Preamble

The object of this Association is to promote the general welfare of its members, to establish and maintain high standards of ethical conduct, to provide the benefits to be derived from personal acquaintance and to afford the means of discussing matters pertinent to the trading division of the security business.

Signed
National Security Traders' Association

Eleventh Annual Meeting, August 25-26, Chicago, Illinois
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2nd Vice-President
Jerome F. Tegeler

Treasurer
Russell M. Dotts

Executive Council

The Executive Council is composed of the Officers, retiring President, Joseph W. Sener, Walter F. Saunders, Wm. Perry Brown, and Russell M. Dotts.
Greetings From N S T A Officials Past and Present

WM, PERRY BROWN

The Eleventh Annual Meeting and Election of Officers of the National Security Traders Association came to a close in Chicago on Aug. 28 with the general feeling of the members and their guests that this meeting was perhaps one of the finest ever held in respect to accomplishments for the members and the industry as a whole. A very serious tone prevailed throughout the two-day session which was taken up principally with meetings of the National Committees and Municipal Meetings and reports and discussions as presented by the various Committee Chairmen. Members and guests in attendance cooperated with the travel problems of the country by combining other business while attending this meeting.

Today, after 11 years of hard work, the NSTA means full representation to the members of the Association and the securities industry. It is expected that this situation would finally arrive due to the untiring efforts of the Officers, Members of the Executive Council and Committee Chairmen who have served so faithfully over these years. No other group represents the interests of its members in this business in the manner in which they are represented by the NSTA. With over 1,000 active members and 1,320 firms in business, located in every principal city of the United States, a vast cross section of the industry is represented and a correct answer to the many problems that continually confront the business can be attained. In the past two years Dallas, Texas, Memphis, Tenn., and Atlanta, Ga., have become affiliated with the NSTA, bringing about an even larger membership than ever, but, more important than members, the ever-increasing realization of the importance of the NSTA as the means of knowing that the members are being represented on all problems that confront the industry.

Great confidence has been placed in the incoming Officers and Members of the Executive Council who were elected to these high offices at this meeting. They will have responsibilities that are as great or greater than those of the preceding administrations. These men are qualified to continue the policies of the NSTA and the program of economy of operation which have been in effect in the past. Their unyielding efforts towards an even greater Association than in the past and they will continue to strive for their successes in doing their part for the members of the Association. They are able men who measure up to the necessity, qualifications successfully to carry on the business administration of the NSTA. The membership has expressed itself again that the War Effort comes first and the entire strength of these members can be counted upon by the United States Treasury Department in all future War Loan Issuances. The part to be played by the NSTA after victory has come is all important to those of our industry who are in the Armed Forces and the NSTA may be counted on 100% in the problems of post-war days.

My fullest support can be expected as a member of the Executive Council to the President-elect and his official family. The membership of the Association are fully behind these administrators and they join me in expressing the utmost confidence in these gentlemen towards a greater and better NSTA.

Cordially yours,
WM, Perry Brown

JOSEPH W. SENER

It was my pleasure once again to be present at the annual meeting of our Association. Having attended all these meetings since the birth of the NSTA, I have been able to observe at first hand its consistent growth and the increasing interest of our members in its activities involving the welfare of our business.

Joseph W. Sener

Maj. Herbert H. Blizzard

Greetings to members and guests of the National Security Traders Association! For the past three years I have followed with interest the activities of the Association and its accomplishments under its competent officers. I am proud of the record the Association has made by so many of its members entering the Armed Forces. We must recognize the fact that the emergency will not be over when hostilities cease. We have never lost a war and have never won a peace. The post-war period will be one of severe readjustment and I know the NSTA members realize the serious situation confronting our nation. Don't get out of harness when the last shot is fired—that is only the time for the Generals to celebrate—your work will just be beginning.

Herbert H. Blizzard

Major H. A. Past Pres. NSTA

(Continued on page 953)
The Outlook For Public Utilities In Post-War Era

By P. L. SMITH*
President, Middle West Corporation

Utility Executives A Favorable Situation For Utilities In Post-War Period
Due To Absence Of Serious Reconversion Problems And Probability Of Inc-
creased Demands By Consumers. Sees Ample Capacity To Serve Post-
War Loads Without Increase In Operating Costs. Much Depends,
However, On Wise Planning And Execution Of Our National
Economy And On Fair Tax And Regulation Policies

My primary activities in business have been towards the ob-
jective of making constructive and reasonable profits, and not
in being a prophet. Most business, in order to real-
ize reasonable profits, must engage in some forecasting
from time to time, and in some instances almost continuously.
It is with some trepida-
tion that I hazard a few guesses public
ly, though I realize that—in common
with most other businessmen—I have been
operating on forecasts privately in
my regular occupation for a num-
ber of years. If a small ma-
jority of our guesses turn out to be
right it is usually a successful
accomplishment, no, at the outset, I will "hedge" with the statement
that I am fully aware of the prob-
ability that some of my conclu-
sions will turn out to be wrong. It would be remarkable indeed if
unfavorable ones should not even-
tuate and most of the favorable ones prove to be reasonably good.
What I have to say will apply
principally to the electric and gas
utilities. While the general pat-
tern of post-war experience may be similar for a majority of such
utilities, there will be wide vari-
aions among separate companies
or companies in certain geograph-
ic or industrial areas. Electric
and gas utilities will not have
current inventory, reconversion,
and reequipment problems ex-
cept of minor significance. The
fact that electricity is produced
for immediate use rather than for
storage means that electric utili-
ties will not have an accumulated
inventory of their finished prod-
uct to affect the post-war years,
as may be the case with some
industries. The need for ex-
tensive additions of new gen-
rating stations is not nearly so
true as manufactured gas com-
panies; and as to natural gas com-
panies—as of course it is highly ad-
vantageous that a large supply of
their raw material is in the
ground. Reconversion by utilities
will relate to changes in trans-
mision and distribution caused
by a great decrease in war indus-
try business and resumption of
peace-time activities.

Short in supply, suitable civilian
goods are again being manufac-
tured in great volume, electric
and gas utilities will increase
their loads and sales to commer-
cial and residential customers as
such customers are able to buy
equipment, appliances, and facili-
ties which have not been avail-
able during the war years. These
utilities will rebuild their New
Business departments for the pur-
pose of stimulating the maximum
possible consumption of their ser-
dices by existing customers and
prospective new ones of all classes. In time many new devices
and inventions using electricity or
gas in their operation will gradu-
ally appear on the market. Elec-
trically, after the war, may be even
more important in every-day liv-
ing than it was before Pearl
Harbor. Much of this will be due
to inventions spurred to comple-
tion to help the war. In the
field of electronics, many new
products that will give additional
advantages, conveniences, and
enjoyment in every-
day living will probably be
generally distributed to the pub-
lic. The manufacturers of many
electrical and gas appliances have
already had discussion and dis-
tribution meetings for the purpose
of exchanging ideas and planning for the
future of such post-war activ-
ities. It seems certain that the
ingenuity that so well character-
izes American industry will again
be directed to making our homes
more attractive, and places of recre-
ation more enjoyable than they
ever have been.

One is stunned by the realiza-
tion of what wonderful improve-
ments in the standard of living
throughout the world could have
been if the materials and
effort and time had been applied
to making instead of to
the production of buildings, machinery, equipment,
and facilities rather than destruc-
tive products. The tragedy of
human failing is apparent all over
the globe. The costs in lives, suf-
ferring, materials, and money are stupen-
dous. If man has advances

capacity which, will take care of
future growth in their service
areas, while for the later post-war
period, when loads are expected
to go beyond those of the last few
years, new additions, improve-
ments and extensions can readily
be made. While the cost of vir-
tually all other commodities has
increased in "recent years, the
average cost to consumers per
kilowatt-hour of electricity and
unit of gas has declined. It is rea-
sensible to expect that conditions
may permit of the continuation of
the downward trend.

There will be quite an interplay
of factors determining the final
effects upon net income. In many
companies there will be sub-

(Continued on page 864)
Greetings From The Chairman Of The Committee On Arrangements

It has been a great privilege to have again acted as chairman of the Committee on Arrangements for the Annual Meeting of the National Security Traders Association. I wish to take this opportunity of extending my thanks to the members of the Committee and the members of the Association for their splendid cooperation in making this one of the most successful meetings since the inception of the N. S. T. A.

From a small membership ten years ago the Association now has grown to the largest organized group in the industry with twenty-four affiliates located in the principal cities of the United States, and more than 2,600 members, five hundred of whom are in the armed forces.

Our membership has contributed a great deal to the maintenance of the high standards of trading and the general welfare of the over-the-counter market.

EDWARD H. WELCH

Committee On Arrangements
in addition to Chairman Edward H. Welch, consisted of


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Some Practical Phases of Post-War Municipal Financing

By JOSEPH A. MATT E* OF CHAPMAN & WILKINS, CHICAGO

Municipal Bond Attorney Looks for Heavy Volume of Municipal Financing Following the War, Due Partly to Refunding, Partly to Investment Demand For Tax Exempt Securities, As Well As To The Larger Borrowing Margins

Arising From Wartime Debt Reductions—Predicts Heavier Borrowing For Highway Construction And Municipal Improvements And Points To New Sources Of Municipal Revenues And Larger Volume Of Revenue Bonds

It is nice to be home again after a vacation in the mountains which began a month ago with a pack trip into the Big Horns, and ended yesterday, in 100° weather, with a climb up and down one of the trails of the Rocky Mountain National Park in the child's definition unit. An adult is a person who has stopped growing except in middle. In an effort to combat the accuracy of that definition I made it a rather strenuous month, and many times during the month remembered with deep appreciation a famous remark of Chauncey Depew's. When he reached the age of 90 Depew was asked what kind of exercise he took. He replied that he had always made it his rule to get his exercise acting as pallbearer to his friends who take exercise.

When I mentioned to my good friend and associate, Henry Cutler, the topic on which your President had asked me to talk to you today, his comment was that you would have selected not a lawyer but a crystal gazer. To some extent that is of course true, and I was interested to learn later that when Carl Chatters addressed you last year on a similar subject he prefaced his remarks with the same thought. However, there are some straws in the wind, some circumstantial evidence, which when studied give a fairly substantial clue to the probable volume and nature of post-war municipal financing. Circumstantial evidence is not the best evidence, but it is helpful. Henry Thoreau once remarked that it can be very amusing, as when you find a trout in the milk. Some of our Municipal Creditors which is available to us is almost that...

Entrance to the

"MARKET PLACE of the MIDDLE WEST"

* An address made by Mr. Mather before the annual meeting of the National Security Traders Association at the Palmer House, Chicago, Ill., on Aug. 25, 1944.

1942, and compares with $1,220,000,000 in 1941, and an average of almost $1,200,000,000 for the eight years 1934 to 1941, inclusive. Accordingly, these figures also indicate that in 1942 and 1943 we had roughly 90% of what might be called a normal municipal business. However, in each of even these two years there were more municipalities issued than in any of the five years preceding our entrance into World War I. This is doubtless due in part to refundings induced by present attractive interest rates.

Figures like the above never fail to remind me that those of us who depend on municipal obligations for our livelihood have a pretty consistent source of business. We grouse from time to time, of course, that business is terrible, but year in and out, through boom and depression, we have done pretty well. The Athenian live-giver Solon once said that if all our misfortunes were laid in one common heap whence everyone must take an equal portion, most people would be contented to take their own and depart. I'm sure that would be true of the average dealer in municipals. Moreover, entirely apart from the profit angle, I know that its endless variety, its challenge to the imagination, its opportunities for fellowship with a fine group of men, and its opportunity for a constructive effort of permanent value make it a fascinating game to all of us.

