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The Commercial and FINANCIAL CHRONICLE

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Director Of Chemical Bank

Percy H. Johnston, Chairman, announced the election of Cason J. Callaway as a Director of the Chemical Bank & Trust Company at a meeting of the Board of Directors held Sept. 21. Mr. Callaway is a Director of the United States Steel Corporation, a Director and Vice - Chairman of the Nutrition Foundation, Inc., and conducts one of the leading experimental farms in the United States on 28,000 acres in Harris County, Georgia. He is also Chairman of the Agriculture Committee of the Georgia Agricultural and Development Board and Chairman of the Agriculture Committee of the Board of Regents of the State of Georgia.

Cason J. Callaway

Mr. Callaway was born in Georgia in 1894 and was graduated from the University of Virginia. For many years he was one of the leading textile executives in the country, serving as President, then Chairman of the Board of Directors of Callaway Mills of La Grange, Georgia, from 1920 to

(Continued on page 1361)

Index of Regular Features on page 1376.

Settlement Of Claims Under Contract Termination

By DAVID PODELL*
General Counsel of Smaller War Plants Corporation

Government Attorney Reviews Problems Involved In Contract Termination Settlements And Explains Provisions Of The Contract Settlement Act. Urges Contractors To Keep Their Government Business Separate And Apart From Civilian Business And To Conduct Their Affairs On The Assumption That Cancellation Day Is Coming Tomorrow. States That Smaller War Plants Corporation Is Empowered And Stands Ready To Aid And Protect War Contractors Both In Arranging Settlements And In Financing Terminations.

It is roughly estimated that there are in excess of a million war contracts, the vast bulk of which are subcontracts; altogether there are probably in the neighborhood of 70 thousand plants either partially or totally engaged in war production. A comparatively small proportion of these have contracts directly with the government of the United States. War production fans out from these prime contractors to include this multitude of successive tiers of subcontractors. No computation has been

David L. Podell

*Statement of Mr. Podell before the Metal Fabricating Industry in the Metropolitan area at the Hotel Commodore, New York City, Sept. 15, 1944.

(Continued on page 1358)

Excess Profits Taxes And The Electric Utilities

By C. W. KELLOGG*
President, Edison Electric Institute

Utility Executive Charges That "Excess Profits" As Computed By The Revenue Act, Is A Misnomer When Applied To Electric Utilities Because Of The High Ratio Between Investment And Revenue And Expresses Concern That The Excess Profits Taxes Paid By Utilities Will Be Used As A Basis For Imposing Local Rate Reductions Even Though The Higher Profits Are Temporary. Offers Data To Show That Despite Higher Earnings During The War Utility Investors Received Lower Returns While Consumers Were Given Lower Rates.

The effect of the excess profits tax provisions of the Federal Revenue Act on the electric utilities has been not only injurious to them but unfairly so. For the record, I shall first state what these adverse repercussions have been; but my discussion will be confined principally to the threat of rate reductions.

C. W. Kellogg

"Excess Profits" A Misnomer

1. The primary difficulty, from which all the others

*Paper presented to the Indiana Electric Association, French Lick, Ind., Sept. 21, 1944.

(Continued on page 1365)

Outlook For Post-War Prosperity

By JAMES G. ROGERS, JR.*
Deputy Administrator, Office of Price Administration

OPA Official Sees Need Of Curbing Inflation In Conversion Period And A Return To Civilian Production Volumes Of 50 To 60 Per Cent Greater Than 1941. Urges Producers To Seek Mass Production And Thus Lower Prices And Raise Wages. Holds All This Can Be Accomplished By Tapping Larger Markets And By Building Volume And "Thus Create More Jobs." Warns Against Pressure Groups "Including A Large Body Of Disillusioned Soldiers."

James G. Rogers, Jr.

Today the spotlight is on post-war planning. What's going to happen when the shooting stops? What about jobs, profits, farm prices?

The key to the answers, I believe, is full peacetime production based on a sound price structure during the reconversion period. And so I'd like to tell you about some of the problems of pricing which lie ahead for us at OPA. And how those problems relate to broader questions of post-war prosperity.

For nearly two years now, I have been in Washington on my war-time job. I left New York and the adver-

*An address by Mr. Rogers, delivered at a meeting of the Associated Chain Drug Stores, at the Waldorf-Astoria Hotel, New York City, Sept. 13, 1944.

(Continued on page 1360)

Problems Of Post-War Federal Tax Policy

By ROY BLOUGH*
Director of the Division of Tax Research, U. S. Treasury

Tax Expert Of U. S. Treasury Concludes That The Post-War Tax Problem Is Even More Difficult Than The Wartime Tax Problem. Holds That The Difficulties Will Be Greatly Magnified By The Combination Of High Revenue Requirements, Clouded Business Prospects And The Heavier Impact Of Taxes Upon The National Economy. And He Sees Need For Marshalling The Economic Brains Of This Country For The Solution Of The Most Difficult Tax Problem In American History.

If the importance of a problem is indicated by the number of different groups of people studying it, the post-war tax problem deserves top billing. If all the solutions reached through these studies were identical, or even substantially the same, we could relax and there would be little need for holding this meeting today. Unhappily, the solutions differ widely. Practically all of them provide substantial rate reductions. But beyond that point, unanimity ceases and the plans ride off in all directions. This lack of harmony is confusing, for we are prone to think that for any one given situation there should be one best plan. A problem in mathematics has only one correct answer and every competent mathematician can arrive at that answer. But problems of tax policy are not so clear-cut. People reach different answers because they start with different premises, because their interests conflict, and because they do not have the same understanding of the way taxes act upon the economy in general.

Roy Blough

Any postwar tax plan must stand or fall on its ability to solve the problem toward which it is directed. So we must first understand what the postwar tax problem is. There is one proposition upon which I believe we all can

*An address by Mr. Blough before the National Tax Association at the Jefferson Hotel, St. Louis, Mo., on Sept. 12, 1944.

(Continued on page 1372)

Harriman Ripley & Co. Elect Three Directors

Joseph P. Ripley, Chairman of the investment banking firm of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, has announced that George E. Abbot, Nathan D. McClure and Frederick M. Thayer have been elected directors of the company. All three of the new directors have been associated with the company for several years and have been Vice-Presidents since 1941.

Mr. Abbot is Vice-President in charge of Harriman Ripley's business in Boston and throughout New England. Mr. McClure is Vice-President in charge of the company's business in Chicago and the Middle West, while Mr. Thayer is Vice-President in charge of the Philadelphia office.

"Post-War Employment, Flexible Costs And Profits"

Some Further Comments On Above-Titled Article

In our issue of Sept. 21, starting on page 1242, we published a group of comments made by various individuals in industry and finance regarding the views and policies advocated by Elisha M. Friedman, Consulting Economist, in his article "Post-War Employment, Flexible Costs and Profits", which appeared in the "Chronicle" of Aug. 10. Mr. Friedman's recommendations included adoption of a flexible wage structure and application of the profit-sharing principle as indispensable to the attainment of full employment and the well-being of both capital and labor. We are able to accommodate in this issue some additional expressions in hand with respect to Mr. Friedman's article and these are given herewith:

LOUIS RUTHENBURG
President, Servel Inc., Evansville, Indiana

For several years I have followed Mr. Friedman's work with great interest and profit, and I am very glad to have his "Post-War Employment, Flexible Costs and Profits." It is refreshing to read the work of an economist who, according to his own text, understands that "we need emphasis on the obvious rather than elucidation of the obscured."

Louis Ruthenburg

WILLIAM G. LIGHTBOWNE
Bogota, N. J.

I have read Elisha M. Friedman's article, "Post-War Employment, Flexible Costs and Profits," with great interest. It would make excellent material for a round table discussion between representatives of management and labor, if only such could be brought to pass. The article covers too much ground to be discussed in detail in a letter, but I offer a few comments for what they may be worth.

Mr. Friedman's thesis seems to be that employment depends on profits, and profits depend on wages. Therefore, the way to avoid unemployment is for labor voluntarily to accept wage cuts whenever falling prices threaten to wipe out profits. Specifically, he says: "Profits depend on wages."

Comment: This is only partly

(Continued on page 1371)

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Causes Of The Next Depression

By LOUIS HOUGH
Assistant Professor of Economics, Miami University, Oxford, Ohio

After Analyzing Conditions That May Foster A Post-War Depression Writer Concludes That Because Of Certain Rigidity Factors Which Prevent Normal Readjustments, Industrial Employment And Business Activity Will Show Abnormal Declines In Post-War Period. Holds, However, If Correct Remedial And Preventive Measures Are Taken Soon Enough, There Need Be No Depression

The Nature of the Problem

It is never convincing to argue that we shall continue to have depressions because every industrial nation always has had them. The same argument would establish that we shall always believe in witchcraft because we always have. In the distant future we will abolish severe depressions and we will abolish superstitions, but for the immediate generation both are likely to continue. The two trends are probably related in causation.

Louis S. Hough

The question of the moment is, "When will the next contraction occur?" Roger Babson says not till 1950 or after. When it does come he expects it to be deep. The representative Americans surveyed by the Gallup Poll, however, believe that the major problem from 1944 to 1948 will be jobs and economic readjustment. The task of writing a lasting peace was given a secondary rating. A recent Fortune Survey likewise shows that the full employment problem dominates the public interest.[1] This attitude of wary doubt is especially pertinent since a national expectation of unemployment and falling prices will cause the kind of economic behavior

(Continued on page 1368)

The Problem Of Small Business

Relief Of Small Business Could Be Fostered If Checks Were Placed Upon SEC Activities. Senator Vandenberg's Bill Exempting Issues Up To $300,000 A Step In Right Direction, But SEC's Delay In Rendering Decision On "5% Spread" Principle Still A "Stumbling Block" In Way Of Securities Dealers Contribution To Reconversion

With approaching victory in Europe, public attention is being increasingly directed toward reconversion to peacetime pursuits.

The problems of small business during a wartime economy have engaged the attention of our Government in an attempt to effect the survival of so much thereof as is consonant with the success of our present emergency effort.

As was inevitable, despite all that has been done, hundreds of thousands of small merchants have been compelled to close up shop. Many of them are in our armed forces. Others were unable to carry on because of stringency in the allocation of essential war materials. Still others could no longer cope with the manpower shortage.

As our men return from the battlefronts, providing employment will be the gigantic problem of the nation.

So true is this, that now, in the year of a presidential campaign, both major parties are stressing the importance of jobs. Campaign promises center around them.

With all that we are doing, and intend to do, toward improving the welfare of countries other than our own, those who are preserving our freedom will expect, and have every right to expect, a square deal at home.

The revival of small business, of millions of jobs, and adequate financing, are inseparable handmaidens.

Here, dealers in securities have a peacetime function as momentous as any war effort.

By their qualifications and training they have been made ready to undertake the stupendous task of cooperating in the transformation we are about to witness.

However, this will not be easy.

The stumbling block of stupid over-regulation will mar the path.

Many administrative bodies, jealous of their power, will be slow to release those curbs which are of doubtful value in war and require erasure in times of peace.

If, for example, we are to come to the relief of small business sincerely, a check must be placed upon the activities of the Securities and Exchange Commission which, in our opinion, is indifferent to the plight of small business and out of step with the times.

The present bill sponsored by Senator Vandenberg, which would exempt from the Commission's approval issues up to $300,000, is a right step in that direction.

Its enactment into law would be a benign influence and of incalculable aid to small business.

(Continued on page 1359)

Steps That Led To Bretton Woods

By HERBERT M. BRATTER

Dr. Harry White, Treasury Aide, Traces History Of Treasury's Work On Monetary Fund Plan—Disclaims Keynesian Origin—Tells Of Atlantic City Meetings Preceding Bretton Woods

In his initial press conference at Bretton Woods, Dr. Harry White, Assistant to Secretary Morgenthau and himself a delegate to the International Monetary and Financial Conference, made what was perhaps the first public explanation of the preliminary meetings that had taken place in Atlantic City.

Dr. White also related in some detail how the American Treasury Department had been working on a plan for international monetary stabilization since 1941. In reply to questions, Dr. White denied that the American plan stemmed from the brain of Lord Keynes, world famous British leader of the monetary expansionist school of thought and foremost British iconoclast of the gold standard.

Harry D. White

A third important point raised by reporters in this press conference had to do with the extent to which the advice of bankers had been sought by the Treasury in the evolution of the American monetary plan. When this press conference was held, on July 2, 1944, most banker comments on the United Nations plan as released in April were definitely

(Continued on page 1355)

United Nations Monetary Conference

By MABEL NEWCOMER*

Chairman, Dept. of Economics and Sociology, Vassar College
U. S. Delegate, United Nations Monetary and Financial Conference

Only Woman Delegate To Monetary Conference Enumerates Nine "Steps" For Restoration Of International Trade Which Bretton Woods Agreements Aim To Facilitate. These are (1) Fixed Par Values For Exchange Rates, (2) Rehabilitation Of War-torn Countries, (3) International Short Term Credit, (4) War Debts Liquidation, (5) Prevention Of Competitive Currency Devaluations, (6) Prevention Of "Exchange Rationing," (7) An International Clearing Organization, (8) Long Term International Credits, and (9) Removal Of Trade Barriers. Holds It Unrealistic And Impractical To Return To An "Automatic" Gold Standard Or To Establish "Key Currencies."

The Bretton Woods Conference has taken us a long step forward toward the goal set forth in the Atlantic Charter: "to further the enjoyment by all states, on equal terms, of access to the trade and raw materials of the world." The plans formulated at the Conference for an International Fund and an International Bank are admittedly only one step toward the reestablishment of international trade on a sound basis, but they are an essential first step—at least in the judgment of the delegates of the 44 nations signing the agreement.

Mabel Newcomer

The importance of world trade to the United States cannot be overestimated. For many industries it means the difference between profit and loss; and for the United States as a whole it may mean the difference between prosperity and depression. Moreover, trade restrictions tend to increase the international frictions that lead to war.

The economist's ideal is free trade and an international gold standard. And this is the ideal of an increasing number of American business men and bankers.

*An address by Miss Newcomer before the Association of Bank Women at Chicago, Ill., on Sept. 23, 1944.

(Continued on page 1356)

Peerless Weighing & Vending Machine Company

By R. L. CHUBB

Recent activity in the stock of the Peerless Weighing & Vending Machine Co. is probably due to belated recognition of the strong financial position of the company. As of Dec. 31, 1943, current assets totaled $462,488 against current liability of $20,145. At the present time its holdings of cash and government bonds alone are approximately $500,000.

The company owns and operates weighing machines and a small number of gum vending machines which are placed in retail stores and similar locations throughout the country. With the exception of Woolworth's, the Peerless Machines are in the stores of practically all the large chain store companies, such as Liggett's, W. T. Grant, J. C. Penney, J. J. Newberry, Walgreen, Kresge, etc. It is expected that most of the chains will open additional stores as soon as materials become available, thus opening up possible new locations for Peerless machines. No vending machines are now being manufactured, so that it is not possible for the company to expand, but its strong cash position places it in a position to purchase additional machines as soon as removal of war time restrictions on materials, permits their manufacture.

Earnings have shown a steady upward trend since 1942 when $1.81 was earned on the $3 non-cumulative preferred. In 1943 $2.70 was earned on the preferred and this year earnings are running somewhat higher. No dividends have been paid since 1941, but this question is expected to come up for consideration before the year end. There are outstanding 26,767 shares of non-cumulative $3 preferred callable at 50, and 97,058 shares of common.

In 1943, control of the company was acquired by the Rockola Mfg. Corp. when D. C. Rockola exercised his option to purchase the preferred at $17 per share and common at $1.25 per share.

Diamond Alkali Interesting

Common stock of Diamond Alkali appears attractive according to a circular prepared by Wm. J. Mericka & Co., Union Commerce Building, Cleveland, O. Copies of this circular may be had upon request from Wm. J. Mericka & Co.

L. P. Moomau Partner In J. P. White & Co.

Laurence P. Moomau has joined John P. White & Co., 120 Wall St., New York City, as general partner. Dorothea V. White is limited partner in the firm. Mr. Moomau was formerly in business as an individual dealer. The new partnership of John P. White & Co. is a consolidation of the old firm of John P. White & Co. and the proprietorship of Laurence P. Moomau.

First Boston Corp. Elects Officers

Roy B. Crosby, Robert L. Harter and Frederick M. Tritschler have been elected Vice-Presidents of the First Boston Corp., 100 Broadway, New York City. Edward J. Costello has been elected Treasurer of the First Boston Corp., succeeding John C. Montgomery, who has resigned as Treasurer but continues as Vice-President.

Arthur E. Kirtley of the Chicago office has been named Assistant Vice-President of the firm.

Alfred N. Plumley Is With Harris, Upham

MINNEAPOLIS, MINN.—Harris, Upham & Co., 175 Northwest Bank Building, announce the appointment of Alfred N. Plumley as bond and stock trader. Mr. Plumley has been associated with the First National Bank of Minneapolis for many years as Manager of the U. S. Government Trading Department.

Attractive Situations

Bendix Home Appliances, Mid-Continent Airlines, and National Airlines offer attractive possibilities, according to analyses of the situations prepared by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these releases may be had from the firm upon request.

Long-Bell Looks Good

Long-Bell Lumber common offers an outstanding post-war stock, according to a circular being distributed by Comstock & Co., 231 South La Salle St., Chicago, Ill. Copies of this interesting circular may be had from the firm upon request.

Richard A Partner In F. Eberstadt & Co.

Auguste Richard has become a partner in the firm of F. Eberstadt & Co., 39 Broadway, New York City, investment bankers. Formerly Vice-President and Director of Pacific Mills, Mr. Richard severed his business connections in 1942 to go to Washington as chairman of the Army and Navy Munitions Board. Mr. Richard formerly was a director of the Bank of The Manhattan Company, Chemical Fund and various textile companies. Before becoming associated with Pacific Mills, he was President of the Spool Cotton Company from 1931 to 1939 and prior to that was associated with Ipswich Mills and Lawrence & Co. In World War I he was first lieutenant in the 304th Field Artillery.

Auguste Richard

Clutton Commissioned

CHICAGO, ILL. — Wade W. Clutton, in charge of bond trading for John A. Dawson, Investments, 1 North La Salle Street, received his commission at Lt. (j. g.) in the United States Navy and has left for Princeton University for his period of training. Mr. Clutton is well known up and down La Salle Street and has been a specialist in real estate issues.

Cruttenden & Co. Offer Utah Radio Debentures

Cruttenden & Co. of Chicago today head a group of underwriters that are offering $1,175,000 of Utah Radio Products Co. 10-year $4\frac{1}{2}\%$ convertible debentures at the offering price of 103% plus accrued interest.

Proceeds of the issue will be used for the acquisition of property and the erection of a plant in or near Chicago to carry on all manufacturing, engineering, research, sale and administrative functions of the firm; for modernization and expansion of present plant facilities; to acquire an additional wood-making plant in the Southern part of the United States, and the balance will be used as addition to the working capital of the company.

Founded in 1922, the Utah Radio Products Co. has consistently been one of the largest component part manufacturers in the radio industry. The company produces radio loudspeakers, transformers, chokes, vibrators, jacks, plugs, switches and other radio parts, radio and phonograph cabinets, desks, cedar chests and sewing machine cabinets. Eighty-five per cent of the firm's present output is devoted to war-time production.

Utah Radio has recently concluded a license agreement with Armour Research Foundation and is producing the new magnetic wire recorder for the armed forces. This product which is one of the most interesting recent electronic developments together with a line of household appliances will augment the company's standard line of products in the post-war period.

Gammack To Admit

Leon Fletcher, Jr. will become a partner in Gammack & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, as of October 15.

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)

CHICAGO, ILL.—**A. A. McClanahan** has become affiliated with **First Securities Co. of Chicago**, 105 South La Salle St.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**Axel W. Lindgren** is now with **H. R. Kirk Investment Co.**, Insurance Exchange Building.

(Special to The Financial Chronicle)

LONG BEACH, CALIF.—**George O. Thomas** has joined the staff of **Pacific Company of California**, Security Building. Mr. Thomas was previously with H. R. Baker & Co., Franklin Wulff & Co., and Bankamerica Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Robert Bogen** is now with **H. R. Baker & Co.**, Bank of America Building.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**John P. Fitzpatrick** has been added to the staff of **Conrad, Bruce & Co.**, 530 West Sixth St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Laurence P. LeBaron**, formerly with Crowell, Weedon & Co., and Norman B. Courteney & Co., has become connected with **Cruttenden & Co.**, 634 South Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Francis J. Stone** is now associated with **Nelson Douglass & Co.**, 510 South Spring St. Mr. Stone was formerly with Klehmet & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Henry F. Johnson, Jr.** is with **Lester & Co.**, 621 South Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **George E. Mellon**, formerly with Nelson Douglass & Co., has joined the staff of **Logan, Dunn & Philleo**, 621 South Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Claude D. Bedel** is now connected with **Merrill Lynch, Pierce, Fenner & Beane**, 523 West Sixth St.

(Special to The Financial Chronicle)

MILMAUKEE, WIS.—**David W. Weiss** has become affiliated with **The Marshall Co.**, 762 North Water St. Mr. Weiss was formerly with Paine, Webber, Jackson & Curtis. In the past he was in business for himself in Milwaukee.

(Special to The Financial Chronicle)

PASADENA, CALIF. — **Morris Geggie**, previously with Bankamerica Co., has been added to the staff of **Dean Witter & Co.**, 38 Los Robles Ave.

(Special to The Financial Chronicle)

PORTLAND, ME. — **Leroy S. Hinxman** has become associated with **W. H. Bell & Co.** Mr. Hinx-

(Continued on page 1369)

Robt. Belt Becomes Kitchen Co. Partner

(Special to The Financial Chronicle)

CHICAGO, ILL. — Robert K. Belt has been admitted to partnership with William T. Kitchen in Kitchen & Co., 135 South La Salle St. Mr. Belt has been with the firm since its formation in the trading department.

Real Estate Securities

By JOHN WEST

Hotel Bond Values

Announcement of current earnings of the Savoy Plaza Hotel are an exemplification of the effect of war-time earnings of hotels in New York City. Two years ago these bonds were selling at $95 per $1,000 bond and this week the company announced that on Oct. 1, 1944, the Savoy Plaza bonds will pay $95 per $1,000 in interest. Imagine receiving as much in one year's interest as the bond could have been purchased for only two years ago!

