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Too Many Old Men At The Helm Of Science

Too many old men are at the helm in science, which needs the originality of youth to keep pace with its opportunities for service to mankind, Dr. Thomas Midgley, Jr., President of the American Chemical Society, finds in a study of the age factor in discovery and invention reported to the Society, which began its 108th meeting in New York on Monday, September 11.

Thomas Midgley, Jr.

"The extension of life, resulting from the applications of those principles regarding disease, developed nearly a century ago, has produced a condition in society whereby too many men are being kept in service beyond the years when previously they would have been eliminated," Dr. Midgley says. "This is particularly true in those activities requiring originality for scientific progress."

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In This Issue

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin included in this issue. Illinois on page 1138; Wisconsin page 1139.

Index of Regular Features on page 1160.

The Charter Of Financial Freedoms

By DR. MELCHIOR PALYI

Chicago Economist Maintains The Bretton Woods Conference Has Produced A Patchwork Of Piecemeal Approaches Which The Sponsoring Governments Do Not Regard As Final Or Satisfactory. Says That The Agreements "Represent A Charter Of Financial Freedoms For The Debtor Countries," While Placing The Burden On The Creditors. Holds That The Alternative To The Bretton Woods Agreements Is To Restore Free Capital Markets And The Elimination Of Arbitrary Interferences And Other Controls

With minor modifications only, the Bretton Woods conference accepted the Anglo-American plan of two international institutions, to be confirmed by the forty-four participating governments. (Neutrals and Axis countries were not represented, nor was Argentina.) Of the two, the *International Bank for Reconstruction and Development* is designed to provide long-term capital to countries in need of it, while by implication the *International Monetary Fund* is supposed to provide credit for short periods only.[1]

Dr. Melchior Palyi

Apparently, the two institutions are to be entirely separate (except that membership in the one presupposes membership in the other), to serve different objectives. The primary purpose of the

[1] The outline of the Fund, as submitted to the Conference, has been discussed in the May 18 issue of the "Chronicle."

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Will Foreign Lending Return?

By DR. MAX WINKLER
Former Economic Adviser, U. S. Senate Sub-Committee on Banking and Currency

Foreign Bond Expert Holds That Foreign Credits Is A Prerequisite Of Expansion Of Foreign Trade And A Continuation Of Nation's Economic Progress. Says Much Of Foreign Defaults Were Not Due To Unwise And Promiscuous Lending By American Bankers But To Failure Of Government To Appreciate The Responsibilities And Duty Of a Creditor Nation. Looks For Renewed Foreign Lending And Expresses Hope That Loans To Worthy Borrowers Will Not Be Discouraged Or Impeded

According to Plato, the relative backwardness of Sparta was due largely to her inability and unwillingness to extend financial and commercial aid to her neighbors, while the relative greatness of Athens was attributable to the disdain with which the Athenians regarded a policy of economic or political isolation.

Dr. Max Winkler

The United States may well be likened to Athens rather than to Sparta, and the marked progress which the country has made along economic and financial lines has doubtless been the result of her willingness and ability to co-operate with rather than remain aloof from her neighbors across the Atlantic and across the Pacific as well as

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Fiscal Policy And The Taxation Of Business

By BEARDSLEY RUML*
Chairman, Federal Reserve Bank of New York
Treasurer, R. H. Macy & Co., New York

After Reviewing The Social And Economic Purposes Of Taxation, Of Which He States The Maintenance Of Dollar Stability Is The Most Important, Mr. Ruml Points To The Bad Effects Of Corporation Profits Taxes To Wit: (1) As Having An Uncertain Effect With Reference To Dollar Stability —(2) As Tending To Raise Prices And To Keep Wages Lower Than Otherwise Might Be—And (3) As Reducing Investment Yield And The Flow Of Savings Into Business. He Holds That The Elimination Of The Corporation Income Tax "Will Increase The Effectiveness Of Our Fiscal And Monetary Policies," Strengthen Production And Provide More Employment.

Beardsley Ruml

The superior position of public government over private business is nowhere more clearly evident than in government's power to tax business. Business gets its many rule-making powers from public government. Public government sets the limits to the exercise of these rule-making powers of business, and protects the freedom of business oper-

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Governor Dewey Urges Rebirth Of Faith In Country's Future

At Louisville Criticizes Proposal For WPA For World. Advocates Instead Wider Exchange Of Goods.

Opening his campaign in Philadelphia on Sept. 7, Gov. Thomas E. Dewey, of New York, the Republican Presidential nominee, undertook to make it clear at the outset, that "this is not merely a campaign against an individual or a political party. It is not merely," he added, "a campaign to displace a tired, exhausted, quarreling and bickering Administration with a fresh and vigorous Administration. It is a campaign against an Administration which was conceived in defeatism, which failed for eight straight years to restore our domestic economy, which has been the most wasteful, extravagant and incompetent Administration in the history of the nation and worst of all, one which has lost faith in itself and in the American people." "This basic issue," Gov. Dewey asserted, was "revealed in the recent announcement by the Director of Selective Service in Washington," whom the Governor quoted as saying that when Germany and Japan have been defeated it will still be necessary to demobilize the armed forces very gradually. "And why," the Governor asked. "Because, he [the Director] said, 'We can keep people in the Army about as cheaply as we could create an agency for them when they are out.' . . . They are afraid of peace. They are afraid of a continuance of their own failures to get this country going again. They are afraid of America."


Thomas E. Dewey

Declaring that "I do not share that fear," Gov. Dewey expressed it as his belief "that our members of the armed forces should be transported home and released at the earliest practical moment after victory." He further said "I believe that the occupation of Germany and Japan should very soon be confined to those who voluntarily choose to remain in the Army when peace comes."

According to Gov. Dewey, "the New Deal was founded on the

(Continued on page 1155)

Effect Of Germany's Defeat On The National Debt

Apropos of the effect of Germany's defeat by the end of October on the size of our national debt, we take the following from "Investment Timing," issued by the Economic & Investment Department of the National Securities and Research Corporation:


L. H. Bradshaw
Editor
"Investment Timing"

The War Production Board yesterday announced a 40% cut-back in war production within three months after the defeat of Germany and "immediate and drastic" elimination of virtually all controls over civilian production. With the Allies' rapid progress in all directions, military authorities and well-informed observers are now agreed in expecting termination of the war against the Nazis to occur by November.

Reduction in War Expenditures

The WPB announcement, therefore, indicates a substantial cut in the estimated war expenditures in the Government's budget for the fiscal year ending June 30, 1945, and in turn a marked reduction from previous estimates of the national debt.

Table 1 gives a digest of the Federal budget—the revised figures of July, the former estimate

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Elect Habas V.-P. Of Manhattan Foundation

Election of Eugene J. Habas as Vice-President of Manhattan Foundation, Inc., research organization for Manhattan Bond Fund and for New York Stocks, was announced today by Hugh W. Long, President.


Eugene J. Habas

Mr. Habas, who has been engaged in financial research work for 16 years, comes to Manhattan Foundation from the research staff of the Lehman Corporation. Previously he had been Vice-President in charge of research for Industry and Security Survey Corp., and manager of the research staff of Fenner & Beane.

Mr. Habas is a past President of the New York Society of Security Analysts and spent some time as economist and associate price executive of the New England Regional office of OPA.

T. B. Bleecker With Paine, Webber Firm

Paine, Webber, Jackson & Curtis, members of the leading stock and commodity exchanges, announce that Theodore B. Bleecker is now associated with their new office at 745 Fifth Avenue. During the past two years Mr. Bleecker, who will be active in the firm's stock department, was connected with one of the Government war agencies in Washington. For a number of years he managed the New York office of a large Boston investment firm and later formed the firm of Bleecker, Park & Greene who were active dealers in both listed and unlisted securities.

Edward G. Platt Now Frank C. Moore Partner

Frank C. Moore & Co., 42 Broadway, New York City, announce that Edward G. Platt has been admitted to the firm as a general partner. Mr. Platt was formerly a partner in Waldheim, Platt & Co. of St. Louis for many years.

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Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.
Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth...$20 yr.
NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Regulation Of Securities Dealers

Were a dealer in securities subject to a charge of wrong doing relating to listed and over-the-counter securities, which representatives, agencies and associations would have jurisdiction to try him?

If the transactions involved the alleged commission of a crime there would be the Attorney General of the State wherein the transactions were consummated.

If the securities were the subject of interstate commerce, the United States Attorney could prosecute.

The Securities and Exchange Commission could proceed to try him for cancellation of his registration.

Assuming he was a member of the Stock Exchange, the Curb, and the National Association of Securities Dealers, these organizations also would have the right to subject him to trial.

That looks like a mountain of regulation, a dispersion of effort and authority.

At the outset we point to our firm and constant conviction that wrong doers should be punished.

We have never held, nor do we now hold, any brief for frauds, manipulators, or the recipients of unconscionable profits. Fair dealing is of the very essence of our credo.

It is because of this that we make these observations.

We are unalterably committed to the principle that every one charged with violating the rights of others should receive a fair trial—such a hearing as is consonant with our Anglo-Saxon institutions.

What are the chances of securities dealers getting such a trial?

IN THE COURTS THEY ARE EXCELLENT.

Rules of evidence are observed. The right of cross examination is preserved. Every legal safeguard is taken to prevent a man being unjustly deprived of his liberty or his property.

In the criminal branch, the office of the prosecutor and that of the judge are divorced and independent. One has a choice of jurors. Neither the jurors, the prosecutor, nor the judge, are supposed to have any interest in the subject matter, excepting only the interest to see that justice is done.

The laws themselves, for infraction of which a court trial proceeds, are the product of an independent branch of the government, the legislature.

What are the chances of securities dealers getting a fair trial before the so-called self-regulating bodies such as the NASD and the Curb Exchange?

The NASD is enticer—as witness the system of questionnaires—prosecutor, trial panel, and judge, all in one. It also legislates without authority, as witness the 5% spread yardstick.

The Curb, in its regulations, provides that a defendant, may not be represented by a lawyer.

(Continued on page 1138)

Spahr Urges Repeal Of Unsound Monetary Laws

Secretary Of Economists' National Committee On Monetary Policy States That To Retain Bad Monetary Laws On Our Statute Books In The Face Of The Huge Investment By The People In Government Bonds Cannot Be Defended

Professor Walter E. Spahr of New York University, the Secretary of the Economists' National Committee on Monetary Policy, in the September issue of "Monetary Notes" makes a personal plea to Congress to take steps to repeal the unsound and dangerous provisions of the monetary laws that remain on the statute books. Although "not overlooking the fact that the majority of Congress has taken desirable action in some cases (as, for example, in not renewing the power of the President to devalue the gold dollar) nor overlooking the efforts made by an important group of careful, informed, and greatly-concerned Congressmen to obtain repeal of the remaining undesirable laws," Dr. Spahr maintains that the majority of Congressmen, as yet, "have done nothing to remove from our statutes those laws, which, if used, could contribute greatly to or precipitate a severe depreciation of our currency."


Dr. Walter E. Spahr

"Today the Federal debt," continues Dr. Spahr, "is approximately 209.3 billions of dollars, and it doubtless will increase for

(Continued on page 1143)

Recommend Non-Cancellable Order Form For Post-War Period

Controllers Institute Committee Proposes Inclusion Of Cancellation Penalties To Offset Unsound Pyramiding Of Orders In Anticipation Of Price Increases And Goods Scarcities. Urges Also Production And Inventory Controls "In Relation To Forecasted Markets." Warns Against Continued Deficit Spending.

General adoption of some legally enforceable form of non-cancellable order is essential to avoid pyramiding of orders in the post-war period, according to a special report of the Committee on Post-War Controllership Problems of the Controllers Institute of America. This recommendation is part of a specific program to be discussed at the Institute's 13th Annual Conference, to be held October 1 to 4 in the Stevens Hotel, Chicago. L. M. Nichols of Bridgeport, Conn., is Chairman of the committee.


Louis M. Nichols

Recalling that unsound pyramiding of orders in anticipation of price increases and scarcity of finished articles in relation to existing demand led to disastrous cancellations of unfilled orders in the periods following July, 1920, November, 1929 and October, 1937, the Committee in its report urges "the inclusion of substantial cancellation penalties in written form in connection with orders placed by retailers on wholesalers, and by wholesalers on manufacturers. Industry itself should devise legal methods to be used by retailers, wholesalers, manufacturers and

(Continued on page 1145)

A Post-War Federal Tax Plan For High Employment

Research Section Of The Committee For Economic Development, On The Basis Of The Three Objectives That (1) The Tax System Must Impose The Least Possible Restriction Upon Expansion Of Production And Employment, (2) Taxes Must Be Fair Among Persons, And (3) Taxes Must Be Adequate, Proposes: (1) A Graduated Personal Income Tax To Provide Half Of Federal Revenues; (2) A Reduction Of Excise And Sales Taxes; (3) A Lightening Of Taxes Applied Directly Against Business Operations; (4) Removal Of Tax Inequities; And (5) Total Taxation Sufficient To End Borrowing And To Afford Surpluses For Debt Reduction

The Committee for Economic Development, of which Paul G. Hoffman, President of the Studebaker Corp., is Chairman, has issued a report of its Research Committee on "A Post-War Federal Tax Plan for High Employment." This report was prepared by a research staff headed by Harold Groves, Professor of Economics, University of Wisconsin. The policies expressed in the report, however, represent the views of the members of the Research Committee, for which they are solely responsible and none of the research staff has any responsibility for the views expressed therein.

Harold M. Groves

The report and the specific recommendations of the Research Committee of the Committee for Economic Development is herewith published substantially in full:

The Committee's Report

The main domestic problem of the American people, when hostilities end, will be to achieve a high level of production and employment. Continuing large-scale unemployment cannot be tolerated, either among the millions of returning soldiers, or among the more numerous millions now engaged directly or indirectly in war work. The post-war tax plan proposed here has been designed with that problem uppermost in mind.

Taxes can be reduced, but they will have to be heavy by pre-war standards. The reason for this is that governmental expenditures will be far greater than ever before in peace-time. Every effort, of course, should be made to hold down these expenditures. Each item should be scrutinized with extreme care. In spite of all such proper efforts at economy, the indications are that post-war Federal expenditures will be at a level, which, before the war, would have seemed to many almost impossible to support by taxation.

The main items can be foreseen. Interest on the Federal debt alone will probably call for as much money as total annual Federal tax collections during the immediate pre-war period. At least for a number of years, we must count on an army, navy and air force many times larger and more costly than we had before the war. We must provide benefits to many millions of World War II veterans, in addition to those still being given to veterans of previous wars. We must be prepared to meet new international obligations. There will probably be added costs from a rounding out of the social security program. Finally, the normal peace-time functions of the Federal Government are not likely to cost less than before the war.

Although any estimate made at this stage must be uncertain, it is difficult to figure that after the war total Federal expenditures will be less than somewhere between $16,000,000,000 and $18,000,000,000 a year, not including social security payments and retirement of debt.

The lower figure is about 2½ times—the higher almost 3 times—the highest revenue raised in any single year before the war.

Such grand totals, stated in billions, mean little to most of us. When they are connected up with the pay-envelope, however, their meaning becomes comprehensible and sharp. They mean that after the war the average cost of supporting the activities of the Federal Government, if spread evenly over the entire population, would be more than $500 a year for a family of four.

When the peace-time cost of government rises to such magnitudes, it becomes more than ever necessary to overhaul our tax system, with one purpose especially in mind: to lessen, as much as possible, the depressing effect

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L. F. Rothschild & Co. Adds Michael Schneider

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other Exchanges, announce that Michael Schneider has become associated with them in their institutional department. For the past fifteen years Mr. Schneider has been with Salomon Bros. & Hutzler.

Speculative Possibilities

Preferred stocks of Boston & Maine Railroad offer good speculative possibilities, according to an analysis of this special situation prepared by Price, McNeal & Co., 165 Broadway, New York City. Copies of this interesting release may be had from the firm upon request.

Wien In New Quarters

M. S. Wien & Co., members of the New York Security Dealers Association, announce the removal of their offices to larger quarters at 40 Exchange Place, New York City. The telephone number remains the same.

Free Representative Government

By Hon. JOHN W. BRICKER*
Governor of Ohio

Republican Vice-Presidential Candidate Accuses New Deal Of Destroying Representative Government And Concentrating All Power In The Federal Executive. Proposes A Four Point Program Comprising (1) Elimination Of Needless Bureaucracy; (2) Restoration Of Responsible Cabinet Government, With Liquidation Of All Agencies, Boards, Bureaus And Commissions Not Performing Essential Governmental Functions; (3) Ending Of The Reckless Trend Toward Centralization Of Federal Power; And (4) The Creation Of An Atmosphere Of Opportunity For The Individual.

Truly, this is a year of vital decision. There are many issues, but they all add up to the one transcendent issue of representative government. Shall our American constitutional system be restored? Or shall Congress and the courts be permanently relegated to minor roles? Shall Government be kept close to the hearts and hands of the American people? Or shall local authority be irrevocably usurped by a highly centralized national government? Shall America again become a land of freedom and opportunity for the individual? Or will it continue to be a land in which the individual is becoming more and more a pawn of bureaucracy? In short the issue of 1944 is—shall the United States continue to be a republic?

John W. Bricker

This is the issue we in America must decide in this election We remember that our system of representative government was born and nurtured in critical years, when men had only an ideal of government that was yet to be proved in the turmoil of human experience. Because those who founded this nation had the courage to try out government by the people, on these shores and midst the storms of the 18th century, each generation that followed has courageously sought to keep it alive. It is for us, this year, to prove again that representative government can wage war and remain free; that to defeat tyranny in the world we need not sacrifice our constitutional rights and traditional freedom and that America possesses a reservoir of fresh leadership to which it can safely turn, even in the heat of conflict, and upon which it must rely to keep us a virile nation.

The most liberal government the world has ever known is that in which the individual citizen is the source of all power. The American Republic was intended to be that kind of system. It was called "Government by the consent of the governed."

The most reactionary system of government is that in which the individual lives and moves and has his being only by sufferance of the government. From its inception, the New Deal has been moving in that direction. It believes that you the people, are not competent to determine your own needs and that you are unable to govern yourselves. It reasons, therefore, that the Government must order every act of your personal lives, every day, from morning until night and from the cradle to the grave.

To understand how the New Deal really proposes to change this nation, it is sufficient to read from its prophets. One of them, Rexford Guy Tugwell, a year before the New Deal came to power, made these startling statements:

"We have a century and more of development to undo . . ." Think of that—a design to undo the greatest century of development of any nation in the history of the world. It was further said: "The first series of changes will have to do with statutes, with constitutions, and with government . . . it will require the laying of

(Continued on page 1144)

*An address by Governor Bricker before the Indiana Republican Editorial Association, Sept. 9, 1944.

Hillman Says Dewey Has Been "Contradictory" and "Vague"

In An Address Before The New York State CIO Convention Labor Leader Accuses Republican Candidate As Currying Favor "Both With The Isolationists And With The Internationalists In His Party."

Sidney Hillman, Chairman of the CIO Political Action Committee and of the National Citizens Political Action Committee, attacked Thomas E. Dewey's position on national and international affairs and assailed his record as Governor of New York State. Mr. Hillman launched his attack on the Republican Presidential nominee at the New York State CIO convention being held in Convention Hall, Saratoga Springs, N. Y., on Sept. 10.

Sidney Hillman

Charging that Governor Dewey obtained his Presidential nomination from a convention dominated by Herbert Hoover and the Republican "Old Guard," the CIO political chairman declared "there is no record that Thomas E. Dewey ever expressed himself concerning the depression through which this country went from 1929 to 1933, the exciting days of the first New Deal, nor the ominous rise of fascism in Europe. His interest in the affairs of the nation and of the world seem to have awakened simultaneously with his ambition to become President."

Mr. Hillman asserted that the New York Governor, like "the late Warren G. Harding," curried favor both with the isolationists and with the internationalists in his party.

Mr. Dewey, the CIO political chairman declared, has flatly contradicted himself on numerous occasions on such questions as Lend-Lease, Soviet Russia, participation in international affairs and many domestic issues.

As Governor of New York, Mr. Dewey has even earned the resentment of the Republican State Legislature by his frequent vetoes, his constant introduction of "must" legislation and "his arbitrary action in calling for an adjournment of a war-time legislature before many important matters could be disposed of. The open revolt against Governor Dewey's dictatorial procedure was reported in the public press." Mr. Hillman pointed out, despite the fact that Republicans are in a clear majority in both houses of the State Legislature.

Mr. Hillman charged Mr. Dewey with failing to credit the administration of former Governor Herbert H. Lehman, Democrat, with a surplus of $80,000,000 inherited from the Lehman administration.

Among Dewey's alleged failures as Governor, Mr. Hillman denounced the failure to pay adequate salaries to State civil service employees, inadequate hospital service and poor pay for teachers.

The CIO political chieftain charged Dewey with "milking" the cities and municipalities of revenue, thus forcing the municipalities, such as the City of New York, to maintain consumer taxes. He also assailed Mr. Dewey's farm policy which resulted in attacks on price control and rationing, with no assistance or protection for the small farmer or the farm workers.

Mr. Hillman also sharply attacked Gov. Dewey's record on health insurance and medical care, racial and religious discrimination, the soldiers' vote and other issues.

Now Herrick, Waddell Co.

Effective September 1st, the firm name of Barrett Herrick & Co., Inc., was changed to Herrick, Waddell & Co., Inc. There has been no change in personnel, officers or of ownership. The firm's principal office is at 55 Liberty Street, New York City.

Attractive Air Stock

Liberty Aircraft Products offers interesting possibilities according to a memorandum issued by Amott, Baker & Co., Incorporated, 150 Broadway, New York City, discussing current developments in the situation. Copies of this memorandum may be had from the firm upon request.

Hugh J. Devlin Now With Hughes & Treat

Hugh J. Devlin has become associated with Hughes & Treat, 40 Wall Street, New York City, as Manager of their wholesale and syndicate department which specializes in the distribution of industrial and public utility issues. Mr. Devlin was formerly manager of the wholesale department for L. D. Sherman & Co.

NY Security Dealers Ass'n Elects Herzog Member

At a meeting of the Board of Governors of the New York Security Dealers Association, held on August 31, 1944, Robert I. Herzog, Herzog & Co., New York City, was elected to membership in the Association.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Real Estate Securities

By JOHN WEST

London Terrace, Inc., Earnings Improve As Predicted By Company — Indications Point To Interest Distributions Of 7% For Fiscal Year

The London Terrace Apartments, considered New York's finest small unit apartment buildings, shows a substantial increase in operating profits for the first three months of the current fiscal year as was forecast in the corporation's letter of May 20, 1944, to bondholders in reporting to them on the very successful year ended March 31, 1944.

The bonds outstanding are secured by a first mortgage on the land fronting on the east side of Tenth Avenue covering the entire block front of 198 feet 6 inches with a depth of 125 feet on both 23rd and 24th Streets and on the land fronting on the west side of Ninth Avenue covering the entire block front of 192 feet 6 inches with a depth of 125 feet on both 23rd and 24th Streets together with the four 18-story apartment buildings erected on the four corner plots. These buildings provide a total of 1,510 rooms, divided into 700 apartments, about 620 of the apartments being one and two-room units, the balance being three and four rooms.

The Tenth Avenue buildings contain a swimming pool and a roof garden designed as a "Marine Deck." The street floor contains banking quarters and stores. The Ninth Avenue buildings provide for restaurant and store space on the street level.

The bonds call for 3% fixed interest per annum, plus cumulative interest at the rate of 1% per annum. Earnings for the fiscal year ended March 31, 1944, were sufficient to pay the 3% fixed interest, 1% cumulative interest and 1% on account of prior year accumulations and to carry over a small amount of undistributed earnings into the current fiscal year period. After these payments unpaid accumulations amounted to 3%.

It seems quite possible that interest distributions in the current fiscal year may total 7% and clear all accumulations, paving the way for the use of future earnings above a total of 4% interest as a sinking fund for retirement of bonds. With the continuation of earnings equal to 7% on the outstanding bonds about $161,000 would be available for sinking fund.

The above prediction is based upon a comparison of three months earnings for the current fiscal year with the corresponding period last year as shown by the following:

	3 Mos. End. June 30 1944	1943
Net before fixed int.	$102,088.80	$80,960.97
3% fixed interest	40,293.75	40,293.75
Balance	$61,795.05	$40,667.22
1% income interest	31,431.24	13,431.24
Bal. after 4% int.	$48,363.81	$27,235.98

The comparison of the earnings statement for the above periods also discloses another interesting fact. After depreciation charges the corporation shows a net profit of about $13,000 as compared to a loss of about $9,000 for 1943.

We believe that the large interest payment for the current year, plus sizable sinking fund operations in the coming fiscal years make the bonds attractive at current levels.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS. — **Harold J. Morgan** has been added to the staff of **Bishop-Wells Company**, 161 Devonshire Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Joseph T. Boris** is with **Trusteed Funds, Inc.**, 89 Broad Street.

(Special to The Financial Chronicle)

BOSTON, MASS — **Walter L. Hawkes** has become affiliated with **Frederick M. Swan & Co.**, 75 Federal Street. Mr. Hawkes in the past was with R. L. Bohlman & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Thomas P. Brooks** has become connected with **White, Weld & Co.**, 111 Devonshire Street. Mr. Brooks was previously with A. C. Allyn & Co., Hare's Ltd., Farr & Co., and F. S. Moseley & Co.

(Special to The Financial Chronicle)

HARTFORD, CONN.—**Winthrop E. Cunningham** has become associated with **Paine, Webber, Jackson & Curtis**, 43 Pearl Street. Mr. Cunningham was formerly with B. W. Pizzini & Co., and Hayden, Stone & Co.

Sees Switch From Industrial Into Bank Stocks Advantageous

King & King, 40 Exchange Place, New York City, have issued an interesting recommendation for "Post War Plans" in which they recommend the sale of industrial stocks and the purchase of New York City Bank Stocks. Copies of their release, giving the reasons for their opinion may be had from King & King upon request.

Bright Possibilities

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

T. G. MacGowan Calls For New Calibre Of Marketing

Manager Of Marketing Research, The Firestone Tire & Rubber Company, Emphasizes The Need For Developing Markets To Maintain High Peacetime Production

The need for a calibre of marketing beyond anything which has hitherto been seen in this country, as essential in achieving the high level of consumption necessary to realize substantially full employment, is the theme of a study of post-war marketing problems, issued by the Bankers Trust Co. Written by T. G. MacGowan, manager of marketing research for the Firestone Tire & Rubber Co., the study emphasises that a prime need in industrial post-war planning is to develop markets—in other words, to sell more goods, and that the next most important need is to do so at lower distributive costs, so as to reduce prices and widen markets still further. Continuing, the study, published in a 16-page booklet, reads, in part, as follows:

T. G. MacGowan

"The post-war period may be divided roughly into three phases: (1) the reconversion phase; (2) the boom phase, based in part on catching up with pent-up demand, and (3) the period in which we attempt to shift from a catching-up economy to a self-sustaining economy. It is in this last stage that American industry will stand or fall largely on the success with which it has developed its distributive efficiency in the first two periods.

"In planning post-war marketing, it is essential to analyze the changes in marketing conditions which seem likely to prevail after the war. These may be broken down under two headings—people, and trade conditions. All of us know the growth of war industry has affected the distribution of people and their buying power. A study by the Bureau of the Census, based on ration books, shows a marked trend of buying power during the war toward medium-large cities. It seems likely that the boom areas will hold a fairly large proportion of the increase. The Pacific Coast will probably retain a good proportion of its new workers. Next to the Pacific Coast, the South Atlantic States have fared best. The war will have the effect of permanently hastening the industrialization of States along the Southern seaboard.

"There has been a great increase in family income. In 1935 and 1936, average gross income per family was $1,502; in 1942 it was $3,370, an increase of more than 100%; by 1943 it was $4,071. This increase has operated greatly to the benefit of the lower income groups. After the war there may be a partial restoration of the old pattern of income distribution, but economic history points toward continuation of the trend toward higher income in the lower levels.

"The emphasis will be on what may be called the semi-luxury lines, with some expansion in the luxury lines, as would be expected in a period of rising living standards. Vitamins and medical preparations will boom, as will cosmetics, toilet articles, home decorative items and wearing apparel of the high-medium grades. The services of medical men and nurses will be in great demand. Beauticians' services will be at a premium. Recreational facilities of all kinds will prosper, including hotels and the means of travel.

"In the types of goods and services which have been short in supply, the factor of accumulated demand will be added to the effect of a rising economic level and a rising living standard. These influences will operate together in the earlier-post-war period. The combined effect of various economic influences will be a further rise in prices, which are already materially above pre-war levels. In any case, if prices rise, wages will tend to rise with them. The fact will remain that, in general, the post-war consumer will get more goods for his money.

"What about the number of retail outlets? Here the question of dealer mortality is significant. All in all, dealer mortality has been fairly light. Influences were rationing, shortage of goods, loss of personnel and transfer of proprietors to armed services and war industries. The net drop was the product of a declining rate of retail openings and increased rate of closings. After the war the average size of a retailer will rise still further, for the basic economic reason that, under conditions favoring a sharp reduction of distributive costs, retailing houses will for reasons of economy lean toward larger and more economically justifiable units.

"Channels of distribution will change somewhat after the war, but it is important not to exaggerate this tendency. Generally, changes in lines handled by retailers will be moderate and not revolutionary. Some manufacturers, seeking to enter new fields of manufacture, may attempt use of new channels. Mortality among such manufacturers will be heavy. There will unquestionably be vigorous competition for new retail outlets after the war, as the number of retailers rises and goods come back on the market, and as new productive factors appear.

"The reconversion period will be no longer than the engineering difficulties dictate. Transitional unemployment will not be too serious a factor, because of the tremendous and unprecedented accumulations of savings. The government will take steps, probably in a rather effective manner, to speed the sale of war plants, and the termination of war contracts. The armed forces will probably be demobilized in some sensible manner, with provision for dismissal compensation and aid in finding employment and being trained for it.

"To convert to peace, business in general will be fairly well prepared with the needed financial sinews. This adds up to a relatively short reconversion period, followed by a strong post-war market during the period in which accumulated demands are being met.

"There is every reason to regard the product as the starting point in any study of post-war marketing for the individual manufacturing company. There is great need for new products and better ones. There is also need to survey old products from the standpoint of production cost, price, packaging and buyer acceptance.

"Distribution study is hard. It is not the easy way to market goods. It calls for skilled men and close attention from sales management. But it is the sound way—and the only way that will work after the war. Planning for post-war markets is not much different than planning for markets before the war. It is the same—only more so."

Small Investors Beware

Roger W. Babson Makes Some Recommendations

BABSON PARK, MASS.—We hear a lot of ballyhoo today by brokers, investment advisors and others about the great opportunities in the stock market. These tell us about the big railroad profits, the new uses for plastics and alloys and the other new products "which are going to revolutionize our way of living." Electronic, television and other stocks are being ballyhooed to an unreasonable degree.

Roger W. Babson

Looking Into The Future

If Germany cracks some time between Nov. 7, 1944 and March 7, 1945, it is fair to assume that we will go on a full peace basis in 1946. After a short period of readjustment (which will be shorter as the time required to whip Japan is longer) we should enjoy a few years of good business. The pent-up demand for goods, the great surplus of money and other considerations may even lead to a sharp and short boom. There certainly will be great activity in the building of small homes.

Sooner or later, however, the entire world, including our country, must pay for what has happened since 1939. I should not be surprised any time around 1950 to see business go into a tailspin with considerable unemployment. Hence, it is much more important for investors to base their purchases on fundamentals than on the hopes of new inventions, new processes and other possible boomlets.

Brokers Always Optimistic

Investment dealers make their money by selling or exchanging securities. To get people to buy with cash, or to sell securities now held and reinvest in other securities, requires bullish talk of some kind. Strange to say, investment advertisements headed "Avoid Losses" pull very few inquiries; while advertisements headed "Increase Profits" get big returns. Hence, both investment dealers and brokers feel that they must always be optimistic on something. Just now they are ballyhooling the rails, plastics, electronics, television, etc.

To a certain extent, the above also applies to some professional investment advisors. Too many such talk much about the "opportunities ahead" without giving sufficient consideration to the danger signals. They do not remind you of the $300,000,000,000 of Government debt for fear of the FBI or FRB or some other Governmental bureau. They dare not give out bearish talk on the rails, etc., because they—like the brokers—lose subscribers thereby. Hence they also fall into the common trap of talking of the possibilities of big profits.

People on the March

It is a great mistake to compare conditions today with those of the days of World War I. Under the conditions of 25 years ago the

(Continued on page 1160)

Tomorrow's Markets Walter Whyte Says—

Last week's break didn't change long term market picture. Individual stocks still point up, though another intermediate decline may occur soon.

By WALTER WHYTE

Last week's column was hardly in print when the market took a nose dive. In two succeeding days stocks not only lost all their previous gains but in some cases replaced them with losses. Yet, despite the sharp drive, practically all the issues recommended here held up. True, they also went off with the averages but their decline was slow and at the worst, a grudging affair.

* * *

It is such markets that make trading for the in-and-out professional a field day. Of course, timing must be almost split-second in character. But because of this it is practically impossible for the column to be letter perfect. Frankly, had I seen last Thursday's and Friday's reaction coming I would have been tempted to advise readers to step aside and then use the cash to re-enter again. But by the time such advice appeared it would have proved useless; stocks were already down.

* * *

Of course the question of bear or bull market is inevitable every time a sharp movement in either direction occurs. This is no exception. Last week the number of people bearish on the market was legion. As this is written their number has grown considerably. The reasons for this pessimism are as diverse as the people uttering them. But whatever the reasons, last week's decline added to them immeasurably. The major reason, according to most, is the war and the possibility of an immediate end

(Continued on page 1153)

Railroad Securities

It is indicated that fairly complete agreement has been reached between Baltimore & Ohio and representatives of some of the larger bond holders on the long expected plan of readjustment. The complete provisions of the proposal may be made public officially when directors hold their regular monthly meeting next week. In essence the plan is designed to meet the problem presented by very substantial principal maturities between now and 1951, and to extend the voluntary agreement under which a portion of interest is on a contingent basis.

The present agreement expires in 1946, and despite the substantial progress the company has already made in reducing its funded debt it is considered inadvisable that the full burden of charges should revert to a fixed basis. This is particularly true now that the railroads as a whole face the uncertainty of traffic levels in the reconversion period to follow the war. Considering the preliminary work that has gone into formulating a plan, and the fact that the maturities present a problem that can not be solved by means other than extension, it appears a foregone conclusion that the plan will be consummated successfully. Presumably it will be consummated under the McLaughlin Act which expires late next year.

It is unofficially reported that the RFC loan, now amounting to roundly $85,000,000, will be extended to the full statutory limit, Jan. 15, 1955. Equipments will not be touched nor will be $7,500,000 bank loan (maturing May 15, 1945) contracted in connection with the August 1 maturity of the 4% secured notes. There are also two small mortgage maturities (aggregating only about $200,000) in 1950 and 1959 which it would hardly be worth while to extend.

Except for these obligations it is believed that all direct maturities falling due prior to 1990 will be extended. Present information points to a 1970 maturity on the first 4s and 5s, 1948, 1975 maturities for the Southwestern Division 5s, 1950 and the Pittsburgh, Lake Erie & West Virginia 4s, 1951, and a 1980 maturity for the Toledo-Cincinnati Division 4s, 1959. The convertible $4\frac{1}{2}$s, 1960 (an unsecured obligation) will probably be extended beyond 2000, the most remote maturity of the refunding and general mortgage.

In addition to the maturity extensions it is believed that the contingent interest agreement will be extended, with some modifications. The unassumed Buffalo, Rochester & Pittsburgh $4\frac{1}{2}$s, 1957 are expected to revert to a full fixed interest basis, compared with the present agreement of 3% fixed and $1\frac{1}{2}$% contingent. The Baltimore & Ohio refunding and general mortgage bonds, it is indicated, will have their fixed portion of interest doubled. The 5s would be 2% fixed and 3% contingent and the 6s would be 2.4% and 3.6% contingent. There will also be a liberal sinking fund established, at least a large part of which will presumably be earmarked specifically for retirement of the extended senior mortgage bonds.

Once the problem of large maturities bunched in nearby years is out of the way it is generally expected that the senior mortgages will reflect more fully marketwise their true investment worth. On such a setup as outlined above, with fixed charges below $19,000,000, most rail students consider that the well situated liens should rank at least as high as the new first mortgage bonds of roads emerging from judicial reorganization or such bonds as Northern Pacific prior lien 4s and Southern Pacific first refunding 4s, 1955. It is notable that contemplated fixed charges of under $19,000,000 would have been covered in full in every year of the depression decade.

On the basis of a voluntary readjustment plan most rail students also consider the junior refunding and general mortgage bonds as having particularly wide appreciation possibilities. The 5% series have recently sold below 50 despite the fact that 2% fixed interest is anticipated, and this fixed interest would have been covered at the nadir of the road's depression fortunes. The additional 3% interest will be classified as "secured contingent interest" ranking ahead of "unsecured contingent interest", including interest on the substantial issue of $4\frac{1}{2}$s, 1960. The total of fixed interest and secured contingent interest would amount to only about $22,500,000. Such charges would have been covered in every year of the depression except 1938 when $19,060,000 was reported available for charges. This is a better record than for practically any of the new income bonds of reorganization roads.

