and will be heard from again, in connection with the subject of the Bretton Woods Conference. Whenever that bloc can sell its support at the price of some benefit for silver, it tries to do so. Senator Scrugham (D., Nev.) is quoted as saying that the failure of the conference to respond favorably to the silver bloc's suggestions will affect its attitude toward ratification of the Bretton Woods plans. Mr. Robert S. Palmer of Colorado, who speaks for various silver and gold mining interests and in that capacity visited the conference in New Hampshire, has been —according to the press—calling for Congressional opposition to the Bretton Woods plans and for higher prices for bullion.

Thus, notwithstanding the policy of postponing debate on Bretton Woods and the absence from Washington of many members of the Congress, the lines are being drawn for a contest. Outside of Mr. Dewey's H. R. Res. 226 and his latest suggestion for expanding the Export-Import Bank, alternatives to the Bretton Woods approach to international financial cooperation seem to be relying largely on currency stabilization by the "key country" method. This would involve first stabilizing the exchange rate between the dollar and the pound sterling. Along this line, one of the leading plans—advocated by a so-called "international banker" — would cancel the debts of World War I, put a five-year moratorium on lend-lease repayments, and lend the British $5,000,000,000 of American gold. To those like Congressman Dewey, who fear that American billions lent by the Bretton Woods formula would be lost, it is difficult to imagine that the loan of $5,000,000,000 to the British would seem any safer.

According to Washington opinion, banker opposition to the Bretton Woods plan of stabilization is not nation-wide, but is concentrated among New York banks, the international bankers. This apparent paradox is heightened by the fact that the present-day "international bankers" are really the New Dealers. Those who, a decade or more ago, "drove the money changers from the temple," today advocate exchanging any currency for any other.

Lower Wage Income Ahead

(Continued from page 883)

averaged better than 48 hours a week. Not until the New Dealers with their ideas of "spreading work" and indirectly raising wages got busy did we hear anything about 40 hours a week. Hence I beg wage-earners to save money now. Build up savings bank accounts. Hourly wage rates may hold up; but most of you will get much less in your pay envelopes.

Technological progress has made it possible to turn out more production during a shorter work-week. New and more efficient machinery can produce more in a given period; but, actually, even during our critical war days these machines have not been permitted to work on a capacity load. With overtime out, workers themselves may insist on a 44 or 48-hour week, and they may get it. But if they do, they will be expected to **work** and to keep the machinery **working**. Slowdowns will not be tolerated after the war.

More or Less Leisure?

Competition in all lines will be the outstanding factor as we emerge from the transition period of war to peacetime operation. This competition will not be merely a domestic issue but will be worldwide. There will be no place in our peacetime economy for the idle, lazy or inefficient; everyone must work.

Very large domestic and foreign markets will exist for United States goods. In view of this, I believe, given a chance, that the question of employment may largely solve itself. Workers themselves, with or without benefit of their unions, must chose whether they want more leisure or a larger share of consumer goods which a longer work-week—without overtime—can provide.

Price Versus Wage Rates

The average consumer has learned to get along during the war on less than he had before the war. Hence, if the prices of goods rise too high and get out of line with salaries and dividends we are apt to see "buyers" strikes rather than wageworker strikes. White-collar workers have taken it on the chin in recent years. As a group, they have nothing to look forward to in the way of salary increase. Hence prices of goods must be kept within reach of their pocketbooks.

A return to a free movement of wages and prices with a recognition of supply and demand, rather than to a continuance of political and man-made laws, is in order. Unfortunately, most of us learn only by experience when evaluating hours of work, wages and production schedules. These matters are, however, definitely a part of our reconversion program. The war will be brought to a successful conclusion by our military leaders. I hope our post-war plans will be as successfully handled by our political leaders.

"Our Reporter On Governments"

JOHN T. CHIPPENDALE, JR.

The Government bond market in the past week was firm to strong, with a continued good demand being in evidence for the 2% taxable bond group, with a somewhat firmer tone being displayed by the partially exempt obligations. . . . Nevertheless, it is indicated that many investors are becoming quite cautious at this time because of the belief that with very important events impending, the Government bond market may be subjected to some fluctuations pending the clarification of these uncertainties. . . .

TAX UNCERTAINTY MARKET FACTOR

The recent fluctuations in the partially exempt obligations due to the uncertainties of future taxes has caused some to adopt a watchful and waiting attitude toward the market. . . . While considerable funds are still being put to work in bills, certificates and notes, many institutions must from necessity obtain a return that is larger than that available in the short maturities. . . . It was learned that in order to do this, some banks have been making "combination purchases" with part of the funds going in the short-term obligations and the balance into long-term securities. . . .

An example of this was the reported purchase of the 7/8% certificates of indebtedness due Aug. 1, 1945, and the 2½% bonds due 1967/72. . . . Another purchase of this type was the 1% notes due March 15, 1946, and the 2% bonds due 1952/54. . . . Some institutions, it was learned, have been purchasers of the ¾ notes due Dec. 15, 1945, and the 2% bonds due 1951/53. . . .

The long-term bonds taken on by these institutions in the "combination purchases" are those selling closest to 100, the feeling being that if any unsettlement should come into the Government bond market because of sudden world developments, the worst that would be witnessed would be a temporary recession in prices to about 100 for these securities. . . .

PROTECTED MARKET

With the Government faced with a substantial refunding program after the war, as well as the financing of the deficit, it is reasoned that for a long time to come the Government bond market will be protected, and prices below par for the long-term securities purchased, in the groups indicated, is not in the immediate offing. . . . By these "combination purchases" a larger income is obtained than would be available if the funds were invested entirely in short-term obligations. . . .

The Treasury recently announced that the 7/8% certificates of indebtedness maturing Sept. 1, 1944, and outstanding in the amount of $4,122,000,000 would be exchanged par for par for 7/8% certificates of indebtedness due Sept. 1, 1945. . . . At the same time it was announced that $283,000,000 of the totally tax-exempt 1% notes due Sept. 15, 1944, and $635,000,000 of taxable ¾% notes due Sept. 15, 1944, would be exchangeable for the 1% taxable notes due March 15, 1946, at par. . . . There had been some discussion prior to the exchange offer for the Sept. 15 note maturities as to whether it would be the 1% note due March 15, 1946, or the 1¼% notes due March 15, 1947. . . . It was felt in some quarters that the Treasury could extend its maturity schedule by another year if the exchange offer were for the 1947 note instead of the 1946 note. . . . On the other hand, the 1947 note was selling at a premium of 10/32 compared with a premium of 5/32 for the 1946 note. . . . Evidently the Treasury decided not to give away too much in the way of a premium to holders of the maturing Sept. 15 notes, since the 1946 maturity was the one offered in exchange. . . .

EXCHANGE OFFER INDICATED

There had been some talk that the Government might also make an exchange offer at this time to the holders of the $1,037,000,000 of 4% Treasury bonds due Dec. 15, 1954/44 but called for payment Dec. 15, 1944. . . .

However, it seems now as though it will be later in the year before any such exchange will be made, if at all. . . .

It is indicated that the Treasury may decide to pay off these bonds on Dec. 15, 1944, probably from the proceeds of the Sixth War Loan Drive, which has been scheduled to start about that time of the year. . . . Retirement of these bonds, whether through other Government obligations or by cash payment will mean a saving in interest to the Treasury. . . . If these bonds should be paid off on Dec. 15, next, the interest saving would amount to $41,480,000 annually. . . .

The Treasury recently made available data on the results of the Fifth War Loan which gives considerable information on the most successful financing by the Government since the war started. . . . Sales of securities by issues were as follows:

	Amount	Percent of Total
Non-Marketable Issues—		
Savings Bonds—Series E	$3,036,000,000	14.7%
Savings Bonds—Series F and G	818,000,000	4.0
Savings Notes—Series C	2,575,000,000	12.5
Total Non-Marketable Issues	$6,429,000,000	31.1%
Marketable Issues—		
7/8% Certificates of Indebtedness, due 6-1-1945	$4,770,000,000	23.1%
1¼% Treasury Notes, due 3-15-1947	1,948,000,000	9.4
2% Treasury Bonds, due 6-15-1952-54	5,229,000,000	25.3
2½% Treasury Bonds, due 3-15-1965-70	2,263,000,000	11.0
Total Marketable Issues	$14,210,000,000	68.9%
Total Amount of Sales	$20,639,000,000	100.0%

MARKETABLE ISSUES PREDOMINATE

Sales of marketable securities predominated, due to the fact that these issues are particularly well adapted to the needs of institutions, governmental units and business organizations with large blocks of funds to invest. . . . Sales of the 8-to-10-year 2% Treasury bonds amounted to $5,200,000,000 with purchase of the 7/8% certificates almost as large, totaling $4,800,000,000. . . . Considerably smaller amounts of the 2½% Treasury bonds of 1965/70 and the new 1¼% Treasury notes were sold during the drive; sales of the 2½% bonds amounted to $2,300,000,000 and sales of the 1¼% notes to $1,900,000,000. . . .

It is indicated that almost 64% of all the securities sold during the drive were either demand obligations or had a maturity of three years or less. . . .

The total amount of funds obtained by the Treasury from all sources during the Fifth War Loan of $21,997,000,000 was in line with estimates that had been made prior to the ending of the drive. . . . Results of the drive and purchases of securities by classes of investors is summarized in the following table:

	Amount	Percent of Total
Individuals—		
Series E Savings Bonds	$3,036,000,000	
Other Securities	3,315,000,000	
Total Purchases by Individuals	$6,351,000,000	30.8%
Corporations and Other Investors—		
Insurance Companies and Savings Banks	$4,294,000,000	
Other Corporations and other Associations	9,994,000,000	
Total Purchases by Corporations and other Investors	$14,288,000,000	69.2%
Total purchases by all Investors	*$20,639,000,000	100.0%
Purchases of Securities Made Directly During The Fifth War Loan but Excluded From Drive Totals		
Purchases for Treasury Investment accounts (2½% due 1965-70)	$593,000,000	
Commercial Bank Purchases for Savings Accounts	765,000,000	
Total Amount of Funds Realized from Direct sales during the Fifth War Loan from all Sources	$21,997,000,000	

*Includes $300,000,000 of deferred payment subscriptions to the 2% and 2½% bonds offered during the drive.

INSURANCE COMPANY BUYING

Sales by classes of investors shows that insurance companies preferred the 2½% bonds of 1965/70 with almost 50% of all purchases by this group being in this issue. . . . Likewise almost 60% of the total sales of the 2½% due 1965/70 were made to insurance companies. . . . Savings banks, on the other hand, favored the medium term 2% due 1952/54 with more than four-fifths of their purchases being made in that security. . . . The large business organizations concentrated their purchases in the 7/8% certificates and in the series "C" savings notes, which amounted to $5,600,000,000 out of total purchases of $8,200,000,000. . . .

In addition, this group purchased $2,200,000,000 of the 1¼% notes due March 15, 1947, and 2% bonds due 1952/54. . . . State and local government purchases, along with those of dealers and brokers, were mainly in the 7/8% certificates, 1¼% notes and the 8-to-10-year bonds. . . . Individuals concentrated very substantially in demand obligations and short-term issues, with more than 72% of their purchases being in securities of this type. . . .

While the commercial banks bought only $760,000,000 of securities directly from the Treasury during the drive, they were much more important in an indirect way with purchases of the outstanding issues amounting to $4,900,000,000. . . . Holdings of bills by the reporting banks increased by $1,300,000,000, while certificates purchased aggregated $2,300,000,000, with notes showing an increase of $300,000,000 and bonds bought amounting to about $1,000,000,000. . . .

Thus, either directly or indirectly, the commercial banks bought securities in the amount of $5,600,000,000 during the Fifth War Loan, which made them an important factor in the drive.

Treasury Announces New Simplified Tax Form

The Bureau of Internal Revenue announced on Aug. 29 that it has devised a new simplified income tax form for wage-earners with annual incomes of $5,000 or less.

Employers must fill out a part of the workers' tax return, stating the amount of wages earned during the year and the amount of withholding tax paid. The employees must then fill in the names and number of dependents and send the form to the Bureau of Internal Revenue, where the tax will be computed and sent back to the wage-earner in bill form. This will include the amount not covered by the pay-as-you-go plan; however, if there has been overpayment by that plan a refund will be sent.

The Treasury Department also added that this new form may be used by the husband and wife if their combined income is within the range below $5,000.

The Collector will work out these returns by the use of a table, whereon 10% of the taxpayer's total is automatically deducted for charities and other expenses. Because of this, deductions of a similar nature may not be listed on the new form, but if deductions for these purposes are more than 10% the old tax form 1040 may be filled out.

Associated Press Washington advices also state that:

The simplified return may be used by any one whose total income in 1944 was less than $5,000 and consisted wholly of wages shown on withholding receipts or of such wages and not more than $100 of other wages, dividends and interest. All other taxpayers will be required to make their returns on old-style forms, which also are being simplified in accordance with the tax simplification law.

Wm. Wellington To Be Arrowsmith Partner

William S. Wellington will be admitted to partnership in Arrowsmith, Post & Welch, 115 Broadway, New York City, members of New York Stock Exchange, on Sept. 1. Mr. Wellington graduated from Harvard College and Harvard Business School and started his business career with the cotton goods firm of Wellington, Sears & Co., which was founded by his grandfather, William H. Wellington. He has been associated with the Central Hanover Bank and Trust Co. for the past seven years, specializing in trust investments.

Admission of Mr. Wellington to partnership in the firm was previously reported in the "Chronicle" of Aug. 24.

Public Utility Securities

Electric Bond & Share

The 1943 report of Electric Bond & Share (recently issued), together with the balance sheet of June 30th, permit a re-appraisal of the position of EBS common, in which there has been some increased market interest recently.

The company had up to June 30th repurchased $33,895,500 preferred stock at a cost of $25,122,794, or an average of about $74 a share, compared with the present market price of 95¼ for the $6 preferred and 92 for the $5. Due to the substantial amount of cash held, (about $15,000,000 on June 30th compared with over $25,000,000 in the previous year), as well as the reduction in interest income from American & Foreign Power notes, the company's net income has remained inadequate to cover preferred dividends (the deficit for the 12 months ended June 30th being about $1,683,000). However, with an earned surplus of nearly $60,000,000 and plenty of cash there seems no reason to anticipate a cut in dividend payments, which have always been regularly declared.

The outstanding preferred stock has now been reduced by repurchases about 23%, to $111,670,000. Under the present SEC authorization (as of July 30th) the company can spend about $6,000,000 cash for additional purchases. So long as the market price of the two preferred stocks does not advance above par, the company should be able to proceed with its program—assuming that the SEC authorizes earmarking of additional cash when the present fund is used up—but in view of the Commission's dislike for retiring senior securities at prices over par, the program might encounter difficulties at some later date.

The company's portfolio has not changed much in the past year, and because of the control exercised by the SEC, will probably not be altered substantially except as the result of SEC decisions. The largest investment is in American & Foreign Power, which controls operating companies in six South American countries, Cuba, Central America, Mexico, and India, (the Shanghai property is now in Japanese hands). While these foreign subsidiaries are beyond SEC control, the parent company, as a sub-holding company of Electric Bond & Share, remains under SEC jurisdiction.

According to the latest annual report, Electric Bond & Share's investment American & Foreign cost about $280,000,000, principally representing cash paid into that company's treasury for its junior stocks in the period 1923-30.

Taking Cuban Electric bonds at an arbitrary valuation of 75 and American & Foreign Power notes at 100, with the preferred and common stocks and warrants at the market, the total current value of the investment is estimated in round figures at $112,000,000. However, it appears likely that American & Foreign will be recapitalized under SEC orders, possibly in the coming year or so, and due to the large arrears on the first and second preferred stocks, the common stock and warrants (with market valuation of some $9,000,000) have dubious standing, and it seems safer to reduce the estimated total by that amount, leaving $103,000,000. Of this amount some $46,000,000 represents the investment in the second preferred stock, of which only about 15% is held by the public, and on which there are huge arrears. The question of the eventual value of the EBS stake in American & Foreign presents many angles, which must doubtless await SEC clarification.

The investment in securities of the United Gas system also present a number of problems, but these have been somewhat clarified by the latest plan submitted to the SEC, in which EBS indicated its willingness to accept cash of $44,000,000 in exchange for its various holdings in that system. While the SEC has not yet rendered its decision, this amount furnishes a convenient appraisal figure, in preference to market values of the securities.

Other items in the portfolio may raise some questions of eventual readjustment, but the amounts involved are smaller. The stake in American Gas & Electric, some $26,000,000, seems rather "solid". Also the $18,000,000 market value of National Power & Light common appears substantial, unless the SEC should raise subordination questions at some later date; National has retired all senior securities so that the common has a clear title to underlying equities. Electric Power & Light preferred and the common (about $11,000,000 market value) and American Power & Light preferred and common (about $5,000,000) might suffer shrinkage, of course, since the principal investment is in common stock in each case, and subordination questions might enter into final recapitalization plans. The remaining items are a small stake of about $1,000,000 in Commonwealth & Southern, marketable system bonds of some $9,000,000, and net current assets of $11,000,000. The total figure of $228,000,000 would, after deducting preferred stocks at par, leave an estimated equity of $116,000,000 for the common or about $22 per share.

This figure is of course subject to the reservations indicated above. Also it is unlikely that the company will completely liquidate, unless forced to by the SEC; the management plans to diversify in industrial fields, retaining Ebasco Services, the management subsidiary, as a consulting agency. It also appears likely that foreign interests will be retained.

New U. S.-Mexico Treaty Threatens Private Ownership Of Border Utilities

By GEORGE WANDERS

Writer Views It As Giving Indisputable Power To A Commission To Acquire, Construct And Operate Irrigation, Flood-Control, Hydro-Electric And Other Works On International Streams.

Determined opposition to ratification of a new type of international treaty is springing up in our Southwestern States and is destined to become an issue in the Presidential campaign. The treaty, signed with Mexico last Feb. 3 and submitted to the Senate a few days thereafter, is described by some of its opponents as a fresh high in New Deal dodges and subterfuges. The opposition is prepared to fight to the bitter end in hearings now pending before the Senate Foreign Relations Committee.

No antagonism toward Mexico is involved in this growing dispute. Questions raised by those who are girding to fight the treaty are almost entirely domestic, for this remarkable and unique document proposes, quite incidentally, to set up vast regional authorities within the United States covering the streams of the Colorado River and the Rio Grande. The United States section of an International Boundary and Water Commission would have indisputable power to acquire, construct and operate irrigation, flood control, hydro-electric and other works at any point within the United States on the streams.

Boulder Dam, it is argued, would pass from the control of the Department of the Interior to the new United States section of the commission, for which reason Secretary Harold L. Ickes is numbered among the opponents of the treaty.

State and local government officials in the Southwest are denouncing the treaty emphatically. Robert W. Kenny, Attorney General of California, has written a brochure describing it in no uncertain terms. The Colorado River Board of California sprang early to defense of water and property rights vested in communities of the Southwest. Executives of privately-owned utility systems are wondering what the status of their companies will be under the treaty, if ratified.

For the document, asserts Mr. Kenny, fully bears out ideas on nationalization expressed by Dr. Charles A. Timm, Department of State assistant in the Division of Mexican Affairs.

"All existing irrigation, drainage, flood control and power projects in these river systems should be nationalized and all such future projects should be undertaken by the respective national governments," Dr. Timm argued. "Privately owned utilities and irrigation companies should be excluded altogether, and present ownership, wherever it exists, by local governments should be replaced by national ownership," he added.

Officials of New York and other Eastern States are beginning to take an interest in the proceedings, and in the Northwest a similar awareness is spreading. For a hint was thrown out by Dr. Timm in a recent State Department bulletin that the treaty may be taken as a model for future treaties governing international streams. This raises the question whether the New Deal intends to fashion similar treaties with Canada covering the St. Lawrence and Columbia River systems.

Dr. Timm, as one of the authors of the proposed Mexican treaty, held it frankly in his study for the State Department bulletin to be "the most important of its kind in the history of the world, both in the range and scope of its provisions and in its social and economic significance."

In effect, according to the opposition, the treaty would make feasible vast internal projects "of social and economic significance" under the guise of an apparently simple international boundary and water arrangement. Moreover, once the Senate ratified the document, all further controls over expenditures and functions of the boundary and water commission would be removed from Congress and placed exclusively with the State Department, thus providing a unique quirk.

"The Senate of the United States will have no further control of such matters," Mr. Kenny states. "The United States section will have plenary powers to commit the United States to vast expenditures."

The powers of the commission would be such as to make it sole judge, jury and executioner of any program it elects to undertake under the broad provisions of the treaty. The Congress would be forced to vote the necessary appropriations because contrary action would constitute a breach of the international treaty. No provision is made in the document for judicial review of any act, determination or finding of the commission.