Bonds are currently 54 bid selling ex the October interest payment. Profits available for interest on the bonds for the fiscal year ended July 31, 1944, amounted to $665,953 after taxes, insurance, interest and amortization payments on the first mortgage ahead of the bonds. This compared to $139,969 in the previous year and a deficit of $50,056 in 1942.

One of our leading statistical service rates these bonds "below average." They state that with the peace-time outlook for the hotel being only fair, the bonds should have only modest attraction at current prices.

We have stated many times that real estate bonds should be purchased on the basis of the intrinsic value of the properties securing the bonds. Just as war-time earnings should be discounted, so also must depression earnings be discounted.

Whether or not present price of the Savoy Plaza bonds is justified, surely the bonds did not have any license to sell at 9½ two years ago.

How then to arrive at the intrinsic value of a hotel? Well, of course the site of the hotel has some bearing, first from the standpoint of land being worth more in one location than the other, and secondly from the rental value of the rooms being greater in one location than in some other. The most important value, however, is the physical hotel itself. How much did it cost to build? How much would it cost to replace? How much of a mortgage, of which the bond is a part, is on the structure?

We have prepared a comparative table of mortgages on hotels in New York illustrating the mortgage per room of each hotel, which may be of some help in determining the values of the various bond issues. Naturally, this table is not a 100% test. Some hotels have public grill rooms, banquet rooms, etc., that are a source of large revenue. Other special situations are the source of considerable income. For instance, the Hotel St. George has a swimming pool which accounted for over $200,000 in revenue in 1942.

Incidentally, speaking of the St. George, that hotel is expected to have $161,112 for a public sinking fund operation of their bonds this Nov. 1. At current market price, this should retire about $225,000 par value of bonds. Tenders of bonds should be made to the Chase National Bank.

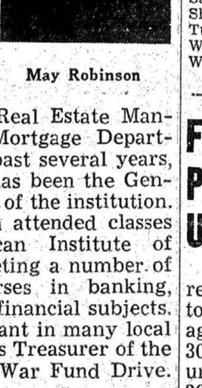
Comparative table follows:

Hotel—	Funded Debt	No. Rooms	Mtge. per Room
Alden	$2,352,390	583	$4,025
Allerton	*4,576,500	1,262	3,500
Chesterfield	534,432	474	1,125
Dorset	2,383,800	393	6,050
Drake	3,393,250	473	7,400
Governor Clinton	5,000,000	1,100	4,550
Lexington	3,445,800	760	4,500
Lombardy	*2,234,000	312	6,200
Park Central	*5,216,986	1,600	3,250
Park Crescent	*1,183,000	500	2,050
Pierrepont	918,000	573	1,600
Ritz Tower	2,619,125	375	7,000
St. George	8,055,607	2,020	4,000
Savoy Plaza	*9,400,000	872	10,700
Sherry Netherland	5,946,900	375	13,160
Tudor	777,000	598	1,300
Waldorf	10,985,000	1,800	6,100
Windemere	2,565,000	623	4,100

*Includes mortgage ahead of bond issues.

Port Chester Bank Appoints May Robinson

At its regular meeting on Thursday, Sept. 21, 1944, the Board of Trustees of the Port Chester Savings Bank advanced Miss May Robinson to the post of Assistant Treasurer.



May Robinson

Miss Robinson entered the employ of the Bank directly after graduation from the Port Chester Senior High School and has had experience in practically every department of the Bank; having been in the Tellers, Real Estate Management, and Mortgage Departments. For the past several years, Miss Robinson has been the General Bookkeeper of the institution.

Miss Robinson attended classes of the American Institute of Banking, completing a number of specialized courses in banking, accounting, and financial subjects. She is a participant in many local activities and was Treasurer of the 1944 Red Cross War Fund Drive.

She is also an active member of the Women's Division of the Savings Bank Association.

Reconversion Myths

Strauss Bros.' latest bulletin, "Reconversion Myths," lists selected securities in various industries, which the firm believes are favorably situated. Copies of this interesting bulletin may be had upon request from Strauss Bros., 32 Broadway, New York City.

Favors Reece Bill On Price Maintenance In Underwriting Issues

Early enactment of the Reece resolution [text on page 1386 of today's issue] permitting price agreements to be maintained for 30 days when securities have been underwritten, was asked on Sept. 26 by the Commerce and Industry Association of New York, Inc., in identical letters to Congressional representatives.

In recommending this action, Thomas Jefferson Miley, Secretary of the Association, said that the Anti-Trust Division of the Department of Justice had been "straining" the meaning of the Securities Act of 1933 in an attempt to prove illegal 30-day price agreements in connection with security underwriting. Such understandings, Mr. Miley contended, have long been established practice and are not in restraint of trade.

The agreements are due to the fact that issues underwritten in New York are available here before they reach points farther away. In order that brokers elsewhere may have the same advantages as those in New York, it has been the custom to maintain the price for 30 days.

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.

Paying The National Debt

Roger W. Babson Suggests How It May Be Done

BABSON PARK, MASS.—I have just returned from a conference on the national debt. It was pointed out that during the Coolidge Administration the entire Federal expenditures—including Army, Navy, pensions and the salaries of all the bureaucrats—amounted to only about $3,500,000,000 annually. In the post-war years the servicing of the debt alone is estimated at $5,500,000,000 annually, with an anticipated total tax bill of $25,000,000,000 annually.

Roger W. Babson

Importance of National Debt

To make our Government bonds good, and certainly in order to provide Washington with the needed post-war funds, will require an annual national income of at least $125,000,000,000, and perhaps $150,000,000,000. Each reader can figure this out for himself, remembering that with Government receipts this year of about $45,000,000,000 and Government spending of about $90,000,000,000 we are able to get on only by increasing the debt about $45,000,000,000.

In the depth of the past depression the national income was around $45,000,000,000. This was gradually increased to about $75,000,000,000 in 1939. Since then, *wholly by war business*, this national income has increased so that 1944 will show about double 1939. I do not expect to see the national income go back to prewar figures; but only a miracle can keep it up to $125,000,000,000. Even at this figure it will be impossible to balance the budget without taxes so high as to cripple industries, put a ball and chain on new enterprise, and cause much unemployment. Hence, it truly is of great importance to keep the national income up as near as possible to present figures. Unless our Federal budget can be balanced in a reasonable time without further borrowing, we are sunk.

Don't Resort to Inflation

Of course the simplest way, temporarily, to double the national income is through inflation. By doubling 1939 prices we can double 1939 wages and double 1939 profits. This, however, would work only to the advantage of the holders of certain real estate and common stocks which might, likewise, double in price. Otherwise, it would be only a shot in the arm, like the temporary stimulant from a strong cup of coffee or a drink of whiskey. Yet it is the easy way, and Congress may ultimately adopt it.

The real solution lies with considering the national income other than in material terms such as dollars. The great opportunity today lies not with merely utilizing more land, employing more labor, and loaning more dollars. Shortening the working day to "spread labor" is no different from killing little pigs and plowing up cotton. I am delighted to have Thomas E. Dewey talk about "new frontiers." but he apparently ignores the frontiers with the greatest opportunities of all, namely, the intellectual and spiritual.

President Roosevelt's Mistake

President Roosevelt says that the League of Nations failed because it lacked "teeth." The simple truth is that is failed because it lacked "religion." It is still impossible to make a silk purse out of a sow's ear. A spiritual awakening is needed to raise not only our national income but the income of the entire world. Our difficulty is that we consider only the *seen* things such as land, forests, mines, harbors, etc., and entirely overlook the greatest of all natural resources, namely, character, brains, initiative, imagination, courage and will-power. The greatest of all undeveloped natural resources are the brains of a little child, and 7,400 of these are born in the United States every day.

It is well to have our soils produce more food per acre, our coal to produce more heat units per ton, and to speed up our machinery and airplanes; but the greatest opportunity lies in developing these unseen factors. Every school child has the potentialities of a Thomas Edison, or a Henry Ford. Instead of a few there should be 100,000 such men. Then there would be no worry about national income or Federal debt. This could be done through a spiritual awakening. Then we all would concentrate on making better people instead of fighting over what now exists. I hope every reader will clip this column and turn it over to his preacher, physician or school superintendent.

Perpetual Bond Calendar For Arkansas Bonds

A perpetual monthly 3¼% Bond Value Calendar showing yields and values on issues due April 1, and twelve calendars maturing from one month to 27 years nine months, from .50% to 3.20% basis, particularly for State of Arkansas Highway 3¼% refunding bonds has been prepared by William Carrington, of Ira Haupt & Co. Contained in the attractively bound booklet is reference material describing briefly the State of Arkansas direct bonded indebtedness. Copies of this interesting booklet may be obtained upon request from Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange.

The Business Man's Bookshelf

Oliphant's Earning Power of Railroads, thirty-ninth issue — James H. Oliphant & Co., 61 Broadway, New York 6, N. Y.—leatherette.

Seniority Problems During Demobilization and Reconversion—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—75¢.

Hearing Postponed

The hearing scheduled for Sept. 29th to determine whether the broker-dealer registration of Roy D. Bayly & Co., Los Angeles, should be revoked or suspended, has been postponed until Oct. 10 by the Securities and Exchange Commission.

Trend Of Rail Earnings

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

One Essential Difference Between The "Listed" Market And The "Over-the-Counter" Market

By FRANKLIN ESCHER

Hole-in-the-Ground Mining or Great Gusher Consolidated are neither of them "listed" stocks, but Hole-in-the-Ground and Great Gusher are not what an investment dealer—a reputable investment dealer—usually means when he speaks of the Over-the-Counter market. No more than a commission house, when it speaks of the Listed market, means Frisco common or Commonwealth and Southern.

What *does* an investment dealer—a reputable investment dealer—usually mean when he speaks of the Over-the-Counter market? Well, he may have in mind, perhaps, bonds of such roads as Pennsylvania, New York Central and Southern Pacific; also bonds and preferred stocks of many of the country's top-ranking public utility operating companies. Or such insurance company and bank stocks as Home Insurance Co. and Chase National, and possibly such industrials as Singer, Merck, Time, Inc., Crowell-Collier, Dun & Bradstreets', etc., etc. Perhaps even of U. S. Government bonds: For, while practically all issues of Governments are listed on the Exchange, for every single $1,000 Government bond bought and sold on the Exchange at least a thousand $1,000 Governments are traded "Over-the-Counter."

This memorandum isn't written to set forth the virtues of unlisted as against listed securities, or vice versa. Rather, it's an attempt to point out that there is one essential difference between the two markets (not generally at all well understood), and to try to make it clear what that difference is.

The difference between the listed market and the Over-the-Counter market, above alluded to, is that whereas all buying or selling of a listed stock is done in one place and on an "auction" basis, buying or selling of an Over-the-Counter stock is invariably a matter of "negotiation" and is consummated, regardless of place, wherever buyer or seller can be brought together.

Let us look a little more closely at this question of an "auction" market and a "negotiation" market.

An auction market, of course, is conducted at a single point (a stock exchange), at which point—at a certain "post" designated for each stock—brokers for the different people who want to buy or sell that stock congregate, and do business directly with one another. Supplementing this direct relationship between the agents of buyers and sellers, there are "specialists" in each stock who, buying and selling for their own account as principals, are charged with the duty, so far as they are able, of maintaining an orderly market in the stock. Also, in each crowd around any active "post" there are floor traders who, acting as principals for their own account, buy and sell as they see fit.

What happens, then, say, when a broker comes in with an order to sell a hundred shares of any given stock, "at the market," is that a sort of auction is conducted, the stock being sold to the party who makes the best bid for it—that party, as stated above, being either some agent (broker) with an order to buy, the specialist in

(Continued on page 1374)

Railroad Securities

The new issue market is coming to the close of one of the most active months in recent history. Through the week ended September 23 the month's offerings had totaled $306,120,000 and at the time of this writing there is another $76,162,000 scheduled for this week. The month's new issues included only a nominal amount of tax exempts and industrials, with the bulk concentrated in the railroad and utility fields. Approximately half of the total consisted of railroad issues, led by the $100,000,000 Great Northern Generals and $54,750,000 of Oregon-Washington Railroad & Navigation Refunding 3s.

Perhaps most indicative of the altered railroad credit picture were the refunding operations, at interest savings, by two roads which have gone through reorganization within recent years. Gulf, Mobile & Ohio, which resulted from the merger in 1940 of the old Mobile & Ohio, in receivership for many years, and the solvent Gulf, Mobile & Northern, sold $10,500,000 of 25-year 3¾s for refunding purposes. Erie is selling $13,000,000 of 3¼s (sale not yet consummated at the time of this writing) for similar purposes. Ability of these roads to accomplish such low-coupon refinancing is one strong indication of the conservative nature of new reorganization capitalizations in general. It is interesting to recall that only a few years ago the well situated Virginian had to put a 3¾% coupon on a refunding issue.

While the new issue market has been notably active during the past month, there is still a lot to come. Railroad managements throughout the country are preparnig to take advantage of present favorable money market conditions and investment psychology to reduce the burden of their interest costs. Another consideration leading to the unprecedented bunching of these new offerings is the desire to get them out of the way before the next Government bond drive puts a temporary stop to corporate financing activities.

Last week the Nickel Plate came forward with a refunding proposal. It was not as comprehensive as many rail men had hoped but it was characterized by the management as merely an initial step in a broad program. At this time it is merely proposed to call the $15,188,000 1st 3½s, 1947, with the proceeds from a $10,000,000 Collateral Trust Note running for five years. It should be possible to secure a very attractive rate on such a short-term obligation. This operation will reduce non-equipment debt to $102,433,000, a decline of approximately $45,000,000 since the start of the war boom in 1941. The company will now be left with only one divisional lien, the $6,500,000 Toledo, St. Louis & Western 4s, 1950.

The next step contemplated is the elimination of that issue, making the Refunding Mortgage a first lien on the entire property. Such a move would be accompanied by refunding of the high coupon 5½s, 1974, and perhaps the new notes, paving the way for the final step of eventual refunding of the Refunding 4½s, 1978. Despite some disappointment that the Toledo, St. Louis & Western 4s, 1950 and the Refunding 5½s, 1978 were not included in the pending operation, gratification is being expressed that at least some constructive step towards clearing up the whole capitalization has now been decided on.

Aside from the Nickel Plate proposal just announced, the Burlington has already asked ICC authority to refund its $40,000,000 1st & Refunding 5s, and this offering should be along shortly. Pennsylvania is believed considering refunding some $35,000,000 of high coupon devisional liens. Last week it was also reported that groups were being formed to bid on a Chesapeake & Ohio issue, presumably to retire the $66,000,000 of 3½s, 1996, and on a Virginian issue to retire the $60,000,000 3¾s, 1966. Thus there are prospective rail offerings, exclusive of any equipment financing that may be undertaken, of roundly $211,000,000 over the reasonably near future, bringing the total since Sept. 1, 1944, to $400,000,000. In the meantime, Louisville & Nashville has called for redemption the remaining balance of its Unfied 3½s, 1950, without refunding. In the near future this road also will presumably refund its $54,000,000 of 4s, 4½s, and 5s, 2003, further swelling the aggregate of new rail offerings.

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.

Milbank Named To Chase Bank Board

The Chase National Bank has announced the election of Jeremiah Milbank as a member of the board of directors and as a member of the executive committee. Mr. Milbank previously served as a director of The Chase National Bank from 1921 to 1934.

Mr. Milbank is a member of the board of directors of the Metropolitan Life Insurance Co., Southern Ry. Co., American Express Co., American Surety Co., and Western Union Telegraph Co. He has served as Vice-President and member of the executive committee of the Chamber of Commerce of the State of New York. Mr. Milbank is prominently connected with many welfare and civic organizations, among which are the Community Service Society, the Institute for the Crippled and Disabled, National Foundation for Infantile Paralysis, Boys' Clubs of America, and the Tribune Fresh Air Fund.

Public Utility Securities

Buffalo, Niagara & Eastern Power Corp.

Niagara Hudson Power Corp. in 1943 filed with the SEC a plan for a general reorganization and merger, but this was stymied by the Public Service Commission of New York, which disapproved the plan principally on the grounds that it did not make provision for an increase of some $65,000,000 in depreciation reserves (the present system reserve is $78,545,617). The additional amount was based on a new-fangled retroactive application of the "straight-line" theory. This question was promptly submitted to the courts, and the whole plan thus shelved indefinitely. The company has, however, made some recent plans for bond refunding operations which it had previously intended to defer until the plan was approved.

Meanwhile, a move has developed to split off the sub-holding company system controlled by Buffalo, Niagara & Eastern Power Corp. which constitutes about one-third of the whole. While Niagara Hudson has very substantial equity interest in the two big operating companies, Central New York Power and New York Power & Light, the remaining operating companies are controlled by B. N. E. B. N. E. has outstanding a substantial amount of first and second preferred stocks, the class A and common stocks being held by Niagara. The latter has received no dividends since 1937 and B. N. E. has usually "taken down" only enough cash to take care of its first preferred dividend requirements and maintain a modest cash balance. In 1942, as the result of a property write-off ordered by the FPC, subsidiaries discontinued common dividend payments, and B. N. E. in turn stopped dividends on both its preferred stocks. On a consolidated basis, B. N. E. earned $15.47 on the first preferred stock and $1.75 on the $1.60 second preferred in 1943.

Some upstate holders of the junior preferred, dissatisfied with this situation and the delays in proceeding with the over-all Niagara Hudson plan, have appealed to the SEC for a separate reorganization. It is now reported that important holders of Niagara Hudson Power common stock have begun direct negotiations with the committee for B. N. E. $1.60 preferred. Among the large holders of the 9,581,008 shares of Niagara common are United Corp., with nearly 25% interest, United Gas Improvement with about 8% and Niagara Share Corp. with 5%, but it is not clear whether these are the holders referred to.

In any reorganization of B. N. E. an important question would be the formula used for apportioning the new common stock between the present holders of the $1.60 preferred and the class A and common stocks. In pre-war days, available net earnings after first preferred dividends were assignable as follows:

	$1.60 Pfd.	"A" & Com.
1941	61%	39%
1940	54	46
1939	64	36
1938	78	22
1937	55	45
Average	62%	38%

The Niagara Hudson common shareholders' groups first insisted (according to press reports) that they were entitled to 45% of the new common, though they would concede 5% or 10% in view of the fact that the $1.60 preferred holders were giving up their senior claim on dividends. On the other hand, the preferred committee first held that it could give up only 5%, but has now raised the "ante" to 15%, it is reported. But obviously the groups are still far apart; a logical compromise formula might be 75-25 or 80-20.

It is proposed to merge two of the big subsidiaries (Buffalo, Niagara Electric and Niagara, Lockport & Ontario) with the parent company, retaining Niagara Falls Power as a subsidiary. Pro forma earnings of the new company for the post-war period, with a straight 40% Federal tax rate, are estimated at $6,000,000, which figure was slightly exceeded in the years 1940 and 1937. On this basis, 45% of earnings would accrue to the common stocks under the present set-up. But such an estimate is no doubt on the optimistic side.

Little has been said about the dividend arrears on B. N. E. $1.60 preferred which by the end of this year will amount to $4. The question as to whether part or all of these arrears can be paid, as part of the new plan, would naturally have a bearing on the percentage formula for a split of the new common stock. The SEC will, of course, have the deciding voice in the whole matter.

Any estimate as to the future value of B. N. E. $1.60 preferred would naturally depend on such variables as (1) net income, (2) the split of the

(Continued on page 1359)

The Securities Salesman's Corner

By JOHN DUTTON

The Development Of A Customer

It is possible to sell an investor securities—not once, but many times—and not have a customer. There is a difference between having accounts that buy securities from time to time, but who do not place their entire confidence and the broad scope of their complete investment operations in your hands, and those who do rely solely upon the investment guidance that you can give to them. It is, of course, not possible to control the complete supervision of every individual account with whom you do business. However, it is advisable to strive for this objective whenever and wherever it can be attained.

Now there may be some who object to the principle that a retail security dealer, or salesman, should act in the capacity of investment advisor but we do not understand how any firm can supply the sort of investment service which BUILDS A BUSINESS without doing so. There is no dividing line between the selection of the proper securities which a firm offers to its customers; the timing of purchases and sales which are a continuous consideration day in and day out in the securities business; the research and the exploration of individual situations which the firm elects to offer to its clientele; the ever constant appreciation of changing economic factors which must be evaluated; and the work of an investment counsel. The only difference that we can see in the two fields of endeavor is that the securities dealer SELECTS SECURITIES which he believes he should SELL to his customers, and the INVESTMENT counsel SELECTS SECURITIES that he believes his client should buy FROM SOMEONE IN THE SECURITIES BUSINESS. Both should watch over the account as a whole after the securities have been acquired. When changes are advisable both the dealer and the investment counsel have an obligation to the client to bring them to his attention. No security is safe enough to forget; no investment account can produce maximum income and appreciation unless sound supervision is provided.

There is a proven method of building accounts. It begins with the first contact you have with a prospective investor. The building of an account is like the building of a house. You have to have a plan. If you believe in giving a client the sort of investment service that places his interest foremost above every condsideration (including your own immediate profits and commissions) you will take that attitude and make it such a reality in your selling interviews that the prospect immediately begins to sense the sincerity of your purpose. If you know your business it will begin to come out as you go along and develop confidence. If you like people and desire to assist them they will naturally begin to like you.

After you get this far, possibly in the second or third interview—occasionally the first if you happen to a hit a responsive chord with your prospect—you may make a sale. This first sale is the beginning of your foundation. From here on you start to put up the walls of your house. But you are going to BUILD YOUR HOUSE ACCORDING TO THE NEEDS OF YOUR CLIENT BECAUSE HE WILL HAVE TO LIVE IN IT.

This is the time to begin to ask questions. By now you have an idea of the other securities the customer is holding; you have begun to know him and he NOW KNOWS YOU. He has some confidence in you, else he would not have made the first purchase. So you can feel a bit free to ask him some questions that would not have been appropriate before you have reached this point in your business relationship. THIS IS THE TIME TO FIND OUT WHAT HE WANTS HIS INVESTMENTS TO DO FOR HIM.