McKee and McNamara Join Doremus & Co.

William H. Long, Jr., President of Doremus & Company, 120 Broadway, New York City, announces that Robert R. McKee has rejoined the financial advertising department of that agency as an account executive in the New York office. Since leaving Doremus early in 1943, Mr. McKee had been assistant to the Sales Manager of Blyth & Co., Inc. He was formerly with E. H. Rollins & Sons, Inc., Irving Trust Company and Pease & Elliman, Inc.

Also associated with the agency in the New York News Department is Daniel F. McNamara. A graduate of Wharton School of Finance and Commerce of the University of Pennsylvania, he has been on the staff of the Wall Street Journal for the past six years, specializing in railroad news. Prior to that, he was connected with the New York News Bureau for 12 years as a financial and industrial reporter.

Public Utility Securities

Electric Power & Light

Recent approval of the long-pending United Gas Corp. plan by the Securities and Exchange Commission appears to pave the way for a recapitalization plan for Electric Power & Light, the parent company. A dissolution order was issued against EL over two years ago and was upheld by the U. S. Circuit Court of Appeals in March this year, but an appeal has been taken to the Supreme Court. On July 12th, the SEC released a memorandum which it had filed with the Supreme Court indicating that it did not oppose the appeals made by American Power & Light and Electric Power & Light (whose cases have followed a parallel course through the Courts). There is no indication yet as to how soon the Supreme Court will hear the case.

Electric Power & Light in 1941 had filed an integration plan with the SEC whereby it would retain in its integrated system the properties of Louisiana P. & L., Mississippi P. & L., Arkansas P. & L. New Orleans Public Service and United Gas Corp. While the Commission has never held a hearing on this plan, the company remains hopeful that the SEC may consent to consider it, perhaps in an amended or modified form (even if the Supreme Court decision is adverse).

The Commission has, however, indicated its preference for effecting reorganization of both the Electric P. & L. and American P. & L. through "A company specially formed for this purpose, with appropriate domicile and a charter and by-laws free from the complexities found in those of American and Electric."

Meanwhile Electric Power & Light has been actively at work with a program of rehabilitating its subsidiaries. The huge United Gas refunding plan can now proceed. Refundings have already been effected for Utah Power & Light, Dallas Railway & Terminal, Louisiana Power & Light, New Orleans Public Service, and Mississippi Power & Light, while similar plans are in progress for Arkansas Power & Light and Dallas Power & Light.

Consummation of the United Gas Plan will mean that that company will have outstanding $100,000,000 bonds and 10,653,302 shares of common stock, of which EL will hold about 95%. The SEC has filed an application for approval and enforcement of the plan with the U. S. District Court in Wilmington, which is expected to give a prompt decision. It is hoped that, provided there are no appeals to higher courts, all transactions involved in the plan may be completed within a few weeks after the decision.

Based on the latest published earnings figures of United Gas (12 months ended March 31) gross income of the company amounted to $11,341,301. Assuming that the new bonds carry a 3% coupon, the parent company's fixed charges will be reduced by some $700,000, though most of this gain may be absorbed by Federal taxes. Assuming that only about 15% is saved (outside of non-recurring amounts) net income might be about $7,750,000, of which Electric Power & Light would have an equity interest of about 95% or $7,362,000. This compares with present equity earnings equal to the balance earned on the second preferred stock (all owned by EL) of about $2,160,000. Thus (without further tax adjustment) EL's earnings would be increased from $7.64 a share to around $14.44 a share.

But the preferred stock does not have a clear equity interest in all these earnings. In any recapitalization plan, it will be necessary to complete the retirement of the bonds (about $29,200,000). The company holds some cash, but sale of the two Dallas companies may prove necessary (the equity in Utah Power & Light earnings is so small that sale of that property would not be much of a factor). Next it would be necessary to take care of the second preferred with its substantial arrears. However, that issue is very small—roughly one-tenth the size of the first preferred—so that the two senior stocks might well be entitled to at least 80% of a new common issue, it is estimated. On this basis, the earnings for the first preferred might work out around $11.50 a share, less any amount lost due to sale of southern units.

While any appraisal such as the above must necessarily remain sketchy until further figures are available and the attitude of the SEC is clarified, it indicates the substantial gains accruing to the first preferred stock as a result of the United Gas decision—which have, however, been discounted in substantial degree by the market rise over the past two years.

Loyd Heads Over-Counter Division Of Republican Finance Committee For Metropolitan New York

Alfred E. Loyd, for over 25 years the executive head of Alfred E. Loyd & Co., brokers-dealers in over-the-counter securities, has accepted the Chairmanship of the Over-the-Counter Division of the United Republican Finance Committee for Metropolitan New York.

The rest of the Committee in the Financial District consists of Presidents of major banks, partners of strong and prominent Stock Exchange houses, and outstanding leaders in industry, all of whom are headed by Walter E. Hope, Esq., partner in Malbank, Tweed and Hope, prominent "Wall Street" law firm, and Winthrop W. Aldrich, Chairman of the Board of the Chase National Bank of the City of New York.

Contributions to assist in financing the campaign of the Republican Party to elect Thomas E. Dewey and John W. Bricker, President and Vice-President of the United States, from those identified with over-the-counter business can be made to Mr. Loyd at 42 Broadway, New York 4 N. Y.; telephone DIgby 4-1651, and all checks should be made payable to the order of Mr. Aldrich, Treasurer.

Available On Request

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

Interesting Situation

H. R. Baker & Co., Russ Bldg., San Francisco, Calif., have available an interesting report on Security First National Bank of Los Angeles. Copies of this report may be had from the firm upon request.

Congressional Report On Post-War Planning

House Committee, Under Chairmanship Of Rep. Colmer Issues Recommendations For Re-Establishment Of Peacetime Economy. Stresses Role Of Private Enterprise.

The special Committee on Post-war Economic Policy and Planning of the House of Representatives, of which William M. Colmer (Dem. of Mississippi) is Chairman, has issued its general report for meeting the problems of return to a stable peacetime economy. Unlike the three previous reports of the committee, which related to specific topics, such as the cancellation of war contracts, the disposal of surplus Government property and the demobilization-reemployment problem, the present report is a general statement covering the whole problem "involved in re-establishing our economy on a successful peacetime basis." The Committee program calls for the formulation of economic policies to encourage employment and production, including measures to facilitate reemployment and recommending comprehensive revision of the tax structure.

Wm. M. Colmer

The Colmer Committee's report, the most advanced study submitted to Congress, points out that the primary job of Government is to develop policies which will permit and encourage private capital and private industry to assume the major load of maintaining an adequate national income without the stimulus of large government expenditures.

While liquid savings in the hands of consumers are at an unprecedented level, there is, nevertheless, need for improvement of the present provisions for unemployment compensation, the Committee believes. It recommends that the States increase the level and duration of benefits and that the Federal Government assure the State funds against the threat of depletion. It also recommends extension of the coverage of old age and survivors' benefits and of unemployment compensation to additional groups not now covered.

One of the first jobs the Committee posed for the Federal Government was to adopt "a firm determination to hold Federal expenditures down to the minimum consistent with the proper functioning of the Government".

"The Committee", it announced, "is strongly opposed to the theory that government spending in itself can provide a satisfactory stimulus to production and employment."

Its report concluded, however, that the Government will face a huge financial problem after the war, and one that must necessarily affect the economic status of every individual and corporation.

Federal expenditures in the postwar period will run to nearly $20 billion annually, the Committee reasoned, after reviewing the probable charges for maintaining a strong military department, providing adequate care for veterans and servicing a national debt of nearly $300 billion. The estimate of $20 billion is almost "inescapable", the Committee said.

The postwar budget will amount to a charge (direct and indirect) of over $550 on the average family of four, and State taxes will approximate another $350, making a total annual tax charge (if all expenses are to be met currently and deficit financing is to be avoided) of $900 on each average family.

"The implications should be obvious," the Committee concluded. "Unless we can attain higher levels of productive capacity than in any previous peacetime period, the burden of necessary taxation may prove intolerable."

The Committee suggested numerous revisions of the tax structure, intended to stimulate investment and production. It observed that it should be possible to "reduce taxes in the aggregate substantially below the extreme wartime levels", and said:

"Consideration should be given specifically to the relief of those tax burdens which bear heaviest upon the lower and middle income groups, and which penalize the enterprising businesses to which we must look for a large share of the funds for expansion of employment opportunities.

"The Committee feels that a revised postwar Federal tax structure would do much to release the native energies of the American people and provide equitable treatment for all elements of the population."

But, along with a revised tax structure, the Committee recommended other programs to develop an economic activity that will maintain an adequate national income and employment.

Financial Problems of the Peace

Liquid savings available to individuals are estimated at $111,000,000,000, and at present rate of accumulation may reach $150,000,000,000 by the end of the war, or nearly 3 times the pre-war level. Release of this spending power presents a serious inflationary problem. To meet this situation, the Committee suggested gradual and coordinated discontinuance of controls after the end of the war, and consumer credit restrictions to avoid wild purchasing.

"To maintain the delicate balance between the forces of inflation and deflation may, on the one hand, require a program of restricting speculative uses of credit; or the reverse treatment of expanding the volume of both public and private credit and stabilizing the market for Government securities," the Committee stated.

Foreign Trade and Shipping

"A substantial foreign trade is an essential part of continued prosperity," the Committee concluded. It suggested that removal or reduction of various types of international trade restrictions (protective tariffs), currency manipulations and trade discriminations is essential; that possible revisions of the merchant marine laws may be needed to maintain commercial use of the vast fleet which has been built during the war.

Agriculture

"The farm," said the Committee, "and its welfare will be closely tied to what may be accomplished in maintaining full employment and a high level of income.

"Farm relief can be no satisfactory substitute for full employment and foreign trade."

The Committee foresaw as the chief farm problems those relating to disposal of Government surpluses, removal of wartime controls, supporting prices, encouraging foreign trade, guiding migration and settlement, adjusting production and stimulating use of agricultural products.

It suggested removal of wartime controls, encouragement of family-sized farms owner-operated, as a means of stimulating production and stabilizing the farm economy.

"Estimates," the Committee said, "indicate that there will be opportunities in agriculture for a great many now in the armed forces and war plants who have a farm background to return to farms, but a realistic view must recognize the error of expecting American agriculture to support any extensive back-to-the-land movement."

Public Works and Private Construction

The deferred demand in the construction field "makes possible a substantial expansion of employment in this industry," the Committee said. It suggested that the Director of War Mobilization and Reconversion (when the office is set up by law) give early attention to this industry as a primary factor in developing employment and peacetime jobs.

It recommended "hastening" of plans for State and local public works, assisted by Federal grants-in-aid on a "matched" funds basis. The George Committee of the Senate has recommended loans instead of grants, but the House Committee feels that direct grants for planning will be a more effective form of Federal assistance.

Because most State and local governments are now in good financial shape, the Committee said that no federally financed public works program for them is needed at this time, but these governmental units should have projects "ready for initiation at the earliest possible moment."

"In view of the critical importance of stabilizing employment in the long run, the Committee recognizes that it is essential to prepare a reserve shelf of useful public works to be put in operation in case serious unemployment should develop as the postwar period progresses. To this end the Committee advocates that the grants-in-aid program for plans and specifications . . . should be extended into a more permanent one, looking toward later possible emergencies . . . The Committee recognizes that public works represent a spending of the people's money and that a commensurate public service resulting from these outlays is the least that can be expected."

Members of the Committee which submitted the report today are: Chairman William M. Colmer, Mississippi; Jere Cooper, Tennessee; Francis Walter, Penna.; Orville Zimmerman, Missouri; Jerry Voorhis, California; John R. Murdock, Arizona; Walter A. Lynch, New York; Thomas J. O'Brien, Illinois; John E. Fogarty, Rhode Island; Eugene Worley, Texas; Hamilton Fish, New York; Chas. L. Gifford, Mass.; B. Carroll Reece, Tennessee; Richard J. Welch, California; Chas. A. Wolverton, N. J.; Clifford Hope, Kansas; Jesse P. Wolcott, Michigan; and Charles S. Dewey, Illinois.

Fall Term Announced For NY Finance Institute

The New York Institute of Finance has announced the following classes for the fall term 1944, to be given in general business, investment analysis, and brokerage procedure:

Accounting Principles: instructor, Jerome J. Kern, Brach, Gosswein & Lane.

Federal Income Tax Practice (two terms): Charles Meyer, C.P.A. and Attorney.

Corporate Normal and Excess Profits Taxes (one term): Mr. Meyer.

The Science of Selling Securities Successfully: Frank M. Cryan, Brady & Co.

Security Analysis I and II: Herman J. Borneman, Department of Stock List, New York Stock Exchange, and Stephen M. Jaquith, President of Investors Counsel, Inc.

Investment Account Management: Mr. Jaquith.

Appraisal Method of Security Analysis (two terms): Benjamin Graham, President of Graham-Newman Corp.

Analysis of Public Utility Operating Companies: Charles O'Neil, R. W. Pressprich & Co.

Public Utility Break-Up Values: Harold H. Young, Bear, Stearns & Co.

Marginal Rails: Herbert F. Wyeth, Shields & Co.

Receivership Rails: Patrick B. McGinnis, Pflugfelder, Bampton & Rust.

Work of the Stock Exchange and Brokerage Office Procedure: John H. Schwieger, Department of Member Firms, New York Stock Exchange.

Work of the Cashier's Department: George E. Rieber, Assistant Secretary, District No. 13, National Association of Securities Dealers, Inc.

Work of the Margin Department; Paul C. Fitzgerald, Hirsch, Lilienthal & Co.

Work of the Order Department: Fred W. Hansen, Pershing & Co.

Work of the P. & S. Department: F. Warren Green, Hallgarten & Co.

Brokerage Account: David Krell, Thomson and McKinnon.

Advanced Margin Problems: Paul C. Fitzgerald.

Transfer of Securities: Irwin A. Brodsky, Legal Advisor, J. & W. Seligman & Co.

Advanced Stock Transfer Taxes: Mr. Brodsky.

The registration period is from September 11th to 23rd and should be made with the Institute at 20 Broad Street, New York City (Hanover 2-5830).

Cotton Textile Outlook Good

With the future of the cotton textile industry appearing far more favorable than at any time since World War I, Berkshire Fine Spinning Associates offers a particularly attractive situation, according to a memorandum issued by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this memorandum discussing the outlook for the industry may be had from Scherck, Richter Company upon request.

Irwin Harris A Director

Irwin R. Harris, a partner in Scherck, Richter Company, Landreth Building, St. Louis, Mo., has been elected to the Board of Directors of the Kansas City Public Service Company.

Chicago Brevities

A recommendation that the City of Chicago withdraw for the present its price offer for the purchase of the Chicago Surface Lines and the Chicago Rapid Transit Co. properties was made by Philip Harrington, Commissioner of Subways and Superhighways, to Mayor Edward J. Kelly, under date of Sept. 6.

In a report reviewing proceedings in the traction litigation, Mr. Harrington contended that from all appearances another year or two will be required before the Surface and Elevated properties will attain a status whereby they could be acquired by the city and by that time existing favorable money rates for financing the purchase may no longer obtain.

Mr. Harrington also recommended that, with further patience on the part of the city administration no longer a virtue or justified, the City Council formally request the Federal Court and the Illinois Commerce Commission to direct the receivers of the Chicago Surface Lines and the trustees of the Chicago Rapid Transit Company to undertake certain specified interim improvements. These for the Surface Lines would entail an expenditure of approximately $11,000,000 in additional equipment, and for the Elevated, $4,000,000.

At the same time, to assure a definite and specific program of transit improvements for the city, Mr. Harrington urged the immediate establishment by ordinance of a Transit Board and Transit Department, so that should the city fail to obtain prompt and satisfactory acceptance by the companies of its requests, it could proceed on its own initiative to undertake a two-year program of transit improvements, buying and, if need be, operating itself any transit equipment necessary. Funds for the purchase of an initial supply of such equipment would be allotted from the City Traction Fund, under the proposed ordinance, and a provision made for operation of any such city-owend equipment independent of any of the existing operations, if necessary.

Certain-teed Products Corp.

Common stockholders of Certain-teed Products Corp., on Oct. 31 will be asked to approve an increase in authorized common stock from 1,000,000 to 2,000,000 shares to enable the company to extend its 20-for-1 common stock exchange offer to holders of its prior preference stock.

The increase in authorized common stock would permit the company to retire the total 41,486 prior preference shares tendered for exchange under the terms of the company's offer, or 22,753 preference shares over and above the 18,733 for which common shares are available. Issuance of the 374,660 common shares required to retire 18,733 preference shares will bring total common outstanding to the authorized limit of 1,000,000.

In addition to the retirement of $1,873,300 par amount of prefer-

(Continued on page 1139)

Great Northern's $100 Million Bond Issue Offered

Halsey, Stuart & Co., Inc., and associates on Sept. 12 won the award of Great Northern Railway's entire $100,000,000 issue of new general mortgage bonds. The issue is made up of $35,000,000 Series K 3⅛s, due 1960; $30,000,000 Series L 3⅜s, due 1970, and $35,000,000 Series M 3½s, due 1980. The offering is probably the largest amount of railroad bonds ever to come up for sale at competitive bidding. The winning group bid 100.88 for the bonds maturing in 1960, 100.13 for those maturing in 1970, and 100.76 for the 1980 maturity. On a "basket" bid for bonds maturing both in 1970 and 1980, the winners offered 100.18 and 100.81, respectively.

Halsey, Stuart & Co., Inc., and a nation-wide syndicate of about 108 houses are offering the bonds to the public at 101.52 for 3⅛s maturing in 1960, at 101.28 for 3⅜s maturing in 1970 and at 102.04 for 3½s maturing in 1980.

Proceeds from the sale of these bonds will be used by Great Northern to retire $35,668,000 of first and refunding mortgage 4¼% bonds due in 1961, at 105; $25,138,950 general mortgage, Series G, 4% convertible bonds, due in 1946, at 101; $31,385,750 of general mortgage Series H 4% convertible bonds, due in 1946, at 101; $9,695,000 of Eastern Railway of Minnesota 4s, due in 1948, at 105; $5,000,000 collateral trust 4s, maturing up to July 1, 1951, and $13,000,000 of collateral trust 4% bonds, due in 1952, both at 104.

The premium on the bonds, together with the principal calls for approximately $123,500,000, of which about $23,500,000 will be supplied from the company's funds.

Chicago Recommendations

Adams & Co., 231 South La Salle Street, have an interesting four-page brochure on the common stock of **National Terminals Corp.**, which is available to dealers on request.

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

Carter H. Harrison & Co., The Rookery Building, in the current issue of their **Chicago Letter** discuss the improvement in operating efficiency of **Reorganization Rails.** Also contained in the letter is an interesting comparative tabulation of Class I roads. Copies of the Letter may be had upon request from Carter H. Harrison & Co.

John J. O'Brien & Co., 231 South La Salle Street, have an interesting analysis available on **American Superpower Preference.** Copies may be had from the firm upon request.

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

Regulation Of Securities Dealers

(Continued from page 1131)

The trial panel of both these organizations consists of the defendant's competitors..

Many more regulations of so-called self-regulating bodies can be cited, which make it plain that in them the opportunity for a fair trial, to speak mildly, is not nearly as promising as before our courts.

By contrast, some self-regulating bodies, such as lawyers, have a much more deeply rooted sense of the right. Disbarment, preventing a man from pursuing his livelihood in his chosen profession, can only be effected thru the courts. Bar associations gather the evidence and present it to the proper tribunal.

All of which brings us to the dissolution of **Avery & Co.** directed after trial by the **New York Curb Exchange.**

In a complaint before the New York Supreme Court, in which **Mr. Clarence F. Avery** seeks redress, he charges:

> ". . . prior to and during said trial or hearing, certain members of the said Board (the Board of Governors of the Curb Exchange) were prejudiced against the said firm of Avery & Co., and its individual partners . . ."

Trials before competitors, make such claims possible, with the resulting bad odor that comes from airing them in court.

Expressing no opinion on the controversy proper, we nevertheless, feel it will be interesting to learn upon the trial, what customers, if any, of **Avery & Co.** have since its dissolution, become customers of **Curb Exchange Board Members** who made up the trial panel, and how they got there.

Was Avery & Co. destroyed because of competition that rankled and was too keen?

Such possibilities are the product of self-regulation which is not adequately responsive to its responsibilities, either to the public or to the dealer or broker.

Wisconsin Brevities

Froedtert Grain & Malting Co., Milwaukee, reported net income of $790,064, equal to $1.85 a share, for the fiscal year ended July 31, 1944, compared with $861,980, equal to $1.68 a share, for the previous fiscal year. The 1944 figures are after a change in bookkeeping methods from a "first in—first out" method of valuing inventory to a "last in—first out." Had the method used in 1943 been applied to 1944 profits, they would have totaled $1,103,000, equal to $2.58 a share. The increase in actual 1944 per share earnings is due to the retirement of $2,800,000 of preferred stock late in 1943 and the substitution therefor of $2,000,000 15-year 3½% debentures. In anticipation of sinking fund requirements the company has already retired $283,000 principal amount of debentures.

International Cellucotton Products Co. has declared the regular dividend of 37½¢ a share and an extra dividend of 25¢ a share. Both dividends are payable Oct. 2 to holders of record Sept. 20.

Kimberly-Clark Corporation declared a regular dividend of 37½¢ a share and an extra of 12½¢ a share, both payable Oct. 1 to holders of record Sept. 12.

Le Roi Company, Milwaukee, will pay a 40¢ dividend Sept. 15 to stockholders of record Sept. 9, bringing total disbursements for the fiscal year ending Sept. 30, 1944, to $1.00. The same amount was paid in 1943.

Twin Disc Clutch Co., Racine, Wis., reported profits of $13.08 a share for the fiscal year ended June 30, 1944, in contrast to $13.15 for the preceding year. In 1944 the company set aside a reserve of $635,000 for renegotiation.

Aluminum Goods Manufacturing Co., Manitowoc, Wis., will pay a dividend of 20¢ a share on Oct. 2 to stock of record Sept. 15.

Ampco Metal, Inc., Milwaukee, will pay a dividend of 10¢ a share on Sept. 30 to stockholders of record Sept. 11.

The Securities Salesman's Corner

By JOHN DUTTON

A Letter That Turned A Routine Inquiry Into A Customer

When it comes to successfully selling securities the same basic fundamentals of sound merchandising policy that govern all other types of productive sales promotion are applicable and effective. It is not only necessary to give lip-service to the premise that THE CUSTOMER'S WELFARE ALWAYS IS GIVEN FIRST CONSIDERATION but this philosophy should be the foundation upon which every transaction with a customer is consummated. This policy will build a business that will last and grow.

An example of how a letter can do a job of selling if it is sincere and indicates that the welfare of the customer is given primary consideration follows:

In reply to several postal cards which announced to the stockholders of a certain company (which were regularly sent out as a routine mailing that this stock was bought—sold and quoted) a dealer received an inquiry for a market on a block of South American bonds. The letter indicated that the holder of these bonds was desirous of selling them and an opportunity TO MAKE A TRADE SEEMED IMMINENT. But rather than press for the monetary benefits of making an immediate commission this firm took the opportunity of ENLIGHTENING THE HOLDER OF THE BONDS WITH THE FACT THAT IT MIGHT BE ADVISABLE NOT TO SELL THEM AT THE MOMENT BUT RATHER TO HOLD FOR A MORE OPPORTUNE TIME.

Here is the letter:

Dear Mr. ————,

In reply to your letter of the 29th instant, we are pleased to inform you that we can pay you 41 flat for your $13,000.00 ———— 7's of 1947. This bid is for immediate acceptance, otherwise subject to change due to market fluctuations.

For your further information we are enclosing an excerpt from ———— & ———— advisory service on foreign bonds, dated ————, which refers favorably to the bonds issued by ————. It is also our considered opinion that if you could assume a certain degree of further risk and continue to hold these bonds as a speculation, it might be well for you to keep pending further price appreciation.

Incidentally, our business is mainly with individual investors and it is always our desire to render an investment service which will be beneficial to them. We are giving you our frank opinion with the intent in mind that your interest will be best served if you hold these bonds for a while. However, if you wish to sell now, we will be pleased to hear from you.

Also if there are any other investments about which you would like to write us for an opinion, please do so. Thanking you for this opportunity of being of service to you, we remain,

Very truly yours,

This letter brought back a prompt thank you and an invitation to keep the prospect advised about other offerings which the firm would like to make from time to time. After a few months the first sale was made. The writer of the letter is now a customer. He might have been just a ONE TIME SELLER OF SOME FOREIGN BONDS. It takes a little longer to sell a service but after you have built confidence which is based upon doing a good job for your customers the extra effort and patience that is required is well rewarded.

Chicago Brevities

(Continued from page 1138)

ence stock as a result of the exchange, Certain-teed has so far this year also reduced its debenture debt by $400,000 by anticipating the 1945 sinking fund requirements.

Oliver Farm-Cleveland Tractor

Subject to the approval of stockholders of both companies, negotiations have been completed by Oliver Farm Equipment Co. for the acquisition of the Cleveland Tractor Co. through an exchange of stock on the basis of one share of Oliver Farm Equipment for three shares of Cleveland Tractor.

Outstanding capitalization of Cleveland Tractor Co. consists solely of 219,988 shares of no par stock. As of Oct. 31, 1943, Oliver Farm Equipment outstanding capitalization consisted of 335,196 shares of no par common, excluding 2,590 shares held in the company's treasury, out of a total of 800,000 authorized shares, in addition to $1,500,000 of notes payable maturing 1945 to 1948.

A special meeting of Oliver Farm stockholders has been called for Oct. 3 to ratify the program, which also provides for a change in company name to the Oliver Corporation; the issuance of new convertible preferred stock and a two-for-one split-up in common shares now outstanding.

Commonwealth Edison Refunding

A nation-wide underwriting group headed by Halsey, Stuart & Co., Inc., is being formed to market Commonwealth Edison's $155,000,000 refunding issue, one of the largest in years. Too large to have permitted competitive bidding, the new flotation is expected to be completed with a public offering in October.

Pullman Corp.

The possibility that Pullman's sleeping car equipment and operation may be divided among regional pools formed by companies similar to those which provide tank and refrigerator car services was being advanced in some quarters. However, the general consensus remained that Pullman's sleeping car division would be taken over by the carriers as a single unit, owned jointly and organized along the lines of the Railway Express Agency.

Pullman, which elected to divest itself of its sleeping car unit, under a Federal Court decree, must submit a plan to the court for separation of this unit from its car manufacturing business by Oct. 5.

Burlington & Quincy Refunding

In line with its refinancing program initiated last April, Chicago, Burlington and Quincy Railroad has announced its plan to refund $40,000,000 of its first and refunding mortgage 5s of 1971, Series A. The company intends calling the old issue on Feb. 1, 1945, at 107½ and accrued interest. Of the $44,000,000 required to retire the issue, $4,000,000 will be paid out of the treasury and the balance of $40,000,000 provided through the new issue to be sold on competitive bids.

Hamilton Mfg. Pfd. Now Being Offered

Loewi & Co. of Milwaukee and Straus Securities Company of Chicago are making public offering of a new issue of 38,996 shares of $10 par preferential participating stock of the Hamilton Manufacturing Company of Two Rivers, Wis., priced at $13.50 per share. Proceeds from the financing will be used principally to retire $300,000 of the company's 5% first mortgage bonds and its 7% cumulative first preferred stock.

The company, whose original business was established in 1880, manufactures a wide range of products including wood and steel furniture, printing plant and composing room equipment, wood type, dental instrument and laboratory cabinets, drafting room tables, children's furniture, domestic clothes dryers, kitchen cabinets and filing cases. Four years ago the company perfected a revolutionary domestic clothes dryer for both gas and electric use of which about 5,000 were manufactured before wartime restrictions prevented further development. The favorable results obtained by those already in the hands of consumers indicate a broad post-war market for this item.

Last year the company reported gross sales of $8,171,085 and net earnings of $202,217. Sales for 1944, as of June 17, were $3,336,846 and net was $153,180.

On completion of the present financing, the company will have outstanding $520,000 of first mortgage 5% bonds, due 1951; 100,000 shares of the preferential participating stock, of which this offering is a part; and 72,175 shares of common stock. Before any dividends can be paid on the common, the preferential shares are entitled to dividends of $1 per share annually which are cumulative if and to the extent earned.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Two outstanding leaders among old-line fire insurance companies are Continental Insurance Company of New York and Home Insurance Company of New York. Both companies were established in 1853 and thus each is now in its 91st year of continuous business operation. Continental has paid dividends without interruption since 1853, and Home since 1874. Total admitted assets as of December 31, 1943 were $116,972,000 for Continental and $132,107,000 for Home.

It is of interest to compare these two companies as to their respective investment characteristics and merits. The stocks of both companies are popular and of high investment caliber. Continental is listed and traded on the New York Stock Exchange, while Home is unlisted and is traded over-the-counter.

The following table shows their respective consolidated earnings per share and dividends per share for the five year period 1939 to 1943.

FIVE YEAR RECORD OF EARNINGS AND DIVIDENDS, PER SHARE

CONTINENTAL INSURANCE CO.

	Net Und. Profits	Net Inv. Income	Fed. Inc. Taxes	Total Net Oper. Profits	Dividends
	$	$	$	$	$
1939	1.48	2.25	0.41	3.32	2.00
1940	1.68	2.37	0.27	3.78	2.00
1941	1.45	2.56	0.17	3.84	2.20
1942	1.23	2.53	0.84	2.92	2.00
1943	2.63	2.53	1.40	3.76	2.00
5 Yr. Av.	1.69	2.45	0.62	3.52	2.04

HOME INSURANCE CO.

	Net Und. Profits	Net Inv. Income	Fed. Inc. Taxes	Total Net Oper. Profits	Dividends
1939	1.09	1.55	0.49	2.15	1.60
1940	0.36	1.68	0.13	1.91	1.60
1941	0.63	1.81	0.01	2.43	1.60
1942	0.20	1.66	0.92	0.94	1.60
1943	1.87	1.50	1.13	2.24	1.60
5 Yr. Av.	0.83	1.64	0.54	1.93	1.60

This record shows that Continental has covered dividends in each of the five years by net investment income alone, whereas Home's dividends exceeded net investment income in two years, viz: 1939 and 1943. During the five year period dividend coverage by net investment income averaged 1.20 times for Continental compared with 1.03 times for Home. Total net operating profits, averaged for the period, (after Federal Income taxes), covered Continental's dividends 1.73 times and Home's 1.21 times.

These figures make it evident that Continental retains a larger proportion of earnings in the business than does Home, from which it follows that Continental should show, over a period of years, a greater growth in stockholders' equity. The truth of this latter statement can be demonstrated statistically. For example, from Dec. 31, 1936 to Dec. 31, 1943, Continental's cumulative retained parent earnings amounted to $11.50 per share or 25.2% on the market value of the stock at the beginning of the seven-year period, whereas the cumulative retained parent earnings of Home totaled $3.17 per share, or 7.7% on the market value at the close of 1936. Another measure of relative equity growth is afforded by the change in liquidating value between two dates, as follows:—

Parent Liquidating Value Per Share

	12-31-36	12-31-43
Continental Insurance	$44.19	$47.81
Home Insurance	35.55	28.73

It will be observed that Continentals' liquidating value has increased by 8.2%, while Home's has declined by 19.2%. This method of measuring change in equity, however, is affected by the ups and downs of the stock market, since liquidating value, which comprises capital, surplus and 40% of unearned premium reserves, is stated at the current market value of the stocks and bonds held in the companies' investment portfolios. For example, the Dow Jones Industrial average on Dec. 31, 1936 was 179.90, whereas on Dec. 31, 1943 it was 135.89, or 24.5% lower. But despite this considerable drop in industrial stock prices over the period, Home's decline in liquidating value was substantially less than 24.5%, while Continental's liquidating value actually increased.

The comparative equity growth among stocks is a fundamental factor which is reflected conclusively in long-term market action, as the following comparative market performance shows:

	Continental	Home
1932 Low	6½	6⅝
3-29-44	47	29½
Appreciation	644.2%	360.4%
1938 Low	22½	21¼
3-29-44	47	29½
Appreciation	108.9%	43.5%

These percentage appreciations are adjusted for stock dividends as follows: Continental, 2.58% in 1936 and Home, 3.45% in 1937.

With regard to the post-war outlook, it is probable that Home will again expand its writings quite substantially in the motor vehicle field. In 1939 and 1940 this class of risk represented 38% of net premium writings and 37% in 1941, while in 1942 and 1943 it represented only 10% and 6%, respectively. However, as measured by incurred loss ratios, this business was less profitable than fire underwritings in the pre-war years. In 1941 the loss ratio was 61.8%, compared with a fire loss ratio of 42.4%, and it averaged 57.2% for the pre-war years 1935-1941, compared with 40.3 for fire.

In the case of Continental, it too will undoubtedly expand its writings in the motor vehicle field after the war, though it has never exploited this field to the same extent as has Home. In 1939, 1940 and 1941 motor vehicle premiums represented 13%, 15% and 20%, respectively, of total net premiums written, and 7% in 1942 and 1943. The loss ratio for Continental on this class of risk has also been less favorable than it has on fire.

As regards general loss and expense ratios, Continental shows a better record over the past five years than does Home. Continental's average ratios are as follows: loss ratio, 51.4%; expense ratio, 39.9%; combined ratio, 91.3%. Home's averages are: loss ratio, 54.3%; expense ratio, 42.5%; combined ratio, 96.8%.

With regard to the current position, Continental is selling around 47, which price gives a yield of approximately 4.3% on annual dividends of $2, and an earning yield of 7.6%. It represents 97.5% of parent liquidating value and 93.5% of consolidated liquidating value as of Dec. 31, 1943.

Home is currently selling around 29½, which price gives a yield of 4.1% on annual dividends of $1.20 (reduced from $1.60 through the omission of extras this year), and an earning yield of 6.6%. It represents 103% of parent liquidating value and 101% of consolidated liquidating value as of Dec. 31, 1943.

Reader Critical Of Suggested Plan For Gold Standard Basis

Editor, "Commercial and Financial Chronicle":

The "Chronicle" has given much space to a (necessarily!) lame attempt to set up a workable scheme for a "gold standard" in the monetary field, in the recent article by James A. Howe. ("Some Limitations of Easy Money and Collateral Theories," issue of August 31, page 882.) His long and repetitious defense of free enterprise which is interspersed as if to justify the plan, can be pertinent only on the unwarranted assumption that the plan is an effective program for **laissez faire** and therefore a justifiable recourse as against the allegedly "managed" money under New Deal spending. In fact, however, the Howe proposals have all the earmarks of an autocratic system of controls, involving all the uncertainties of discretionary (and therefore necessarily political) monetary administration by "the highest skill, experience and judgment" which, admittedly, "may at times be impossible to carry out perfectly."

I'd like to suggest that what is requisite to **free** enterprise in **competition** is precisely a system which will work itself—a system of specific rules and not of delegated powers dependent on personal decisions. What is needed is the rule of law, not of men. Mr. Howe's so-called "highest skill" is certain to be unavailable for the simple reason that the problem is not one which can be met by the personal abilities that are so valuable in private enterprise. Money simply is not and cannot be made a private enterprise. It is the rules of the game, not their administration, which are therefore at stake; for an umpire has **specific rules**, not general principles, to follow out with no room whatever for discretionary decisions.

As for gold, it ought to be clear to intelligent consideration by this time that it has never met the problem of stable exchange between different monies simply because that problem is inherently unsolvable. Domestically, to be sure, we do solve it—by eliminating different monies! We simply prohibit, in the Constitution, the issuance of money by the several States and put the single, central government in full control of **one** kind of money which flows, automatically, to points of low prices — and stays there! There is no "bilateral" or "multilateral" or any other **return** movement of money to the point where its **initial** expenditure had the effect of boosting prices (increasing "demand"), and so no "balance of payments" is involved. Prices automatically adjust themselves to the same level through the movement of money in **one** direction. Were a return movement required it could only be the occasion for creating, not for remedying, the "disequilibrium" which the Bretton Woods proposals are designed (?) to prevent in international trade.

The attempt to make their **several** issues circulate freely among all the early American colonies resulted simply, as the present international proposals are sure to do, in competitive, uncontrollable inflation; and this was in essence repeated after the Civil War when the States, in effect, violated the Constitution in chartering "wild cat" banks whose note issues had to be taxed out of existence to check inflation. The modern substitution of "credit" for such inflationary bank notes evaded the tax but not the problem of the issuance of money by chartered banks which, gold or no gold, the "central bank" has failed to solve because it fails to afford a **single** source and therefore control of money supply by a strictly **non**-competitive procedure.

As between countries it is thus incompetent to suggest that balanced budgets represent a situation in which price levels would maintain a constant relation automatically. This could not be true were our States issuing money separately. As things are, wherever money is being spent initially prices rise and attract goods by a permanent outflow of money. (Generally speaking this is the situation in our metropolitan centers, where the "cost of living" is relatively high.) On what grounds can we postulate an internationally **free** monetary exchange which cannot possibly be so operated? Such an idea involves the paradox of producing a money sytem which operates as if it were a barter system! Under existing banking practice a nation which is originating little money (credit) cannot attract gold from another nation so as to expand its legal basis for credit, by means of exports induced by low prices (or by "devaluation"), without inducing a deflation against which the other nation acts by its own "devaluation." Dependence on gold is thus quite illusory.