Still another departure from precedent in treaties setting up international commissions is found in a tendency toward perpetuation of the Meixcan agreement and the commission to be set up thereunder. Our treaty with Canada, for instance, ran for a brief period after ratification in 1909, and then was subject to termination on one year's notice from either government. But the treaty with Mexico would be perpetual until and unless Mexico acquiences in another agreement.

Specific objections are raised to placing within the control of the commission matters that are essentially judicial in character, power to authorize either country to divert and use water not belonging entirely to such country, and perpetual power to construct revenue-producing works and the operation thereof and the rates to be charged for the output.

"The pending treaty," say its California opponents, "is an attempt to establish an agency with perpetual and unprecedented administrative, judicial and regulatory powers with no Congressional controls. By the use of a treaty as a vehicle, recall by Congress of the powers delegated is made impossible.

"During the next few years many treaties will be written. With the Mexican treaty as a tempting precedent, other agencies free from judicial and Congressional control, and operating in many other fields, may find their way into our system of government. There would be no limit to the possibility of the extension of the idea.

"It behooves all citizens interested in the preservation of American institutions, and the checks, balances and controls that have characterized the devolpment of our form of government, particularly the right of judicial review, to scrutinize the pending treaty and to do all that may properly be done to defeat its ratification."

European War Over By Oct. 1, Woodrum Says

Washington advices of the Associated Press reported on Aug. 25 that Representative Woodrum of Virginia, Chairman of the House Post-War Military Committee, asserted that the Army looks forward to Oct. 1 to be the date of the end of the war against Germany. Mr. Woodrum made this statement at a meeting at which Rear Admiral James H. Irish said that the Navy expects to be fighting in the Pacific to at least the end of 1945. Admiral Irish was also quoted as saying:

"The successful prosecution of the Navy's war in the Pacific is being handicapped by the failure to obtain necessary ships, such as troop carriers, refrigerating ships, and other important parts of the shipbuilding program."

When at a White House news conference a reporter asked President Roosevelt if he had any ideas about the collapse of Germany, the President refused to give any of his ideas on the termination of the war against Germany, and said most other predictions about the end of the war against Japan after Germany falls is pure speculation.

Newport News Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks and the Twenty-six Weeks Ended June 26, 1944 and June 28, 1943

(Subject to year-end audit, charges and adjustments)

	Thirteen Weeks Ended June 26, 1944	Thirteen Weeks Ended June 28, 1943	Twenty-six Weeks Ended June 26, 1944	Twenty-six Weeks Ended June 28, 1943
New Ship Construction	$31,133,000	$34,258,000	$61,134,000	$66,991,000
Ship Repairs and Conversions	1,530,000	1,019,000	2,681,000	1,370,000
Hydraulic Turbines and Accessories and Other Work	2,194,000	1,719,000	4,519,000	2,396,000
Totals	$34,857,000	$36,996,000	$68,334,000	$70,757,000

By Order of the Board of Directors

R. I. FLETCHER

Comptroller

August 23, 1944

New Commodity Trade Group Organized

The National Association of Commodity Exchanges and Allied Trades Inc. announced on Aug. 23 that it had been organized "to develop, improve and extend commodity futures trading in the interest of producers and consumers, and for the welfare of the American people."

We learn from Associated Press Chicago advices that at the same meeting Maurice Mandeville was elected President and J. A. Higgins, Jr., Executive Vice-President. Mr. Mandeville is President of the Chicago Mercantile Exchange and Mr. Higgins a member of the Board of Managers in the New York Coffee and Sugar Exchange. Organizations connected with commodity futures such as Chambers of Commerce, exchanges, and other persons or organizations representing allied trades, are eligible for membership in this association.

Other officers named included Walter R. Scott, Secretary of the Kansas City Board of Trade, First Vice-President; Ody H. Lamborn, President of the New York Coffee and Sugar Exchange, Second Vice-President, and S. J. Meyers, Vice-President of Arcady Farms Milling Co., Chicago, Secretary-Treasurer.

Iceland's First Pres. Visits Washington

Sveinn Bjornsson, first President of the Republic of Iceland, and his Foreign Minister, Vilhjalmur Thor, arrived in Washington on Aug. 24. He was honored at a dinner in the White House and spent the night as guest of the President. Although the Associated Press report at that time gave no hint of any diplomatic talks, at a press conference on Aug. 27, Foreign Minister Thor was quoted as saying:

"The Republic of Iceland intended to govern itself without any foreign interference, and that he was sure that American troops would be withdrawn after the war."

The President of the newly-formed republic added:

"In the agreement the United States pledged that immediately upon the termination of the present international emergency all such military and naval forces will be at once withdrawn, leaving the people of Iceland and their Government in full sovereign control of their own territory.

"I have never had any doubt on this point. We know that the agreement will be carried out to the letter.

"We therefore regret any such implications claiming the necessity for the United States to acquire peacetime military bases in Iceland.

"I am glad that I can state that no such request has been presented to the Icelandic Government, and I am of the firm belief that the U. S. Government has no military designs upon foreign countries and no wish for territorial expansion."

These ideas are contrary to those of some diplomats in the United States who believe that this country should have bases throughout the world to halt any further aggression by ambitious military powers.

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.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Most investors in fire insurance stocks are aware of the fact that investment income is of far greater importance to fire insurance companies than are underwriting profits. In the first place, investment income is relatively steady, while underwriting profits are characteristically erratic; in the second place, investment income exceeds underwriting profits by a substantial margin over a period of years. For example, the aggregate net investment income of a group of 30 representative fire insurance companies during the past 17 years amounted to $676,490,000 compared with $256,209,000 for net underwriting profits. In other words, net investment income represented 72.5% of total net operating profits, while net underwriting profits represented only 27.5%. Occasionaly, however, net underwriting profits will exceed net investment income, as in 1935 when total net underwriting profits for the 30 companies aggregated $35,563,000 compared with $32,288,000 of net investment income.

In view of the importance of investment income it is of interest, therefore, when buying fire insurance stocks, to take a look at the invested assets of a company per share of capital stock, and for this reason the accompanying table is presented. It is also of interest to compare invested assets per share with liquidating value per share.

Company—	12-31-43 Liq. Value Per Share	12-31-43 Invested Assets Per Share	Asked Price	Market 8-24-44 Liq. Value per $ of Market	Market 8-24-44 Invested Assets per $ of Market
Aetna Insurance	$58.53	$76.56	53¼	$1.10	$1.44
Agricultural Ins.	89.45	118.35	79	1.13	1.50
Am. Alliance Ins.	26.71	32.01	23¾	1.12	1.35
Am. Equitable Assur.	31.89	46.33	19⅜	1.65	2.39
Bankers & Shippers Ins.	119.22	160.68	84½	1.41	1.90
Boston Insurance	682.98	848.73	610	1.12	1.39
Continental Insurance	47.81	55.76	47½	1.01	1.17
Fid.-Phen. Fire Ins.	50.80	60.02	49	1.04	1.22
Fire Association	87.06	117.68	66	1.32	1.78
Fireman's Fund Ins.	84.76	114.78	94	0.90	1.22
Franklin Fire	24.47	34.00	26⅜	0.93	1.29
Glens Falls Ins.	41.53	48.13	45	0.92	1.07
Great American Ins.	34.12	30.44	29⅝	1.15	1.03
Hanover Fire Insurance	33.35	46.01	29¼	1.14	1.57
Hartford Fire Insurance	90.16	102.86	100¼	0.90	1.03
Home Insurance	28.73	34.70	30⅛	0.95	1.15
Ins. Co. of North Amer.	83.70	101.79	87¼	0.96	1.17
National Fire Insurance	83.17	100.82	60½	1.37	1.67
Nat'l Union Fire Ins.	243.76	349.38	174	1.40	2.01
New Brunswick Fire Ins.	36.37	50.42	30¼	1.20	1.67
New Hampshire Fire Ins.	50.01	60.49	47¾	1.05	1.27
Northern Insurance	114.47	138.14	92	1.24	1.50
North River Insurance	24.17	27.21	24⅞	0.97	1.09
Pacific Fire Insurance	148.03	196.08	103½	1.43	1.89
Phoenix Insurance	99.39	104.87	86¾	1.15	1.21
Prov. Washington Ins.	40.91	49.77	36⅛	1.13	1.38
St. Paul F. & M.	57.71	64.78	74¾	0.77	0.87
Security Insurance	45.18	59.49	36⅝	1.23	1.62
Springfield F. & M.	137.94	174.87	124	1.11	1.41
United States Fire Ins.	58.81	64.46	51	1.15	1.26
Average				$1.13	$1.42

It will be noted that in all cases, except that of Great American, invested assets per share are greater than liquidating value per share. Great American's invested assets are 10% less than liquidating value, those of Phoenix Insurance are 6% greater than liquidating value, while American Equitable shows the widest spread with invested assets 45% greater than liquidating value. The average percent spread for the 30 companies is 24%.

Based on the market asked prices of these 30 stocks as of August 24th, one dollar will purchase $1.13 of liquidating value and $1.42 of invested assets. Since the investment expense of fire insurance companies averages approximately 9% of investment income, it would appear, therefore, that the average dollar invested to-day in fire insurance stocks will provide the investor with the equivalent of approximately $1.30 of invested assets after management expense, based on asset values on December 31, 1943, which were some 7% or 8% below probable current values.

So far as individual stocks are concerned, it will be observed that there are wide differences. For example, with American Equitable $2.39 of invested assets can be bought for one dollar, while only $0.87 of invested assets can be bought with St. Paul Fire & Marine. Does this signify that American Equitable is a more desirable investment than St. Paul? Not necessarily, in fact the reverse may be true, depending on what degree of conservatism or speculation the investor requires. American Equitable, although showing a fair record of net investment income over the years, has a very spotty underwriting record, registering underwriting losses in five years out of the past six, with the result that total net operating profits failed to cover dividends in 1943, 1941 and 1939. St. Paul Fire & Marine, on the other hand, shows an unbroken record of underwriting profits for many years, in addition to an excellent record of net investment income, with the result that net operating profits have covered dividends by a handsome margin for a long period of time; furthermore, it has paid dividends without interruption for 72 years, compared with only 11 years for American Equitable. Currently, the dividend yield of St. Paul is under 3%, while that of American Equitable is slightly above 5%. St. Paul is a conservative investment, while American Equitable must be classed as speculative.

It would be possible and interesting to present other comparisons in addition to this one made between the two extremes on the list, but space does not permit. Generally speaking, the market recognizes the relative degrees of risk between different stocks and appraises them accordingly. It will be observed for example, that the market gives a relatively high appraisal to some of the choice old-line stocks, such as: Continental, Fidelity-Phenix, Fireman's Fund, Franklin, Glens Falls, Great American, Hartford, Home, Insurance of N. America, etc., but a relatively low appraisal to others, such as: American Equitable, Bankers & Shippers, Fire Association, Hanover, National, National Union, New Brunswick, Pacific Fire, etc. The first group is appraised at an average of $0.87 per $1.00 of invested assets, and the second group at $0.54 per $1.00 of invested assets.

Guaranty Trust Co. Predicts Monetary Fund Program Failure

In Its Monthly Survey It Criticizes Absence Of Control By Management Over Internal Monetary Policies

In the Aug. 29 issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, the International Monetary Fund proposed by the Bretton Woods Conference is assailed as "an attempt to enforce exchange stability without striking at the causes of instability," and the prediction is made that if the project is established and then fails, it "could easily throw international currency relationships into chaos from which the entire world might suffer for years to come."

Public comment on the articles of agreement for the International Monetary Fund and the International Bank for Reconstruction and Development, as drawn up at the Bretton Woods conference last month," comments the "Survey", shows a marked lack of confidence in the prospect of successful administration of international financial affairs on any such basis. This is more noticeably true of the plan for the fund, which is more ambitious in its aims and accordingly more dangerous in its possibilities than the proposal for the establishment of the bank. The latter purports to be nothing more than it is—a plan to supplement private credit agencies in the international lending field by making, participating in, or guaranteeing long-term loans for the industrial reconstruction and development of member countries. Whether such credit functions could be performed better by an international bank organized and financed by governments than by private agencies operating in accordance with established credit practices is very doubtful. The principal danger, however, would be that of unwise loans resulting in losses, which, though possibly serious, would be spread over a wide financial area and hence would presumably not be disastrous in their effects. The plan for the monetary fund, on the other hand, aims at nothing less than worldwide exchange stabilization, a project which, if it should fail, as we believe it must under the program as now contemplated, could easily throw international currency relationships into a chaos from which the entire world might suffer for years to come.

Main Features of the Program

The articles agreed upon at Bretton Woods are considerably more detailed than the "Joint Statement by Experts" made public in April, but do not differ from the earlier outline in any essential respect. They provide for a fund of $8.8 billion, of which the United States would contribute $2.75 billion, the United Kingdom $1.3 billion, the Soviet Union $1.2 billion and other countries much smaller amounts. The fund would be used to keep the exchange rates between member currencies at or close to their respective parities. This would be done by allowing members to buy the currencies of other members by giving their own currencies in exchange. If a certain currency should become scarce, the Fund would apportion the supply of that currency among members, and the latter would be authorized to impose limitations on the freedom of exchange operations in the scarce currency. The Fund could also propose to the member whose currency was scarce that the member lend its currency to the Fund or that the Fund borrow such currency elsewhere; or the Fund could require the member to sell its currency for gold. These provisions are of special interest to the United States, since it is generally believed that the dollar is the currency that is most likely to become scarce.

The right of a member to buy another member's currency would be subject to the condition that the purchase would not cause the Fund's holdings of the purchaser's currency to exceed twice its quota or to increase by more than 25% of its quota in 12 months. This condition, however, could be waived at the discretion of the Fund. Provision is made for annual settlements whereby members would repurchase from the Fund specified portions of any increases in the Fund's holdings of their respective currencies, and for charges to be paid by members on the Fund's holdings of their currencies in excess of their quotas.

Any member could change the par value of its currency by as much as 10% without the approval of the Fund. A second proposed 10% change would be subject to the Fund's approval; but the member could impose a time limit of 72 hours on the Fund for a declaration of its attitude. Still further proposed changes in parities would not be subject to this time limit. The Fund would be obliged to concur in any proposed change if satisfied that the change was necessary to correct a "fundamental disequilibrium;" and it could not object to a proposed change because of the member's domestic social or political policies, even though such policies were responsible for the disequilibrium.

The Outstanding Weakness Of the Plan

Most of the criticism that has been brought against the agreement is based on the view that it represents an attempt to enforce exchange stability without striking at the causes of instability. More specifically, the management of the Fund would be expected to hold the exchange values of members' currencies at or close to parity but would have no control over the internal policies affecting the true values of those currencies. Only when nations balance their budgets, hold their tariffs at moderate levels, follow sound monetary and credit practices at home, and otherwise keep their financial houses in order can the exchange values of their currencies be permanently maintained. When such policies are followed, no international fund is required to keep exchange rates at parity. When they are not followed, any attempt to enforce an arbitrary and unreal stability is not only futile but dangerous.

The quickest and most effective way to bring about exchange stability in the post-war period would be for the principal commercial nations to replace their currencies on the gold standard at the earliest possible moment. Some of the smaller nations could immediately take similar action. Others could "tie" their currencies to the gold-standard currencies until they had had time to build up their gold reserves. The process would require measures of financial reform in almost all countries, including the United States. But the need for such reform cannot be escaped by the creation of elaborate international mechanisms.

Profit Possibilities

Debentures of Associated Gas & Electric Corporation and Associated Gas & Electric Company hold interesting profit possibilities in view of various developments offered by the Reorganization Plan submitted by the Trustees and approved by the Securities and Exchange Commission, according to a study of the situation prepared by Newburger & Hano, 1419 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this study may be had from Newburger & Hano on request.

New York Stock Exchange Weekly Firm Changes

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

Alexander M. Main retires from partnership in Frazier Jelke & Co., New York City, effective today.

John R. Meaney retires from partnership in Miller & Dodge, New York City, as of today.

C. N. Edge & Co. dissolves as of today.

Bureaucracy Vs. Free Enterprise

(Continued from first page)

remarks to attest to my great and very sincere admiration of people who create finances that I couldn't believe existed. Even after being in Alaska and seeing some of the gold diggings up there I still wonder whether there is that much to be dug up anywhere, and I know it is you fellows that will be the fellows who will dig up the support of the economic structure in the future.

I have some recognition of your problems. Perhaps some of the bills that I have offered in Congress, and which are now under active consideration, are indicative of some of my thinking on securities and investments. I do have some inkling of your problem. Perhaps if I don't say anything else this evening, I can illustrate that to you in a brief story of what I think is your problem.

I want to say to you, though, that your problem is no different from my problem, speaking in terms of individual Americans in separate and different occupations in the many walks of life; that your problem is no different from the problem of the men that you meet on the streets throughout America; that your problem is the problem of all America today if you are an American that believes in the American way of life, and if you think that the old Constitution written a hundred and fifty years ago was written with wisdom and chartered the correct path for a course of government.

There was said to be a little boy with his father fishing in a stream near Washington called the Potomac River. They saw a log coming down the stream, and with a pair of field glasses they detected that it was a log, that it was coming right down midstream and eventually the young lad, looking at it closely, said he saw something on top of that log.

The father examined it and said, "Why, yes, it's a dead limb sticking up on top of it."

A little later the boy said, "I see some activity on that log. Evidently there's life, there's movement there."

The father took the glasses and looked very closely and said, "Yes, those are ants, thousands of ants, hundreds of thousands of ants. That log is alive with ants."

The boy looked the thing over and said, "Well, they all seem very busy, they act like they have a specific job to do."

The dad said, "Yes, every ant on that log thinks he is guiding and directing it."

Now, the problem of all of us amounts to this: In all the bureaus of government we have gotten to the point that there are over 5 million ants on that log that we're all tied to, and every one of them thinks that he is guiding the log and steering its course. Everyone of them is trying to do it according to his own viewpoint of where it is supposed to go.

I am not going to discuss with you H. R. 1502. The purpose of that measure, I am sure, you all not only are fully aware of, but are in accord with. I may say that it is not an attempt to change the law according to my view. It is an attempt to clarify the law so that even a Harvard lawyer will understand.

I think you know the status of the bill, and that though it has taken time, I am confident of its passage. Changes that of necessity must come, not only in the securities and exchange legislation that is on the statute books, but the changes that must come in the administration of that legislation so that there can be no question as to whether or not the letter of the law and intent of Congress is the limiting factor on administrative jurisdiction.

I know that you realize there is work to be done ahead on all of these bills that accomplish those general objectives, and I know that you are fully advised as to the status of the various bills in which you are interested at the present time, especially H. R. 1502. I think we will get it up in September, and will have no great difficulty. I think that we will pass it. Whether or not we get it up in September or the first or the last, or in October or just when, of course depends upon the general situation in Congress. Even though it takes us a little longer to get it up and out, I do feel truly confident that that bill will become a law before the end of this term of Congress.

I want to express my very sincere and heartfelt appreciation to you as an industry for the splendid work that you have done in bringing about this situation.

The Congress likes all the information you men informed in the investment business can give them. Most of you have been thorough, I know, because men have come to me looking into the subject. I know that you have been effective at home, with acquainting your Congressmen as to what the facts really are and what the need is to work the thing out.

I want to compliment you as an organization for your very effective work in that direction, and I think that in doing this thing you will not only be doing something that will help you municipal dealers, but it is highly important as a testing ground for legislation that affects the corporate investment business and all phases of the national economic life of America.

I am not interested in it myself in any personal way, in the sense of affecting me as an individual. As I say, I don't want to go into a detailed discussion of those things. I simply pass off that much of a remark about the legislation pending.

Today the burden on the financial institutions of the world and especially this nation is of magnitude beyond the probable comprehension of any of us. The problems of financial readjustment and economic advancement that must come in the world of tomorrow are such as to tax all the world's wisdom, and try the courage of all of us in America and especially the financial world.

Today the United States is spending solely on our war effort 92 billion dollars a year, or near 300 million dollars a day. The ticker tape of this war cost hits off 200 thousand dollars every single moment through every ceaseless, sleepless hour of every night and day.

It has been men like you in the securities industry who have achieved this almost unbelievable result of organizing the structure and accumulating the financial backing necessary to answer with payments each call on the ticker tape of cost.

I salute you for the job that you have done today in this grave hour and in this nation's war effort.

I have just returned from Alaska. Looking up from the Diamede Island, out in the Bering Sea, you know you're standing in the same spot and in a single moment can look at two hours, two days and two continents. And as you look into the sky each half-hour one can see a wave of planes, like a flock of geese, going over from Nome, Alaska, to Russian Siberia.