Naturally, estimates of the amount of post-war financing differ. Maud Carter, Horace Brown, and Bean have analyzed the International City Managers' Association report which I will mention later, and have concluded that each of the first five post-war years should see $2,500,000,000 in State and municipal expenditures. If financed with bonds, this would be nearly twice the all-time high reached in 1940, but I am advised that in a later report, the firm estimated that the projects involved would result in the issuance of bonds to the amount of only around $6,000,000,000. Halsey, Stuart & Co. in its Mid-Year Municipal Bond Review, gives consideration to pre¬sent high prices, uncertain national policies as to production, inflation, taxation and free enterprise, and the necessity for continued peak income tax rates, and concludes that some increase in volume, particularly in revenue bonds, is to be expected, but that the increase will not reach unparalleled amounts. The Municipal Securities Committee of the I.B.A. estimated last November that the first four post-war years would see a total of between $5,000,000,000 and $8,000,000,000. Even the smaller figure would of course mean four banner years. The "Bond Buyer" has been carrying on extensive surveys, and is making and will make specific reports in its columns from time to time.

Present estimates of post-war Federal budgets run from a low of $20,000,000,000 to a high of $50,000,000,000, and assume an annual national income of between $10,000,000,000 and $140,000,000,000. Our annual income in 1937 was only $71,000,000,000. It is hard to see how that figure can double for post-war years, but even if it does, budgets in the estimated amount will make possible little reduction in Federal

(Continued on page 912)
National Security Traders Association

**N**ever was there such a meeting,
**S**uch a group from East and West,
**T**hen the traders met together
And convened with all their zest!

**N**orth they came from the Southland,
**S**outh they came, too, from the North,
**T**o Chicago for convention,
All the traders traveled forth!

**N**ational their scope and inquest,
**I**nvestors and bondsmen, too,
**T**elegraph their mark of business,
Affiliated traders true!

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Some Practical Phases Of Post-War Municipal Financing

(Continued on page 911)

income taxes. This will, of course, cause the demand for municipal bonds to continue strong, and should stimulate activity in the bond market. It will not help profit possibilities. Substantial profits in municipal transactions no longer come automatically, as they once did. I have never forgotten the story once told me of how the head of a large municipal board got into the business. As a young man he was employed by an investment firm to write surety bonds for public officials. On one occasion he had ridden horseback to a non-railroad county seat to write an indemnity bond covering the County Treasurer. The county was selling an issue of courthouse bonds on the same day, and another man had ridden over to buy the bonds. Their business concluded, the two men rode back to the railroad together. Well, remarked the insurance agent, "I made a commission of $9.50 on that indemnity bond. What did you make on the bonds you bought?" "Let's see," replied the other, "I bought one hundred $100s at 96. I have them sold at 105. That makes $7,000 profit." The first man pondered a few minutes, then announced: "Well, by golly, I should have done better with a little capital, and the following Monday was sitting in an office in Nashville with his name on the door. Thus was born what development was to become the municipal houses in the South. I wonder whether 'those days are gone forever.'

Another factor which will increase the demand for municipal bonds is the substantial amount of debt reduction which has taken place over the past several years. Municipalities, like individuals, have attempted to spend their way out of debt by cutting spending and reducing taxes. I have estimated that the amount of debt reduction in the past 15 years has been about $20,000,000,000 in 1946. This was decreased at an average rate of 15% by the end of 1943, with many cities reporting decreases of over 30%.

Canadian Securities

Government

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Incorporated

14 Wall Street, New York 5

Toronto Montreal Vancouver London, England

Since the depression of more than 50 years ago, the city of Milwaukee, Wis., and the city of Saginaw, Mich., have issued and sold $100,000,000 more than 90% of its population.

Highway construction is sure to be an important source of municipal bond revenue. It is estimated that almost $4,000,000,000 will be required to meet our highways to pre-war construction, and huge systems are contemplated. On June 2, 1945, a meeting was held at the House of Representatives which would authorize Federal aid of $2,000,000,000 a year for a period of the first three post-war years. Forty percent of the total project would be required the first year, 30% the second year, and 30% the third year. Allotments (but not payments) may be made within 30 days after the passage of the act. The bill differs from previous bills in that roads and streets of all classes, including both secondary and principal arteries in urban areas, are eligible for Federal aid.

To what extent the States will borrow money to match these proposed Federal funds is uncertain, but some are sure to do so. I have been working this year with officials of some States on the subject of such borrowing, and I believe that in at least one of these States—North Dakota—such financing will be its first of the kind. Considerable legislation is needed for a really modern highway program. It is stated that about 30 States need new laws before high speed interregional highways can be constructed. Many States need better laws for the acquisition of right-of-way, for many need laws permitting closer cooperation between State highway departments and city administrations. A striking fact which we must not overlook is the news that over one-third of all highway construction is financed through federal aid. As to what post-war programs of the various States and municipalities, so many announcements have poured from the press that no summary is possible here. Scattered examples are Oregon, with an announced program involving $20,000,000; New York with $25,000,000; California with $25,000,000; Philadelphia with $25,000,000; Cleveland with $1,000,000; Tennessee with $25,000,000 for highways; Wisconsin with $70,000,000 for roads; Houston with $20,000,000, and Miami with $12,000,000. It is estimated that some of the money will be used to construct new highways and many will be used for the purchase of existing roads. A bill pending before Congress would make available a $1,000,000 per year to be matched by States and municipalities for the construction of airports. Another bill would distribute $100,000,000 to the States for the construction of public works. Still another would appropriate $300,000,000 for education.

Most of you will want to know what financial factors we have in mind, and we are here to report that the municipal units in their own territories, and as to this I refer you to a recent report made by the City Manager.
Capital Needs And Other Problems Of Small Business

BY IVAN WRIGHT
Professor of Economics, Brooklyn College

Writer Contends That More Money And Credit Or Easier Terms Are Not The Main Problems Of Small Business. Bureaucraphic Regulation, Legal Barriers And Other Inhibitors To Doing Business Transcend Credit Difficulties. Here Are Some Of The Other Things That Hindle Small Business:

1. Digitization Of Small Business. In the past, small businesses relied on local banks and trusted relationships to finance their operations, but this has changed. Small business finance now depends on large banks, which have replaced local banks in the chain of credit. As a result, small businesses are less able to access credit, and the process of obtaining it is more complex and time-consuming.

2. Regulation. Small businesses are subject to a variety of regulations that can hinder their growth and profitability. These regulations can be both federal and state, and they can create additional costs and hurdles for small businesses.

3. Inefficiency. Small businesses often operate with less efficiency than larger companies, and this can make it difficult for them to compete. Limited access to capital can exacerbate this issue, as small businesses may not have the resources to invest in new technology or processes.

4. Competition. Small businesses often face intense competition from larger companies, which can make it difficult for them to succeed. The cost of doing business can be much lower for larger companies, which can offer lower prices and more efficient processes.

5. Market Access. Small businesses often have limited access to markets, which can make it difficult for them to grow and succeed. Limited marketing resources and insufficient capital can also contribute to this issue.

6. Innovation. Small businesses are often seen as less innovative than larger companies, which can make it difficult for them to keep up with the latest trends and technologies. Limited access to capital can hinder their ability to invest in research and development.

7. Credit Unavailability. The cost of credit can be prohibitively high for small businesses, making it difficult for them to obtain the capital they need to operate and grow.

8. Inadequate Information. Small businesses often lack access to the information they need to make informed decisions, which can lead to poor business outcomes.

9. Lack of Experience. Small businesses often lack the experience and expertise needed to navigate the financial and regulatory landscape, which can make it difficult for them to succeed.

It seems clear that more money and credit, or easier terms, are not the main problems discouraging small business enterprises. Some of the other issues mentioned above are likely to be far more significant. These problems are the result of a larger trend, which is the overregulation of small businesses. If we are to help our small businesses thrive, we must focus on addressing these issues and creating a more favorable environment for them.
Atlanta Bond Club
Craig Barrow, Jr., Frank A. Chisholm Malon C. Courts Jack F. Glenn Jenner Y. Loe Frank J. Meyers

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How Is Cheap Money?

W. W. Townsend

Our banks are preparing on cheap money created by deficit financing, because their earning assets are out of all previous proportion to their capital funds. But they present a special situation which can, and should, be handled in a special way. Incidentally, the preference of banks for short maturities has presented us with the prospect and the problem of financing World War II twice a year from now on—and for a long time to come. That is a simple but rather overwhelming fact. The debt maturing in one year or less is actually just about twice the total cost of World War I. Those short maturities also present another problem with them—shorter terms—a cost as well as a cure.

A recent study by the National Bureau of Economic Research disclosed that short term rates from 1900 to 1930 inclusive were as high as, or higher than, long rates in all but two years. In fact, they showed closely the fluctuations in the long-term paper rate—which is a risk-rate. If we revive commercial banking in the old way, it seems to think we will, and all that short Gov- ernment credit and short commercial credit are, or seem to be, risk-rate. That fellow does not get through life; he discovers. The "planners" got the essentials of all inflation in all history—which is cheap money by another name. Buying gold is the exact but more potent opposite of withdrawing currency as far as bank reserves are concerned. Here we have a deposit with no corresponding earning excess.

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The writer calls attention to currency hoarding arising from prevailing low interest rates and points to its inflammatory dangers. Since the object of "cheap money" is to keep down cost of servicing debt and to protect banks against decline in bond values, he suggests new perpetual bonds bearing flexible interest rates, varied according to money conditions.

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Investment Trusts In The Post-War Securities Field

By L. SCUDDER Mott
National Securities & Real Estate Corporation

As any old-timer can remember, the scope of security ownership in the United States was tremendously enlarged during the First World War. Millions of people who actually or virtually had never been security owners (particular in the modern sense of holding actively traded, widely distributed stocks) built up Alberny Bonds. Much the larger part of these people would probably never have bought securities if the war had not occurred.

At the end of World War I and in the succeeding years, the fact that this multitude had become "security conscious" undoubtedly was the foundation for the vast increase and diffusion of securities ownership since then—basically an extremely sound development.

However, due to the general inexperience, to preoccupation with other affairs and, in some cases, to the fact that funds for investment (individually) were insufficient for adequate diversification, these new owners, in large measure, not to suit to indiscriminate buying of varied individual issues, especially since proper guidance was often not available or not sought.

Had the present types of modern investment trusts with the present so-called management systems then been available, in a large proportion of cases they would have provided ideal vehicles, and would have enabled in putting emphasis on investment as against speculation in many instances where such emphasis was needed. But they were not available; and it is not too much to say that, partly because of the lack of suitable investment vehicles and guidance, the seeds of the debacle of 1929 and the succeeding years were sown after World War I.

While the proportion of people who are now regarded as "security conscious" and who will be con-
verted from non-investors into security holders, through purchase of investment trusts, may possibly be less as a result of the present war than as a result of the previous war, their numbers will nevertheless be legion. Opportunities for proper guidance have increased and the SEC rules and regulations were not in existence in the previous period. But a widespread lack of qualifications will still exist for indiscriminate investment in individual securities, and for recognizing the need for what emphasis should be on investment and what on speculation.

This time, however, the investment trust "industry" in the United States offers excellent vehicles for such new investors, and are as well for many who were already investors. But before pursuing this line of thought further, let us glance briefly at the history of American trusts.

The first to attain prominence was the closed-end, general management type, in which there was a single management and where prices for the trust shares depended directly on the management, and where prices on the face of it would seem to be more liquidating or asset value. As a class, this type was involved in the abuses and extremes of the speculative boom ending in the great bear market, and was virtually the antithesis of the first. This type management functions were practically eliminated (ex-
cept for provisions in some cases to dispose of impending or occurring issues) after the selection of an original holding list. This type contained, however, two provi-
sions that are general in the later types of trust. First, assets were under bank trusteeship, or custo-
domship. Second, they were "open end," that is, shares were always for sale at a spread above liquidating value, and could be redeemed at or near liquidating value, so that they were depend-
ent only on the values of securities held and, not on values places in the market on their own.

Without going into the arguments, it can be said that the fixed trust by-passed the essential fact that management is necessary to successful long-term invest-
ment, and it was only natural that their popularity shrank after more normal market conditions were established.

The so-called fixed trust was succeeded in public acceptance by the re-
versal type (a type of trust (some of which had been in existence a number of years) in which no more than a certain percent of assets (usually 5%) could be paid in cash, and the rest of the shares were from established dividends. This type later, helped on to a re-
verse flow to holders. Otherwise, man-
agement was largely involved in con-
trolling the trust according to its price as against holding the trust shares.

This type included the "balanced trust," where bonds as well as stocks were held under established policies.