I repeat, there is no solution for the problem of exchange rates between **different** currencies. Monetary **uniformity** depends on **not** bartering (goods for goods) — on **not** having to accept payments "in kind." It depends on a **one way** flow of money to low priced areas. Monetary **stability**, on the other hand, (stable prices), depends on eliminating the **perverse** system of bank "credit" and substituting fiscal compensation by tax deficits as against the spending scheme of Keynes. This is essentially the system offered by Simons which such an article as that of Mr. Howe simply ignores, (as do also the Hansenites), in offering gold as an allegedly effective substitute for Keynesian fiscal "management." Yet "Fortune," in printing a leading article by Simons this month, fumbles the ball badly by confusing the problem of monetary uniformity with that of monetary stability when it says (editorially): "After this war . . . all nations, including our own, will put domestic employment and freedom to expand or contract their own internal economies first on the agenda. If all nations can act in unison in this matter we may look forward to relatively stable price levels and hence exchange stability. If they act separately we may see exchange wars and currency manipulations that will make those of the thirties look like preliminary skirmishes."

So "Fortune's" criticism of Ben Anderson is pointless when it avers that "the money we invest(?) is always secure if we import" — a lot of things we don't want! With different currencies the actual problem has nothing whatever to do, as alleged by "Fortune's" editor, with "presuming a degree of moral turpitude on the part of others and moral rectitude on the part of the U. S. that is quite unjustified." The "turpitude" is inherent in the system and not at all in the action of **all** nations in "devaluation" in the struggle for "foreign trade" which is really a struggle for bank "credit" reserves in the form of gold or some foreign currency or government bonds as a camouflage for devaluation.

As von Mises says in his new book ("Omnipotent Government") "**all** political parties (in Germany's inflation) . . . clung to the error that it was not the increase of bank credits . . . that was devaluing the currency." Also, "their ignorance . . . pushed them toward price control and foreign exchange restrictions. They could never understand why those attempts were doomed to fail."

Similarly the chief apologists for free competition are actually forcing the drift into the Russian system simply because they too cannot see that treatment that requires the "highest skill, experience, and judgment" in more New Dealing is doomed to fail for lack of the ounce of prevention, that is, control of the supply of money (credit). These blind leaders of the blind are driving society to seek a false security in planning moves which will throw out with the post-war bath water, not the dirt of private extension of the money supply, but the baby of free competition and human liberty.

ALDEN A. POTTER.
Bethesda, Md., Sept. 8, 1944.

Will Foreign Lending Return?

(Continued from first page)

South of the Rio Grande. This co-operation assumed particularly pronounced shape in the period 1914-29, a decade and a half marked by greater business activity and material prosperity than the nation had even experienced since the founding of the Republic. Loans and credits extended to foreign countries, political subdivisions and corporations aggregated for the period in question $17,612,000,000 (an appreciable portion of which was used for refunding purposes). On the other hand, American foreign trade, exports as well as imports, amounted during the same period to $133,290,000,000.

Despite views expressed in some quarters to the contrary, the importance of foreign trade to the welfare of the nation is indisputable. Foreign trade, more than any other factor or combination of factors, accurately reflects the true state of affairs in the country: expansion invariably synchronizes with prosperous times, while contraction is synonymous with depression. Although it is perhaps true that statistically American trade represents only about 10% of the nation's entire economic activity, it should be borne in mind that it is this 10% which constitutes the country's margin of profit and that the permanent loss of this profit is bound to impair irreparably the structure of the nation.

Were it not for the loans and investments made during the period referred to above, the aggregate of foreign trade registered would undoubtedly have been substantially smaller, and since profits accruing to both exporters and importers may be assumed to have been quite considerable, especially during the war years and during most of the Twenties, an average profit of 10% of the total volume of foreign commerce cannot be regarded as excessive. In other words, the total value of American foreign trade during the years 1915-1929, amounting to $133,290,000,000, may be said to have yielded to the American people as a whole a profit of about $13⅓ billion—an amount sufficient to write off entirely the principal of the so-called political debts owing to the United States Government, and leave a substantial balance as a reserve against losses incident upon the shrinkage in value of America's commercial stake in foreign countries (see accompanying table).

FOREIGN TRADE AND FOREIGN INVESTMENTS
(In millions of dollars)

Year	Imports	Exports	Total Trade	Foreign Investments
1915	$1,779	$3,555	$5,334	$1,276
1916	2,392	5,483	7,875	1,389
1917	2,952	6,234	9,186	652
1918	3,031	6,149	9,180	521
1919	3,904	7,920	11,824	620
1920	5,278	8,228	13,506	576
1921	2,509	4,485	6,994	626
1922	3,113	3,832	6,945	870
1923	3,792	4,167	7,959	400
1924	3,610	4,591	8,201	1,195
1925	4,227	4,901	9,137	2,206
1926	4,431	4,809	9,240	1,747
1927	4,184	4,865	9,049	2,072
1928	4,091	5,128	9,220	2,096
1929	4,399	5,241	9,640	1,466

It is extremely regrettable that the relation between foreign investments and national prosperity has never been adequately stressed. Had the American people been fully informed as to the precise nature of foreign investments and their true effect upon the economy of the country, the foreign loan would never have fallen into utter disrepute and the holder of a foreign loan would never have become the object of extreme pity. It is unfortunate in the extreme that the only "organized" information which has reached the rank and file of the American investing public in regard to foreign investments was based upon the "findings" of a Senate Sub-Committee on Banking and Currency which in the early Thirties, following the collapse of securities and commodities markets in the fall of 1929, engaged in an investigation of securities flotations in the United States during the Twenties, confining most of their efforts to foreign issues, the origination and distribution of may have been characterized by certain irregularities and some degree of abuse. Even though such irregularly underwritten loans aggregated only an infinitesimal percentage of the total of foreign loans which ran into the billions, the minutest details about these "irregular" loans were released to the public. Since little or nothing was said about the major portion of foreign issues with respect to which there could not be raised the slightest criticism, the public was led to believe—and to a large extent still believes—that irregularity and abuse applying at the most to only about 1% of the total, holds true with respect to all foreign obligations and credits which have been arranged in the American market. That this unforgivable accusation is still being made is evident from the fact that only the other day (August 25) a representative of the United States Treasury, in an address before the Export Managers Club of New York, reminded his audience that in regard to foreign investments in the Nineteen Twenties "in too many instances . . . they started with fraud and ended with default". Such charges, although absolutely baseless, continue to be made, and since they have not been seriously challanged by prominent quarters, they are bound to be repeated and accepted as fact.

The frequency with which defaults on foreign loans occurred in the early Thirties was not entirely the result of unwise or promiscuous lending by American bankers or investors, but was to a very considerable degree due to the failure on the part of the Government to appreciate its responsibilities and duties as a creditor nation and adopt such trade and commercial policies with respect to neighboring countries as would not deprive them of the means of repaying contractual commitments.

That foreign trade is essential to the American economy is obvious. That foreign credits are the prerequisite to foreign trade is equally apparent. The consequences of a policy involving the refusal of financial accommodations are admirably presented in a study published in August 1932 by the League of Nations, from which the following is an excerpt:

"When the great creditor countries reduce their export of capital the very fact of reduction creates a situation in which all their debtors must meet their obligations either in goods or in gold, instead of by fresh borrowing. A strain is immediately placed upon the credit systems of the debtor countries. A deflation of prices is imposed upon them, the terms of trade become less advantageous, imports are restricted by lower purchasing power, and exports are stimulated. If the financial situation becomes acute these economic reactions may be supplemeted by government intervention—for example, by restrictions on imports or by domestic retrenchment. The net effect of the curtailment of capital imports is therefore a strong pressure to provide an active export balance in commodity trade. The strain on the credit structure is such that gold tends to be exported also, and if the pressure continues there may be an actual export of capital by sales of securities and similar means . . . National and individual bankruptcies and repudiations of debt on a vaster scale than the world has ever seen are imminent unless international trade can once more be restored to something approaching its former freedom."

If we are in earnest about maintaining our economy at a high level after the holocaust, and about providing employment to all who are able and willing to work, we must provide an outlet for the products of our factories and our farms and mines. The demands for these products by a war-torn world will be enormous. For a number of years, at least, Europe, an important competitor prior to the war, will be in no position to supply even a fraction of the demand. Moreover, the manufacturing and productive capacity of the Old World will have to be restored with American aid.

Some of the means required for

(Continued on page 1142)

Mutual Funds

Bull Market Over?

Vance, Sanders & Co. have a good answer in the current timely issue of **Brevits** to the fears which the recent unexpected decline in the market seems to have aroused in the minds of many investors. **Brevits** contains a chart showing the percentage advance in the Dow-Jones Industrial Average for each bull market since the turn of the century.

"The present rise in stock prices from the low point in April 1942 amounts to little more than 55%, compared with an increase of 338.6% and 371.6%, respectively, for the past two bull market periods and is substantially less than the smallest advance for a bull market period during the last 44 years."

Railroad Bonds

Distributors Group in the current issue of **Railroad News** asks, "How Much Stronger Are the Railroads?" and then proceeds to give the following convincing answer:

"The railroads (16 major systems) whose bonds comprise the investments of **Railroad (Bond) Shares** have, in the aggregate, from the end of 1937 to the latest available data for 1944

"REDUCED FUNDED DEBT by $472,403,000 or **12.2%**

"REDUCED FIXED CHARGES by $40,918,000 or **19.6%**

"INCREASED FIXED CHARGE COVERAGE before taxes from 1.23 times to 4.97 times or **304%** after taxes from 1.10 times to 2.45 times or **123%**

"INCREASED CASH POSITION by $834,806,000 or **710%**

"INCREASED WORKING CAPITAL by $381,817,000 or **605%**."

Optical Illusion

National Securities & Research Corp. takes the prize this week for a tricky little gadget to emphasize the need of professional management in the selection of securities. Two curved blotters, either one of which looks larger than the other, depending on the way they are held, stress the points:

1. "Selecting securities can be equally deceiving."
2. "Securities likewise have to be measured."

In the current issue of this sponsor's **Investment Timing** is a scholarly article on the effect of Germany's defeat on the National debt. The conclusion is reached that the increase in the Federal debt this year will be approximately $37 billion instead of the $50 billion indicated in the recent Government budget. "This would mean a national debt of approximately $238 billions next June and an ultimate debt of perhaps $250 billions—which, huge as it is, nevertheless is considerably under the $300 billion figure oftentimes predicted."

National Securities & Research Corp. accompanies its current letters (fifth in a series) on **National Stock Series** and **Industrial Stocks Series** with a memorandum announcing that August sales volume for the funds under this company's sponsorship was 40% above the total for the best previous month in the company's history.

"Geared to the Times"

Lord, Abbett devotes the current issue of **Abstracts** to a discussion of the advantages of **Affiliated Fund.** With capital gains worth more than ordinary income under present tax schedules, Affiliated Fund, with its large element of "leverage" is, in the words of the sponsor, "geared to the times."

12 Years Old

Dividend Shares was organized in 1932. **Calvin Bullock** points out in the current issue of the **Bulletin** that for 12 eventful years this fund has grown until today some 40,000 investors hold more than $47,000,000 of assets through the medium of Dividend Shares.

Mutual Fund Literature

Keystone Corp.—Current Data folder on the 10 **Keystone Custodian Funds.** . . . **Vance, Sanders & Co.**—Revised Prospectus on **Massachusetts Investors Second Fund.** . . . **Lord, Abbett—Composite Summary** for September on all **Lord, Abbett** funds. A revised portfolio folder on **Union Bond Fund "B."** . . . **National Securities & Research Corp.**—Revised **Current Information** folder on all **National** sponsored funds. A memorandum showing portfolio changes during August. . . . **Broad Street Sales Corp.**—A new folder on **National Investors Corp.**—"The Growth Stock Company." . . . **Calvin Bullock**—A revised Prospectus on **Dividend Shares.**

Dividends

Group Securities, Inc.—The following dividends, payable September 30, 1944, to stockholders of record Sept. 18:

Class—	For Third Quarter Regular	Extra	Total
Agricultural	.06	.01	.07
Automobile	.04	.06	.10
Aviation	.06	.06	.12
Building	.05	.05	.10
Chemical	.04	.03	.07
Electrical Equip.	.09	--	.09
Food	.05	.10	.15
Fully Admin.	.03	.05	.08
General Bond	.12	.13	.25
Industrial Mach.	.07	--	.07
Institut. Bond	.12	.01	.13
Investing Co.	--	.20	.20
Low Priced	.05	.15	.20
Merchandising	.06	.10	.16
Mining	.03	.05	.08
Petroleum	.04	.10	.14
Railroad (Bond)	.05	.10	.15
Railroad Equip.	.04	.04	.08
Railroad Stock	.02	--	.02
Steel	.05	.01	.06
Tobacco	.04	.01	.05
Utilities	.04	.05	.09

Scudder, Stevens & Clark Fund, Inc.—A dividend of 75¢ a share payable Sept. 20, 1944, to stockholders of record Sept. 8.

Eaton & Howard Balanced Fund—A dividend of 20¢ a share payable Sept. 25, 1944, to shareholders of record Sept. 18.

Will Foreign Lending Return?

(Continued from page 1141)

the rehabilitation of the world will in all probability be supplied out of the huge balances which foreign countries now hold in the United States. The bulk, however, will have to be furnished either through governmental or private agencies. In view of the extreme danger which attaches to loans granted by or through governmental instrumentalities, especially in peace times, the restoration of private lending is almost the **sine qua non** to the maintenance of business activity and the return of normality in the realm of economics upon the cessation of hostilities. Any agency controlled directly or indirectly by the Government, which will engage in the granting of loans and credits to foreign governments or political subdivisions, will, of necessity, be unable or will at best find it very difficult to discriminate on the basis of merit or need, as far as the borrowing government may be concerned. Private agencies, on the other hand, may refuse credits unless they are employed for strictly constructive and revenue-producing projects. While a certain amount of governmental control may be desirable, it should be reduced to a minimum if it is to accomplish the maximum amount of good.

In this connection, one might to advantage quote from a statement by Sir Harry Railing, Chairman of the Board of the British General Electric Company, Ltd., at the annual meeting of the corporation on July 27. Said Sir Harry:

"That a measure of State direction on policy at the highest level may for some time be necessary to safeguard the community's interests can hardly be denied. That the State should not be the operating mechanism . . . equally cannot be denied by anyone who has had any experience in the administration of large or small undertakings, or of Government enterprises . . . The post-war world will demand more than ever . . . imagination, initiative, pioneer spirit, the courage to run risks and to make quick decisions . . . All these qualities are, according to the laws of nature, much more likely to be obtained from individuals, from specialists . . . than from the State.

"Life is much too complex to be cast in one mould. The individual, or the unit, must give way wherever its interests clash with clearly established overriding national considerations, but within these limits the greatest possible freedom must be given not only to thought, but also to the action of individuals and of functional bodies within the State, if we want to remain in the forefront of human development and achieve the greatest possible progress for the community at large."

If we should disregard or choose to remain aloof from the rest of the world after the war is won, and adopt a policy of economic and financial isolation, refusing to aid in the reconstruction and rehabilitation of our neighbors, we shall not escape suffering and hardship ourselves. A prominent economist has recently pointed out that—

"There is no country that can prosper in a depressed and disorderly world. The task of maintaining a high national income and providing jobs for all will be immeasurely more difficult if we cannot make a new start after the war. For we must realise that unless we are all agreed to restore some measure of order and stability, the decade of the Nineteen Forties will see resumption and intensification of the economic aggression and anarchy of the Nineteen Thirties."

The American banker and through him the American investing public, institutions as well as individuals, will be called upon to assist in restoring such "order and stability." In the Old World, the rehabilitation of Western Europe, notably France, Belgium, Holland (and her colonies), and the Scandinavian kingdoms, especially Denmark and Norway, will require large sums, the raising of which should not prove particularly difficult. The American investor is bound to remember that he has never been called upon to forego full interest and amortization on his French, Belgian and Norwegian bonds. He will recall that Denmark, although occupied and temporarily subjugated by the Nazis, faithfully paid interest in full on the contractual commitments of the Kingdom and its political subdivisions owned by American investors. He will also remember that the Netherlands and her overseas possessions have always met their engagements, and that the Dutch East Indies redeemed dollar obligations at a large premium representing the difference between the "gold" dollar and the "currency" dollar, at a time when American debtors discharged their debts in "currency" dollars, although the original contract called for payment in "gold."

An appeal or request for financial accommodations on the part of the above-mentioned countries is therefore bound to be heeded by the American investor, and the successful flotation of loans on their behalf in the American market may be witnessed shortly after hostilities cease.

The remainder of the European continent, comprising Allies as well as former enemy countries, is not likely to find borrowing in the United States very easy. Private investors who have frequently been called upon to accept reduction in payments or temporary suspension of payments will not be especially eager to purchase securities of debtor governments which in the past have not seen their way clear to accord them satisfactory or equitable treatment. Such governments would have to be financed, initially at least, through such governmental or semi-governmental instrumentalities as are scheduled to be created as a result of the recent conference at Bretton Woods, New Hampshire. Eventually, even governments of the above category may be able to obtain accommodations through private channels.

The situation is somewhat similar in regard to the Far Eastern and Latin American fields, although as regards the former, Australia, including the Commonwealth and its component parts, should not find it difficult to secure financial accommodations in view of their most commendable fiscal record and performance.

Considerable aid to foreign lending should be afforded through the elimination of fear on the part of the investor incident upon the creation by the victorious nations of such agencies as should render mankind immune from the recurrence of such ghastly cataclysms as those of 1914-18 and the present World War. Nations with less creditable fiscal records might secure loans from a group of creditors who will guarantee to the investor the prompt service on his investments. The League of Nations loan granted Austria in 1924, which was guaranteed in varying percentages by a number of countries including Great Britain, France, Sweden and the Netherlands, is an example of this kind of financing. In passing, it may be stated that this loan was repaid in full about eleven years prior to its specified maturity.

Since foreign investments have admittedly resulted in real and tangible benefits to the country at large, it is hoped and expected that the granting of loans to worthy borrowers will not be discouraged or impeded in the post-war years. However, in extending credits to the rest of the world, we must contrive some means to insure that they will be used for the financing of strictly revenue-producing projects, affording a stimulus for the maintenance of America's commerce and providing new sources of income for the faithful discharge of whatever obligations we may enable the rest of the world to contract.

Even if some part of our foreign loans may have been invested unwisely and recklessly, and if, in order to get some of it back and protect our invaluable foreign trade we may have to lend more, discreetly and in moderation, it must not be inferred that we were wrong in assuming the role of the world's banker in the place of Great Britain and France and the Netherlands. This obligation was forced upon us by the irresistible trend of events, and redounded, in the final analysis, to our great advantage. The record of New York as a world money market is marred by mistakes, as are those of London and Paris and Amsterdam. But our record is only a short one. In our future dealings with our neighbors, we can profit from the mistakes of the past. We shall succeed in restoring normality and in bringing back prosperity not alone to the United States, but to the rest of the world as well, and through it, lay the foundations for a peace which will prove genuine and lasting.

Spahr Urges Repeal Of Unsound Monetary Laws

(Continued from page 1131)

some time to come. While the people of the United States have invested in this great debt and will be asked to invest still further, neither Congress nor the Administration takes any steps to repeal the laws that could seriously impair the value of these and other savings of the people.

"To retain these bad monetary laws on our statute books in the face of this huge investment made by the American people simply cannot be defended. A large number, perhaps most, of the general public apparently are not aware of the existence of these threats to the value of their investments. The American people naturally look to Congress for protection in such matters; but such protection is not being provided.

"Again and again monetary economists (and others) have urged Congress to repeal these laws, but these appeals have in effect been ignored by the majority of Congress. No Congressman can properly defend his inaction in this matter. To retain on our statute books provision for the issuance of fiat United States notes while discussing the problems of the debt, of 'inflation,' and so on, raises the question as to just what sort of thinking characterizes those government officials who thus far have shown almost complete indifference regarding this arresting situation.

"The laws that should be repealed promptly are these: (1) The Thomas Inflation (Greenback) law of May 12, 1933.

"(2) Sections 8 and 9 of the Gold Reserve Act of 1934 which give the Secretary of the Treasury and the President power to fix the buying and selling price of gold at any point the Secretary 'may deem most advantageous to the public interest.'

"(3) Those provisions of the Gold Reserve Act of 1934 which give the President the power to devalue our silver and subsidiary coins to the same extent that he devalued the gold dollar.

"Congress cannot properly treat with indifference these threats to our monetary and fiscal affairs. Should the reserve ratio in the Federal Reserve banks fall much lower, Congress may wake up some day to find that the Reserve and Treasury authorities have utilized some of these, and other questionable laws to bolster the reserves of the Federal Reserve banks. Considering the fact that the Reserve and Treasury authorities, by manipulation in the issuance of Federal Reserve bank notes, beginning in December, 1942, converted $660,000,000 of those notes into fiat money, and then pumped them into the reserves of the Federal Reserve banks and into circulation, in violation of the letter and spirit of existing law, there is no good reason to assume that they may not at any time take advantage of the *legal* right, *granted by Congress*, to issue fiat United States notes.

"What is apparently more probable, because it would be less well understood by the general public, is that more Federal Reserve bank notes may be issued since these could be issued indefinitely against United States bonds under the emergency provisions of Paragraph 6 of Section 18 of the Federal Reserve Act. (The President has never declared, as provided in that Section 18, that the emergency 'recognized by the President in his proclamation of March 6, 1933,' has terminated.) Monetizing the Federal debt in this manner, with no good lawful money required as reserve against such notes, does not differ greatly from the outright issuance of fiat United States notes except in psychological reaction of the people. The issuance of fiat United States notes under authority of the Thomas Amendment of May 12, 1933, would be an open and easily-understood transaction, with the probability of a quick public reaction and rapid depreciation in the value of such notes. The significance of the issuance of Federal Reserve bank notes against government bonds is not clearly understood by the general public and unfavorable reaction and depreciation tend to come more slowly. But if carried far enough, the public in time learns the truth, and then the deluge sets in. This was the device used in Germany which finally brought on the flood of issuance in 1920-1923 and the collapse in 1923.

"Congress would do well, therefore, to inquire into what plans the Reserve and Treasury authorities contemplate using should the reserve ratio in the Federal Reserve banks fall to a point which, in the opinion of these authorities, would justify action on their part. Should the plans of these authorities involve asking Congress to amend the Federal Reserve Act to reduce the reserve requirements of Federal Reserve banks, Congress should nevertheless repeal the laws mentioned.

"Furthermore, Congress should give special attention to the advisability of prohibiting any further issuance of Federal Reserve bank notes. On May 12, 1943, the Senate passed the Taft Bill, S. 658, to prevent further issuance of Federal Reserve bank notes, but the House failed to act upon it. The Banking and Currency Committee of the House should revive that bill, hold hearings on it, and take in hand the matter of the further issuance of Federal Reserve bank notes while there is yet time to act.

"If the Democrats are failing to act because they do not wish to admit their errors in enacting these bad monetary laws, they are failing to fulfill properly their responsibilities to the American people.

"If the Republicans are failing to act to the best of their ability because they hope to gain politically, should they become the majority party, by repeal after they have come into power, they too are failing to fulfill properly their responsibilities to the American people.

"These monetary and fiscal issues are far too serious to be subjected to the caprice of partisan politics. The money of the American people is not the property of any political party; it belongs to all the people, and each political party should recognize that fact.

"It seems to be a reasonably good guess that the reasons for the inactivity of Congress, with respect to the repeal of these thoroughly bad monetary laws, are to be found in the realm of party politics. It is difficult to believe that there are not enough Democrats and Republicans in Congress with sufficient intelligence to understand the dangerous nature of these monetary laws and that they hang as a serious threat over the head of every bondholder, saver, and person with a relatively fixed income in this country."

Rubert With I. M. Simon

ST. LOUIS, MO.—Rudolph Rubert has become associated with I. M. Simon & Co., 315 North Fourth Street. In the past Mr. Rubert conducted his own investment business in St. Louis.

Roosevelt Says Cartels Must Be Eliminated

Tells Hull End Can Be Achieved Through Collaboration With United Nations. Assistant Attorney General Berge Warns Senate Against Combines.

The assertion that the defeat of the Nazi armies will have to be followed by the eradication of "cartels" was made by President Roosevelt in a letter to Secretary of State Hull made public Sept. 8. The President described as weapons of economic warfare "cartels utilized by the Nazis as Governmental instrumentalities to achieve political ends." "Cartels practices which restrict the free flow of goods in foreign commerce will have to be curbed," said the President, who added that "this end can be achieved only through collaborative action by the United Nations."

President Roosevelt's letter to Secretary Hull follows:

"During the past half century the United States has developed a tradition in opposition to private monopolies. The Sherman and Clayton Acts have become as much a part of the American way of life as the due process clause of the Constitution. By protecting the consumer against monopoly these statutes guarantee him the benefits of competition.

"This policy goes hand in glove with the liberal principles of international trade for which you have stood through many years of public service. The trade-agreement program has as its objective the elimination of barriers to the free flow of trade in international commerce; the anti-trust statutes aim at the elimination of monopolistic restraints of trade in interstate and foreign commerce.

"Unfortunately, a number of foreign countries, particularly in Continental Europe, do not possess such a tradition against cartels. On the contrary, cartels have received encouragement from some of these governments. Especially is this true with respect to Germany. Moreover, cartels were utilized by the Nazis as governmental instrumentalities to achieve political ends.

"The history of the use of the I. G. Farben trust by the Nazis reads like a detective story. The defeat of the Nazi armies will have to be followed by the eradication of these weapons of economic warfare. But more than the elimination of the political activities of German cartels will be required. Cartel practices which restrict the free flow of goods in foreign commerce will have to be curbed. With international trade involved, this end can be achieved only through collaborative action by the United Nations.

"I hope that you will keep your eye on this whole subject of international cartels because we are approaching the time when discussion will almost certainly arise between us and other nations."

Under date of Sept. 7, Senators were told by Assistant Attorney-General Wendell Berge, that Germany may win the peace, unless she is prevented from gaining trade monopolies through the cartel system.

Associated Press accounts from Washington reporting this, also had the following to say:

The chief of the Justice Department's anti-trust division testified before a Military Affairs Sub-Committee that international trade agreements such as he said existed between Carl Zeiss of Jena, Germany, and the Bausch & Lomb Optical Company of Rochester, N. Y., enabled Germany "to sabotage" the effectiveness of the Versailles Treaty after World War I, and added:

"As the military defeat of Germany grows near we will see a determined effort on the part of the Germans to save their industrial power. The Germans know that their best chance of preparing for another war will be through the maintenance of their monopolistic industrial firms.

"These firms have had agreements with British and American industry. If these agreements can be continued, revived, or renewed in the future, this country can win the war but Germany will have gone far toward the winning of the peace.

"During the next few months, we must be prepared to witness the exodus from Germany of political agents who will announce that they are ordinary business men and that they are ready to resume ordinary commercial relations with us as soon as the Nazis are thrown out of power."

"As protection against future German cartel agreements, Mr. Berge recommended the acquiring of German patents and 'technological know-how.' making German laboratory work available to firms on a general basis, breaking up existing German monopolies, and moving some firms out of Germany and internationalizing their laboratories."

Canadian Securities

By BRUCE WILLIAMS

Recent international conferences, especially the Dumbarton Oaks parley, have given rise to debate concerning the position of countries outside the Big Four. Some criticize the inclusion of China, others advocate the addition of France to this select body.

However, on proper reflection, how can the claims of Canada be ignored? It is erroneous to believe that Britain speaks for her Dominions in all matters, and recognition of Canada as a sovereign nation in her own right is consequently obscured.

Although there is no doubt that the Dominions will broadly support a general British policy, nevertheless Canada's growing importance among the nations of the world and her position in the Western Hemisphere present problems that can be settled only by Canada herself. Therefore, Canada should be considered as an independent country and not simply as a British Dominion.

Canada's claim to representation on every world council has a solid basis. In the last few years from a national income of about $9 billions, approximately one billion dollars annually has been freely given, either as an outright gift or in the form of mutual aid. The Dominion is the third trading nation in the world, it occupies the center of the world air map, and its tremendous resources have only just commenced to be developed. In the domestic field, the government has earned the admiration of the world for its superb management of its war-time controls.

Finally, in previous international conferences the Canadian representatives have shown themselves not only worthy of inclusion on world committees but also capable of leadership. The Dominion's one great handicap is its small population, **which will unquestionably expand rapidly after the war, since the world's third largest land mass is now only in its early stages of development.**

Turning to market developments during the past week, again there was little of note, apart from the sale from Canada of a large block of long-term Ontarios. Otherwise, there was little activity and prices generally were marked down slightly. In particular, Albertas were about ½ point lower.

Internal issues were in supply and, following earlier predictions, the Canadian dollar in the "free market" depreciated further, touching 11% discount. With prospects of an increased supply of exchange by Oct. 15 and offerings by discouraged speculative bondholders who recently made extensive purchases on the exchange basis of about 9¼%, it appears likely that this week trend will persist until this technical situation is rectified.

With regard to the future, there still seems little on the horizon to change the present dull inactive trend, especially in view of the Seventh Victory Loan announced to commence Oct. 23. The steady supply flow from Canada is now only an intermittent trickle, and on the demand side the previous obvious undervaluation of Canadian securities is no longer a potent factor.

Decided movement in either direction, therefore, can not be foreseen and the market is likely to become increasingly selective.

Foster, Brown To Admit

John F. Bowles will become a partner, effective October 1st, in Foster, Brown & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Free Representative Government

Continued from page 1133)

rough, unholy hands on many a sacred precedent, doubtless calling on an enlarged and nationalized police power for enforcement. We shall have to give up a distinction . . . between private and public . . . employments. There is no private business . . . exempt from compulsion to serve a planned public interest. Furthermore, we shall have to . . . recognize that only the Federal area and often not even that is large enough to be co-extensive with modern industry and that consequently the states are wholly ineffective instruments for control . . . it has already been suggested that business will logically be required to disappear. This is not an overstatement for the sake of emphasis, it is literally meant."

Mr. Tugwell, the New Deal prophet, uttered those words in December 1931. He has occupied and he still occupies a high administrative post. His words embrace the master pattern of the New Deal!

The President lost no time in adopting that pattern. "Our task now," he said in 1933, "is not discoveries or exploitation of natural resources or necessarily of producing more goods. It is the less dramatic business of administering resources and plants already in hand."

And so the New Deal launched a program of management. It was unintelligent, uncompromising, dominating and incoherent management. Governmental planners were hostile to risk capital. They stifled small business, forced distribution of their earnings and made it impossible for them to expand. They repeatedly devise a tax legislation, not primarily to raise needed revenue, but as an undercover method of promoting dangerous social theories. They saddled upon the individual and business complicated questionnaires, reports and red tape. They placed both industry and agriculture in a governmental straitjacket. But that is not all. In fulfillment of prophecy, the New Deal planners laid "rough unholy hands on many a sacred precedent," and they called on "an enlarged and nationalized police force for enforcement." They constructed gigantic bureaucracy and used it for their own political ends. Congress was relegated to an inferior position by a servile new deal majority. Even the purse strings were surrendered to the executive through lump sum appropriations. They likewise sought to make over the executive branch of the Federal Government. To quote the Declaration of Independence, they "erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance"; boards, bureaus, and commissions multiplied. Our people have been literally deluged with orders, decrees and directives that pour from these agencies day and night. The Federal payrolls skyrocketed until now there are some 3½ million Federal civil employees. They and their families account for almost 20% of the voting power of this country in a presidential election. The traditional cabinet departments are overshadowed and have almost been supplanted by agencies under the direct control of the President. Lines of authority and responsibility became confused and even obliterated.

Every conceivable political device was employed to build the power of the executive.

Then came the attack on the Supreme Court. It failed, but through continuing presidential tenure its purposes were finally achieved. A substantial majority of all the Federal judges now have been appointed by the New Deal President. Too often those appointees possessed nothing more than the doubtful qualification of being New Deal political followers.

The program likewise included the constant suppression and oppression of State and local governments. Local authority was circumvented and usurped. Money was granted to State and local governments upon condition that control be surrendered to Washington.

The New Deal in 1935 even wanted to divide the nation into 10 or 12 districts or "little Washingtons." Each district, of course, would have been under the jurisdiction of a Federal administrator. The real purpose was to relegate the states to obscurity. The report of the National Resources Committee said that many citizens might consider themselves as belonging to one region for one purpose and to an adjoining region for another. In other words, there was to be a paramount, if not exclusive, loyalty to the Federal Government. Fortunately the proposal was not adopted even though the National Resources Committee which advocated it included five cabinet members and Harry Hopkins.

So bold did the planners become that the Attorney General of the United States recently had the audacity to declare "no business in this country is immune from seizure."

Here then is the New Deal record of almost twelve long years. The New Deal candidate recently made his only recorded admission of fault when he said "we have made mistakes." I say to you that these were not mistakes. They were the cold, calculated and deliberate acts of an administration that sought as its prophets predicted: "To undo a century of development—and to lay rough unholy hands on many a sacred precedent."

In spite of this record the New Deal now asks for a fourth term. Again it has the sinister support of notoriously corrupt political machines such as those of Hague of New Jersey, Kelly of Chicago, and Pendergast of Missouri. In addition, it has the fervent support of Sidney Hillman and his Political Action Committee. It is no secret that this committee, including its communistic adherents, proposes to buy this election with money extracted from the honest and patriotic workers of this country. It likewise is no secret that Sidney Hillman and his committee are now in complete control of the New Deal party. Our people will not soon forget the sorry spectacle of the Democratic National Convention. It was Hillman and the Big City Bosses who made the secret decisions that controlled that convention. Nor will they ever forget the President's instructions to the Democratic Chairman from a railway car of the Commander-in-Chief on a side track in Chicago, to "clear everything with Sidney." In that tense command the new deal candidate delivered the Democratic party into the hands of Sidney Hillman, the radical leader of the Political Action Committee.

I am sure that the great majority of working people, union members and union leaders alike, resent the intrusion of Sidney Hillman into a great political party and into their private business of casting a free and unintimidated vote. They are Americans and they cherish sacred American rights. They know as you and I know that any impairment of that right by a radical and communistic labor element will in the end defeat the honorable and legitimate aims of organized labor in this country.

In its alliances with Hague and Kelly and Hannegan and Hillman and Browder, the New Deal has achieved a new low in American politics. The vast body of decent American voters will not travel in such political company. The cynical and sinister bid for power of this unholy alliance will be overwhelmingly rejected. This nation proposes to remain American.

In contrast to the New Deal Program, the Republican party proposes to reestablish liberty at home. Our goal also is to prevent hardship and poverty in America—to provide opportunity and security and to promote social betterment. Such a goal can be solidly achieved only if we give full scope to individual incentive and American ingenuity and turn our backs finally and completely on alien philosophies of government.

Let us then consider the first steps in a constructive program.

First, we must clean our governmental house of the debris with which it is now cluttered and which has been accumulating during 11 years of the New Deal. To clean house means that we must get rid of needless bureaucracy. Unbridled bureaucracy is a deadly growth in our body politic and it can only be removed through a major operation. It will be removed this year through the election of the Republican ticket, including Republican Senators and Congressmen. Such an election will put the reins of government back into the hands of the duly elected representatives of the people.

Second, we must restore responsible cabinet government in Washington. All agencies, boards, bureaus, and commissions which are not performing essential governmental functions must be immediately liquidated.

In this way we shall get rid of the costly political featherbeds in Washington. Cabinet members must and under the administration of Thomas E. Dewey will be chosen on the basis of their qualifications for the job. They will be charged with full authority and they will be held personally responsible. Essential governmental agencies now having independent status should and will be placed under cabinet jurisdiction wherever possible. Executive abuse of power, confused lines of authority, duplication of effort, inadequate fiscal controls, loose personnel practices and bureaucratic arrogance must and will be ended. Harmony in government and a balance between legislative and executive responsibility must and will be restored. Under such a program we shall eliminate confusion, inefficiency and conflict at home. We shall build confidence and faith in the future.

Third, the Republican party proposes to end the reckless trend toward centralization of all power in the Federal Government. Unless that trend is ended, state and local governments sooner or later will be reduced to provincial administrative units—mere satellites revolving about an all-powerful national planet. Self-government can survive only so long as the people are given a chance to practice it by keeping government close to home. The more of history that is written at the nation's crossroads, and the less at Washington, the freer and happier our people will be.

This does not mean that the Federal Government will cease to respond to social needs. Changes in economic and social conditions do require, from time to time, a reallocation of governmental functions. It does mean, however, that the reaching out for power by the Federal Government under the guise of social reform but actually for the sake of power alone must be ended.

R. D. Steers & Co. Formed In Ottawa

OTTAWA, ONT., CANADA—Announcement is made of the dissolution of the firm of Monk, Steers and Company, and the formation by Reginald D. Steers of his own firm, R. D. Steers and Company. The new firm has offices in the Canada Life Building, 75 Sparks Street.