Behind each plane is a great industrial organization, buttressed, and dependent on sound financing. It takes one ton of gasoline per hour to keep a Flying Fortress in the air, and if you translate that gasoline into the dollars it represents you can visualize the work of the financial organization of America to maintain a financial structure that won't break down.

More supplies were shipped to North Africa alone, in that one particular phase of our war effort, than to all of Europe by this nation in the entire course of the last war. American dollars have been the working material out of which has been made the thousands of planes and tanks and ships and millions of guns and bombs and shells.

To produce those dollars in the form of working capital has been the magnificent accomplishment of the securities business of this nation. The financial job of today is being done adequately and in grand style. The financial job of tomorrow will be similar in magnitude and even more difficult of achievement. Tomorrow's job, the job of post-war finance, is to provide the means of conversion, to give birth to new business, big business and little business.

Our problem will be visualized in a ready look at what handicaps and impediments there are in the way of such a course; sound public finance has no stronger leg to stand on than local municipalities. Free enterprise in my judgment is the inseparable Siamese twin of free and unrestrained and independent, unregimented finance.

The removal of all restraining handicapping regulations are musts for our economic survival on the basis of a free economy.

You can't legislate money. You can't legislate or regulate a financial prosperity. If you could make money by simply printing a piece of paper that says that this paper is money; if you could create a sound finance on that basis—well, let's see if you could.

Suppose you saw a piece of paper that said, "I, Julius Caesar," in Congress assembled, if you please, declare this paper to be money. What value would it have? Suppose you saw a piece of gold from the Caesarian era. One thing that American government must learn is that you cannot create money by order nor legislate a sound economy. If the American dollar is not to turn to ashes in the pocket of the widow and the orphan; if the United States Government bond is not to become a worthless promise in the hands of old age, then the shackles of useless regulations must be removed. The impediment of worthless red tape must be cleared from our path, and the twisting cords of strangulation in the form of arbitrary, willful and whimsical bureaucrats must be set aside.

Our task today has been a challenge and it has been well met. Our task tomorrow is evident, and is soluble to the hand of American ingenuity unhampered and unrestrained.

Now we look down the financial road of tomorrow and know what we have to do. You men in the investment business can take any locality in the nation and can decide within reasonable estimate the amount of money that must be raised to reconvert industry there, to stimulate new business.

All of that path is clear; but can you today go to any man who has 100 thousand dollars and get him interested to use it as capital in a new enterprise that might be as productive as the origin of the airplane, or before that the origin of the railroads, or any other enterprise that has been the backbone of an economic development all over the world? Will he venture his capital?

You know, there was a preacher down in Oklahoma. He was a Baptist preacher. He got along fine for a little while and then strife broke out in the congregation and pretty soon the church was all split up and they moved him to another congregation. Then the same thing would happen again, and they'd move him again, and it happened again. Finally they wouldn't assign him a pastorate.

But he moved out to the outskirts and built a church of his own. He got along fine. There was no strife in the congregation, and the congregation grew and

(Continued on page 896)

Canadian Securities

By BRUCE WILLIAMS

Doubts have been recently expressed as to Canada's ability to hold her wartime economic gains, especially in the industrial field. This pessimistic outlook, however, does not seem to be supported by the facts of the case.

The tremendous industrial development which has taken place during the war, has actually served to fill a gap in the Dominion economy. Canada's post-war industrial problem, therefore, cannot be compared with that of the older industrial countries.

The Canadian war factories are new and have adopted the best of modern methods. Also, whereas the older countries are drawing on depleted sources of raw material supplies, Canada has barely scratched the surface of her vast natural sources.

Not only are the Dominion's factories new, but the industries in which Canada is best fitted to specialize are also comparatively new. And modern enterprises covering developments in electronics and aviation and in the use of light metals and plastics will play a large part in the post-war era.

Another popular misconception is that owing to the severity of the Canadian climate, only a narrow belt along our northern border is suitable for human habitation. Nothing is further from the truth. Since wartime exigencies and mineral discoveries have led to greater penetration of the Canadian Northland, it has been found that normal activity can be carried on all the year round in the furthermost reaches of the Arctic. Russian experience in Siberia also confirms that climatic rigors are not an insuperable barrier to the northward push of civilization.

Thus in the post-war period Canada's great Northern empire especially in the Northwest will offer an irresistible challenge to her demobilized youth and help to solve the Dominion's unemployment problem. Furthermore, just as the success of the Canadian wartime governmental controls has been unmatched elsewhere, the present intensive official preparations for the post-war period appear to head towards the preservation of this enviable record.

Among current development the New Brunswick election results were the principal item of interest. Once more, as previously mentioned, the pattern that has been followed in other recent provincial elections again was in evidence. The best organized party provincially has consistently gained the day and the clear fact emergess that, where the Canadian electorate has an alternative choice, it ignores the party that according to casual observers in this country and the financial community in Canada was on the eve of sweeping the Dominion—the C. C. F.

In this most recent case the Liberals gained 36 seats, the Progressive Conservatives 12, and although the C. C. F. placed 41 candidates in the field, not one was elected.

Another notable event of the past week was the news that the Steep Rock Iron Mines in Northwestern Ontario have commenced production. It is estimated that 300,000 to 500,000 tons will be produced during the balance of this year, 1,000,000 tons next year, and thereafter 2,000,000 tons annually. Thus to her already vast treasure house of exportable metals and minerals, Canada aids the invaluable basic metal iron.

With regard to the market for the past week, there is again little to record. As previously stated, the technical structure has strengthened considerably. Heavy

(Continued on page 895)

Price Control During The Period That Lies Ahead

(Continued from first page)

It is important that we face up to these problems, that we see them clearly and think straight in preparing to solve them. What we are planning for is our economic future, no less. This goes for the whole broad task we face in reconverting from an economy of war to one of peace and it certainly goes for the problems that arise in the particular field of price control during the period that lies ahead.

Let me say at the outset that I am confident of the outcome. The problems of reconversion will be tough, but the problems of wartime have been tough, too, and we have licked those. The record that has been rung up is evidence that as a people we have what it takes to manage our economic affairs in time of stress.

That record stands up extraordinarily well. Consider that since spring 1942, when price control authorized by the Price Control Act went into general effect, industrial prices have risen by less than 3% and the cost of living by about 9%. These are index numbers, general averages, but they summarize the movements of literally millions of prices. Many, many prices have been held to even lesser rises than these.

Prices of steel plates, for example, which at their peak in the last war rose to 7 times their prewar level, have been firmly held this time right where they were in 1941. And in the cost of living, average rents have been stabilized now for 25 months with scarcely a flicker in the index.

That record of price stability has been rung up by the American people during a period of unbelievably intense economic pressure. In my opinion it fully deserves to rank with the remarkable production achievement of the home front. Indeed I think the two are closely related. As I see it, there are four basic reasons for this record, four reasons why we have been so successful in restraining prices.

In the first place, there is the miracle of production. However great the demands which were placed upon our productive machine, those demands were met and exceeded. We have filled the vast needs of war. We have met the needs of the civilian economy too. Abundant supplies have had a good deal to do with keeping prices down. On the other hand, let me add, stability of prices and costs has had a good deal to do with the production records. During the last war businessmen could never tell how they were going to come out in the race between prices and costs. That is, I think, a major reason why in the last war production increased only 25%, while in this war it has more than doubled.

Second, the country has responded to the call for wartime saving. In spite of the vast increase in production, there have been billions upon billions of dollars of excess purchasing power. These billions, which could have put prices through the roof, have gone instead into war bonds, repayment of debts, insurance. The people of this country have saved nearly 100 billion dollars since Pearl Harbor. This too has had a good deal to do with our success in stabilizing prices.

Third, people have recognized as necessary and fair the wartime controls that have been imposed. Because they have recognized these controls as fair and necessary they have stayed out of black markets, they have put up with shortages. They have played the game according to the wartime rules. That has been no small factor in our success.

Fourth, we have had a national stabilization program developed under authority of the Price Control and Stabilization Acts. I think it fair to give the stabilization agencies, including my own, credit for controls that have stuck pretty close to plain common sense solutions of some extremely complex and vital problems.

The job that we in OPA have done could have been a better job. No one will quarrel with that. But bear in mind two things. It has been a perfectly tremendous job and it had to be done from scratch. We have had to set literally millions of prices. We have had to establish rents for 14½ million dwelling units. And for a period of a year, we were having to ration one commodity after another, and each one before we licked the problem of rationing the last. And except for the experience gained in England and Canada, no one in America knew the first thing about any of these jobs. It was a question of taking on a job, doing what seemed to make sense, and then making changes where experience showed they were needed.

What is more, this record has been achieved without damage to any economic group. Corporation profits in 1943, even after payment of high wartime taxes, exceeded net profits in the peak year 1929 and were more than double net profits of 1939. Farm operators' net income was up 170% from 1939 and running 3½ billion more than in the peak year 1919. Industrial wages show the same thing—all time highs in industry after industry. All things considered, I'm willing to rest on the record as it stands. It think it's a pretty good one. And it provides a favorable omen of success in the period ahead.

I don't think we should forget that we faced this reconversion problem once before and that that time we bungled it, bungled it badly. In November 1918, when the Armistice was signed, such price controls as existed were pulled off almost immediately. The economy was left to find its own way back to normal. For a few months prices and wages did remain stable, even declined slightly. But by spring of 1919 they were surging upward once more. As a result, almost half of the total inflation of the last war occurred after the Armistice. For a year and a half we had a mad speculative spree. In the middle of 1920 we began to pay the piper. The bubble burst and a savage deflation set in which carried prices and wages downward even more rapidly than they had risen. Wholesale prices fell 40%. Unemployment shot up by nearly 6 million, payrolls shrank 44% and the average weekly earnings of workers who kept their jobs were cut by one quarter.

Corporate profits tumbled from 6½ billion in 1919 to a loss of 55 million in 1921. Inventory losses totaled 11 billions and wiped out practically all the reserves accumulated out of wartime profits. Business failures in the next five years totaled 106,000, 40% more than in the five years 1910-14.

The farmers too took a beating. Farm prices fell 61% and taking into account inventory losses, net farm income tumbled from nearly 9 billion to less than 3 billion. In the next five years 453,000 farms were lost through foreclosures.

That's the story of reconversion after the last war. Everybody had moved up together and everybody came down together. We went up fast; we came down hard. It's a story that provides a perfect lesson on how **not** to handle the problems of reconversion. It's a story which we are determined shall not be repeated this time.

Let me say right here that I came to Washington to do a wartime job. Price control, in my opinion, is a wartime measure and has no place in an economy of peace. But we dare not make the mistake again of supposing that the economic impact of war ends when the shooting stops. The time will come when the OPA regulations can be torn up. But we mustn't tear them up for confetti the minute the whistles and sirens start to blow and we all get into the streets to celebrate the German collapse.

Now in saying this I'm not saying anything new. Most people remember what happened after the last war. Most people recognize that we can't pull out of a war economy overnight. We all know what happens when a small boy pulls a tightly wound mainspring out of a clock. But we need to keep reminding ourselves of these hard facts. A page of history, someone once said, is worth a 5-foot shelf of logic.

We are determined to avoid a repetition of what happened last time. But in tackling the problem let us recognize that the job this time is far bigger and more difficult than the one we faced at the close of the last war, the one that licked us. Just consider—last time, with all our straining, we increased industrial production by only 25% and farm production by only 5%.

In this war we have more than doubled industrial production, bringing it up 120%, and farm production has expanded 21%, or 4 times as much as in the last war. Last time at the peak of the war effort we devoted only a quarter of our total production to war. In this war we have reached a level of nearly one-half of a vastly greater output. In the last war hardly a single industry was fully converted to war production. In this war all our heavy industries have been converted.

There can be no question—the job this time is bigger and more difficult. But we come to the job of reconversion this time with a far better record of price and wage control during the actual fighting, with a price and wage structure that is sound and balanced. What is more, in making that record we have acquired a know-how we didn't have last time. And most important of all, we come to the problem with our eyes open. We know the dangers that lie ahead. Last time we didn't.

Let me stop a moment here and spell out what I mean by this know-how that we have acquired. We have issued I don't know how many regulations and, amendments to regulations by now—the regulations themselves run to over 500, the amendments run into the thousands. In working out these regulations and in amending them, each one geared increasingly to the individual requirements of the industries affected, we have learned a lot about our price system and the way it works. And we have learned too the kind of pricing technique that is best suited to each industry and trade. We know now those in which it is best to stay with a "freeze" of prices as of some base date. We know those industries in which "formula pricing" is appropriate. By that I mean setting prices on the basis of costs plus a margin. And we know what industries operate best with a flat dollar-and-cents type of price ceiling. I think it is going to make a great difference, in the reconversion period, that we have this hard-earned knowledge of the many industries that go to make up our economy and of the types of price control that can most effectively be used in each one.

In issuing these regulations we have been under legal obligation to establish prices which are generally fair and equitable. This we have done and at the same time we have also given full effect to the requirement of the statute that we facilitate the expansion of essential production. As the record amply demonstrates, we know how to establish prices which stimulate production and which at the same time are fair to both buyer and seller. This too is going to stand us in good stead in the months ahead.

While the standards under which we have operated are pretty well known, let me summarize them for you here very briefly. We have taken the position that a price is generally fair and equitable if it enables an industry to earn profits equal to or greater than those it earned in peacetime. For this purpose we have taken the years 1936-39 as our principal benchmark.

Now this does not mean that any earnings above the 1936-39 level are taken to be excessive. Quite the reverse—we feel that earnings need to be above that level if they are to be fair, and we undertake to raise prices whenever earnings fall below it. Most industries, as you know, are earning well above that. All corporations taken together had earnings in 1943 totaling before taxes nearly six times peacetime levels and, after taxes, nearly three times those levels.

Now a price which is fair for an industry may still entail hardship for an individual firm. As we all know there has always been in every industry a group of producers who have operated in the red. This has always been true in peacetime, when prices have been established by the free play of market forces, though I think it is worth remembering that as a matter of fact there have been fewer cases of individual hardship under price control than there were even in our most prosperous peacetime years.

In dealing with the question of individual hardship, we have made a number of simple and I think common-sense decisions. First of all, we decided that we couldn't set the price for an entire industry at a level high enough to cover the costs of the least efficient producer. This is essentially what was done in the last war and it didn't work. It pushed up prices and costs all along the line and in due course put the marginal high-cost producer right back where he started—in the red. We decided, rather, to take care of individual hardship cases through individual price adjustments. This has been fair to the individual producer, while it has saved the Government and consumers billions of dollars.

Secondly, in dealing with the problem of individual hardship we have made two simple distinctions. Where a product was needed in the war effort, or where it was essential to civilians—where, in other words, we needed every ounce of output we could get—we provided individual adjustments even in cases of extreme inefficiency. On the other hand, where the item was not essential, either to the war program or to civilian life, and where the resources and manpower employed by the firm would therefore be more usefully employed elsewhere, we have in general refused to make individual price adjustments. However, and this is the second distinction, even in non-essential fields we have provided individual price adjustments where the producers affected were relatively efficient. For we have recognized that this would save the consumer money. If these efficient producers were forced out of business, consumers would have to turn to less efficient producers and pay a higher price.

I have sketched these outlines of our price control policy simply to make clear what I mean when I say we have know-how in this field that was lacking after the last war. We know how to adapt our techniques to the requirements of the individual industry while at the same time applying uniform standards of fairness to all industries.

I think, then, that we can approach the problems of reconversion with confidence. While it is true that the problems are larger and more difficult than they were last time, we have great advantages which then were lacking.

Now, of course, there are no magic formulas, there are no simple answers we can pull out of a hat. Our pricing will have to develop industry by industry, changing as conditions change and improving as we gain experience in this new field. But our objectives are clear and the principles upon which we shall operate are common-sense principles that anybody should be able to understand and, I think, approve. Let me sketch them for you.

First, we must continue to hold the line against inflation. We can't let our fighting men come home this time to face rising rents and climbing food prices as they try to get a new start in civilian life. We cannot afford to let the price level go, and with it the wage level, in a speculative spree that must inevitably be followed by a collapse. This isn't going to be easy, but do it we must and do it we shall.

Second, we must take no action which would deflate the economy. There are hundreds of items which have been out of production since immediately after Pearl Harbor. Since that time costs have not stood still. If we were to require the producers of each of these items to bring them back on the market bearing the same price tags they had when they went out, this would force many producers to cut the wages they are currently paying labor, to cut the prices they are currently paying their suppliers. Such a policy could easily touch off a spree of price and wage cutting which could put our economy into a tailspin.

This too we are determined to avoid. If it's a question of cutting costs to match a pre-war price or of raising prices to match current costs, there's no doubt in my mind we shall choose the latter. The dangers of deflation, when war expenditures are pulled out of the economy, are sufficiently grave that we must do nothing that would increase those dangers.

Accordingly, the prices we are going to establish for new goods brought back into production will definitely take account of the increases in wage rates and in raw material prices that have taken place since they were last in production.

It is only common sense that we should take these increases into account. However, there has been a lot of loose talk about increases of 25 to even 35% in the prices at which new automobiles will sell over the levels at which they were last sold early in 1942. This talk is both irresponsible and dangerous. Let me say with emphasis that I know of no increases in straight-time wage rates or in the prices of basic materials since early 1942 that would warrant any such increases in the prices which the public will be asked to pay.

Average hourly wages in the automobile industry, for instance, have increased only 9½% since the last automobiles were manufactured in early 1942. Straight-time hourly wage rates are up only 4½% during this same period. Straight-time hourly wage rates in other so-called consumer durable industries have risen to a somewhat greater degree. But even in industries where the rise has been double or triple the increase in the automobile industry, we have many remarkable improvements in plant efficiency. Thanks to American industrial and engineering genius, the automobile industry and other heavy industries will, for instance, enter the post-war period with many unbelievably more efficient machine tools. One such machine is reported to have cut production time on a given unit from 90 hours to two hours and a half. Another new machine replaces 17 pieces of equipment formerly required for one operation in drilling, machining and finishing a casting. As a result, costs of these particular castings were reduced from $3.88 to 22 cents each.

While these particular savings are undoubtedly extreme, there is no questioning the fact that under the pressure of war production we have developed many industrial savings which will be available during the post-war period. Under full production, the results in many industries will actually be lower labor costs per unit.

When we examine the costs of basic materials used in the production of these particular products we again find little reason to justify sharply increased prices for the vast majority of consumer durable products. Today the price of cold rolled steel and the prices of steel plates are still at the levels of January, 1942. Copper has not moved in price. The prices for some products, such as hides, cement and aluminum, are actually a trifle lower now than in January, 1942. Coke and industrial chemicals are virtually unchanged.

It is quite true that in many industries there may be cost increases of which we are not yet aware. Moreover, I can assure every businessman that we will study each new reconverted industry carefully in order to take all factors into consideration.

It is essential, however, that these stories of vastly higher prices for consumer durable goods be stopped and stopped hard. If they represent economic defeatism on the part of some industrial leaders in their thinking about the future, I believe they are particularly dangerous.

So when I say that OPA is going to take costs into account in fixing prices, remember that we're going to be looking at all costs, not just those that have risen. And so, while we may have to mark up some prices, that won't be true of them all, not by a long shot.

Third, we shall price for a full-production, full-employment economy. Before the war the United States was known the world over for our achievements in mass production. But those have been utterly dwarfed by our achievements during the war itself. Today the index of industrial production stands more than 125% above its peacetime level. Right there in that figure is the story of what is happening in Poland and in France, what is happening in the islands of the Pacific. Right in the figure is the reason why, while swamping the Axis on every front, we have at the same time sustained a standard of living at home higher than we have ever had before. Having demonstrated what we are capable of producing when we put our minds to it, we are not going back to half-production and half-employment and half-consumption after the war.

Our farmers have tasted, for the first time in a generation, the fruits of all-out production. They are not going to take a slash of prices and income such as they took after the last war.

Our workers have tasted, for the first time in a generation, the fruits of full employment and wages a man can raise a family on, decently and in comfort. They are not going to unemployment, insecurity, and a handout to keep body and soul together.

And our businessmen, they too know what it means to have a market for everything they can produce, they know what a full-production, full-employment economy means in terms of the dollars they can bank. They know what it means in terms of the open ladder to those with competence and initiative and enterprise. They are not going to take a shrinking market lying down.

And let's not forget that 11 million men returning from the corners of the earth—those of them who do return—aren't going to take apple selling and like it. In fact, they aren't going to take it—period.