Did you ever stop to realize what a vast opportunity this provides for the investment salesman who will capitalize upon it? Just think of the millions of people that own securities in this broad land and then realize how few of them have ever considered just what they wanted to accomplish when they originally bought the securities they own. MOST OF THEM NEVER HAD ANY PLAN OF THEIR OWN. Most people bought haphazardly, here, there and everywhere, on what someone told them. They own securities but YOU CAN SHOW THEM WHAT THEIR INVESTMENTS CAN DO FOR THEM IF THEY ARE PROPERLY ARRANGED TO ACCOMPLISH CERTAIN OBJECTIVES. So why not FIND OUT THEIR OBJECTIVES. Do they have children they wish to educate? Can they

(Continued on page 1359)

Tomorrow's Markets Walter Whyte Says—

Minor setback indicated by unsteady market action. Consider prices in position to advance after few more days of uncertainty.

By WALTER WHYTE

During the latter part of last week and the early part of this one the market has managed to struggle back. Some of the advance was gained through the services of the shorts; others by buying for long account. But whatever the reason for the minor recovery the majority Wall Street opinion, that part of it that occupies the easy chairs in customer's rooms, is that more reaction is in the wind. Some of the forecasts call for a 10-point break, others five points. But whatever the extent of the coming reaction the mass belief calls for lower prices.

* * *

Looking at the market from a tape angle, all the beliefs simply don't jell. For, while it is true that the recent rally has brought stocks back to a point where another minor setback is indicated, the fact remains that the worst that is envisioned is a cutting back of recent gains of about 50%. In points, that amounts to about two in the averages. For the agile trader, even a two-point swing might spell opportunity to cash in. But for most of us a two-point swing is meaningless. By the time one gets in and gets out, the commissions, taxes and other differentials may add to losses instead of making for profits. So, to all intents and purposes, the advice given here during the past few weeks, namely, that all positions should be held, remains the same.

* * *

That old fetish, inflation, may shortly be back in the foreground again. Don't think because you haven't heard of it in recent months that the higher all-around prices that mean inflation is out of the cards. If you doubt it, take a hasty glance at almost any cost of living charts and see the path the graphs are traveling. Among the items in a position to begin an upward climb are food and clothing.

* * *

Politics will probably play a major role in this inflation move. You might consider, at this point, that neither the Republicans or the Democrats will be responsible for this inflation, when, as and if it comes. Much deeper factors are at work.

* * *

To most people in and out of the Street, the most im-

(Continued on page 1362)

Roosevelt Accuses Republicans Of Fraud And Falsification

In Opening Fourth Term Campaign Before Teamsters Union President Resorts To Ridicule And Wisecracks

In an address in Washington on Sept. 23, opening his fourth term campaign, President Roosevelt directed his first political speech to attacks against the Republican party, and its Presidential nominee, Gov. Thomas E. Dewey of New York. The President's speech was made before the A. F. of L. Teamsters' Union (before which he opened his third term campaign on Sept. 11, 1940.)

President Roosevelt

While not mentioning Governor Dewey by name, the President, it was noted by the Associated Press, declared that:

"Republicans have practiced the most 'obvious common or garden variety of fraud,' by trying to persuade the people to believe the Democrats brought on the depression and that the GOP is responsible 'for all social progress under the New Deal.'

"The war must be finished speedily and the peace ahead must be completed with the 'same will and intelligence and devotion which have already led us so far on the road to victory.'

"The peace-building tasks were 'botched by a Republican administration,' and that this must not happen again.

"Among the other 'malicious falsehoods,' he accused the opposition of spreading was one which he described as 'that old, worm-eaten chestnut that I have represented myself as indispensable.'"

The President also referred to "labor baiters" in his opposition who prefer to "pick on the occasional strikes which have occurred —strikes which have been condemned by every responsible labor leader; every national leader except one,' and he made the statement that "the fact is that, since Pearl Harbor, one one-tenth of 1% of man-hours have been lost by strikes."

He took exception to criticism of the Administration that its "policy was to keep men in the Army when the war is over because there might be no jobs for them in civil life," terming this a callous and brazen falsehood.

Stating that "I know that the American people—business and labor and agriculture—have the same will, basic will, to do for peace what they have done for war," the President added, "and I know that they can sustain a national income that will assure full production and full employment under our democratic system of private enterprise, with Government encouragement and aid whenever and wherever that is necessary." He further said:

"I think that the victory of the American people and their Allies in this war will be far more than a victory against Fascism and reaction and the dead hand of despotism of the past. The victory of the American people and their Allies in this war will be a victory for democracy."

In full the President's address as given in Associated Press Advices from Washington, and published in the New York "Herald Tribune." follows:

This is not the first time that we have met together on this basis, and I am particularly happy that this national campaign opens in your presence, as it did four years ago. And I don't mind mentioning the fact that Dan Tobin and I are just a little bit superstitious.

Well, here we are together again—after four years—and what years they have been! You know, I am actually four years older—which is a fact that seems to annoy some people. In fact, in the mathematical field, there are millions of Americans who are more than 11 years older than when we started in to clear up the mess that was dumped into our laps in 1933.

We all know certain people will make it a practice to depreciate the accomplishments of labor—who even attack labor as unpatriotic.

They keep this up usually for three years and six months. But then, for some strange reason, they change their tune—every four years—just before Election Day.

When votes are at stake they suddenly discover that they really love labor, and are eager to protect it from its old friends.

I got quite a laugh, for example —and I am sure that you did—when I read this plank in the Republican platform adopted at their national convention in Chicago last July:

"The Republican party accepts the purposes of the National Labor Relations Act, the Wage and Hour Act, the Social Security Act, and all other Federal statutes designed to promote and protect the welfare of American working men and women, and we promise a fair and just administration of these laws."

Many of the Republicans leaders and Congressmen and candidates, who shouted enthusiastic approval of that plank in that convention hall, would not even recognize these progressive laws if they met them in broad daylight. Indeed, they have personally spent years of effort and energy—and much money—in fighting every one of those laws in the Congress, in the press, and in the courts, ever since this Administration began to advocate them and enact them into legislation.

That is a fair example of their insincerity and their inconsistency.

The whole purpose of Republican oratory these days seems to be to switch labels. The object is to persuade the American people that the Democratic party was responsible for the 1929 crash and the depression, and the Republican party was responsible for all social progress under the New Deal.

Imitation may be the sincerest form of flattery—but I am afraid that in this case it is the most obvious common or garden variety of fraud.

There are enlightened, liberal elements in the Republican party, and they have fought hard and honorably to bring the party up to date and to get it in step with the forward march of American progress. But these liberal elements were not able to drive the "old guard" Republicans from their intrenched positions.

Can the "old guard" pass itself off as the New Deal? I think not.

We have all seen many marvelous stunts in the circus, but no performing elephant could turn a handspring without falling flat on its back.

I need not recount to you the centuries of history which have been crowded into these four years since I saw you last.

(Continued on page 1364)

Dewey Calls Roosevelt's Record "Desperately Bad"

In Oklahoma City Address He Answers The President's Speech Of September 23 That Denied We Were Unprepared For War. Recalls President's Promise Not To Campaign "In The Usual Sense," And Reiterates Charge That The Democrats Picture Him As "The Indispensable Man" — Discussing Government's Post-War Debt In San Francisco, GOP Candidate Says Substantial Rise In Interest Rates Must Be Avoided—At Los Angeles Recommends Social Security For All.

Governor Thomas E. Dewey, in an address delivered in Oklahoma City on Sept. 25, made a point-by-point answer to the charges of "fraud and falsification" made by Pres. Roosevelt in his first political campaign speech on Sept. 23, text of which appears elsewhere in these colmuns. The Governor characterized the President's address as "a speech of mud-slinging, ridicule and wise-cracks," which "plumbed the depths of demagogy by dragging into the campaign the name of Hitler and Goebbels." The full address, as reported by the United Press, follows:

Thomas E. Dewey

Senator Moore, Governor Schoeppel, my friend and next Senator from Oklahoma, Bill Otjen, fellow Americans everywhere:

For two and a half weeks I have been laying before our people the program I believe we must adopt if we are to win at home the things for which our American men are fighting abroad. In six major speeches I have set forth a part of that program. There is much more to come.

In doing this, I have been deeply conscious that this campaign is being waged under the most difficult circumstances and at the most trying time in the history of our nation. Our national unity for the war and for the cause of lasting peace must be strengthened as a result of this campaign. I believe the conduct of the campaign on our side has greatly strengthened that unity.

I had assumed that every American joined me in hoping that would be the spirit of this campaign. Last July, Franklin Roosevelt, in accepting his party's nomination for a fourth term, said, and I quote: "I shall not campaign in the usual sense. . . . In these days of tragic sorrow, I do not consider it fitting . . ." he said.

Last Saturday night, the man who wants to be President for 16 years made his first speech of this campaign. Gone was the high-sounding pledge. Forgotten were these days of tragic sorrow. It was a speech of mud-slinging, ridicule and wise cracks. It plumbed the depths of demagogy by dragging into this campaign the names of Hitler and Goebbels; it descended to quoting from "Mein Kampf" and to reckless charges of "fraud" and "falsehood."

Let me make one thing entirely clear. I shall not join my opponent in his descent to mud-slinging. If he continues in his desire to do so, he will be all alone.

I shall not use the tactics of our enemies by quoting from "Mein Kampf." I will never divide America. Those tactics also I leave to my opponent.

I shall never make a speech to one group of American people inciting them to hatred and distrust of any other group. In other nations the final product of such discord has been Communism or Fascism. We must never reap that harvest in America.

The winning of this war and the achievement of a people's peace are too sacred to be cast off with frivolous language.

I believe that Americans whose loved ones are dying on the battle fronts of the world—men and women who are praying daily for the return of their boys—want the issues which vitally affect our future discussed with the utmost earnestness. This I shall continue to do with full consciousness of the solemn obligation placed upon me by my nomination for President of the United States.

My opponent, however, has chosen to wage his campaign on the record of the past and has indulged in charges of fraud and falsehood. I am compelled, therefore, to divert this evening long enough to keep the record straight. He has made the charges. He has asked for it. Here it is.

My opponent describes as a "fantastic charge" the statement that his Administration plans to keep men in the Army when the war is over because it fears there will be no jobs for them in civil life. Well, who first brought that up?

Here is the statement by a high official of the Administration as reported in the publication of the United States Army, "The Stars and Stripes." He said:

"We can keep people in the Army about as cheaply as we could create an agency for them when they are out."

(Continued on page 1366)

Ohio Brevities

Directors of the New York, Chicago & St. Louis Railroad Co. (Nickel Plate Road), have approved a refinancing plan calling for a five-year collateral loan of $10,000,000, the proceeds to be used together with $5,300,000 of treasury cash to pay off the road's extended first 3½s due Oct. 1, 1947.

The 3½s, presently outstanding in the amount of $15,188,000, are redeemable on 30 days' notice at 101.

President John W. Davin said application for Interstate Commerce Commission approval would be filed and competitive bids sought for the $10,000,000 collateral loan.

He added that directly the loan is completed the 3½s will be called for redemption so that the debt reduction can be accomplished this year.

* * *

Robert A. Weaver, President of Ferro Enamel Corp., Cleveland, announced plans for a new manufacturing plant to be located in the Los Angeles area.

The new plant will produce porcelain enamel frit and synthetic-enamel industrial paints and will be managed by John A. Rumer, West Coast representative for Ferro for the past ten years.

Mr. Weaver said that while this will be the first plant of its kind on the Pacific Coast, Ferro has operated a small plant at Modesto, Calif., for the past two years.

* * *

Stockholders of Cleveland Tractor Co. will meet October 3 to vote on the proposed merger with Oliver Farm Equipment Co., a Delaware corporation with offices in Chicago.

W. King White, President of Cletrac, notified stockholders the two companies had entered into an agreement, subject to stockholder approval, in which Oliver will acquire virtually all of Cletrac's property and business. Cletrac holders would receive one-third of a share of Oliver for each share of Cletrac surrendered under the plan.

Cletrac has been manufacturing crawler-type tractors for nearly 30 years and is the second largest producer. This type of tractor would add a new line to Oliver's wheel tractors.

Sales of Cletrac for the year ended Sept. 30, 1943, exceeded $44,500,000, of which over 90% was for war, and net profit amounted to $822,382. Capitalization of the company is 350,000 shares of no par common stock with 219,988 shares outstanding. Oliver sales for the year ended last Oct. 31 totalled $30,864,000 and net profit was $1,763,000. Rollin H. White, father of the President, is Chairman of the Cletrac board.

* * *

"Outline of Business," published by Central National Bank, states "a challenge to private industry to prove that it has the resourcefulness to make a presto-shift from war to peacetime economy is seen in the Washington move to abolish many controls over manufacturing with the capitulation of Germany."

* * *

Joseph B. Horwitz of Cleveland is the new Midwestern representative of New York Commodities Corp., Benjamin Schwartz, Executive Vice-President of the company, announced.

Horwitz is Secretary of the Northern Ohio Chapter of the Institute of Scrap Iron and Steel. His Cleveland offices are located in the Rockefeller Building.

* * *

Laurence Cordrey, Assistant Vice-President of the Union Bank of Commerce, has been elected President of the Cleveland Chapter of Robert Morris Associates, national association of bank credit men. Mr. Cordrey started with Union Bank in 1938 as credit manager.

Other new officers are: Richard A. Heydt, of Cleveland Trust Co., Vice-President; Edward Sprankle, of Central National Bank, Secretary, and William Friedman, of American Savings Bank, Treasurer.

Cleveland Traders Elect Cayne Pres.

Morton A. Cayne of Cayne, Ralston & Co. has been elected President of the Cleveland Security Traders Association for the next year. He will take office at the election meeting next month and will succeed Corwin L. Liston of Prescott & Co. Clarence Davis was named vice-president; Richard A. Cone of Finley & Co., treasurer and William A. Koeth of Ledogar-Horner & Co., secretary.

Morton A. Cayne

Mr. Cayne is a member of the Cleveland Stock Exchange, the Bond Club, Mid-Day Club and the Cleveland Chamber of Commerce.

The Cleveland group held its annual field day and dinner at Westwood Country Club the first of the month with a number of out-of-towners present.

Roger Enwright With Collin, Norton & Co.

(Special to The Financial Chronicle)

TOLEDO, OHIO—Roger Enwright has become associated with Collin, Norton & Co., 50? Madison Avenue, members of the New York Stock Exchange. Mr. Enwright in the past was associated with Otis & Company in Cleveland. Recently he has been in charge of the Cleveland office of the Federal Public Housing Authority.

As he was completing his 25th year of service, W. H. Wilson was promoted to sales manager of the Multigraph division of Addressograph-Multigraph Corp.

* * *

Walter Seelbach, of Cleveland, President of the Gray Iron Founders Society, reports marketing of gray iron castings, in the period immediately after the war, will be discussed at the 16th annual meeting and post-war production planning conference in Cincinnati October 10 and 11.

"A primary purpose of the meeting is to assist gray iron foundry management to gear for the intensive and broadwise marketing necessary to maintain new peak levels in production," he declared.

* * *

Hugh M. Comer, President of the American Cotton Manufacturers Association, spoke on "Cotton in the War" at the closing session of the 20th annual meeting of the National Association of Bank Auditors and Comptrollers at Cleveland recently.

Frank V. Grayson, auditor of the Federal Reserve Bank of Cleveland, was general chairman of the conference which brought more than 600 delegates from over the nation.

In the afternoon, Myron S. Short, Executive Vice-President of the Buffalo Savings Bank, told the group of "Interest Rates on Deposits." "Bank Service Charges" was the topic of Harold E. Randall, Vice-President of the First National Bank of Boston, at the morning session.

Ohio Municipal Comment

By J. AUSTIN WHITE

Prices in the Ohio municipal market have been a shade easier in recent days. Expected demand did not materialize after Labor Day, nor did expected activity, despite the incidence of heavy maturities of Ohio bonds in September and October. Talk of reduced taxes after the war has dulled the appetite of some buyers, especially at the prices currently prevailing, which, for high grade names, had just reached a new all time high this summer.

J. Austin White

It cannot be denied that there has been talk aplenty of lower tax rates after the war. It might be well to note, however, that this talk has come principally from two sources, first, and more specifically, from business men and business organizations who undoubtedly know that tax rates should indeed be lowered to provide greater incentive to business and progress, but who, unfortunately, have seldom had their advice needed during the 12 long years of the New Deal, and second, and more generally, from some politicians who are facing a tax conscious electorate this November, but whose election or defeat will in any event come before taxes can be lowered at all.

In other words, most realistic investors are not looking for much tax relief actually to be made in the near future, despite its desirability. Yet such talk has assumed such wide-spread proportions that it cannot help but have had some effect on buying policies for tax exempt securities.

It is interesting to note that during the early and middle summer some investors were apparently beginning to give some attention to the quality of their municipal investments in the light of possible post-war conditions that might be adverse to tax collections in some communities. As a result the spread between the yields on high grade and lower grade Ohios began to widen slightly, it is true, but nevertheless, noticeably. Lately, however, the talk has been of possible lower tax rates and possibly, therefore, lower prices for municipals generally in the post-war period. Attention of investors no longer seems to be put on quality, but instead on future price of municipals generally.

It is to be regretted that the investor, not only in municipals, but in all investments, cannot leave his attention permanently on quality primarily, and on price, especially future price, only secondarily.

New issues sold in Ohio lately continue to bring good prices. Several of the usual annual refunding issues came into the market in recent days, including Mahoning County, Summit County, University Heights and Shaker Heights, with full prices paid in general. Other such annual refunding issues will soon be on the calendar, with Akron likely to be by far the largest.

It is interesting to note that at least many bankers are quite advisedly going through their mortgage loan portfolio and taking advantage of present conditions of easy money and lax credit requirements to weed out of their banks the weak loans. It is a source of wonder, to say the least, to note how bankers thus recognize the wisdom of disposing of poor risks in their loan account, but apparently pay no heed to such risks in their bond account. The same considerations could well be used in working over the bond portfolio now, as are used in working over the loans. But how many bankers seem to pay such commendable attention to bonds?

Cleveland Exch. Plan To Increase Business

The Cleveland Stock Exchange has inaugurated a modified stock sponsorship plan to increase business and interest in issues listed on the Exchange.

At a special meeting last week, members and member firms of the Cleveland bourse adopted the plan of Exchange President Russell I. Cunningham in which each member or member firm will maintain a complete and up-to-date statistical and pertinent information file on each issue that they select for sponsorship. This information, which is to be prepared twice each year, will be available to the public and to the stock exchange members and member firms. The plan was introduced by Cunningham three months ago. The meeting was called by Guy W. Prosser, head of the Exchange's public relations committee.

Edward M. Baker, who had served a 15-year term as president of the local bourse, declared the plan was a fine step forward and that Mr. Cunningham showed "courage and initiative."

Prosser announced that of the 92 listed stocks here, 63 or about two-thirds of the total were allocated to 21 member firms present. This list is expected to increase as absent firms indicate their choice of stocks.

Among the other speakers at the dinner following the meeting were Peter R. Fahey, charter member of this Exchange, John P. Witt, John W. Love and Arthur Metzenbaum.

More than fifty members, officers and partners attended the meeting.

Ohio Municipal Price Index

Date—	*	†	‡	§
Sep. 20, 1944	1.33%	1.51%	1.15%	.36%
Sep. 13	1.32	1.50	1.14	.36
Sep. 6	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.36
July 12	1.31	1.48	1.15	.33
Jun. 14	1.31	1.46	1.16	.30
May 17	1.31	1.46	1.16	.30
Apr. 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Nov. 17	1.39	1.57	1.22	.35
Oct. 13	1.39	1.58	1.21	.37
Sep. 15	1.43	1.62	1.24	.38
Aug. 18	1.44	1.63	1.25	.38
July 15	1.50	1.63	1.32	.36
Mar. 16	1.76	1.97	1.55	.42
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 high grade bonds. §Spread between high grade and lower grade bonds.

Foregoing compiled by J. A. White & Co., Cincinnati.

Cleveland Bond Club Annual Frolic

CLEVELAND, OHIO—Herman J. Sheedy of McDonald & Co., President of the Bond Club of Cleveland, announces the annual frolic of the club is on tomorrow afternoon at the Chagrin Valley Country Club. The first event on the program is golf. Over 100 members are expected to be present.

Steps That Led To Bretton Woods

(Continued from page 1347)

negative. What the reporters were seeking to establish by their questions was that the Treasury had not really consulted the banking fraternity, but hoped to put over its own ideas.

The following excerpts are from the Treasury's records of what transpired at this press conference, these being in turn based on the rough notes of the stenographer.

The Pre-Conference at Atlantic City

Q. Can you tell us today of the countries that participated in the Atlantic City meetings and throughout this meeting?

Dr. White: There were present the United States, United Kingdom, Russia, China, Czechoslovakia, Canada, Australia, Belgium, Holland, Mexico, Brazil, Cuba — I am sure I forgot one.

Q. French National Committee of Liberation?

A. French National Committee.

Q. Norway and Greece?

A. There was one man from Norway who happened to be in the vicinity and he was invited in. It was also true of Greece but they were just observers, so to speak.

Q. These countries just mentioned, did they consider proposals for the Fund and the Bank, or just the Fund?

A. We didn't have much time to discuss the Bank. There was some discussion on that, but mostly on the Fund. There was also prepared at Atlantic City the agenda for this conference which will be submitted to the appropriate committees tomorrow.

At Atlantic City there were meetings morning, afternoon and evening. There were quite a number of technical representatives; there must have been 60 or 70. There were discussions on the various points, without any attempt to come to any agreement at all. It was merely from the point of view of exposition or expression of different viewpoints and for consideration of alternate provisions which they have since handed to this conference. Some of these alternate provisions were discussed, but there was no attempt to iron out any differences, no attempt to get any agreement. The Atlantic City meeting was merely for the purpose of exploration and exchange of views. . . .

History of The White Plan

Would it be appropriate if I spent five or ten minutes to give you a brief background or history of the proposals before the Conference?