Already a solution of this problem has been pointed out by the Republican party. At St. Louis, under the able leadership of Governor Dewey the 26 Republican Governors studied this question with reference to 14 major issues ranging from agriculture to welfare. After dealing with these specific issues they arrived at this conclusion. "The great objectives we have here sought for America cannot be accomplished, either by a constant grasping for power on the part of the Federal Government or through a stubborn resistance by the states to the participation of the Federal Government in a developing and increasing complicated society. They can be reached only through cooperation. And a determination to make our system work in the spirit as well as the letter of the constitution."

In any such meeting of Republican Governors next year, Ralph Gates will be there.

And while speaking of Republican leadership in this cause, we must always remember the contribution already made by the valiant Republican members of Congress.

Finally, the Republican party proposes to create in this country an atmosphere of opportunity for the individual. The one great problem after the war is jobs—honest jobs—productive jobs. We propose to put men and women to work in private industry as promptly as possible after victory. We propose to give special attention to those who have served in our armed forces. Made-work and government spending never can be an adequate substitute for honest jobs and private employment. More than that, our fighting sons abroad and our loyal workers at home want honest jobs in private employment. To accomplish this great objective, business must be freed from its shackles and government must be taken out of competition with private industry. Rationing, price-fixing and all other emergency powers must be terminated as quickly as possible. Detailed regulation of farmers, workers, business men and consumers must be avoided. Abundant production in agriculture and industry must be substituted for the New Deal program of scarcity. War contracts must be promptly settled and surplus government plants and property must be equitably disposed of. Small business must be encouraged. Taxes must be reduced. Economy in the Federal Government must conscientiously be practiced. The integrity of the American dollar must be protected. These and countless other steps must be taken if needed jobs are to be provided after the war. They will be taken by a Republican administration.

The New Deal has demonstrated that it cannot provide jobs without a war. It cannot maintain free representative government. It will not trust the people. It is time to elect a President who will clear everything, not with Sidney, but with Congress and the American people. Thomas E. Dewey is that man.

Hannegan Declares Bricker's Charge False

Robert E. Hannegan of the Democratic National Committee denied on Sept. 11 that President Roosevelt had instructed him to "clear everything with Sidney" Hillman in behind-the-scenes maneuvering at the National Convention in July, according to United Press advices from Chicago on Sept. 11 which also had the following to say:

Mr. Hillman is head of the CIO Political Action Committee.

Mr. Hannegan said that the charge was made by Gov. John Bricker, Republican Vice Presidential nominee, in a speech last Saturday, but he added that "the fact is that President Roosevelt with whom I conferred alone on that occasion (the President's trip to Chicago before the convention) did not say that."

"Nor did he say anything else that could have been tortured to convey that meaning," Mr. Hannegan said. "That story is absolutely untrue. I don't know who invented it. I presume that Republican orators will keep repeating this favorite fiction until election day in the forlorn hope that some people will believe it is true. I want to get the record straight and identify this one as fabricated out of whole cloth."

Governor Bricker's speech made on Sept. 9, is given elsewhere in this issue.

Effect Of Germany's Defeat On The National Debt

(Continued from page 1130)

of last January, and the actual figures for 1944 and 1943.

TABLE 1

DIGEST OF THE FEDERAL BUDGET RECEIPTS, EXPENDITURES AND DEBT
(In billions of dollars, fiscal years)

Classification—	—1945 Estimates— July 1944	Jan. 1944	1944 Actual	1943 Actual
Receipts:				
Taxes, individual	18.9	18.1	20.3	6.9
Taxes, corporate	16 6	15.4	15.1	9.9
Taxes, excise	5.6	4.2	4.4	3.7
Miscellaneous	4.6	3.0	4.3	1.7
Total receipts	45.7	40.7	44.1	22.2
Expenditures:				
War	88.9	88.2	87.0	72.1
Interest on debt	3.75	3.75	2.6	1.8
General	2.5	2.5	2.4	2.52
Refunds	1.5	1.8	.3	.08
Veterans	1.25	1.25	.7	.6
Agriculture	.5	.4	.7	1.0
	9.5	9.7	6.7	6.0
Total Expenditures	98.4	97.9	93.7	78.1
Excess of expenditures	52.7	57.2	49.6	55.9
Gov. corps., trust a/cs. and change in Treasury balance	—2.4	3.2	14.7	8.3
Increase in debt	50.3	60.4	64.3	64.2
Debt at end of fiscal year	251.3	258.0	201.0	136.7

Assuming the war with Germany is over by the end of October, the present budget would have prevailed for the first six months of the fiscal year, and the announced cut-back would apply to the subsequent one-half. The July estimate of war expenditures of approximately $89 billions was made on the assumption that the war would continue unabated throughout the fiscal year. The 40% cut-back would consequently apply on about $45 billions of estimated expendtures.

While the cut-back would mean a direct reduction in manufactured supplies, other expenditures such as the cost of maintenance of the armed forces would not be cut as sharply, and an over-all reduction might come to 33%, so that a fair approximation would be in the neighborhood of $15 billions.

As for income, the let-up in industrial production in the transition period and less pay received by workers as a result of some unemployment, reduction in overtime, and possibly lower pay scales on peacetime jobs as compared with war work, might cause the Government's corporate and individual tax receipts for the remaining one-half of the fiscal year to decline approximately 10%, or about $2 billions.

Smaller Debt Increase

The net reduction in the Government deficit would therefore be approximately $13 billions, which would mean an increase of $37 billions instead of $50 billions in the national debt, or an anticipated debt next June of about $238 billions. This increase is a little more than one-half the $64 billions by which the debt actually increased in the 1944 fiscal year, and indicates that the peak of the Government's annual borrowing needs has already been passed.

The war with Japan is expected to be ended in six to nine months after the German war. Discussions in Congress recently have indicated consideration of earmarking proceeds from the sale of Government-owned war surplus property and plants to be applied on debt retirement. Despite such proceeds, however, contract termination payments, excess profits tax refunds, unemployment benefits and veterans' rehabilitation would cause a further deficit which would bring the national debt to the neighborhood of $250 billions about a year or so after peace, since Government deficits usually continue for a while after the end of a major war. Many economic experts have predicted a $300 billion national debt at that time, but this figure now begins to appear remote.

Features of the Budget

In revising recently his estimate of last January of Government receipts for the ensuing fiscal year, the Budget Director increased the figure approximately from $40.7 billions to $45.7 billions. This $5 billion expansion seemed to attract little public attention. Yet approximately the same figure, $5.3 billions, constituted the entire Government income in 1940, only four years ago.

The 1943-4 increase in the national debt was from $136.7 billions to $201 billions. Yet this $64.3 billion expansion was not far short of the total national debt, $72.5 billions, in 1942. With what *sang froid* we now seem to regard billions of dollars in Government finance!

The actual receipts in the fiscal year ended June 30, 1944, were $44.1 billions, almost double the receipts of the previous fiscal year, nearly six times the receipts of the 1941 fiscal year, and more than eight times the 1940 receipts.

It will be observed that since 1943 receipts from individual taxes have increased 67% and from corporation taxes have nearly doubled, and that there is a substantial increase in the estimate of miscellaneous receipts. This category includes excessive profits recaptured by renegotiation of war contracts and proceeds from the disposal of Government surplus property.

Government expenditures for other than war purposes for the fiscal year 1945 are estimated at $9.5 billions, $2.8 billions above the actual expenditures for the fiscal year 1944. The explanation of this is found in items called the "aftermath of war" expenditures, namely, interest on the public debt (being the largest single item, $3,750 millions), veterans' pensions and benefits, and refunds of war taxes.

A Comparison

The relationship between the Government budget, national income and industrial production for significant years is shown in the following table.

TABLE 2
(In billions of dollars)

Year—	†Gov. Receipts	†Gov. Expenditures	†Public Debt	‡National Income	‡Fed. Res. Prod. Index
1919	5.1	18.5	25.4	64.2	72
1929	4.0	3.8	16.9	83.3	110
1932	2.0	4.9	19.4	40.0	58
1940	5.3	9.1	42.9	77.6	125
1941	7.6	12.7	48.9	96.9	162
1942	12.8	32.5	72.5	121.6	199
1943	22.2	78.1	136.7	147.9	239
1944	44.1	93.7	201.0	*152.0	*235
1945	*45.7	*98.4	*251.3	*125.0	*190

*Estimated. †Fiscal years. ‡Calendar years.

Conclusion

In view of the general expectation that the war with Germany will end by November, the WPB announcement of a 40% cut-back in war production after that event projects an estimated increase of approximately $37 billions in the current fiscal year, instead of the $50 billions indicated in the recent Government budget. This would mean a national debt of approximately $238 billions next June and an ultimate debt of perhaps $250 billions—which, huge as it is, nevertheless is considerably under the $300 billion figure oftentimes predicted.

Recommend Non-Cancellable Order Form For Post-War Period

(Continued from page 1131)

financing institutions on a uniform basis, so that variations therein cannot be used as an unfair method of price-cutting or unfair competition."

A second vital feature of post-war inventory control recommended by the Committee is the control of production in relation to forecasted market, thus avoiding sudden losses which would otherwise occur because of factory surplus production which would have to be marketed at a loss. Quoting the report, "It is anticipated by many that the postwar period, after the transition period of reconversion, will see greatly enlarged quantity production of simplified models, to be mass marketed at lower than prewar price levels, and with lower margins for wholesaler and retailer. Under such conditions, not only must there be a marked reduction in marketing and distributing expenses, but there must also be a mucn better control of merchandise investment and obsolescence losses, so that a better turnover may make possible an adequate rate of net return on investment."

Another recommendation made by the Committee is that Federal taxation be stabilized so that part of the expense of doing business may be definitely known and planned for. Warning against continued deficit spending, the report declares, "There should be established *now* a permanent method of financing the national debt, whether it be $200 billions or $300 billions, and not wait until the war is over. The postwar will bring about other important perplexities which cannot now be solved."

The report also counsels the building up of company reserves to cover dismissal wages "on a large scale—perhaps within relatively short periods following large or general contract terminations." Warning that "adequate contributions to State unemployment funds should be maintained during high-level war employment, and not be diminished by artificial merit rating standards due to abnormal, temporary high levels," the Committee recommends that unemployment funds should be regarded as the basic source of compensation, and that the dismissal of temporary or short-term employees on war work should be taken care of by the inclusion of dismissal wages for such employees "in allowances made in contract termination settlements. Any war emergency dismissal wage payment plan should not establish a precedent for dismissal wages in time of peace."

Other recommendations made by the Committee include: reserves for deferred maintenance and accelerated depreciation as allowable deductions from net income; faster amortization of the cost of war plants operated under "necessity" certificates, and wider employment of disabled veterans, whether or not they are former employees.

Indiana & Michigan Electric Preferred On Market

The First Boston Corporation and associates on Sept. 13 offered at 103⅛ per share 120,000 shares of 4⅛% cumulative preferred stock (par $100) of Indiana & Michigan Electric Co. The First Boston group was awarded the issue at competitive sale Sept. 11 on a bid of 101.449.

Of the net proceeds from the financing, $7,880,000 will be used to prepay notes due to banks in August, 1945. The balance, together with $3,000,000 to be received from the sale of 129,024 shares of common stock to American Gas & Electric Co., will be added to the general corporate funds. These funds will enable Indiana & Michigan to acquire certain utility properties in or near the territory now served, if such acquisitions can be effected, and to complete its construction program.

Capitalization of the company after giving effect to this financing will be as follows: first mortgage bonds, 3¼% series, due June 1, 1969, $22,500,000; 2⅜% note to bank, due June 15, 1949, $1,000,000, making a total long-term debt of $23,500,000; 4⅛% cumulative preferred stock, $12,000,000, and 1,000,000 shares of no par common stock.

Indiana & Michigan Electric Co. operates in a territory in northern Indiana and southern Michigan with a population in excess of 365,000. Besides serving its own residence, commercial and power customers, the company supplies electric energy to other electric companies, both affiliated and unaffiliated, and municipal distribution systems.

N. Y. Finance Institute Sponsors Tax Lectures

Harley L. Lutz, Chief of Staff, Committee on Post-War Tax Policy, discussed "Individual Taxes" at 3:30 p.m. in the Board of Governors' Room of the New York Stock Exchange on Sept. 11. This is the third in the series of six lectures being sponsored by the New York Institute of Finance, headed by Robert Cluett, 3rd. Other discussions scheduled for succeeding Mondays include "Tax Simplification," Robert W. Wales; "Corporate Taxes," Ellsworth C. Alvord; and the "Post-war Problem," to be discussed by Emil Schram, President of the New York Stock Exchange, on Oct. 2.

Forms J. F. Perko & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—John F. Perko is now doing business as J. F. Perko & Company from offices in the Union Commerce Building. Mr. Perko was formerly a partner in Perko & Zink.

Fiscal Policy And The Taxation Of Business

(Continued from first page)

ations within this area of authority. Taxation is one of the limitations placed by government on the power of business to do what it pleases.

There is nothing reprehensible about this procedure. The business that is taxed is not a creature of flesh and blood, it is not a citizen. It has no voice in how it shall be governed—nor should it. The issues in the taxation of business are not moral issues, but are questions of practical effect: What will get the best results? How should business be taxed so that business will make its greatest contribution to the common good?

It is sometimes instructive when faced with alternatives to ask the underlying question. If you are asked by your host at dinner whether you prefer sirloin steak or roast duck, a friendly and provocative reply is: "Why should I eat?" If a solicitous mother inquires whether her son will choose Sally, Irene, or Mary as his wife, the son is frequently well advised to dig a little deeper with the question: "Why should I get married at all?"

So, also, if we are to understand the problems involved in the taxation of business, we must first ask the question: "Why does the Government need to tax at all?" This seems to be a simple question, but, as is the case with simple questions, the obvious answer is likely to be a superficial one. The obvious answer is, of course, that taxes provide the revenue which the Government needs in order to pay its bills.

If we look at the financial history of recent years it is apparent that nations have been able to pay their bills even though their tax revenues fell short of expenses. Those countries whose expenses were greater than their receipts from taxes paid their bills by borrowing the necessary money. The borrowing of money, therefore, is an alternative which governments use to supplement the revenues from taxation in order to obtain the necessary means for the payment of their bills.

A government which depends on loans and on the refunding of its loans to get the money it requires for its operations is necessarily dependent on the sources from which the money can be obtained. In the past, if a government persisted in borrowing heavily to cover its expenditures, interest rates would get higher and higher, and greater and greater inducements would have to be offered by the government to the lenders. These governments finally found that the only way they could maintain both their sovereign independence and their solvency was to tax heavily enough to meet a substantial part of their financial needs, and to be prepared—if placed under undue pressure—to tax to meet them all.

The necessity for a government to tax in order to maintain both its independence and its solvency is true for State and local governments, but it is not true for a national government. Two changes of the greatest consequence have occurred in the last 25 years which have substantially altered the position of the national state with respect to the financing of its current requirements. The first of these changes is the gaining of vast new experience in the management of central banks. The second change is the elimination, for domestic purposes, of the convertibility of the currency into gold.

Final freedom from the domestic money market exists for every sovereign national state where there exists an institution which functions in the manner of a modern central bank, and whose currency is not convertible into gold or into some other commodity.

The United States is a national state which has a central banking system, the Federal Reserve System, and whose currency, for domestic purposes, is not convertible into any commodity. It follows that our Federal Government has final freedom from the money market in meeting its financial requirements. Accordingly, the inevitable social and economic consequences of any and all taxes have now become the prime consideration in the imposition of taxes. In general, it may be said that since all taxes have consequences of a social and economic character, the Government should look to those consequences in formulating its tax policy. All Federal taxes must meet the test of public policy and practical effect. The public purpose which is served should never be obscured in a tax program under the mask of raising revenue.

Federal taxes can be made to serve four principal purposes of a social and economic character. These purposes are:

1. As an instrument of fiscal policy to help stabilize the purchasing power of the dollar.
2. To express public policy in the distribution of wealth and of income, as in the case of the progressive income and estate taxes.
3. To express public policy in subsidizing or in penalizing various industries and economic groups.
4. To isolate and assess directly the costs of certain national benefits, such as highways and social security.

In the recent past, we have used our Federal tax program consciously for each of these purposes. In serving these purposes, the tax program is a means to an end. The purposes themselves are matters of basic national policy which should be established, in the first instance, independently of any national tax program.

Among the policy questions with which we have to deal are these: Do we want a dollar with reasonably stable purchasing power over the years? Do we want greater equality of wealth and of income than would result from economic forces working alone? Do we want to subsidize certain industries and certain economic groups? Do we want the beneficiaries of certain Federal activities to be aware of what they cost? These questions are not tax questions, they are questions as to the kind of country we want and the kind of life we want to lead. The tax program should be a means to an agreed end. The tax program should be devised as an instrument, and it should be judged by how well it serves its purpose.

By all odds, the most important single purpose to be served by the imposition of Federal taxes is the maintenance of a dollar which has stable purchasing power over the years. Sometimes this purpose is stated as "the avoidance of inflation"; and without the use of Federal taxation all other means of stabilization, such as monetary policy and price controls and subsidies are unavailing. All other means, in any case, must be integrated with Federal tax policy if we are to have tomorrow a dollar which has a value near to what it has today.

The war has taught the Government, and the Government has taught the people, that Federal taxation has much to do with inflation and deflation, with the prices which have to be paid for the things that are bought and sold. If Federal taxes are insufficient or of the wrong kind, the purchasing power in the hands of the public is likely to be greater than the output of goods and services with which this purchasing demand can be satisfied. If the demand becomes too great, the result will be a rise in prices, and there will be no proportionate increase in the quantity of things for sale. This will mean that the dollar is worth less than it was before—that is inflation. On the other hand, if Federal taxes are too heavy or are of the wrong kind, effective purchasing power in the hands of the public will be insufficient to take from the producers of goods and services all the things these producers would like to make. This will mean widespread unemployment.

The dollars the Government spends become purchasing power in the hands of the people who have received it. The dollars the Government takes by taxes cannot be spent by the people, and, therefore, these dollars can no longer be used to acquire the things which are available for sale. Taxation is, therefore, an instrument of the first importance in the administration of any fiscal and monetary policy.

The second principal purpose of Federal taxes is to attain more equality of wealth and of income than would result from economic forces working alone. The taxes which are effective for this purpose are the progressive individual income tax, the progressive estate tax, and the gift tax. What these taxes should be depends on public policy with respect to the distribution of wealth and of income. It is important here to note that the estate and gift taxes have little or no significance, as tax measures, for stabilizing the value of the dollar. Their purpose is the social purpose of preventing what otherwise would be high concentration of wealth and income at a few points, as a result of investment and reinvestment of income not expended in meeting day-to-day consumption requirements. These taxes should be defended and attacked in terms of their effects on the character of American life, not as revenue measures.

The third reason for Federal taxes is to provide a subsidy for some industrial or economic interest. The most conspicuous example of these taxes is the tariffs on imports. Originally, taxes of this type were imposed to serve a double purpose since, a century and a half ago, the National Government required revenues in order to pay its bills. Today tariffs on imports are no longer needed for revenue. These taxes are nothing more than devices to provide subsidies to selected industries; their social purpose is to provide a price floor above which a domestic industry can compete with goods which can be produced abroad and sold in this country more cheaply except for the tariff protection. The subsidy is paid, not at the port of entry where the imported goods are taxed, but in the higher price level for all goods of the same type produced and sold at home.

The fourth purpose served by Federal taxes is to assess, directly and visibly, the costs of certain benefits. Such taxation is highly desirable in order to limit the benefits to amounts which the people who benefit are willing to pay. The most conspicuous examples of such measures are the social security benefits, old-age and unemployment insurance. The social purposes of giving such benefits and of assessing specific taxes to meet the costs are obvious. Unfortunately and unnecessarily, in both cases, the programs have involved staggering deflationary consequences as a result of the excess of current receipts over current disbursements. When peace comes these programs must be corrected so that the stability of the dollar will not be impaired by the financial consequences of excessive social security receipts or disbursements.

The Federal tax on corporation profits is the tax which is most important in its effect on business operations. There are other taxes which are of great concern to special classes of business. There are many problems of State and local taxation of business which become extremely urgent, particularly when a corporation has no profits at all. However, we shall confine our discussion to the Federal corporation income tax, since it is in this way that business is principally taxed. We shall also confine our considerations to the problems of ordinary peacetime taxation since, during wartime, many tax measures, such as the excess profits tax, have a special justification.

Taxes on corporation profits have three principal consequences — all of them bad. Briefly, the three bad effects of the corporation income tax are:

1. The money which is taken from the corporation in taxes must come in one of three ways. It must come from the people, in the higher prices they pay for the things they buy; from the corporation's own employees, in wages that are lower than they otherwise would be; or from the corporation's stockholders, in lower rate of return on their investment. No matter from which source it comes, or in what proportion, this tax is harmful to production, to purchasing power, and to investment.

2. The tax on corporation profits is a distorting factor in managerial judgment, a factor which is prejudicial to clear engineering and economic analysis of what will be best for the production and distribution of things for use. And the larger the tax, the greater the distortion.

3. The corporation income tax is the cause of double taxation. The individual taxpayer is taxed once when his profit is earned by the corporation, and once again when he receives the profit as a dividend. This double taxation makes it more difficult to get people to invest their savings in business than if the profits of business were only taxed once. Furthermore, stockholders with small incomes bear as heavy a burden under the corporation income tax as do stockholders with large incomes.

Let us examine these three bad effects of the tax on corporation profits more closely. The first effect we observed was that the corporation income tax results in either higher prices, lower wages, reduced return on investment, or all three in combination. When the corporation income tax was first imposed it may have been believed by some that an impersonal levy could be placed on the profits of a soulless corporation, a levy which would be neither a sales tax, a tax on wages, or a double tax on the stockholder. Obviously, this is impossible in any real sense. A corporation is nothing but a method of doing business which is embodied in words inscribed on a piece of paper. The tax must be paid by one or more of the people who are parties at interest in the business, either as customer, as employee, or as stockholder.

It is impossible to know exactly who pays how much of the tax on corporation profits. The stockholder pays some of it, to the extent that the return on his investment is less than it would be if there were no tax. But it is equally certain that the stockholder does not pay all of the tax on corporate income—indeed, he may pay very little of it. After a period of time, the corporation income tax is figured as one of the costs of production and it gets passed on in higher prices charged for the company's goods and services, and in lower wages, including conditions of work which are inferior to what they otherwise might be.

The reasons why the corporation income tax is passed on, in some measure, must be clearly understood. In the operations of a company, the management of the business, directed by the profit motive, keeps its eyes on what is left over as profit for the stockholders. Since the corporation must pay its Federal income taxes before it can pay dividends, the taxes are thought of—the same as any other uncontrollable expense—as an outlay to be covered by higher prices or lower costs, of which the principal cost is wages. Since all competition in the same line of business is thinking the same way, prices and costs will tend to stabilize at a point which will produce a profit, after taxes, sufficient to give the industry access to new capital at a reasonable price. When this finally happens, as it must if the industry is to hold its own, the Federal income tax on corporations will have been largely absorbed in higher prices and in lower wages. The effect of the corporation income tax is, therefore, to raise prices blindly and to lower wages by an undeterminable amount. Both tendencies are in the wrong direction and are harmful to the public welfare.

Suppose the corporation income tax were removed, where would the money go that is now paid in taxes? That depends. If the industry is highly competitive, as is the case with retailing, a large share would go in lower prices, and a smaller share would go in higher wages and in higher yield on savings invested in the industry. If labor in the industry is strongly organized, as in the railroad, steel and automotive industries, the share going in higher wages would tend to increase. If the industry is neither competitive nor organized nor regulated—of which industries there are very few—a large share would go to the stockholders. Insofar as the elimination of the present corporation income tax would result in lower prices, it would raise the standard of living for everyone.

The second bad effect of the corporation income tax is that it is a distorting factor in management judgment, entering into every decision, and causing actions to be taken which would not have been taken on business grounds alone. The tax consequences of every important commitment have to be appraised. Sometimes some action which ought to be taken cannot be taken because the tax results make the transaction valueless, or worse. Sometimes apparently senseless actions are fully warranted because of tax benefits. The results of this tax thinking is to destroy the integrity of business judgment and to set up a business structure and tradition which does not hang together in terms of the compulsions of inner economic or engineering efficiency.

The most conspicuous illustration of the bad effect of tax consideration on business judgment is seen in the preferred position that debt financing has over equity financing. This preferred position is due to the fact that interest and rents, paid on capital used in a business, are deductible as expense; whereas dividends paid are not. The result weighs the scales always in favor of debt financing, since no income tax is paid on the deductible costs of this form of capital. This tendency goes on, although it is universally agreed that business and the country generally would be in a stronger position if a much larger proportion of all investment were in common stocks and equities, and a smaller proportion in mortgages and bonds.

It must be conceded that, in many cases, a high corporation income tax induces management to

*An address delivered by Mr. Ruml before the American Bar Association at Chicago, Ill., on Sept. 11, 1944.

make expenditures which prudent judgment would avoid. This is particularly true if a long-term benefit may result, a benefit which cannot or need not be capitalized. The long-term expense is shared involuntarily by government with business, and, under these circumstances, a long chance is often well worth taking. Scientific research and institutional advertising are favorite vehicles for the use of these cheap dollars. Since these expenses reduce profits, they reduce taxes at the same time; and the cost to the business is only the margin of the expenditure that would have remained after the taxes had been paid—the Government pays the rest. Admitting that a certain amount of venturesome expenditure does result from this tax inducement, it is an unhealthy form of unregulated subsidy which, in the end, will soften the fibre of management and will result in excess timidity when the risk must be carried by the business alone.

The third unfortunate consequence of the corporation income tax is that the same earnings are taxed twice, once when they are earned and once when they are distributed. This double taxation causes the original profit margin to carry a tremendous burden of tax, making it difficult to justify equity investment in a new and growing business. It also works contrary to the principles of the progressive income tax, since the small stockholder, with a small income, pays the same rate of corporation tax on his share of the earnings as does the stockholder whose total income falls in the highest brackets. This defect of double taxation is serious, both as it affects equity in the total tax structure, and as a handicap to the investment of savings in business.

Any one of these three bad effects of the corporation income tax would be enough to put it severely on the defensive. The three effects, taken together, make an overwhelming case against this tax. The corporation income tax is an evil tax and it should be abolished.

The corporation income tax cannot be abolished until some method is found to keep the corporate form from being used as a refuge from the individual income tax and as a means of accumulating unneeded, uninvested surpluses. Some way must be devised whereby the corporation earnings, which inure to the individual stockholders, are adequately taxed as income of these individuals.

The weaknesses and dangers of the corporation income tax have been known for years, and an ill-fated attempt to abolish it was made in 1936 in a proposed undistributed profits tax. This tax, as it was imposed by Congress, had four weaknesses which soon drove it from the books: First, the income tax on corporations was not eliminated in the final legislation, but the undistributed profits tax was added on top of it. Second, it was never made absolutely clear, by regulation or by statute, just what form of distributed capitalization of withheld and reinvested earnings would be taxable to the stockholders and not to the corporation. Third, the Securities and Exchange Commission did not set forth special and simple regulations covering securities issued to capitalize withheld earnings. Fourth, the earnings of a corporation were frozen to a particular fiscal year, with none of the flexibility of the carry-forward, carry-back provisions of the present law.

Granted that the corporation income tax must go, it will not be easy to devise protective measures which will be entirely satisfactory. The difficulties are not merely difficulties of technique and of avoiding the pitfalls of a perfect solution impossible to administer, but are questions of principle that raise issues as to the proper locus of power over new capital investment.

In the report on fiscal and monetary policy which H. C. Sonne and I made to the Business Committee of the National Planning Association, we suggested a 5% tax on corporate profits, which would represent the value of doing business in the corporate form; a 16% tax on undistributed profits, and a continuation, for the time being, of the present tax of 25% on long-term capital gains. Although such a proposal lacks complete logical justification, nevertheless it has the advantage of simplicity.

Assuming a continuance of the carry-back, carry-forward provisions, it is our opinion that a 16% tax on undistributed profits would tend to cause corporations which have easy access to the capital markets to finance their capital requirements in due course rather than withhold earnings, and that a tax of 16% will not be an undue burden on corporations which otherwise would have to pay a selling commission and incur other expense to raise additional capital funds.

The 16% tax on undistributed profits, and the 25% tax on capital gains, seems to us to be a sufficient tax on the individual who realizes his profits from the operations of a corporation, not in income distributed to him as dividends, but in the sale of his securities at a price higher than his original investment.

Can the Government afford to give up the corporation income tax? This really is not the question. The question is this: Is the corporation a favorable way of assessing taxes on the people—on the consumer, the workers and investors—who, after all, are the only real taxpayers? It is clear from any point of view that the effects of the corporation income tax are bad effects. The public purposes to be served by taxation are not thereby well served. The tax is uncertain in its effect with respect to the stabilization of the dollar, and it is inequitable as part of a progressive levy on individual income. It tends to raise the prices of goods and services. It tends to keep wages lower than they otherwise might be. It reduces the yield on investment and obstructs the flow of savings into business enterprise. The elimination of the corporation income tax from the tax system will increase the effectiveness of our fiscal and monetary policies and, by broadening markets for goods and services, will strengthen business for its task of producing goods, providing employment, and giving the people a place where their savings can be invested.

Too Many Old Men At The Helm Of Science

(Continued from first page)

"Their retention is denying advancement to younger men at the very age when these younger men may be expected to be entering those years when their maximum efficiency will be attained. Earlier retirement ages or transfer for men engaged in work requiring originality is indicated."

Dr. Midgley explains that he does not mean that men over 40 are of no use to society, for "it is too evident that they are. But their usefulness is distinctly of a different nature from the usefulness of youth.

"Youth is original and creative, while age is simply experience. Both are essential elements on any team that is to make for lasting progress. I am not complaining that we have old men in active service; but I do complain about having old men in young men's places."

As evidence of youth's greater creativeness, Dr. Midgley cites an unpublished Patent Office "Table of Important Inventions", ranging from the steam engine by Watt to the airplane by the Wright brothers.

Of these inventions, eighty-five in number, 46 were by men 35 years old or less. Fifty-eight were by men under forty. Thomas Edison made the list five times, with inventions patented at the ages of 24, 27, 30, 32 and 46.

Dr. Midgley, who is Vice-President of Ethyl Corporation, was 33 when he attained fame by his discovery of tetraethyl lead, which has made possible spectacular advances in automotive and aircraft engines, and which has contributed vitally to the success of Allied air power on the world's battlefronts.

The Patent Office list, prepared some years ago, begins with Sir William Perkin, inventing aniline dyes at 18. Then comes William Siemens at 20 with the steam engine governor, Bessemer at 21 with electroplating, Marconi at 21 with his first patent on radio, Edison at 24 patented the stock ticker, Howe at 26 the sewing machine, Whitney at 27 the cotton gin, Watt at 29 the steam engine, Bell at 29 the telephone, Mergenthaler at 30 the first linotype, Nobel at 34 dynamite, Eastman at 34 the kodak camera, the Wrights the airplane at 34 and 38, Fulton at 36 the submarine, Goodyear at 39 patented vulcanization of rubber.

Fulton at 42 patented his steamboat, Siemens at 44 the dynamo and open hearth process, Stephenson at 45 the first successful locomotive, Morse at 46 brought out the telegraph, Roentgen made his X-ray machine at 50, Daimler patented his gasoline vehicle at 52, and Harvey patented Harveyized steel at 67, the end of the list.

The original work leading to a patentable invention often is done some time before the actual invention itself results, and this must be considered in trying to reach a true measure of the originality factor for various age levels, Dr. Midgley says. On the other hand, there are fewer men aged 40 than 24 or 25 due to intervening mortality. Men in their early 20's often have a stronger motive to make their mark and make money than older colleagues of 50 who might make less effort to repeat earlier successes. And many men who develop outstanding inventions are called upon to spend much of their later life in looking after their commercialization.

But in view of the greater creativeness and originality in youth, Dr. Midgley says, "it would seem foolish to increase the time required for formal education beyond what it now is as such increases would definitely encroach upon the most valuable years for actively prosecuting research and development."

His own generation, Dr. Midgley declares, has received an "unearned dividend" in life. The life expectancy, statistically, has risen from 40 years at the time he was born until now it is 62 years. Continuing medical strides are further extending the average human life span.

"In a community where the average life span is 40 years, men over 40 would be looked upon as aging, and men of from 20 to 25 would be looked upon as old enough to be given responsibilities and advancement commensurate therewith. Such were the conditions when my generation was young.

"Look at them today. A man needs to be well over 60 before being looked upon as aged, while a chap of 30 is looked upon as a boy still lacking in experience. Thus my generation has enjoyed a longer term of responsible service as young men than any that ever preceded it."

Dr. Midgley says that his generation has been "accepting this unearned dividend in life, and a kind of youth, quite unconscious of the fact that in so doing we were encroaching, to an unjustifiable extent, upon the prerogatives which belong to youth; absolute youth. Every executive who has lived beyond the age of 40 is guilty, to some slight extent, of not getting out of the way of the younger man so that their normal advancement could take place as it would have taken place in all previous generations. Merely living and being looked upon as young is no substitute for youth. Youth is not relative, but absolute. Nor can all the hormones and vitamins in nature alter the fact."

"One might get the impression that I feel we could do much better with younger men at the head of our military operations," but "I have no such feeling," Dr. Midgley adds. "There is probably no other human activity that more urgently requires having the right men in the right places. Military authorities are well aware of this fact."

The army ranks are best served by youth, Dr. Midgley points out. As for the high command, "Alexander had conquered his world at 25; Hannibal was only 26 when he became commander-in-chief of the armies of Carthage; Napoleon proved himself the greatest military genius of our modern world at 27; Caesar alone of such men was 40 before his genius became outstanding.

"Naturally we wonder if we might not be better off had we chosen younger men for our high command. Return once more to history; but with less impatience for an answer. Napoleon was ultimately defeated by men his senior; with all his genius Hannibal ended in defeat and the extermination of his nation; Caesar was assassinated, leaving only Alexander to die in honor and by natural causes. He drank himself out at 33. Von Moltke became recognized as a great strategist only at the age of 66, and was over 70 when he led the Prussian armies against France (1870) in one of the most brilliantly planned and executed campaigns of modern time.

"It is our confirmed opinion that the inroads they have made on the ranks of young professional chemists engaged in war production and research, simply for the purpose of getting a few more younger men into the ranks of the Army, is a short-sighted policy. No one denies the essentiality of the chemist's work, in both production and research, in prosecuting a successful military campaign.

"Without such service any army is doomed to defeat and destruction quite as surely as though it had no men in the ranks whatsoever. Also, bear in mind that the work of the chemist arrives at the fighting front in completely finished form. Chemists are not required for its proper functioning in battle. Now, when one considers that even during peacetime normal production there has never been a surplus of trained chemists to serve industry, the handicap under which wartime chemical industry is placed when its ranks of trained chemists are depleted in order that the army may have a few more young men can be easily understood."

Dr. Midgley concludes: "For genius and display, take youth; for cold calculation and planned execution, take age."

McGinnis Begins Lectures At N. Y. Inst. Of Finance

Patrick B. McGinnis began a new series of 10 lectures on "Receivership Rails" at the New York Institute of Finance, 20 Broad St., New York, N. Y., on Monday, September 11, at 5:15 p. m. Mr. McGinnis is a partner of Pflugfelder, Bampton & Rust.

The Charter Of Financial Freedoms

(Continued from first page)

Fund is "to correct maladjustments" in the balances of payments, maladjustments arising on what is called current accounts, such as commercial transactions, not those due to "capital transactions". As to the Bank, its loans and guarantees shall be made available for individual projects to carry internal reconstruction or development in the borrowing country.

Each and every credit transaction of the Bank must have a specific and defined purpose. In the Fund, there will be no credit control to speak of, since all the borrower has to show is a deficiency in the currency with which to fulfill his external obligations. This is the fundamental difference between the Bank and the Fund: that in the latter, the credit is forthcoming in an automatic fashian, limited only by the available quantity of creditor-currency, while the Bank is (at least on paper) a bank in the conventional sense of the word that might accept or refuse a request for credit. The terminology is chosen accordingly: the agreements speak of loans granted or guaranteed by the Bank, but carefully avoid any such term in connection with the Fund, which is supposed merely to "exchange" one currency against another, within the limits of available quotas.

The Bank shall have at least the possibility of controlling the uses to which the capital it distributes will be put—a theoretical possibility in view of the debtors' control of the management—while in the Fund the debtor countries have a right to draw upon the available gold or dollar holdings virtually without regard to the use they make of them. The timing of the dollar-demand on the Fund depends on the debtors, while the means of the Bank can only be called upon after discussion and consideration, which take time, and only to the extent that the management will agree upon each individual request. The Fund cannot discriminate between would-be borrowers, while the Bank may choose between potential debtors.

In other words, the Bank is supposed to be a bank that will "supplement private investments", "when private capital is not available on reasonable terms"; which means an elaborate international organization to carry bad risks. (League of Nations' credits to distressed countries are comparable precedents.) The Fund, on the other hand, will be a perfect novum—an automaton that produces dollars for the needy members, up to 200% of the "contribution" of each.