Some of them are going to want jobs, good jobs paying a living wage. Others are going to want farms on which they can raise a family. Still others will want to go into business. But all of them are going to want opportunity. And I have a hunch they are going to figure that it's up to us, who have been running the home front while they have been doing the fighting, to see that they get that opportunity. What is more, I think they're right.

Now, what does all this mean for prices? It means prices that are set to tap mass markets, prices that yield profits on the basis of volume, not on the basis of markup. Too often in the past, our industrial leaders have lacked the imagination to tap mass markets. They have tried to play it safe by pricing their products to yield a profit at 50% of capacity. But the result has been that their operations never got much above 50% of capacity, while men went without jobs, and consumers without goods. The national income as a whole has run at half what it might have been, so that all of us, business leaders as well as everybody else, have earned far less than we might have done.

We aren't going to go forward by playing it safe. A mass production economy doesn't work that way, and ours, we have found, is far and away the most powerful mass production economy on earth. During wartime we have priced on the basis of mass production and that is why we have been able to hold prices stable in spite of rising wages and still yield business the highest profits they have ever enjoyed. This has, I think, persuaded lots of our businessmen of what the automotive industry from its earliest days has always known. During the reconversion period we propose to price on a full-production basis. That means stable prices. That means narrow margins. I think our experience during reconversion will persuade those who still have some doubts that what we can do in time of war we can also do in time of peace.

If we proceed on this basis, as I propose we shall, then when the day comes to strip off the last of the wartime controls, we shall turn back to American industry a price structure fully geared to all-out production. From that time on, how prices are set will be the responsibility of American business.

At this point let me repeat what I have said on earlier occasions. I am convinced that only Government can underwrite the level of production and income. I am convinced, furthermore, that in a modern industrial economy Government **must** underwrite the level of production and income and be ready to take whatever steps prove necessary to sustain those levels. But I am also convinced that this very guarantee, fully implemented by adequate programs ready for instance use, will make it possible for private enterprise to outdo itself, so that actual Government operations under that guarantee will be at a minimum.

If the Government's guarantee is to have this effect, however, it will be up to businessmen to gear the prices they charge and the wages they pay to the requirements of our full-production economy. I, for one, think American businessmen will measure up to that responsibility. I, for one, am confident that the lessons of the war period, re-enforced by those we shall draw from pricing during reconversion, will be so persuasive that no important sector of business opinion will still hold to the old views and old habits.

It is upon this confidence of American business working shoulder to shoulder with farmers, with workers, and Government that I look forward beyond the reconversion period to the greatest era that American enterprise and the American people have ever known, an era in which the tremendous potential which we have only now come to realize is ours will be fully harnessed to the advancement of the material and moral well-being of all America to heights never before even dreamed of.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was concluded Aug. 18 by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of $20,315,000 0.85% consolidated debentures dated Sept. 1, 1944, due June 1, 1945. The issue was placed at par. The proceeds, together with cash funds, will be used to retire $22,875,000 of debentures due Sept. 1, 1944. As of Sept. 1, 1944, the total amount of debentures outstanding will be $285,715,000.

Canadian Securities

(Continued from page 893)

inventories which overhung the market have been liquidated and current offerings are scarce. Recent refunding operations have caused difficulty in portfolio replacement operations. Consequently prices again were slightly higher but activity was at a low ebb due to lack of supply in any interesting volume. Internal issues were still offered and, as predicted, the Canadian dollar in the "free market" was easier and was quoted at 10⅛% discount.

In the period ahead of us, the same pattern should continue—firmness with little activity. The current high level of the market should preclude any heavy speculation on the upside, but there remains still a few lagging situations among the provincial and municipal issues, notably Albertas, Manitobas and Montreals.

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

Appreciation Possibilities

Standard Stoker Co., Inc. offers a liberal return and good possibilities for price appreciation according to an interesting study of the situation prepared by G. A. Saxton & Co., Inc., 70 Pine St., New York City. Copies of this study discussing the present and post-war outlook may be obtained from the firm upon request.

Municipal News & Notes

Sinking fund assets of the City of Wilmington, N. C., applicable to redemption of outstanding water, sewer and street bonds totaling about $1,000,000 have quadrupled within the past three years, it was reported recently by City Manager A. C. Nichols.

The fund, he said, at present amounts to $615,009 and will reach $700,000 by the close of the current fiscal year. In 1941 the amount was only $153,399. Aside from the regular annual appropriation of $80,000 during the past three years, the fund received an additional $200,000 at the close of the fiscal year on June 30, 1943. The bonds covered by sinking fund assets mature between 1948 and 1955, inclusive.

Port Of New York Authority Bonds Again Held Tax-Exempt

The Port of New York Authority on Aug. 24 won the second, and possibly final decision, in its fight against the attempt of the Federal Administration, through the medium of the Internal Revenue Bureau, to have its bonds declared subject to Federal taxation via the courts.

This latest victory stemmed from the action of the Federal Circuit Court of Appeals in affirming the decision of the Tax Court of the United States, issued Jan. 29, last, holding that both the Port Authority and the Triborough Bridge Authority are political subdivisions as defined in the Internal Revenue Acts and that interest on their bonds is consequently immune from Federal taxes in accordance with provisions of such Acts.

As was true of the Tax Court, the Federal tribunal did not elect to pass judgment on the infinitely broader question bearing on the constitutional tax-exempt status of State and municipal bonds per se. In each instance the courts confined their rulings solely to adjudication of the statutory question as to whether the two agencies enjoyed the status of political subdivisions.

Such limitation, however, by no means lessens the import of the Port Authority victories, particularly when considered in connection with the several defeats suffered by the Federal Administration in its efforts to have Congress pass bills removing the tax-exempt feature from State and municipal debt instruments.

While it is by no means certain that the Internal Revenue Department will not appeal the latest court ruling to the U. S. Supreme Court, it is definitely true that its chances of favorable verdict from that source are extremely remote. This view is shared not only by legal counsel, particularly those who have been actively identified with the litigation, but also by underwriting houses and municipal bond firms, not to mention investors.

The position taken in the matter by market circles was dramatically expressed immediately after the decision of the Circuit Court of Appeals was made known and was marked by the action of the underwriting group of the recent offering of $17,671,000 Port Authority 2% general and refundings of 1974, in raising the offering price on its holdings of the issue from the original figure of 97.50 to 98.50.

The consequent flood of orders from investment sources resulted in the quick distribution of the approximately two-thirds of the total issue that up to announcement of the decision had been in the hands of the underwriters.

The issue, it will be recalled, was awarded Aug. 15 to a syndicate headed by Harriman Ripley & Co., Inc., New York. Contrary to previous expectations, based in part on the impressive improve-

ment in earnings recorded by the Port Authority since the first of the year, only two instead of the anticipated three and possibly four syndicates competed for the issue. Failure of broader competition to develop obviously was occasioned by the imminence of the recent decision and possibly some uncertainty as to its nature.

This was apparent in the spread which separated the winning and runner offers, the successful tender of 95.85 being in contrast with the bid of 94.12 made by the other account, which was headed by Halsey, Stuart & Co., Inc.

That investors, too, were chary of participating in the issue, until the decision favorable to the Port Authority was announced, is seen in the fact that up to that time the underwriters had succeeded in placing only one-third of the issue. The speed with which they absorbed the remaining bonds, despite the one-point increase in price, seemingly was a demonstration of their confidence in the unassailable position of the tax-exempt status of Port Authority bonds, also those of similarly-created agencies, from successful attack in the courts.

Commenting on the recent Circuit Court ruling in favor of the Port Authority, Chairman Frank C. Ferguson noted as follows:

"The Tax Court," said Mr. Ferguson, "upheld our long-standing contention that our bonds are on the same plane as the direct obligations of the States and cities—a position which has been maintained by the Port Authority from the time of its first bond issue almost 20 years ago. At that time our position was supported in an opinion written by the Hon. Charles Evans Hughes. It has been consistently supported by our counsel ever since, has been accepted as one of the attributes of Port bonds in the market and, despite the Treasury's attack, was upheld by the Tax Court of the United States. While copies of the opinion of the Circuit Court are not yet available, I assume that it has based its decision upon the same ground."

Mr. Ferguson noted that the Port Authority has for many years past taken the leadership in the efforts of States and cities throughout the country to defend themselves against Federal efforts to tax their fiscal operations.

"The Port Authority," said Mr. Ferguson, "participated in the organization of the Conference on State Defense which over the past five years has successfully maintained the position of the States and cities on this fundamental issue in the Congress of the United States. The Congress consistently supported the State and municipal position culminating in September, 1942, with the defeat in the Senate of Treasury efforts to tax local bonds. The local governments have always pointed out that Federal taxation of their financing simply means an increase in local real estate burdens.

"We trust that this decision will mark an end to efforts to interfere with the fiscal affairs of the States and cities. The municipalities should now be able to go forward with their plans for post-war development without the fear of Federal interference with local financing."

Bureaucracy Vs. Free Enterprise

(Continued from page 893)

grew. The collections were good, and they grew and grew. Everything was fine, not only for a few days and a few weeks and a few months, but for several years it went along.

Finally, after a period of feeling depressed, the old preacher got up one night and after a sermon he closed with this prayer: He said, "Dear God, if there be any strife amongst us, stir it up." He was ready for the strife that he had been missing for a long time. Maybe there should be some strife amongst us instead of acquiescence.

Now I hope in my concluding remarks for a few minutes that I can carry a clear message. What I am saying tonight is extemporaneous or impromptu, but I think that we have reached the point in all of America where anybody who believes in the American way of life, any man that is a farmer, that wants to see agricultural America produce, any man that is in the investment business that has a regard for the future solvency of his business—all of us must awaken to the fact that these things cannot be accomplished by acquiescence. We are going to have to fight for them.

Today the American soldier and his gun make up a chain that circles all the world. In several and sundry climes in every continent and place, the American soldier is on the march, and he is fighting a war that is testing whether or not nations whose government controls the people or nations where the people control the government shall survive.

You and I have that fight on our doorsteps. I am here to tell you what one Oklahoma farmer thinks about the future of free enterprise and all it means to the American way of life.

You have heard a lot about four freedoms. They all four of them are without any foundation to stand on unless you put the fifth freedom, free enterprise, under them to strengthen the structure.

The American philosophy of government that was set forth in our Constitution is being tested on the battlefront and is being tested here at home. Bureaucracy has come to be a new philosophy of government, just as different—not to be compared with, of course, the philosophy of the Nazis, or the Fascists, but just as different from the American philosophy of government as written under those first three words in the American system of government, "We the people," as these other forms to which I have referred.

"We the people," the first three words in the American Constitution. We do ordain and establish this government. Every power that there is in government is residual with us. Every power that is exercised by the Government or any official of the Government is his to wield only as he has a special and definite mandate from us to direct him to do so.

But there has grown up in America a new system called bureaucracy. It is not just an overgrown departmentalism. It is a new philosophy. It is a philosophy that holds that the Government official has power within himself, that holds that a bureau can legislate and even adjudicate the effect of their legislation.

That is getting on a general scale that we have got to stop. I could point out to you thousands of instances of what I am talking about, but it would probably bore you and take me longer. I am afraid that my inadequacy of words is not permitting me to make clear to you what I have in mind. But I have lived eight years in the maze of amazement known as our nation's capital, and I want to tell you that just as there are acres and acres of buildings, thousands and thousands of employees, as compared to the small handful of people who are in the national capital making up what we know as the United States Congress, so has the power of bureaucracy grown in your Government until we have fast approached, if we have not reached, a stage not where we have a dictator (and we will never have a dictatorship in America, I am confident, in the form that it has been in other countries), but we have a hydra-headed control, a dictatorship of bureaucracy.

In my own humble opinion, born out of experience I have had in eight years, we are going to have to destroy bureaucracy as we recognize it. We are going to have to destroy bureaucracy or it is going to destroy the American system of government. When I use "bureaucracy" I am talking about anybody from a typist, up or down, who exercises any single authority of regulation of business that is private, or affairs that are personal, who usurps any authority that is not a definite and specific mandate given to him through the hands of the people and their chosen representatives.

It may be that you are more interested in a particular bill, and just what a certain bill like H. R. 1502 might do to your particular industry. At the moment, when you are hearing me talk, it might not be clear—but these bills that we are talking about can only have an immediate effect on the financial integrity and security of the industry in which you are engaged.

If you think beyond the place of what a man in America tries to build up, security for himself and his family which he accumulates in property and money, can you today feel that you have any security even in a large accumulation in a bank account, even in a strong institution that you build up to a point of what in our ordinary conception would be permanent substantiality? What is it you are afraid of, if you have any fear? Are you worried about the loss of money wiping your security out?

The thing that concerns your security most of all is, what is your Government going to do? The thing that determines more than anything else the security of the investment business, the soundness of it, the success of it, is what the Securities and Exchange Commission is going to do.

You are not thinking of what the Government might do for you, you are afraid of what the Securities and Exchange Commission might do to you.

I have a personal problem of my own. I am going to use personal illustrations because personal experience is the only one that I have. The CIO Political Action Committee decided that from their viewpoint I was undesirable in the United States Congress, and so they brought what forces they had to bear on the election.

It has been customary for members of Congress running for re-election not to antagonize organized groups any more than is possible. In my own case I had to stand up and fight about things that you believe in, and I closed my own campaign for re-election with the frank plea to the people of my district to go out and vote their own conviction, decide if they wanted to vote in the interest of the CIO or the U. S. A.

I think it is time in our industry that we stand up and fight on that same sort of a basis. I have talked ramblingly here tonight. I want to assure you that your committee in Congress, the Securities Exchange Sub-Committee, is earnestly and seriously studying the whole scope of security legislation. There have been long hearings that some of you are familiar with. There hasn't been any immediate result from it, but that is not for you to feel despondent about, because some of these problems are such that it takes a great deal of time to work them out in a manner that you are sure of doing the right thing both for the industry and for the public.

Let me assure you that the Committee on Interstate and Foreign Commerce, which handles all legislation of this kind, has become familiar with your problems and has a great respect for the job you are doing and a real confidence in you as American citizens (and no feeling at all like we hear sometimes expressed in reference to administrative government), no feeling at all that there is any lack whatever of the qualities that are in the public interests in the conduct of your business.

And so, as I close, I want to say to you again, I think that your problem will be solved only if all of us fight ceaselessly and endlessly, fight for a correction of what is wrong in the laws, what errors have been made. Then be eternally vigilant to see to it that the administration of the law is carried forward exactly according to the intent of the law and without any arbitrary judgment or whimsical decisions in that connection, and that that problem is the same one that faces the farmer when he is regimented by the Commodity Credit Corporation, the utilities dominated by the Federal Power Commission, and so on down the line.

My view about the general problems of American business and the American citizen in trying to keep a system of free enterprise is kind of like the negro preacher that had just about concluded the sermon, and somebody threw a tomato at him and hit him full in the face.

After he wiped his face he said, "Now there are going to be about two more minutes of preaching. Then there is going to be about two minutes of prayer. And then there is going to be the God-damndest negro fight you ever saw in your life!"

I just want to say that I hope you men will continue the preaching that you are doing on your problem, the educational work that is leading up to a better understanding on the part of Congress and opening up an opportunity for an understandable approach to the problem. Keep it up. Be even more active than you have have on that score. And of course you are entitled to a little praying that action will come sooner than you could normally expect out of the slow-grinding mill of government. If it don't come, if bureaucracy is continually arbitrary, let's have some real fighting.

Now I do not here talk of the members as individuals. I don't even know them very well, except through correspondence. And I am not talking about SEC as an institution. I want to get that quite clear. I am not here tonight to leave the impression that these institutions ought to be torn down. However, about nine-tenths of all the bureaus in Washington ought to be abolished, and I think about 50% of all the bureaucrats in Washington ought to be scalped—and I've got a scalping knife and a couple of tomahawks.

I have enjoyed this little visit with you. If you can forgive me for a rambling and not very effective talk—I do want to assure you that as far as I am concerned, I think the preaching and praying are over with, and from here on there is going to be the damndest fight you ever saw to get these policies and bills such as H. R. 1502 through.

The Securities Salesman's Corner

By JOHN DUTTON

The Retail Dealer Is Not Overpaid For His Efforts

There is need for more light and less heat when it comes to a determination of what constitutes a reasonable and fair mark-up in the over-the-counter securities business. During the past 10 years a marked change has taken place in that segment of the industry which deals primarily with the retailing of securities. Unfortunately, many well intentioned individuals even within the securities business itself, who are today the leaders in advocating a generalized over-all ruling, which they are trying to apply indiscriminately to the entire industry, do not appear to understand the difference between the retailing of over-the-counter securities and the other phases of the business, such as wholesaling, underwriting, trading, etc.

This change of which we speak deals primarily with an attitude which the modern, progressive retail dealer now assumes toward his client. Today the successful retail dealer does more than sell a security—he sells his brains. Those dealers who don't have sufficient experience, ability and financial wisdom to really do a job of investment guidance which is based primarily upon the sale of SELECTED ISSUES to their clients, and the CONTINUED SUPERVISION WHICH IS NECESSARY AFTER THESE SECURITIES HAVE BEEN SOLD, just don't last very long in the retail securities business today. At best, if they do manage to hang on and do a small volume of business, their influence in the industry and their effect upon the public at large is small indeed.

In order to invest money intelligently in securities under today's complicated economic conditions IT HAS BECOME NECESSARY TO ALMOST COMPLETELY DISREGARD THE OLD AXIOMS OF THE PAST WHICH MOST OF US LEARNED BACK IN THE TWENTIES REGARDING THE THREE Rs OF SUCCESSFUL INVESTMENT. No longer is it possible to take such generalities as safety of principal, income and marketability and build a case for conservative investment. In fact, no set of rules, no glib generalities, and no amount of statistical study for its own sake CAN TAKE THE PLACE OF YEARS AND YEARS OF PRACTICAL EXPERIENCE IN THE JUDGMENT OF VALUES AND THE APPRAISAL OF FUTURE PROBABILITIES. In short, THE SUCCESSFUL RETAIL DEALER IN SECURITIES TODAY IS NOT ONLY A MERCHANT, HE'S ALSO ONE OF THE BEST EQUIPPED INVESTMENT SPECIALISTS THAT YOU CAN FIND ANYWHERE.

He knows and understands the trends in various industries; he is constantly on the lookout for special situations which have more than average opportunity for price appreciation; he is familiar with the tax laws and their effects upon specific securities; he even watches for styles in securities which indicate public preference at a particular time. He discards 10 times as many situations as he selects for his clients. He does these things as a regular part of his business, AND BECAUSE HE KNOWS THAT THERE IS NO BETTER WAY TO KEEP HIS BUSINESS GOING AND GROWING THAN TO MAKE PROFITS FOR HIS CUSTOMERS.

In many cases these small firms employ no regular statisticians, but this does not say that they do not select and offer the proper securities to their clients. In most cases the heads of these firms act as their own statisticians—they carefully supervise the activities of their sales force and make certain that the highest standards of investment procedure are strictly observed. Many of these men are ex-bond salesmen who had a successful career behind them working for someone else. They have seen the mistakes that have been made in the past and now they profitably apply the wisdom gained from their own experience in the conduct of their own business.

When it is realized that these smaller firms deal in units of investment, rarely aggregating sums of over $5,000, and in most cases the sale involves a much smaller sum, it can be readily appreciated that the percentage of markup involved in handling such small sums must be more than in the case of the large investor. The work involved in selling 100 shares of a $10 stock is often times greater than in taking an order from an institution for a block of a $100,000 worth of bonds, or a 1,000-share order for a well-known, highly marketable security. If the gross profit in such transactions does not cover the cost of doing this type of business then the smaller investor will suffer. The elimination of the small, retail, over-the-counter organizations from the investment scene would bring about a condition where the average investor who now depends upon his security dealer for advice, counsel and guidance would in the most part have no place to go and no one to turn to in procuring the assistance which he now receives from these thousands of smaller firms that operate in every State in the Union from coast to coast.

The markups in the retail security business are not excessive. The law of competition sees to that. In fact, they are just about as low as they can be, and still allow enough to take care of overhead and leave a small profit for reinvestment in the business. The financial results and the records of the majority of these firms will also prove that most retail security firms make only a modest return upon their invested capital and the effort which they put into their work.

No other business gives as much for so little. Most of the heads of the progressive firms which are doing such an excellent job today could find employment in industry, advertising or other types of merchandising and sales work, at higher salaries than they are making by staying in the securities business. They need encouragement and recognition by both the Governmental bureaus and by members of the exchanges and the large underwriting firms—rather than constant interference and carping criticism. Small business is the backbone of this country—it is also the backbone of the entire financial and securities business. The large firms would suffer more than gain by the elimination of these firms through their inability to make ends meet—the investor would surely be worse off than he is today—and the country at large is also going to need retail distribution of new equity financing in the years to come. The small retail firm can handle its own problems, but it cannot stand much more outside interference and restrictions on its methods of operation or its markups—there is a limit beyond which even the most efficient and capable operators of these firms cannot be pushed —the game has to be worth the price of admission or even these fellows will quit playing.