The proposals for international cooperation to meet the serious post-war financial and monetary problems came up for consideration, because . . . anyone who is familiar with the subject knows what happened in the thirties and after the last war, and knows also that the consequences of this war in that direction will be much more serious. . . . It is quite to be expected that men interested in the field of international finance the world over would be thinking about these problems and wondering how they can meet them. It is to be expected that the United States by virtue of its position of leadership, particularly in finance, would be thinking about that and that the appropriate agency who would regard that as its responsibility would be the Treasury Department.

Three years ago, in the fall of 1941, Secretary Morgenthau called me in — this was before we were in the war, and he said to me: "Don't you think it is about time that we began thinking about what we can do to meet the post-war monetary problems we know are coming? We have already gone a long way in that direction and what we have is good, but not good enough to meet the much more serious problem which we are going to meet."

He referred, of course, to the Tri-Partite Accord of 1936, with which I am sure most of you are familiar. We got three countries—Britain, United States and France —to agree on consultation before alterations of exchange rates were made. Three other countries subscribed to it, and it helped us over some rough spots. But it was not quite enough to hold the situation even then and could not possibly meet it after the war. It wasn't equipped with enough authority or enough resources. There were also the bilateral arrangements through our stabilization fund of two billion dollars — more than that, since it has earned profits over the many years.

These limited arrangements would not be adequate to meet the post-war needs, and Secretary Morgenthau assigned me and my staff the task of preparing proposals that would utilize the experience we already had. We got up a preliminary draft of a Fund and a Bank. The Fund was an extension of our experience with our own stabilization fund and the Tri-Partite Accord. I might add that the Treasury has had extensive experience in the field of international monetary cooperation, because we have been dealing with the problem for over ten years. When we had a preliminary draft, we submitted it to Secretary Morgenthau. He thought it had possibilities. Secretary Morgenthau showed some parts of the preliminary proposals to the President, and the President said go ahead with it.

As you know, we had working with us technical men from various departments—the State Department, Federal Reserve Board, SEC, Stabilization Board, Department of Commerce and some others — people who are thoroughly familiar in the field, people with high technical standing. When we thought we had something that was sufficiently suitable for the purpose Secretary Morgenthau, with the approval of the President and the State Department, sent invitations to the ministers of finance of the United Nations and asked them to send their technical representatives to discuss the preliminary proposal. Over thirty countries did, and for more than a year and a half we held bilateral technical discussions.

I might say by way of clarification that we did not hear of the Keynes plan until many months after ours had been formulated. It is to be expected that other countries would be thinking about these problems. England had a plan, France had a plan, and they all emerged independently. The Canadian proposal, of course, grew out of the bilateral discussions with us and the discussions Canada had with England.

The "British Origin" Question

Q. Has anyone confused your plan with the Keynes plan?

A. There has been a great deal of confusion regarding the origin of the plans. It is not important.

Q. There are tremendous differences between the two?

A. Yes, but it has been said so often that the United States gets all its monetary ideas from Keynes that I thought you might like to know these plans are completely independent. . . .

Q. Was it merely a coincidence that they both came out the same week?

A. No, that is not. They knew of ours as we knew of theirs, approximately the same time. As a result of some misunderstanding with the press there was premature publication, and it was decided to make both plans public immediately. The details of the story are not in point here.

Q. Was there any discussion between technical experts of the different countries before the release of the plans?

A. None that could be dignified by the word discussion. We knew from our Treasury attaches abroad and from foreign Treasury attaches in London that the questions were being studied. By that time, however, our proposals were far along.

Q. Keynes has been over here frequently.

A. Not for a long time prior to publication of the proposals. Since then he has been here twice.

Q. There is a difference between the Keynes plan and the White plan?

A. There are differences and there are similarities. Their objectives are the same. Our plan reflects our own experience of the 1930's and is directed toward what we regard as appropriate policies. Naturally, we are glad that British objectives are similar to ours.

Q. Just a British plot, that is all.

A. Did someone ask a question?

Q. Just a British plot, that is all, sir.

A. I gather that was one of the British press.

Q. The British press.

The Bankers' Attitude

Dr. White: As a result of those bilateral discussions, and our discussions with various groups within the United States—we had a large number of conferences with business people, bankers, etc. —a revised draft of the Treasury proposal was prepared.

I must say a word of our very helpful discussions with business and banking groups in Washington, New York, Chicago, and other cities. We had many discussions and we had many helpful suggestions which we have incorporated in the various revisions of the proposal and which we shall put before the Conference now.

Q. Do you think the Federal Reserve System substantially endorses the plan?

A. The Federal Reserve System —that is a pretty big question. Do you mind if I turn the question over to Dr. Goldenweiser?

Q. What I am trying to bring out is to what extent the Reserve people and other bankers were allowed to make suggestions other than merely technical suggestions?

A. There was no limit on the suggestions they made. They made them all the way from A to Z, and every suggestion that was made was thoroughly canvassed, evaluated and considered right along. That applied not only to Federal Reserve Banks but to many other banks also. And I emphasize again many of the suggestions are now included in the United States proposals.

Q. Would you say the majority sentiment of the Federal Reserve System agreed with it?

Dr. Goldenweiser: I could not possibly answer that. I can speak only for those Federal Reserve Banks I know. I believe most of the Federal Reserve Banks favor the proposal.

Q. What about the private bankers?

Dr. Goldenweiser: If you will put the question a little wider—if you would ask, did I think that most bankers we had contacted are thoroughly in accord with the joint statement of principles, I think the answer is "No." . . .

Dr. White: I think I might add too, that I think most bankers are not familiar with the proposal. They have some cursory familiarity but they haven't yet studied it and I imagine the reason for that is, they are very busy people. After the Conference, if we accomplish something, I am sure they will all give it very careful study. Of course, some of the banking committees we have met are very able and thoroughly informed. Among those, there is a more sympathetic understanding of what we are trynig to do.

NY Municipal Forum To Hear Dr. Nadler

The Municipal Forum of New York opens its 1944-45 season of luncheon meetings on Friday, Sept. 29, with the well known economist and professor of banking and finance Dr. Marcus Nadler, New York University, as its guest speaker. Dr. Nadler has addressed The Municipal Forum on four previous occasions, each time before a record attendance. His topic next Friday will be "The Outlook for Business After the War in Europe."

Phillips T. Barbour, of the First Boston Corporation, the Forum's new President, will preside at the luncheon which will be held at 12:15 noon at Oscar's Restaurant, corner of Beaver and William Streets.

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.

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.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

The new edition of "Best's Digest of Insurance Stocks" gives a list of the 50 largest American stock fire and marine insurance companies. As measured by Policyholders Surplus, and also by Total Admitted Assets, Hartford Fire Insurance Company ranks first; but as measured by Net Premiums Written, Home Insurance Company is first, while Hartford ranks second.

Many investors prefer purchasing the shares of large companies in preference to those of smaller companies, since amplitude of resources generally connotes strength and soundness. For this reason the accompanying exhibits of the relative rank of the 12 largest companies are given, as measured by (1) Total Admitted Assets, (2) Net Premiums Written, and (3) Policyholders Surplus, based upon December 31, 1943 statements.

Company—	Total Admitted Assets	Rank
Hartford Fire	$147,098,000	1
Ins. Co. of N. A.	136,346,000	2
Home	132,107,000	3
Continental	116,972,000	4
Fidelity-Phenix	93,699,000	5
Phoenix	70,610,000	6
Fireman's Fund	66,246,000	7
Aetna	65,084,000	8
Great American	57,662,000	9
National Fire	57,662,000	10
St. Paul F. & M.	56,428,000	11
Firemen's, Newark	42,794,000	12

It will be observed that four companies have total admitted assets well in excess of $100,000,000, and number one on the list is approximately 3.5 times the size of number twelve.

As measured by Net Premiums Written, the order of the size is as follows:

Company—	Net Premiums Written	Rank
Home	$61,549,000	1
Hartford Fire	50,796,000	2
Ins. Co. of N. A.	39,256,000	3
Aetna Insurance	28,457,000	4
Continental Insurance	27,075,000	5
Fireman's Fund	24,251,000	6
Fidelity-Phenix	21,599,000	7
Travelers Fire	20,920,000	8
American, Newark	19,682,000	9
National Fire	19,236,000	10
Firemen's, Newark	18,723,000	11
Great American	18,655,000	12

It is interesting to note the outstanding position of Home as regards premium volume, and also how rapidly volume drops as we go down the list, to such an extent that Aetna, in fourth position, wrote only 46.5% of Home's volume.

The next table shows the relative rank of each company as measured by Policyholders Surplus, as follows:

Company—	Policyholders Surplus	Rank
Hartford Fire	$91,395,000	1
Ins. Co. of N. A.	88,900,000	2
Continental	86,051,000	3
Fidelity-Phenix	69,022,000	4
Home	66,563,000	5
Phoenix	55,232,000	6
St. Paul F. & M.	40,197,000	7
Great American	36,442,000	8
Fireman's Fund	36,087,000	9
Aetna	34,114,000	10
National Fire	33,687,000	11
United States Fire	24,293,000	12

It will be observed that although Hartford has the largest policyholders surplus (which comprises capital, surplus and special reserves, if any, i.e., capital funds), yet it does not write as much business as does Home.

In the case of Hartford, each dollar of capital funds supports approximately $0.56 of premium volume, compared with $0.98 of premium volume per dollar for Home. Premium volume per dollar of policyholders surplus works out for other leading companies as follows: Aetna, $0.84; Continental, $0.32; Fidelity-Phenix, $0.32 and Insurance Co. of North America, $0.44.

Such a diversity of ratios leads to the conclusion that there is no generally accepted policy among the large companies as to how much business should be written against capital and surplus. The lower figures certainly represent a more conservative policy while the higher figures represent a somewhat more daring policy which, theoretically, should permit greater profits. That the latter does not necessarily work to the investor's advantage, however, seems apparent from the following figures:

Company—	Prem. Vol. per $ of Capital and Surplus	Current Market	1943 Earnings on Market
Home	$0.98	28⅝	7.8%
Aetna	0.84	52¾	7.5
Hartford	0.56	101½	8.3
Ins. of N. A.	0.44	86¾	9.7
Continental	0.32	46	8.2
Fidelity-Phenix	0.32	48	9.2

These figures show that an investor gets 24% more earnings per dollar invested in Insurance Co. of North America, for example, than he does in Home, despite Home's better than 2 to 1 advantage in the matter of premium volume; and 18% better in Fidelity-Phenix than in Home despite the latter's 3 to 1 advantage in premium volume.

New York Stock Exchange Weekly Firm Changes

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

Jesse C. Dann, Jr., limited partner in Vietor, Common, Dann & Co., Buffalo, N. Y., will become a general partner, effective Oct. 1, 1944.

Travis M. Fewell, partner in E. F. Hutton & Co., New York City, died on Sept. 17.

Elizabeth M. Judson, limited partner in Judson & Co., New York City, died on Sept. 16.

W. Arthur Stickney, partner in A. G. Edwards & Sons, St. Louis, Mo., died on Sept. 12.

United Nations Monetary Conference

(Continued from page 1348)

But after the First World War trade restrictions multiplied, partly because of growing interest in nationalism, and partly because of the failure of many countries to reestablish the unrestricted gold standard. These two factors—increased trade barriers and failure of the gold standard—are, of course, closely related.

Any attempt to restore free trade and the gold standard after this war will meet with even greater difficulties. Never since foreign trade began have there been so many restrictions. Many of the countries of the world have complete control over the kind and quantity of goods shipped across national boundaries, as well as prices and exchange rates. Gold is no longer well distributed among the trading countries; the interrelationship of prices in different countries has been destroyed by the controls; and many governments believe that they will prosper better under a completely controlled economy than with free enterprise.

In view of these difficulties, the restoration of free trade and the gold standard will not be easy. Certainly they will not be restored simply by making peace. If we are to achieve any measure of freedom we shall have to bring pressure to bear on governments to remove barriers, and offer positive encouragement to trade expansion, both through stabilization of exchange rates and through extension of credits. This is what the Fund and Bank are designed to do.

Stabilization of exchange rates decreases the risks of international trade. Profits will not disappear over night with fluctuating exchanges. And extension of short-term credits will increase the volume of trade, just as domestic trade is increased by the extension of credits by banks and the sellers themselves. Long-term credits for the development of the less industrialized countries and the reconstruction of those whose industries have been damaged by war, will assist in putting the borrowing countries on a sound economic basis, so that they will be in a position to trade on equal terms and to repay their debts.

These, of course, are not the only steps that must be taken to restore a flourishing international trade. The contribution of the Fund and the Bank toward this end can, perhaps, best be evaluated by considering the successive measures needed, and the contribution, if any, of these two institutions.

The first step in restoring trade is to fix par values and stabilize exchange rates. The Fund agreement provides that each country shall determine its own exchange rate in terms of gold; and since the appropriate rate can only be determined by trial and error, a three month period is provided in which changes can be made if necessary. Thenceforward, each member is expected to maintain its currency at this par, unless conditions make it unsuitable. Rigid stabilization is not contemplated. But changes that can be made are strictly limited, and they may be made only with due notice, and when economic conditions require. In short, changes may be made when needed to maintain high levels of employment within the country, but they must not be so sudden and so extreme as to disrupt the economies of other nations.

The second step is to provide relief and rehabilitation for countries whose economies have suffered most from the war. Neither the Fund nor the Bank, however, are designed to meet this need directly. Relief is the function of UNRRA. However, the work of UNRRA should be facilitated by stable exchange rates.

The third step is the extension of short-term credits. This is a specific obligation of the Fund. These credits will be needed in the transition period. And even after normal trade has been resumed they will serve to maintain the stability of exchange rates when trade is temporarily unbalanced by seasonal fluctuations and other short-time changes.

The Fund provides for this by requiring each member to subscribe a fixed quota, partly in gold. Each country's quota determines the amount of its currency available for the Fund to sell to members needing it to finance current trade transactions. The quota also determines the amount each country can borrow from the Fund for trade purposes. These loans are safeguarded in a number of ways, and provision has been made for repayment of such loans as the debtor country builds up its monetary reserves.

The criticism is sometimes made that the Fund's resources will probably be quickly exhausted and the United States stands to lose its contribution, with no compensating gain. Actually, however, it would take several years to exhaust the Fund even under the most adverse circumstances. And the United States will gain in export trade as a result of extending these credits, much as any merchant gains by extending credits to his customers.

A fourth step in restoring international trade will be the liquidation of war debts. The blocked balances of the United Kingdom, in particular, are very large, and repayment will prove difficult. The contribution made to this problem by the Fund is indirect, but real. It offers a breathing space in which, it is hoped, the United Kingdom will be able to fund these debts.

A fifth step is to prevent the competitive devaluation that completely disrupted world trade from time to time between the two World Wars. Such competitive devaluation is forbidden, under the terms of the agreement, and many of the temptations to devalue will be removed as a result of the constructive measures taken by the Fund.

A sixth step is to prevent exchange rationing and discriminatory currency practices by individual countries. This, too, is forbidden under the Fund agreement, except in the immediate post-war period, and under conditions that will not injure other nations.

A seventh step is to provide central clearing and a central place for bankers of different countries to meet and confer. This will be provided by the Fund and the Bank. The two institutions are to be located in the country with the largest quota—the United States.

An eighth step is to provide long-term loans for reconstruction and development. This is the principal purpose of the Bank. Its capital, like that of the Fund, is provided by subscriptions of its members. It may loan directly, or it may guarantee loans floated by private bankers. It is contemplated that it will guarantee loans, for the most part, rather than making them directly. Such loans must be for productive purposes. Loans for municipal buildings or current government expenses, such as were frequently marketed in this country after the last war, will not be aided by the Bank. There are other safeguards, also, including the guarantee of the government whose nationals are borrowing. It is expected, as a result of these guarantees, that interest rates will be kept low, thus making it possible to borrow for useful purposes when the rate of return expected will not be high. Also, the low rate of interest should facilitate repayment.

The final step is the removal of trade restrictions, and dealing with the problems of raw-material-price stabilization and international cartels. These are problems that the Fund and Bank do not solve; but far from delaying action on these matters, as some critics have implied, the Fund and Bank should bring added pressure for the removal of unnecessary restrictions, and facilitate the process in many ways.

There have been many criticisms of these plans. It has been suggested that the United States, as a creditor nation, has nothing to gain and everything to lose by subscribing to the Fund. But the United States as an exporting nation has much to gain from the restoration of its foreign markets. Moreover, there are many safeguards on the use of the money, as indicated above, and the total we are risking is about the equivalent of the cost of 10 days of war. It would seem to be worth the risk in the hope of contributing toward a durable peace.

It has also been suggested that even if we don't lose what we subscribe to the Fund, we shall only be lending money to build up competitors in the world market. This criticism is, however, quite without foundation. The future of our trade depends on the prosperity of other nations. To illustrate, our exports to Australia, in the 20 years prior to the Second World War, exceeded our exports to China, although China has a population at least 60 times that of Australia. China has been too poor to make a good customer. Nor does it injure our trade to have other countries industrialized. The United Kingdom is the extreme instance of an industrialized nation, and our exports to her in the same 20 years, exceeded our exports to Australia, even when measured per capita.

A third criticism is that the important step, which the Fund and the Bank have overlooked, is to remove trade barriers. Granting the importance of this step, it does not follow that the Fund and Bank will interfere. On the contrary, they are expected to assist in achieving this, as noted earlier.

(Continued on page 1357)

SEC Seeks Aid Of Securities Industry In Drafting Educational Program For Investors

Cites Unprecedented Volume Of Individual Savings As Pointing To Need Of Safeguards In Public's Interest

The Securities and Exchange Commission has invited representatives of various organizations in the securities industry and other groups to attend a meeting at the offices of the Commission in Philadelphia on Oct. 3 to discuss "a joint educational program to reduce the public's vulnerability to an unscrupulous promoter or salesman by educating it to the pitfalls likely to be encountered when dealing in securities with such persons." The Commission pointed to the unprecedented volume of savings in the hands of individuals, "many of whom are totally ignorant of securities and securities markets," as indicating the need for its proposal. The invitation to the meeting was contained in a letter signed by James A. Treanor, Jr., Director of the Commission's Trading and Exchange Divisions. Among the organizations expected to be represented at the meeting are the Investment Bankers Association of America, New York Security Dealers Association, through its President Frank Dunne, the Securities Dealers Committee, National Association of Securities Dealers, and the National Association of Better Business Bureaus. The text of Mr. Treanor's letter follows:

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
18th and Locust Streets
Philadelphia 3, Pennsylvania
Trading and Exchange Division

September 22, 1944

By direction of the Commission I am writing to you and to a number of others who share your interest in safeguarding the capital and securities markets of the country because of your determination to prevent a repetition of the exploitation of investors which followed the termination of World War I. You will recall that at that time the Capital Issues Committee was deeply concerned with the need for protecting the holders of Liberty Bonds. On December 2, 1918, it reported to Congress "At no time has the obligation been so definitely placed upon the Government to protect its public from financial exploitation by reckless or unscrupulous promoters."

Now the savings of individuals have reached totals which heretofore had never even been approached. Over 21 billion dollars of Series E Bonds alone are outstanding in public hands. The number of buyers of such bonds is several times as great as the number of Liberty Loan purchasers in World War I. Included among them are many persons who are totally ignorant of securities and securities markets. With the help of the modern methods of communication these bond owners can be reached a great deal more easily than twenty-five years ago. To the extent that the situation facilitates legitimate and useful financing it is highly desirable. However, widespread frauds and swindles would have serious effects on our economy. Not only would they cause considerable public loss but they would also create a distrust of legitimate financing and thus imperil the free flow of funds into productive channels.

Fortunately, the various State blue-sky laws, the Securities Act of 1933, the Securities Exchange Act of 1934 and other measures provide important safeguards today which did not exist in 1918. Nevertheless, there is widespread recognition of the fact that the legislative enactments designed to protect investors would be more effective if supplemented by a coordinated program to reduce the public's vulnerability to an unscrupulous promoter or salesman by educating it to the pitfalls likely to be encountered when dealing in securities with such persons.

You will recall that two years ago representatives of organizations of securities brokers and dealers, the Commission and other regulatory agencies met for the purpose of discussing problems of common interest. The success which these representatives had at that time, particularly in formulating a uniform financial questionnaire, encourages me to believe that by working together we can prepare a joint educational program which would be of immeasurable assistance to investors.

I will be grateful to you if you will assist in planning such a program by attending a meeting to be held at the offices of the Securities and Exchange Commission, 18th and Locust Sts., Philadelphia, Pa., on Oct. 3, 1944, at 10:30 a. m. In the event that you are unable to attend personally, I would very much appreciate your designating a representative for that purpose. If you have any suggestions or proposals which you feel should be discussed in advance of the conference I would like very much to hear from you.

Very truly yours,
(Signed by James A. Treanor Jr.)
JAMES A. TREANOR JR.,
Director.

Fashion Park Attractive

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

United Nations Monetary Conference

(Continued from page 1356)

It is true, of course, that the Fund and Bank cannot be useful for long under conditions of rigid trade control, but they can be of great assistance in the transition period, and this should justify the risk of establishing them in advance of the removal of trade barriers.

These and other criticisms can best be evaluated in the light of the alternatives. Many of the critics are advocating the return to an "automatic" gold standard. This is, however, somewhat unrealistic. The successful working of the gold standard demands a more balanced distribution of monetary gold than we now have or can hope to have in any predictable future. We already have three-fourths of the monetary gold of the world, and in the immediate post-war period, if other countries were persuaded to return to an unrestricted gold standard, we should probably continue to exchange goods for gold until we had drained the treasuries of the world. Actually, of course, we could not persuade them to try it. The United Kingdom, especially, is strongly opposed to such a move.

Some have suggested the "key-country" approach. This, briefly, proposes that the United States and the United Kingdom agree to stabilize their currencies, and that other countries stabilize in terms of these when and if they find it to their interest. But this assumes first of all the willingness of the United Kingdom to enter such an agreement; and since it assumes rigid stabilization and restoration of the gold standard, there is every reason to believe that the United Kingdom would refuse.

The real alternative appears to be to let each country work out its own salvation as best it can. This will lead us directly back to the chaotic conditions between wars, accentuated by the unprecedented economic dislocations arising from the Second World War. We are almost alone among the great nations in desiring free trade, or being in a position to clearly profit from it.