War-Time Balances

The so-called war-time balances (now frozen in London) are no concern of either institution. The problem was raised last year in the original Keynes proposal; the White plan went into elaborate details to develop a method of handling the short-term external debt of Britain, which amounts to well over $6 billions, and is estimated to reach $12 billions. Washington was more worried than London. Now, the matter is dropped altogether.

The reason is that there is no imminent danger, so far as Britain is concerned. The bulk of that debt is due to members of the Empire, more than half of it to India. Statistically, such a debt constitutes the same kind of problem that Germany faced in 1931. But economic realities are entirely different. No foreign bankers or bondholders can make a run on London as they did on Berlin. The claims of India are in effect claims of one British governmental department against another. Canada has indicated her willingness to convert her balances into long-term British securities (at a very low interest rate). Eire will be careful not to press her claims too hard since British commercial retaliation would close her export outlets. If Brazil should be too insistent, she might be reminded of the arbitrary scaling down of British-held Brazilian investments. Argentina as a creditor is in a position similar to Eire. In short, London will take care of the question by inducing the creditors to convert the excess of their claims (beyond "working balances") into long-term paper, or to take them out in the form of British exports.

Dodging The Issue

Of course, the problem of war-time balances is not solved but merely disregarded, and they will have to be dragged along. But what of the bulk of the international post-war demand for dollars (or gold)? The obvious purpose of both the Bank and the Fund is to satisfy that demand of unknown magnitude, limiting the amount available to the size of our share in the one ($3,100 millions) and of our quota ($2,750 millions) in the other. These $6 billions, with the proviso that we are permitted to put in more, plus almost negligible sums from minor creditors, constitute the *net* total at the debtors' disposal.

It should be apparent at once that the Bretton Woods agreements deal only with what the participating governments regard as a small fraction of a vastly larger demand. It is characteristic, for example, that Russia insisted on a higher quota in the Fund, but not in the Bank, implying that she will not take advantage of the lending facilities of the latter—great powers don't like to be classified among the non-marketable risks—and that her long-term demand for dollars will have to be satisfied through other channels.

Some indication of what we are heading for came from foreign centers direct. While the conference was on, or shortly after, British officials gave out the hint that their country is "broke" and will need $2½ billions "and up" in *annual* lend-lease. From De Gaulle's headquarters came the announcement that France will need $2 billions at once. The Chinese government persists in its demand for a billion annually for the next decade. An indirect indication of the forthcoming Soviet need for foreign capital is their fantastic reparation claims. Indeed, the $32 to $35 billions which the members of the Fund could have drawn from the U. S. along the lines of the original Keynes plan appear to be a far more realistic figure than the $6 billions of Bretton Woods.

The fact is that the conference has dodged the issue as a whole. Instead, it produced a patchwork of piecemeal approaches which the sponsoring governments do not regard as final or satisfactory. This is perhaps the most serious objection to Bretton Woods: that it didn't face the problem it was supposed to solve. Perhaps, it was assumed that public opinion in the United States is not prepared as yet to go beyond the $6 billions, and that once that amount is exhausted it might be persuaded to throw in fresh chips.

The London *Economist* brought out the question bluntly by asking: "What are the prospects of America so greatly increasing its purchases from, or lendings to, other countries as to bring its balance of payments into equilibrium?" It actually warns the British government against ratifying the agreements before that question is answered, implying that the $6 billions are a mere drop in the bucket.

Preparing For Default

The statutes of the Fund itself make that plain, by elaborately preparing for the point at which the mechanism will break down. Debts to the Fund are supposed to be liquidated annually, if not faster, but the statutes relieve the debtors of this obligation if, e.g., their gold and other monetary reserves fall below their quota in the Fund. The members are supposed to maintain their currencies at a par (which they are free to choose themselves, mind you), but the Fund has to relieve them of this obligation whenever a "fundamental disequilibrium" arises, whatever that means, or if and when a currency they need (meaning dollars) becomes scarce—when our contribution is exhausted and no more is forthcoming. Similarly, foreign exchange restrictions are taboo, except when applied against "capital transactions" which go beyond "reasonable amounts", whatever that is; but they may be resorted to whenever either the debtor-member's quota (i.e., its "right" to borrow) or the dollar holdings of the Fund have been depleted. Lastly, if a member quits, his debt should be liquidated in a period of not less than five years, and no measures to enforce payments are foreseen.

The statutes of the Fund read like an organized preparation for forthcoming devaluations, exchange restrictions, and outright defaults. The entire structure of Bretton Woods is built on the assumption that the institutional set-up is not sufficient to bring about any permanence of exchange stabiliation or of international equilibrium. On what grounds is this assumption based? Why shouldn't six billion dollars suffice to get the distressed countries started, so to speak? Why not rely on the mechanism of supply and demand, on the "natural" flow of capital from rich to impoverished countries, on the higher interest rate and lower cost level of the latter that would attract capital to them and correct their trade balances?

Financial Anarchy

But that mechanism of international price and interest rate adjustments, which is basic to the free flow of goods and of capital, and which in the past has been instrumental in restoring distressed balances of payments—that mechanism is the very thing to be discarded. It should not be relied upon because it is not desirable, according to the standards and ideologies of those who framed the Bretton Woods agreements How they visualize the system of international economic relations is indicated, at least by implication by the agreements themselves, and explicitly in such public statements as an authoritative address of Keynes to the House of Lords

The Fund has to have no control whatsoever over the internal policies of the borrowing members, as mentioned before. All it can do is to check that its dollars are not used by a member, say, to buy American securities. But inasmuch as they are used to buy goods, there is no control provided against speculative piling up of inventories, or the purchase of foreign goods which serve for an economically unjustified expansion. This freedom of the members to use the dollars of the Fund is underscored by the statute stating that the Fund cannot object to a member's devaluation "because of the domestic, social, or political policies of the member proposing the change." In other words, each member is free to keep its cost and price levels so high as to be unable to export, or to indulge in excessive imports, and yet be permitted to draw on the Fund to pay for its imports. It is free to hold its interest rate artificially low so as to cease attracting foreign capital, and yet it is to draw on the Fund to substitute for that capital. And all this shall go on until the whole structure collapses—and beyond.

Lord Keynes, who claims the spiritual authorship, made clear beyond the shadow of doubt the underlying ideas, echoed by numerous London and Washington insiders. They may be summarized as follows:

1. Each country is to retain unlimited sovereignty over its "internal" economic policies. It may manipulate its wage and price structure as it pleases. It may maintain artificially (by money printing) its Cheap Money policy, especially dear to the Keynes school of inflationists. It may run national deficits, and finance them by inflationary methods. All this will affect international economic relations and thereby the prosperity of other nations, but it's none of their business.

2. The same freedom is to be granted each country (except one!) to determine the gold content of its currency. (Keynes: "We are determined that, in future, the external value of sterling shall conform to its internal value as set by our own domestic policies, and not the other way round.") British officials are most emphatic about their freedom to devalue, which they call an elastic monetary system, in contrast to what they have come to regard as the rigidity of the gold standard.

3. Every nation (except one!) is to retain its freedom of commercial policies: it may set its own tariff, subsidize its exports, etc.

4. Every country (except one!) shall be free to regulate its foreign exchanges so as to control capital movements. (Keynes: "Not merely as a feature of the transition, but as a permanent arrangement, the plan accords to every member Government the explicit right to control all capital movements. . . . Countries . . . may find it necessary to scrutinize all transactions, so as to prevent evasion of capital regulations.")

Financial Freedoms—At Whose Expense?

By implication, the Bretton Woods project represents a *charter of financial freedoms for the debtor countries*, but of course not for the creditors. Indeed, all the debtor freedoms presuppose that a creditor is willing and able to take it on the chin. If the United States would embark on devaluations and exchange regulations, that would obviously end the game. We are supposed to import more by reducing or eliminating tariffs and refraining from export bounties. The freedom of the debtors means that they should be able to sell to, or borrow from the creditor, who in turn is to stand ready to buy and to lend. And this is not meant merely as a matter of temporary adjustment. As Lord Keynes put it in his picturesque language: the creditor country "will no longer be entitled to square the account by squeezing gold out of the rest of us." All the squeezing shall be the other way around. "If by no other means, than by lending, the creditor country will always have to find a way to square the account. . . ."

Briefly, we shall accept payment for the initial $6 billions in whatever products the others have to offer at whatever price, or else we can go on lending *ad infinitum* with no regard to yield and assure the safety of the principal by fresh lending.

The fallacy should be obvious. Politically, no country will ever tolerate an open or concealed control over its commercial policies and monetary actions, if its competitors are not subject to similar restraints. Financially, no country can afford to lend indefinitely, especially not if it is called upon to deliver the same capital goods which it needs itself (for reconversion and expansion) and at the same time at which it needs them at home. Economically, no country can consistently deplete its resources by investing for no return, or in exchange for foreign goods which don't offer price advantages over those produced at home.

Better Than Nothing?

Critics and believers of these international projects agree on one thing: that they will serve "trade expansion" rather than "exchange stabilization." It may be more precise to state that they will produce temporary rather than lasting results. Even so, says the chorus, they are better than nothing.

The Better-Than-Nothing theory is based on two naive assumptions. One is that an artificially stimulated trade expansion, temporary as it may be, is beneficial to some and cannot do harm to any. The other is that there is no alternative under the given circumstances, and we should make the best of these projects in spite of their shortcomings.[2]

In reality, the giving away of capital goods in large quantities may be very harmful to the creditor as well as to the debtor. In the creditor country, it may contribute to an inflationary trend, upsetting the internal equilibrium. In the debtor country, it permits the survival of rigid price and wage structures and of sticky vested interests. In both, a policy of wasteful expansion is likely to result in disappointments and disillusionments. The final restoration of equilibrium will not be promoted, and the postponement of the problem may make the solution far more difficult.

Nor is it true that there is no alternative. The alternative is to restore free capital markets, which presupposes not only legal security, but also the elimination of arbitrary interferences, such as devaluations, exchange regulations, and other controls against which the entrepreneur is in no position to hedge. But of course, this means a painful process of readjustment and readaptation, such as by balancing budgets, and that's exactly what shall be avoided with the aid of the Bretton Woods machinery, which would fill the gap for a while by an international credit inflation. (Keynes: "The wheels of trade are to be oiled by what is, in effect, a great addition to the world's stock of monetary reserves. . ." that "can be increased subsequently. . . .")

The Creditors Revolt

A serious aspect of this international credit planning is its lopsided emphasis on debtor-interests. The consequence is resentment in the countries which are in an actual or potential creditor position, endangering the future prospects of monetary cooperation.

The resentment created in broad circles of the U. S. is well-known. But even within the Empire, resistance has reached the stage of monetary disunity. To quote the *"Financial News"* (London) of Aug. 1: ". . . During recent months . . . signs of weakening of the unity of the monetary policy of the Empire appeared to have become noticeable. Influential political and business interests in India have declared themselves in favor of a return to gold. Canada is wavering between the opposing monetary principles of rigidity and elasticity."

Last March, the South African Government announced its intention to rely, after the war, on the free market for gold, thereby refusing to enter into the strait-jackets of a manipulated and regulated Pound Sterling. Lately, the Governor of that Dominion's Reserve Bank came out bluntly in favor of a "rigid" gold standard—just at the time of phrasing the Bretton Woods agreements. A similar preference for "hard money" is to be expected all over the Near East as well as in Latin America, to say nothing of the gold-saturated European neutrals: Sweden, Switzerland, Turkey, Portugal, and probably also Spain. Even the Soviet point of view in favor of gold (in relation to capitalistic countries) has been made explicit in an article of the official Soviet magazine, *"World Economy and World Politics."*[3]

The implications for Britain should be obvious. She may enjoy Cheap Money and high nominal wages, plus Full Employment and Beveridge Plans, all financed by an endlessly growing debt. But she can do so only by following a purely defensive policy of self-sufficiency, enforced by strict control of commodity imports and capital exports, which throws the burden of losses and declining markets on other countries. In the long run, even the best friends of England are likely to be disappointed by such short-sighted egotism. A Sterling Area of bankrupt European countries — and a non-cohesive one at that—will be a poor substitute for the markets, outlets, and credit facilities of the solvent sectors of the world.

2 For a presentation of those arguments, "classical" in its naivete, see Prof. J. Viner in the New York "Times" of Aug. 20 (Book Review Section, page 20).

3 As reported by the "Commercial & Financial Chronicle" of Aug. 10, 1944.

OUR REPORTER'S REPORT

Bankers who handle the financing of the country's major corporations experienced a busy time of it this week, particularly on Monday and Tuesday, when they were engaged either in preparing to bid for an unusually large roster of new issues or, in the case of the two negotiated underwritings, putting the finishing touches to their actual marketing plans.

It is not often, or at least it has not been often in recent years, that new offerings have come in such concentration as occurred this week.

Tuesday was the really big day, bringing two actual offerings to the public, plus the offering to banking groups for sale in competition of three other issues, including the huge Great Northern Railway refinancing involving $100,000,000 of new securities.

There had been no little misgivings in some banking quarters that the massing of this batch of new offerings might result in some confusion with regard to the "credit carry" which would be required for firms participating in more than one of the operations.

There was no concern as regarded the actual capital and credit positions of those firms, but rather of the restrictions under which all registered brokers and dealers operate.

As regards the two utility preferred stocks sold on Monday and the Great Northern bonds and Empire District Electric bonds and common stock, auctioned on Tuesday, it is a safe guess that the several syndicates which bid for these securities embraced the bulk of the underwriting and distributing firms throughout the country.

Accordingly, there was considerable doubt in certain quarters that the nation's investment banking setup could have attempted to handle another issue. Had not the Birmingham Electric's projected offering of $10,000,000 been put over until probably next Monday the full test would have been on.

Wide Apart on Great Northerns

Bankers' ideas of what the market would take appeared to be poles apart in the case of the bids which made their appearance for the Great Northern's three new series of bonds.

Standing among the largest new undertakings of the year the railway's project included $35,000,000 to mature in 1960; another $30,000,000 to mature in 1970 and $35,000,000 slated to come due in 1980. . . .

Only two groups submitted bids indicating that both syndicates were nationwide in scope to assure wide and successful distribution of the issues.

The winning group bid 100.88 for the 1960 bonds as 3⅛s; also 100.13 for the 1970 maturity carrying a 3⅜% coupon and 100.76 for the 1980's as 3½s. The same group offered separate bids of 100.16 for the 1970's and 100.81 for the 1980's.

The other syndicate, headed by banking interests long prominent in railroad financing, bid 100.566 for the 1960's; sought the 1970's on a bid of 98.771 and the 1980's on a bid of 98.303.

Plenty of Work

Preparations for handling this exceptional array of new emissions kept the underwriting fraternity both in New York and in other major centers of the country on its toes. There was plenty of footwork as underwriters went through the customary procedure of holding first their preliminary sessions and then their final meetings.

Meantime much work was done in rounding up and advising group participations through the medium of the telephone, telegraph and the mail. And in these days of wartime stress, with first things first, such preliminaries are neither the easiest nor the pleasantest of tasks.

Another Issue to Auction

An insurgent group of stockholders, small in number, but none the less vociferous, has forced another piece of corporate financing into the competitive market after it had practically been arranged through negotiation.

Western Union Telegraph Co. had virtually closed with its bankers to market its new securities and had obtained the consent of the vast majority of its stockholders to the proposed new issue at their meeting last Wednesday.

But a minority group raised objections to the proposed conversion feature, and advocated that the management study the situation and call for competitive bids from bankers.

A directors' meeting following the stockholder session, decided to pursue the latter course and several groups are known to be preparing to bid.

If some stories going the rounds are well founded, and recently similar reports have proven true, it appears that efforts were made to have the Connecticut Light & Power Co.'s $10,000,000 sold via the auction route.

Report had it that one firm had approached at least some of the company's board with such a proposal. But evidently, if this was true, the management decided to ignore the suggestion and pursue its established course.

Negotiations in Progress For $100,000,000 Loan to Holland

It is reported that negotiations have begun with a group of New York banks for a loan of around $100,000,000 to Holland for rehabilitation purposes. This is the first of what may be a number of similar negotiations with the Governments of the devasted countries, particularly those that have formerly met their obligations here and are not affected by the restrictions of the Johnson Act. Details of the negotiations are still lacking and the exact nature of the proposed loan has not yet been divulged. It is known that several of the European nations that have been overrun by the Nazis have deposits of gold here as well as other assets which could be used as collateral. It is expected that the State Department will be kept informed of the negotiations and that some form of approval will be required before the actual loan contract is consummated.

Miss Andress With Kidder, Peabody & Co.

Mary Vail Andress, who was the only woman officer of the Chase National Bank when she left that organization in 1940, has become associated with the uptown office of Kidder, Peabody & Co., members of the New York Stock Exchange. For the last four years, she has ben engaged in the distribution of investment trust securities.

Miss Andress began her banking career in 1920, when she helped organize the Paris office of the Bankers Trust Company. Four years later, she was made assistant cashier of Chase National Bank, thereby becoming the first woman officer in the main office of a New York bank. In 1938, she went to England to assist in opening a branch of Chase in the West End of London.

General Tire And Rubber Outlook

Atmand Englander, statistician for Herzfeld & Stern, 30 Broad Street, New York City, members of the New York Stock Exchange, has issued a study on General Tire and Rubber Company, in which he calls attention to recent developments in the affairs of this company, which may have an important bearing on its future operations.

Copies of this interesting and informative study may be had from Herzfeld & Stern upon request.

Max Strauss Dead

Max Strauss, member of the New York Stock Exchange, died of a heart attack September 11th. Mr. Strauss, a member of the Exchange since 1925, in recent years has been an independent broker; from 1922-23 he was with Ladenburg, Thalmann & Co.; 1914-22 with Hallgarten & Co. Prior to his coming to this country in 1908, Mr. Strauss was with the banking house of Baruch Bonn in Frankfort, Germany.

NYSE Changes

Proposed transfer of the New York Stock Exchange membership of Gregory C. Hunt to Adrian Ralph Kristeller will be considered by the Exchange on September 21st. It is understood that Mr. Kristeller will be an individual member.

Interest of the late Edward S. Moore in Parrish & Co., New York, ceased August 31st.

A Post-War Federal Tax Plan For High Employment

(Continued from page 1132)

of heavy taxation upon production and employment.

What the Major Objectives Should Be

The colossal sums needed must and can be raised by taxation. The basic question is, how can they *best* be raised? The various ways by which money can be taken from the people in taxes have an all-important bearing on our chances of achieving prosperity. Wise choosing among tax alternatives can make a difference of jobs or no jobs to many millions of people.

Whatever tax system is devised, we should always have clearly in mind three broad objectives:

First, the tax system must impose the least possible restriction upon an expansion of production and employment. Particular care should be taken not to discourage the launching of new enterprises and the natural urge of every business man to try to make his business grow. By the continuous starting of new businesses, and the steady growth of old ones, more jobs get created and more wages get paid. Care must also be taken that personal income taxation does not penalize unusual abilities, or undermine thrift, ambition and hard work by unduly limiting the rewards. This general objective means, also, that taxes should cut as little as possible into the buying power of consumers; for the more buying power each one has the broader is the market demand for all goods and services.

Second, taxes should be fair among persons. They should fall equally on persons in like circumstances, and should rise progressively with ability to pay—that is, as individual income increases. This objective means, also, that all citizens should contribute some monetary support to the Federal Government, except those with incomes below minimum subsistence levels. It involves, too, in so far as practicable, that each citizen should be fully aware that he is supporting the Federal Government, and should know how much he is paying. Moreover, the concern about fairness should not be concentrated solely at one end of the income scale, but through the range of all incomes.

Third, taxes must be adequate. Having made sure that every Federal expenditure is truly advantageous for the general welfare, we must see that enough revenue is raised, in order to instil justifiable confidence in the integrity of the Federal Government, in the soundness of the dollar, and in the safety of the Federal debt as an investment. Directly and indirectly that debt is owed to the American people, and constitutes a very large portion of the savings upon which they rely for protection against emergency.

There need be little conflict among these three broad objectives. They can all be reconciled, by careful planning, in the same tax system. They have all been kept constantly in mind in the specific recommendations presented later in this statement.

The key consideration, however, has been post-war employment. This emphasis has been made imperative by the seriousness of the problem. Reliable studies agree *that from 7,000,000 to 10,000,000 more jobs must be found in private production enterprise than existed in 1940,* and this great volume of new peace-time jobs must be created quickly. There is a crucial relationship between that problem and taxes. For if our present tax system were carried over into peace-time, it would be extraordinarily repressive upon production and employment. Indeed, if the deliberate aim were to hold down the peace-time volume of employment, our present tax system would go far to accomplish it.

General Outline of the Plan

At the core of the proposed tax program are the following five major conclusions of the Committee as to the necessary line of action:

First, the graduated personal income tax should provide at least half of the total Federal revenues needed, with a rate structure which would give taxpayers at all levels of income marked relief from the present heavy burdens.

Second, excise and sales taxes should be lightened as much as total revenue needs will permit.

Third, taxation applied directly against business operations should also be lightened as much as total revenue needs will permit.

Fourth, insofar as possible, serious inequities of the present tax system should be removed.

Fifth, Federal taxation should be heavy enough both to end the long uninterrupted rise in the Federal debt, and to produce surpluses which will make possible substantial debt reduction, when a satisfactory high level of production and employment has been reached.

Reasons for the Personal Income Tax Proposals

The reasons why this Committee believes that at least half of total Federal revenues should come from the graduated personal income tax are:

First, it is convinced that this form of taxation has less of a repressive effect upon production and employment than do sales and excise taxes and the taxation of corporate profits; provided that tax rates on the upper-income groups are lightened sufficiently to give encouragement to risk-taking; and provided, further, that tax rates on the lower-income groups are not so high as to limit markets unduly.

Second, it is convinced that this is the fairest form of taxation, because it is the only one that can be closely adjusted in accordance with ability to pay.

Third, where the burden falls, and who pays it, is clearly evident. It is a common and mischievous fallacy about taxation that it is possible to relieve individuals of a tax burden by levying taxes on goods; or on corporations; or on transactions. The truth is that all taxes have to be paid by living persons, and inescapably they always do come out of the pockets of living persons, directly or indirectly. The mere circumstance that in many cases the taxpayer may be unaware of the tax does not alter the fact that he is paying it.

Fourth, with a tax structure having as broad a base as the one proposed here, some 40,000,000 taxpayers and their families would be acutely conscious that they were contributing to the Federal Government. The result should be to make citizens aware of their stake in the nation, and it should tend to more economy and efficiency on the part of the Government.

Under the specific recommendations as to the Personal Income Tax, it will be seen that careful consideration has been given both to the maintenance of mass markets, and to the stimulation of risk-taking.

As to mass-markets, the structure provides that, out of a national income of $140,000,000,000 *more than $77,000,000,000 would not be taxed at all under the personal income tax.* About four-fifths of this would be received by the lower-income groups.

As to risk-taking, the structure also provides that tax rates be lowered throughout the entire range. This is necessary because of the adverse effects of the present extremely high rates on risky investment and hence on the volume of employment.

It would be helpful if there were more general understanding of the precise situation that exists with regard to the taxation of higher incomes. Any extra monetary yield to be gained from the upper incomes by higher tax rates than those proposed would be far more than offset by their withering effect upon the total volume of employment.

With national income as high as $140,000,000,000, the total taxable income *in the tax brackets above $10,000* is estimated at only around $6,000,000,000. Of this, even with the moderated rates proposed in this tax program, *nearly half would be paid in Federal income taxes.* The taxpayers would, of course, pay further sizable amounts in other forms of Federal taxation, and in State and local taxes. Quite plainly, ambition and inventiveness and harder work and more thrift are on the way to atrophy when the individual must pay any heavier levies than those proposed.

Particularly in view of the critical employment problem that will exist after the war, the obviously wise course for the nation is to say in effect to all of its most enterprising citizens: "Go ahead; risk you money and put all the effort and brains you have into increasing the nation's production. But doing this, *you will be creating jobs for other people,* while making money for yourself and this continuous job-multiplication is the main thing we want to see happening in this country. You will have to pay in taxes a good share of what you make, but you will also have left a sufficient share for yourself to make your efforts worthwhile."

This Committee believes it would be most unwise to make that retainable share less than is proposed under the rate structure recommended here. There was serious questioning, indeed, among the group of economists advising the Committee whether the rates set are not too high to help employment as much as it should be helped from this direction.

Why Excise Taxation Should Be Lightened

Excise and sales taxes are, of course, paid by individuals just as personal income taxes are. Instead of paying the tax directly and immediately to the Government, the individual does so at one or two removes, the distributor or manufacturer doing the job of collection for the Government.

The imposition of such taxes, consequently, does not in the least lighten the load of taxation upon the great mass of citizens. It simply serves to make the taxpayer less aware of the tax burden.

In order to raise any large amount of revenue this way, the goods and services taxed must be those that are widely, almost universally, used. Consequently, there is clear inequity here upon all low-income taxpayers, for they would pay a disproportionate share of their incomes in taxes.

It is also true that excise taxes on goods and services often raise the price of the goods and services by the amount of the tax. The adverse effect upon the volume of employment in private enterprise, particularly in mass production industries, is clear.

In view of these considerations, the Committee recommends the elimination of excise taxes except those on liquor, tobacco and gasoline, if needed. These are included because of the large total revenue requirements and because they are heavy and stable revenue producers, easy and cheap to administer. There are also widely recognized social reasons for excise taxes upon liquor and tobacco, and a special reason for a Federal gasoline tax if it is linked with Federal highway extension and improvement.

The elimination of all excise taxes, except those proposed, means an additional lightening of taxation on low incomes to a degree that will be surprising to many. At a national income of $140,000,000,000, *if all the present excise taxes were retained,* the revenue yield from them is estimated to be around $6,000,000,000; while the revenue from liquor, tobacco and gasoline alone would only come to around $2,900,000,000.

Accordingly, this particular recommendation of the Committee, at a national income of $140,000,000,000, *would mean a saving in Federal taxes of around $3,000,000,000 a year,* and this would represent tax relief principally to families with low and medium income. The addition of this large sum of money to the support of markets for mass-production goods would obviously help greatly in expanding production and employment after the war.

How Taxes on Corporate Earnings Affect Employment

By sensible changes in the taxation of corporate earnings a great advance can be made toward achieving the nation's post-war employment goal: namely, to create seven to ten million more jobs than existed in 1940.

Obviously the employment of many millions of workers is tied up with the good or bad fortune of the nation's five hundred thousand corporations; moreover, the present corporate tax laws would be so damaging to employment, if carried over into peacetime, that an intelligent change of them can make an enormous difference in the total volume of jobs available after the war.

It is in the field of corporate taxation that the popular fallacy previously mentioned — namely, that it is possible to relieve individuals by taxes levied on inanimate objects or on transactions—does its greatest economic mischief. Most people forget that a corporation is a legal fiction, and that so-called "corporate taxes" must actually come out of the pockets of living persons, whether or not they are aware of it.

When the tax money is traced down, "corporate taxation" turns out to be in part a tax upon the income of stockholders, and in part an indirect tax upon consumers, wage-earners, or both. The indirect taxation occurs because such taxes are accounted as part of the costs of doing business, and soon or late some part of the tax gets passed on to consumers in the form of higher prices for the goods they buy; some part of it, also, is invisibly borne by workers in the form of lower wages and salaries than they could otherwise receive. The consumers and wage-earners are of course unaware that they participate in the payment of taxes levied in the first instance on the earnings of corporations, and this is true also of most stockholders, particularly small ones.

The obvious and primary aim of corporate taxes is to enable the Government to get its proper share of stockholders' income. The corporation provides a convenient means, politically and administratively, to that end; and no reasonable person nowadays would dispute that the Government should get as great a share of this form of citizens' income as of all other forms of personal income.

The crucial question is, *when and how is it best, from the point of view of employment, for the Government to get its proper share of that income?* Many people do not realize that there are other ways, beside taxing corporate earnings, of fully reaching stockholders' income, and they do not have the disadvantage of being shiftable in great part to consumers and wage-earners.

The Committee's position in this matter is that the Government should obtain its share of stockholders' income *as little as possible through the corporations,* and as much as possible by necessary changes in all the tax laws applying to that income when individuals actually receive it. If this is done, tax rates applied directly upon corporate earnings can be greatly and beneficially lightened.

Because of the prevalent confusion about taxes in this area (traceable largely to failure to recognize that so-called "corporate taxation" is actually taxation of living persons) it is a natural question to raise, why is it so advisable to take this course? The Committee's proposed program, it will be seen, contemplates considerable lightening of personal income and excise taxation; why not go even further in this direction, by keeping higher rates than are proposed on corporate earnings?

The reasons are complex but they can all be summed up in one main simple answer: *heavy taxation of corporate earnings is extremely and peculiarly damaging to employment.* It takes vital and enormous funds out of the stream of business operations *just when they are most likely to be used and where they can most effectually be used* to increase production, create more jobs, pay out a greater total of wages, or reduce the prices of goods manufactured.

A primary defect of such taxes arises from what might be termed their psychological effect, *operating from the angle of profit incentive.* Corporate managers must strive to make as good an earnings record as possible for their companies. Their decisions whether or not to expand operations—particularly to engage in any new and venturesome operations—obviously depend on their calculations of possible profit *after the payment of taxes.* Consequently, their willingness to plan aggressively for the future is immediately and directly affected *by the share of the total profit left to the corporation after taxes.* The more of the total profit the Government takes the more the incentive of corporate managers to engage in new and venturesome business activity withers away.

Moreover, the actual extraction of the funds out of the active stream of business operations has highly adverse effects on the volume of production and employment, and on the standard of living. How this works out in detail will be seen by examining, say, the difference between taxing corporate earnings 40% and taxing them 16%. In the latter case, the earnings *not* diverted immediately to Government must ultimately flow in one or all of four directions, all beneficial to the economy.

First, the additional business savings may be used for reinvestment in more plant or new products, generating more employment and more wage and dividend payments; this is the familiar "ploughing back" of business savings which has done so much in the past to build up the capital resources of the nation and improve our standard of living.

Second, the total of dividends disbursed may be increased, and taxes upon them would be paid to the Government.

Third, the corporation, by its own choice or under pressure from labor unions, has more leeway to pay increased wages, which would also pay their share of taxes to the Government.

Fourth, the extra leeway would tend to be used toward the reduction of prices of the goods produced, thus raising the standard of living from that direction.

Obviously the reverse would also be true: that is, the higher tax rate, 40%, would tend to keep wages and dividends down, prices up, and—by both lessening corporate savings and the incentive of corporate managers to expand—would to that extent curtail the growth of enterprises, and consequently the total volume of employment.

From the foregoing analysis, the case for lightening taxes on corporate earnings as much as possible sums up to this:

(a) Both through their effect upon incentives and through lessening of business savings, heavy taxes applied directly against corporate earnings have a peculiarly damaging effect upon the volume of employment; and they have the further serious disadvantage of raising the prices of consumers' goods and tending to hold down wages;

(b) and on top of this, *it is unnecessary for the Government to tax stockholders' income by this method,* since it can be reached just as effectually by wise changes in the provisions applying to that income when individuals actually receive it.

Aside from these general defects, there is one particularly serious aspect of our present corporate tax provisions—*the imposition of double taxation* upon that portion of stockholders' income that is distributed; once, when the corporation itself pays a tax applied upon its earnings, and then again when those earnings are received by the individual stockholders in the form of dividends.

This double taxation of the same income is obviously inequitable to the many millions of persons involved. Beyond that, it lessens the volume of production and employment by diminishing risk-taking investment.

One way in which it does this is by discriminating, taxwise, against income derived from stock-ownership. While this particular form of owner-income is taxed twice, other forms of owner-income—that is, interest, rents and royalties—*are taxed only once;* and income from the securities of State and local governments *is taxed not at all.*

The net consequence of this paradox is to make it more advantageous for persons with money, particularly wealthy persons, to put their savings into forms of investment which *avoid* risk-taking; while it imposes a particularly heavy tax burden on those persons who, by risking their money, are working to expand business and thus create more jobs.

If there is to be any tax discrimination among forms of owner-income (and in equity, of course, there should be none) common sense would dictate just the reverse procedure from that followed in the present tax laws. Double taxation of dividend income is one of the plainest forms of *taxing job-creation.*

There is one broad way to get some measure of the damage—to employment—of heavy taxes applied against corporate earnings. It is to try to imagine what the condition of American industry would now be if the present heavy corporate rates had been in full force through the past half century. It is a real question whether the great social and material advances made would have occurred. For these have been brought about largely by the ploughing back of profits into those countless new enterprises which have changed the face of modern civilization.

The present corporate tax provisions make it exceedingly difficult for any present small corporate enterprise, or any new one, to grow substantially. This taxation stunts growth almost as much as if it were deliberately designed for that purpose. The result, over a period, would be relative stagnation of industrial activity. The continuous creation of new kinds of jobs, and ever more jobs—which has always been a distinguishing characteristic of American business enterprise—will be largely atrophied, if sensible tax reform in this field is not at once adopted when the war ends.

This overwhelming need for stimulation of job-creating activity after the war is the reason for the Committee's main recommendations with regard to taxes on corporate earnings; namely,

that the excess profits tax, justified in wartime, be repealed;

that the postwar tax rate on corporate earnings be no more nor less than the normal rate on individual incomes (from 16% to 20%, depending on total revenue needs and the magnitude of the national income);

that, to remove the inequity and the repressive effect of double taxation on stockholders' income, this tax be regarded—in the same way as the tax on wages—as a tax withheld by the corporation on behalf of its stockholders; and in the stockholders' personal returns, any dividends received be exempt from the standard tax, *but not from surtaxes.*

Combined with proper precautions against unreasonable accumulation of surpluses, the result of these measures would be—if the Committee's suggestions with regard both to capital gains and losses and estate and gift taxes are also written into the law—*that all corporate earnings (that is, all stockholders' income) would come finally to be subjected to taxes just as heavy and no heavier than is placed upon all other types of personal income;* and while this was being accomplished, most of the viciously repressive effect upon employment of the present levy on corporate earnings would be eliminated from the tax system.

Removing Gross Inequities

The injustice of double taxation of stockholders' income is only one of a number of gross inequities which have to be cleansed out of our tax laws in the public interest; and with it another inequity mentioned in the previous section, the tax-exemption given on income from State and local securities.

Another is the quite unfair burden placed upon the wage-earner with a family by the present 3% normal tax, since this allows no credit for dependents. The Committee proposes eliminating this normal tax, which would raise personal tax exemptions. How this mounts up into huge sums is seldom realized. *The result would be to free an additional $27,000,000,000 of personal income from any Federal income tax payment, at a level of $140,000,000,000 national income.* The savings in tax payments would be around $2,500,000,000. About four-fifths of this relief would go to taxpayers with incomes below $5,000.

An inequity with serious consequences to the volume of employment is the failure of present laws to make adequate provision for the carryover of business losses. The result is that business enterprises which have greatly fluctuating annual incomes pay very much heavier taxes, on the same aggregate income over a period, than other lines of activity in which there is little fluctuation. Investment in these riskier businesses, which it may be of utmost importance to the economy to encourage, is thus penalized.

Damage which is perhaps even more serious is done to new businesses. More often than not, these begin their careers with loss. If that loss could be applied in full against subsequent earnings, when such enterprises begin to be well established, important encouragement would be given to new enterprises. Nothing is more important to the future of the country than the fostering, year after year of hundreds of thousands of new small enterprises. These innumerable little businesses account for an aggregate volume of employment fully as important as that of the more spectacular giants of industry. They pay out many billions in wages and salaries every year, and employ millions of people. The Committee proposes removing the inequity by allowing all businesses to carry forward losses and apply them against subsequent earnings for a period of six years.

Very similar to this is the inequity suffered by individuals who, for one reason or another, have fluctuating incomes from year to year. These individuals are forced to pay a much higher total of taxes, over a period of years, than others who have the same total earnings spread equally over the same period. The unfairness operates with particular force against small business proprietors; wage-earners who are subject to irregular employment; actors, authors, and many other professional people, whose work may be done over a period and the earnings from it aggregate in one year, when a heavy tax must be paid. The Committee proposes that this obvious injustice be removed by the use of some income-averaging device.

In general, this Committee is opposed to the theory of so-called "incentive taxation," which attempts to stimulate enterprise by means of special tax differentials for different types of income. Such differentials raise a host of administrative problems and are likely to result in a vicious cycle of special subsidies which can be paid for only by added tax burdens on other types of income. Instead, we believe that moderate and equitable tax treatment for all groups in our economy will be more conducive to an expansion of production and employment.

Balancing the Budget and Reducing the Debt

This entire tax program, as explained, has been framed largely upon the belief that the chief internal problem facing the people after the war will be to attain, and then to maintain, high-level production and employment, and that present tax provisions standing in the way of this achievement must therefore be removed.

The problem is admittedly complicated by the necessity of providing adequate tax revenues in order to help avert the danger of a disorderly rise in prices after the war. This danger is accentuated by the banked-up inflationary forces now being held in check by stringent controls.

This Committee is convinced that the fifteen years of uninterrupted Federal deficits should be brought to an end after the war. Considering the matter only from the standpoint of attaining high-level employment, it is plain that industry must have a justified and basic confidence in the integrity of the currency. Otherwise it cannot develop long-term plans for expanding production. Such long-term plans will be, as they have always been, a major factor in job-making on a large scale.