War Program Provides Housing For 5,600,000 Persons

War housing, completed or under construction since the summer of 1940, now totals over 1¾ million units, which will house approximately 5,600,000 persons, including war workers and their families, John B. Blandford, Jr., Administrator of the National Housing Agency, announced.

Total completions now amount to 1,627,290 units, of which 889,625 accommodations have been done through private financing and 737,665 completed by public financing.

John B. Blandford Jr.

Of the completions by private financing 701,109 are of new construction and 188,516 accommodations have been accomplished by conversion. The 737,665 units of public financing show 702,280 units of new construction and 35,385 accommodations by conversion.

All but a few of the privately financed units are of the family type while the publicly financed accommodations comprise 522,490 for families; 160,430 dormitory units, and 54,745 stop-gap units, which includes both trailers and portable shelter units.

Units under construction with private financing amount to 72,840. An additional 71,306 were scheduled to get underway as of June 30, of which 57,334 are new and 13,972 are by conversion of existing structures. On the same date 54,028 public units of varied types were under construction and 15,995 more were to be started, of which 6,356 will be new units, 3,161 stop-gap shelter accommodations and 6,478 will be by conversion.

June figures show 12,422 privately financed and 11,839 publicly financed units, completed during the month, as compared with a total production of 53,023 units, of both private and public, during June of last year.

War housing needs of migrating workers have been met in most areas, although there are still critical situations—particularly on the Pacific Coast.

In addition to the housing provided through new construction and conversion, approximately 2,000,000 war workers, hundreds of thousands with families, have been taken care of in existing housing through community cooperation and War Housing Centers. These Centers have been operating in practically every war production city throughout the country.

Practically all publicly financed war housing now being built is of temporary construction and will be torn down after the war while the housing produced with private funds is built for permanency and will be absorbed for normal housing needs when the war use has passed. 90% of the private war housing is being financed through FHA-insured mortgages.

Real Estate Prices In The Post-War Period

The 1939-1940 level in real estate prices will be the floor beneath such prices for a considerable period after the war, in the opinion of home financing executives in 14 industrial centers where the greatest increase in the civilian population has come as a result of the war boom. In an opinion survey conducted by the United States Savings and Loan League, several of these managers of member savings and loan associations of the League felt that the price level in real estate would remain firm into the post-war period, while the majority suggested that a gradual tapering off of prices by from 10 to 25% would eventuate in the readjustment period.

Half of those replying to the League's questionnaire said that at the close of the war there is likely to be a good demand for new homes in the medium and higher-cost brackets, from $6,000 upward. This would be true, they said, even where there was some overbuilding in the lower-cost homes on which there has been a concentration of building attention since wartime restrictions went into effect.

Quite generally the managers foresee after the transition has been made a peactime industry surpassing considerably the prewar levels. This outlook was reflected in answers to a question as to what the prospects are for peacetime production to absorb facilities and labor now employed in war industries.

Half of those surveyed felt that the period of adjustment would be relatively brief and that the careful post-war planning already under way in many industries will stand them in good stead.

The opinions generally take into consideration the certainty that the extent and ease with which peacetime construction can take over war industry facilities depends on the type of industry involved. While many manufacturing plants now producing munitions will be able to absorb practically all their present facilities, they conclude, shipbuilding centers will have a much more difficult time in keeping present labor and facilities employed.

The survey of post-war prospects among savings and loan executives was made in the following cities: Dayton, Ohio; Charleston, S. C.; Wichita, Kans.; Galveston and San Antonio, Texas; Berkeley, Oakland, Alameda and San Diego, Calif.; Seattle, Wash.; Portland, Ore.; Newport News and Norfolk, Va.; and Savannah, Ga.

John P. White Dies

John P. White, partner in John P. White & Co., 120 Wall Street, New York City, died at the age of fifty-one.

Mr. White had been engaged in the securities business in New York City for over 36 years. He formed his own firm in 1914. Returning from service in the Navy in the first World War he became a partner in Taylor & White; in 1931 he became a partner in White & Cartmell, organizing his own firm again in 1934.

He was one of the organizers of the Unlisted Securities Dealers' Association of New York and was a former governor of the association.

Kansas City Terminal Bonds On Market

A group of investment bankers headed by Dick & Merle-Smith is today (Thursday) offering $47,000,000 Kansas City Terminal Railway first mortgage serial bonds, dated Oct. 1, 1944, and due serially from 1948 to 1974, inclusive. Of this issue, $19,500,000 mature in amounts from $550,000 to $950,000 annually between 1948 and 1973, bear coupons from 4% to 1⅞% and are priced to yield from 1.50% to 2.75%; and $27,500,000 are 2¾% bonds due 1974 and priced at 99¾. The group was awarded the issue at competitive sale on Wednesday.

Proceeds of the financing, together with other funds, are to be used for the redemption on Jan. 1, 1945, at 105 and interest of all the $49,121,000 first mortgage 4% gold bonds of the Terminal Company now outstanding. The additional $4,577,050 required will be furnished by the Terminal Company and its proprietary railroads. Capitalization outstanding upon completion of the present financing, in addition to the new $47,000,000 issue, will consist of $2,201,681 non-negotiable debt to proprietary companies and $2,200,000 common stock, par $100.

Company owns and operates a union passenger station and freight and passenger terminals in and about Kansas City, Mo., and Kansas City, Kan., which are used by 12 proprietary roads.

In addition to being a mortgage on the property, the bonds will be further secured by pledge of an operating agreement which will provide that each of the proprietary railroads (other than the Alton) or their trustees, agrees unconditionally to pay to the Terminal Company or the mortgage trustee one-eleventh of the sums required from time to time for payment of principal of and premium, if any, and interest on the bonds and, in case of default by any other proprietary railroad or railroads, to pay its ratable share of the amount of such default.

Associated with Dick & Merle-Smith are Salomon Bros. & Hutzler; White, Weld & Co.; Drexel & Co. and Stroud & Co., Inc.

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.

Some Limitations Of Easy Money And Collateral Theories

(Continued from page 882)

interest rates are an ineffective means of restraining wartime inflation.

We have consequently adopted the following policies:

1. To raise a large part of the cost of war by taxation.

2. To borrow as much as possible from current savings.

3. To eliminate rising interest rates and mitigate the cumulative effect of rising prices and wages by

a. Keeping money rates low through increases in bank reserves as necessary by means of operations of the Federal Reserve Banks.

b. Restraining the rise in prices, wages and other costs by price ceilings, rationing and other regulations.

Interest rates on government securities have been very low and stable throughout the war and the increases in prices and wages seem moderate in the light of the magnitude of the war effort. Bulges in the prices of goods especially scarce, or in demand for the moment, by reason of the war, have been restrained. The volume of private credits created to carry such goods at grossly distorted values has been small. The wartime distortion of economic interrelationships has thus been mitigated and the apparent cost of the war itself has been kept within narrower limits than would otherwise be possible.

Although the cost of war to the Federal Government may be deferred by borrowing, the cost to the citizens of the country as a whole cannot be deferred to future generations by any financial device whatever. It is inevitably paid about when it is incurred. That this cannot be otherwise than true will be readily seen when one realizes that substantially all government borrowings are made from its own citizens and that the money is merely taken from some pockets in the community by one device or another and put into others. The question is not *when* shall the cost of war be paid (that in inevitably concurrent with the expenditure), but *how* shall it be paid. There are only three ways:

1. From current taxation,

2. From current savings, and

3. From confiscation, by diluting the real value of existing claims through inflation.

In theory, the cost of war mght be more equitably raised by borrowing current savings and by taxation, the incidence of which can be foreseen to some degree, than by inflation, the ramifications of which cannot be easily forecast and planned, and which, therefore, is likely to be the most inequitable means. If the war expenditures were only 10%, or perhaps even 20%, of the national income it might be possible to avoid inflationary war finance altogether (if the necessary political action could be obtained with sufficient promptness). But when the war effort is much greater, limiting facors appear. It is likely to be politically impossible to impose taxes on such a broad base as would be necessary to raise the sums required; and to be actually impossible to raise the money from the higher income groups, because it isn't there in sufficient quantity, or from corporations without impairing their working capital. A degree of inflationary finance then appears to be economically as well as politically unavoidable. The restraints of war-time price ceilings and rationing then become desirable, not only to mitigate bulges in the prices of particular commodities which war-time conditions of supply and demand would otherwise produce, but also to restrain the speed of general price and wage increases. Such war-time measures appear to have attained a considerable degree of success. The distortion of usual economic interrelationships has been definitely mitigated by them. It will undoubtedly be desirable to continue similar measures temporarily after the war with respect to those commodities, the demand for and supply of which are momentarily badly out of normal relation; and to relax such restrictions when a reasonable degree of balance is restored. To some extent these measures have merely slowed down or postponed inflation, but to the extent that they have restrained increases in the apparent cost of war, the gain has been very important.

Although such measures have in the past, and may in the future, be helpful by mitigating the grosser maladjustments produced by war, it may well be doubted if they will prove to be a satisfactory means of determining interest rates, prices, wages, and production when the grosser maladjustments arising from the war have been righted, and a reasonable degree of economic balance or normalcy has been restored. The regulation of interest rates, prices, wages, and supplies in reasonably normal peace times, or for an indefinite period, is an immense task, the detailed ramifications of which would be staggering. It would connote control of almost every economic or business aspect of life. Although some attempts to regulate the supply and prices of certain commodities, which for one reason or another were in a very bad situation during the depression, enjoyed a limited measure of success, others, such as the Stevenson rubber plan and the Brazilian attempts to right the coffee situation by centralized controls, have not been notably successful. All these measures, moreover, were applied to situations grossly out of adjustment; and there existed costs, prices, and other precedents of the nearby past to serve as a guide, exactly as such precedents have existed as a guide for war-time regulations. The broader the application of such regulations and the longer they are enforced, the less applicable the precedents become. If the breadth of their application, and the time of their application are extensive enough, it is more than likely that they would ultimately reach a point at which they would not only cease to mitigate economic distortion, but would begin to produce it.

Such a system of centralized management of so many details of life also involves a concept of social life foreign to American tradition. This, in itself, should not preclude adoption of the centralized concept, if it could be shown that such a concept were per se desirable. But the law of diminishing returns applies to enterprises which become too large. The supervisory difficulties become so great as to more than offset any other gains. The reasons for the existence and success of the private capitalistic free competitive system seem to be basic and realistic. It represents an evolution of many human influences rather than the fruition of the plans of any limited group. Its success seems to be due chiefly to its ability to express more fully than any other system the personal desires, tastes, and abilities of the greatest number of persons; and to determine the practical relativities of such desires, tastes, and abilities most successfully. This ability to express tastes, desires and abilities, and to determine their proper relativities, or to harmonize them into practically operable relationships, seems likely to determine the degree of success, and power to endure, of any international or national organization, or social order.

Persons who interest themselves in international organization are likely to think in terms of ideals which appear to them personally to be logical and desirable, and to give too little attention to the great variety of ideas of persons in other countries. Politicians are likely to think in terms of the opinion of the majority as expressed at intervals by the ballot on a limited number of issues in combination; or in terms of not giving offense to special groups which bring aggressive pressure to bear on them. Economists are likely to think in terms of aggregates and averages. The merchant or manufacturer is likely to think in terms of the particular products which he makes or sells, the desires of his customers, the prices he can obtain, and the costs he will have to pay. Usually he is engaged directly or indirectly in satisfying very intimate personal tastes and desires of the people or a part thereof, and in bringing about a coordination of the desires of some with the abilities of others. In the area of consumers' goods his contact with the intimate personal desires of individuals is not more remote than that of the economist or politician, but possibly even closer. It is a day-to-day contact. Individuals vote him in or out of business by their daily expenditures. A political body or committee of economists, or other planners, seeking to substitute its or their judgment as to the multitude of personal desires and abilities of individuals, and their proper relativities, for the natural operation of economic forces, would be likely to find itself or themselves engaged in an undertaking, the infinite detail and complexity of which had not been fully appreciated at the beginning.

No two persons are alike in all tastes, desires and abilities. Individuals unite into groups for limited special objectives, and in a few limited matters act as majorities. But in by far the greater number of their activities, they act as individuals or families, and as purely personal tastes dictate. In such cases they act as very small minorities, or even minorities of one. When, therefore, minority rights are neglected or repressed, there is actually little, if any, personal freedom left. If too many affairs are centrally managed, even the majority finds itself subjected to controls on which it has actually never had any opportunity to express itself, but on which it is merely presumed to have expressed itself, because it has voted for a particular candidate. But how little it knew of the ideas which any candidate might express, except upon a very few matters! These realities can be very easily perceived by observing the personal activities of the usual family. Its members spend a very small portion of their time considering political issues, in economic thinking, or in union or other organizational activities. Most of their time and interest are spent in their jobs, in work about the home, and in the use of their earnings to satisfy personal tastes and desires of a very varied nature. Some idea of the complexity of modern tastes and desires may be obtained merely observing the great variety of products and services offered and sold. To regulate the minutiae of these complex activities would be impossible. What can be made and sold is determined to a very large extent simply by trial and error, by expert experience and intimate training in the minutiae of industry, by day to day contact with individual desires and abilities, and by gradual development of products, processes, and merchandising methods. Thus the free economic system satisfies a great variety of intimate personal tastes and desires, and provides an opportunity for the expression of a great variety of personal abilities, partly those of a majority, but for the most part, those of an aggregation of a great variety of minorities—the same individual often being in a majority in limited respects, and in one or more minorities in many more respects. It is hardly to be expected that any centralized management of the details of industry could provide for the expression of so wide a variety of tastes, desires, and abilities, or so well determine their proper relativities, under usual circumstances.

A cataclysm as great as war breaks down normal business interrelationships, and produces gross and obvious maladjustments of supply and demand of such magnitude and with such speed that the unaided action of ordinary economic forces cannot bring about a satisfactory adjustment in any reasonable length of time. Even in normal times, laws have always been recognized as necessary to govern many aspects of business conduct. Certain aspects of business are not capable of any control except central control. Such matters include tariffs, federal taxes, and the general overall management of the volume of the circulating medium to the extent that it is capable of being managed. There are, therefore, different degrees of central management which are suitable to different times and conditions, and there are also different aspects of business life, some of which cannot be regulated or managed otherwise than centrally, and some of which are not at all suitable for central management. There is perhaps no brief satisfactory general language by which the niceties of the proper position of central governmental regulation or management can be succinctly stated for all times and places, except to say that it is limited.

The fundamental objective of the free competitive private capitalistic system, of the social order, and of the republican political system which it generally connotes, is the freest expression of the personal tastes, desires and abilities of individuals without overall restraints not required to preserve order, peace, a reasonable degree of honesty, and other elementary principles of civilized conduct. The fundamental concept of Socialism, Communism, Fascism and other centrally controlled societies is the restriction of the personal desires, tastes and abilities of individuals within the range which supermanagement, however selected or coming by its power, believes to be desirable. These two sets of social theories are fundamentally different in their approach to the problem of social organization, and in their attitudes towards human beings. The first assumes a high degree of faith in human nature. It recognizes the infinite variety of human desires, tastes and abilities. It does not believe that it is possible for any small group to foretell and plan all the remarkable inventions, discoveries and new thoughts which the future may bring forth, or to substitute its judgment as to the future for the judgment of individuals. But it does assume that in a land of free opportunity, these things will develop and grow as in the past. It assumes a large measure of laissez faire, but not complete laissez faire. The other theories assume that little faith is to be put in human nature, or in the correctness of the ultimate decisions of individuals in the aggregate. They believe that nearly all aspects of life must be directed for the people according to the limited ideas of some small overall management selected according to some formula or other, or simply coming into power by force. There can be no question which type of philosophy is really liberal, or which will in the long run be found to be most expressive of human nature, and, therefore, most successful.

Actually there has never been a large country which was for long without any form of central government whatever, or one in which the central government, try as it would, has succeeded in stifling all personal tastes, desires, and abilities completely. The ultimate of either extreme has never been reached. The relativities of time, degree, place and detail receive some, but a varying degree of, attention in all types of social order. There are a limited number of functions which cannot be performed otherwise than by some sort of central organization. But the one type of philosophy conceives these functions to be those which cannot otherwise be practically administered. The other conceives them to be anything which can conceivably be brought under central control. The one represents a constant process of growth or evolution upon the basis of those things in the past which have proved to be desirable. Like the common law, it represents an accumulation of real life experiences over the ages. It is flexible, loose, resourceful, and, nevertheless, powerfully cohesive. The other represents the limited conceptions of a small group. The one is reasonable and sensible, though not perfect, as nothing human is perfect. The other represents an over simple logic carried to an irrational extreme—a common failing of the Occidental mind, and particularly of the German mind, as revealed both in the philosophy of Marx, and in that of Hitler and the Prussian military clique. The one accords with human nature and the natural laws. The other seeks to establish its own laws. In this connection, it is interesting to note that Russia appears to be gradually evolving towards or into the private capitalistic system.

The degree of centralization which is necessary and bearable for the clear and simple purpose of winning the war, and for mitigating some of the grosser maladjustments which arise therefrom, are not suitable for the multifarious purposes of peace. Now that it appears to be reasonably certain how the war will end, some thought needs to be given to the type of social order under which we will desire to live in the future. Shall its objective be the fullest expression of personal desires, tastes and abilities of individuals, or their restriction to the limited concepts of some small overlordship of undue strength.

In conclusion with respect to centralized regulation of economic interrelationships on a broad scale, it may be said that they have proved to be useful during the war for mitigating the grosser forms of maladjustment which result from war, and that they will prove useful on a gradually diminishing scale in the immediate post-war years. But they are essentially stop-gap or emergency measures, not likely to be a successful substitute for the free operation of ordinary economic forces in peace time, or to be a particularly sensitive or satisfactory instrument for expressing the wide range of personal desires, tastes, and abilities, or for determining their proper relativities, under more usual conditions. The ultimately desirable peace time organization will undoubtedly provide for a high degree of decentralization in most economic and business affairs, and for free, flexible, and adaptable prices and production under the private property system.

Most of our ideas with respect to economic controls have been borrowed from the British. Useful as certain of these measures are for mitigating the grosser forms of maladjustment which arise from war, they cannot take the place of modern machines made to such close tolerances that the parts are interchangeable, or many other advances which the British must make to maintain their position of industrial leadership in their own sphere, and their position in the world. Centralized schemes for limiting rubber production or liquidating the textile industry may ease the pain of liquidation, but they do not provide the positive forward impetus which arises from new inventions and improved methods under a system in which such advances are allowed freedom of opportunity for unlimited rewards, if they can succeed in competition. It is to this sort of development that England owes her industrial position of the past, and it is to this sort of advance that she must really look for the spark that will enable her to maintain her position in the future without our help. The grandiose economic schemes in which she has shown so much interest in recent years, and which have received so much publicity, have not been, and will not be, a successful substitute for processes by which all business growth is really brought about.

The so-called social security measures are not necessarily inconsistent with freedom for unlimited success and growth under the free competitive private capitalistic system. But those primarily interested in the enactment of such measures do commonly favor severe limitation of the possible degree of personal and corporate industrial success, and are inclined to give undue weight to the possibilities of divisive schemes. Since the degree of improvement in the general standard of living which is possible by means of industrial growth, or by the difference between a very dull year and a very active year, is much greater than any improvement possible from any divisive scheme, it would appear to be rather obvious that a combination of such social security measures with an unlimited opportunity for industrial growth and success would give the best results for all. This requires that the burden of such measures be spread widely, and that the steep gradation of income taxes be avoided. The development of inherited dynasties can be prevented through inheritance taxes.

Nor will it ultimately be found that the rental price of money can forever be successfully or advantageously maintained at preconceived artificial levels in accordance with any theory which fails to give consideration to all aspects of the interrelationships of monetary conditions and all other economic forces. The determination of the aggregate volume of bank deposits and currency in circulation is, in certain of its aspects, one of that very limited group of economic forces, which in so far as it may be controlled or influenced at all, can be controlled in the nature of things only by centralized power. In this country in the more distant past, such control of the volume of deposits and currency in circulation was accomplished chiefly by requiring that the volume of deposits could not exceed, directly or indirectly, certain specified ratios to the volume of gold held, and in the case of notes, also by requiring that they be secured by specified types of government bonds, the outstanding amount of which was limited. The volume of bank deposits of most of the industrially advanced nations was somewhat similarly controlled, and was, therefore, limited by laws or customs relating the maximum volume of bank deposits to the gold reserve. The gold reserve or monetary base grew by small annual increments which were not, however, correlated exactly with the long term rate of growth of the world's trade and production. Nor were the required reserve ratios altered by any coordinated system such that the supply of money of all kinds, including bank deposits and currency, grew in any such correlation. Within the monetary system, even in peace times, there were from time to time inflationary and deflationary influences due to the lack of such correlation. True interest costs were from time to time greater or less than apparent interest costs, not only by reason of cyclical influences, but also by reason of the lack of correlation mentioned above.