We, in the United States, find it difficult to imagine the United Kingdom as favoring anything but free trade and the gold standard. These have been a British tradition. But the United Kingdom suffered too much from her attempt to restore the gold standard between wars to be willing to try it again. And the Ottawa agreement evidences her interest in trade barriers. Some of her leading financiers and statesmen have advocated a completely controlled system of international trade resembling that of Germany in the immediate prewar period. The one practical alternative to this seems to be the chance that she will accept the program mapped out at Bretton Woods.

The plans for the Fund and Bank are necessarily a compromise between conflicting interests and opinions. But the common interest in some form of cooperation in this field is very real, and the area of conflict was surprisingly small. The compromise is workable and (in the judgment of the nations participating) very fair. A real effort was made to consider the interests of small nations and large. One of the earlier critics of the plan, Professor Viner, has said of the outcome: "But given the state of British and other foreign opinion I am impressed rather by the degree of success of the American negotiators than by their failure. What prospect was there that by some other mode of negotiation, or by postponement of negotiation, we could have gotten more along these lines? Or even nearly as much?" (New York "Times" Book Review, Aug. 21, 1944).

The plans formulated at the Monetary Conference are only one approach to the problem of post-war trade, but they are a definite and constructive approach. The Bank and the Fund can only succeed, in the long run, if freer trade follows. They do not themselves insure freer trade. But they provide a breathing space, and a channel of communication through which other measures can be initiated. Better understanding of the financial and trade problems of the different nations should follow.

Settlement Of Claims Under Contract Termination

(Continued from first page)

made, so far as I know, of the exact amount of the total dollar value of war production outstanding today. No doubt it varies from time to time. It has changed, not only in volume but in other aspects, such as the character, quality and type of articles being produced as the exigencies of war demand.

At this time there may be uncertainty as to when there will be cutbacks or changes, or cancellations. But one thing is certain, that sooner or later the time will come when mass cancellations will be unavoidable. Orders will issue that will cancel and terminate many thousands of these contracts. Advance notice of cancellation will have come to the prime contractor, who is then obligated to transmit it to his subs. They will have promptly sent it down to the sub-subs until it will have reached the last tier of subcontractors, including many hundreds, if not thousands, of producers and suppliers on the particular contracts.

At the end of the last war the total cancellations of the War Department did not exceed 6 billions of uncompleted contracts. The total of uncompleted contracts of all Services could not have been in excess of 10 or 12 billions. Rough estimates place that figure at the end of this war on the first V-day at probably well in excess of 50 billions. Experience over the past year in cancelling more than 18 billions of authorized expenditures has taught us many of the pitfalls. When the first V-day comes and cancellations are issued affecting about 40% of our war production, the average plant engaged exclusively in that production will cease its operations, the owner of the plant, whether he be contractor or sixth tier subcontractor, will find his funds invested and tied up in materials and inventories, in labor and overhead, in finished and unfinished products. His plant may be clogged up with his inventory, he will probably be indebted, at least for his current obligations; most of them, if they follow instructions and notify their subcontractors, will find themselves indebted to their own subcontractors for claims on these terminated contracts. A profound change will take place, which, unless promptly cared for and guarded against could have far-reaching effects on business, industry, and particularly employment.

More than a year ago, the government began preparations to cope with this colossal job. You have all heard of, and no doubt many of you have read, the Baruch-Hancock Report. Several months of study and debate in our Congress, several months of labor on the part of the various executive agencies of government have produced the Contract Settlement Act of 1944. In the light of the many perplexing legal, social, and economic problems which mass cancellation will present, lawyers and laymen who have studied the Act have described it as a masterly piece of legislation. I shall have occasion shortly to point out some of its highlights.

But preparations by the government alone will not and cannot be expected to do the job. The government may be, and is ready to accord fair compensation for the cancellation, but it cannot be expected to do so if you, as a manufacturer, do not know, or are not in a position to know, the underlying facts, which would constitute the basis for fair compensation. The government cannot know what the amount of your claim is until you have presented it. You are part of a group who may be working on one government contract and the longer you may delay in presenting your claim on that contract, the longer you delay the settlement, not only of your claim, but possibly of the claims of many others.

If the sub or prime contractor has so commingled his inventory that he does not know what he acquired for purposes of war production and what was purchased for purposes of some private or civilian production; if he has so confused his accounts that he does not know how to apportion his overhead intelligently between government business and private civilian business; if he does not know, or is not in a position to know, his costs of either materials, overhead, or labor, he cannot expect that the government will know. With this colossal job facing it in every corner of the country, the government will scarcely be in a position to make any prompt special or detailed study of his particular case to unravel his own tangled records.

Time is getting close. Some believe it is a matter of months. Some think it is a matter of weeks—it's anybody's guess. Congress has done its share of the contract settlement job to get ready for this task. The Army, the Navy, the Maritime Commission, and the other agencies, Mr. Robert H. Hinckley, the Director of Contract Settlement, and his associates, have done, and are doing, as much as can be expected of diligent and conscientious public servants to get ready for the job. And the question that I must pose to industry is: "Have you done your share in developing a program which will enable you, as part of this vast machinery, to get ready for cancellation day?"

Now let me briefly tell you what in essence the law provides, and then point out a few of the things that fall upon the shoulders of the war producer or war contractor if he is not to be overwhelmed by the avalanche of stop work orders on V-day. The essence, the spirit, the ultimate purpose of the Contract Settlement Act is to provide fair compensation to all war contractors whether they are on top of the heap and are called prime contractors, and have a contract directly with the government, or whether they are in the tenth or twentieth tier of sub-contractors. Most of the latter have no contract whatever with the government, but are producing under a purchase order from some private citizen, who, in turn, holds a contract from someone who may or may not have a direct government contract.

The law contains the following specific provision, Section 6(g) "Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation."

Of course, it must be remembered that the government has no right to step in between two private individuals and change the terms of their contract without their consent. But the government can, and does, take the position that if any contractor in the chain makes a reasonable and just payment to the subcontractor so as to provide him with fair compensation for the cancellation, the government will foot that bill, if it is not excessive and not tainted with collusion or fraud. Fair compensation to all war contractors whether prime or sub or sub-sub, because of cancellation, is the keynote of the Contract Settlement Act of 1944.

Second only to that consideration are the provisions for interim financing. It must be apparent to all that, even with the highest degree of decentralization and the most painstaking application of the settling officers, there is bound to be delay between the date of the presentation of the claim and the date of the ultimate payment; that the inevitable effect would be to tie our merchants and manufacturers into a knot with respect to their invested capital in contracts wihch have been cancelled. Quite aside from the individual embarrassment to the claimant caused by such delay, there would be serious and widespread social and economic stagnation resulting from such a nationwide freezing of working funds or capital. All of the contracting agencies, including the Smaller War Plants Corporation, have been authorized to assist in this interim financing and the law specifically declares that financing of this type must be furnished within 30 days after an application is made on such a claim. The law discourages any extensive or prolonged investigations of the application, and declares that the financing must be furnished and the loan must be made, unless there is reason to believe that the claim is exaggerated or unworthy of reliance. Arrangements are being completed so you can make your application for such financing to your local bank. Consult your own contractor, find out what branch of the government placed the contract you are working on.

The Director of Contract Settlement has just recently issued an order authorizing the government agencies to make liberal payments on cancelled contracts. Make your application for partial payment to your own contractor.

Negotiation and settlement of claims, as we all know, frequently requires time, discussion and adjustment. Pending that delay, the government agencies will make partial payments on account of your termination claim which will compensate you at least to 75%, and perhaps as high as 90%, depending very largely on the state of your own records, the clean-cut presentation of your claim, the listing of items with a reasonable degree of accuracy.

Broadly speaking, your compensation will include 100% of the contract price for finished articles for which you have not been paid. Secondly, the actual cost of partially manufactured items. Thirdly, the actual cost of any raw materials, including tools, jigs, dies, fixtures, that you may have acquired for the job. Fourthly, the claims of your own subcontractors, and finally the incidental costs of working out the settlement. It may even include accountant's fees, or cost of clerical help and perhaps even a lawyer's fee, if those items are not excessive or unreasonable.

On this broad basis the law permits negotiated settlements — the kind of settlements that two right-minded businessmen, sitting across the table, would, in a spirit of give and take, work out without going into a study of exhaustive details and accounts, without going into a laborious process of taking inventory and making detailed computations. Such trades, made in good faith, are rather encouraged by the law.

No doubt many questions will arise, some of which might even have to await answer by the courts, but let me tell you that not only has the Congress done all it could to write a law that will adequately provide for this nationwide emergency, but every one of the agencies has been busily engaged in perfecting its organization, in issuing its directives and regulations so that they will not be caught unawares on V-day.

Our own agency, the Smaller War Plants Corporation, has been charged with certain specific tasks. First, it is included as a contracting agency and vested with the powers that are granted to contracting agencies. Secondly, it is specifically charged with the duty of disseminating information among war contractors, and particularly subcontractors as to the protection afforded them by the law. Thirdly, it is empowered to grant interim financing on application of small contractors. Fourthly, and perhaps most important, it is charged with the duty of assisting smaller war contractors in their efforts to settle with their own contractors, and in aiding in the preparation of their claims.

Our Corporation, on the enactment of the law, immediately organized a Reconversion Division. Our 14 Regional Offices, and over 100 Field or District Offices scattered throughout the country, are there for the express purpose of assisting subcontractors and other war contractors in the preparation of their claims, and, most important, in their efforts to arrive at a just settlement with their own contractors, whether their contractors is the government or private persons. Our nationwide organization is engaged in preparing itself for this huge task, and will be at your service when the occasion arises.

And now, what is there that you can do to get ready? The answer to that question in a sentence is: As far as is humanly possible, keep your government business separate and apart from your private civilian business. On your books, in your inventory, in your overhead, in your labor, keep your records as though they were two separate and distinct businesses. Another suggestion—conduct your business on the assumption that cancellation day is coming tomorrow, and within a week or 10 days or sooner, if possible, you should be in a position so that you can tell your contractor or the government "I have so many articles completed, and under the contract I am entitled to be paid their full purchase price. I have so many partially completed articles which, in material, labor, and overhead, have cost me blank amount of dollars. I have materials on hand which I have purchased from Jones, Smith, or Brown and which have cost me so many dollars. I have computed my overhead expense fairly apportionable to the uncompleted items; I have computed the cost and reduced value of my tools, jigs, dies and fixtures, and that amounts to so many dollars; and I am out of pocket for clerical and accountant and lawyer's charges in this amount." Fill out the other items called for in the printed form of claim, and finally you are in position to say "here is the total of what I am entitled to in order to be fairly compensated. I have the records. My books are here. You are welcome to examine them if you wish. I would like a speedy settlement. In fact, I need it." Present that claim to your own contractor. Ask for partial payment if you wish. Ask for a loan on your claim, if you wish. Or better still, see your contractor and make a fair and reasonable trade with him on your claim.

And if you cannot get relief from him, go either to the contracting officer in charge of your contract; if you do not know who he is, or where to turn to, you come directly to the nearest office of the Smaller War Plants Corporation.

Now that may not be the entire story. It undoubtedly is lacking in all the minutia and detail that the law provides, and that you might have to supply, but, by and large it should furnish you with a fairly sound working basis.

Any arbitrary action, any refusal to give you fair consideration, any delays in dealing with you and your claim, should be taken up with the nearest office of the Smaller War Plants Corporation, which, under the law, has been designated to assist you, to furnish you with a loan if necessary, and to make every effort to facilitate you in your negotiations for a prompt and fair settlement.

Morgan Stanley & Co. Offers Bonds & Pfd. Stk. Of Ohio Edison Co.

Morgan Stanley & Co. and associates offered Sept. 27 two issues of securities of Ohio Edison Co., consisting of $30,962,000 1st mtge. bonds, 3% series of 1944 due 1974, and 180,000 shares of 4.40% preferred stock, cumulative (par $100). The bonds were offered at 102½ and interest and the preferred stock at $103 per share and accrued dividends due from Oct. 1 (if delivery is made after that date). Associated with Morgan Stanley & Co. in the offering are Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Lehman Brothers; Mellon Securities Corp., and Smith, Barney & Co., and 17 other investment houses.

Proceeds from the sale of the securities will be used by the company, together with a bank loan of $10,000,000 and treasury cash to retire its two outstanding issues of 4% bonds, namely $43,962,000, due in 1965, at 103¾, and $8,484,000, due in 1967, at 106, as well as the company's preferred stock outstanding consisting of 197,585 shares of $6 preferred, at 110, and 1,367 shares of the $5 series, at 105.

Public Utility Securities

(Continued from page 1352)

new common discussed above, (3) the rate at which the market may capitalize share earnings on the new common, and (4) the amount (if any) paid against arrears. Minimum and maximum estimates might be as follows:

	Maximum	Minimum
Balance for common	$6,000,000	*$4,000,000
Market Multiplier	14	10
Est. market value	84,000,000	40,000,000
% assigned to $1.60 preferred	85	65
Amount for $1.60 preferred	71,000,000	26,000,000
Amount per share	†$34.00	†$12.50

*About the present level. †Might be increased by payment of arrears.

A median of the above estimates would be 23¼ compared with the recent market price of 19.

* * *

In the discussion of Electric Power & Light in this column (Sept. 14 issue) the company's equity in the current earnings of United Gas Corp. (based on its ownership of the entire second preferred stock) was understated. Using the June 30th figures (now available), the equity would be about $4,200,000. The estimated pro forma earnings would, therefore, show an increase of only about $4.30 per share on the first preferred stocks, making the aggregate figure $11.50 per share, before applying any formula for distribution of earnings among the various classes of E. L. stock.

The Problem Of Small Business

(Continued from page 1347)

The "5% spread" principle fostered by the National Association of Securities Dealers, because it disregards the sound rule that a business should be run at a profit, is another hampering element. The unreasonable delay of the SEC in passing upon the issue of whether that "yardstick" constitutes a rule, is evidence of that indifference to which we have referred.

Recently, the press has blared the news of a conference called by the SEC for Oct. 3, 1944, in its headquarters at Philadelphia, to "discuss a joint education program for the purpose of reducing the public's vulnerability to unscrupulous promoters and security salesmen."

This publicity is calculated to poison public opinion against the securities dealers generally, and we believe designedly so. Yes, there are some dishonest men in the investment business. You will find them in every field, but, as one swallow does not make a summer, so the relatively few unscrupulous amongst securities dealers do not make knaves of the entire field, a field which is as honest as any. One might as well call a conference to guard against the wiles of the grocer or of the physician.

The encouragingly and artful featuring of mistrust through the newspapers is another tricky hurdle we must get over.

OUR FAITH IN THE SECURITIES FIELD IS COMPLETE AND ENDURING. WE BELIEVE THAT ITS MEMBERS ARE PREPARED TO MAKE, AND WILL MAKE, A NOTABLE CONTRIBUTION TO THE RECONVERSION PERIOD, WITHIN THE LIMITS PERMITTED BY THE EXISTING REGULATORY BODIES.

The Securities Salesman's Corner

(Continued from page 1352)

look to retirement some day with any assurance of reaching that goal? Would they like to build up a reserve for their business, for future expansion or for unexpected reverses? Are their securities suited to their needs? Have they too much invested in certain classes of securities that do not and will not do the job they wish to perform? There are securities to fit every investment need of every individual.

Every securities salesman that knows his job understands these problems and he can solve them if he tries. Why not show your customers how IT CAN BE DONE. Then you will begin to build accounts. Talk about a real opportunity to develop a sales campaign—"the world is waiting for such a sunrise."

Incidentally, no greater opportunity to serve your fellow man outside of the field of medicine, perhaps, is the opportunity to go out and help people provide for their financial happiness and security. Once the retailing of investment securities is generally placed upon this high plane of endeavor the public itself will be the beneficiary of one of the most valuable efforts every carried forth. Incidentally, the securities business today is steadily approaching this high and laudable objective. The public is receiving a high type of investment service—let us keep it up—and improve upon even our present efforts. It pays everyone—the public—the dealer—and, above all, the salesman.

Mutual Funds

Man Bites Dog!

When a government regulatory body goes out of its way to say good things about the mutual investment companies — that's news!

The early background of the so-called "investment trusts" and the zeal with which the "reform elements" in government went about eliminating abuses resulted in an unfortunate but understandable mutual suspicion between the regulatory authorities and the investment company sponsors.

At the Nebraska State Fair this month Wade R. Martin, Director of Banking, and Harold Johnson, Assistant Director, took a highly constructive step toward making the truth about the present-day mutual investment companies available to investors in a dignified, authoritative way.

Under the auspices of the Nebraska State Bureau of Securities they distributed at the Fair three pamphlets on investments in general and on the operations of the Nebraska Securities Law. The third in this series of pamphlets was entitled "A Security for the Average Investor," and had to do with investment companies. While the Bureau did not endorse any particular investment company, it had the following to say about such companies in general:

"Many investors desire to place funds in stocks or bonds of industrial concerns but do not have sufficient funds to spread their investment over more than one or two issues. They do desire to have a greater diversification. **To meet this problem such investors may find a most satisfactory investment to be in that of 'Investment Companies' commonly known as 'Investment Trusts.'** . . .

"In essence these companies operate like mutual savings banks in that investors may at any time pay in whatever sum they may have available for investment to one of these companies, and thereafter have the right to withdraw their proportionate shares at any time. The essential difference is, of course, that when money is paid in to one of these companies, it is paid in on the basis of the valuation of shares of all the other shareholders at the time of investment, and when it is withdrawn, it is withdrawn at the value at time of withdrawal. Thus, if the portfolio valuation has increased during the period when the investor is a shareholder, the value of his proportionate shares will have increased. If, on the other hand, the portfolio valuation has decreased, his proportionate shares will have decreased accordingly. . . .

"Realizing that some risk is unavoidable in every form of investment, these companies aim to help the average investor reduce the ever present risk in his investments, by spreading that risk over a large group of securities, just as a progressive, intelligent farmer diversifies his crops so as to minimize the chances of total loss in a particular year from any particular crop. Diversification of investmentes also strengthens the chances for uninterrupted income just as a stream which is fed by many tributaries is less likely to go dry than one which is fed by a single stream. . . .

"As the character of the securities generally owned by these companies, plus the broad diversification of investments, produce greater safety of investment, miracles by way of

(Continued on page 1362)

Outlook For Post-War Prosperity

(Continued from first page)

tising business in January, 1943, to go to work with Gardner Cowles, who was at that time Domestic Director of the OWI. In August of that year, Chet Bowles asked me to be his general assistant at OPA, and I have been on that job ever since.

Actually, you see, I'm almost an old hand at the business of wartime government now. And I've had an extremely interesting time.

I have helped to take OPA through a major reorganization. That in itself could not help but be interesting for OPA offices dot the map from Bangor, Maine, to San Diego, and from Miami to Seattle. Actually there are almost 100 OPA field offices and 5,600 Local War Price and Rationing Boards. There are 55,000 paid employees in the field to say nothing of upwards of 110,000 volunteer workers.

I wish I could stop to tell you something about those offices, their employees and the work they do. There's a big story in them which some day I hope to see well told. And there's a big story too in those who volunteer, many of them full time, day in and day out, without compensation, to run those Local Boards and thus serve their neighbors in this important war-time program.

The comments you hear about OPA bureaucrats may be true when applied to those of us in Washington. But they don't make much sense when applied to those 110,000 volunteers. They deserve the grateful thanks of their own communities and of the nation.

During that reorganization, I went through the arguments about the theoretical professors and I've seen a good many who I thought could earn $25,000 to $50,000 a year right here in New York. I have seen also many $50,000-a-year business men come to Washington and fail completely.

On the other hand, I've talked to several utterly impractical professors, and seen effective businessmen come to Government and really make it tick. And I've come, too, to hold in high regard many exceedingly effective Government career men. Now I have an appreciation for the kind of work they are doing year in and year out to make this country of ours work for the benefit of all. In a very true sense, they are real public servants.

During my stay in Washington, I've learned, too, a few things about pressure groups. Sooner or later, they all call on OPA—labor, business, farmers, consumers. And of course, on top of those I could add the calls we get from Congress. Last year OPA got 35,000 telephone calls from Congressmen and Senators alone. That's about 130 every working day, and sometimes I think a very good share of those come on my extension!

Sometimes the workings of the pressure groups are very disturbing. Each one seems to be determined to get an advantage for his particular group, without any regard whatsoever for the welfare of the country as a whole. Oftentimes, it seems to me that perhaps the biggest job on the post-war horizon is the one of persuading each group to work with others to solve the major questions on the economic front. If there is a determined effort to solve some basic questions, each group will get a reasonable slice of a large economic pie. But if each insists on going after special advantages, the result can only be at best a slightly larger slice of a much smaller economic pie.

You can't view the scene from the OPA vantage point without seeing just how the economy works, because OPA actions have such an important impact on the economy.

Certainly, as we look backwards over the economic scene, we are amazed at the job this country of ours has done in this war. Our production figures of material for war are amazing enough in themselves. For the last year, the figures have been running pretty close to $100,000,000,000. By and large, the Army and Navy have had what they need to get the job done. Ask any sailor or soldier how his equipment stands up and he'll tell you the story, never was there any better.

Certainly a good share of the credit for the magnificent achievement of our Armed Forces in Europe and in the Pacific goes to those who planned and carried out this magnificent production job.

But on top of that, the production of consumer goods is running at a rate about 15% higher than the pre-war year of 1939. While there have been some discomforts here and there, the fact is that civilians as a whole have never been better off than they are today. There is more money in pocketbooks, people are buying more goods and services than ever before. To some of us it doesn't seem that way. There are many things we'd like to buy which aren't available. But the fact is that last year American civilians bought $90,000,000,000 worth of drugs and food and clothes and haircuts and train tickets, and everything else they could find to buy.

You have a very good idea of the production for civilians from your own volume which I'm told for the first six months of 1944, is running something like 25% ahead of 1941. Another interesting example comes from the figures for meat. In the years 1935 to 1939, the average amount of meat eaten per person per year was 126 pounds. In the first six months of 1944, the OPA rationed 155 pounds per person per year. The standard of living is high—much higher than many ever thought it could go without major developments in the whole economy.

In spite of all that extra money in people's pocketbooks and in spite of very favorable business conditions, prices have been generally held in control.