The most recent type is the so-called "post-war" investment trust. Here each trust is set up with specific objectives. Shares are not necessarily redeemable during the life of the trust. The next type to become pop-
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Post-War Export Prospects

By Dr. Melchor Palti

Chicago Economist Denounces Artificial Fostering Of Exports As A Political Distribution Of Favors And As Creating Vested Interests—Holds Foreign Demand For Our Foodstuffs Will Be Temporary And Few Countries Will Need Our Raw Materials—Predicts Formation Of Russian And British Trade Blocs And Thinks Durable Goods Will Constitute Our Leading Post-War Exports

New Deal enthusiasm for foreign trade, especially for the all-round diffusion of American capitalism, is no more a matter of humanitarianism, as it is presented by the Wickersham school of global sentimentalisists. It has more in common with Cordell Hull’s reciprocity treaties, and still less does it mean a return to Adam Smithian ideas. The mere fact that it implies, say, postulates governmental fostering of trade instead of the self-regulation of the market place, indicates that this apparent revival of economic internationalism is to serve objectives very different from the classical belief in the unrestricted freedom of international exchange.

The underlying motivation is to some extent pure propagandistic. Allies and neutrals and even certain belligerents are supposed to be stimulated or lured by promises of “free” access to raw materials and to capital, and free entrance to our juicy markets. It is in the light of such war-time objectives that the President’s Freedom From Want program, the Export Pint-of-milk-for-every-child scheme, and every other type of governmental overtures, are to be appreciated. So are the generous spending sprees abroad, and other methods of promoting Good Neighbor Policy. But there is more involved.

Our fundamental economic problem, as seen by New Dealers, is how to avoid the “coming” depression. As a matter of fact, the New Deal is primarily not so much a socialist movement as an anti-depression ideology. It has grown out of the 1929-32 crisis and has never overcome its original tenet, contrasted by the devastating impression of that crisis. Probably three-fourths of all New Deal measures are an economic nature originated from this fear of recurring unemployment, or, in a more positive language, from the urge to provide a new economic structure in an economy which is allegedly over-mature and unable to utilize, under its own power, its rich resources. Capitalist economy is supposed to recognize these states of insensibility just before it dies—according to the Marxian scheme of things—at which time only exports offer an outlet for the unsellable products of the nation. In effect, exports are wanted as a substitute for alternative, public works.

A third kind of motive is political. The artificial fostering of international trade means the assumption of powers and the distribution of favors. It creates vested interests in the regime; and provides possibilities for intervention in business matters, all of which helps to secure political power.

Lastly, the new internationalism operates on the (wholesale) assumption that the world will consist largely of collectivist or semi-socialist units, and as such will not be able to appeal to normal channels of long-term credit. Therefore, it will have to be provided with capital goods on a governmentally managed basis, i.e., without regard to profit and repayment chances.

Pseudo-Free Trade

Not a few well-meaning souls, including the souls of economists, are attracted to this economic internationalism because of its apparent similarity to Free Trade. Trade is in fact totally misleading. According to the old-fashioned liberal Ricardo, division of labor among nations is the way to greatest national welfare. Its logical corollary is a policy of economic freedom, internal and external, so as to enable each country to specialize in what it can produce at cheapest comparative costs. This is just about the reverse of the idea underlying the new philosophy of foreign trade. For one thing, it does not know the real division of labor, but the contrary; forced industrialization of all countries so that they may all produce the same things (including armaments). And it would make Adam Smith, turn over in his grave to hear that exports should be fostered with no regard to payment, just for the benefit of keeping people employed at home.

In short, the new enthusiasm for foreign trade has nothing to do with free-trade ideology. It is the renewal of a sophisticated brand of 18th century mercantilism which believed in fostering exports so as to create employment. The only difference is that the mercantilist had the common sense to expect a quick profit. A forced industrialization of the world, as it is contemplated on the Russian pattern, would have devastating consequences on the economic and social structure of the world. It is also likely to create vicious conflicts, and to lay the foundations for all-round armaments. But leaving ideologies aside, a realistic approach to our export prospects has to start with the analysis of foreign demand and of its ability to pay.

Foreign demand for foodstuffs will be acute only for a short while. Serious shortages exist only in a comparatively few countries. Recent reports of the Office of Foreign Agricultural Relations (Dept. of Agr.) indicate that in the season 1943-44 food supplies in continental Europe and the Soviet Union “have held up fairly well on the whole.” That holds in particular for the supply of grains and their substitutes, but also for fats. Consequently, disregarding individual and temporary cases such as that of sugar, a short flurry of foreign demand for farm products is all that may be expected.

But the more so, since the food-importing countries have intensified their own agriculture and plan to use it as a channel to provide employment. Britain, e.g. is all set to scrap the traditional free trade policy in favor of relying on an artificially subsidized national granary. The strength of agrarian interests is such that after the first need for curing shortages is satisfied, many countries may not accept edibles even

(Continued on page 941)
**"Wake Up America!"**

By Hon. FRED E. BUSSEY

*Member of House of Representatives*


For the wonderful work they have accomplished, and I only regret that I have had to be in active in the Association for the past two years.

The title of my discourse this afternoon is entitled, "Wake Up America!" I am sure that you will recognize at the end of my remarks that there is nothing political in whatever I may say.

I understand that you had an address made by Congressman Bushey to the Luncheon Session of the National Security Traders Association at the Palm House in Chicago, August 26, 1944.

I want to congratulate the Association and the officials for all of the wonderful work the have accomplished, and I only regret that I have had to be in active in the Association for the past two years.

The very delightful evening and provocative session last night with my colleague, the Hon. Lyle Boren from Oklahoma, when he gave us a very good Democratic talk. I only wish we were qualified to give you as good a Republican talk today.

First of all, I would like to take you back to Nov. 11, 1918. Those of you who were at the front when the Armistice was signed will remember the cry that went up and down the battlefields. "Fins la guerre! Fins la guerre! The war is over!" And as we thought it was, they told us we were fighting the world for democracy.

What a sham those words were today in light of the conflict raging all over the world. The war news, as you know from reading the newspaper, is extremely discouraging. One of the reasons it is discouraging is due to the ability of American industry to produce tremendous quantities of implements of war.

Here I give credit in that production schedule both to labor and management, because in my opinion the spirit of cooperation with which the heads of industry went into this war production has not been equalled, as they had for many years by the New Deal, is one of the great pages in the history of America.

We are all hopeful that the boys on the far-flung battle fronts of the past will be back with us very soon. I have talked with many of them who have returned from overseas. I have visited with them in the hospitals.

From my observations I can tell you that there are three things we have to prepare for: winning the war as soon as possible, creating an armistice, and back home to the good old U. S. A. Thirdly, security, and to do so in the form of jobs when they return.

These are trying days for those of us who have sons and I consider them to be our first, 0 our nation's first. And as the world's history will show, the United States of America has very soon, a very, extremely encouraging and hopeful story to tell compared with the Nazi story.

What kind of a home is it that your coming home to? What kind of a country is it coming home to? What kind of a Government is it coming home to?

Friends, you and I don't do everything within our power until we have created the appropriate form of Government as it is where they left us, the traitors in this war.

That is our responsibility. He is doing his part on his home front, we must do our job on the home front.

Mr. Brown mentioned the Veterans Committee, on which I am honored to serve. I do consider it an honor to have that privilege, because when I was elected to Congress I knew the Veterans Committee was going to be called upon to handle some of the most important legislation in this, the 78th Congress of the United States.

From this Committee came much beneficial legislation for those serving in the armed forces of our country in the present war. The most important is the G. I. "Bill of Rights" that was passed by this Congress and signed by the President on June 22 of this year. This bill was to be the best insurance policy that was ever written in the history of our country.

You may have heard that certain radio commentators and newspapers of the people of the Communist, radical, left-wing group, conducting a smear campaign on your Congress.

That smear campaign, my friends, is not accidental. It is deliberate. This group of people, who are trying to create their own form of government, and everything else, has a propaganda machine in this country, to realize that the Congress of the United States is the one agency, the one group that represents the people, that has prevented a communist organization, the so-called Committee of their group being set up in this country.

To illustrate: Every amendment recently proposed to the Constitution has received the support of this left-wing radical group, for the simple reason they realize the more the Constitution is amended, the closer they are to wrecking our representative form of government.

This same group will be found backing every movement in this country which tends to centralize the government in Washington, because it is much easier to control than a central government.

Now is the time for the signers of that historic document to tell the people that they propose to stand back of those documentary principles set forth in Section III, in Poland and Lithuania, who fought so valiantly and bled for their freedom against the Nazi hordes that invaded these countries, should have the right to govern themselves. The rights of the people should not be restored after the war is over, and have the right to choose their own form of government without any outside interference.

If statements of principles are made and signed, they should be lived up to, in fact as well as in principle.

On August 19 and 11, 1941, less than sixty days after Hitler had invaded Russia, there was called under the direction of Mr. Josef Stalin of Russia a congress in Moscow, known as the "All-Sov" (Continued on page 946).
During the last few years, a great deal has been said and written regarding the need for encouragement of "risk" or venture capital. The advocates point to the wider application of this field of investment not only as a means of promoting capital formation but as an aid in the maintenance of the prosperity and expansion of small business. Yet, when we look back over the last decade, we find that almost all the legislation relating to banking, finance, security trading and investment has had the effect of discouraging the application of capital funds in small ventures and handicapping the placement of investments represented by equity securities and other forms of capital.

The Securities and Exchange Acts, the Federal Reserve Acts, and other similar laws, both national and State, in seeking to protect investors and inhibit the excesses of "high finance," have tended, on the whole, to add to the burdens of small and moderately sized enterprises in obtaining needed capital funds, and have increased the handicaps that may arise in competing with large and well-financed enterprises.

Perhaps the most serious handicap involved in the financing of local and moderate sized business concerns is the discrimination they suffer, which prohibits the acceptance of their securities by banks as collateral for loans. The matter would not only seek a security that has marketability if it is prudent and far-seeing, he should have assets which can serve as collateral for bank loans in the event he should need this accommodation. In this way an investor is relieved of the necessity of keeping funds

uninvested or of being forced to liquidate an investment at an unfavorable market. In this way a position of liquidity is made more maintainable, since the investor is enabled, at any time, to temporarily withdraw and invest into cash. The investor's desire for "liquidity preference," as Lord Keynes calls it, has received a great deal of attention from economists, both theoretical and practical, in recent years. It is contended that one of the most potent causes of business fluctuations and financial crises is with the ability of investors and traders, when a bad turn for affairs looms on the horizon, to hold their cash or to convert their assets into cash. By thus hoarding cash they reduce the flow of investment funds and hence cause business readjustments and widespread unemployment.

The faculty of making loans on the deposit of collateral has long been a feature of the modern investment process. Life insurance companies have practiced this business for years, and other concerns, such as trusts, have broadened the scope of their work. Practically the only possibility of obtaining similar funds at the present time is in associations having the confidence of the public.

As regards "liquidity," the investor has the right to specify whether he desires, in the nature of a loan, a time for which he may receive interest, or in the nature of an investment, an expression of a return within a certain period of time.

The great advantages which have accrued to our economic growth and development from the extended borrowing facilities which are the result of making cash loans available through the use of collateral.

The close relation of collateral-secured credit with business expansion is common in modern industrial countries, but it has been a conspicuous feature of the American business economy. It was permitted under the old national banking system before 1913 and has been continued under the Federal Reserve System.

Because of it, the commercial banks throughout the country have been enabled to create large deposits with small cash reserves, maintaining their "liquidity" through the large amounts of securities which they hold, both directly and as collateral against loans. In this way, without assuming the risks of direct ownership in business enterprises, as has been common in Europe, the American banks have greatly contributed to growth of capital in productive business, and in addition have assisted the private placement of idle funds. In fact, the bulk of the nation's banking business to-day—despite what has been sold and done against it—consists essentially of "self-liquidating" loans based on current exchange of goods and services, but also contains in the nation's wealth a fluid and convertible state, so necessary to a truly logical atmosphere of "liquidity preference."
Is The Coming Boom In The Home Washing Machine Industry Already Discounted?

The Market Leader Is An Over-The-Counter Issue

By H. M. CARTLEY

Washing machines stand at the top of the list of postwar "musts," according to several recent surveys of what American housewives want.