If Federal deficits are continued for an uncertain period after the war, a speedy and speculative rise in prices, caused by distrust, will remain a clear danger. The urgent necessities of war-financing have increased the nation's money-supply enormously. They have also magnified the savings of individuals in the form of redeemable Government debt and savings deposits. If an unchecked rise in the Federal debt should undermine confidence, this increased supply of money and liquid savings might at some time be converted into property, equities and commodities at a rate that would involve a disastrous inflationary rise in the price level.

It is these considerations which have convinced the Committee that one of the three imperative objectives of the post-war tax system must be to tax ourselves heavily enough to insure fiscal stability. The Committee does not consider justified the apprehensions sometimes voiced about the size of the Federal debt, so long as there is a manifest national resolution to stop its further increase, except under clear conditions of slump in industry and trade. That resolution can be demonstrated in no other way than by taxation adequate to the necessities of the budget.

On the other hand, the very magnitude of the prospective tax load after the war demands an attitude of boldness in our fiscal planning. We must have the courage and vision to assume that a high level of production and employment is attainable, and be willing to reduce taxes in order to help toward this achievement.

Accordingly, the Committee deems it wise that the tax structure and the budget should be so drawn as to make possible substantial reduction of the Federal debt at a high level of employment. As much debt should then be retired as is consistent with maintaining high levels of employment and production.

Studies made by the Federal Reserve Board and by the Department of Commerce indicate roughly what that level is. They show that after reconversion of industry is completed, a net national income of at least $140,000,000,000, figured at 1943 prices, would be attained, if we have a satisfactory high level of employment.[1]

Accordingly, the tax structure proposed here, under the right kind of a budget, has been designed to make possible sizable debt retirement at a national income of $140,000,000,000; *this obviously would mean an even balance of the budget at a lower level of national income.* What the amount and character of total Federal expenditures turn out to be will determine which standard rate must be selected. These expenditures will determine also how much debt reduction can be achieved, consistent with maintaining high employment levels.

A natural question arises as to whether the rough point at which significant Federal debt reduction could be achieved—namely, $140,000,000,000 national income — is too optimistic an estimate. High as it may seem, compared with pre-war annual national incomes, this Committee is convinced that such a national income is not only attainable, but will be surpassed within the first decade after the war.

The sole reason for being of the Committee for Economic Development is to help make that happen; and its experience and observation in the more than 2,000 communities in which its autonomous committees are now active give ground for confidence in the achievement of this goal. Indispensable to this achievement. however, is a drastic and courageous revision of our tax system, removing the many blocks, indicated by this survey, that will prevent the needed growth in the number of jobs.

Summary

The foregoing observations give a generalized picture of this Research Committee's tax program, with the reasoning behind it. The specific recommendations which follow fill out the picture.

The integrated set of proposals attempts to meet fully and to reconcile the three imperative objectives, which, as stated in the beginning, must be kept in mind in whatever post-war tax system is finally adopted; namely, it is designed to give as full encouragement as is possible to the creation of more employment; to apportion the tax burden fairly among persons; and to provide adequate revenues.

It is a simple and stable structure, yet it is flexible; that is, it can meet changing national circumstances with only minor adaptations, and because of its organic unity would facilitate the long-term planning which is so important a factor in the volume of employment.

Although it constitutes heavy taxation by pre-war standards, it would give relief from present burdens in all ranges of personal income.

It would make manifest a national resolution to end the uninterrupted increase of the Federal debt; and it would properly provide for the reduction of that debt when it can best be afforded: namely, at a national income level where the American labor force is satisfactorily employed, principally in private enterprise activities.

A system such as this, the Committee believes, would usher in a new era in tax policy in the United States, and with the cost of Government as high as it will be, this is more than ever necessary. The creative energies of the American people would be freed of unwise tax restrictions, and—in conjunction with judicious policy in other fields — the result would ultimately show in larger incomes, *after payment of taxes,* for all groups in the society, and consequently in higher standards of living.

SPECIFIC RECOMMENDATIONS

Taxes On Individual Incomes

1. **Personal exemptions should be raised by eliminating the present 3% normal tax, which allows no credit for dependents. The present exemptions for the regular income tax of $500 for each taxpayer and for each dependent should be retained.**
2. **The present combined tax of 23% for the lowest bracket of taxable income should be replaced by a single standard tax of 16 to 20%, depending upon revenue requirements.**
3. **Tax rates on incomes above the lowest taxable bracket should also be substantially reduced throughout the range.**

In this tax program the personal income tax is designed to raise around half of the total Federal tax revenues. This will require a personal income tax with a broad base, an adequate standard rate, and tax rates rising in fair progression against higher incomes. Nevertheless, for all income groups, a substantial reduction in present income tax burdens would be effectuated.

Relief to the lower brackets: A major reduction for the lower income groups is provided by raising the level of present exemptions, and by reducing the tax rate on the lowest bracket of taxable income. The elimination of the present 3% normal tax, which allows no credit for dependents, would increase the amount of income exempted from income taxation by about $27,000,000,000, at present levels of national income. It would also lessen the tax burden by $2,500,000,000. Four-fifths of this would be relief to families with incomes below $5,000.

With the proposed raising of the exemptions, more than half of a total national income of $140,000,000,000 would not be subject to income tax. Bringing these billions down to individuals means that a family of five, with an income of $2,750 or less,[2] would pay no Federal income tax. And from the point of view of production and employment, it means leaving around $77,000,000,000 untaxed and most of it in the hands of the lowest income earners available for the purchase of goods which comprise mass markets. Exemptions that end up in such grand totals have raised some question as to whether the recommended tax base may not be too narrow, creating a danger of inadequate revenues: and on this point the Committee feels it has gone as far as it is safe to go.

Relief in the middle brackets: The reduction possible in the standard rate (which, it should be kept in mind, applies to the first bracket of *taxable* income, not of all income) will depend largely

1 The importance of the qualification, "at 1943 prices," should not be overlooked. Obviously, if average prices after the war are materially different from present levels, the calculations presented here would have to be revised accordingly.

2 Figured on personal exemption of $500 per person plus 10% for other deductions as allowed under present law.

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on total revenue requirements. If post-war Federal expenditures, other than social security, can be held down to around $16,000,000,000, it should be possible to reduce the standard rate to 16%, nearly one-third below the present level. The share of income taken by taxes in the middle groups would actually be reduced something more than one-third, because of the added effect of the exemptions.[3]

As a general measure of the burden upon the middle income groups, a family of four with a $4,000 income would pay $360 in income taxes; or about 9% of its total income.

Of the total amount of income subject to the personal income tax, about 70% (or about $40,000,000,000) would fall in the first tax bracket of $0 to $2,000. Only 30%, about $18,000,000,000, would fall in higher brackets and be subject to progressive tax rates. The possible *additional* yield from these higher brackets, above what is proposed here, is limited. Accordingly, the Committee deems it unwise to recommend a reduction in the standard rate below 16%. Any further reduction must lead either to rates on higher incomes that would seriously undermine risk-taking and thus lessen the volume of employment; or to smaller exemptions; or to more reliance upon less equitable forms of taxation.

Encouragement of risk taking: Present extreme rates on the upper income groups should also be reduced to remove the serious discouragements present in the existing law to the freer use of venture capital. One of the basic principles of the Committee's program is that individuals with larger incomes should pay progressively higher tax rates. Nevertheless, it is evident that in recent years this principle has been carried to a very damaging, and even to a dangerous, extreme. Large risks will not be assumed by those who have saved money without at least a chance for substantial rewards; nor will the hard work be undertaken and heavy responsibilities be assumed, which are entailed by ambitious new enterprise. The Committee has set forth a suggested set of graduated income tax rates which should do much to stimulate employment, by encouraging the active use of savings and managerial ability in risky enterprises. These would still impose substantial progressive burdens upon individuals with large incomes. In connection with the proposed rates for upper incomes, due consideration should be given to other recommendations in this statement—the elimination of income tax loopholes, the treatment of capital gains like other income, and provision for more effective death taxation.

Thus, all together, the integrated rates and exemptions can meet the purpose of providing about half of the total Federal revenues through the personal income tax, yet they will give considerable needed relief to all taxpayers. At the same time, by giving risky investment more leeway for profit, they would help greatly toward achieving the goal of high-level production and employment.

4. Double taxation of dividend income should be eliminated.

Income belonging to stockholders is now taxed twice — once when the corporation pays a tax on its earnings, and again when the same earnings are distributed among the stockholders as dividends. This tax-duplication should be eliminated *by crediting the individual stockholder with the corporate tax which has been paid in his behalf.* All dividend income to stockholders, of course, should still continue to be subject to surtaxes. The tax on corporate earnings proposed later (see Business Taxes, page 34) would then be in effect a withholding tax on dividends, strictly comparable to the withholding tax on wages.[4]

3 The exact percentages are indicated in Table IV, page 45.

The obvious injustice of singling out dividend income as an object of double taxation was recognized throughout our income tax history until 1936, when dividends were first subjected to the normal personal tax. Correction of the injustice is not only highly desirable from the standpoint of equity, but also from that of promoting an expansion of production and employment.

Since risk capital usually takes the form of equity ownership in corporate business, double taxation of dividend income lessens the incentive to enterprise. Moreover, since interest payments are deductible as expense and thus interest received is taxed only once, this fosters corporate financing by means of debt creation, instead of by stock issues. This tendency to acquire needed capital by increasing debt can be highly dangerous to future business stability.

5. Discrimination against persons with irregular incomes should be removed so far as possible, through equalizing tax burdens by means of some income-averaging device.

Individuals with irregular incomes are usually forced to pay a much higher total of taxes over a given period than those who have the same aggregate earnings which come in regularly over the period. Correction of this inequity should stimulate risk-taking, and therefore add to the volume of employment; it should also afford very important tax relief for those in the lower income groups who have irregular employment.[5] In fact, the chief benefit of such a change would accrue to unincorporated small businessmen, to wage earners, to farmers, and to professional persons.

6. Income from all future security issues by State and local governments should be made fully taxable.

For many years we have been erecting a Federal tax structure which step by step has tended to discourage the assumption of risks by enterprises, and to promote a stagnant capitalism. The refuge from high tax rates afforded by tax-exempt securities may well be called the crowning arch of this structure. When, as at present, an individual in the top income bracket is forced to obtain a return of 20% on an equity holding, in order to give him a yield after taxes equal to that on a 2% tax-exempt bond, the restrictive effect on venture capital is obvious; and the indirect and ultimate effect on the volume of employment equally so. The Federal Government has finally recognized this anomaly by making all of its own current security issues fully subject to Federal taxation. Similar action is called for with respect to new State and local issues, and for the same reason. This Committee is unwilling to recommend the removal of the tax-exempt privilege from outstanding securities of this type. Such a step would be inequitable, unless compensation were offered to the holders of such issues, which would be costly to the Federal Government and difficult to administer. Moreover, such drastic action does not appear essential to the stimulation of incentives.[6]

4 To make them strictly comparable, the Committee proposes that individuals be required to calculate dividend income for surtax purposes by adding the amount of the tax paid by the corporation to the amount actually received as dividends. On the other hand, individuals who have not been able to apply their full personal exemptions against other income received, should be entitled to tax refunds in order to make up this discrepancy.

5 One possible method to accomplish this would be to provide for refunds to individuals to the extent that taxes actually paid during a five-year period exceeded some given percentage (perhaps 105%) of what such taxes would have been if the aggregate income had been spread equally throughout the period. The object of using a figure such as 105% would be to limit refunds to those who had been seriously affected by income fluctuations. A longer averaging period than five years will probably be required to apply to extreme cases, such as arise as a result of certain long-term capital gains.

7. Present differential treatment of capital gains and losses should be retained until substantial reductions in corporate and personal income taxes have been effected, and adequate provision for averaging income over a period is permitted. If and when these conditions are met, capital gains should be fully taxable like other income and full deduction for capital losses should be permitted. Under such circumstances, capital gains and losses should be recognized at transfer by gift or at death.

Heavy taxation of capital gains (chiefly on the sale of securities and real estate) is regarded by many businessmen as repressive, on the ground that it tends seriously to retard exchanges of property. It frequently makes wealthy individuals reluctant to transfer investment funds from a concern which has been built up to a highly successful state into a new and risky enterprise that may be equally promising. From this standpoint it is believed to lessen the volume of production and employment.

Conversely, a strong argument—from the standpoint of equity—can be made for taxing capital gains like other income. The inclusion of these gains in the personal income tax base is the only way by which all corporate earnings—i.e., stockholders' income—can be eventually subjected to the personal income tax. It is not consistent to advocate a substantial reduction of the corporate tax unless all corporate earnings are subject eventually to the personal income tax. The application of the income tax to capital gains—with full deductibility of losses, combined with a substantial reduction in surtaxes—can be regarded as a partial postponement of taxation upon such earnings to the strategic time when the active investor retires from business or realizes on the success or failure of his venture. If capital gains and losses were treated as income realized at time of death or gift there would be less reluctance to exchange properties at other times.

The privilege of full deduction of capital losses is extremely important, especially in connection with new small and risky enterprises, and this provision is essential to eliminate any adverse effects on risk-taking which might result from taxing capital gains in full. Through the effect on new small businesses particular relief would be afforded at the very point where stimulus to enterprise is most needed.

As long as the Federal tax system involves heavy taxation of corporate profits and extremely high personal tax rates, ample justification exists for special differential treatment of capital gains. The situation would be radically altered, however, by the adoption of the tax proposals set forth in this statement; namely a reduction of corporate income taxes to the level of the standard personal tax rate; elimination of double taxation of dividend income; a reduction of personal tax rates to more moderate levels and adequate provision for averaging of personal incomes over a period. If, in addition to these proposed changes, full deduction of capital losses is permitted, capital gains should be taxed like other income.

6 Professor Groves recommends that interest on existing as well as on future issues of such securities be made taxable.

8. There should be rigorous enforcement to prevent under-reporting at all levels of income and in all occupations.

If the personal income tax is to be relied upon as the mainstay of postwar Federal revenues, the provisions of the law must be rigorously and uniformly enforced. The withholding technique, and the necessary accounting practices of established businesses, make enforcement of the tax as to wages, salaries and dividends relatively complete and effective. In the case of all other forms of personal income, ways and means must and can be found to make enforcement similarly complete and effective, so that the income tax shall not be permitted to degenerate merely into a tax upon industrial wages and dividends.

Excise Taxes

All Federal excise taxes should be repealed with the exception of those on liquor, tobacco (perhaps on gasoline, if needed) and other excise taxes levied for social and regulatory purposes.

The Committee favors the elimination of sales and excise taxes—to the degree that total revenue needs will permit—because the economic effect of such taxes is often much the same as the lifting of prices; because necessarily they are inequitably distributed among income groups; and because they hide the tax burden. This proposal would mean, indirectly, a further lightening of the present tax load upon families with low and medium incomes, to an extent greater than may be apparent. At $140,000,000,000 national income, taxes on liquor, tobacco and gasoline are estimated to produce $2,900,000,000; if however, all the present excise taxes were retained, the yield would be almost $6,000,000,000. This saving of more than $3,000,000,000 to a great extent would represent tax relief to families with low and medium incomes, since they constitute the bulk of the population.

Taxes on Business

1. Present corporate income taxes should be replaced by a single tax at a flat rate, the same as the proposed standard rate of 16 to 20% for individual incomes.

Taxes applied upon earnings of corporations can properly be considered taxes upon job-making. By greatly lessening the possibilities for profit, they detract from the incentive to new enterprise. They restrict business expansion by lessening the business savings which ordinarily are used for expansion when they are not distributed as dividends. They also curtail consumer demand through their adverse effect on wages and on the prices of products. Thus, if corporate net earnings are increased by the reduction of rates proposed herein, some part of this increment will be absorbed in higher wages and lower prices of products, as well as in increased dividend income.

Moreover—as developed in the first section of this report,—it is not necessary to levy heavy taxes on corporate earnings in order to enable the government to obtain its full share of stockholders' income; this aim can be better achieved, with far less damage to employment, by proposed changes in the tax provisions applying to that income when individuals receive it.

The Committee proposes that the tax rate on corporate income be the same as the standard rate upon all personal incomes. Taken in connection with the recommendation to exempt dividends from the standard tax on personal incomes, this would be, in effect, doing with dividend income what is done with wages and salaries. It would be equivalent to a withholding tax, on behalf of the stockholders, on corporate net income paid out in dividends.

2. The excess-profits tax should be repealed.

This recommendation is an essential part of the one made above. While justified as a wartime measure, the excess-profits tax would have disastrous effects upon production and employment in peacetime, since it goes a long way toward eliminating the profit incentive, which is the great job-maker in a free-enterprise system. In addition to being outstandingly repressive for all business enterprise, it places growing companies, with small capital basis, at a serious disadvantage compared with old established business which have large capital bases. Thus it is clearly detrimental to the creation and prospering of new enterprises, upon which the healthy growth and expansion of the economy so much depends. Instead, it gives advantages to bigness and thus fosters the growth of monopoly.

3. The "declared-value capital stock excess-profits tax" should be repealed.

This is a pure nuisance tax. The revenue it brings in is small, and it is a source of justifiable annoyance to all corporate managements. It should therefore be repealed at once, and without waiting for the end of the war.

4. Present taxation of personal holding companies should be retained, as well as the existing provisions which penalize unreasonable accumulation of earnings.

The taxation of undistributed corporate profits has been a subject of intense controversy in recent years. On the one hand, heavy taxation of such savings has been advocated on the ground that they are primarily a refuge from high personal surtaxes by wealthy individuals. There has been some truth in this contention, in the case of closely-held corporations, particularly in view of the lower differential taxation of capital gains in the present system.

On the other hand, taxes on business savings are taxation directed against funds which are used in expanding enterprise, increasing the volume of employment, and raising the standard of living by improved processes of manufacture, and lower prices.[7]

The best solution appears to be a single flat rate on all corporate net income (Recommendation One) to apply both to undistributed earnings and to those paid out in the form of dividends; but this must be accompanied by the present tax provisions against the unreasonable accumulation of surpluses. If, also as proposed, personal surtax rates are reduced to more moderate levels, and if the proposals with regard to capital gains and losses are adopted, the Committee believe that the controversy over undistributed corporate profits will disappear.

5. Both corporate and non-corporate businesses should be allowed to carry forward losses from business operations to apply against subsequent earnings for a period of six years.

The theory of taxing income solely on an annual basis of accrual gives a clear tax advantage to businesses having regularity of income. The practice makes no allowance for business incomes which fluctuate from substantial losses in one year to substantial gains in another, and thus results in a heavier tax burden, over a period of years, for such irregular incomes than for incomes which are stable. Frequently this situa-

7 Professor Groves recommends some exemption of undistributed earnings in the case of new small businesses, to be recouped in the application of the capital gains tax.

tion causes the payment of taxes out of capital rather than out of actual net income. There is nothing gained by an annual tax basis to justify such inequity. Plainly, this practice creates a particular hardship for new enterprises which, in general, tend to have considerably greater irregularity of income than those of large, well established businesses. The importance of this fact is now recognized in current Federal taxation which permits the carrying forward of one year's losses to be applied against the income of the next two, and the carrying forward and backward of losses and excess-profits tax credits for a two-year period. Considerations of equity, and the necessity for stimulating venture capital in every legitimate way after the war, call for the broadening of the principle of carrying forward losses to a period of six years.

6. **Both corporate and non-corporate businesses should be permitted greater latitude in making annual allowances for depreciation.**

A great deal of confusion has arisen in connection with the establishment of proper annual depreciation rates, and business has been hampered by restrictive regulations in this field. As long as such charges are limited in the aggregate to the original cost of business assets, there can be little difference to the Government in the long run whether such assets are written off slowly or rapidly. The ability to amortize assets rapidly provides an important stimulus for the purchase of new and more efficient equipment. This change should stimulate the capital goods industries after the war, and thus assist in the attainment of high levels of productive employment. The Committee's proposal contemplates that, within the limits of broad reason, business managements should be permitted to use their own judgment in establishing depreciation rates against different forms of capital assets.

Other Taxation Problems

Estate and Gift Taxes—A careful overhauling of present taxes on estates and gifts should be undertaken after the close of the war. Current laws permit wide avenues of escape from death taxes. These are made possible by the use of gifts, trusts, and powers of appointment. The effect is substantially to reduce the amount of revenue which might otherwise be collected from the estate tax.

General agreement exists that taxes imposed at death are less likely to have a depressing effect on incentives to enterprise than the collection of equal amounts from businessmen during their lifetime. There is a strong argument, therefore, from the standpoint of productive employment—apart from considerations of social desirability—for less emphasis in the tax burden on current incomes and more emphasis upon taxes collected at death.

The Committee believes that increased revenues can and should be obtained from death and gift duties by closing the present avenues of escape; if this is successfully done, increased revenue could be raised and still permit some moderation of the present steeply graduated tax rates on estates.

Tariff Duties—Customs revenues are now accounting for little more than 1% of total Federal tax collection and in the postwar period it is anticipated that at present rates they can account for but little more than 2%. It is, therefore, somewhat surprising to recall that for 150 years prior to World War I customs duties provided the chief source of all Federal revenues. The tariff system presents highly complex problems and will be considered in a later study of this Research Committee. Nevertheless, it is pertinent, in this more general study of postwar taxation, to point out that substantially increased revenues might be obtained from this source if it were decided to revise downward the present prohibitively high structure of tariff rates, and create a system of duties primarily designed to raise revenues rather than to prohibit imports.

Social Security Revenues—This Committee believes that a careful re-examination of the whole policy of social security revenues is desirable at the earliest possible date. Since its introduction in 1935, social security taxation has been operated on the theory of building up substantial reserves. There are reasons to doubt the validity of such a theory as applied to a national tax structure. Strong arguments also exist for balancing social security income and outgo separately from the rest of the Federal budget.

Municipal News & Notes

Halsey, Stuart & Co., Inc., announce that as a convenience to holders of $130,662,000 State of Arkansas highway refunding bonds of 1941, interest coupons maturing Oct. 1, 1944, may be presented at its Chicago or New York offices for immediate payment. Gross tax collections by the State in the month of August, incidentally, showed a slight decline from the total for the same month in 1943, the figures for the two periods being $2,479,800.67 and $2,507,176.48, respectively. Much of this year's decrease is found in the gasoline tax item, receipts from this source having amounted to $866,240.28, as compared with $966,225.87 in August, 1943, it is shown in the statement issued by Murray B. McLeod, Commissioner of State Revenue Department. However, there was an increase in sales tax income, the figure of $804,141.91 for the current year's period contrasting with $788,133.14 in 1943.

Houston, Texas, Formulates Plan To Finance $31 Million Post-War Impvt. Program

Although much has been said and written regarding the need for a return of the principle of State's rights in the handling of local government problems, as contrasted with the policy of relying on the Federal Treasury in their solution, the fact is that not a few of the States and a large proportion of local taxing units, apparently approve of the proposition in theory only. This is indicated in increasing reports, for example, of projected post-war improvement programs enunciated by local public officials, a large portion of which is usually prefaced on the Federal government's participation in the financing of these plans.

There are, of course, important exceptions to the contrary, a case in point being the City of Houston, Texas. This metropolis, we learn from the Municipal Finance Officers Association, has formulated a plan calling for an outlay of $31,000,000 for various projects in the five years following the war's end. The plan was developed without any consideration of Federal aid and, in addition, city officials believe that it can be accomplished without increasing taxes or the bonded debt. In its discussion of the program, the Finance Officers Association noted as follows:

The city is retiring its bonded debt at the rate of $2,000,000 a year. With cheap interest rates of about 2% as compared to the 4½% average rate on old securities, Houston officials figure that $10,500,000 in so-called replacement bonds can be issued in five years without changing the interest and sinking fund requirements. From previous bond sales $1,500,000 in cash and securities already is on hand.

In addition to the $10,500,000 in replacement bonds, the program calls for issuing $19,000,000 in other bonds. The city expects these bonds can be issued without a higher tax rate because increased valuations will provide money for interest and sinking fund requirements.

These figures total $31,700,000, and the post-war projects program calls for a $31,000,000 expenditure. Included in the calculations, officials said, are ample reserves for emergencies and added operating expenses for the growing city.

The following projects are included in the five-year public improvement program:

Streets and highways, $7,088,000, for new boulevards, right of way for projects and resurfacing of streets.

Drainage and flood control, $8,500,000.

Sanitary sewers and sewage disposal, $8,100,000.

Airport development, $800,000, covering money for additional land, alterations to the present administration building on the municipal field, two new hangars and other improvements.

Parks and recreation, $1,869,000, including $500,000 for improving the municipal zoo, $275,000 for a downtown recreational building and work in existing parks.

Public buildings and civic center, $2,300,000, including $1,300,000 for land to complete the civic center around the city hall, and $1,000,000 for a police-jail building.

Waste disposal, $573,000, to cover rebuilding two incinerators.

Public health, $1,195,000, including $650,000 for a tuberculosis hospital, $250,000 for health and welfare centers and $295,000 for convalescent, chronic and incurable cases.

Traffic signals, $100,000.

Fire stations and fire alarm system, $325,000.

Library, $150,000, to cover land and improvements to the central library.

Cleveland Transit Debt Refunding Studied

The Cleveland, Ohio, Transit Board has requested the city law department to investigate all legal questions bearing on the proposed refunding of the $10,200,000 of outstanding 3¾% transportation revenue system bonds. Members of the board, according to local press advices, are confident that the debt can be refinanced at an interest rate as low as 1½%. Municipal ownership of the Cleveland transit system has been extremely effective as is evidenced in the fact that within a few years the outstanding indebtedness has been sharply reduced from the original level of $17,500,000.

Bulk of the reduction was accomplished through exercise of the call feature, which required a premium payment of 5%. The city recently called for payment on or after Sept. 1, 1944, or $2,140,000 principal amount of the transit bonds, including bonds Nos. 11861 to 14000, inclusive, maturing March 1, 1958 and March 1, 1959.

SEC Orders Hearing

The Securities and Exchange Commission has ordered a hearing for September 29th at its Los Angeles regional office to determine whether the broker-dealer registration of Roy D. Bayly & Co. of Los Angeles should be revoked or suspended, and the company's membership in the National Association of Securities Dealers, Inc., suspended or terminated. It is alleged that the company and Roy D. Bayly during the period of approximately Feb. 1, 1943 to June 30, 1943, "induced various customers" to sell certain securities without making full disclosure of all the circumstances in the matter.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1135)

of European hostilities. But this subject has been explored so often and by so many that to waste any space on it here would just be redundant. In any case, I again go on record that a sudden end of hostilities has been discounted. Should the war end tomorrow I feel that the worst you will see is a few hours of uncertainty and then a resumption of the upward trend.

* * *

Is this a bear or a bull market? The question is interesting but right now academic. From a study of the conventional averages the answer is: bull market. Yet that is an oversimplification. For while the broad market movement is up the secondary movement is down. This downward turn occurred last Thursday. To the buyer of equities this determination of trend may be important. But the fact remains that basically it is the individual stock that is of the more immediate concern.

* * *

A couple of weeks ago this column pointed out that the airplane stocks looked higher. The writer was quite aware of the problems that faced the industry. Yet here we are in a market which has taken a nose dive but the airplanes have just made a new high.

* * *

Coincidentally with the air stocks a group of other securities were recommended. Despite the break of last week practically all of them are back to their recent highs. Allied Mills, bought at 30, ran up to 33. On the break it went back to 30. Currently, it is about 31½. Stop is still 28.

* * *

Bendix, bought at 38½, got up to about 46. On the reaction, it sold down to about 42¾. But that figure also represented an ex-dividend. After the selling was over stock rallied and now it is back to just under 45. Stop in Bendix remains at 38.

* * *

Crown Zellerbach, bought at 18, stop 17, went back to 18 after getting to across 19. On the recovery it went to a new high of 19⅞.

Lockheed, bought at 17, stop 15; stock sold off to slightly under 17 but is now back to across 18.

U. S. Steel, bought at 58½, stop 55, was one of the worst sufferers in the list, selling down to 55 on the break. But at that figure it held and at this writing is across 59.

* * *

So, even had you been forewarned about the break, the amount of money you could have made would, with commissions and taxes, not have left you much better off. The advice, therefore, is to hold all commitments until advice to the contrary appears here.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Conn. Light Bonds Offered Publicly

Public offering of a new issue of $10,000,000 first and refunding mortgage 3% bonds, Series I, due 1974, of The Connecticut Light & Power Co. was made Sept. 12 by a banking group of 21 members, headed by Putnam & Co., of Hartford, and Chas. W. Scranton & Co., of New Haven. The bonds are dated Sept. 1, 1944, and are priced at 105¾ and accrued interest to yield approximately 2.72% to maturity. The company will receive from the underwriters 104¾% for the bonds.

Other members of the underwriting group include Estabrook & Co.; Morgan Stanley & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Blyth & Co., Inc.; Drexel & Co.; Kidder, Peabody & Co.; Coffin & Burr, Inc.; Paine, Webber, Jackson & Curtis; Lee Higginson Corp.; F. S. Moseley & Co.; Shields & Co.; Spencer Trask & Co.; Tucker, Anthony & Co.; White, Weld & Co.; Cooley & Co.; The R. F. Griggs Co., and Hincks Bros. & Co., Inc.

Proceeds will be used to refund $7,000,000 first and refunding mortgage 3½% bonds, Series F, due Sept. 1, 1966, called for redemption on Sept. 1, 1944, at 106, and to replace the company funds used in the purchase for cancellation of $3,336,000 first and refunding mortgage 7% bonds, Series A, due May 1, 1951.

Situations Of Interest

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

DIVIDEND NOTICES

International
MINERALS & CHEMICAL CORPORATION

General Offices
20 North Wacker Drive • Chicago

★

On September 7, 1944, the Board of Directors declared a dividend of one dollar ($1.00) per share on the 4% Cumulative Preferred Stock, payable September 30, 1944, to stockholders of record at the close of business September 22, 1944. Checks will be mailed.

ROBERT P. RESCH, Vice President and Treasurer

★

MINING AND MANUFACTURING
PHOSPHATE • POTASH • FERTILIZER • CHEMICALS

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

176th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable September 30, 1944, to stockholders of record at the close of business on September 18, 1944. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, September 8, 1944

UNITED FRUIT COMPANY

Dividend No. 181

A dividend of one dollar per share on the capital stock of this Company has been declared payable October 14, 1944 to stockholders of record at the close of business September 21, 1944.

LIONEL W. UDELL, *Treasurer.*

DIVIDEND NOTICES

EATON & HOWARD BALANCED FUND

The Trustees have declared a dividend of 20 cents per share payable Sept. 25, 1944, to shareholders of record at the close of business Sept. 18, 1944.

Sept. 8, 1944 24 Federal Street, Boston

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

September 7, 1944

THE Board of Directors on September 6th, 1944 declared a dividend at the rate of 50c per share on the outstanding Common Stock of this Company, payable on the 30th day of September, 1944 to stockholders of record at the close of business on the 19th day of September, 1944. Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer

OFFICE OF LOUISVILLE GAS AND ELECTRIC COMPANY

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on September 8, 1944, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company, for the quarter ending August 31, 1944, payable by check September 25, 1944, to stockholders of record as of the close of business September 18, 1944.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending August 31, 1944, payable by check September 25, 1944, to stockholders of record as of the close of business September 18, 1944.

G. W. KNOUREK, Treasurer.

New York & Honduras Rosario Mining Company
120 Broadway, New York, N. Y.

September 13, 1944.

DIVIDEND No. 368

The Board of Directors of this Company, at a meeting held this day, declared an interim dividend for the third quarter of 1944, of Seventy Cents ($.70) a share on the outstanding capital stock of this Company, payable on September 30, 1944, to stockholders of record at the close of business on September 20, 1944.

WILLIAM C. LANGLEY, Treasurer.

Dividend Notice of THE ARUNDEL CORPORATION, Baltimore, Md.

September 13, 1944.

The Board of Directors of the Arundel Corporation has this day declared 25 cents per share as the regular quarterly dividend on the no par value stock of the corporation issued and outstanding, payable on and after October 2, 1944, to the stockholders of record on the corporation's books at the close of business September 18, 1944.

JOSEPH N. SEIFERT, Secretary.

REDEMPTION NOTICE

Armour and Company
FIRST MORTGAGE BONDS
Called for Redemption

All of the First Mortgage Bonds, Series B and C, of Armour and Company of Delaware (assumed by Armour and Company) and all of the First Mortgage Bonds, Series D, of Armour and Company, have been called for redemption, Series B and C on November 10, 1944, and Series D on October 10, 1944, at 105% plus accrued interest to such redemption dates. For particulars reference is made to the official redemption notice.

Holders need not await such redemption dates to collect such interest. Full payment (principal, premium and interest to redemption date) will be made immediately upon presentation of the bonds in accordance with the official redemption notice.

Consult your local bank or broker for detailed information.

ARMOUR AND COMPANY
by G. A. EASTWOOD
President

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A" Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument: Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Purolator; Brockway Motors; Mohawk Rubber, Moxie, Scoville Mfg.; Douglas Shoe; Bird & Son; Cons. Cement "A"; Riley Stoker; and American Export Airlines.

Rail Gross At New High

Rail gross has reached a new high according to information contained in an interesting bulletin issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this bulletin, summarizing recent developments, may be had upon request from Vilas & Hickey.

Housing Output And Marketing Controls During Transition Urged

National Committee On Housing, Through Mrs. Samuel I. Rosenman, Its Chairman, Issues Report Making Recommendations For A National Housing Program.

Urging a post-war home building industry and program which will operate continuously on facts established by market study and analysis, technological advances and improved methods of finance — not on "dizzy spurts, booms and busts," the National Committee on Housing, Inc., through Mrs. Samuel I. Rosenman, Chairman on Aug. 28 made public its recommendations for a national housing program and policy.

Mrs. S. I. Rosenman

The purpose of the recommendations, it was indicated, is to help correlate and coordinate the activities of all sections of the home building industry and of the governmental agencies concerned, local, State and Federal, in an orderly reconversion to peacetime production which will produce better homes and communities. The goal was stated in the report in these words:

"These recommendations are presented by the National Committee on Housing as a basis for the formulation of a long-term housing program for the nation. The post-war rush of building, to which all signs now point, can become a major force in the reestablishment of a sound peacetime economy, and by the same process build better homes for American families in more permanent, better planned neighborhoods and communities. To these ends our objective must be a national housing program and industry operating continuously on the basis of established fact, market study and analysis; on sound and improved financing; on the most forward looking technology—not on dizzy spurts, booms and busts."

These recommendations for a well-rounded program grow out of the National Conference on Postwar Housing held by the Committee in Chicago. There, for the first time, all of the groups and interests concerned, both private and governmental, took active part in comprehensive discussion of all phases of the problem. Subsequently, a committee representing a wide range of housing interests, was appointed to prepare the recommendations, based upon but not limited to the conference proceedings.

Members of this committee are: Chairman, Thomas C. Boushall, Richmond, Va., President, Morris Plan Bank of Virginia; Carl Boester, Lafayette, Ind., of the Purdue University Research Foundation; Miles Colean, Washington, D. C., Vice-President, Starrett Brothers and Eken; Fred H. Ludwig, Reading, Pa., President, Merrit Lumber Yards; Morris Macht, Baltimore, Md., President, Welsh Construction Co.; Aksel Nielsen, Denver, Col., Executive Vice-President, The Title Guaranty Co.; Ira S. Robbins, New York City, Deputy Commissioner of Housing of the State of New York; Elizabeth Wood, Chicago, Executive Secretary, Chicago Housing Authority.

Quoting estimates of a post-war demand for new homes (based upon the assumption of continuing high levels of employment) ranging from 750,000 to 1,200,000 family units annually for at least 10 years, the Committee suggested that the application of certain stimulating factors may increase this demand. These include (1) a pent-up demand caused by underbuilding since 1930 and lack of building during the war, (2) higher minimum standards of acceptable housing, (3) savings accumulated by individuals and the reservoir of investment funds held by institutions, (4) veterans' home loan legislation and (5) the possibility of liberalization of FHA mortgage insurance.

Period of Transition

In the Committee's view, the first post-war rush for new homes may contribute a danger requiring continued governmental controls, at least during the early stages. Whether the actual market for new homes will be 750,000 or 1,200,000 it is unlikely, continues the report, that production of new housing can be stepped up during the first year of peace more than 100 to 150% above the present capacity of 150,000 units a year. This may make the first post-war years a difficult, if not dangerous period, with consumer pressure creating a competition for materials and labor that could demoralize price structures, financing and marketing.

The Committee, therefore, believes that so long as a condition of unbalance continues a degree of control over production and marketing is essential. However, such controls should be progressively relaxed as promptly as production increases and should be discontinued as soon as balance is approached. The goal must be the prevention of a runaway market which would create a temporary boom followed by the inevitable slump. To this end, the Committee recommends that:

Plans be laid now for an orderly reconversion of the building materials supply industry covering *all items* in home construction to avoid future bottlenecks.