You know that in the last war the cost of living was up 108% from the start of the war until the end of the inflationary period. In this war, these prices are up 28% since August, 1939.

Since May, 1942, when first controls were put into effect and when the General Maximum Price Regulation was issued, prices have gone up only slightly. During that period, the cost of living has risen about 9%. During the last 15 months it has scarcely risen at all.

Industrial prices have been held, too, since the spring of 1942 when general controls were put into effect. The increase is just about 3%. It is perhaps worth mentioning that in the last war the price of steel was up 187% at the Armistice. In this war, steel hasn't increased at all. Copper prices have been held absolutely even since. So have plate glass and industrial enamel. Some like aluminum have actually gone down.

Thus, for the first time in any war we have managed to keep our prices from skyrocketing upwards, and in so doing we have given every family in the land a full and fair measure of protection from war time inflation. Further the businessman has been able to plan ahead. He could tell what his prices would be. He has been protected from the chaos of inflation.

Certainly some industries or particular firms have found themselves squeezed. Obviously everyone hasn't prospered, but, by and large, the record is impressive. Last year, failures were just one half of what they were in the lowest year in the last 50 years. Corporation profits before and after taxes were at an all-time high. Net farm income adjusted to inventories was 40% higher than in 1919, which for over 20 years was considered the banner year for farmers. In spite of individual cases of hardship, it is certainly fair to say that the country was never better off.

The question then is, "Where do we go from here?" "What do we look forward to in post-war America?" "What do we hope for and how can we—all of us working together—plan to keep our economy ticking along at something like this very high level?"

It seems to me we should all start by working together to take advantage of the brains, the imagination, the resources and the power we have in this country. We have worked together. We have shown what we can do. We have developed an economic pace almost double what we thought of as reasonably good before we got into the war. Why accept the premise that only in war time are high production and full employment possible? I for one think we should forget about 1941 volume and concentrate on civilian volume 50 or 60% higher. We can if we produce the goods and thus create the employment. If we can get close to full employment, people will buy.

There is a greater want and desire for goods in this country than ever before. For some time, people have been unable to get some of the products they would like to have. They are all ready to buy those first autos and refrigerators and radios and so on. Others have been introduced to products they never thought they'd be able to buy. More people are eating well today than ever before, and they're going to want to continue to do so after the war—provided, of course, they have the money with which to buy. That money can come only from jobs. When there is full employment, there are markets for farm products and for the products of business. The standard of living remains high.

What are some of the things we need to do to provide the kind of economy in which full employment or close to it can flourish?

Looking ahead for the coming months, these are some which seem to me important.

First, we must make certain that inflation remains in check. After the last war wholesale prices rose 45%. There was a mad scramble for inventories. The price bubble grew bigger and bigger. Then in May 1920, the bubble burst.

In a few months, cotton prices dropped 75%, beef steers fell 58%, wheat fell 64%, hides dropped 83% and denims dropped 64%. Factory payrolls were down 44%. Profits after taxes fell 101%, that is, profits were converted into actual losses, which practically wiped out all the reserves accumulated during the war period.

Our battle against inflation is far from being won. The problems that lie ahead are still difficult.

No one in OPA wants to continue price controls a day longer than necessary to prevent inflation. But we cannot overlook the fact that during the World War I period, the worst inflation came after the war was over. This time there may be still greater inflationary forces at work. If we permit prices to soar even as much as they did during the two years after the Armistice, we shall be inviting a worse depression than any we have yet experienced.

The OPA's part in preventing this twin disaster is vital. We must see to it, with the help of business, labor and agriculture, that the cost of living is held until the danger of inflation has passed. We must be prepared to set new prices on such goods as washing machines, radios, electric irons, refrigerators and cook stoves as promptly as cutbacks in war contracts release plant capacity and manpower for their production. We must be prepared to set prices promptly for the many new and improved products which come into businesses like yours, so that they will start to move over your counters to build that much better volume. In setting prices on reconverted items, we must make sure to take into consideration increased labor costs. We must be sure that our policies do not stand in the way of high wage rates which are basic to prosperity. We must take into consideration increased material costs, too, though in most of the consumer durable products these should not be serious, since prices of basic commodities have been held almost level since manufacturers in this field converted to war goods.

On the other hand we must consider wherever possible also what technological improvements mean in lower costs. And finally, we must consider fair and reasonable profits to stimulate the improvements in old products, to stimulate the new products, and indeed the new enterprises which will be ready to go. All this, of course, within the limits of still maintaining our objective of a stable level of prices, for the threat of inflation is far from over.

Again we must be ready to act promptly so that manufacturers and distributors can move ahead quickly and immediately take advantage of the markets which are available today.

Last but not least, we must be prepared to remove price and rent controls in one commodity field or community after another as soon as it is clear that the danger of inflation is over.

If we can do this job well, I believe we can deveolp a peacetime structure of prices which will provide a basis for full production after the war.

But, of course, that is only a start. Perhaps we ought to say it this way — an unstable price structure can put us off to a poor start and can interfere with getting peacetime production in full swing.

To a large extent, it seems to me, the final decision as to whether there will be full production or not lies with business itself. When war-time price controls are removed, both business and Government will breathe a sigh of relief. But, actually, some of our biggest problems will still be ahead.

In private business before the war, it seemed to me there was an increasing tendency among some businessmen to set their prices at relatively high levels in order to secure the largest possible profit on each unit of output. Competition, of course, always sets some limit to this practice. But, as all of us know, competition is far from perfect in today's economic system. Many a business which carries a trade name and advertises it extensively tends to compete more in sales efforts than in price reductions. This situation is, of course, in sharp contrast to what happens in agricultural markets where prices are set almost entirely by the free play of supply and demand.

A business policy of relatively high prices and high unit profits does not necessarily result in large total profits. High prices limit demand, sales, production and employment. As employment and purchasing power are reduced, the total market for both industrial and agricultural products shrinks. Farm prices tend to drop rapidly, leaving the farmer unable to buy the products of industry. More unemployment and still greater reductions in purchasing power result. The stage is thus set for collapse, both in agriculture and industry, with prolonged depression as the aftermath.

In view of what we have learned during the war about our enormous productive capacity, I am confident that the people of this country, our industrial war workers, our professional and white-collar people, our farmers and our businessmen — to say nothing of our returning soldiers and sailors—will never again be content to go back to 1936 or 1938 or even 1940. Even at 1940 levels of production and wages, estimates are that there would be 19,000,000 unemployed.

I doubt personally whether our democratic system of Government can stand up under the pressure politics which would result from the kind of competition among groups who would much prefer to divide fairly a *larger* pie, but who will unquestionably and perhaps rightly seek to protect themselves if there aren't enough jobs and goods to go around.

Therefore, it seems to me that we who have had experience in business and in Government share a responsibility to put into actual practice the lessons we have learned from the great industrial and merchandisinng leaders of this generation.

That lesson, it seems to me, is that the major share of reductions in costs of production resulting from increasing efficiency must be handed on to the consumer in the form of lower prices and to workers in the form of higher wages. Both low prices and high wages are essential for the development of mass markets. It is an experience which strongly suggests that small profit margins on a large volume of production not only serve the interest of our whole system, but provide larger profits to the owners and managers of business than the opposite policy of high prices, high unit profits and restricted production.

There is one big opportunity for business right there, it seems to me, an opportunity and a responsibility to get those prices as low as possible—to tap larger and larger markets and to build volume and thus create more and more jobs. That approach to post-war America will in the large majority of cases lead to larger profits and a sounder business. It will contribute just that much to overall prosperity.

That is a responsibility business has within its own shop. But if we're going to reach our goal, business men will want to take a greater interest than ever in the farmer and see what ways and means can be devised to see to it that farm income is maintained at as nearly its present high level as constructive thinking and planning can assure. A poor farm economy can only wither the size of national markets.

If we set our sights on a civilian economy 50% larger than we have today, we must take steps to see that agricultural markets and prices are sustained.

The maintenance of full production and employment in the cities will go a long way toward making this possible.

The farmer, through his own organizations, can also help himself a great deal to meet this problem, but in the last analysis it seems to me that the government must itself be prepared to assure the conditions for farm prosperity—for the sake of the farmer, for the sake of the large market he provides for business.

That I think is one of the spots where wise Government action can be a tremendous aid to post-war prosperity. There are, of course, many others. And I am

(Continued on page 1364)

Tariff Proposals Of Aldrich Condemned By Bertrand Hall As Depression-Producing

Bertram W. Hall, Secretary of the American Tariff League, took exception on Sept. 25 to the tariff proposals of Winthrop W. Aldrich, and contends that the proposals are a formula for a nation-wide depression. The American Tariff League made public on Sept. 25, the remarks of Mr. Hall, which we give below in full:

In his recent report on the Bretton Woods currency plan, Winthrop Aldrich joins the campaign of foreign and American groups for continued drastic reduction — even elimination — of United States tariffs.

The campaign is apparently aimed at creating an atmosphere favorable to extension of the expiring Reciprocal Trade Agreements Act before the hearings begin.

That the level of American import duties even prior to the war was among the lowest of the world's great trading nations seems to be completely overlooked by these groups. Moreover, since 1934, when the Act went into effect, more than 1,200 tariff rates have been reduced. Nearly half were reduced the full 50% permissible under the law. Reductions granted one country were automatically extended to all other countries, except Germany.

The full impact of this vast rewriting of our tariff structure has not been felt because of the war. Instead of calling for further tariff reductions, it would seem more logical to consider the effect on our post-war national economy of the drastic reductions already made.

The Aldrich report implies that our international trade would increase if tariff protection of our industry and agriculture was sharply reduced, or even wiped out.

Because our tariff is intended to protect us against low-wage imports, he assumes that it is a restraint on our international trade. That is not true. Sound tariffs act as a stimulant to our foreign trade. By helping to maintain American industry and employment, they enable us to buy more goods abroad.

The United States Department of Commerce recognizes this fact. Commenting on the period between World War I and World War II, in its recent study, "The United States in World Economy," it said:

"The quantity of imports in the aggregate seems . . . to have been directly determined by the trend in real economic activity in the United States as measured by the index of industrial production and to have been little influenced by relative changes in price."

Surely, Mr. Aldrich has overlooked the established fact that our country's foreign trade rises during periods of prosperity and falls during periods of depression —that the greater our prosperity, the greater our ability to import.

In his report, he also declares in effect that protection for us will be less necessary after the war because the markets of the world will be short of goods and exportable goods of all countries will be in demand.

In other words, because there will be a post-war buying spree, Mr. Aldrich would abolish for all time the protection which enabled us to build the world's greatest industrial plant. Suppose we did that! Where would we be when the buying spree was over? It would be as logical to burn one's umbrella because the sun happens to shine momentarily.

Furthermore, if it is true, as he says, that there will be a market for all exportable goods from all countries, will it improve things if our tariff protection is destroyed?

Mr. Aldrich ignores completely one of the principal reasons for our tariffs: differences in wage and living standards of the United States and other nations. As long as these differences exist, America is faced with the choice of (1) maintaining tariff protection to enable domestic workers and manufacturers to compete with low-wage imports, (2) lowering our wage and living standards to something approaching those abroad, or (3) forcing producers employing millions of industrial and agricultural workers to go out of business.

How wide these differences are is indicated by the testimony of George N. Peek, first administrator of the Export-Import Bank, before the House Ways and Means Committee in 1940 on extension of the Reciprocal Trade Agreements Act:

"I used to say that Great Britain's wage levels were 25% below ours; Germany's, 25% below Great Britain's; Italy, 25% below Germany; and of course Japan clear down for whatever they wanted to make it. I have been informed, however, that I am mistaken; that I am too liberal in that estimate; that the British wages are about half ours, and not 25% less than ours, and others correspondingly lower."

Until these differences are eliminated, there will be a need in this country for some such wage-equalizing factor as the tariff. If foreign manufacturers want to see our tariffs abolished (and apparently they do, judging from the present campaign) why should they not help remove the need for them by first working to raise living standards in their countries? It is a gradual process, to be sure, but it is the only one which will pave the way for ultimate reduction or elimination of our tariffs without undermining our standards.

As a matter of fact, there is a great deal of misinformation about the comparative level of United States tariffs. A recent survey revealed that, far from being highest, our import duties are actually among the lowest of the world's great trading nations. Of 19 nations studied, our tariffs were 7th from the bottom, exceeded by those of Great Britain, Germany, Spain, Argentina, Mexico, Turkey, Switzerland, Italy, Greece, Hungary, Egypt and Brazil.

It is not generally understood, either, that nearly two-thirds of our imports are admitted entirely free of duty. No other important nation, as far as is known, has so large a free list.

In order to have full production after the war, we are told, something like 50 million jobs will be needed. But our tariffs are already below the point where many industries feel they can maintain employment even at pre-war levels, much less post-war goals. In fact, some even question their ability to survive.

It has been suggested that Americans stop making things that other nations can make more cheaply, and concentrate on other products. Well, suppose we did that! Suppose we shut down our protected industries! What would happen to the millions of workers now depending on them for a living?

The problem of national security is also completely ignored. In the present war, where would this country have been, where would the United Nations have been, without America's factories and agriculture?

Mr. Aldrich's suggestions are made in the interest of world economic stability. Our best contribution to that stability would be the maintenance, as far as is practical, of our own production on a scale approaching that by which we became the United Nation's arsenal in World War II.

But how this high level of activity can be maintained or how post-war competition from low-wage countries can be met in view of our sharply reduced tariffs, seriously alarms practical American manufacturers. These are the men who must provide employment and meet payrolls. They are confronted with a factual problem, not a paper theory.

It must, therefore, be obvious that the maintenance of a sound and prosperous internal economy will determine the cooperation which the United States can contribute in international economic affairs. Insurance of that prosperity should be the first concern of even the most ardent American internationalists.

Wirth Bags Partridge

Homer Wirth, preferred stock trader for Mabon & Co., 115 Broadway, New York City, is shown with the partridge he bagged on his last hunting trip at Westkill, N. Y.

Callaway Director Of Chemical Bank

(Continued from first page)

1938. During this period, Mr. Callaway made many contributions to the development of more widely diversified types of cotton goods and he was also a constructive leader in the field of labor relations. Mr. Callaway served at various times as President of the American Cotton Manufacturers Association and as President of the Cotton Manufacturers Association of Georgia.

When Mr. Callaway resigned from Callaway Mills in 1938 at the age of forty-four, it was for the purpose of assisting the South in the development of a sound agricultural economy. He has devoted particular attention to the finding of new crops which are better adapted to soil and climatic conditions of the South than the traditional cotton and corn crops. Mr. Callaway's research and experiments have resulted in his receiving national recognition in the press of the nation for recently launching a plan in Georgia for the immediate development of 100 experimental farms of 100 acres each scattered throughout the state, sponsored by local civic leaders, to demonstrate the advantageous uses to which Georgia's soil lends itself under proper management. His work as Vice-Chairman of the Nutrition Foundation is in a related field, the object of which is to provide better nourishment for the people of the United States.

Canadian Securities

By BRUCE WILLIAMS

There is considerable speculation in Canadian financial circles concerning a rumored meeting between representatives of the Government of Alberta and the representatives of the Bondholders' Committee.

The nearest thing to a definite statement was a report that a "routine" meeting was held in Toronto, at which, according to vague statements from the supposed participants, nothing of a practical nature resulted. To close observers of the situation, this has had the effect of creating a suspicion that important developments are in the offing.

In the first place, as the last meeting of the Province and the bondholders ended in a deadlock with no announcement concerning a future meeting, any convocation of the body appointed to arrive at a solution of the Alberta debt problem certainly can not be described as a "routine" meeting.

Furthermore, it is well known that Mr. Manning, the Premier of Alberta, has recently devoted considerable time to this subject and it is only logical that such preliminary study be followed by positive action. It is to be hoped that whatever the outcome, the facile policy of expediency will be eschewed and the harder path chosen that will lead to a full rehabilitation of the credit of Alberta.

This can be achieved, and will be ultimately repaid with interest if full recognition is given to the question of back interest. Otherwise the high promise of Alberta eventually emerging in the forefront of the Canadian provinces will be indeed difficult of fulfillment and the proper development of this province's vast natural resources will be indefinitely postponed.

Meanwhile, there has been no undue further weakness in Alberta issues which, considering the vaguely pessimistic reports emanating from interested parties, is perhaps highly significant.

Otherwise, the recently established general market pattern of inactivity and selectivity remained uninterrupted. There was still a steady demand for National 5s of October 1969/49 which extended to the 5s of 1970/50 and Montreal Harbor 5s of 1969/49. Montreals were still available at slightly lower prices, but as soon as the adjustment period following the debt reorganization is past, a few investment orders could readily correct this situation.

Internal issues were in renewed demand and the Canadian dollar in the "free" market further improved to 10⅜% discount. This market has been more active of late and is attracting increased attention. During the past year there has been a distinct broadening of interest and turnover has been on a considerably larger scale. The fact that it is now generally realized that internal securities brought down on the rate can be resold over the free market has contributed in no small part to this result.

The secondary movements that have given rise firstly to a weakening of the rate to 11½% on liquidation of stale bull positions and, secondly, the reaction due to an exaggerated following of the weak trend, should eventually be succeeded by a more definite swing caused by offerings in connection with the bonds called or maturing Oct. 15. At this time, however, it should be possible to acquire internal issues on attractive terms.

Apart from internal bonds, Canadian stocks are now being stud-

(Continued on page 1364)

Municipal News & Notes

The prospect of an early ending of the war in Europe and the widespread predictions and belief that this will be accompanied by a reduction in the Federal tax burden have combined to cause unsettlement in the municipal bond market. This has been reflected in increasing hesitancy on the part of buyers and a consequent diminution in trading activity. While prices have remained fairly stable, the tendency in some quarters is to look for a lower trend.

The temper of the market was illustrated in the recent termination of the syndicate which underwrote on June 2 the $41,533,000 Consumers Public Power District bonds.

The unsold portion of the offering, estimated at about $8,000,000 was divided among the group members and later reoffered, according to report, at prices representing a reduction of from 15 to 20 basis points below the original scale.

In the original offering, the serial maturities from 1955 to 1971 incl. were priced to yield from 1.80% to approximately 2.15%, while the term bonds of 1972 were offered by the group at par. The serial maturities from 1946 to 1954 incl. did not constitute part of the public offering of the total issue of $41,533,000 as these had been previously placed by the syndicate.

More than $30,000,000 of the bonds were sold by the account within a few days after the formal offering on June 2, and this figure included all of the term bonds.

One effect of the syndicate action, it was said, was to stimulate investor interest in the undigested portion of the issue, albeit at the lower prices, and to touch off a renewal of interest in market offerings generally.

It was to be expected, of course, that the municipal market would be affected by the course of events in the European war and the implications thereof insofar as concerns a possible lightening of the Federal tax load. Because of the tax-exempt feature, such instruments naturally have been aided materially pricewise from the high level of taxes that has been a necessary corrolary of the war-time economy.

Consequently any prospect, however remote, of a lowering of the tax burden logically presupposes a collateral reduction in the value of the tax-exempt feature.

Under the circumstances, the obvious tendency is for those investors to whom tax-exemption now has its greatest appeal to be chary of making additional large-scale commitments in municipals at current price levels. Whether the facts in the case warrant the general optimism of an early lessening of Federal taxes in marked degree is, of course, a matter of opinion. One thing is certain, however, this being the inevitability of a downward revision.

Still another factor of the partial war-end psychology that has had an adverse effect on municipals in recent weeks is the possibility that the attendant relaxation of some war-time controls will set off a wave of municipal financing for deferred improvements and new projects. Such an eventuality, it is reasoned, would have the effect of nullifying still another of the factors that has been responsible for raising municipal prices to present peak levels, namely the scarcity in new emissions induced by war-time restrictions and shortages of materials and manpower.

There have been various estimates of the probable volume of municipal financing in the immediate peace years and all of these place the total annual sales at greatly in excess of the $1,000,000,000 average for the years 1934-1941.

In considering the probable amount of financing in the early post-war years, it should be borne in mind that many of the projects now being advanced by the States and their local subdivisions presuppose large-scale participation in the financing thereof by the Federal government. When one considers that the Federal debt burden at the close of the war will be in the neighborhood of $300,000,000,000, it is difficult to reconcile the apparent assumption of many State and local officials that the national government can conceivably add to its own debt burden in order to provide the large-scale financial aid contemplated in their plans for post-war public works. We doubt that anyone would seriously advocate a resumption of the ill-fated fiscal and monetary policies followed by the New Deal administration throughout the depression period of 1933-1940.

As a matter of fact, the very existence of the several lower levels of government as autonomous units would seem to suggest that they set the pace in putting an abrupt halt to the practice of depending on Washington to solve their problems. The record clearly shows the fallacy and dangers of such procedure and the damaging results thereof on the entire national economy.

Furthermore, it is a fact that the States and their local subdivisions generally have benefited greatly from the war economy. They have been able in many cases to drastically reduce debts as a result of their inability to create new obligations and to acquire substantial surpluses in their general funds. These resources should be very helpful in providing the funds necessary to cover the cost of many deferred improvements and to that extent lessen their need for creating new debts. It should not be necessary to emphasize the need for caution as regards the flotation of new bonds in view of the distressful conditions brought about by the casual use of municipal credit in the 20's.

N Y. State Modifies Stock Transfer Tax

Nathaniel Goldstein, New York State Attorney General, has ruled that no stock transfer tax is payable where the securities are deposited in the mail or delivered to a common carrier outside the state for transmission either directly to the purchaser or to a bank or broker, with draft attached, even though payment or acceptance of the draft is to be obtained before delivery of the stock certificates.

A ruling of his predecessor declared stocks delivered to a bank or broker in New York City by mail were subject to the transfer tax. The State Tax Department last year interpreted the law to exclude from the tax stocks delivered to banks, and later stocks delivered to brokers.

The Attorney General, in his new rulings, as reported in the New York "World-Telegram" of Sept. 20, holds that the transfer tax is payable where securities are sent into the state by special messenger of the out-of-state seller, with instructions to secure payment before delivery of the stocks.

In his ruling the Attorney General calls attention to "recent legislative tendencies relative to the stock transfer tax encouraging the use of the business facilities of the state."