In 1941 the washing machine industry had its biggest year, and delivered a total of 1,059,607 washers at an average selling price of $77.76. Although washing machines were made under 220 trade names, about 80% of the business was now concentrated in the hands of seven manufacturers. These are listed in the chart below.

_The Two Types of Washers_

There are two general types of washers, namely the conventional and the automatic. Evidently agitator or spinner construction is the fully automatic, which was pioneered in 1925 by the company formerly known as the Linen Destructor company of South Bend, Indiana. A small number of automatics were made in the pre-war period by Westinghouse and also by the Blackstone Electrolux company.

The big volume company making the conventional type of washer is Maytag. It comes next, with the Nineteen-Hundred-Corporation, followed by Sears, in third place. Number four is Apex Electric, and number five is Roper Electric. Three Electric Households Utilities, represented by Barlow & Seidell (Speed Queen), are, in the lineup of the "Big Seven" in Denden, is the only company exclusively producing automatics.

Acclimatized Backlog

Industry executives just won't give opinions as to when production of washers, which was stopped in May, 1944, will begin—"they say they don't know." However, there are indications that within three months after the German surrender, production will be under way and probably in large volume within six months.

Depending upon when production starts, the estimated backlog of orders, which has been growing since May, 1942, varies from 4.6 to 8.8 million. Professor Slichter of Harvard has estimated that the currently backlog is 4.6 million. International Statist Bureau, the greatest optimists, estimate 8.9 million at the end of 1944. One trade estimate at the same date is 8.4 million, and Editor L. S. Mott of National Retail Dry goods estimates 7.1 million. Several weeks ago, when the washer producing companies were asked to estimate the amount of their backlog, the chart will show approximately 45% of the demand was held by the dealer.

Estimated Post-War Demand

It is a good guess that American housewives are ready to buy about 5.5 million new washers. In 1945, the Curtis Publishing Company survey suggested the following annual post-war market as a logical estimate of the demand for washers:

**An Estimate of Post-War Demand for Automatic Washing Machines**

- **Annual replacement sales**...
- **Newly married couples**...
- **Depressed period losses**...
- **Expansion of unsaturated market**...

It is not difficult to force something in the neighborhood of a $70 to $70 million a year in washer sales for several years. This means prosperity for the industry and should mean fair-sized earnings, assuming a Federal Income Tax rate not exceeding 50%.

Prices To Be Higher

Prices will be higher in the post-war period, perhaps by 10 to 20%—the increases, however, will not be as large as some automobiles price increases. In the last full pre-war year of 1943, according to trade figures, the following was the breakdown by price categories:

| Price Range | % of Total Demand
|-------------|------------------|
| $0 & Over | 62.1%
| $100 & Over | 22.0%
| $10 & Over | 4.6%
| $100 & Under | 1.9%
| Unlimited | 5.5%

These increases, however, are not necessarily indicative of what is to be expected in the first three post-war years, even considering substantially higher tax rates.

Earnings Prospects Most Important

The degree to which the home washing machine stock is overvalued (if they are), it seems will depend primarily upon the ability of various companies to increase profit margins and bring more down to net for shareholders, de

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The Post-War Trade Outlook

A Review And A Prospect

By EUGENE VAN CLEEF
The Ohio State University

Economist Holds That Exports Of Manufactured Goods Should Continue To Rise, Although At A Slower Rate Than In The Past. Sees Prospects For Export Expansion In Far East After Japan's Defeat. Looks For Decline In Imports From Europe And An Increase From Lesser Developed Regions, And Predicts In The Near Future There Will Be A Greater Tendency For World Trade To Level Off And Ultimately To Decline

Dr. E. Van Cleef

Predictions of our post-war trade prospects are becoming more common, their market value is rapidly approaching the proverbial "dime a dozen" level. Presumably we can have about as many opinions as there are persons able to think. Some of these opinions are more "shouts in the dark" but some are based upon certain statistical data which give them a degree of dependability. In this discussion we shall look ahead in terms of world trade data which provide in all probability, as sound a foundation for forecasting as any data at the moment can yield.

The American business man has at long last come to appreciate that our domestic trade, no matter how local in character, ultimately is affected by our inter-continental relations. Too often in past decades he has failed to see the general trade forest because of his closer proximity to its individual trees. In such circumstances, a view of our total economic situation lacks perspective. So in the argument to follow we shall look only at what the American's trade experience dating from Civil War days and on that basis endeavor to project our probable experiences. Immediately, someone will say, the past is no criterion for the future. This can be true. But the past is the only experience we have and if we recognize that the future can be radically different from the past, even while we may not predict, we shall avoid self-deception. Obviously, if the future takes on some catastrophic form, none of our predictions will be worth while. However, we have reason to believe that these current years of war will not in the long run change man's ways of doing business. The evolution through epochs of time has been exceedingly slow and offers no basis whatever for any supposition that the next few years will find him radically different. This is an important conception which should not be lost sight of for a moment.

In the accompanying graphs, figures 1 to 4, are shown the trend of our exports and imports by classes of commodities and trends in the distribution of our trade by regions. Figures 1 and 2 in particular, are brought out in enlarged form on the office wall of every sales executive and alongside, graphs depicting the sales trends of the specific commodities which the respective firms sell. These curves cover a period marked by a critical shift in our national viewpoint and in our trade status.

Until the Civil War we had participated in world affairs both as traders and as carriers of goods. Ships proudly flying the American flag were known in every port of consequence. But after the war we turned our thoughts from the seven seas toward the interior of our vast unexplored land and concentrated upon its settlement and exploitation. Furthermore, the growth of steel manufacture had been invented in England where iron ore was abundant. This process made possible the efficient carriage of steel ships. Our wood vessels could hardly hope to compete with British steel ships and up to this time our own vast iron ore resources had not yet been discovered, making the prospect at the time rather dimmer for the American shipbuilding industry.

This shift in our national interest soon was reflected by our world trade curve. Our exports of crude materials took a precipitate and continued fall as we reaped more of these materials for our own embryonic manufactur- ing industry. Concurrently, our exports of manufactures started upward although at first at a rather slow pace. Leaping somehow, that was a decline in our exports of manufactured goods. The processing of foods generally had to await the rapid extension of our manufacturing industries and to broaden the field of our industrial achievement. Without many of our manufactured telephone, dynamo motors, automo-

biles, refrigerators and hosts of other commodities which so widely affected our domestic economy and comfort. Our imports of finished products naturally reveal a considerable decline as we ourselves developed the industries. Foodstuffs imports show somewhat smaller departures from earlier years, although for a time they fell steadily, providing another cresting of curves at the turn of the century, this time a cross of foodstuffs and crude materials. The later slowing down in the rate of fall of the foodstuffs curve was due to the introduction to our markets of more tropical and sub-tropical prod-

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Long Bell Lumber Co.

Mfg. Co.

Merlion-Rockwell Corp.

Michigan-Kansas Pipe Line Co., "A"

Panhandle Eastern Pipe Line Co.

Southwestern Public Service Co.

Econcmist Holds that Exports of Manufactured Goods Should Continue To Rise, Although At A Slower Rate Than In The Past...
The Post-War Trade Outlook

(Continued from page 921) 

The graphs and are fresh in the minds of all business men. These exceptions are what we had in mind when earlier we noted that predictions can have validity only when man behaves reasonably well and does not engage in revolu-
tions or other cataclysmic operations. When the latter conditions arise, the best we can do is live from day to day and leave the practice of forecasting for stock-
collectors, crystal gazers and their ilk.

On the assumption that after this war is ended we shall expe-
rience a peace lasting for some 30 to 50 years, we can predict certain general trends in our world trade. Into these trends can be fitted the trend of specific businesses. We can eliminate the probability of another worldwide depression soon, owing to the les-
sions we have learned from our monetary experiences since the past war and the leveling-out pro-
cess going on among the nations resulting in lesser financial ad-
vantages of some nations over others.

Our exports of manufactured goods should continue to rise al-
though at a slower rate than in the past, owing to increased Euro-
pean manufacturing and the slow but sure growth of manufactur-
ing in many nations which heretofore have done little about these lines. Hardly a nation which is not going to increase its manufactures. Our own curve may increase rapidly for three or four years immedi-
ately after the war, until Europe regains some of its earlier sta-
ibility and then settle back again to a slower rate. We should not lose sight of the fact that whereas Europe has been our best cus-
tomer, the percentage of our total world sales going to that continent has fallen steadily. The continued rise of our export curve will de-
pend upon our ability to develop new markets. In this connection let us not overestimate South America but note carefully in Fig-
ure 3 that both the Far East and North America outside the United States show substantial rates of increase as customers of ours and offer good long-run prospects. Too many business men have over-
looked in particular, the fact that the Far Eastern trade curve out-
distances the South American both in rate of rise and in abso-
lute total of trade. What is more, this is likely to continue, for if Japan had any prospect of a mo-
polopy on Far Eastern trade be-
fore this war, as some persons thought, that prospect is certainly gone now.

The percentage of our total im-
ports coming from Europe like-
wise shows a decline while from other regions it increases. analy-
A. O. — Asia

sis of these imports reveals that they are made up to an increasing extent of crude materials (Fig-
ure 2) and that the less well de-
veloped regions of the earth, espe-
cially Latin American areas, can sup-
ply us with greater quantities of such materials than advanced re-
gions. However, let us not forget that as these undeveloped regions engage in more manufacturing ac-
tivities, they will become stronger competitors of ours, even as they supply us with more raw materials.

In general, then, the curves of exports and imports are likely to con-
tinue the trends which they showed in the period of 1911 to 1916 with the exception of (1) the export curve for crude and manufactured foodstuffs which in that period momentarily rose, and (2) the import curve for the same class of goods which is likely to level off at the same rate as indi-
cated at this time. In this argu-
ment we revert to the trends at the beginning of World War II rather than to any period since

Fig. 3

Exports and Imports of Merchandise (%) By Continents
(Data from Statistical Abstract of the United States-U. S. Dept. of Commerce and Bureau of the Census)

E. Europe
U.S.A.
U.S.A.

N. America outside
South America

A. O. outside
Asia and Oceania

Amid trade not presented because it is negligible. Range generally from less than 1% to 2% for exports and imports combined.

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Bretton Woods In Review

II—The International Monetary Fund

PHILIP H. LOHMAN, PH.D.

Economist Analyzes Purposes Of The International Monetary Fund As Stated In The Agreement And Concludes That The Only One That Can Be Effective Is The Provision Of Machinery For Consultation And Collaboration—Holds Tremendous Obstacles Exist In Path Of Real Facilitation Of International Trade And Points To British Imperial Preference As An Illustration—Predicts Problems Of National Sovereignty Will Hamper The Fund's Operations.

The Warren Report (Continued from page 921)

How much the United States realizes the importance of multilateral trade to be is seen by the fact that we insisted on Britain's agreement to Art. VII of the "Master Lond-Loan Agreement" of Feb. 23, 1942. This article rep-resents an agreement of the United Nations that in effect, in partial consideration for lend-lease advances, no discriminations shall be placed upon international commerce to be conducted after the war. In the past Britain has always asserted that intra-empire trade is not to be included in international commerce. The agreement of Feb. 23, 1942, seemed to have abandoned that claim.

But the "Economist" said two years later (4-20-44): "There is no chance that the British Parlia-ment would consent to the aboli-tion of the system of imperial preferences save possibly as part of a very large reconstruction of international trade involving cessions by other countries far larger than any yet in prospect."

A week earlier, the London "Times" editorialized: "The de-bate in the House of Commons on Empire relations has shown that the House, and the public outside the House, will scrutinize very jealously any scheme which even appears to restrict the free-dom of Empire countries to make trade and other arrangements as necessary for their mutual advantage."

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**Bretton Woods In Review**

(Continued from page 923)

Key points of the British blocked balances accumulating with the United States:

- Britain's decision to block balances with the United States.
- Britain's motivation for blocking balances was to keep the exchange rate stable.
- The blocking of balances created a financial imbalance, which eventually led to the devaluation of the pound.