Priority, allocation and programming controls by the National Housing Agency should be continued if necessary, and should be administered in cooperation with local official and business groups. Priority precedence should be determined by localities based on (a) prevention of unemployment, (b) readiness of the applicant to proceed with construction, (c) relative need for the construction.

While a degree of price control will be needed in the beginning, it should be relaxed as soon as possible.

The period during which home loan contracts may be made to veterans under provisions of the "G I Bill of Rights" should be extended from the present two years after discharge to a longer period, to avoid concentrating this demand in the initial period and to lessen the danger of a runaway market during the first critical period of reconversion.

While the recommendations stress the need for relaxing Federal production and price controls as rapidly as possible, they also urge the extension of local government controls over planning and construction standards. The importance of this lies in the likelihood that the first rush of construction will create new subdivisions on the periphery of existing cities and may spill over into areas where zoning and building code regulations are lacking or apt to be ineffectively administered.

To meet the situation comprehensive plans, covering entire districts, should be drawn to avoid jerry-building and other practices which hasten blight. The Committee also recommends that measures be taken to establish by cooperative means the standardization at higher levels of planning, development, taxing, appraisal and maintenance practices on a basis of metropolitan districts or regions.

Urban Redevelopment

In dealing with what many regard as one of the most important of all civil problems, the effort to curb the spread of blighted areas and eliminate them through redevolpment, the Committee points out that this is often confused with a separate and distinct problem—the housing of families of low income. Adequate redevelopment, the report continues, involves the assembly of land by corporations or municipal agencies, the planning of public services and the development of the area in accordance with its most economical use, be it industrial, commercial or housing—and all in keeping with a good master plan.

In addition, the Committee recommends that plans for redevelopment of certain areas be prepared in accordance with the city's master plan and that in considering future public works their contribution toward redevelopment be taken into account. It also calls for (1) State enabling legislation to establish urban redevelopment corporations, (2) exercise of the power of eminent domain in behalf of such corporations and (3) partial tax exemption to redevelopment undertakings.

Total Housing Needs

The Committee stresses particularly the importance of recognizing and meeting the total housing needs in a given locality. Failure to do so in the past is responsible for many conditions for which remedies are now being sought. The need should be met to the fullest possible extent by private enterprise, but where housing the lowest income groups is uneconomical for private industry, public housing will be necessary.

Declaring that stabilization of the home building industry and a more orderly flow of production are essential to provide better, less expensive housing, the Committee warns that home building activity should be carefully developed by each locality on the basis of its existing housing supply and need for additional housing. To aid the making of local housing inventories and programs it is recommended that the Federal Government supply any local data it possesses, together with technical assistance in the preparation of market data and analysis.

Pillsbury Mills Pfd. Issue On Market

A group headed by Goldman, Sachs & Co., and Piper, Jaffray & Hopwood on Sept. 12 offered 75,000 shares of Pillsbury Mills, Inc., $4 preferred stock (no par) at $100 a share. The company is successor, by change of name, to the 75-year-old Pillsbury Flour Mills Co.

Proceeds of the issue will be used to redeem $4,475,000 of first mortgage 3% bonds, representing the entire funded debt, and for addition to working capital.

The preferred stock is provided with a sinking fund to retire every year a minimum of approximately 2% of the amount issued, the amount increasing with earnings to approximately 4%. The stock is redeemable to $105 a share for purposes other than the sinking fund and at $102 for sinking fund, if redeemed before Oct. 15, 1947, and at gradually diminishing prices thereafter.

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philosophy that our frontiers are behind us and all we have left to do is to quarrel over the division of what we have."

Making the statement that "when this Administration took office the depression was already over three years old," Gov. Dewey stated: "Then what happened? In 1934, when the depression was then five years old—longer than any other in a century—we still had 12,000,000 unemployed. By 1940 the depression was almost 11 years old. This Administration had been in power for seven straight years and there were still 10,000,000 Americans unemployed. It took a World War to get jobs for the American people," he continued. "Now Washington is getting all set for another depression. They intend to keep the young men in the Army. The New Deal spokesmen are daily announcing that reconversion will be difficult, if not impossible. They say that relief rolls will be enormous. . . . That's what's wrong with the New Deal. That's why it's time for a change."

From Gov. Dewey's address we also quote:

"The New Deal really believes that unemployment is bound to be with us permanently. It says so. They will change this 12-year-old tune between now and election. They have done it every time. But they've always come back to it after election. The New Deal really believes that we cannot have good social legislation and also good jobs for all. I believe with all my heart and soul that we can have both.

"Of course, we need security regulation. Of course, we need bank-deposit insurance. Of course, we need price support for agriculture. . . . Of course, we need unemployment insurance and old-age pensions and also relief whenever there are not enough jobs. Of course, the rights of labor to organize and bargain collectively are fundamental. My party blazed the trail in that field by passage of the Railway Labor Act in 1926.

"But we must also have a government which believes in enterprise and government policies which encourage enterprise."

Stating that "we cannot have jobs and opportunity if we surrender our freedom to government control," Gov. Dewey further said: "We do not need to surrender our freedom to government control in order to have the economic security to which we are entitled as free men. We can have both opportunity and security within the framework of a free society."

In his concluding remarks, Gov. Dewey said: "I am interested — desperately interested in bringing to our country a rebirth of faith in our future. I am deeply interested in bringing a final end to the defeatism and failure of this Administration in its domestic policies. I am deeply devoted to the principle that victory in this war shall mean victory for freedom and for the permanent peace of the world."

The Philadelphia address of Gov. Dewey (who was introduced by Gov. Edward Martin of Pennsylvania) follows in full:

"Tonight we open a campaign to decide the course of our country for many years to come. The next national Administration will take office Jan. 20, 1945, and will serve until 1949. Those years, 1945 to 1949, will be largely — and we pray, wholly, peacetime years.

"For nearly three years our nation has been engaged in a World War. Today our armed forces are winning victory after victory. Total, smashing victory is in sight. Germany and Japan shall be given the lessons of their lives — right in Berlin and Tokyo.

"America — our America which loves peace so dearly — is proving once again that it can wage war mightily . . . that it can crush any aggressor who threatens the freedom which we love even more than peace. The American people have risen to the challenge. The war is being won on the battlefronts. It is also being won in the factory, the office, the farm, the mine and the home.

"Yes, we are proving that we can wage war. But what are the prospects of success as a nation at peace? The answer depends entirely on the outcome of this election.

"At the very outset I want to make one thing clear. This is not merely a campaign against an individual or a political party. It is not merely a campaign to displace a tired, exhausted, quarreling and bickering administration with a fresh and vigorous administration. It is a campaign against an administration which was conceived in defeatism, which failed for eight straight years to restore our domestic economy, which has been the most wasteful, extravagant and incompetent administration in the history of the nation and worst of all, one which has lost faith in itself and in the American people.

"This basic issue was clearly revealed in the recent announcement by the Director of Selective Service in Washington. He said that when Germany and Japan have been defeated it will still be necessary to demobilize the armed forces very gradually. And why? Because, he said, 'We can keep people in the Army about as cheaply as we could create an agency for them when they are out.'

"For six months we have been hearing statements from the New Deal underlings in Washington that this was the plan. Now it is out in the open. They have been working up to it. Because they are afraid of peace. They are afraid of a continuance of their own failures to get this country going again. They are afraid of America.

"I do not share that fear. I believe that our members of the armed forces should be transported home and released at the earliest practical moment after victory. I believe that the occupation of Germany and Japan should very soon be confined to those who voluntarily choose to remain in the Army when peace comes. I am not afraid of the future of America—either immediate or distant. I am sure of our future, if we get a national administration which believes in our country.

"The New Deal was founded on the philosophy that our frontiers are behind us and all we have left to do is to quarrel over the division of what we have. Mr. Roosevelt, himself, said in 1932: 'Our industrial plant is built . . . our task is not . . . necessarily producing more goods. It is the soberer, less dramatic business of administering resources and plants already in hand.' The New Deal operated on that philosophy for seven straight peacetime years with unlimited power. At the end of that time in 1939, the New Deal gave its own official verdict on its failure by this cold admission: 'The American economic machine is stalled on dead center.'

"The administration knows that the war, with all its tragic toll of death, debt and destruction, is the only thing that saved it. They are deadly afraid that they will go back to resumption of their own failures. That is why they are afraid to let men out of the Army. That is why they say it is cheaper to keep men in the Army than to let them come home.

"Now let us get another point straight for the record right here at the beginning. In the last hundred years we have had 11 periods during which business and employment were well below normal. During that period, the average depression lasted two years. In the entire hundred years the longest depression of all was five years and the next longest was four years—up to the last one.

"When this administration took office the depression was already over three years old. Then what happened? In 1934, when the depression was then five years old—longer than any other in a century—we still had 12 million unemployed. By 1940, the depression was almost 11 years old. This administration had been in power for seven straight years and there were still ten million Americans unemployed.

"It took a World War to get jobs for the American people.

"Let's get one thing clear and settled. Who was President during the depression that lasted from 1933 until sometime in 1940 when war orders from all over the world began to bring us full employment again? The New Deal kept this country in a continuous state of depression for seven straight years. It made a three-year depression last eleven years—over twice as long as any other depression in a whole century.

"Now, Washington is getting all set for another depression. They intend to keep the young men in the Army. The New Deal spokesmen are daily announcing that reconversion will be difficult, if not impossible. They say that relief rolls will be enormous. They drearily promise us that we will need to prepare for an army of unemployed bigger than the armies we have put in the field against the Germans and the Japanese. That's what's wrong with the New Deal. That's why it's time for a change.

"The reason for this long continued failure is two-fold. First, because there never was a worse job done of running our government. When one agency fails, the New Deal just piles another on and we pay for both. When men quarrel, there is no one in authority to put a stop to it. When agencies get snarled up there is no one in authority to untangle them. Meanwhile, the people's business goes to pot and the people are the victims.

"Right in the final crisis of this war, the most critical of all war agencies — the War Production Board — fell apart before our eyes. This is also the Board in charge of reconversion and jobs. Yet we have seen quarrelling, disunity and public recriminations day after day, as one competent man after another resigned and the head of the Board was sent to China. We have seen this happen in agency after agency. The cost to the war effort, to the country, can never be calculated. And it's time the people put an end to it.

"When the WPB fell apart, so did your chance under this administration for jobs after the war. For now the New Dealers have moved in, and their handiwork, their promise for America is not jobs — but the dole.

"The other reason for this long continued failure—the reason why they are now dismally preparing for another depression — is because this administration has so little faith in the United States. They believe in the defeatist philosophy that our industrial plant is built, that our task is not to produce more goods but to fight among ourselves over what we have.

"I believe that we have not even begun to build our industrial plant. We have not exhausted our inventive genius. We have not exhausted our capacity to produce more goods for our people. No living man has yet dreamed of the limit to which we can go if we have a government which believes in the American economic system and in the American people.

"This administration is convinced that we can achieve social security only by surrendering a little bit of freedom for every little bit of security. That is exactly what our enemies thought. So their people first lost their freedom and then their security. I cannot accept that course for America. I believe — I know — that we can achieve real social security only if we do keep our freedom.

"There can be — there must be — jobs and opportunity for all, without discrimination on account of race, creed, color or national origin. There must be jobs in industry, in agriculture, in mines, in stores, in offices, at a high level of wages and salaries. There must be opportunity and incentive for men and women to go into business for themselves.

"The war has proved that despite the New Deal, America can mightily increase its frontiers of production. With competent government America can produce mightily for peace. And the standard of living of our people is limited only by the amount of goods and services we are able to produce.

"The New Deal prepares to keep men in the Army because it is afraid of a resumption of its own depression. They can't think of anything for us to do once we stop building guns and tanks. But to those who believe in America, there's lots to do. Why just take housing, for example. If we simply build the homes the American people need in order to be decently housed, it will keep millions of men employed for years. After 12 years of the New Deal the housing of the American people has fallen down so badly that just to come up to the standards of 1930 we will need to build more than a million homes a year for many years to come. And this does not include the enormous need for farm housing repairs and alterations.

"By the end of this year we will have an immediate need for 6,000,000 automobiles just to put the same number of cars back on the road that were there in 1941. We will need after the war three and one-half million vacuum cleaners, 7,000,000 clocks, 23,000,000 radio sets, 5,000,000 refrigerators, 10,000,000 electric irons, 3,000,000 washing machines, and millions of other household appliances. There are 600 different articles made of steel and iron which have not been manufactured since 1942. All this means production and production means jobs. But that kind of production and that kind of jobs are beyond the experience and vision of the New Deal.

"The transportation industry — rail, air and motor — is waiting to get going.

"The mighty energy we found lying dormant and unused in this country at the beginning of the war must be turned from destruction to creation. There can and must be jobs for all who want them and a free, open door for every man who wants to start out in business for himself.

"We know from long experience that we will not provide jobs and restore small business by the methods of the New Deal. We cannot keep our freedom and at the same time continue experimentation with a new policy every day by the national government. We cannot succeed with a controlled and regulated society under a government which destroys incentive, chokes production, fosters disunity, and discourages men with vision and imagination from creating employment and opportunity.

"The New Deal really believes that unemployment is bound to be with us permanently. It says so. They will change this 12-year-old tune between now and election. They have done it every time. But they've always come back to it after election. The New Deal really believes that we cannot have good social legislation and also good jobs for all. I believe with all my heart and soul that we can have both.

"Of course, we need security regulations. Of course, we need bank deposit insurance. Of course, we need price support for agriculture. Of course, the farmers of this country cannot be left to the hazards of a world price while they buy their goods on an American price. Of course, we need unemployment insurance and old age pensions and also relief whenever there are not enough jobs. Of course, the rights of labor to organize and bargain collectively are fundamental. My party blazed the trail in that field by passage of the Railway Labor Act in 1926.

"But we must also have a government which believes in enterprise and government policies which encourage enterprise. We must see to it that a man who wants to start a business is encouraged to start it, that the man who wants to expand a going business is encouraged to expand it. We must see to it that the job-producing enterprises of America are stimulated to produce more jobs. We must see to it that the man who wants to produce more jobs is not throttled by the government — but knows that he has a government as eager for him to succeed as he is, himself.

"We cannot have jobs and opportunity if we surrender our freedom to government control. We do not need to surrender our freedom to government control in order to have the economic security to which we are entitled as free men. We can have both opportunity and security within the framework of a free society. That is what the American people will say at the election next November.

"With the winning of the war in sight, there are two overshadowing problems. First, the making and keeping of the peace of the world so that your children and my children shall not face this tragedy all over again. This great objective to which we are all so deeply devoted, I shall talk about at Louisville tomorrow night on the radio.

"The other problem is whether we shall replace the tired and quarrelsome defeatism of the present administration with a fresh and vigorous government which believes in the future of the United States, and knows how to act on that belief.

"Such action involves many things: tax policies, regulatory policies, labor policies, opportunity for small business, the bureaucracies which are attempting to regulate every detail of the lives of our people — these are all of major importance. I shall discuss each of them in detail before this campaign is over. I will discuss them in plain English and say what we propose to do about them.

"I am interested — desperately interested in bringing to our country a rebirth of faith in our future. I am deeply interested in bringing a final end to the defeatism and failure of this administration in its domestic policies. I am deeply devoted to the principle that victory in this war shall mean victory for freedom and for the permanent peace of the world. Our place in a peaceful world can and will be made secure. But nothing on earth will make us secure unless we are strong, unless we are productive and unless we have faith in ourselves. We can and we will recover our future and go forward in the path of freedom and security. I have unlimited faith that the American people will choose that path next November."

Gov. Dewey's Louisville Address

In a further campaign address at Louisville, Ky., on Sept. 8, before the Federation of Republican Women's Clubs, Gov. Dewey dis-

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cussed the problems of victory, and in stating that "we are seeking to make secure the peace of the world, not merely in the next ten years, but as far ahead as the mind of man can think," he said "we will delude ourselves if we think that the disarmament of Germany and Japan will eliminate from the face of the earth all future threats to the peace of the world."

So he continued "we must have a world organization equipped to meet the problems now unforeseen which may arise five and ten or fifty years from now. That world organization must be the work of many minds. No one man, or three or four men, can shape it. Some sixty nations, great and small, must help shape it, believe in it, join it, make it work."

He asserted that "this world organization should develop effective cooperative means to prevent or repel military aggression, and such means should include the use of force as well as the mobilization of international opinion, of moral pressure and of economic sanctions. We should and must work to create conditions under which peace will be desired and not merely compelled," he said, and "if we are to obtain this ideal, we must be fair and upright in our dealings with the smaller nations. They, no less than ourselves, have a stake in world peace."

Declaring that "we Americans and a few strong friends must not assume the right to rule the world," Gov. Dewey in part further stated:

"It is the obligation of the mighty to make common cause with the less powerful in the interests of justice and peace. . . . There will be for each of us, not only as nations but as individuals, the daily task of getting along with our neighbors wherever they are.

"By this I do not mean getting along by the philosophy of the Washington wasters. They have been proposing that America should try to buy the good will of the world out of the goods and labor of the American people.

"They propose to buy themselves international power out of our pocketbooks. They are the very ones to tell us America is old and that its period of vigor is over. They say we are mature and have no future except to quarrel over the division of what we have. Yet they now talk glibly of an American WPA for all of the rest of the world.

"That is no lasting way to win friends or to influence peoples.

"Good will cannot be bought with gold. It flows to the man who successfully manages his own affairs, who is self-reliant and independent, yet who is interested in the rights and needs of others.

"We shall want to help — we will help — the liberated peoples through this period of crisis, so they can again help themselves. We can and we will seek to work out conditions that will lead to an even wider exchange of goods and services without injury to our own people."

The following is Gov. Dewey's Louisville address in full:

It is good to be in Louisville again and to be the guest of Governor Willis and the Federation of Republican Women's Clubs. I am particularly happy to be able to attend this biennial conference of the women of our party because it symbolizes the vital influence of the women of America in our public affairs.

Your influence is needed. Your help is needed in our government. It is especially needed to bring about the thing that is closer to our hearts than life itself — the achievement of a permanent peace at the end of this war. We are willing to fight for it. Thousands of our sons have died for it. We must be willing to struggle, to work and to sacrifice for it in the years to come.

Twice within 25 years the American people have gone to war to defend their liberties from attacks that had their beginnings thousands of miles away. As a result we Americans are completely agreed upon one position: We do not intend to have a third world war. This time must be the last time.

We know that we cannot make good that resolve by any effort to withdraw or isolate ourselves from the rest of the world. Our problem is not how to stay out of a future war. Our problem is to prevent a future war before it happens, instead of getting into it after it has happened.

Of course, that is easier said than done. Wars have had a habit of recurring regularly through all the centuries. But when war comes to us it brings forth a united American effort. It is a non-partisan matter. So also must we make peace a non-partisan matter, to be achieved through a united effort. Only through a non-partisan approach to the shaping of a peace structure can America achieve unity of purpose. Only with unity of purpose can America exercise the influence in the world for which its real strength has equipped it. I am deeply convinced that our peace efforts can and must become a non-partisan effort.

This idea is already at work. I have made a practical beginning with Secretary Hull in bipartisan cooperation to establish an international organization for peace and security. Both parties are working together today in this great labor so that it can go forward year after year, decade after decade, regardless of the party in power.

And let me make this plain: I believe that the organization of peace is a subject which should be talked about earnestly, widely and publicly.

We cannot meet the problems of peace on any hush-hush, pussy-foot basis. The steps by which this great goal is to be approached cannot be secret. They must not be devious or obscure. On the contrary, they must be methods the American people will believe in. They must involve procedures and commitments that the American people will not merely accept for today but will wholeheartedly support today, tomorrow and 50 years from today.

For no document we sign at the end of this war will, of itself, preserve peace. Peace will be preserved only by the hard labor, the understanding and the willingness of all people during all the years to come. It will take sacrifice and continuing effort. It will never be something we can take for granted. We must wage peace, as we have waged war, by the united purpose of our people. That is why I have taken unprecedented action to promote the non-partisan character of the conferences now in progress. Experts of both parties and members of the Senate of both parties are now conferring and will continue to confer on the work in progress. So long as I have anything to say about it, I shall insist on two things: First, that the American people shall be fully informed of our efforts to achieve and to keep the peace. Secondly, these matters shall never be subjects for partisan political advantage by any individual, or by any party either in or out of power.

Tonight I want to discuss a few of the many aspects of the problem of preventing future wars.

There are, at once, two different things to be done. One deals with the immediate problems of victory and the other with the long-term, world-wide problems of organized peace. Work on both should go ahead right now. But they are different problems entirely.

Let us consider first the immediate problems of victory. I have long and repeatedly insisted that when the period of actual combat is over we must continue close cooperation among the four great powers, the United States, Great Britain, Russia and China. The disarmament of Germany and Japan — a disarmament that must render them powerless to renew aggression — is primarily a responsibility of the victorious Allies. What must be done to carry out that responsibility?

First, the military defeat of Germany and Japan must be complete and crushing. Germany must never again suffer the delusion that she could have won. Japan must be utterly beaten. The people — not just the leaders — of those nations must be taught to see and to believe that war does not pay. They must learn in their hearts the bitter lesson that they must not try it again.

The criminals, high and low, in both Germany and Japan who have outraged the world by their treatment of minorities, of war prisoners and of conquered peoples — these men must be dealt with — promptly, justly and relentlessly.

Germany and Japan must be completely disarmed. The weapons of aggression must be taken away from them, broken up or destroyed. Beyond that, the very means of re-armament, the chance to make guns and fighting planes and warships, must be forbidden them.

But we must remember that we are not worrying about another world war in the next five years or ten years. All the great powers will be too exhausted and depleted to wage a great war then. Our task and our hope is to see that war does not come upon us when warlike nations are again strong enough to wage it.

In the case of Germany, it will probably be necessary to establish a commission which in the first instance and for a number of years to come must be responsible to the victors. That commission must supervise the actual disarmament of Germany and the necessary measure to prevent re-armament. To prevent rearmament it will be necessary either to eliminate or to place under close supervision those industries which are readily convertible to war production.

For some years to come, it may be necessary to forbid Germany any aviation industry of her own. I have already suggested the advisability of internationalizing the entire Ruhr, which is the heart of Germany's heavy industry. Such a course would have its advantages not merely in removing from direct German national control the raw materials and the industry for new war production. It would also permit this area to work for the economic rehabilitation of the entire continent of Europe.

In the case of Japan, similar measures adjusted to the particular characteristics of that island nation will be needed. Here China, clearly, will have a definite and special interest. But the disarmament of the aggressor nations, the punishment of war criminals, the immediate post-war supervision of German and Japanese industry — all this is a responsibility of the victors and of such of the liberated countries as are willing and able to join in the endeavor.

These are specific tasks which we can plan now and carry out according to agreement publicly made and publicly to be observed. This is the specific task of the great, victorious powers.

The other task is the broader one. It is to establish a world organization in which all nations may share as sovereign equals, to deal with future threats to the peace of the world from whatever source, and on a permanent basis.

If our only problem were to make certain that neither Germany nor Japan should ever again be able to renew their attack upon the peace of the world, it would be fairly simple. We would have only to disarm those nations and keep them disarmed. But let us be clear-headed as we look into the future. There have been many wars in which neither Germany nor Japan took part. We must take measures broader in scope than just to deal with the aggressors of this war.

We are seeking to make secure the peace of the world, not merely in the next ten years, but as far ahead as the mind of man can think. We will delude ourselves if we think that the disarmament of Germany and Japan will eliminate from the face of the earth all future threats to the peace of the world.

So we must have a world organization equipped to meet the problems now unforeseen which may arise five and ten or 50 years from now. That world organization must be the work of many minds. No one man, or three or four men, can shape it. Some 60 nations, great and small, must help shape it, believe in it, join it, make it work.

Upon certain aspects of the organization we are, I think, agreed. There will be a general assembly comprising all peace-loving nations of the world. In this general assembly all nations shall have representation. It is generally agreed, too, that there will be a council small enough for almost continuous meeting and prompt action. The major nations will participate in the council and the smaller ones through selected representatives. This world organization should develop effective cooperative means to prevent or repel military aggression, and such means should include the use of force as well as the mobilization of international opinion, of moral pressure and of economic sanctions. There should be a world court to deal with justiciable disputes.

But even this is not enough. We should not seek merely repression of conflict. Force breeds revolt unless it is the servant of the law and the servant of justice. We should and must work to create conditions under which peace will be desired and not merely compelled.

If we are to obtain this ideal, we must be fair and upright in our dealings with the smaller nations. They, no less than ourselves, have a stake in world peace.

We in America believe that all decent members of a society must share the responsibility for its order. If we are to give leadership to the world, we must put into action the ideals we believe in. The people of Poland, of France, of the Low Countries, the people of Norway know even more bitterly than we the price and the tragedy of war. They and all other peoples of good will are entitled to full partnership in preventing its repetition. They feel as deeply as we do. Their stake is as great as our stake. The Polish mother feels, no less deeply than the American mother, the loss of a son or a husband. To us, might can never make right. We Americans and a few strong friends must not assume the right to rule the world. It is the obligation of the mighty to make common cause with the less powerful in the interests of justice and peace.

When we have done all these things, we shall be only at the threshold of the better world we seek. There will be for each of us, not only as nations but as individuals, the daily task of getting along with our neighbors wherever they are.

By this I do not mean getting along by the philosophy of the Washington wasters. They have been proposing that America should try to buy the good will of the world out of the goods and labor of the American people.

They propose to buy themselves international power out of our pocketbooks. They are the very ones to tell us America is old and that its period of vigor is over. They say we are mature and have no future except to quarrel over the division of what we have. Yet they now talk glibly of an American WPA for all of the rest of the world.

To hear them talk, Uncle Sam must play the role of the kindly but senile old gentleman, who seeks to buy the good will of his poor relations by giving away the dwindling remains of his youthful earnings.

That is no lasting way to win friends or to influence peoples.

Good will cannot be bought with gold. It flows to the man who successfully manages his own affairs, who is self-reliant and independent, yet who is interested in the rights and needs of others.

We shall want to help — we will help — the liberated peoples through this period of crisis, so they can again help themselves. We can and we will seek to work out conditions that will lead to an even wider exchange of goods and services without injury to our own people. We look toward a more general access to the raw materials of the world as to an ever-widening opportunity for all to contribute most effectively their best to the production of the goods needed by all.

Beyond that, we know that we shall be able to help in keeping this long peace we pray for, only if we are strong at home. We can no more separate our armies in the world from our domestic affairs than our armies can fight without our production at home. If we are to have leaders who set group against group; if we are to be governed by the philosophy that America is overbuilt and is done; if we cease to be a land of opportunity for our own people, then we shall fail both at home and abroad.

But if here this year we can put down forever this spirit of defeatism that has haunted our government for 12 long years, if we can restore the faith of Americans in America, if we can regain the irresistible, forward progress which never halted until the New Deal decade of the 1930"s, then we need have no fear either at home or abroad.

I say "if." But we need have no doubts. The great achievements of American industry, American labor and American agriculture in meeting the requirements of this war are a challenging demonstration of what this country can do and can be when we once more turn our energies to the pursuits of peace.

For years I have been saying up and down the country that America is not finished. It need never be finished. America is at the morning of her destiny. If you believe with me, let us now resolve that we will never rest until we make the American dream a living and a moving reality.

A vital and necessary part of American dream is that America shall, by her conduct and example, give leadership and inspiration to the world. We are in the fullness of our strength. We shall go forward on this mighty continent of ours to build a better life for all our people and in so doing, we shall help build a better world for all the peoples of the earth.

Mr. Dewey At Des Moines

At a press conference at Des Moines, Iowa, on Sept. 11, Governor Dewey is said to have accused the Roosevelt Administration of failing to prepare for war and of delay now in planning for reconversion to peace. He also took exception to points on foreign policy made by Wendell L. Willkie in his recent article in "Collier's." We quote from special Des Moines advices to the New

York "Times," by Warren Moscow, which added that Mr. Dewey's main points, all made in response to questions, were these:

1. The Roosevelt Administration made absolutely no military preparations for the events it now says it foresaw and the Army numbered only 75,000.

2. The Roosevelt Administration is just as incapable of preparing for the peace. The Byrnes report is at least seven and one-half months late and represents only a start and Mr. Dewey is not prepared at this time to say even whether it is a good start.

3. Mr. Willkie's raising, in his article in "Collier's," of the question of sovereignty and the necessity of giving some of it up was the raising of a "shibboleth." Both major parties, Mr. Dewey said, had agreed that the sovereignty of all nations was to respected and preserved in the world organization. At the same time everyone knows that every time a nation signs a trade agreement or a treaty it gives up something, yet demonstrates its sovereignty by the act of signing the treaty.

The "Times" account reported that Mr. Dewey arrived at Des Moines Sept. 11, and left in the evening for Valentine, Neb., where he planned to spend the better part of two days. He had no formal speech scheduled at Des Moines, but he gave a short talk at the railroad station when his train came in. During the day he held conferences with Republican leaders, said the "Times" advices by Mr. Moscow, which also had the following to say:

At the railroad station, where he was greeted by a crowd of about 3,000, Mr. Dewey declared that American economy required equality of labor, industry and agriculture.

The press conference began with a request by a reporter for comment on the Byrnes reconversion report. Mr. Dewey said that he had had time to make only a preliminary study of the report. Then he added:

"It was in Pittsburgh six weeks ago that I pointed out that the Administration was six months late. Well, now they are only seven and one-half months late with the Byrnes proposal and it is my earnest hope that that proposal will mean action and not just words, because it is very, very late."

Did he mean action along the lines laid down in the report?

"At least that is a start," Mr. Dewey replied.

He was asked how he fixed the seven and one-half months period.

"Well," he answered, "I said in Pittsburgh six weeks ago that a plan for reconversion should have been much further along. You can't reconvert the industry of this country without notice and without permission since so much of it is under Government control today. The mere physical problem of getting Government property out of the plants so that they can start to reconvert is a gigantic undertaking that requires long and skillful planning in advance, the like of which we have never seen in this Administration."

When he said that the Byrnes report was a start, did it mean that he approved of most or all of its provisions? he was asked.

"I said I have not had ample opportunity to study it, so I am passing judgment on it at this time."

The first of several questions about Mr. Willkie's article in "Collier's," which was severely critical of the foreign policy planks in the Democratic and Republican platforms, dealt with Mr. Willkie's contention, as quoted by a reporter, that foreign and domestic policies were inseparable, with our domestic welfare depending on our foreign policy.

"That is what I have been saying for years," Mr. Dewey stated. "I fact, I just finished saying it in my Louisville speech. If I can recall the words of the Louisville speech, they are as follows: 'Our foreign policy can never be stronger or more effective than the strength of the American people at home.' In fact, there was one sentence which read about as follows: 'We cannot have influence in the world in achieving the peace that is so essential and so close to the hearts of all of us if we do not go forward to full production and full employment after the war.'

"That is just as essential as the home production of war goods is to our men who are fighting on the battlefronts of the world. The two are utterly inseparable.

"And, of course, the tragedy of the present situation is that we have an Administration seeking re-election now which was eight years in office while all these tremendous forces were rising toward war which did absolutely nothing to prepare the American people for the war and at the end of those eight years in office the Administration still had a limping, unproductive economy, with ten million unemployed, and absolutely no military preparation for the events it now claims it foresaw. As a matter of fact, we had an Army of 75,000."

The next questioner told Mr. Dewey that in effect, in the Collier's article, Mr. Willkie had repeated the idea that "we must give up some of our sovereignty in order to have world security."

"Well, that is a shibboleth," Mr. Dewey replied. "Every time you sign a treaty agreement with a nation you give up a little something as they give up a little something.

"Both parties are agreed that we shall respect in the international peace organization the sovereignty of 60 nations of the world, that that sovereignty shall be respected and preserved."

When he used the phrase "that is a shibboleth," what did the word "that" refer to? he was asked.

"The argument itself," he replied. "To raise the argument of sovereignty, one way or another, seems completely beside the point, because both parties are agreed, publicly and repeatedly, that the peace of the world is to be only maintained between the 60 sovereign nations of the world. There is no disagreement whatever between the parties, and yet at the same time I think every intelligent person understands that every time you sign an agreement with another nation, to the extent of that agreement you have been giving up a little something and, at the same time, by signing the agreement to give up something, you exercise an act of sovereignty."

Mr. Dewey was asked, if, in view of the Democratic contention that Mr. Roosevelt's knowledge of world affairs would be needed in the peace period, he would offer Mr. Roosevelt a post as a representative of America in the peace negotiations.

"I have been asked that question in similar forms before and my answer is the same," he stated. "I am not indulging in Cabinet making at this time."

He was told of a speech, critical of him, made by Sidney Hillman, Chairman of the CIO Political Action Committee.

"That makes our regard for each other mutual," commented Mr. Dewey.

A Des Moines reporter asked Mr. Dewey if he agreed with his running mate, Gov. John W. Bricker, that the Triple A (the Agricultural Adjustment Act) should be abandoned two years after the war. Mr. Dewey replied that he did not know Mr. Bricker had said that. The reporter insisted that he had in a speech in Des Moines some time ago. Mr. Dewey said that he had a farm speech already in draft and would deliver it later in the campaign, but not on the present trip.

Asked about the prospect of a food surplus after the war, in view of the Government reports on food stock piles, Mr. Dewey declared that great care would have to be exercised to see that these food stock piles were not handled in such a manner as to glut the market in any one year and thus hurt the American farmer. That's another reason we need a change of Administration, he contended.

Did he mean to imply that he favored controlled food distribution?

"Another FDA?" inquired the Governor. "I would say there is certainly a job that will have to be done, but whether it is done through special agencies or how is a matter I will discuss in speeches later in the campaign, and it will have to be done skillfully so that it does not come in bunches and is not dumped in special areas. Otherwise it would wreck the whole distribution system. That's the idea."

Gov. Dewey on his tour stopped off on Sept. 9 at his home town, Owosso, Mich., where he was accorded a royal welcome. The Governor was there quoted by Mr. Moscow as saying:

"In this campaign we are dedicated to the proposition that America shall do its part, its all, to make certain that the tragedy and death of this war shall never happen again.

"We are dedicated to the belief that by bringing a fresh, a new and courageous administration to this country which believes in the United States and in its future we can strengthen our opportunity for a great peace.

"We can strengthen our country so that it can take it proper position and leadership in seeing that wars such as this do not again come on the world.

"We represent the cause of freedom in the United States that you and I, who live in small towns and who know what real democracy is, believe it to be.

"We represent the belief that no Government, no matter how wise and beneficient can order the lives of 130,000,000 Americans without destroying the things that we believe in more than anything else in the world.

"America must be determined that the war shall never happen again and its people must dedicate themselves to building up internally to be prepared for a great peace."

From Mr. Moscow's advices we also quote:

"As he stepped off his special train at Lansing at midday for a visit of seven hours, a crowd of 5,000 cheered and shouted.

While in Lansing Mr. Dewey began the series of conferences with political leaders and representatives of various organizations supporting his candidacy which will occupy most of his time between today and Sept. 18, when he will make his next speech in Seattle."

Warns Against Becoming "Soft" Under Government Paternalism

The August "Letter" Of First National Bank Of Boston Urges Need For Realism In Grasping Post-War Problems And Calls For Abandonment Of Search For Panaceas

"As we stand at the threshold of victory over the Nazi forces in Europe, the problems of peace loom challengingly before us. To win that peace at home and abroad, clear thinking and realism are imperative. Otherwise, the democracies of the world will again be vulnerable to the forces of aggression," says The First National Bank of Boston in its current New England Letter. Continuing the Bank says, "The survival of civilization is dependent upon the establishment of a proper balance between softness and hardness. If the scale tips toward the former, we have degeneration and submission. On the other hand, the predomination of hardness leads to brutality and war.

"In the two decades or so before the war this country was growing soft and shied away from reality by taking the easy way out. From now on we shall be compelled to grapple with our problems because their magnitude rules out by-passing.

"There are grandiose blueprints not only for the vast outpouring of Federal funds at home but also for reconstructing the world by lifting living standards everywhere. The country will, as a matter of humanity and of enlightened self-interest, help the stricken nations to their feet and aid in providing facilities so that they can go to work and help themselves. But there is a point beyond which we cannot go without bankrupting ourselves and dragging the world down with us. The end of the war will find an impoverished Europe with channels of trade disrupted, but these countries will muster their strength and rise again. The trying ordeals through which they have passed will develop a capacity to deal with the difficult tasks that will confront them. Stern necessity will compel them to work hard and for long hours. We shall have to match our brains, skill, and energy with a group that has become hard, shrewd, and determined, and that after the war may initiate an aggressive trade front. We may find ourselves too soft when the battle for world markets begins. It is well to recall that after the last war, Germany in a comparatively short period emerged from bankruptcy and chaos to become a most formidable competitor in world trade.

"For nearly four decades our sense of values has been warped by the stupendous outlay of money for war purposes, speculation, and pump priming. It has created the impression that this vast outpouring of money was evidence of great wealth and the key to abundance, ease, and security, and that the long-looked-for formula of getting something for nothing has at last been found.

"Past generations had a keen sense of social responsibility and not only paid their own way but set aside a large part of their resources and productive effort to fortify the future. They understood that the creation and perpetuation of wealth were dependent upon hard work and thrift, and that money and investments were tokens of facilities that provided employment and income. In contrast, this generation has been too inclined to lose sight of the need for productive facilities or the source of payment for them and has instead placed the emphasis upon public spending. This is a dangerous illusion for the distorted theory is incorporated into Governmental policies as well as legislation, thus setting the national pattern and shaping our destiny.