Mutual Funds

(Continued from page 1359)

speculative risks cannot be anticipated. Nevertheless, experience has proved that the adoption of a sound, conservative investment program is apt to produce better results in the long run, than will be obtained by speculation in individual securities."

National Income

Keystone Corp., in a recent issue of **Keynotes**, presents a chart showing national income for each year from 1929 through 1943.

"The striking fact in this picture," states the bulletin, "is that the national income for 1943 is 100% above the level of 1937, a relatively good peacetime year, and 77% above the level of 1929, a boom year." . . .

"In considering the post-war outlook for common stocks, two assumptions can be reasonably made:

"(1) National income (and therefore business volume) will be substantially higher than pre-war;

"(2) The excess profits tax will be removed.

"These developments could create a higher level of corporate earnings, which in turn could provide the basis for a substantially higher level for stock prices."

Tax Savings

In a new folder entitled "A Message for Corporation Executives," **Hugh W. Long & Co.** discusses some of the important tax advantages of **Manhattan Bond Fund** to corporations. For a corporation paying excess profits taxes, any income received in the form of interest from bond investments is taxed at a total rate of 85½%. However, by investing in the shares of Manhattan Bond Fund, a corporation need pay only 6% in taxes on the income which it receives in the form of dividends, even though the original source of this income is interest on the bond investments of Manhattan Bond Fund.

Corporation executives who are harried with the problem of putting present-day huge cash surpluses and reserve funds to work will find the solution afforded through Manhattan Bond Fund a highly interesting one.

Quarterly Report

Massachusetts Investors Second Fund reports an increase in total net assets to $10,636,616 on Aug. 31, 1944, compared with $10,202,439 three months earlier and $9,438,791 a year ago.

Mutual Fund Literature

Lord, Abbett—A new booklet entitled "Your Investment," describing the Lord, Abbett organization. The current issue of **Abstracts** on "Cracking the Little Steel Formula." Revised portfolio folders on **Union Common Stock Fund "A"** and **Union Common Stock Fund "B."** . . . **National Securities & Research Corp.**—Letters No. 7 in the current series on **National Stock Series and Industrial Stock Series.** The current issue of **Investment Timing,** in which excess profits taxes on 300 stocks are tabulated. . . . **Distributors Group**—A new issue of **Steel News,** discussing and portraying in chart form the increased financial strength of steel companies. . . . **Calvin Bullock**—The September issue of **Perspective** entitled "War and Peace." . . . **Selected Investments Co.**—A revised prospectus on **Selected American Shares,** dated Aug. 31, 1944. . . **Broad Street Sales Corp.** —A current issue of **Items,** showing "the value of constant supervision" in the performance of **Broad Street Investing Corp. . . . Hare's Ltd.**—A new folder on **Stock & Bond Group Shares** which "continue to outperform the market."

Dividends

Fundamental Investors, Inc. — Quarterly dividend No. 43, amounting to 22¢ per share, payable Oct. 16, 1944, to holders of record Sept. 30.

General Investors Trust — A quarterly dividend of 6¢ per share, payable Oct. 20, 1944, to shareholders of record Sept. 30.

Investors Mutual—A quarterly dividend of 20¢ per share, payable Oct. 16, 1944, to shareholders of record Sept. 30.

Manhattan Bond Fund — Ordinary Distribution No. 25 amounting to 10.6¢ per share and an extraordinary distribution amounting to 17.6¢ per share (for a total of 28.2¢ per share), payable Oct. 16, 1944, to shareholders of record Oct. 5.

Massachusetts Investors Trust—A quarterly dividend of 20¢ per share, payable Oct. 20, 1944, to shareholders of record Sept. 29.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1352)

portant even is the end of European hostilities. So sure are many people that an early peace is just around the corner that all kinds of functions are being planned, or have been planned, to celebrate V-Day. The market, dominated by human fears and hopes, has also made what at times seems unexplainable moves to reflect this V-Day philosophy. But, unlike the average individual, the market doesn't reflect or anticipate these events continuously. From its action it indicates that it has already evaluated a sudden peace, and if the news does hit now the chances are that the market will do comparatively little.

* * *

To get back to individual stocks, the position taken here when a list of issues were advised for purchase remains the same.

* * *

Allied Mills was bought at 30. Stop remains at 28. Expect trouble when it reaches 32 to 33.

* * *

Bendix was bought at 38¼. Stock is currently in supply area but don't think it is important enough to account for more than a minor setback. Hold stock with stop at 38.

* * *

Crown Zellerbach was bought at 18. Unlike other issues, this one hasn't done much on the up-side. Yet general market action still looks good enough to warrant holding. Stop it, however, at 17.

* * *

Lockheed, bought at 17, seems in a good position to set off on another leg of its advance once market position permits it. Across 21, stock may have some trouble. Stop should be raised from 15 to 18.

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U. S. Steel, bought at 58½, is still in the red but action indicates higher ultimate prices.

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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.]

Congress Recesses

Under a concurrent resolution agreed to by the Senate and House on Sept. 21, Congress voted to recess that day until Nov. 14—a week after the national elections. Under the adjournment resolution, Congress could be called upon to reassemble whenever legislative expediency might warrant it.

In Associated Press advices from Washington Sept. 21 it was stated:

Congress began its second extended vacation of the year yesterday, adjourning for an electioneering holiday after an eight-week session in which it passed a program designed to cushion the impact of the war's end on the nation's economy.

The principal legislative business of the closing day was unanimous passage in both houses of a resolution calling on all nations to adopt a policy of press freedom and free exchange of news, as a measure to bolster peace.

The lawmakers will return to the capitol Nov. 14, unless recalled sooner, to face a docket that may include such controversial matters as peacetime compulsory military training legislation.

Interesting Rails

B. W. Pizzini & Co., Inc., 55 Broadway, New York City, have prepared a concise analysis giving valuation for Morris & Essex stock, and prospects for Utica, Chenango and Susquehanna Valley Stock. Copies are available from the firm upon request.

National Housing Head Discusses Provisions Of G. I. Bill Of Rights

John B. Blandford, Jr., Addressing The American Legion Convention, Says Measure Makes Building, Buying Or Improving A Home Easier To A Veteran Because It Strengthens His Credit, But He Holds That Better Housing Is A Local Responsibility And The Federal Government Should Not Replace Local Initiative.

The full resources of the housing industry and of the National Housing Agency must be devoted to the achievement of the goal of a good home, within his means, for the returning war veteran, Administrator John B. Blandford, Jr., of the NHA, told the National Convention of the American Legion at Chicago last week.


John B. Blandford Jr.

Discussing the housing provisions of the G. I. "Bill of Rights," he declared:

"I have confidence that the housing industry and the Government will see to it that the goal of good homes for veterans does not become a vehicle for jerry-building, unreasonable prices or excessive financing that will impose an undue strain on the veterans' income."

He said that the Legionnaires themselves, as veterans of a previous war, could effectively join with "industry, labor, Government and American citizens in all walks of life" in the task of starting now "to build the foundations for a post-victory America that will make possible good jobs, good homes, and a high standard of living for men now on the fighting fronts and for all American citizens."

Adoption of the "G. I." Bill by Congress reflected, Mr. Blandford said, the deep interest of the American people in the future of the returning veterans and contains a full recognition on the part of Congress "that one of the most fundamental hopes of the returning veteran will be for a good home."

"These are the general provisions of the Act. The regulations will be issued soon, I am told by General Hines, the Administrator of Veterans' Affairs.

"What the measure means in brief is that the way for a veteran to build, buy or improve a home has been greatly eased because his credit has been strengthened. He can buy a home without having the ready cash for a down payment, if he has a job or income which will enable him to repay his loan on easy terms over a long period of time."

This means, Mr. Blandford said, that the way has been paved for large numbers of returning veterans to purchase a home and that private lending institutions and private building industry are keenly interested in a full participation in the program.

He warned, however, that the best interests of the veteran must be a paramount consideration, declaring:

"Our goal cannot be limited merely to selling the largest possible volume of homes to veterans. The 'G. I. Bill of Rights' very wisely requires that the purchase price paid by veterans for homes financed under the Act be reasonable, that the properties be suitable for dwelling purposes, and that the terms of payment be not excessive in relation to the veterans' present and prospective earnings."

There can be no question that good homes rank high among veterans' goals in a peacetime world, Mr. Blandford declared:

"After weeks or months or years in foxholes or on shipboard or in cockpits above the clouds, the values of a good home in a good neighborhood will have an appeal to them that few of us can experience with equal strength. They will also recognize, I'm sure, that the business of producing those homes and neighborhoods for all Americans is one of the broad avenues towards full production and full employment."

Mr. Blandford told the Legionnaires how all of the housing functions of the Federal Government, utilizing private enterprise to the full wherever possible, had been devoted during the war to the problems of providing living accommodations for some 4,000,000 workers and their families who migrated to the nation's centers of war production.

"The task of mobilizing an adequate housing supply for war industries is now largely complete," Mr. Blandford said. "Like all other basic war programs, it entailed some hard decisions. We were able to use scarce war materials only to house the workers needed for war production."

These he characterized as "the harsh necessities of the past," and as for the immediate future declared:

"Today we are entering a period when increasing availability of materials permits us to tackle a broader job. This means that we will be able to move increasingly on the needs of families of military personnel and returning veterans.

"Moreover, we're working continuously with the War Production Board in the hope that following the collapse of Germany the green light may be turned on for an immediate start toward a fully adequate housing supply for returning veterans, military families and all American families in need of housing."

To remedy the country's shortage of decent housing will, Mr. Blandford declared, be "one of the biggest assignments and highest challenges in post-war America."

"In striving for good homes for veterans and for all American families, no sector of American society has a greater responsibility than our cities, towns and villages," he said. "Housing is a local responsibility — the Federal Government should assist communities in their housing problems where such assistance is needed and wanted, but it cannot and should not attempt to replace local initiative and local decisions."

Mr. Blandford said that cities and towns should welcome their home-coming veterans with long range community plans "that will offer them the tangible prospect of a well-rounded, satisfying civilian life."

"While much of the actual work in these directions," he continued, "must wait until we can all get down to business on peacetime production, it is up to our cities and towns to get busy now on plans and preparations for future community development that will be worthy of the fighting men who will live in them.

"We have a dual task on the home front taday. Our first duty is to keep up the flow of weapons to the front lines on a scale that will hasten the return of our victorious armies and navies. Our second duty is to get ready for that day of victory so that our returning veterans can join us with full energy in building a peacetime America fully justifying the valor, blood and sweat being expended to win the war.

"We must keep buckled down on both these jobs."

Housing Construction Seen As Stimulating Re-Employment After Germany's Downfall

John H. Fahey, Federal Home Loan Bank Commissioner, Tells Northeastern Federal Savings League Not To Expect A Widespread Upsurge Of Home Building Immediately As The Manufacture And Distribution Of Building Materials Will Require Considerable Time.

Although we should not count on a widespread upsurge of home building immediately after the downfall of Germany, the construction of houses will constitute a huge and continuing impetus toward re-employment after full peace returns, John H. Fahey, Commissioner of the Federal Home Loan Bank Administration, declared before the annual meeting of the Northeastern Federal Savings League at Swampscott Mass., earlier this month.


John H. Fahey

"We all know that one of the nation's important shortages is in the satisfactory homes for our people," he said. "Never in our history has there been a greater demand for more and better housing nor a greater determination to supply the need more efficiently and less expensively than in the past.

"But resumption of the manufacture and distribution of building materials after victory in Europe will take more time than many anticipate. We must realize too that the Government is utilizing almost all of the nation's output of lumber for war purposes—a large part of which will be needed until Japan is defeated. Even after Japan goes down, there is the question of when seasoned woods will be available in great quantities.

"In the housing field as well as in other business, we will have some problems to solve in the transition from all-out war production. I see no occasion for serious concern about it, however. We are not unprepared to deal with adjustment difficulties, for they have been under examination for a long time. Innumerable post-war committees have been engaged in housing studies and should be able to help in surmounting problems.

"Certainly there will be no lack of money to finance the construction and purchase of homes on the most attractive terms the country has ever known. For instance, the Federal Home Loan Bank System is equipped as never before to fulfill the reserve credit needs of its 3,700 member savings and loan associations and cooperative banks, which are placing themselves in readiness to finance a large proportion of the home buyers of the nation.

"Undoubtedly the country will be prepared to deal more intelligently with post-war adjustment than it was after World War I. Contrary to assertions made by some critics, the departments and agencies of government most concerned with conversion problems have long been diligently blocking out transition plans.

"Private industry, of course, has not neglected the problem. For more than a year and a half nearly 200 research institutions and business organizations have been engaged in post-war planning. Thirty-nine of these are government; 158 represent private business.

"There is hardly an intelligently managed large company in the country which has not long been figuring what it should do as soon as the war is over. Their calculations have been based upon an end of Germany by early winter and their finish of Japan about a year later. There should, therefore, be no great shock if we prove to be ahead of schedule in both Europe and the Far East.

"Most of our great corporations have accumulated large reserve funds for change-over activities, for the development of new products and the rehabilitation of plants. Our banks and other types of lending institutions have more money to place at the disposal of business than any country ever had in history. Ten years ago no one would have imagined such an accumulation of savings as we have in this country today. If we are not able to utilize to the greatest advantage all of our facilities it will be an indictment of our intelligence.

"When we survey our war production achievements—and consider the skill and resourcefulness our fighting men have shown—we certainly should conclude that there is something the matter with us if we are unable to deal with the problems of peace so as to provide dependable employment and raise the standard of living of the American people to a level beyond anything we have been able to visualize."

Annual Meeting Of U. S. Savings & Loan Association To Be Held In Chicago In November

The fifty-second annual meeting of the United States Savings and Loan League will be held in Chicago, Nov. 13-15, John F. Scott, St. Paul, Minnesota, President, announced to savings and loan association and cooperative bank managers. In keeping with custom since the war started, the meeting of the nationwide organization will be confined strictly to business sessions, discussing loans to veterans and other immediate concerns.


John F. Scott

Looming largest on their program is the whole matter of gearing the plans of these specialized home financing institutions to carry a large part of the load of lending under Title III of the G. I. Bill of Rights. It is anticipated that the Rules and Regulations which have been pending since the bill passed in late June will have been formulated by the time of this meeting, and the get-together in Chicago will give a strong impetus to the immediate swinging into action of this lending program. An entire day will be devoted to a lending clinic, in which this special plan for veterans, and other proposals for streamlined lending operations, such as the US Loan Plan, proposed by the Postwar Program Committee of the League, will be the chief subjects. The savings and loan and cooperative bank groups have been studying this latter plan for an increase in postwar home ownership since last May.

The Board of Directors of the United States League will meet on Saturday, November 11 and the Executive Council on November 12. There will also be meetings of some twenty committees of the organization, whose agenda has a bearing on the problems of the times, such as savings and loan association functions in the reconversion period, which have meetings scheduled the two days preceding the formal gathering of all the representatives of the business who attend.

Investments Of Public In Sav. & Loan Assn's Reached New High

Investments of the public held by savings and loan associations increased during the first half of 1944 by $406,000,000 or 37% more than the rise for the same period in 1943, the Federal Home Loan Bank Administration reported on August 26. Assets of these institutions totalled about $7,000,000,000 at the end of June. The increase not only reflects the swelling tide of war-time savings but a relative decline in the amount of investors' funds withdrawn from such institutions, officials of the Bank Administration said. All classes of thrift associations it is added reported net gains in share capital for the 6 months. Associations operating under insurance of accounts through the Federal Savings and Loan Insurance Corporation experienced the largest growth—$333,000,000, to a total of approximately $3,900,000,000.

Roosevelt Accuses Republicans Of Fraud And Falsification

(Continued from page 1353)

There were some—in the Congress and out—who raised their voices against our preparations for defense—before and after 1939—as hysterical war-mongering, who cried out against our help to the Allies as provocative and dangerous.

We remember those voices.

They would like to have us forget them now. But in 1940 and 1941 they were loud voices. Happily they were a minority and—fortunately for ourselves, and for the world—they could not stop America.

There are some politicians who kept their heads buried deep in the sand while the storms of Europe and Asia were headed our way, who said that the lend-lease bill "would bring an end to free government in the United States," and who said "only hysteria entertains the idea that Germany, Italy or Japan contemplate war upon us."

These very men are now asking the American people to intrust to them the conduct of our foreign policy and our military policy.

What the Republican leaders are now saying in effect is this: "Oh, just forget what we used to say; we have changed our minds now—we have been reading the public-opinion polls about these things, and we now know what the American people want. Don't leave the task of making the peace to those old men who first urged it, and who have already laid the foundations for it and who have had to fight all of us, inch by inch, during the last five years to do it—just to turn it all over to us. We'll do it so skillfully—that we won't lose a single isolationist vote or a single isolationist campaign contribution."

There is one thing I am too old for—I cannot talk out of both sides of my mouth at the same time.

This Government welcomes all sincere supporters of the cause of effective world collaboration in the making of a lasting peace. Millions of Republicans all over the nation are with us—and have been with us—in our unshakeable determination to build the solid structure of peace. And they, too, will resent this campaign talk by those who first woke up to the facts of international life a few short months ago—when they began to study the polls of public opinion.

Those who today have the military responsibility for waging this war in all parts of the globe are not helped by the statements of men, who, without responsibility and without knowledge of the facts, lecture the chiefs of staff of the United States as to the best means of dividing our armed forces and our military resources between the Atlantic and Pacific, between the Army and the Navy, and among the commanding generals of the different theaters of war, and I may say that those commanding generals are making good in a big way.

When I addressed you four years ago, I said: "I know that America will never be disappointed in its expectation that labor will always continue to do its share of the job we now face, and do it patriotically and effectively and unselfishly."

Today we know that America has not been disappointed. In his order of the day when the Allied armies first landed in Normandy, General Eisenhower said: "Our home fronts have given us overwhelming superiority in weapons and munitions of war."

I know those labor baiters among the opposition who are there but who, instead of calling attention to the achievements of labor in this war, prefer to pick on the occasional strikes that have occurred—strikes that have been condemned by every responsible national labor leader— want to say, parenthetically, all but one. And that one labor leader, incidentally, is not conspicuous among my supporters.

Labor baiters forget that, at our peak, American labor and management have turned out airplanes at the rate of 109,000 a year; tanks—57,000 a year; combat vessels—573 a year; landing vessels—31,000 a year; cargo ships—19,000,000 tons a year, and Henry Kaiser is here tonight I am glad to say; and small arms ammunition—23 billion rounds a year.

But a strike is news, and generally appears in shrieking headlines—and, of course, they say labor is always to blame.

The fact is that, since Pearl Harbor, only one-tenth of 1% of man-hours have been lost by strikes. But even those candidates who burst out in election-year affection for social legislation and for labor in general still think you ought to be good boys and stay out of politics. And above all, they hate to see any working man or woman contribute a dollar bill to any wicked political party. Of course, it is all right for large financiers and industrialists and monopolists to contribute tens of thousands of dollars—but their solicitude for that dollar which the men and women in the ranks of labor contribute is always very touching.

They are, of course, perfectly willing to let you vote—unless you happen to be a soldier or sailor overseas, or a merchant seaman carrying the munitions of war. In that case they have made it pretty hard for you to vote—for there are some political candidates who think they may have a chance if only the total vote is small enough.

And while I am on the subject of voting let me urge every American citizen—man and woman—to use your sacred privilege of voting, no matter which candidate you expect to support. Our millions of soldiers and sailors and merchant seamen have been handicapped or prevented from voting by those politicians and candidates who think they stand to lose by such votes. You here at home have the freedom of the ballot. Irrespective of party, you should register and vote this November. That is a matter of good citizenship.

Words come easily, but they do not change the record. You are old enough to remember what things were like for labor in 1932.

You remember the closed banks and the bread lines and the starvation wages; the foreclosures of homes and farms, and the bankruptcies of business; the "Hoovervilles," and the young men and women of the nation facing a hopeless, jobless future; the closed factories and mines and mills; the ruined and abandoned farms; the stalled railroads and the empty docks; the blank despair of a whole nation—and the utter impotence of our Federal Government.

You remember the long hard road, with its gains and its setbacks, which we have traveled together since those days.

Now there are some politicians, of course, who do not remember that far back, and some who remember but find it convenient to forget. But the record is not to be washed away that easily.

The opposition has already imported into this campaign the propaganda technique invented by the dictators abroad. The technique was all set out in Hitler's book—and it was copied by the aggressors of Italy and Japan. According to that technique, you should never use a small falsehood; always a big one, for its very fantastic nature will make it more credible—if only you keep repeating it over and over again.

For example, although I rubbed my eyes when I read it, we have been told that it was not a Republican depression, but a Democratic depression from which this nation has been saved—that this Administration is responsible for all the suffering and misery that the history books and the American people always thought had been brought about during the 12 ill-fated years when the Republican party was in power.

Now, there is an old and somewhat lugubrious adage which says: "Never speak of rope in the house of one who has been hanged." In the same way, if I were a Republican leader speaking to a mixed audience, the last word in the whole dictionary that I think I would use is that word "depression."

For another example, I learned—much to my amazement—that the policy of this Administration was to keep men in the Army when the war was over, because there might be no jobs for them in civil life.

Why, the very day that this fantastic charge was first made a formal plan for the method of speedy discharge from the Army had already been announced by the War Department—a plan based upon the wishes of the soldiers themselves.

This callous and brazen falsehood about demobilization was an effort to stimulate fear among American mothers, wives and sweethearts. And, incidentally, it was hardly calculated to bolster the morale of our soldiers and sailors and airmen fighting our battles all over the world.

Perhaps the most ridiculous of these campaign falsifications is the one that this Administration failed to prepare for the war which was coming. I doubt whether even Goebbels would have tried that one. For even he would never have dared hope that the voters of America had already forgotten that many of the Republican leaders in the Congress and outside the Congress tried to thwart and block nearly every attempt which this Administration made to warn our people and to arm this nation. Some of them called our 50,000-airplane program fantastic. Many of those very same leaders who fought every defense measure we proposed are still in control of the Republican party, were in control of its national convention in Chicago, and would be in control of the machinery of the Congress and of the Republican party in the event of a Republican victory this fall.