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Security Trading And Security Traders Of Bygone Days

By A. S. MORTON

A little over a century and a half before there were no security traders in America, because there were no securities. It was 1790 when Alexander Hamilton, by funding the Revolutionary debts and by establishing the first Bank of the United States in 1791, laid the groundwork for dealings and trading in securities, that the securities and stock brokerage business began to take root in the leading cities of the new republic. In England, however, the “stock jobber” and the “stock broker” had already become terms representing an established avocation. The term “stock jobber” in Great Britain, unlike in this country, was never an epithet or opprobrium. The original English representative of the House of Rothschild was frequently designated as a “stock jobber,” without the least implication of contempt in the term. It is still commonly used to represent what we call here a “security dealer.”

When the $20 million of new Government bonds and the $10 million of new Bank of the United States shares were put into the hands of the impoverished and almost moneyless inhabitants of the newly born republic, it required the creation of markets and traders to give these securities their value and marketability. Fortunately, there was unfortunately (which ever way you look at it) a certain amount of an active spirit existing among the people of the period. The new securities, the Bank of the United States and other forms of money, began to change hands rapidly. This led to a need for intermediaries to act as an intermediary for effecting exchanges.

The first individuals to engage in this new avocation were, of course, the merchants and the dealers in foreign and domestic bills of exchange. These men had become accustomed to acting as bankers or as brokers, as well as purchasers and sellers of foreign and domestic drafts. However, there was a need for specialized brokers to act as intermediaries in the transactions. These men were drawn partly from individuals and firms who were already engaged in the auction business, and partly from others who, because of their family or political connections, had close contacts with the moneyed and trading classes of the country. A group of these individuals and firms who, on May 17, 1792, met under a buttonwood tree near William and Wall Streets in New York City, to form an organization from which the New York Stock Exchange claims its origin. A similar form of organization agreement was enacted in Philadelphia several years later.

Among the 24 signers of the New York document establishing a trading organization were men of both commercial and political importance in the community. They included Leonard Bleeker and Bernard Hart. Both were men of means and were active in the political and social affairs of the city. Bleeker was a member of an old Dutch family and was a leading auctioneer and real estate owner. He has a street named after him in the downtown section of New York City. Hart was long identified with the New York Stock Exchange and was its first secretary, but his greatest distinction stems from the fact that he was the grandfather of the great American novelist, Frank R. Harte, Hart of these men continued to carry on dealings in stocks and bonds throughout their lifetime, but Bleeker’s principal business, under the name of Leonard Bleeker and Sons, comprised that of an auction and mercantile house, a lucrative business for that period.

Not all of those actively engaged in stock dealings appear to have signed the original organization agreement under the buttonwood tree on Wall Street. There is absent the name of John Pintard, one of the prominent political and social “high lights” of the period. He is based largely on the fact that he was one of the founders of the New York Historical Society, together with other institutions of which the city is proud. Pintard inherited a fortune and, like many other capitalists of the time, engaged in shipping and mercantile business. When the new Government bonds were issued, Pintard was active in dealings in them. Unfortunately for him, however, he joined with William Duer in 1791 in attempting to corner the issue, and as a result lost most of his fortune.

Another prominent broker and jobber, who also joined in the Duer corner episode, was Isaac Whippo. He was probably the most active dealer at the time, but had a relatively short business career. Unlike Pintard and the other security dealers in the early days, Whippo was an “upstart.” He raised himself to prominence as a stock dealer and a speculator from the humble occupation of an oysterman. But he became closely associated with the two leading financiers and capitalists of the day, Hamilton and Duer, a social highlight (who succeeded Robert Morris as head of the Hamilton Treasury), and Alexander Macomb, reputed to have been the richest man in New York when the first National Government was inaugurated in that city. These three men engaged in joint speculations and promotions and, among other things, attempted to “corner” the new issue of Federal 6% Bonds. The move ended in a complete debacle, and brought ruin to many prominent dealers and brokers of that day.

Although Duer and Macomb were sent to jail (Duer died there), Whippo succeeded in avoiding and nothing further was ever heard of him. All this happened in 1792, prior to the first organization of stock brokers in New York. It caused a great shock to the security market, and for a time greatly reduced the volume of transactions.

As far as is known, the earliest mention of an attempt toward establishing a market place for transactions in securities in New York City is found in the newspaper called “Diary, or London Register,” which early in March, 1792, contained the following advertisement: “The New York Exchange Office is opened at No. 22 Wall Street for the accommodation of dealers in stock, and in which Public Sales will be held daily at ten o’clock in rotation by A. L. Bleeker and Sons, J. Pintard, Re¬Evers and Barclay, Cortlandt and Ferrey, and Jay & Sutton.”

The firms mentioned were mercantile and auction houses, thus (Continued on page 32)
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Security Trading And Security Traders Of Bygone Days
(Continued from page 927)
York the disgrace of repudiating its bonds."

Perhaps the most outstanding and interesting character of the Berke" those who engaged in security trading in the early Eighteen. Hundreds was the bold and er" 

Jacob Barker. He was a New England Quaker, born in 1778, who, before he was 21 years of age, already had become a leading New York shipowner and merchant. At one time, he controlled more ocean sailing ves" "nals than any other American cap" 

But a succession of mis" 

and the seizure by the Brit" 

of his ships during the War of 1812 compelled Barker to turn to banking and security trading as an avocation. He bought an issue of $5,000,000 bonds from the Fed" "eral Government, but lost heavily on the deal, because, as he claimed, the Secretary of the Treas" 

ury soon thereafter put out an" 

other issue at a higher rate of in" 

terest. He ran a bank on his own personal credit, and issued notes, which, for a time, served as the "shin-plasters" which furnished New York City with a large part of its circulating medium. In ad" 

dition, he organized and dealt in the securities of insurance com" 

panies and banks. His bank failed in 1819, but he continued his fi" 

nancial operations. Later, how" 

ever, he was involved in other financial mishaps and was brought to trial for conspiracy. After two trials, the indictment against him was finally dismissed. He then sought a new field of operations, taking up residence in New Or" 

leans in 1824, where he became the President of one of the lead" 

ing banks, and again accumulated a large fortune. This, however, was largely swept away during the Civil War. His last years were passed in retirement, and he died, Wharton Barker, a prominent cit" 

izen of Philadelphia. He died in 1871.

Jacob Barker was succeeded in his security business by his pro" 

test and former employee, Jacob Little. Although Little gained fame as a speculator in securities, and a manipulator of "corners," he operated a securities firm in partnership with his brother un" 

der the name of Jacob, Little & Co., and did a large business with the public. He was known as a hard worker, attending personally to all his manifold duties and, although curt and cold in his manner, he was generous, partic" 

ularly in his treatment of those who suffered losses from his stock market operations. His fortune fluctuated from time to time, and at his death his estate was ex" 

remely moderate, considering that he had the reputation of "resting" more stock in one day than the weight and bulk of his whole body in certificates."

Barker and Little were products of the chaotic conditions in the securities markets of the pre" 

Civil War days, when security speculation and security market" 

ing were combined, and those en" 

gaged in the business generally indulged in both avocations. Fol" 

lowing the Civil War, however, security speculation and security marketings developed along new lines.

(Continued on page 943)
Post-War Export Prospects

If offered as presents. Besides, the vastly increased productive capacity of farm and plantation in the food-exporting countries — Iowa corns yield per acre, as an example, has risen in the last decade by as much as 50% — is such as to assure return to "normal" competitive conditions as soon as the first full post-war crop has been brought in. For the high cost agriculture of the U. S., this leaves no other chance but to turn for larger chances of maintaining food exports on a basis of full world demand — so as to balance imports and exports — while a regime of a generalized type will be permitted within the bloc. This is what the British call multilateral trade, and so to distinguish it (in name) from the present German system of governmental trade management.

The upshot of all this is that the Russian bloc as well as the British bloc will tend to be self-sufficient and to reduce their imports from the United States as much as possible, using substitutes in their place. And substitution goes a long way, as we have learned, in the case of foodstuffs and raw materials, and also in semi-durable manufactured products. Possibly, a third and minor trading bloc might arise around the Latin American countries, with the same objective of limiting imports from the United States.

The Piece de Resistance of Multilateral Exports

All this would bode ill for American export chances, were it not for one category which would be in overwhelming demand all over the world. The goods shipped from the United States that have a proper, including means of production as well as consumers' durable, will be extremely urgent demand far beyond the one or two years of peace. Reconstruction of devastated areas is the only source of this demand. For far more important is the world-wide industrialization trend referred to above. Locomotives and agricultural implements, specialized heavy machinery, mining and refinery equipment, automo-...
Suppose we also assume that two billion dollars is hoarded abroad. Add another billion to be on the safe side. We have left almost as much circulating currency as the whole banking system in the United States. And nothing can be done to bring it back into the banking system that would not scare our citizens within an inch of their lives. Nothing, that is, except to offer it enough in the way of wages or interest to get it out from under the mattress and at work.

We all know that War Bonds should have done the trick but they didn't. We made two mistakes there. First they were hard to cash and second they paid almost nothing unless they were held for a long time. Chop money again! Billions of them have been bought for purely patriotic reasons. The chances are that they would have been hoarded if there were no interest at all. What will happen when the war is over? No knows, but it isn't hard to guess; it isn't enough that every dollar of circulating currency is a potential inflationary menace of the first order, whenever it decides to move somewhere—anywhere! No “controls” in the world could keep that much from flowing to the side we have set in motion to move. Right now it's a good thing that the bankers have saved. It's a very bad thing that they want to save currency. The reason for that is also simple. Every dollar of circulating currency either had to come out of “ill-cash” or out of some reserve. We have to get what happened to the “excess reserves” that so many worried about as necessary to get the money. It took care of that. We paid more than half our gold reserves in three years. To get what is left of gold and keep the money system in proper adjustment, the Fed was more or less involved. A substantial part of what we have to do is to see how to get rid of gold and keep the money system from coming like a fire with some ideas that are foolish. It was even suggested that the idea of any Federal Reserve notes being lawful money, could be swept away under the “law and order” to secure the Federal Reserve deposits. Lawful or not, the idea that any bank could use part of its liabilities to secure the rest of its liabilities was a pretty fantastic example of advanced economic thinking.

This brings us to another of our earlier questions. Where is this leading us? Well, the jailing of circulating currency leads straight down the primrose path to inflation. If that money were invested, or even deposited in some bank, it would not be a constant temptation to spend. So far, we have saved and, as we said, It is a good idea. With literally billions of money in their pockets, the almost non-existent idea of saving anything is further encouraged. Another path we have taken, and a path I may find it very difficult to stop, is leading to outright Government control. The real world was all done in a good cause. That we admit. But history shows that no government ever has been overthrown or changed fundamentally until it has been made the system. Fort Knox is merely an inland storage vault. There may be too much gold in one nation's hands for the good of the world as a whole. One doubts that eventually some of it may have to be loaned or given away to help other nations stabilize their currencies. But how much can we dare to loan?

To read the plans from such conferences as that at Bretton Woods, one would think that gold was a minor item of importance and we could afford to dispose of it as a substantial part of what we have. But when one finds out just how to get rid of gold and keep the money system from coming like a fire, one comes up with some ideas that are amazing. It was even suggested that the idea of any Federal Reserve notes being lawful money, could be swept away under the “law and order” to secure the Federal Reserve deposits. Lawful or not, the idea that any bank could use part of its liabilities to secure the rest of its liabilities was a pretty fantastic example of advanced economic thinking.

Perhaps nothing should be done to inflame the world, but if nothing is done at all, or ever, for that matter, we will end up with more gold than we can possibly use. We must decide whether to develop more fully, the situation which will finally adjust themselves to the present demands. There are only two valid reasons why gold should be kept: first, it is a universally accepted store of value, and, second, it is a widely recognized means of payment. Both are surprisingly advocated by so many. One is the cost of servicing the debt, and the other is that it is the lifeblood of our institutions, especially our commercial system. If gold prices if interest rates should rise. Nothing is more important than interest is necessary, but it is an important factor in our banking system. We have no idea what the effects of our gold bonds would have upon the demand for gold. If it took 1% extra on one gold bond to pay for it, it would be a very sound recommendation for the sale of the bond. On the other hand, if we paid, for the banks, it should be possible to evite the present explanation of interest rates which affect the market price of their holdings and, if not, it should be possible to raise the price of gold by other means. The suggestion has been made that the gold bond should be sold at 5% to 10% below par. This is only a slight fraction above the return on war bonds if held to maturity. It would be prac¬

ically impossible to make the war bond more than five points above or below par, but, with it, the coupon would change by only a small percentage. A mistake adding millions of dollars could be made comparable in such an issue, and at least one problem would be eliminated. That is the re¬duced. That is the refining question.