The nature of the differences between true interest costs and apparent interest costs may be illustrated most clearly by the following extreme considerations. If our government, instead of maintaining money rates at such a level that its bonds may be sold to return 2.50%, financed itself by the issuance of irredeemable currency at no apparent interest cost, experience has abundantly proved that it would then be impossible to attract permanent savings into such paper. Those who received it would rush to spend it at the earliest possible moment. It would be impossible to make price ceilings and rationing effective. Prices would rise very strongly, and the cost of war, on the same physical scale as now, would rise rapidly in an ever ascending spiral in terms of dollars. Although the government would appear to pay no interest cost, there would be concealed in this far more rapidly ascending spiral of prices and costs of the war, a very heavy interest charge. Experience in innumerable cases has clearly shown that of all the means of paying the cost of a war, the issuance of irredeemable paper is by far the most costly, not only in respect of direct expenses, but also by reason of the terrific distortion of the complex net work of economic interrelationships, and the greatly increased difficulty of restoring active business conditions after the war. It is also the most inequitable means of financing a war. Even under present conditions the same basic factors are at work, as they always have been in war-time, but at a very much slower rate than would be found, if we were financing war by irredeemable paper.

High money rates are not an effective means of controlling over expansion of bank deposits and currency in circulation during a war, because the rate of government expenditures and resulting government borrowings which cause such over expansion are determined by military necessities, and not by the cost of borrowing. No one can tell with absolute certainly whether or not the present rate of 2.50% is the best rate, or 3.50%, or something between, would be ideal. But it is rather certain that it is within this range, and present rates appear to reflect the ideal in a close enough approximation to give better results, in combination with price ceilings and rationing, than have ever been attained before, in financing a war of this relative magnitude. It is also probable that something approximating present policies will be necessary for a time after the war.

But it should be remembered that such policies are designed for a specific purpose — a purpose which is unusual, and of an emergency character. It does not follow that they can be taken as an expression of ideals for more usual peacetime conditions. For such purposes, many considerations must be taken into account, which in wartimes have to be waived. Without doubt there is a natural appropriate level of interest rates which expresses the correct relativity between the demand for savings and the supply thereof. Although it is possible at times to say with some assurance that a higher or lower interest rate would be more appropriate to any given conditions than some other interest rate, he would indeed be bold who believed that he could determine the proper true interest rate by any statistical process either at any particular time or as an average for a particular period. Because of cyclical variations in trade and production, and for other reasons, it is probable that the natural or true interest rate must be conceived to be a rate which reflects a combination of influences, some of a temporary nature and others of longer term; and it is probable that actual money rates tend to fluctuate around the true interest rates under usual conditions. Under abnormal circumstances actual rates may for a long time be very different from true rates.

The level of actual interest rates has a bearing on the existing valuation of capital assets. If such rates are low enough for a long enough period of time, it is conceivable that the market value of capital assets, which is much greater than the value of any year's production and trade, may become grossly inflated.

Interest rates also have a bearing on profits, because the ability to borrow cheaply may lead to such over-expansion of plant by borrowing as to reduce the whole profit level, or difficulty in borrowing, because of high rates, may inordinately restrain expansion and tend to make necessary a wider margin of profit.

Interest rates may have a bearing on commodity prices. Low rates may stimulate the borrowing of excessive sums to buy inventories on a speculative basis, and thus cause price and wages to advance. High rates may at times restrain price rises or tend to cause them to go lower.

Money rates, therefore, exert a powerful influence on many economic interrelationships, of which we have mentioned only a few in a very incomplete and imperfect manner. Experience has amply shown that none of these influences can be precisely evaluated, especially in advance. None of these influences is a constant, and money rates are only one influence among many affecting the business situation. Much thinking concerning monetary matters tends to be over-simplified and unrealistic, either because it gives too little weight to the variable nature of the influence of money rates, or because it fails to give due weight to other factors in the business situation. It is clear enough that a centralized effort to direct the course of money rates according to any theory which attempts thereby to manage the level of commodity prices or the degree of business activity in specific terms and at specific times, partakes of the nature of other attempts to run the price level, the wage level, or other economic factors according to the ideas which some limited group feels for one reason or another to be desirable, rather than to permit money rates to express natural forces which are in turn the expression of complicated personal desires of people acting as individuals. Although such a centralized effort to run money rates may be useful for financing the war, or in special emergencies for the purpose of mitigating gross and obvious forms of maladjustment or distortion of economic interrelationships, it is virtually certain that it will not succeed over a period in normal or usual times, but will serve rather to distort normal economic or business interrelationships, because it necessarily connotes the exertion of influences the effects of which cannot be accurately measured or forecast, and because the tool is not a good one for the job.

Even when applied to the gross maladjustments of the 1930s, such measures did not work very well. So far as one not a member of the inner circle on monetary affairs can ascertain, no specific limit in principle or theory then existed to the extent to which the aggregate volume of bank deposits and currency in circulation were to be increased by governmental deficit financing, unless perhaps the appearance of a rise in the general price level, so strong as to be definitely inflationary, was conceived by the inner circle to set the limit, and call for a reversal of policy; or unless some preconceived increase in the degree of business activity, or a combination of both, was to be the signal that the limit had been reached. No outsider knew for sure, and perhaps even the inner circle had no clear or well formulated idea of any limits. The policies pursued appear to have resulted in an increase in the aggregate volume of bank deposits and currency in circulation which was greater than the projected long-term rate of growth of such aggregate in the past years subsequent to the first world war, and also greater than a similar projection of the long-term rate of growth of trade and production. This aggregate was, therefore, expanded somewhat out of relation to what might be considered a reasonable conception of their proper long-term growth. Consequently, bank deposits turned over at an abnormally low rate.

Trade and production did not respond to these monetary acts fully. All of the reasons may not be fully ascertainable, but some of them were the following:

1. The absence of any well understood limits to the continuation of deficit financing and the expansion of the aggregate volume of deposits and currency created uncertainty in the minds of business men. They felt that they could not tell what the future held forth and plan properly for it. This uncertainty found expression in the speed and degree of the sudden recession of late 1937 and early 1938, a period during which many strong companies lost money for the first time in the whole depression of the 1930s.
2. A collateral effect of relief measures, make-work projects, labor policies, and increasing governmental debts, invoked with the right hand, was the imposition with the left hand of increased penalties on business success in the form of greatly increased graduated taxation. Although the absolute levels of such new penalties and added costs were in themselves restraining factors, the absence of any visible limits to their still further expansion was still more restrictive.
3. The actual incidence of the expenditures made by government, and the persons who received the money, both on the original and subsequent turnovers thereof, were different than they would have been had the expenditures arisen from normal trade recovery. Such expenditures were less likely to represent the resumption of activity at economically strategic points than corresponding expenditures arising from private activities.
4. The expenditures were very generally made for enterprises which were in whole or in part free of taxation, and which were seldom designed to operate on a fully self-sustaining basis when all costs, including an allowance in lieu of taxation, were considered. They frequently caused the removal of private property from the tax rolls, and the burden of the loss of taxes was thrown back on other property owners. In a word, some sort of subsidy, direct or indirect, was involved, and consequently, they tended to add to the general overhead burden of government instead of making a contribution to it. Thus they tended towards an ever ascending spiral of deficits, governmental overhead burden, and tax penalties.
5. Some government projects competed directly or indirectly with private enterprise.
6. Some were constructed under regulations which established rates of pay or other conditions out of line with local conditions.

It is reasonably clear that measures of this sort which do not result from a careful consideration of practical detail, as well as of general theory, are not likely to produce very effective results.

The use of governmental projects to stimulate business in depressions may enjoy limited success at times in the future, but they will be a really effective stimulant only if they meet the following conditions:

1. They do not compete with private business and discourage its expansion.
2. They supply a service for which a toll or other direct charge can be made which enable them, not only to carry all costs which private enterprises commonly bear other than taxes, but also to make payments to the government in lieu of the taxes which a private enterprise would pay, and something by way of a profit to the government, as a contribution to the general governmental war and other overhead, thus reducing rather than increasing the penalties on private industrial success.
3. They are so designed with respect to many other details as to contribute to normalcy rather than to create conditions which are untenable in the future, unnatural, or uneconomic.

Projects which do not fulfill these requirements add to the general overhead of government, and contribute to the establishment of unnatural economic interrelationships. The projects which can fulfill these requirements are limited in number, but they do exist. Toll express highways and toll bridges are notable examples of projects which could be set up to meet these requirements. Housing projects could be redesigned to meet them.

There are unavoidable construction activities of government which are paid for by way of the general overhead, but which might conceivably be timed in part in such manner as to be of assistance in recovery from depression, but experience seems to indicate that the timing will not be notably satisfactory. Expenditures which may be necessary to keep body and soul together under especially adverse conditions will add to the general overhead, and cannot be honestly alleged to be effective business stimulants. They must rather be justified on humanitarian grounds, and regarded as a necessary burden. It is always customary to cite the indirect benefits attributable to governmental enterprises as a justification for them. There are also indirect benefits from enterprises which directly carry themselves, public and private, and from all production activities. When we get into the realm of indirect gains, we are too far from the direct and tangible results which alone are effective stimulants to the upward movement of the business cycle.

Just as the character of the government projects which will be really effective business stimulants is limited by practical considerations of their actual application in real life, so, too, the realistic effectiveness of deficit financing and low money rates is limited. If such financing results in an undue increase in governmental borrowing, in the distortion of the relationship between the aggregate volume of deposits and currency in circulation to other factors, in the distortion of capital values to other conditions, in a spiral of ever-increasing governmental overhead expense and penalties on success, and, perhaps, in the distortion of other economic factors, then it will do more harm than good. On the other hand, a few moderate deficits in years of

(Continued on page 900)

Some Limitations Of Easy Money And Collateral Theories

(Continued from page 899)

especial adversity will not be harmful.

As we have previously indicated, the success of the measures taken to stimulate business in the 1930s was far from outstanding. Throughout the entire decade, business never showed sufficient vitality to produce even a normal demand for capital, and it was the only decade in our history in which our aggregate production showed no appreciable net gain, even if the most optimistic revised indices are used. To some extent at least this was an aftermath of the policies of the 1920s. But it seems clear enough that the policies of neither period were ideal. In both, we operated the money system according to theories very different from those behind the gold standard, and very largely according to the course of commodity prices and the degree of business activity. The relations among the aggregate volume of bank deposits and currency in circulation, money rates, commodity prices, and the degree of business activity are obviously not clear, definite, fixed and uniform. They are variables. An attempt to govern specifically such sensitive, volatile, and rapidly moving business factors as prices and the degree of business activity by influencing the course of such a slow factor as the aggregate volume of bank deposits and currency in circulation through money rates, or through money rates and deficit financing, is obviously doomed to failure at the start. A principal result of these abortive efforts to do the impossible was very naturally the creation of distortion within the money system itself and in its relation to other factors. This distortion in turn communicated itself to other factors, and found expression in the 1920s in a gross distortion of capital values, and the creation of vast amounts of unsound credit against them. Not only security values, but the values of real estate and other capital assets were affected. Over-optimistic credits were also created in the foreign field. The readjustment of these abnormalities was very painful. In the late 1930s the aggregate volume of bank deposits and currency in circulation was again distorted on the high side, this time by the abnormal creation of governmental credits. Such credits having been of a less volatile nature than the credits created against capital values in the 1920s, and war having come along, we cannot say on the basis of the subsequent history of this particular period, what the ultimate result of this development would have been had peace continued, but it is a safe inference from many other historical precedents that if any end to the constant additions to penalties on success could have been seen, business activity and prices would ultimately have advanced in a strong and disorderly manner, in part upon the basis of new borrowings, and in part upon the basis of a mere resumption of a normal rate of turnover of the abnormal volume of bank deposits then already created. It is also a safe inference from historical precedent that a disorderly advance will be followed by a disorderly recession. These policies would, therefore, have sent us around the same old circle of ups and downs, but in intensified degree.

The net conclusion from these observations of the limitations of present financial policies and those of the 1920s and the 1930s is that the pre-1914 gold standard produced better results on the whole in peace times than the managed money theories of later date, in spite of the fact that it was too inflexible to meet the post high point of the cycle demand for credit and, therefore, at times produced money panics of short duration, and in spite of the fact that the gold reserve did not grow in exact correlation with the average rate of growth of trade and production, and consequently appeared at times to exert minor restrictive or moderately overstimulative influences. Subject to these minor qualifications which are capable of easy correction, its fundamental concepts were deeper and more in accord with the realities of life in peace time than were the later policies. These fundamental concepts, as I interpret them, were as follows:

1. The existence of a monetary gold base which grows by small annual increments. As noted above, the growth of this base was not correlated exactly with the average long rate of growth of trade and production, but was influenced by the rate of discovery of gold and the use of gold in the arts. Nevertheless, it provided well understood limits to both expansion and contraction of credit. It was known that annual changes would be small, and that altogether inordinate changes during any short period, or even over the years, were most unlikely. Consequently, it provided a basis for forecasting and inspired confidence.

2. It provided a means by which minor maladjustments in international accounts could be settled without the extension of credit.

3. It provided a means by which the prices of international commodities, and the conditions of their production in various countries could be kept in reasonable alignment.

4. It unconsciously recognized the limitations of the accomplishments possible in peace times by any money management. That is to say, it provided for more or less automatic easing of money rates in inactive periods, and for more or less automatic firming of them in the event of over expansion of current credits, but it did not seek to govern prices or the degree of business activity in specific terms at specific times—that is to do what it is impossible to do by means of any monetary management. Consequently it had a rather higher degree of success in avoiding distortion within the money system than our later policies. Reactions were consequently of shorter duration and less severe, when the old gold standard system was in operation.

5. It also unconsciously gave some recognition to the existence of a true or natural level of interest rates. It did this none too perfectly, but, nevertheless, far better than policies which distort the aggregate volume of bank deposits and currency in circulation, and the level of interest rates pending the development of certain preconceived price changes, or the attainment of a specific degree of business activity, or some combination of the two, which are to be ascertained in quantitative terms by no known or clearly understood standards or principles, and which disregard all influences of money rates upon other factors such as their influence upon savings and capital values.

Upon the whole, the pre-1914 gold standard was for ordinary peace times more satisfactory, and based upon a deeper and fuller consideration of realities than the peace time policies of later years. The defects of the system for peace time use were merely (1) that the growth of the basic gold reserve was left to chance, and was, therefore, subject to the unpredictable, though not radical, influence of changes in the rate of gold discoveries, and (2) a lack of flexibility in the matter of meeting the peak demands for credit and currency which arise for a short time after the business cycle begins to turn down from a peak—a defect which produced money panics of short duration from time to time, less damaging, however, than the bank troubles of 1930s. Even the first defect was less disturbing than the errors of policy in the 1920s and 1930s and neither of these defects of the old gold standard system is insuperable. Our gold reserve could be segregated into two categories, one of which would serve as the reserve base of the domestic bank deposit and currency structure; and the other as a pool of gold from which annual increments could be made consciously to that portion of the gold which would serve as the reserve base, and from which gold exports and other withdrawals would be made, and to which gold imports, new production and other payments of gold would be added. It is a relatively simple matter to work out an arrangement, whereby paper could, if necessary, be substituted in part for gold in that portion of the gold which would serve as the reserve base of the domestic bank deposit and currency structure, so that this reserve base could be kept growing in accordance with the average long term rate of growth in our trade and production for an indefinite period irrespective of the actual rate of gold discoveries; or if such discoveries were too large a portion thereof could be added to the non-reserve or depositary gold fund for an indefinite period. By the use of a uniform and low reserve requirement for member banks, the supply of gold would be found adequate to inaugurate and continue operation of this system. Reserve policy would then be expected to keep the departures of the line of growth of the volume of member bank reserves from the line of growth of the reserve gold base within reasonable limits. This set-up would also give a greater degree of flexibility in the matter of gold exports and imports, which could take place in the period of readjustment after the war without disturbing the course of domestic money policy.

The second defect of the old gold standard system as operated in this country—the lack of flexibility to meet post peak special demands for credit would be cared for by the present rediscount and open market provisions.

We would then have the old gold standard system scientifically redesigned, and connoting monetary policies based on broader, sounder, and more basic considerations than those followed in the years of peace since the first World War. It would not seek to govern the degree of business activity or the course of commodity prices specifically—which is beyond the capacity of any monetary system. But it would seek to avoid distortion within the monetary system itself, particularly in the following respects:

1. In the aggregate volume of bank deposits and currency in circulation, or quantitative distortion in monetary factors in relation to the long term rate of growth of trade and production.

2. In the quality and amounts of credit extended for various purposes, by better education of bank management, but not by centralized control—that is to avoid qualitative distortion of the money system.

3. In the relation of money rates to factors other than the degree of business activity and commodity prices. That is to say, it would seek to provide a means by which true interest rates could express themselves, thus avoiding distortion in the valuation of capital assets, the rate of saving and other economic relations. The feature would be a natural corollary of 1, and 2.

It is, of course, obvious that neither the revised gold standard system nor any other well conceived money system or policy can operate effectively unless government finances are sufficiently in balance and under control, so that the exigencies of government finance do not upset it. It is also necessary to point out that the system outlined would involve undertaking the stabilization of the gold supply used as the reserve base of the domestic bank deposit and currency structure, which might tend in time to produce some stabilization of gold as a reserve base for other countries. Helpful as would be the additional flexibility, which the system would provide with respect to the size of the gold exports and imports which could be made without disturbing the domestic monetary situation, it cannot be said that this single measure would by any means solve all the collateral problems of international finance after the war. In spite of this increased flexibility, the broader aspects of those problems would still remain. Some ideas on these international problems have been in other articles in the "Chronicle." In addition to the means previously suggested for maintaining a degree of order in the solution of these broader problems, it is believed that the increased ability to export and import gold without domestic disturbance could be positively used to good advantage in bringing about more orderly conditions in the world, but it should not be used without regard to reasonable limitations to be imposed by policies with respect to international credits and other aspects of our international dealings. It is presumed that we would take care through these other controls that in providing flexibility in the international gold supply during the period of post-war readjustment, we did not either take in everyone else's gold in exchange for our merchandise, or deplete our aggregate gold supply beyond all reason.

The monetary set-up and policy suggested herein were once put forth in printed form in a pamphlet under the title "Proposal for a Two Fund Gold System", which encompassed many more details than are covered herein. Criticism indicated the conceptions stated therein and herein were thought by many to connote a merely statistical or arithmetical administration of monetary policy, even though it was made abundantly clear in the pamphlet that this was not so. It cannot be claimed that giving primary weight in reasonably normal peace times to the rate of growth of bank reserves, and endeavoring to produce over a period a reasonable coordination of the rate of growth of such reserves with the long term rate of growth of our trade and production, rather than governing reserves so extensively by the current temporary course of commodity prices and business activity necessarily involves a mere statistical or arithmetic approach to money policy. Naturally after an era of war time inflation one would not expect to begin with a pre-war base, but with one which reflected the current situation. Nor can one say that in considering whether the growth in bank reserves was reasonably in accord with the long term rate of growth of trade and industry, no consideration should be given changes in habits or customs, or any other factors, if any, which might permanently change the usual relation of the volume of bank deposits and currency in circulation to the volume of trade and business. Nor does the expression of these thoughts as to money policy in broader language, as the principle of avoiding qualitative and quantitative distortion within the money system, connote a final determination of money rates or the volume of member bank reserves by any purely statistical or arithmetical process. Lord Keynes has well said that economics is an art not a science. The conversion of the principles set forth into specific terms of concrete action would require the highest skill, experience and judgment, if it is to be well done. The objective is not to preclude consideration of any of the economic evidence or influences which have been used in connection with the formulation of money policy in the past, or to set forth a single simple formula by which all problems of the future may be solved, but rather to reorient and readjust the relative weights which have been assigned to various considerations in the past, in order to attain better overall results, and to avoid the danger of producing general economic disturbance rather than mitigating it. It must be self-evident that even the policies suggested herein may at times be impossible to carry out perfectly. The avoidance of extreme qualitative distortion might, for example, make some slight departure from the objective of avoiding quantitative distortion necessary in the direction of restricting credit more firmly for the moment than would otherwise be the case. But such difficulties should be easily met with a little common sense in the application of the principles set forth. Nor was it meant to infer that the specific detailed machinery suggested in the pamphlet was necessarily the best that anyone could devise to attain the same objectives. If they can be attained in a better way, that is all to the good. The main point is to avoid distortion of the money machinery by attempting to use it for purposes for which it cannot be successfully used, or by operating it according to theories which fail to give due weight to all the direct and indirect effects of monetary actions, and to devise changes which will facilitate the attainment of this objective.