"Unless there is a fundamental change in our concepts of money and wealth, we shall continue down the road of creeping collectivism, with a constant dwindling of economic freedom and private enterprise, until we are eventually engulfed in totalitarianism.

"With stakes so high it is well to give sober thought before taking the reckless plunge that will seal the doom of the things we hope to win and to preserve by victory over the forces of aggression. This does not mean that the Government should not cushion the shocks in time of depression or establish some form of security against the contingencies of life, but rather that we cannot afford to adopt national policies that are fallacious, that aggravate ills instead of curing them, and that entail costs that stagnate or crush instead of revive and stimulate the economy.

"The forces set in motion by the war will open up new vistas and new frontiers, while the remarkable development that has taken place in communication and transportation has shrunk the world within a narrow orbit for the more ready exchange of goods, services, and ideas. There are available the necessary resources, manpower, and research facilities to rebuild in a comparatively short time what the war has destroyed and to lay the foundation for higher living standards everywhere.

"The United States is destined to play the leading role in world reconstruction. The greatest contribution that we can make is to establish a strong economy and to adopt sound domestic and international policies that square with reality and are based upon individual effort and enterprise. We should abandon the search for panaceas to our ills and concentrate upon making the American system work, for with all of its shortcomings it is the best that has as yet been devised, as demonstrated by its outstanding accomplishments in peace as well as in war. Grandiose plans under the leadership of a paternalistic Government cannot give the American people what they want, for in the end such a system leads to the loss of liberty and lower living standards. The key to our salvation lies in removing the shackles from individual energy and providing incentives so that we may capitalize on the opportunities that lie beckoning to us.

"Our efforts should be devoted toward strengthening our national fiber to withstand the vicissitudes that may come our way, and we should turn our backs upon the soft life that seeks shelter and comfort under the protective wing of a benevolent Government, for in the arduous struggle that lies ahead the rewards will go to those people who work hard and unflinchingly face their problems in a spirit of realism."

Empire Electric Issue Offered By Bankers

The First Boston Corporation and G. H. Walker & Co. head two syndicates which today are offering $10,600,000 first mortgage bonds, 3½% series, due 1969, and 350,000 shares of common stock, $10 par value, of the Empire District Electric Company. The bonds are priced at 106.92 and the stock at $14.875.

Serving a compact area of approximately 300,000 population in southwestern Missouri, southeastern Kansas, northeastern Oklahoma and northwestern Arkansas, Empire District Electric supplies electric service at retail in 90 incorporated and 31 unincorporated communities. Its generating facilities supply about 96% of the total energy required and are interconnected by high tension transmission lines.

The capitalization of Empire as of May 31, 1944, adjusted to reflect this financing, will consist of $10,600,000 3½% first mortgage bonds; 39,018 shares of 5% cumulative preferred stock, and 350,000 shares of common, par value $10.

A pro forma summary of Empire's earnings for the 12 months ended May 31, 1944, reflecting the merger shows operating revenues of $5,943,629. Net operating revenue before Federal taxes amounted to $1,884,717; pro forma net income, $742,688 and preferred dividend requirements, $195,090, leaving a balance for common of $597,598.

Market Comment

The present coincidental strength in the utilities and weakness in the oils may be variously interpreted. There may be a plethora of political reasons for renewed confidence in utility shares, and, on the other hand, institutional and "well informed" liquidation of oil shares may have raised some fears in the minds of other holders. These two sets of causes are unrelated, and yet they have produced a pattern of results which might be considered anti-inflationary.

We hesitate to use the word "deflationary" for we feel it might be misinterpreted. We believe we have been consistent in our constructive attitude towards the speculative markets for the past two and a half years. We are not only not bearish at this time, but we are of the opinion that uncertainties arising from reconversion, demobilization and surplus property disposal will not prove to be as worrisome as many investors have imagined. However, we have never felt that inflation would be an important basis for an improvement in quotations. Inflation has not been a market factor for a considerable period of time, and the present action of the utility and oil shares may well be confirming that "inflation," like the pore Jud of musical comedy fame, is dead. But we do not need to depend upon the showing of the utilities and oils for this evidence. Many commodities, particularly raw materials, are giving an indication that they have seen their wartime peak prices. The U. S. Senate is discussing the price at which it will support domestic cotton. The Canadian House of Commons recently passed the Agricultural Price Support bill. More comprehensive international price support plans are being talked about at United Nations conferences. Indeed, after the strong replenishment demand of the immediate post-war years has been satisfied, we are convinced that the world problem with respect to raw materials will be one of supporting prices rather than holding down, and of eliminating chronic over-supply rather than suffering from scarcity.

Of course, the problem of excess raw materials is one for the rather distant future and is something which need not concern the investor at this time. No doubt ways and means will be found in due time to prevent the return of 1c sugar, 6c coffee and 7c copper. Inasmuch as we believe the problem is a remote one, we have no intention of further discussing the raw material situation at this time. We mentioned it merely to buttress our contention that there is not now the possibility of price inflation, among other things, because the long term background points in the other direction. It is for this reason that we have consistently refused to predict that the Dow-Jones industrial averages might reach 175, 200, or any similar figure before they reverse themselves. We have not shared the belief of others that a bull market of violent proportions was in the offing, for this could only be supported by a simultaneous commodity price inflation which was not in the cards.

There are numerous public utility companies subject to heavy excess profits charges. While the timing element cannot be accurately foreseen, we believe that the elimination of the excess profits tax may be one of the first fiscal reforms instituted in the post-war period. If our assumption is correct, then such utility shares will be very favorably affected. Among these companies is Public Service Co. of Indiana, which has outstanding 1,107,000 shares of common, paying a $1 annual dividend. Priorities comprise about $70,000,000 of long term debt and $14,800,000 of 5% preferred, quoted above its call price. The Company has shown a substantial growth since it was organized three years ago as a merger of a number of smaller units in the central, north central and southern regions of Indiana. Some of the larger communities served are Terre Haute, Kokomo and Lafayette. About 80% of its operating revenues are from sales of electricity and about 12% from gas. In 1943 the Company reported earnings of $1.94 on the common after paying or setting aside excess profits taxes equivalent to about $2.60 per share.

In the first half of 1944, the Company has become increasingly subject to excess profits taxes, the amount set aside for this charge having been $2,963,571 as against $1,493,284 in the first half of 1943. Should excess profits taxes in the second half be equivalent to those of the first six months they would amount to about $5.40 per share of common, a very substantial sum. Incidentally, the balance after charges for the first six months of 1944 was actually slightly in excess of that shown in the corresponding period of the preceding year despite higher taxes. The $1 dividend on the common appears to be well protected. The company seems to have complied with regulations of the Public Service Commission of Indiana and the Federal Power Commission with respect to proper statement of its plant account. Last year a total of $5,789,000 of fixed assets was written off and an additional $8,848,000 was reclassified and is being amortized over a 15-year period through annual appropriations from surplus which do not appear to be burdensome.

We view the common stock of the Company favorably at its present quotation of around 19, not only because of the probable release from the burden of excess profits taxes early in the post-war period, but also because of the beneficial results to be expected from the company's very ambitious construction program. During the five years ended Dec. 31, 1943, about $32,500,000 was spent in new construction without resorting to new financing. Completion of an additional unit at the Dresser generating station at an estimated cost of $4,600,000 is expected by September 1945 and other additions to plant are expected to cost $6,400,000, making an overall gross program of about $43,500,000. While a portion of this money was spent for transmission lines and sub-stations, generating capacity will have been increased by September 1945 by 187,500 kilowatts. Of this a 50,000 unit was placed in operation only in February 1944 and an additional 37,500 kilowatts in June of this year. The company's earnings have suffered in the past through its material dependence upon purchased energy. Even last year it was forced to buy about 23% of its total sales of electricity from other companies. Incidentally, the average cost of purchased power in 1943 was about 7 mills per k.w. hour, a figure far higher than the cost of current generated at its own stations.

Another interesting fact about the company is that its sales in 1943 to industries, many of whom were engaged in war work, totaled about 752,000,000 kw. hours. While this is expected to taper off after the termination of hostilities, the company will not be seriously harmed because its power purchases in 1943 totaled about 356,000,000 kw. hours, and the profit margin between purchased power and sales to industries is extremely small.

With the improvement in quotations for utility shares, it is difficult to find many issues which are still available at less than 10 times current earnings, and which at the same time appear to have the promising prospects of Public Service of Indiana common.

On August 26th the U. S. District Court approved the Associated Gas & Electric plan. There will probably be an appeal by some of the junior security holders wiped out by the recapitalization, but we do not regard this interference of a serious nature.

Second grade railroad bonds are continuing to be unpopular. However, debt retirement is continuing with respect to many borderline railroads, such as the Southern, Southern Pacific and the New York Central. The last named, incidentally, reports that it purchased in July $2,000,000 of its 3¼s of 1952 in the open market, thereby reducing the outstanding issue to $28,388,000 as of July 31. The Central may now be said to have no important maturities which cannot be handled by depreciation funds until 1959 when the Jamestown, Franklin & Clearfield first 4s mature. These have dropped from a high of 83½ to around 76½ where we believe they are attractive for the long pull.—*From Byfield & Co.'s Market Letter of Sept. 1 edited by Robert S. Byfield.*

China's Benefits From Bretton Woods Pacts

Austin Gray Lauds Equality Given To China And India And States Purposes Of The Fund And Of The Bank "Correspond With China's Particular Needs"

Writing in the "Far Eastern Survey" of Sept. 6, published by the American Council, Institute of Pacific Relations, Austin Gray, emphasizes the importance of the Bretton Woods agreements to China, not only because of the financial aid which these agreements will afford to the ravaged country, but also because of the enhancement of its international political status, "which the West has been most reluctant to grant in the past."

"China," says Mr. Gray, "is accepted as one of the Big Four economically and financially as well as politically and militarily. This place she owes both to her contribution to the defeat of Japan and to her enormous potential economic strength. As one of the Big Four, China will automatically have an executive director on the Board of Directors of the Fund as well as of the Bank. In addition, India occupies sixth place in the quota and subscription allotments of the Fund and of the Bank and will probably have a director elected to the Board of Directors of each. Thus, China and India are likely to have two directors out of the twelve to be appointed. These two directors together will have over 10% of the votes on both the Fund and the Bank. The Far East will, therefore, have a more adequate and equitable representation on these two institutions than on any other previous international agency or organ. The role played by the Chinese and Indian delegations during the conference foreshadows the scale of their countries' participation in the work of the Fund and the Bank. To paraphrase a statement by Mr. Owen Lattimore, the peoples of the Far East are becoming more and more the subjects and less and less the objects of the historical process. This trend was recognized and reinforced at Bretton Woods.

"China, as a country which has been ravaged and whose economy has been severely dislocated by over seven years of war, will stand particularly to gain by adherence to an international monetary system. China's finances have been subject to unprecedented stresses and strains. The arduous process of setting its financial and monetary house in order, and of accomplishing the transition from a war to a peace economy, will be considerably facilitated by membership in the Fund. In the immediate postwar years China's balance of payments is likely to be more unfavorable than it was before 1937: its imports will be high, and it will be some time before it will be able to resume the prewar level of exports, and before the volume of overseas Chinese remittances can become substantial.

"Through the Fund China will have access, if the situation warrants, to annual short-term credits of a quarter of her quota of US $550 million, or $137.5 million, for four years, though, of course, she need not take up this maximum. Without access to such short-term foreign exchange credits, the increase in China's inevitably unfavorable balance of payments might intensify the difficulties in her internal reorganization. That increase may force the dumping of her exports and the adoption of a restrictive monetary policy, both of which would tend to disrupt world trade. With such access, however, China need not allow her policies to be determined by an excess of imports over her exports, even if it should reach significant amounts because the time gained could be used to hasten her economic reconstruction on a sound and healthy basis.

"A factor which may be of even greater importance than the diminution, through the Fund, of the short-term pressure, is the possibility of securing reasonable long-term loans through the Bank. China—and other industrially backward Far Eastern countries, will be able to borrow directly not only from the Bank but also from private lenders whose loans the Bank will participate in or guarantee. The market for a borrowing country such as China will thus be greatly widened; in particular, it is to be expected that the loans by private investors which are fully guaranteed or participated in by the Bank will constitute one of the largest sources of foreign capital needed for the reconstruction and expansion of Chinese industry, transportation, and commerce.

No Strings Attached to Loans

"The process of obtaining short-term foreign exchange credits directly through the Fund, or long-term capital directly or indirectly through the Bank, will not entail political subservience on the part of the borrowing country. From the point of view of Far Eastern countries in particular, this is a most progressive and desirable feature. The history of consortium loans to China is replete with instances of uneconomic loans made to foster unwholesome political ties, which frequently started with defalcations and ended with defaults. Undoubtedly many of these loans encroached on Chinese sovereignty in substance, if not in form, and retarded national unification.

"Under the Bretton Woods Agreement, no foreign loan can be made under the Bank's auspices without the prior consent of the government of the borrowing country. In other words, the Chinese Government can rule out of court any loan with which the Bank is connected, which it considers to be undesirable either because of political strings, or because it does not fit in with the national program of reconstruction. The stigma of semi-colonialism on the part of the borrower and of imperialism on the part of the lender is thus removed. While many foreign loans in the past were made at exorbitant rates of interest because of high risks, loans advanced with appropriate safeguards under the auspices of the Bank are to carry reasonable rates of interest and to have reasonable terms of repayment. There will thus be no undue strain on the Eastern countries' balance of payments through excessive interest charges and demand for too rapid a repayment of principal.

Possibilities of Industrialization

"China and other Asiatic countries in a similar position will thus be able to start ambitious programs of industrialization without having either to make humili ating political commitments or t rely on their own savings as th sole source of capital accumula tion. The former course woul make them the victims of the po litical intrigues of rival powers the latter would impose a terrifi burden on the people which woul perpetuate their low living stand ards. As China's two most vita long-term economic requirement are industrialization and agricul tural progress—the Bank's effec tive functioning may make all th difference in that country betwee the attainment of reasonable ob jectives with a minimum of fric tions, both internal and external and a condition of internationa tension and internal dissension which might obstruct or even in definitely postpone the realizatio of these aspirations.

"The Bretton Woods Agreemen provides special consideration fo countries occupied by the enemy with respect to both the Fund an the Bank. Needless to say, Chin has fully earned such considera tion and will no doubt turn it t maximum advantage. She will for example, be able to take ad vantage of Article XIV, Section 2 of the Articles of Agreement o the International Monetary Fun with respect to the transition pe riod during which exchange con trol can be retained, and of Articl XX, Section 4 (d) of the sam with respect to the initial deter mination of the par value of it currency. She will also profi from Section 4 of Schedule B, as a result of which she need not in clude newly mined gold produce during the first five years afte the Agreement becomes effectiv in the computation or increase o her monetary reserves, and will thus be able to derive the full benefit of the Agreement's pro visions for short-term borrowings from the Fund. Finally, the Bank 'in determining the conditions and terms of the loans made t such members, shall pay special regard to lightening the financial burden and expediting the com pletion of such restoration and re construction' (Article III, Section 1 (b) of the Articles of Agreement of the International Bank).

"Although they do not provide a simple solution to all of China's difficult fiscal problems, the announced purposes of the Fund and of the Bank seem exactly to correspond with China's particular needs. The establishment of an international monetary system in which China will have her due voice is an indispensable prerequisite to the strengthening and consolidation of China's monetary and financial organization, and to the restoration and expansion of her foreign trade. The reconstruction and development of her territories will be her first political and economic task after victory is achieved.

"It is interesting to note that the Bank's purposes, objectives, and methods of operation closely correspond with the pattern of foreign lending by economically more advanced countries, and of borrowing by those less advanced, proposed by the late Dr. Sun Yat-sen in 'International Development of China.' The promotion of foreign investment and international trade, the development of productive resources and the raising of standards of living, as enunciated in Article I of the Articles of Agreement of the International Bank, admirably fit in with the goal of the third of the Three People's Principles, the Principle of the People's Livelihood. It will be a particular source of pride to foreign admirers of Dr. Sun Yat-sen, as well as to all Chinese, that a concrete scheme born out of the world's economic exigencies at the 'beginning of the end' of World War II should follow the lines laid down by the Father of the Chinese Republic in his brilliant diagnosis both of the world economic situation as it unfolded toward the end of World War I and of the respective needs of China and of the industrial countries of the West."

Calendar Of New Security Flotations

OFFERINGS

CONNECTICUT LIGHT AND POWER CO. has filed a registration statement for $10,000,000, first and refunding mortgage, 3%, bonds series I, due 1974. Proceeds will be used to reimburse treasury for redemption on Sept. 1, 1944, at 106 of $7,000,000 first and refunding mortgage, 3½% bonds, series F, due 1966, and for purchase at 125 of an unspecified principal amount of the company's first and refunding 7% bonds series A, due 1951. Putnam & Co. and Chas. W. Scranton & Co. are named underwriters. Filed Aug. 24, 1944. Details in "Chronicle," Aug. 31, 1944.

Offered Sept. 12, 1944 by Putnam & Co., Chas. W. Scranton & Co. and associates at 105¾ and interest.

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

The bonds were awarded Sept. 12 by the company to the First Boston Corp. and associates on bid of 105.729.

The stock was awarded by the Cities Service Power & Light Co., Sept. 12 to The Boston Corp. and associates at $13.459 per share.

Offered Sept. 14, 1944, by two syndicates headed by First Boston Corp. and G. H. Walker & Co. The bonds are priced at 106.92 and the common stock at $14.875.

HAMILTON MANUFACTURING CO. has filed a registration statement for 38,996 shares of preferential participating stock (par $10). Proceeds will be used to redeem and retire on or before Jan. 1, 1945, at 103, plus accrued interest, $300,000 5% first mortgage sinking fund bonds and at 105% of par value, plus accrued dividends, all of outstanding 7% cumulative first preferred stock consisting of 838 shares. Underwriters are Straus Securities Co., Chicago, 19,498 shares and Loewi & Co., Milwaukee, 19,498 shares. Filed Aug. 9, 1944. Details in "Chronicle." Aug. 17, 1944.

Offered Sept. 13, 1944, by Loewi & Co., Milwaukee, and Straus Securities Co., Chicago, at $13.50 per share.

INDIANA & MICHIGAN ELECTRIC CO. has filed a registration statement for 120,000 shares of cumulative preferred stock (par $100). Company proposes to make a loan from not more than six New York City banks in the amount of $7,880,000 and use proceeds for purchase for cancellation of 544 shares of old 7% and 35,473 shares of old 6% preferred of Indiana from American Gas & Electric Co. for $3,596,749, and for redemption and cancellation of 38,731 shares of old 7% preferred and 245 shares of old 6% preferred of Indiana now in the hands of the public, at the redemption price of $110 per share plus accrued dividends. The cost of these two transactions is placed at $3,596,749 and $4,287,360, respectively. Proceeds from sale of the new preferred and common stocks are to be applied to the payment of the bank loan. Balance will be included in general corporate funds of Indiana and used to acquire property and for construction purposes. The preferred stock is to be sold subject to the competitive bidding rules of the Commission. Names of underwriters will be filed by amendment. Filed July 29, 1944. Details in "Chronicle," Aug. 10, 1944.

Issue awarded to First Boston Corp. and associates, Sept. 11 on bid of 101.449 for a 4⅛% dividend. Offered Sept. 13, 1944 by the First Boston Corp. and associates at 103⅛ per share and dividends.

PILLSBURY MILLS, INC., has filed a registration statement for 75,000 shares of $4 cumulative preferred stock (no par). Proceeds will be used to redeem $4,475,000 first mortgage bonds, 3%, due Oct. 1, 1953, balance for working capital. Goldman, Sachs & Co., Piper, Jaffray & Hopwood are principal underwriters. Filed Aug. 23, 1944. Details in "Chronicle," Aug. 31, 1944.

Offered Sept. 12, 1944 at $100 per share and dividend.

SOLAR MANUFACTURING CORP. has filed a registration statement for 90,000 shares of series "A" convertible preferred stock (annual dividend 55 cents, par $5). Of the proceeds 572,500 will be used for additional working capital; $100,000 for mechanization of factory operations; $80,000 for readaptation of plant to peacetime operations. Van Alstyne, Noel & Co. are underwriters. Filed Aug. 15, 1944. Details in "Chronicle," Aug. 24, 1944.

Offered Sept. 7, 1944 by Van Alstyne, Noel & Co., Hemphill, Noyes & Co. and Newburger & Hano at $10 per share.

NEW FILINGS

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

THURSDAY, SEPT. 14

OHIO EDISON CO. has filed a registration statement for $30,962,000 first mortgage bonds, series of 1944, due 1974 and 180,000 shares of cumulative preferred stock (par $100). Proceeds together with $10,000,000 in bank loans, and $17,000,000 of treasury funds will be used to retire $43,962,000 4% series of 1935 first mortgage bonds due 1965 at 103¾%; $8,484,000 4% series of 1937 first mortgage bonds due 1967 at 106%; 197,585 shares of $6 series preferred stock at $110, and 1,367 shares of $5 preferred stock at $105. Both issues are to be sold at compttitive bidding. Interest, dividend rate and offering price will be supplied by amendment. Filed Aug. 26, 1944. Details in "Chronicle," Sept. 7, 1944.

SUNDAY, SEPT. 17

ELECTRONIC LABORATORIES, INC., has filed a registration statement for 150,000 shares of common stock (par $1). Of the total 100,000 shares are to be offered for the account of the company and 50,000 shares for the account of stockholders. The proceeds from the sale of 100,000 share will be used for additional working capital. Proceeds of the sale of the remaining 50,000 shares will accrue to Norman R. Kevers as owner of 27,000 shares and to William W. Garstang as owner of 23,000 shares. Brailsford & Co., and Shillinglaw, Crowder & Co., Inc., Chicago, are principal underwriters. Offering price to the public is $5 per share. Registration Statement No. 2-5463. Form S-2. (8-29-44).

THURSDAY, SEPT. 21

ARKANSAS POWER & LIGHT CO. has filed a registration statement for $30,000,000 first mortgage bonds series due 1974. Proceeds together with cash from general funds, if necessary, will be used to redeem company's first and refunding mortgage gold bonds as follows: $30,800,000 5s series due 1956 at 102¾; $276,000 of 2.88% series due 1956 at 100, and $185,000 of 2.73% series due 1959 at 100. Bonds will be offered for sale at competitive bidding. Names of underwriters, interest rate and price to public will be filed by amendment. Filed Sept. 2, 1944. Details in "Chronicle," Sept. 7, 1944.

TUESDAY, SEPT. 26

CENTRAL VERMONT PUBLIC SERVICE CORP. has filed a registration statement for 37,856 shares of 4¼% dividend series preferred stock, ($100 par).

Address—121 West Street, Rutland, Vt.

Business—Public utility.

Underwriting—To be filed by amendment.

Offering—Company is offering to holders of its 37,856 shares of $6 dividend series preferred the opportunity to exchange their stock on a share for share basis for the new 4¼% dividend preferred stock, with a cash payment and accrued dividends on the $6 preferred to the date of exchange. The cash payment which is to be filed by amendment is equal to the difference between the initial public offering price of the 4¼% preferred stock and the redemption price of $107.50 per share of the $6 preferred. All shares of $6 preferred stock not surrendered in exchange will be called for redemption at $107.50 per share plus accrued dividends. Any shares of 4¼% preferred which stockholders do not take under the exchange offer are to be sold to underwriters at a price to be filed by amendment for resale to the public. Offering price to the public will be filed by amendment.

Proceeds—The new stock it to be used to refund presently outstanding preferred stock. Cash proceeds from the sale of any stock sold to underwriters will be used, with cash funds of the company, to the redemption of the unexchanged shares of $6 preferred stock.

Registration Statement No. 2-5466. Form S-1. (9-7-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund note. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. No underwriter named. Filed Aug. 8, 1944. Details in "Chronicle," Aug. 17, 1944.

ATHEY TRUSS WHEEL CO. has filed a registration statement for 71,590 shares of common stock (par $4). The shares are issued and outstanding and do not represent new financing by the company. 12,500 shares may be reoffered at private sale at $6 per share and 26,323 shares are to be offered to public at price to be filed by amendment. Brailsford & Co., and C. O. Kalman, Paul R. Doels and Edwin White are considered to be principal underwriters. Filed July 27, 1944. Details in "Chronicle," Aug. 3, 1944.

BIRMINGHAM ELECTRIC CO. has filed a registration statement for $10,000,000 first mortgage bonds, series due 1974. Interest rate will be supplied by post-effective amendment. Price to the public will be filed by post-effective amendment. Company is a subsidiary of National Power & Light Co. which is the sole owner of the 545,610 shares of its outstanding common stock. The net proceeds, together with such additional cash from its general funds as may be required, will be used for the redemption, at 101 and accrued interest, of all of the company's first and refunding mortgage gold bonds, 4½% series due 1968, outstanding in the principal amount of $10,000,000. The bonds will be offered by the company for competitive sale pursuant to the Commission's competitive bidding Rule U-50. The names of the underwriters will be filed by post-effective amendment. Filed July 22, 1944. Details in "Chronicle," July 27, 1944.

BROOKLYN UNION GAS CO. June 29, 1941 filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Company planned to refinance its entire outstanding debt by the issuance and sale to the public of $12,000,000 debentures and the concurrent issuance and private sale of $30,000,000 general mortgage sinking fund bonds, 3¾% series, due Aug. 1, 1969.

In amendment filed with SEC Aug. 10 company proposes the issuance of $30,000,000 general mortgage sinking fund bonds due 1969 and $12,000,000 25-year sinking fund debentures due 1969, to be sold pursuant to Commission's competitive bidding rule U-50. Bids for the purchase of $30,000,000 general mortgage sinking fund bonds and $12,000,000 25-year sinking fund debentures will be received up to 12 noon EWT, Sept. 18 at company's office 176 Remsen St., Brooklyn 2, N. Y., the bidders to name the interest rates.

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

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

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

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

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

GULF STATES UTILITIES CO. has filed a registration statement for 120,000 shares of $4.60 dividend preferred stock. Stock is to be offered in exchange for old $6 dividend preferred stock and old $5.50 dividend preferred stock plus an amount of cash (to be named by amendment) and accrued dividends. Net proceeds from sale of any new preferred not exchanged and from sale of 20,006 additional shares to be used (1) to provide cash required for exchange offer; (2) to retire $1,000,000 in bank loans; (3) for other corporate purposes. Preferred not taken in exchange offer to be sold at competitive bidding. Filed Aug. 22, 1944. Details in "Chronicle," Aug. 31, 1944.

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

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

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

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

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

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

TEXTRON, INC., has filed a registration statement for $2,000,000, 15-year, 5%, convertible debentures. Debentures will carry detachable stock purchase warrants entitling bearer to purchase 40 shares of common stock for each $1,000 debentures at $12.50 to Oct. 1, 1945, $15 to Oct. 1, 1946 and $17.50 to Oct. 1, 1947. Debentures will be convertible into common stock on basis of 50 shares of common for each $1,000 debenture of the proceeds $1,500,000 will be used to purchase U. S Government tax anticipation notes making general funds of company available for expansion of consumer products business and other corporate needs. In event stock purchase warrants are exercised, proceeds will also be placed in company's general funds. Blair & Co., Inc. and Maxwell, Marshall & Co. are named underwriters Filed Aug. 24, 1944. Details in "Chronicle," Aug. 31, 1944.

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

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

WESTERN UNION TELEGRAPH CO. has filed a registration statement for $24,603,000 convertible debentures and an indeterminate number of shares of class A stock to be available for conversion. Subscription warrants will be issued to present holders of company's class A and class B stock entitling them to purchase $100 principal amount of the new debentures for each 5 shares of class A stock or each 8⅓ shares of class B stock held on a record date to be supplied by amendment. Proceeds plus whatever general funds are necessary will be applied to the redemption on Dec. 1, 1944 of $25,000.000 25-year 5% bonds at 105% plus accrued interest. Names of underwriters and interest rate to be supplied by amendments. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24.

The directors Sept. 5 voted to direct the officers to formulate plans to invite competitive bids for the new bond issue.

No. Indiana Pfd. Stock Offering Today

The First Boston Corp. heads a group of investment firms which today is offering 34,392 shares of 5% cumulative $100 par value preferred stock of Northern Indiana Public Service Co. at $103.50 a share. The First Boston Corp. on Monday was awarded the shares at competitive sale, on a bid of 101.79.

The shares comprise the balance of an issue of 220,078 shares offered by the company to stockholders in exchange for an equal amount of 7%, 6% and 5½% preferred stock. The exchange was on a share-for-share basis, plus cash, and holders of 84.12% of the old preferred stock accepted the exchange offer, which expired Aug. 31, 1944.

The company will apply proceeds of the sale of the stock, together with funds in the treasury, to redemption of the preferred shares not exchanged under the exchange offer. Upon completion of the program of capital simplification, the company will have outstanding, funded debt, one class of preferred stock, and common stock. Adjusted to provide for the new preferred issue and the merger with Indiana Hydro-Electric Co. on June 21, 1944, the capital structure of Northern Indiana Public Service Co. as of May 31, 1944, was $54,904,000 long-term debt; $23,139,400 5% preferred stock (including shares to be issued for scrip representing rights in fractional shares), and $13,851,356 common stock, represented by 2,181,550 no par value shares.

Interesting Situation

Western Union Telegraph Company Debenture 4s of 1981 (when, as and if issued) offer interesting possibilities according to a summary of the situation prepared by Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this summary may be had from the firm upon request.

Appreciation Possibilities

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

Public National Attractive

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

A Sound Equity

Marchant Calculating Mach. Co. is a sound equity with an attractive yield, according to a memorandum discussing the situation issued by Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this interesting memorandum may be had from Cohu & Torrey upon request.

Bottling Cos. Attractive

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

"Our Reporter On Governments"

By ELIHU BRADBURY

In another week of quiet trading, the market for U. S. Government securities has continued along lines established soon after the last and greatest of the war loan campaigns ended. . . . All the official controls remain effective and efficient. . . . They provide the best available means for close surveys of market conditions. . . .

From the huge Federal Reserve open-market portfolio are liquidated, week by week, modest amounts of the longer-term Treasury bonds, in response to a steady market demand. . . . The portfolio keeps on rising, however, in order to balance currency gains, losses of gold and other credit-restricting factors. . . . But Treasury bills chiefly, with which the market is overloaded, are taken into the portfolio in order to maintain the balance. . . .

Obviously excluded from the Federal Reserve liquidation are the partially exempt bond issues, which remain soft in the market. . . . Managers of the portfolio plainly feel that their obligations of market stability do not extend to small fluctuations in such bonds. . . . And this is a wise decision, for the modest variations reflect nothing more than differences of opinion respecting the incredibly complicated problem of post-war taxation. . . .

THE TAX SITUATION

Plans and blueprints of post-war taxation are appearing as if by magic from business organizations all over the country. . . . They are all based upon the quite valid assumption that our wartime taxation, designed to produce a peak of about $45,000,000,000 in revenues, will be sharply curtailed when, as the wits put it, peace breaks out. . . . The extent of the suggested reduction varies widely, and the incidence of reduction more widely still, while a sense of utter confusion is produced by consideration of the more remote details of the several plans. . . .

Whatever their merits or demerits, these plans are causing the driblets of liquidation in Treasury bonds exempt from normal taxes. . . . Every plan so far advanced has been presented by a business organization or a business man, and most of them presuppose a reduction in the post-war normal taxes on corporations. . . .

This appears to modify the future tax advantage of the bonds. . . . Small market offerings of the securities are a result, although it must be emphasized that at rather long intervals some larger blocks make their appearance. . . .

SIMPLIFICATION NEEDED

The rising debate on post-war taxation is all to the good, from the viewpoint of the national economy. . . . All of our tax structures—Federal, State and local—are jerry-built and must be reduced to sensible and harmonious proportions. . . . But it is well to remember that this was the situation before the war and is likely to remain the situation after the war. . . . Congress is to have the final word on post-war taxation and is more likely to modify the existing tax structure bit by bit than to adopt as a whole any ideal scheme of an individual or association. . . .

Moreover, the modification of taxes probably will be on a smaller scale and much longer drawn-out than one might think after a perusal of the three principal plans put forward by the National Planning Association, the Twin Cities Research Bureau and the Committee for Economic Development. . . .

However appropriate the proposals may be, they seem to this observer rather dim and distant criteria for immediate market judgments on partially tax-exempt Treasury bonds. . . .

UNREALISTIC ASSUMPTIONS

One reason for this, which escapes the casual reader, is that all of the plans are based upon a series of assumptions. . . . It may or may not be realistic to assume a national income of $120,000,000,000 or $140,000,000,000 as one basis for the calculations, and Federal revenue requirements of $16,000,000,000 to $18,000,000,000 as another basis. . . . It is certainly unrealistic to assume a sudden drop in war expenditures even if, as now seems unlikely, Japan should collapse soon after the European phase of the war ends. . . .

The Treasury itself, it appears, is somewhat exercised over the taxation assumptions of the several plans. At a St. Louis meeting of the National Tax Association, two days ago, more than a few words of caution were uttered by Roy Blough, Director of the Treasury's Division of Tax Research. . . . Mr. Blough discussed frankly the problems of post-war Federal taxation, as seen by the Treasury experts. . . .

Repeatedly, in his long address, the Treasury spokesman remarked that the transition from war to peace will take time; that we cannot demobilize to a peacetime basis and reconvert industry in a moment; that we cannot shift overnight from a wartime budget to a peacetime budget. . . . A critically delicate problem of timing will be presented, he said, by the determination of tax adjustments after final victory is won. . . .

TREASURY OFFICIAL'S OPINION

A few other comments by Mr. Blough, which bear upon the tax planning, are worth pondering. . . . By any reasonable calculation, he said, the tax load will have to be much larger after the war than in any previous peacetime years and clearly will be three or more times as large. . . . It promises to be so high that, despite the possibility of successful incentive provisions, any system of taxes will, on balance, inevitably have restrictive effects on consumption and investment, he added. . . .

How much can we reduce taxes after the war? asks Mr. Blough, and he answers, "probably less than most people think." . . .

It is fairly well understood in the close circle of those consulted by the Treasury that there are as yet only general, rather than specific, plans for the Sixth War Loan. . . . The amounts to be asked and raised necessarily will depend in part upon military developments. . . . The timing may be affected not only by the war, but also by results of the coming national election. . . .

NEXT TREASURY OFFERING

For a time it was believed that Secretary Morgenthau would launch his next campaign on Armistice Day and close it on Pearl Harbor Day. . . . Now that mid-September has arrived, however, the choice of Nov. 11 as the starting date seems more and more improbable. . . . The Treasury has made it a practice to announce general plans two months in advance, but nothing so far has been divulged. . . . It is quite possible that an early end of the European war is among the considerations, which leads to the suspicion that the next great drive may not develop until after the year-end. . . .

Meanwhile, organizational changes among the War Finance Committees of the various States are known to be occuping the Treasury. . . . Such changes no longer have the importance they bore in the earlier drives, for the general set-up now is well established. . . . The system functions with remarkable smoothness, considering the size and extent of the financial operations. . . .

Result Of Treasury Bill Offerings

The Secretary of the Treasury announced on Sept. 11 that the tenders of $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated Sept. 14 and to mature Dec. 14, 1944, which were offered on Sept. 8, were opened at the Federal Reserve Banks on Sept. 11.

The details of this issue are as follows:

Total applied for, $2,005,263,000.

Total accepted, $1,214,825,000 (includes $63,353,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375 per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(56% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Sept. 14 in the amount of $1,200,955,000.

With respect to the previous week's offering of $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated Sept. 7 and to mature Dec. 7, 1944, which were offered on Aug. 30, were opened at the Federal Reserve Banks on Sept. 1.

The details of this issue are as follows:

Total applied for, $1,759,890,000.

Total accepted, $1,204,692,000 (includes $44,877,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(65% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Sept. 7 in the amount of $1,202,620,000.

Small Investors Beware: Babson

(Continued from page 1135)

ballyhoo which I am now criticising might be justified; but investors will find a different post-war world a few years hence than what they found in the "good old 20's." Then the masses had not awakened. Today—whether we like it or not—the people are on the march. Following World War I, the Government was not in business, but today the situation is very different.

For instance, the Government now owns 95% of the synthetic rubber industry, 90% of the magnesium industry and 85% of the airplane plants. The Government probably owns 50% of the shipbuilding, machine tool and aluminum plants of the country, and 10% of the steel foundries, 30% of the metal-working plants and 20% of the high-test gasoline refineries. After the war, the States where these plants are located will put up a terrific fight to keep them running. Is not this a communistic economy made to order for the New Dealers?

In What to Invest

This does not mean that you should put your money in a sock or bury it in the ground. Investments may well be safer than cash in the years to come. Certainly, post-war inflation is inevitable. On the other hand, because I am advising against reaching for quick profits, there is no reason why you should not buy well-seasoned investments. Capital can be conserved today as well as in the past. Those who have their holdings properly diversified and who depend on fundamentals, realizing that "the people are on the march," should have little to fear.

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