With such a bond available at the minimum of both credit and price hazards, no one could pay more interest to depositors and might easily absorb a large part of today's hoarded currency. Inflationary consequences would not feel so concerned about the return on their investment. This would lead them to ration their savings and be willing to pay lower interest rates. Same commercial banks, which can create money, and have cre¬

ated much of the money we now have, are willing to be too steady and quite possibly a special type of issue which could not compete with gold but still fluctuating rate based on the capital market. This is not a safe high water mark which need not come up at once. A 3½% perpetual would not be far enough above the current rate on long Governments to cause any serious panic in the future. But one that is only this, and after a few months, the banks will be unwilling to lend, that is, the new $10 billion in any event as they ap¬

proach maturity and are refinanced. It might be worth considering (Continued on page 945)
Security Trading And Security Traders Of Bygone Days

Ismail Ismail — The role of the reserves, or short-term credits. Out of the question. If under- valued, other traders, or even France's competitors, would depreciate in order to keep their exports from falling before the onslaught of a cheap fringe.

The rest of the text is not relevant to the question.
Post-War Export Prospects

(Continued from page 943) another, and the desire to pro-
duce armaments everywhere, are so many further inducements or compulsions to proceed with pub-
lic works, housing and the ex-
pansion of industrial establish-
ments. With German and Japanese in-
dustry paralyzed for some time, the
Belgian in an even worse
shape, and the British under re-
conversion strains, the only con-
tinuity to supply the bulk of capital
needs is the United States. Our
it is safe to predict that this
peace-time exports of $2 to $4 bil-
ions in the 1960's might be easily
duplicated, even at pre-war prices
for years to come in view of this
intensive world-wide demand for
the products of equipment indus-
tries. Per se, this will be merely
a continuation and accentuation of
the long-run trend of U. S. ex-
ports, in which the share of food-
stuff and "crude" materials has
fallen from 83.7% in the late
1890's to 23.3% in the late 1900's.

Foreign Purchasing Power

The prevalent conception that
the outside world will not be able
to pay for our exports, unless we
finance their purchases by long-
term credits, lend-lease, or out-
right presents, is entirely errone-
ous. It has become a sort of axiom
that everybody has been impover-
ished, and Uncle Sam, the only
rich guy left, can't find regular
buyers any more. The truth is that
a tremendous volume of peri-
up international purchasing power
will be readily to finance
rehabilitation and re-equipment
abroad. To point out briefly the
main elements:

a) Our "normal" imports vary
between $2 and $3 billions per
annum. Our inventories of foreign
goods being depleted, a substan-
tially larger than the "normal"
$2 billion volume of peace-time im-
ports may be expected for at
least three or four years. That
much will be available to pay currently
for our exports.

b) The same holds for the bal-
ance of American tourist traffic,
which netted the outer-world
more than $500 millions in 1929,
and might provide in future an
even greater amount of dollar
exchange. Another $100 to $900
millions a year may be expected
of private charity contributions abroad,
and immigrants' remit-
tances.

c) Gold reserves outside the
U. S. (including gold earmarked
in New York) will amount proba-
tly to $14 billions—four times
our average annual exports. Add to it
the yearly output of gold in for-
egn countries, about $12 billions
in 1929, to complete the assess-
ment of foreign gold able to bal-
ance our export surplus.

b) The outer-world can scrape
together and produce enough purchasing
power to be on a pay-as-you-go basis in relation to the U. S. If
it organizes itself in large eco-

cicules, as it plans to,
edge, roughly balancing mutual claims
due within each of them, it can
use its gold and dollar re-
serves to pay for all reasonably
urgent American exports. They
can do so even under the unreal-

For every dollar of gold
American exporters. It
will be unwilling to provide
as much as a moderate amount of
credit.

True, the total of this foreign
liquid wealth, or of its sources,
is not evenly distributed. The

cial and potential owners may be
divided in three classes. One will
consist of countries in an extreme-
ly favorable position; the neutrals,
outside all the Latin American
the gold producers (South Africa) and
the gold hunters, such as India
and Egypt. They certainly need no
financial assistance, but should
be "educated" to accept the creditor
role, new as it may be to them.

The second group of nations
will face difficulties, but not of an
unsurmountable nature, provided
they don't try to live far beyond
(Continued on page 945)
Post-War Export Prospects

(Continued from page 944)
their means, so to speak, France, Holland and Belgium have sufficient gold reserves to get started, and substantial resources to get soon on an export base. France and Italy may be the chief beneficiaries of the flood of tourist dollars. Britain still can draw on "hidden" national reserves in her large capacity to produce finished consumers' goods, and on some $6 billion of foreign investments still "left over." But, of course, this group of countries will have to tighten the belt—in one form or another.

Lastly, there will be distressed nations, distressed temporarily or "for good." Presumably, the distressed nations will be in the most desperate condition. (And least likely to be refinanced.) Occupied countries like Poland and Greece, will be in dire need of support. So will be, to a lesser extent, China and Russia. But the amounts needed will be determined by their own policies, and no law of reason or of ethics obligates a nation to support the unduly rapid industrialization of the others.

We can have all the exports (of durable goods) after the war which a balanced American economy can stand. It doesn't take world-wide projects of unsound financing to accomplish that. It takes initial credits of a limited volume and a reasonable volume of long-term investments of a profitable nature. Our ability to export will be limited by our own internal situation, which is threatened by a post-war inflation. We may be compelled to reduce our exports, so as to keep prices from rising at home, or may be actually compelled to put them under embargo.

How Cheap Is Cheap Money?

(Continued from page 942)

Let them buy bonds as well. There should be very little price hazard involved.

But whatever is done, it is imperative that someone start thinking about something besides freezing interest rates indefinitely. It is becoming increasingly difficult to

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(Continued from page 915)

tional loans. What constitutes "sound collateral" is a matter to be largely determined by the trained judgment of individual bankers. It cannot be left entirely to the definition given in a general law or to a bureaucratic organization. What is sound collateral in one location may be just

(Continued on page 956)
**"Wake Up America!"**

(Continued from page 918)

Congress. Eleven representatives of various Slav groups, particularly in the Balkans, were invited to attend that Congress. From that Congress there had developed in this country the Kosciusko League and the All-American Slav Congress, under the leadership of Leo Riziski and Mr. Louis Adamic. The foundations for these two organizations among the Slav people is the Communist left-wing radical element and their fellow travelers of this country.

This is part of the same group that until July 21, 1941, when Hitler marched against Russia, was doing everything they possibly could to sabotage our defense program and weaken our form of government.

It is the same group under the Communist supervision that organized the Peace Mobilization Association, that had pickets walking up and down in front of the White House prior to Hitler's attack on Russia, carrying banners with inscriptions such as this: "The President is leading us down the path to war." The Yanks are not coming, and many other slogans of that type. But the day following Hitler's attack on Russia, these same pickets were parading in the streets supporting the war effort, but with a different slogan on them, thus calling for "a second front now."

What is a Communist? Let me give you the definition recognized by Attorney General Biddle and the Civil Service Commission of the United States.

Some people seem to think that in order to be a Communist they must carry red cards and belong to the Communist Party. No such statement could be further from the truth, because there are ten times as many Communists out of the party as there are in the party. The test of whether a person is a Communist is whether he follows the Communist Party line.

To illustrate: If the Communist Party takes a stand on a certain question on one side today, and this individual takes the same stand, and next week the Communist Party takes an opposite side, which they have in many cases done, this individual flaps and takes the same stand, and you see this individual doing this time after time, you can be assured that he subscribes to the ideologies and principles of Communism.

The name Kosciusko League is a very clever one. Kosciusko is one of our leaders, as well as one of our great heroes. Likewise when the Communists, formed their schools around the country, they named all their schools the Workers' Schools. Now they are renaming them the All-American Slav patriotic Presidents. For instance, the Chicago Internal & External Relations name from the Workers' School to the Abraham Lincoln School. The Communists changed the name from the Workers' School, to the Abraham Lincoln School, in order to smokescreen the real purpose of the schools.

In regard to their duty on the home front, I want to speak just a moment of the political situation as it is threatened by the CIO Political Action Committee under the direction of Sidney Hillman. Mr. Hillman is not touched upon that, and I am glad he did, because this is not a partisan issue. This is a time when country must be put ahead of any political party. The Congressmen Boren is one of those patriotic Americans who is doing all he can from the Democratic side of the House to save our representative form of government.

What about this CIO Political Action Committee? The facts are, when John L. Lewis draws the banner to form the CIO, he had just two places he might go to—one that represented experienced labor organizers: the American Federation of Labor and the Communist Party.

He couldn't go to the American Federation of Labor, so he turned to the Communist Party for his banner to be a banner of his mind was this thought: I will use these men to organize this CIO. In the meantime I will start training my own labor organizers, and after I get them trained I will kick the Communists out of the union.

John L. Lewis had previously eliminated the United Mine Workers Union of all Communists. But this time he ran against a different proposition. The Communists organized against him, and then instead of Lewis kicking the Communists out of the CIO, the Communists kicked John L. Lewis out. This has been the history of today against men who are elected to office, that the Communist organization will not take dictation from the Communist element in control. This CIO dictatorship has fastened itself like a giant octopus on the shoulders of the rank and file members of our labor unions all over the country, to confuse and demoralize the unions of loyal, patriotic working men need help in combating this un-American domination of their affairs. I shall continue to be a friend of the working men in behalf of their efforts to throw this Communist octopus, and restore control of their unions to the kind of people that work and the membership want to represent them.

The technique of the Communist-controlled organizations is to threaten the future in politics of anyone in public office who is not willing to follow their dictates. Their methods are vicious, and they hope to be able to use this threat in order to keep them in their positions. We must not be so foolish as to fall for their device. They are trying to create an atmosphere of fear, of spreading smeared sheets to the homes, in the hopes the people will become so disgusted with politics in general, time will not be used to vote on election day.

They attempt to elect the men they wish to see in office, by keeping those people who would otherwise vote for the one they

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**Continued on page 919**
Is The Coming Boom In The Home Washing Machine Industry Already Discounted?

(Continued from page 920)

solid pattern and appear more like the Maytag picture.

It is probable that during the last six months the most active market in the group has been Bendix, with Maytag next and then Enam. Trading in the others has been light and spotty.

Price-Earnings Ratios of Washing Machine Stocks

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>No. of Shares</th>
<th>Price</th>
<th>Earnings</th>
<th>Price-Earnings Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bendix Electric</td>
<td>90,000</td>
<td>$10.00</td>
<td>8.75</td>
<td>11.6</td>
</tr>
<tr>
<td>Rubicon &amp; Seelig</td>
<td>110,000</td>
<td>$13.00</td>
<td>6.97</td>
<td>18.2</td>
</tr>
<tr>
<td>Bendix Home Appliances</td>
<td>500,710</td>
<td>$9.67</td>
<td>6.67</td>
<td>14.3</td>
</tr>
<tr>
<td>*Era Washing Machine</td>
<td>443,225</td>
<td>$8.00</td>
<td>6.77</td>
<td>12.2</td>
</tr>
<tr>
<td>Electric Household</td>
<td>3,665,952</td>
<td>$10.00</td>
<td>6.51</td>
<td>15.3</td>
</tr>
<tr>
<td>Maytag Co.</td>
<td>1,617,921</td>
<td>$10.00</td>
<td>6.25</td>
<td>16.0</td>
</tr>
<tr>
<td>*Stainless-Steeled Corp.</td>
<td>1,330,231</td>
<td>$10.00</td>
<td>6.25</td>
<td>16.0</td>
</tr>
</tbody>
</table>

*No stock—This has no rating power, but is in the active market issue. 74 years 1938-1941 IS stock.