It is almost self-evident from the record that the course of monetary policy in the peace times following the first world war was not ideal, and that it concentrated its attention too exclusively upon unattainable temporary objectives, *because* it sought to govern the course of business activity and commodity prices, which are volatile, through its influence on the volume of member bank reserves, which is a slowly moving affair, the course of which is generally gradually upwards, and which can be moved upward with ease, but can be very much contracted only with disturbing results. It may well be that those who governed money policies during those periods will deny that they sought to govern the course of commodity prices or the degree of business activity by such means. But they cannot deny that they governed their own monetary actions chiefly by these two considerations, which amounts to the same thing in practice, and is only a play on words. Fundamental policy to be successful over a longer period must be based upon a broader, deeper, and more realistic consideration of the practical possibilities of the influences of monetary factors, than the temporary and immediate course of commodity prices and business activity alone. The gold standard system in the pre-1914 era, in spite of its limited defects, was based upon such considerations, and its defects can be easily removed, so far as peace-time operation is concerned, in the manner herein

Industrial Activity Continued Slight Decline In July Federal Reserve Board Reports

The Board of Governors of the Federal Reserve System in its summary of general business and financial conditions in the United States, based on statistics for July and first half of August, stated on Aug. 26 that: "Industrial production and employment declined slightly further in July. Wholesale commodity prices generally continued to show little change, while the cost of living increased somewhat," said the Board's announcement, which went on to say:

"Output at factories and mines continued to decline slightly in July and the Board's seasonally adjusted index was 233% of the 1935-39 average as compared with 235 in June. The decrease in industrial production largely reflected small declines in a number of industries due to continued minor readjustments in the munitions program and to manpower shortages.

"Output of steel and of nonferrous metals declined further in July to levels respectively 8% and 20% below the high levels of last autumn. A small decrease in activity in transportation equipment industries reflected partly the indirect effects of manpower shortages in foundries and continued readjustments in the shipbuilding and aircraft industries. In August a cutback in aircraft production was announced which was expected to result in the immediate release of 20,000 aircraft workers and the gradual release of 100,000 more during the balance of this year.

"Production of manufactured dairy products and meats, after allowance for seasonal change, was maintained in July while output of other food products declined slightly. Cotton consumption showed little change from the rate of the last two months. Activity in the rubber products industry continued to decline slightly in July and supplies of heavy truck and bus tires available for civilians during the third quarter were substantially below estimated needs. Output of chemicals likewise continued to decline slightly.

"Crude petroleum output and metal mining were maintained in large volume during July. Coal production dropped 5% from the level of the preceding month, but for the year through Aug. 12 was approximately 8% above the corresponding period of last year, reflecting uninterrupted operations, longer working hours, and a great expansion of strip mining.

"So far this year the value of construction contracts awarded, as reported by the F. W. Dodge Corp. for 37 States, has fluctuated around 160 million dollars a month—the lowest level since early 1935.

Distribution

"Department store sales declined considerably less than is usual in July, and have continued in August at a higher level than a year ago.

"Freight carloadings continued to rise in July and were maintained at a high level during the first two weeks in August. There were considerable increases in shipments of grain, forest products, and miscellaneous freight, offset partly by a small decrease in coal shipments.

Agriculture

"Dry weather during July in the East Central area has reduced somewhat national prospects for corn, hay, and potatoes. Aggregate crop production, however, is likely to exceed last year by 5%, reflecting chiefly a record wheat crop 35% larger than last year.

"Total production of all feed grains is estimated at 112 million tons compared with 115 million tons produced in 1943. While hay production, except in the drought areas, has been large, it will provide a smaller supply per animal unit than has been available in any of the last six years.

"Crop prospects for most fruits and vegetables, except potatoes, are better than last year. Tobacco production is indicated as being above average and cotton yields may be good as dry weather has held the bollweevil in check.

Bank Credit

"In the five weeks following the close of the Fifth War Loan Drive, loans by banks for purchasing and carrying U. S. Government securities declined sharply; calls on war loan deposits and subsequent Treasury expenditures increased adjusted demand deposits and consequently required reserves; the rapid outflow of currency into circulation was renewed, and excess reserves declined.

"In the five weeks from July 12 through Aug. 16 loans to brokers and dealers for purchasing and carrying Government securities declined 500 million dollars to about the pre-drive level. Loans to others for purchasing and carrying Government securities declined about the same amount, but are still considerably larger than before the drive. Commercial loans continued to show little change.

"Treasury war-loan balances at all depositaries declined in the five-week period by 2.7 billion dollars. At weekly reporting banks, Government deposits fell by 2.2 billion during the same period and adjusted demand deposits increased by 1.4 billions. Time deposits continued the steady increase that has been in progress for more than a year.

"Following a slackened rate of outflow during the war loan drive, currency renewed its rapid outflow and in the next few weeks increased at a rate of about 500 million dollars a month. The resulting drain on bank reserves and the increase in required reserves were met in part by purchases of Government securities by the Reserve Banks and in part by a decline in excess reserves.

"Weekly average excess reserves of all member banks declined about 300 million dollars from their peak during the war loan drive and amounted close to 1.1 billion dollars in mid-August. The rate of decline was about the same at reserve city and at county banks."

Editor's Note: The Reserve Board's statistical indexes of business activity during July was given in Section 3 of today's "Chronicle", on page 972).

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indicated. Under such a system, we would in the worst eventuality be virtually certain to avoid radical monetary distortion, since the avoidance of such distortion would be its first objective, and all changes at any time made in the monetary base would be small and gradual. This in itself would establish a high degree of confidence in our business future and would be helpful. It would, therefore, represent a distinct forward step.

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.

OUR REPORTER'S REPORT

One seldom hears any complaint when business in a given line is good, but then it is the exception which proves the rule, to recall an old adage. Distributers of new securities, from the underwriters right on down through to the smaller firms which do the retailing, have not been too busy through the summer months now drawing to a close.

And they haven't been complaining too much about the relative scarcity of new offerings particularly through the August hot spell. But now things are beginning to look up and much business, in the way of new securities, is coming rapidly to a boil after a long sojourn on the back of the stove.

This would be welcome news ordinarily. The trouble, however, is that too many of the near-term issues are "bunched" closely together. Stock Exchange member firms are especially concerned, according to current gossip, and are reported to have approached Exchange officials to see what can be done to relieve the situation.

These firms operate under the strict rules of the Exchange and the Securities and Exchange Commission as they relate to capital employed, and it is likely that participation in a group marketing one issue might tie up a sufficient amount of their capital to keep them out of a participation in another undertaking at the same time.

There is expectation in some quarters that the Exchange authorities may approach the SEC with a proposal that it act to "space out" the marketing of the potential new issues so as to avoid any such jam, since it is conceded generally that "all hands" are needed pretty much these days to carry through an undertaking.

Six Issues in Two Days

As things now stand, the new issue calendar calls for the sale in open competition of six issues in two days early next month, namely September 11 and 12.

Since it takes several days to clear through the Securities and Exchange Commission, after a syndicate has successfully bid in a deal and, since participants in the winning syndicate must go "firm" on their share, capital involved would be tied up in the interim.

The largest of these undertakings is that involving $100,000,000 of refunders on which the Great Northern Railway will receive bids on Sept. 12.

On the same day the Connecticut Light & Power Co. will sell $10,000,000 of first and refunding 3s, due 1974; Pillsbury Flour will market an issue of $7,500,000 and Empire District Electric will sell $10,600,000 of bonds and 350,000 shares of common stock, the latter now held by Cities Service Power & Light Co.

Next Week Busy Period

In advance of the foregoing period, next week holds promise of a turnover well in excess of $100,000,000 in face amount.

The largest undertaking in that interval, that projected by Armour & Co., presents one of those increasingly rare occasions when the underwriters have acquired the securities involved through negotiation, rather than in competitive bidding.

This offering involves $65,000,000 of first mortgage 3¼% series E, sinking fund bonds, due Sept. 1, 1964, which will yield the company funds, along with $10,000,000 of bank loans and general funds, for the retirement of $76,365,000 of outstanding series B, C and D bonds. Marketing is now scheduled for next Thursday.

Meanwhile on Wednesday Birmingham Electric Co. will open bids for $10,000,000 new 30-year first mortgage bonds to provide for retirement of a similar amount of outstanding 4½s, and Western Union Telegraph's $24,600,000 refinancing will be on schedule on Tuesday.

Commonwealth Edison Co.

Spade work is reported well along on the huge refinancing program planned by the Commonwealth Edison Co. and its subsidiary, Public Service Co. of Northern Illinois.

This shapes up as one of the largest projects under the Truth in Securities Act, and may run to more than $150,000,000.

The companies are intrastate organizations, however, and unless the State Commission, or the SEC should order the business to open competition, it could as in the past turn out to be a negotiated deal.

Thus far no intimation has been forthcoming to indicate the attitude of the company in the matter, although in the past, its business has been negotiated directly with its own bankers.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 886)

glasses, the view is bullish. Tape action confirms this practically all the way. Carrying this observation to its logical conclusion, there is nothing to do but to buy. Of course, buying cannot be indiscriminate. For even if the market looks higher there are still plenty of stocks which show nothing or lower prices.

* * *

Last week readers were told that the Dow industrials, then 149, would react to about 147 and then turn up again. Specifically, this was translated into individual stocks that looked higher and on the reaction could be acquired without chasing. Well, during the past few days, the average managed to go down to the figure previously mentioned. One day on a low it even reached 146.50. But, despite the setback, the stocks recommended didn't react in proportion. In fact, Bethlehem, which I advised as a buy at about 60, failed to get that low. Same thing was true for Crown Zellerbach, which was just under 20 last week. Purchase range was 18-18½. Low point, despite the reaction, was 19 and a low fraction.

* * *

You are still long of Bendix, 38½, now about 43. Stop remains 35. Lockheed was bought at 17 (now 17¼), stop 15. U. S. Steel came into the list at 58½, rallied across 60 and is now back to about where you bought it. Position remains unchanged. Stop stands at 55.

* * *

Allied Mills received its first recommendation here last week. It was to be bought between 29½ and 30½. During the past few days it sold down to 30. Stock seems on the verge of a good advance that should carry it up about five points. Stop in Allied Mills should be carried at 28.

* * *

Rails and rail equipments plus some of the specialty steels are beginning to act as if they are headed for higher levels almost immediately.

* * *

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.]

Ayres Cites Problems Of Industry Involved In Reconversion

(Continued from page 883)

pleted articles. There will be many conflicting pressures in a part war-time and part peace-time business economy.

"These small beginnings of the reconversion of industry for peace-time production came into being only after a series of bitter controversies in Washington. The War and Navy Departments fought a long and losing battle against permitting even the beginnings of reconversion at this time. The stubborn tenacity with which the military services opposed any relaxation of controls emphasizes once more the necessity of having in this country in time of war a strong civilian agency like the War Production Board which can mediate between the long-term peace requirements of the nation and the short-term imperatives of the war."

In New Quarters

George R. Cooley & Co., Inc. announce the removal of their offices to 52 William Street, New York City. The telephone number, Whitehall 4-3990, will remain unchanged.

Trend Of Rail Earnings

McLaughlin, Baird & Reuss, 1 Wall Street, New York City, have prepared an interesting discussion entitled "Interpretation of Narrowing Trend of Rail Earnings Decline." Copies of this discussion may be had from the firm upon request.

Realty Sales By Life Insurance Companies In Past 12 Months

More than $340,000,000 of real estate has been sold by the U. S. life insurance companies in the past 12 months, according to the Institute of Life Insurance in a release made public on Aug. 29 and which also said:

"The properties now under contract of sale amount to $200,000,000, making an aggregate of $540,000,000 either sold outright or under contract of sale. Of this, $250,000,000 represents farm properties and $290,000,000 urban properties, chiefly homes and apartment buildings.

"This has reduced the three billion dollars worth of real estate taken over by the life insurance companies under distress conditions during the depression to present holdings of approximately $950,000,000. The more than two billion dollars worth sold was largely rehabilitated and improved to community standards before being returned to individual ownership."

Jac. Ducornau Joins White Hattier Sanford

NEW ORLEANS, LA.—Jac. P. Ducournau has joined the partnership of White, Hattier & Sanford, Whitney Building. Mr. Ducournau has been in business as an individual, specializing in Louisiana and Mississippi municipal bonds, for many years.

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., 31 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Uuterberg & Co.

Interesting Canadians

Charles King & Co., 61 Broadway, New York City, members of the Toronto Stock Exchange, have prepared a list of interesting postwar equities in Canadian Gold Shares. The list of dividend payers, and prospects in promising areas may be had from the firm upon request.

US Place In World Economy Topic Of Conference Series To Be Opened by NYU

The Institute on Postwar Reconstruction at New York University will open a series of weekly conferences beginning September 27 on "America's Place in the World Economy," Dr. Arnold J. Zurcher, director of the Institute, has announced.

Among the economists, social scientists, and public officials who will participate in the conference are Dr. Herbert Feis, formerly consultant on economic problems in the State Department and an authority on international finance; Dr. Corwin D. Edwards, expert on cartels, until recently attached to the State Department; Dr. John B. Condliffe, economist on the faculties of Yale University and the University of California and author of "Agenda for the Postwar World."

Also, Dr. Marcus Nadler, Assistant Director of the Institute of International Finance; Harry D. White, head of the United States delegation at the Bretton Woods Conference and author of the "White Plan for Currency Stabilization;" Dr. Henry Pratt Fairchild, population expert; and H. W. Chamberlin, former Moscow correspondent for the "Christian Science Monitor" and author of many works on the Russian economic system.

Individual meetings will consider such questions as America's international economic policy, the future of the nation's foreign trade, the investment of American capital abroad, the gold standard, the possible use of stabilization funds and an international bank, immigration and world population movements, and international cartels and private trade agreements.

Senators Say Lend-Lease Should End With War

That Lend-Lease aid to other countries must be brought to an end at the close of the war, was the view expressed on Aug. 24 by top-ranking members of the Senate's Foreign Relations Committee, said Associated Press dispatches from Washington on that day, which also had the following to say:

Chairman Connally, Democrat, Texas, and Senator George, Democrat, Georgia, who piloted the lend-lease program to Senate passage during his chairmanship of the comittee, shared belief that its use is limited strictly to military and defense measures.

George said he thought the implications of President Roosevelt's message yesterday submitting a quarterly lend-lease report to Congress was "exactly in accord with my concept of lend-lease."

"The underlying basis of the lend-lease program is the defense of this country providing for aid to those countries whose defense is vital to our own."

The President asserted that "until the unconditional surrender of both Japan and Germany," the United States should continue lend-lease "on whatever scale is necessary to make the combined striking power of all the United Nations against our enemies as overwhelming and as effective as we can make it."

Without commenting on the President's language, Connally told a reporter:

"Lend-lease was a military and defense measure. When the war with Germany and Japan comes to an end, lend-lease should be terminated."

Gallup Poll Attacked By Dem. Committee

The Democratic National Committee on Aug. 27, made an attack on the "validity" of the Gallup poll said a dispatch from the "Herald Tribune" Washington office on Aug. 27, which added:

The attack came as a surprise to Washington observers because the Aug. 22 poll showed President Roosevelt leading in 28 States having 286 electoral votes and Governor Thomas E. Dewey in 20 with 245 electoral votes.

Ignoring the fact that the poll gave President Roosevelt the overall lead, the national committee's "weekly clip sheet" took the poll to task because, according to the sheet, it showed that Mr. Dewey "is sweeping the Middle West, is vastly in the lead in the mountain States and has New York and Pennsylvania in the bag."

The national committee called it a "curious coincidence" that in Aug., 1936, the same poll showed Governor Alfred M. Landon leading with "271 electoral votes against Roosevelt's measly 259 votes." whereas Mr. Roosevelt won in Novmber in a landslide. It also castigated the poll for showing in August, 1940, that States with 304 votes "leaned" toward Wendell L. Willkie while only 227 "leaned" toward Mr. Roosevelt, whereas the November vote gave Mr. Roosevelt 449 electoral votes and Mr. Willkie 82.

Referring to the poll's manager as "the crystal ball prognosticator," the committee said:

"Everybody is entitled to his own deduction as to the reason for this alleged scientific poll's showing the Republicans always in the ascendancy — and a last-minute shift in the stories to bring them within shooting distance of the ultimate result."

The New York World-Telegram of Aug. 28 stated that:

Directors of the Gallup poll, defending the validity of their poll against attacks by the Democratic National Committee, said today that experience had shown that criticism of the poll was to be expected from either Republicans or Democrats, "depending on which side our poll showed in the lead."

Pointing out that the Democratic Committee had chosen to ignore President Roosevelt's current ascendancy in the poll, the Gallup directors charged that the Democrats had misread the results of the latest Gallup report last Wednesday, the report which found the President leading in 28 States with 286 electoral votes, against 245 electoral votes in 20 States for Gov. Thomas E. Dewey, his Republican Presidential rival.

In refutation of the Democratic Committee's claims that the poll had shown Gov. Dewey "Sweeping the Middle West, vastly in the lead in the Mountain States and with Pennsylvania and New York in the bag, the Gallup directors, referring to their last Wednesday report, declared in a statement issued from their local editorial offices:

"We should like to point out for the record that our first published report on the 48 States, released last Wednesday, showed President Roosevelt ahead. Also Mr. Dewey was not shown 'vastly in the lead' in the Mountain States. The poll put five of the eight Mountain States in Mr. Roosevelt's column, three in Mr. Dewey's. As for New York, the poll reported Mr. Dewey leading there with 52%. That is hardly 'in the bag' for him.

"Moreover," the statement stressed, "the poll showed Pennsylvania leaning Democratic, not Republican as the Democratic Committee declares."

The Gallup statement was issued by its editorial offices here in the absence of Dr. George Gallup, who is in Canada.

J. A. Krug Acting Chairman Of WPB

Lieut. Commander J. A. Krug, was appointed on Aug. 25 by President Roosevelt as Acting Chairman of the War Production Board during Donald M. Nelson's absence in China.

Mr. Krug was appointed head of the Power Branch of OPM in June, 1941, and held the same position with WPB until he became Deputy Director General and head of the Distribution Bureau in August, 1942. He was appointed director of the Office of War Utilities in the early part of February, 1943, and later that month was also appointed Program Vice-Chairman, which positions he held until April, 1944. He left the WPB to accept a commission as Lieut. Commander in the United States Navy, where he was attached to the Office of the Under Secretary of the Navy.

Attractive Situations

Durez Plastics & Chemicals and Hotels Statler offer attractive possibilities according to descriptive circulars issued by Doolittle, Schoellkopf & Co., Liberty Bank Building, Buffalo, N. Y., members of the New York Stock Exchange. Copies of these interesting circulars may be had from the firm upon request.

Taxes And Reconversion

Hirsch, Lilienthal & Co., 25 Broad St., N. Y. City, members of the New York Stock Exchange and other exchanges, have prepared an interesting study of taxes and reconversion. Copies may be had from the firm upon request.

Wall Street

New York has a Canyon that's narrow and deep,
That's just wide enough for one little jeep.
Oh this was a cow path, old-timers will tell,
A pasture and field with farmhouse and well!
Then cattle were grazing, so quiet and still,
No one was about on valley or hill.
But all this is diff'rent, the years brought a change,
And thousands are rushing now over this range.
From Jersey, from Newark, from Brooklyn, from Queens,
Disgorged by the subway in colorful streams.
While the walls of this canyon are towering high,
It's not scenic beauty that draws people nigh.
It's stocks and it's bonds, it's hectic trading—
The bulls are still here, but the cows are fading!
New York has its wolves and "The Street" has its bears,
As you may find out when buying your shares!
The farmer has left, but there's still that old hick
Will buy Brooklyn Bridge or any gold brick!
The yachts and the cars and the once private trains
Have gone for duration just like the planes
That brought all those famous, those fabulous men,
The tycoons to business again and again.
So gone is the farmer from that winding street,
Re-echoing now with thousands of feet.
While telephone bells and while buzzers jingle,
The teletype ticks, their noises mingle.
For this is the pulse-beat, the hum and the glow,
The glamorous life that makes Wall Street go!