As shown by the table above, Apex Electric and Barlow and Seelig have relatively few shares outstanding. Thus their per-share earnings are correspondingly high, while at the same time trading in these two issues is very inactive.

In the last six months, the Maytag group had a turnover of 231,900 shares (14.3% of the total shares outstanding) during the period January-March 1943, and stockholders have been forced to hold their shares until a price movement has appeared.

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Is The Coming Boom In The Home Washing Machine Industry Already Discounted?

(Continued from page 917)

HOME WASHING MACHINE STOCKS
Price Trends January 1942 thru July 1944

<table>
<thead>
<tr>
<th>Week</th>
<th>Stock A</th>
<th>Stock B</th>
<th>Stock C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
<td>18</td>
<td>22</td>
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<td>3</td>
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<td>6</td>
<td>20</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>7</td>
<td>22</td>
<td>28</td>
<td>32</td>
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</tbody>
</table>

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"Wake Up America!"

(Continued from page 946)
desire to defeat, away from the polls.

Two words often used in their publications are: say one who will do his bidding is a "constructionist," One who will not follow their dictates is an "ob¬stactunist." They label anyone who has the courage to stand up and fight for our Constitution and Old Glory, and fight for those fundamental principles of our country, as a Fascist. What they really are is anti-democratic.

In conclusion, the program of the CIO Political Action Committee in this country today is by far the clearest and most dangerous revolution that has ever hit this world. It is the program of Sidney Hillman and Emil Broider to take over our government.

They have found it expedient to work through the Democratic party, ‘to take control of that party, in order to say to you in all sin¬cerity, my Democratic friends, that if you really love your party, and really want to save the party from ruin, you Jeffersonian Demo¬crats must vote Republican this fall, to save the party of your political faith. Because, if the election is won by the Hill¬man and Broider forces, you will have no party left.

‘If you are loyal, patriotic, red-blooded Americans, and believe in our free system of government, you will give in this campaign, be you Democrats or Republicans, all you service.

We are all busy, But, gentlemen, do you not wake up and take an interest in politics, you may do it any time you go to, after these enemies of our representative form of govern¬ment take over. Two years ago, I determined it to be my duty as a public duty to run for public office, and try in my small way to do something to prevent getting rid of this bureaucracy, and the material control that has been set up in this country under the present administration, which is so heavily infiltrated with these enemies of our Constitution.

The issue is very plain.

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NISTA Municipal Committee Report

Thomas M. Graham, Chairman of the Municipal Committee of the National Security Traders Association, which in addition to Mr. Graham consists of J. Wallace Kingsbury, (Vice-Chairman, Kingsbury & Alvis, New Orleans), Joe H. Davis (First National Bank, Memphis, Tenn.), Raymond V. Condon (B. J. Van Ingen & Co., Chicago, Illinois), and Thomas Kemp (Thomas Kemp & Company, Los Angeles), made the following report to the Association at its annual meeting last Friday:

This past year, with additional affiliations, the membership of this organization is the largest in its 11 year history. Our Association has the broadest national membership of any organization in the securities industry with over 700 members who are officers or principals in their organizations. Being an organization of individuals, your Committee has been able to lead in all problems affecting the industry without involvement or commitments of firms as to policy matters.

The chairman and members of this Committee in the past have been the leaders in the municipal business and have left a splendid heritage of accomplishments which has spurred us on this year in the many problems which this Committee has undertaken. Russell Dott, Chairman last year, worked in conjunction with Austin Tobin on the Port of New York Authority Case and took the lead in conjunction with Dave Wood in sponsoring the Boren Bill (H.R. 1505).

The Boren Bill has been one of the outstanding activities of this Committee during 1943-44. The contacting and educational work which has been done thoroughly and as Chairman, I am very proud of the tremendous amount of work done by all members of the Committee and the spirit of cooperation shown in this endeavor by certain of the corporate members of this Association. The hearings on the bill are tentatively set for Sept. 12 and we hope to succeed in having the bill reported out and passed before the election. The latter is important. Whether or not there is a political turn-over, we can expect many changes in the Securities Acts to make their function properly. In the post-war era, passage of the Boren Bill would be the first change in these Acts, sponsored by a Democrat and endorsed by both parties. The question of "State rights" which is the real keystone of this amendment is of prime concern to both Democratic and Republican members of Congress. The pendulum of bureaucracy has swung too far and the extreme damage of our country. The real question at stake is the continual usurping of power by Federal bureaucrats and the struggle of state and local governments against this trend, in reality, the rights of people versus centralized government.

Your Chairman has made four trips to Washington regarding this legislation. There seems to be no opposition in Committee, or as far among the members of Congress, except two unfavorable memos of the SEC, which was to be expected. The grasping of power by the SEC beyond Congressional intent will be corrected by this bill, at least regarding municipal securities. This report does not go into any details about H. R. 1505 as all members of the municipal industry are now thoroughly familiar with its contents.

(Continued on page 951)

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NSTA Municipal Committee Report

(Continued from page 951)

...a firm has two members who are officers of the NSTA. Chairman A and members B and C have been here, set this in opposition. The purpose was to make them responsive to the best interest of our country after the war and make all corrections necessary to that end. This would call for hearings on Securities Acts of 1933-34, Stock Exchange Acts, Maloney Association Act and Investment Trust Act. The Municipal members of this Association expect to lead the way by helping to pass the Boren Bill after that we pledge our full cooperation to the four other important divisions of the securities business to help them work out their many problems.

It is estimated that your Committee and members have spent personally over $3,000 in their activities on the Boren Bill alone this year. No expense has been spared, but no expense item. It is impractical to print, stamps and stationery, has been paid by your Association. The only refund your Committee wants is to have continued cooperation by the whole organization in its activities. At this point we respectfully recommend as follows to the future

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Greetings From NSTA Officials Past and Present

(Continued from page 908)

WILLIS M. SUMMERS

This year we have met during a world conflict with our Armed Forces in action on many fronts. Among these participants in these battles are a number of members of our Association.

With this in mind, it is natural that the meeting of the National Committee has concentrated more than ever on the serious aspects of our business. I feel that for us, who are not in service, the most important task at hand is to do everything possible to make the over-the-counter business something really worthwhile for our boys to return to.

In this respect I am sure that NSTA will not be found wanting. My congratulations to Perry Brown and his officers, especially for the work they did in bringing in two new affiliates during the past year.

My best wishes to our new President for a successful administration.

WILLIS M. SUMMERS

EDWARD D. JONES

Investors in the Middle West are beginning to analyze security offerings for post-war possibilities.

EDWARD D. JONES

ARTHUR E. FARRELL

Ten years ago this month the NSTA was an idea. Thanks to the cooperation of its past officers with the members it is now a strong, aggressive organization. May it continue to grow with the interest of the individual trader its foremost objective.

The trader's primary interest is the over-the-counter market. The individual investor must be advised as to its importance, its method of operation and its desirability.

Mistakes have been made in this past. All indications point to another period of prosperity in this country. The security business should be a leader in this era and it should be conducted honestly and above reproach. It is the duty of the NSTA and the individual trader to do their part to carry forward its well-defined program of truth, enlightenment and integrity in business.

In retrospect, the NSTA appears to the writer to be growing in strength and influence as it gains in years and experience. It is first and foremost a voluntary association of individuals rather than a "must" society of firms. As such, its members may, without restrictions and without fear of penalties or reprisals, speak freely and constructively on matters of mutual concern, even though such topics may, upon occasion, be of a highly controversial nature. Thus, and thus only, are the best interests of those in business, and of the public, well served.

J. GENTRY DAGGY

Congratulations and best wishes to President Edward E. Parsons, Jr., and his able staff of officers. I am confident that NSTA enters its 12th year equipped and able to reflect on the securities business is certainly to be much desired.

(Continued on page 957)

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BARCLAY 7-6411
The Outlook For Public Utilities In Post-War Era

(Continued from page 909)

stantial decreases in volume of output but, in some of them, gross revenue will not be materially affected because more consumption by commercial and residential customers will offset the decline in revenues from industries and military establishments who received their service at rates lower than those necessarily charged commercial and residential customers. The time lag involved to accomplish this will vary according to the shifts in working population following the close of the wars and to when customers can get new and additional appliances and when new homes are available for use.

Taxation of income has produced violent changes in the last few years, and will be a very important factor affecting net income in the post-war period. Legislative sentiment seems to be increasing to reduce substantially, if not eliminate, Federal excess profit taxes in the not distant future. These taxes during the war years have taken and will take very substantial sums out of the earnings of utilities. While the excess profits tax proper, if it exists, will provide a cushion in the event of a decline in gross revenues, recently several gentlemen whose opinions are of value and influence have advocated the elimination of all corporation excise and capital taxes. If this should be done, then certainly the net incomes of utilities will be well protected and not in many cases increased. Personally, I do not expect to see the elimination of all Federal income taxation upon corporations, but a reduction of the normal and surtax rates would be very beneficial.

Operating costs are not expected to show any consequential relative increase. They ought not to be higher than, and in many cases may be below, costs during the war period. It is my belief that the properties of utility companies have been fairly well maintained during the war period, and no substantial amount of deferred maintenance is possible in isolated instances. A substantial amount of replacement will be necessary, but this generally will be paid for out of the unexpended depreciation provisions of recent years.

By programs of debt reduction and refunding, cost of borrowed money has been reduced by utilities to effective rates which are at a low point in the history of the industry in the past. I know full well that in business you have become accustomed to doing business with that fact. Costs for any additional borrowed money in the post-war period very likely will be at effective rates not materially different from the average of the past four or five years. Additional borrowing, however, will probably not be large. Though generous provisions for depreciation and retentio of earnings, the utilities should not have a very large part of this year's future construction costs. Preferred stock refundings in recent years have materially reduced the total amounts required for dividends, and the 18% Federal surplus credit has been of benefit to operating companies. There is no reason to believe that what has been needed in the past will not be needed in the future. Money can be obtained at reasonable costs in the predicted favorable factors are then present. Utilities will not be able to limit the demands of their customers very large additions to property and plant, and such demands should produce additional revenues to afford adequate return upon the new investment.

Most of these views are rather favorable. They will be wrong if the international and our national economies are not wisely planned and well executed. Without thinking won't do it. Good common sense must be employed by the legislative and executive branches of our country, State and Federal. The national government has the right to control construction with intelligent and progressive labor, industrial, agricultural, cultural, commercial and financial groups. The desire and the sent for successful completion are present in the minds of the active investors and workers in these groups. If reasonable and fair-minded people in these various groups make the necessary effort to guide and influence public thinking, then the unfavorable factors will not prevail.

We hear a great many pessimists talking of the effects of a general economic depression estimated by some to be far worse than that of 1929 due to the disturbances of previous years. These predictions are likely to be exaggerated. The readjustment of our armies, and disillusionment of the people with problems to be presented to industrialists, investors, recreation, and disposition of surplus plants, equipment and materials, and identification of industries will also take a toll. Estimates that the depression will be as bad as the 1929 post-war boom are an exaggerated challenge to everyone. If we fail to avoid or limit the effects of these unfavorable factors, utilities—in common with other business groups—are likely to show a heavy hand of adversity. If the pessimists strike back waiting for a bear market, and if they induce others to adopt a deflationist and withdrawal than to strive to avoid a depression, then we all will be in for more trouble than we have had in the fact that tremendous debts are being carried on the books will be a burden and a problem. Whatever pessimist says in this country win the November elections—and it could be a divided result—the predominating type of long-sightedness and fairness is essential in every part of the country. If we meet readjustments in the most businesslike way for the entire nation. After the results are known, the best course will be to wait a minimum, I hope that all concerned will rise to the full realities of the situation. If we do this and I have a reasonable expectation of controlling interest, they will do no harm. It will involve greater broad-mindedness and fairness on the part of many regulatory bodies, both State and Federal. In rate cases proceeding, accounting regulations, and in other determinations they have gone far enough, and in some cases I think they have gone beyond the point necessary to meet the correct abuses and mistakes of the past. Some of the adjustments in which company situations are still in process of being completed. The patterns of regulations should be, and I believe will be, more fully meaningful and less of experiment and hesitation.

There is a substantial amount of competition between publicly owned electric corporations and those which are business-managed and pay wages to their employees upon their income. Some of this tax discrimination, which constitutes a significant competitive advantage to publicly owned enterprises, may be removed by changes in the income tax laws, and there is a prospect that the uniformity of the income tax will be maintained sufficiently by legislative bodies to shrink it to small proportions if it does not remove it entirely. A large amount of the operating capacity owned by some of the Federal projects will probably be surplus capacity in the post-war years for some time to come. Its use, after military necessities are no longer existent, should not be to create further unfair competition. With minor exceptions, all classes of utilities are in a condition of earning and paying their own way and sharing the support of the excess of the war, its liquidation, and the post-war economy. I may be wrong in this, but the revenue cycle which has reached its peak and that a return to normal conditions will meet the national Congress do not wish to see industry socialized. The business world can not resist a fair competition.

You no doubt have reached the conclusion that I am somewhat optimistic about the possibilities for electric and gas utilities in the post-war era. We all have a big job ahead of us to bring about success. I believe that we will do it reasonably well.
These studies take note of decreasing real estate valuations and accept it as true that the growth of cities will continue to decline. Decentralization of population and industrial growth of blighted areas within city limits; the removal of taxes; the elimination of property from the tax rolls because of Government ownership, and the gradual conversion of wealth to corporate form, all make the valuations less productive and, taken in conjunction with the continued increase in the scope and cost of services rendered by cities to their inhabitants, will eventually threaten cities with bankruptcy even while the wealth within their limits is increasing. Unless their fiscal structures are brought into line with modern requirements, most of the other main fields of taxation, which are immensely more productive than ad valorem taxes, are presently at the disposal of only the Federal and State governments, and must be found to share these towns, if of the few cities we could anticipate a protracted period of heavy work, some have not been built and some, more important, we must remember that only a part of the cost of the Federal and State roads and bridges. States and municipalities have been spending large sums for the benefit of local residents, and in some cases for the benefit of the general public, have made it possible to be directly or indirectly benefited from state and federal works. An example, the City Managers' Association of the United States Congress was the state of California, Denver, Los Angeles, and San Francisco. Of 101 cities having between 100,000 and 150,000 inhabitants, 39 cities expect to finance some of their projects through general obligations. Two cities, New York, and all of their projects through the issuance of such bonds, and 69 plan to issue such bonds for public benefit projects.

In considering the probable volume of post-war municipal, you must be aware of the possibility that future municipalities may be forced to Federal taxation. If this were the case, not only would the volume of issues be affected, but distribution would be substantially altered.

So much for the probable volume of post-war municipal business. Even a conservative view indicates that we have several very large pieces of work which are now one call to your attention a radical change in the nature of post-war municipal securities which is very possibly going to occur and which will call for some interesting pioneering on our part, both dealers and lawyers. Will Rogers used to say that there's a lot of difference between chasing gold and pioneering for silver. The constructive type of pioneering which we now have the chance to do will not be in the latter class.

Up to now municipalities have relied on two pieces of work as their principal source of revenue, sales taxes and real estate valuation. Some have been payable from that source. Students of the subject believe that the future municipalities will have to rely more and more on other sources of revenue. If this happens the nature of municipal obligation must be correspondingly revised. There was an excellent article on the subject in "Fortune" for July of this year. In addition, I refer you to valuable material in the annual Year Book for 1944, in the report of the last year of the Treasury Department's Committee on Taxation, and in Booklet No. 86 of the Public Administration Service.
Some Practical Phases Of Post-War Municipal Financing

(Continued from page 855)

and tunnel financing—we have in our office alone at least 15 or 20 such transactions on which work was actively in progress when the war interrupted it. Parking terminals are coming into consideration. New municipal airports and the improvement of existing airports will be in wide demand after the war, and the present trend toward State and municipally-owned port and harbor facilities seems to continue. Sewer revenue financing is developing, although here we still have problems to work out in solving the best basis on which to fix service charges and adequate methods of enforcement. For.

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Greetings From NSTA Officials Past And Present

Steps in this direction have been taken. Certainly there is nothing ominous about laws that have been written. There seems to be, however, a danger of over-zealously in regulation which, while seemingly accepted in acquiescence by those of us in the industry, tends to discourage and irrate the investing public.

From its inception as more or less a social organization NSTA has matured to take its rightful place as a leader in constructive progress. It is the solemn obligation of our officers and each and every one of us to leave no stone unturned to help simplify and clarify the laws governing our business and the administration thereof.

Through fraternal relationship, we have in a short span of years brought the trading business to the front as a model of propriety. Of this fact we can all be justly proud. In view of this accomplishment, it is a natural assumption that we can be of vast help in molding the economy of the immediate future and the post-war period that now begin to seem imminent.

Henry J. Arnold

Security Traders Association of Connecticut

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Loring Griggs
Donald Jacobs
William Lally
Thomas McGeough
Raymond Smith

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——
Accurate Trading Markets
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Easing Collateral Loan Restrictions On Inactive Securities As An Aid To Small Business

Continued on page 945 the opposite in another locality, and different circumstances alter cases. On one occasion the writer was examining the assets of a large Southern life insurance company. To his amazement, he found that a substantial portion of the company's investments comprised mortgages on rural church buildings. When this fact was mentioned to a banker in the vicinity he said: "Any time the company wants to dispose of these mortgages at face value, I'll take them. They are the safest real estate investment in this part of the country. There is probably not one of these mortgages that is not directly guaranteed or backed up by several well-to-do individuals of the neighborhood, who would regard it as a disgrace to themselves to have the mortgage foreclosed. Besides, it would not take much effort on the part of the church members, through solicitations and voluntary con-

tributions, to meet interest and amortization payments. But I would not say the same regarding a rich man's club house here. A mortgage on that would be a risky investment."

It has been a common belief, as well as a general practice, that only listed securities should qualify as collateral for loans, and that local or unlisted securities are not readily marketable. Experience has proven, however, that even listed securities are not always the most readily marketable and, moreover, they are not always the most resistant to rapid and excited price declines. This is due, undoubtedly, in large part, to the greater factor of speculation in the pricing of listed and readily marketable securities. These are, at times, to sell, relatively, more above their intrinsic value as investments than the local or inactive groups. Yet, under banking regulations, banks are severely restricted or discour-

aged in making loans with un-

active or local securities as collateral. This policy handicaps the financing of small or local enter-

prises, it tends to drive them into the maws of their larger com-

petitors, who in many instances have liquidated them merely to get them out of the way as less desirable ones.

In these days of capitalistic production the tendency is to ex-

pansion of business undertakings is, in most instances, largely de-

pendent upon access to the capi-

tal market for funds. The indivi-

dual investors who supply funds want not only marketability for their commitments, but they want the facility of using them as collateral to obtain fresh in case of need. Place undue or dis-

criminating restrictions on unlisted securities having intrinsic value as collateral, the banker will, and you deal a severe blow to investment in the securities of small or local business concerns.

Over-the-counter security deal-

ers and underwriters of all groups, both large and small, like many other business concerns, are greatly unjustly handicapped when they are denied legitimate loan facilities. Imagine, if you will, any wholesale or retail manu-

facturing organization in these days that operates on a low profit turn-

over which does not require the aid of some form of current bor-

rowing. Thus, grain and other commodity dealers, however large they may be their capital resources, could not carry on their business at prevailing low-profit turnovers if they were denied the facility of borrowing on warehouse re-

quests or chattel mortgages at all. Loans secured by com-

modities in storage and on other inactive inventories have been so long common in Europe. The practice may well be extended more widely in this country. Security dealers could maintain and stabilize their markets more readily and more effectively (without speculating or the like) if they were afforded proper facilities for ob-

taining loans secured specifically by the merchandise they carry.

This does not mean that secu-

rity dealers or brokers should be

enabled to borrow without regard to the value or the liquidity of their securities. This is an essential responsibility of the banker, and the amount of the collateral be propor-
tional to the loan. But, beyond this topic, the famous Macmillan Re-

port to the British Parliament re-

marked: "Any time the bank deals on the basis of the list-

gage their issuing credit in the market. In the latter case, the bank considers the intrinsic value of the securities, and the amount of the issue support the loan. The Bank of England, for instance, always, do to, a closer and more intimate association between banks and industry than where no such responsibility is assumed."

With a specificity to loans on collateral, the report states: "In several cases, banks lend either directly, or through brokers very large amounts of money to investors and specula-

tors against industrial securities of all kinds. Loans of this kind made by the reporting mem-

ber banks are sometimes at least equal to the loans made direct by them to industry. For this reason takes a great interest in the stock market and in the industrial movements of the country."

As already stated above, the writer's judgment should be suf-

ficient, without unwar-

anted government-imposed re-

strictions. The banking policy in selecting and appraising securities to be held as collateral should not be a mere "rubber stamp" for the advice of the executive. Yet, in no other coun-

try in the civilized world has the banking policy been so important, and where there are no regulations, as in the United States. Taking into consideration the banking experiences over the last half century in the different countries, one may well doubt whether these laws have not more detrimental than effective. Cer-

tainly, bank solvency in the United States has not been more common than in France and Great Britain, where restrictive banking regulations have not been less, and, as a result, these countries have been given bank executives to exercise their business judgment for their own personal judgment.

Certainly the problem of af-

fecting the whole climate of marketings unlisted and local securities is of great importance both to security dealers and to investors. Each security should have full collateral value whether sold over-the-counter or on an exchange. This would clearly establish that they have reobservered intrinsic worth in the market and brokers or brokers who make a market for them. If this situation could be so established, it would greatly assist the financing of local and medium sized concerns. It would, moreover, expand the field of marketable investments and would dispense the areas of security marketing throughout the nation instead of confining it to a few large metropolitan markets.

Because of the SEC regulations regarding trading on exchanges, as well as the existing and in-
conveniences involved in listing securities, the tendency seems to be for an increasing volume of over-the-counter trans-

actions. Therefore, have greater responsibilities in furthering sound investment for both unlisted and unlisted securities markets than in the past. The banks throughout the country should cooperate more closely with them in sharing these responsibilities, by keeping in touch with local industrial activ-

ities, and by granting dealers and investors as ample loan facilities as is consistent with sound banking principles.
Our 25th Anniversary .... 1919-1944

It was right after World War I ended that this firm was organized. Then, as now, the post-war period promised broadened horizons for America's ingenuity, industry and finance. We had just won our greatest war and it made us world conscious for the first time in our history.

It was natural for our activities to be directed towards foreign investments, a field in which the principals of our company were already well-trained.

As the years rolled on and America expanded industrially, our interests branched out and we participated in the development of our domestic economy.

Twenty-five years is not a long time when measured in the light of a business devoted to the manufacture or sale of staple merchandise which has a steady, repeat demand year in and year out. But a span of twenty-five years in the securities business is, in our humble opinion, a very long time.

Feast and famine, flood and drought, war and the threats of war, good times and bad times, make deep impressions on our business. The securities business cannot depend on styles and fashions, or on people's basic needs for its sustenance. Every day and every week is unlike its counterpart of yesterday and calls for new decisions, new adjustments and new thinking.

And so, as we go into our twenty-fifth year, strangely enough into another post-war period which we trust will be the last, victory again, as before, will be ours.

Again, as before, there will be the fruits of victory to be gathered. Again, as before, new opportunities will spring from the ruins of a holocaust. Again, as before, experienced hands and trained minds will know which paths to follow.

Fortunately, the years have spared the original founders of our concern and they, together with their associates, whose individual talents have helped in no small way to maintain our standing in the financial community, will be available to guide and counsel our friends and clients, as before.

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ARE IMPRESSED BY THE MARKED EXPANSION OF THE DOMINIONS INDUSTRY
AND THE FEELING THAT HERE IS A LAND OF OPPORTUNITY.

THE MILLION SQUARE MILES OF CANADIAN FORESTS SUPPLY PULP FOR
THE MANUFACTURE OF PAPER. FROM HER MINES, GOLD, NICKEL, COPPER,
LEAD AND ZINC ARE TRANSFERRED TO SMELTERS AND REFINERIES. HER
VAST FARM LANDS PRODUCE MILLIONS OF BUSHELS OF WHEAT FOR EXPORT.
FISHING IS CARRIED ON IN OVER 360,000 SQUARE MILES OF COASTAL
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