—*E. Roberts Langenau.*

Calendar Of New Security Flotations

OFFERINGS

ARTLOOM CORPORATION has filed a registration statement for 100,000 shares of common stock (no par). Holders of common stock of record Aug. 28, 1944, are 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. Rights will expire Sept. 11. Almost the entire net proceeds will be used to retire the company's preferred stock which it is estimated will require approximately $470,233, any balance will be added to working capital. 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. Offered Aug. 28, 1944 by Van Alstyne, Noel & Co., Doolittle, Schoellkopf & Co., Hemphill, Noyes & Co. and Schoellkopf Hutton & Pomeroy, Inc. at $6 per share.

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, 66,505 were offered to the holders of common stock of record Aug. 18 for subscription pro rata at the rate of 16 shares of preferred for each 100 shares of common stock held. Subscriptions rights expired Aug. 25. Employees were offered not more than 10,000 shares at the same price during the same period. Of the 70,000 shares offered 54,196 shares were purchased by stockholders and 2,937 by employees. The balance (12,867 shares) were publicly offered Aug. 29 at $50 per share by Harriman Ripley & Co., Inc., Hemphill, Noyes & Co., The First Boston Corp., Kebbon, McCormick & Co., Lehman Bros., Merrill Lynch, Pierce, Fenner & Beane, Clark, Dodge & Co., Eastman, Dillon & Co., Hornblower & Weeks, and W. E. Hutton & Co. Filed Aug. 2, 1944.

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.

A total of 54,054 shares of common stock (no par) offered Aug. 20 at $20 per share by Allen & Co.

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.

Bonds awarded Aug. 28 on bid of 103.52 as 3⅛s to White, Weld & Co., Shields & Co. and associates.

Offered Aug. 30 at 104.4877 and interest by White, Weld & Co., Shields & Co., Kidder, Peabody & Co., Hallgarten & Co., and associates.

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. 31

THE EDWARD G. BUDD MANUFACTURING CO. has filed a registration statement for 95,868 shares (no par) $5 cumulative prior preferred stock of which 60,000 shares are to be publicly offered and 35,868 are to be continued to be offered to holders of 7% cumulative preferred stock for exchange and the basis of 2 shares of $5 cumulative prior preferred for each one share of 7% cumulative preferred. Proceeds will be used to redeem that portion of the 7% preferred stock not converted to $5 cumulative prior preferred at 107.71 or $110 plus accrued dividends from Nov. 1, 1930. If there is no further exchange of 7% preferred the cost of redemption of 17,934 shares of such stock will be $3,725,071. Proceeds in excess of amount required to redeem 7% stock will be used for working capital. No underwriters named. Filed Aug. 12, 1944. Details in "Chronicle," Aug. 24, 1944.

SATURDAY, SEPT. 2

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceeds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

SUNDAY, SEPT. 3

SOLAR MANUFACTURING CORP. has filed a registration statement for 90,000 shares of series "A" convertible preferred stock (par $5). Of the proceeds $575 will be used for additional working capital; $100,000 for mechanization of factory operations; $80,000 for readaptation of plant to peacetime operations. Van Alstyne, Noel & Co. are underwriters. Filed Aug. 15, 1944. Details in "Chronicle," Aug. 24, 1944.

MONDAY, SEPT. 4

THE MUTUAL TELEPHONE CO., HONOLULU, HAWAII, has filed a registration statement for 100,000 shares ($10 par) capital stock. Stock will be offered to holders of presently outstanding 500,000 shares of capital stock at par on basis of one share for each five held. Any stock not taken by stockholders will be sold at public auction. Proceeds for working capital. Filed Aug. 16, 1944. Details in "Chronicle," Aug. 24, 1944.

TUESDAY, SEPT. 5

THE NARRAGANSETT ELECTRIC CO. has filed a registration statement for $31,500,000 first mortgage bonds, series A, 3%, due 1974. Bonds will be offered at competitive bidding. Proceeds will be applied to redemption of outstanding series A, 3½% first mortgage bonds, due 1966. Filed Aug. 17, 1944. Details in "Chronicle," Aug. 24, 1944.

WEDNESDAY, SEPT. 6

WESTERN UNION TELEGRAPH CO. has filed a registration statement for $24,603,000 convertible debentures and an indeterminate number of shares of class A stock to be available for conversion. Subscription warrants will be issued to present holders of company's class A and class B stock entitling them to purchase $100 principal amount of the new debentures for each 5 shares of class A stock or each 8⅓ shares of class B stock held on a record date to be supplied by amendment. Proceeds plus whatever general funds are necessary will be applied to the redemption on Dec. 1, 1944 of $25,000,000 25-year 5% bonds at 105% plus accrued interest. Names of underwriters and interest rate to be supplied by amendments. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24, 1944.

ARMOUR & CO. has filed a registration statement for $65,000,000 first mortgage, 3¼%, sinking fund bonds, series E, due Sept. 1, 1964. Proceeds will be used together with $10,000,000 bank loans and general funds of company to retire outstanding $76,365,000 series B, series C and series D bonds at 105 and interest. Kuhn, Loeb & Co. are named principal underwriters. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24, 1944.

THE UTAH RADIO PRODUCTS CO. has filed a registration statement for $1,175,000, 10-year, 4½% convertible debentures and 146,875 shares ($1 par) common stock for issuance upon conversion of the debentures at any time prior to Sept. 16, 1954 at rate of 12½ shares of common for each $100 in debentures. Underwriters are Cruttenden & Co., $200,000; Bankamerica Company, $200,000; Mackubin, Legg & Co., $200,000; Paine, Webber, Jackson & Curtis, $100,000; A. G. Edwards & Co., $100,000; Dempsey-Detmer & Co., $100,000; The First Trust Company of Lincoln, $100,000; Kneeland & Co., $100,000; First Securities Co. of Chicago, $75,000. Common stockholders of record Aug. 24 are offered right to subscribe to the debentures in ratio of one $100 debenture for each 25 shares of stock at 103 plus interest from Sept. 15, 1944. Unsubscribed debentures will be offered to the public at the same price. Net proceeds, estimated at $1,159,029, are to be used for expansion purposes and as an addition to working capital. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24, 1944.

SUNDAY, SEPT. 10

GULF STATES UTILITIES CO. has filed a registration statement for 120,000 shares of $4.60 dividend preferred stock.

Address—362 Liberty Avenue, Beaumont, Texas; 340 Florida Street, Baton Rouge 2, La.

Business—Generates and sells electric energy.

Offering—To be offered in exchange for old $6 dividend preferred stock and old $5.50 dividend preferred stock plus an amount of cash (to be named by amendment) and accrued dividends. Net proceeds from sale of any new preferred not exchanged and from sale of 20,006 additional shares to be used (1) to provide cash required for exchange offer; (2) to retire $1,000,000 in bank loans; (3) for other corporate purposes.

Underwriting—Preferred not taken in exchange offer to be sold at competitive bidding.

Registration Statement No. 2-5457. Form S-1. (8-22-44).

MONDAY, SEPT. 11

PILLSBURY MILLS, INC., has filed a registration statement for 75,000 shares of cumulative preferred stock (no par).

Address—608 Second Avenue South, Minneapolis, Minn.

Business—Flour miller.

Offering—Offering price, and interest rate to be filed by amendment.

Proceeds—For redemption of $4,475,000 first mortgage bonds, 3%, due Oct. 1, 1953, balance for working capital.

Underwriters—Goldman, Sachs & Co., Piper, Jaffray & Hopwood.

Registration Statement No. 2-5458. Form S-1. (8-23-44).

TUESDAY, SEPT. 12

TEXTRON, INC., has filed a registration statement for $2,000,000, 15-year, 5%, convertible debentures. Debentures will carry detachable stock purchase warrants entitling bearer to purchase 40 shares of common stock for each $1,000 debentures at $12.50 to Oct. 1, 1945, $15 to Oct. 1, 1946 and $17.50 to Oct. 1, 1947. Debentures will be convertible into common stock on basis of 50 shares of common for each $1,000 debenture.

Address — 8-8 Turks Head Building, Providence 3, Rhode Island.

Business—The processing of synthetic yarns.

Offering—Offering price will be supplied by amendment.

Proceeds—$1,500,000 of proceeds will be used to purchase U. S. Government tax anticipation notes making general funds of company available for expansion of consumer products business and other corporate needs. In event stock purchase warrants are exercised proceeds will also be placed in company's general funds.

Underwriting—Blair & Co., Inc. and Maxwell, Marshall & Co. named underwriters.

Registration Statement No. 2-5459. Form S-1. (8-24-44).

CONNECTICUT LIGHT AND POWER CO. has filed a registration statement for $10,000,000, first and refunding mortgage, 3%, bonds series I, due 1974.

Address—36 Pearl Street, Hartford 1, Conn.

Business—Electric and Gas Company.

Offering—Price to be supplied by amendment.

Proceeds—Proceeds will be used to reimburse treasury for redemption on Sept. 1, 1944, at 106 of $7,000,000 first and refunding mortgage, 3½% bonds, series F, due 1966, and for purchase at 125 of an unspecified principal amount of the company's first and refunding 7% bonds series A, due 1951.

Underwriting—Putnam & Co. and Chas. W. Scranton & Co. are named underwriters.

Registration Statement No. 2-5460. Form A-2. (8-24-44).

WEDNESDAY, SEPT. 13

SCUDDER, STEVENS & CLARK FUND INC. has filed a registration statement for 40,000 shares of capital stock in an investment trust.

Address—10 Post Office Square, Boston 9, Mass.

Business—Investment trust.

Offering—At market plus 1% premium.

Proceeds—For investment.

Registration Statement No. 2-5461. Form A-2. (8-25-44).

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.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund note. Proceeds 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. No underwriter named. Filed Aug. 8, 1944. Details in "Chronicle," Aug. 17, 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. 12,500 shares may be reoffered at private sale at $6 per share and 26,323 shares are to be offered to public at price to be filed by amendment. Brailsford & Co., and C. O. Kalman, Paul R. Doels and Edwin White are considered to be 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.

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

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceeds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820 redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850 donation to Georgia Power & Light Co. to be used for redemption of certain of it 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 stock holders 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.

GRIESEDIECK WESTERN BREWERY CO. has filed a registration statement for 13,506 shares of common stock (no par). The shares are issued and outstanding and do not represent new financing by the company. Price to the public is $33 per share. Edward D. Jones & Co., St. Louis is named principal underwriter. Filed July 17, 1944. Details in "Chronicle," July 27 1944.

HAMILTON MANUFACTURING CO. has filed a registration statement for 38,996 shares of preferential participating stock (par $10). Proceeds will be used 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. Underwriters are Straus Securities Co., Chicago, 19,498 shares and Loewi & Co., Milwaukee, 19,498 shares. Filed Aug. 9, 1944. Details in "Chronicle," Aug. 17, 1944.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Underwriter is P. W. Brooks & Co., Inc., New York. Proceeds will be applied to the reduction of bank loans. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

HAYES MANUFACTURING CO. has registered 100,000 shares of common stock $2 par value. Net proceeds will be received by Porter Associates, Inc. The moneys paid to the corporation by Porter Associates, Inc., on account of the purchase of said shares will, in the estimated amount of $187,500, reimburse the corporation in part for the $200,000 expended by it in purchasing such shares. Porter Associates, Inc., underwriters. Details in "Chronicle," May 31. Filed May 25.

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 28,731 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.

MIDLAND COOPERATIVE WHOLESALE has filed a registration statement for $250,000 subordinated debenture notes, bearing interest at rate of 4% per annum and maturing in five and ten years from date of issue. Notes are to be sold at their face value, only to members of the issuing corporation and individual members of its corporate stockholders. Proceeds will be used to increase working capital and reduce bank loans. Filed June 12, 1944. Details in "Chronicle," June 22, 1944.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

Roosevelt Sees Foreign Credits Expanded By Amending Johnson Act

President Roosevelt at a press conference on Aug. 25 discussed the prospects that the United States might use its favorable international trade position to extend post-war credits to needy nations wanting American goods, according to an Associated Press dispatch from Washington which went on to say:

He said the question of credits would depend upon the economic status of individual countries and that such credits could be authorized by amending rather than repealing the Johnson Act forbidding Government loans to defaulters on first World War debts to the United States.

The matter was raised by a reporter who cited the recent Lend-Lease report to Congress showing American cash exports in the last four years have far exceeded the annual average of less than $2,800,000,000 in the four pre-war years, 1935-38. He wanted to know whether this meant that the United States would again become an international creditor nation after the war as it did after the last conflict.

Mr. Roosevelt said it would depend on the status of the individual country. For example, he mentioned a country with a lot of money which wants to buy here and probably could get reasonable rates from private capital. But another country that doesn't have so much will be a different case and will have to be handled differently.

The President said he knew of no plans to extend Lend-Lease aid to Italy.

Textron Incorporated To Issue 15-Year Debs.

TEXTRON Incorporated expects to issue $2,000,000 Fifteen-Year 5% Convertible Debentures with Detachable Stock Purchase Warrants, to be underwritten by a banking group headed by Blair & Co., Inc., New York City, and Maxwell, Marshall & Co, Los Angeles, Cal. A fixed sinking fund of approximately $103,000 each year will retire at least 75% of the Debentures before maturity. Conversion may be made into fifty shares of Common stock for each $1,000 Debenture. Stock warrants permit the purchase of twenty shares of Common stock per $1,000 Debenture at $12.50 per share until Oct. 1, 1945, and on an ascending scale thereafter until 1947. The Common stock is listed on the New York Curb Exchange and currently is selling at 10½.

Proceeds of the issue will permit the company to enlarge its working capital position which, giving effect to the financing, would show according to balance sheet of June 30, 1944, current assets in excess of $7,200,000 and current liabilities of about $3,-500,000.

TEXTRON Incorporated operates primarily in the synthetic products field. Established since 1928 in the synthetic yarn business, it recently expanded its activities so that the company is now almost a fully integrated unit, including the processing of synthetic yarns, such as Nylon, Viscose, Acetate and others, to the manufacture and sale to the retail trade of finished textile consumer goods made from synthetic yarns. These include ladies' slips, men's pajamas, shirts, shower curtains, draperies, piece goods and lining material. All of these are sold under the nationally advertised trade name of "TEXTRON" to retail outlets throughout the country, most of whom are the better known department stores.

The company maintains its own country-wide selling organization with the main office in New York and branch offices in key cities.

During the war period the company has been engaged in production of war products such as parachutes made from Nylon, jungle hammocks, mountain tents, parkas, ponchos, and other sewn items. The demand for such products has been decreasing and the general trend of operation in recent months has been towards civilian goods. The company operates five plants, three of which are owned, in which the company does yarn throwing, weaving and sewing.

Net sales in 1943 amounted to approximately $24,000,000 on which the profit before income taxes was about $1,700,000. In the first half of 1944 net sales amounted to $16,000,000 on which a profit of $1,136,000 was shown. Based upon these figures, interest charges on the funded debt were earned in 1943 over 15½ times and for the six months ended June 1944, almost 21 times. The company does not expect any renegotiation of 1943 contracts because of the modest percentage of profit made.

Leroy Lewis In AIB Educational Post

(Continued from first page)

was instructor of speech at the University of Wichita, Kansas, and from 1935 to 1943 instructor in the same subject at Duke University. For five years he was speech consultant of the North Carolina Bankers Association and taught public speaking at chapters of the American Institute of Banking at Durham, Raleigh, and Rocky Mount. He has been a member of the faculty the past two years of the North Carolina Bankers Conference at the State University at Chapel Hill. He also taught adult classes of the North Carolina State Department of Education and has been frequently heard on the programs of bankers' meetings in the southern states.

Mr. Lewis is a past president of the Southern Association of Teachers of Speech and was regional president of the National Association of Teachers of Speech in 1942.

Geissler Opens In San Fran.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Kenneth D. Geissler has opened offices in the Kohl Building to engage in the securities business. He is a member of the San Francisco Stock Exchange. Formerly Mr. Geissler was associated with Irving Lundborg & Co. and Dean Witter & Co.

"Highlights Of Wall St."

Copies of "Highlights of Wall Street," a comprehensive information service issued by J. F. Reilly & Co. for banks, brokers, and retail distributors, may be had from the firm upon request. Write to J. F Reilly & Co., 111 Broadway, New York City.

Christiana Attractive

Christiana Securities Company common preferred offer attractive possibilities according to a detailed analysis prepared by Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this analysis may be had upon request from Francis I. du Pont & Co.

Bottling Cos. Attractive

Hoit, Rose & Troster, 74 Trinity Place, New York City, have prepared circulars discussing the situation in the various Coca-Cola Bottling Companies, and Red Rock Bottlers, Inc. Copies of these interesting circulars may be had from the firm upon request.

Dumbarton Oaks Conferees Agree On Form Of International Security Organization

"General agreement" on the form of an international security organization, including a council composed of big powers plus a number of smaller nations, was announced on Aug. 29 by the Dumbarton Oaks conferees who declined to amplify the announcement made in the joint statement which was given in Associated Press accounts from Washington on the same day as follows:

"After a week of discussions the three heads of delegations are happy to announce that there is general agreement among them to recommend that the proposed international organization for peace and security should provide for:

"1. An Assembly composed of representatives of all peace-loving nations based on the principle of sovereign equality.

"2. A Council composed of a smaller number of members in which the principal states will be joined by a number of other states to be elected periodically.

"3. Effective means for the peaceful settlements of disputes, including an international court of justice for the adjudication of justiciable questions, and also the applications of such other means as may be necessary for maintenance of peace and security.

"The delegations are continuing to discuss the structure and jurisdiction of the various organs and methods of procedure.

"These topics require a great deal of consideration, and a number of proposals are now being submitted to examination. Different proposals of the different countries do not necessarily indicate disagreement of conflicting points of view but stem from varied approaches to the common objective. After our work has advanced to a stage at which our fully considered recommendations have been formulated and our conclusions have been presented, our respective governments will decide the appropriate moment for publication."

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS.—**George H. Cavanagh, Jr.**, has become associated with **Josephthal & Co.**, 19 Congress Street. Mr. Cavanagh was previously with Williams and Southgate and in the past with Tifft Brothers.

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—**David E. Oglesby** has joined the staff of **R. S. Dickson & Co.**, Wilder Building. In the past Mr. Oglesby was in business for himself in Kinston, N. C.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Irving B. Phillips** has become connected with **Paul H. Davis & Co.**, 10 So. La Salle Street. He was formerly with Blyth & Co., Inc.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Forrest B. Horton** and **Guy E. Nemire** are now with **Slayton & Co., Inc.**, 114 No. Fourth Street, St. Louis, Mo.

(Special to The Financial Chronicle)

KENOSHA, WIS.—**Lyman W. Williams** is now associated with **Paul H. Davis & Co.**, 10 So. La Salle Street, Chicago, Ill.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**S. S. Woodbury** has rejoined the staff of **H. R. Baker & Co.**, Bankamerica Building. Mr. Woodbury was recently with Russell M. Anderson.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Rosemary Nissen** is now with **Bateman, Eichler & Co.**, 453 South Spring Street.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Harry Meyerson** has been added to the staff of **Kaiser & Co.**, Russ Building.

(Special to The Financial Chronicle)

TOLEDO, OHIO—**C. Barnes Walbridge** has become associated with **Francis I. du Pont & Co.**, 1 Wall Street, New York City.

Lime and Alkali Look Good

Diamond Alkali Co. and Kelley Island Lime and Transport Co. offer attractive situations, according to detailed memoranda issued by Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland, and 29 Broadway, New York City. Copies of these interesting studies may be had from the firm upon request.

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.

Importance Of Chicago As Marketing Center

The importance of Chicago as a marketing center for firms doing a national or a midwest business is being stressed in a new advertising campaign being sponsored by The Merchandise Mart, John C. Goodall, general manager of The Mart, announced.

Mr. Goodall explained that the advertisements would run in leading horizontal trade publications in the home furnishings and women's apparel fields. The campaign traces the story of the city's growth from a frontier fort in 1812 to its position today as the No. 2 city in the Western Hemisphere with an industrial area population of nearly five million and an annual retail sales volume of more than two billion dollars.

One advertisement points out that Chicago's natural marketing area includes 45% of the U. S. population, and 44.5% of the nation's retail stores accounting for 40.6 of the total retail sales volume. The city's strategic location "gives companies distributing by truck, train or plane . . . a service edge over their rim shipping competitors. In normal times, the city's famous overnight package service delivers to 800 cities direct and to 60,000 other points with only one transfer, 93% on time," another declares. The campaign was prepared by John J. Finlay, Vice-President, Aubrey, Moore & Wallace, Inc.

INDEX