These Republican leaders have not been content with attacks upon me, or my wife, or my sons—they now include my little dog, Fala. Unlike the members of my family, he resents this. Being a Scottie, as soon as he learned that the Republican fiction writers had concocted a story that I had left him behind on an Aleutian island and had sent a destroyer back to find him at a cost to the taxpayers of two or three or 20 million dollars— his Scotch soul was furious. He has not been the same dog since. I am accustomed to hearing malicious falsehoods about myself—such as that old, worm-eaten chestnut that I have represented myself as indispensable. But I think I have a right to object to libelous statements about my dog.

But we all recognize the old technique. The people of this country know the past too well to be deceived into forgetting. Too much is at stake to forget. There are tasks ahead of us which we must now complete with the same will and skill and intelligence and devotion which have lready led us so far on the road to victory.

There is the task of finishing victoriously this most terrible of all wars as speedily as possible and the least cost of lives.

There is the task of setting up international machinery to assure that the peace, once established, will not again be broken.

And there is the task which we face here at home—the ask of reconverting our economy from the purposes of war to the purposes of peace.

These peace-building tasks were faced once before, nearly a generation ago. They were botched by a Republican administration. That must not happen this time. We will not let it happen this time.

Fortunately, we do not begin from scratch. Much has been done. Much more is under way. The fruits of victory this time will not be apples to be sold on street corners.

Many months ago, this Administration set up the necessary machinery for an orderly peace-time demobilization. The Congress has now passed legislation continuing the agencies needed for demobilization—with additional powers to carry out their functions.

I know that the American people—business and labor and agriculture—have the same will to do for peace what they have done for war. And I know that they can sustain a national income which will assure full production and full employment under our democratic system of private enterprise, with government encouragement and aid whenever and wherever it is necessary.

The keynote of all that we propose to do in reconversion can be found in the one word—"jobs."

We shall lease or dispose of our Government-owned plants and facilities and our surplus war property and land on the basis of how they can best be operated by private enterprise to give jobs to the greatest number.

We shall follow a wage policy which will sustain the purchasing power of labor—for that means more production and more jobs.

The present policies of wages and prices were conceived to serve the needs of the great masses of the people. They stopped inflation. They kept prices on a stable level. Through the demobilization period policies will be carried out with the same objective in mind—to serve the needs of the great masses of the people.

This is not the time in which men can be forgotten as they were in the Republican catastrophe which we inherited. The returning soldiers, the workers by their machines, the farmers in the field, the miners, the men and women in offices and shops, do not intend to be forgotten.

They know they are not surplus. Because they know that they are America.

We must set targets and objectives for the future which will seem impossible to those who live in and are weighted down by the dead past.

We are even now organizing the logistics of the peace just as Marshall, King, Arnold, MacArthur, Eisenhower and Nimitz are organizing the logistics of this war.

The victory of the American people and their allies in this war will be far more than a victory against Fascism and reaction and the dead hand of despotism and of the past. The victory of the American people and their allies in this war will be a victory for democracy. It will constitute such an affirmation of the strength and power and vitality of government by the people as history has never before witnessed.

With that affirmation of the vitality of democratic government behind us, that demonstration of its resilience and its capacity for decision and for action—with the knowledge of our own strength and power—we move forward with God's help to the greatest epoch of free achievement by free men the world has ever known or imagined possible.

Outlook For Post-War Prosperity

(Continued from page 1360)

not thinking of restrictive controls when I say wise Government action. I am thinking rather of measures which can be taken to encourage and stimulate business and to maintain markets for business, so that businessmen will be planning in terms of markets which demand high levels of production and employment.

Of course, Government control cannot ever generate the spark that motivates the economic system. But intelligent business, I think, needs intelligent Government to help create the proper climate for prosperity. The Government, I think, can help industry, agriculture and labor to make full use of the improvements in methods of production which have developed during the war. If these instruments are used boldly and quickly, it is highly probable that they will not have to be used extensively. If business, agriculture and labor recognize that the Government is fully prepared to help in maintaining high levels of production and employment, all three groups will, of themselves, make the decisions which contribute toward this objective. If workers are not constantly faced with the fear of unemployment, they will spend their earnings and thus provide the markets for the goods which they produce. If agriculture is assured that its markets and prices will be supported, it will plan to produce the feed and textiles which our people need and will be able to buy if industry is running in high gear.

In summary, a choice between two alternatives faces us. If we fumble the ball and make no concerted cooperative effort to reach the common goal of making full use of our productive capacity, we face a future of unemployment and chronic depressions. Pressure groups, including a large body of disillusioned soldiers, will soon be waging a desperate but fruitless fight over the distribution of a meager scarcity.

But if we look back just long enough to remind ourselves of what a production job we've performed in this war and what that job has meant in terms of employment and markets for business, and then look forward and devise ways to turn that same capacity loose on peacetime America, we'll have an economy running along at 150 billion dollars and up. Let's not say we can hit those levels only in time of war. Let's not be satisfied with the use of only half our resources, our brains and our productive power, let's set our sights high. Let's get farmer, laborer, businessman, etc., and Government each to put shoulder to the wheel. If each does that intelligently and vigorously, we'll reach the goal.

Canadian Securities

(Continued from page 1561)

ied attentively by financial interests in this country, and such companies as the Consolidated Mining & Smelting Co. of Canada, Ltd., with promising post-war prospects are well worthy of close examination.

Turning to future developments, there still appears little possibility of increased market activity. The wealth of discussion that is taking place concerning the probable reduction of taxation should not be harmful to Canadian securities, and on the contrary could be beneficial in view of the trend in favor of fully taxable issues. **We might also be approaching the stage when the multiple pay feature of most Canadian bonds will have a definite market value, especially as the subject of foreign exchange is becoming a topic of popular interest.**

Excess Profits Taxes And The Electric Utilities

(Continued from first page)

flow, is the non-realistic basis, so far as electric utilities are concerned, which the Revenue Act provides for the computing of excess profits. By failing to allow fully for the charges on the additional utility plant required to produce the additional revenue earned by utilities in any year over those of the base period, the very name "excess profits" becomes a misnomer so far as the utilities are concerned. This is especially the case with an industry which, like the utilities, has such a high ratio between investment and revenue. With the average well-developed industrial concern, fixed charges on plant investment are a relatively small item in total costs (about 1.67% in 1943); but with the utilities such charges now total 25% of the total cost of doing business.

Government Competition

2. In connection with steep additions to the rates in other brackets of corporate taxation, the excess profits tax has raised total utility taxes to a level where the exemption from Federal taxes, enjoyed by governmentally-owned utilities, makes their competitive position, compared to taxpaying utilities, a very threatening one. Five years ago, when Federal taxes took but 5% of operating revenue, skillful management could easily overcome the handicap; but today, when they take over three times as large a proportion of revenue, the margin between business management and political management becomes much more difficult to overcome by the greater efficiency of the former.

Rate Reduction

3. Some regulatory bodies have maintained that in utility rate cases excess profits taxes should not be allowed as a part of the cost of operation, even though such taxes cost real money, just like payroll, coal or interest charges. Latterly, the proposition has been advanced by some public bodies that excess profits should be eliminated by the simple device of reducing rates, and that this should be done regardless of its obvious effect in reducing Federal revenues required to finance the war.

With this brief statement of the case, let us now consider the subject as it has developed in recent months.

The general burden of war taxes is one that should be shared by every element in the country and the utilities must carry their share like every other business or individual. Except for the failure of the act to allow fully for the special investment situation that utilities face due to their inherent nature, the utilities have recognized the impelling necessities of the demands of war and have felt that the only thing that can permanently decrease tax burdens will be the end of the war itself. The proposition of a permanent change in electric rates in order to relieve a temporary tax condition is, however, a very serious matter, requiring careful study if great damage is to be avoided.

War Financing vs. Local Relief

When this proposition of rate reduction first came up there was a substantial body of public opinion which held that there was a war to be financed and that the principle of diverting revenues from the Federal Treasury to local citizens (through the route of special local taxes or rate reductions or customer refunds) was not only unpatriotic, but represented a policy which, if applied to all corporations, would seriously menace the financing of the war. This viewpoint received a rude jolt this past summer when the Secretary of the Treasury announced that such loss of revenue would not be resisted by him if electric rates only were involved. The utilities have known for a number of years that under the New Deal their own government was their most determined enemy, but they did not realize that this enmity had reached a scale of vindictiveness which put them in a position lower than the external enemies of the country. However, the mere willingness of the government in this instance to trade "winning the war" for "soaking the utilities" does not dispose of the economic facts of the situation.

The matter has been complicated by the fact that some State utility commissioners have felt sincerely that the very existence of anything called "excess profits" meant that the Commission had been negligent in its work of regulating the rates of the utility which had such excess profits.

In order to try to resolve these questions, let us look at the facts. From 1939 (the last pre-war year) to 1943, operating revenues of the electric utility industry increased $659 (million) and gross corporate income (the net amount available for a return on the investment) decreased $48 (million). During this same period, the net increase in plant investment (total expenditures, less replacements) was $1,171 (million). Seven per cent return on this added investment would be $82 (million). So the decrease in gross corporate income on a factual basis would have been 48 + 82 or $130 (million). Excess profits taxes paid in 1943 were $192 (million). Consequently, the increase in net, factually computed, before any excess profits taxes, was about $62 (million.) This difference represents about 2.2% of the operating revenues of 1943; hence, a decrease in revenues from the rates of 2.2% would theoretically wipe out any factually computed excess profits.[1]

This, however, does not fairly dispose of the question as a matter of permanent rate reduction. We must first examine the nature of the changes in earnings that occurred between the last pre-war year (1939) and the maximum war year (1943).

War Investment Revenue Ratios Not Normal

In the first place, it is obvious from the figures just stated, showing the relationship of gain in operating revenue to the increase in net plant to be 1 to 1.78, that the nature of those increased revenues was far from normal. This ratio over the years has averaged about 1 to 5. This conclusion, based on financial data, is confirmed by physical factors. The analysis of growth in energy output from 1939 to 1943 shows that 42% of it was due to increased load factor. Energy growth from this source is, from its very nature, due to war conditions and would therefore disappear as soon as peace-time conditions were restored.

Effect of War Load Factor Is Temporary

In order to translate this into earnings figures, it may be noted that between 1939 and 1943 electric utility revenues from industrial or special war plants increased $385 (million). With 42% of this due solely to increase in load factor, and even assuming that the differential rate on such increase would be say one-half of the average overall power rate, this means that over $80 (million) of this growth would be due to disappear automatically as soon as the press of war production ends. It will be noted that this amount, which is due for eclipse after the war, is greater than the theoretically possible rate reduction of $62 (million) indicated by the factually computed increase in profits due to the war.

Breakdown of War Revenues

In further confirmation of the temporary and abnormal nature of the fundamental ratios in the utility business, which the war has brought in its train, we have but to consider the breakdown of utility war revenues. In the last pre-war year (1939) industrial power revenues comprised 26.5% of the total revenues of the electric utilities. Yet in 1943 the revenues from industrial and war loads accounted for 60% of the entire gain in revenues over 1939. Thus well over one-half the gain in industrial power revenue in 1943 over 1939, or about $120 (million), was a pure war effect and therefore as temporary as the war itself.

War Effect on Industry As A Whole

Further light is cast on this subject by approaching it from the general industrial angle. As I have pointed out recently,[2] the figures going back for 15 years show a very close, constant relationship between the Federal Reserve Board Index of Industrial Production and the consumption of electric energy in industry. This index in turn has been broken down by the Federal Reserve Board between war and civilian production, respectively—their division for the year 1943 being: two-thirds war and one-third civilian. Moreover, the magnitude of the war index alone for that year is larger than any civilian total ever achieved in any previous year in the nation's history. This again emphasizes the temporary nature of the war power load in the underlying growth of the country.

The facts and figures I have presented seem to demonstrate that, at least for the electric utility industry as a whole, any excess profits that may have appeared during the war (whether as reported or as factually corrected for offsetting fixed charges) are solely a war phenomenon, which, based on their origin, nature and relative magnitude, will disappear with the end of the war industrial effort and would never have arisen but for the special effects produced by the war itself. That is to say, they do not represent either a normal condition or one which could have arisen, other things being equal, but for the war.

This being the case, any general reduction of rates based on current conditions would be most unfair to the utilities, since the return to relatively normal civilian conditions, which is right now beginning clearly to appear, will automatically make them inadequate to produce that fair rate of return which is needed to keep the utilities soundly able to finance the service to the public—to perform which is their sole function.

Relief Should Be As Temporary As the Conditions Requiring It

It would be idle to maintain (and I do not do so) that no "excess profits," as defined in the Revenue Act, have arisen with utility operation during the war; but we can and do maintain that, through the tax route, 90% of them have been devoted to the prosecution of this greatest war of all time, not to the enrichment of stockholders. If any State regulatory commission or any local taxing body should feel that it has the duty, for the local relief of their constituents, to drain excess profits taxes away from the service of the nation in this great emergency, then the fair and factual procedure should be to do so in the form of either (1) customer refunds for a specific year, or (2) special taxes which will expire with the end of the war emergency.

Basic Relationships Change Very Slowly

Whether or not one may agree with the force of all the points that have been brought up herein, it is common knowledge that basic conditions and relationships, in as large an industry as the electric utilities, change very slowly and gradually over the years. (For example, for the 14 years ending with 1939 the average per cent of total revenue arising from the sale of industrial power was 27.9%, and for the year 1939 itself it was 26.5%.) If, after the industrial abnormalities of the war are past, it appears that any particular utility's rates are too high or too low, they should, of course, be regulated as required by law. But to attempt fundamental rate revision under war conditions is like trying to form an accurate idea of one's true appearance from looking into a distortion mirror.

War Effect on Investors and Consumers

This plea might well fall on deaf ears if, compared to other citizens, either the utility stockholders had gained, or their customers had lost, during the war period; but just the reverse is the case. With respect to the first: In spite of the net increase in electric utility plant investment during the last four years of $1,171,000,000, the net income for the stockholders has decreased by $24,000,000 during the period. As to the second: In the case of an increase of $336,000,000 (or 95%) in taxes, and a 27% increase in hourly rates of pay to electric utility employees, in the four years ending 1943, the average unit price at which all electricity was sold in 1943 was 23% below the average figure for 1939.

These figures, showing how our stockholders and our customers have fared during the war, are brought into bold relief by comparison with general industrial conditions: During the same period (from 1939 to 1943) the net profits after taxes of manufacturing corporations, as reported by the U. S. Department of Commerce, increased $3,086,000,000, or 120%; wholesale commodity prices increased 34%, and average cost of living increased 22%.

The kernel of the situation was expressed in the opinion of the Supreme Court of Michigan, May 17, 1944, in ruling on the appeal to it of the decision of the Public Service Commission of that State in the Detroit case, wherein it said:

> "The public should not be required to pay rates that will yield an extraordinary profit to the utility, and the stockholders of the utility, on the other hand, are at all times entitled to a fair return on their investment."

As shown by the figures already given, the stockholders of electric utilities as a whole are earning less on their investment now than before the war. So the matter boils down to two queries: (1) Whether temporary utility excess profits, as defined in the Revenue Act, which the facts show to be due purely to war conditions, shall be taken from the financing of the nation's war effort which produced them, and (2) whether temporary war conditions are a fair basis for rate reductions, when present stockholder returns are below pre-war levels and when rate reductions made now would inevitably reduce stockholder earnings still further after the war emergency passes.

[1]The actual increase reported in net income (before payment of excess profits taxes) in 1943 over 1939 was, of course, $144 (million), due to inadequate allowance in the Revenue Act for charges on increased investment.

[2]"What Have We to Sell?" paper to Commercial Meeting, EEI, Chicago, April 5, 1944.

Gulf States Utilities Preferred Offered

Stone & Webster and Blodget, Inc., headed a group of underwriters that offered Sept. 26 a portion of 120,000 shares of Gulf States Utilities Co. $4.40 dividend preferred stock subject to the exchange rights of present preferred stockholders under an offer that expires on Oct. 4. Public offering price of the stock was $106.

Other members of the offering group are: The First Boston Corp.; Harriman Ripley & Co., Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.; Smith, Barney & Co.; Union Securities Corp.; Hornblower & Weeks; Merrill Lynch, Pierce, Fenner & Beane; Paine, Webber, Jackson & Curtis; Spencer Trask & Co.; Bosworth, Chanute, Loughridge & Co.; Dewar, Robertson & Pancoast; Rauscher, Pierce & Co., Inc.; and George V. Rotan Co.

Present holders of 69,994 shares of $6 dividend preferred and 30,000 shares of $5.50 dividend preferred are being offered the right to exchange, on a share for share basis, for the new preferred stock, plus $4 cash for each $6 share, and plus $2 cash for each $5.50 share. Accrued dividends on the old preferred are to be added.

Old preferred stock not exchanged will be called for redemption at $110 per share for the $6 preferred, and at $108 per share for the $5.50 preferred plus, in each instance, accrued dividends.

Proceeds from the sale of the new preferred will be used by the company to provide cash required for the exchange offer or for calling the unexchanged old preferred; to retire a $1,000,000 bank loan; and for other corporate purposes.

Capitalization of the company, at June 30, 1944, after the proposed financing, consists of $27,300,000 of first mortgage and refunding 3½s; 120,000 shares of new preferred; and $280,000 shares of no par common stock.

A pro forma income statement for the year ended June 30, 1944 shows operating revenues of $16,540,092, with a balance of $2,760,700 after interest and amortization, but before preferred dividend requirements. Actual figures for the 1943 calendar year show operating revenues of $15,398,188 and net income of $2,283,326, before preferred dividends.

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.

Chamberlain In Boston

(Special to The Financial Chronicle)

BOSTON, MASS.—George S. Chamberlain is engaging in a securities business from offices at 20 Kilby Street.

Dewey Calls Roosevelt's Record "Desperately Bad"

(Continued from page 1353)

Now, who said that? It was the National Director of Selective Service appointed by Mr. Roosevelt and still in office.

But, says Mr. Roosevelt, the War Department thereafter issued a plan for "speedy discharges." You can read that plan from now until doomsday and you cannot find one word about "speedy discharges." It is, in fact, a statement of the priority in which men will be discharged after the war. It does not say whether they are to be retained in service a month or years after victory. That will be up to the next administration. The present Administration, with its record of peace-time failure, is afraid to bring men home after victory. That's why it's time for a change.

Now why does my opponent first describe what is a matter of record as a "fantastic charge" and then try to laugh off the problem of jobs after the war? He jokes about depressions — about the seven straight years of unemployment of his Administration. But he cannot laugh away the record.

In March, 1940, Mr. Roosevelt had been in office seven years. Yet the depression was still with us. We still had 10,000,000 Americans unemployed. These are not my figures—these are the figures of the American Federation of Labor.

Is that fraud or falsehood? If so, let Mr. Roosevelt tell it to the American Federation of Labor.

By waging relentless warfare against our job-making machinery, my opponent succeeded in keeping a depression going 11 years—twice as long as any depression in a century. And the somber, tragic thing is that today he still has no better or different program to offer. That is why the New Deal is afraid of peace and resorts to wisecracks and vilification — when our people want victory followed by last peace in the world —and jobs and opportunity here at home. That's why it's time for a change.

Now, I had not intended in this campaign to rake over my opponent's sad record of failing to prepare the defenses of this country for war. It's all in the past—a very tragic past. It has cost countless American lives; it has caused untold misery.

But my opponent has now brought the subject up. He seized violently upon the statement that we were not prepared for war when it came. In his speech Saturday night he called that a "falsification which not even Goebbels would" have attempted.

Now, were we prepared for war, or were we not? It is a simple question of fact.

In 1940, the year after the war began in Europe, the United States was in such a tragic condition that it could put into the field as a mobile force no more than 75,000 men. The Army was only "25% ready." Now, Mr. Roosevelt, did those statements come from Goebbels? Was that fraud or falsifications? Those are the words of General George C. Marshall, Chief of Staff of the United States Army, under oath.

I quote again: "Dec. 7, 1941, found the Army Air Forces equipped with plans but not with planes." Did that come from Goebbels? That statement was made in an official report on Jan. 4 of this year by General H. H. Arnold, Commanding General of the Army Air Forces of the United States of America.

Does my opponent still desire to use the words "falsification" and "Dr. Goebbels"? Does he still claim we were prepared? If so, let's go further.

Four months before Pearl Harbor, there was a debate in the United States Senate. The Chairman of a Senate Committee described on the floor of the Senate the shocking state of our defense program. Senator Vandenberg asked the Chairman where the blame should be laid, and the Chairman replied: "There is only one place where the responsibility can be put." Then Senator Vandenberg said: "Where is that —the White House?" And the Chairman of the Committee replied: "Yes sir." Who was the Chairman of that Committee? It was Harry S. Truman, the New Deal candidate for Vice-President of the United States.

Again, in a magazine article in November, 1942, this statement appeared: "The reasons for the waste and confusion, the Committee found, were everywhere the same: the lack of courageous, unified leadership and centralized direction at the top." Again, on the floor of the Senate in May, 1943, these words were uttered: "After Pearl Harbor we found ourselves woefully unprepared for war." Was that Dr. Goebbels on the floor of the Senate? The very words my opponent called a falsification came from the mouth of his running mate, Harry Truman, the Democratic nominee for Vice-President.

Listen to these words: "When the treachery of Pearl Harbor came we were not ready." Mr. Roosevelt, were those words from Dr. Goebbels? The man who said that was Alben Barkley, your Majority Leader of the United States Senate. And where do you suppose he said it? Right in his speech nominating you for a fourth term.

Now, why is it we were not ready when we were attacked? Let's look at Mr. Roosevelt's own words. In a message to Congress in 1935, he said: "There is no ground for apprehension that our relations with any nation will be otherwise than peaceful."

In 1937 he said: "How happy we are that the circumstances of the moment permit us to put our money into bridges and boulevards . . . rather than into huge standing armies and vast implements of war."

But war came just two years later. It was in January of 1940 that I publicly called for a two-ocean navy for the defense of America. It was that statement of mine which Mr. Roosevelt called, and I quote his words, "just plain dumb." Then, as now, we got ridicule instead of action.

The war rose in fury. When Hitler's armies were at the gates of Paris Mr. Roosevelt again soothed the American people with the jolly comment: "There is no need for the country to be 'discombooberated.'"

The simple truth is, of course, that Mr. Roosevelt's record is desperately bad. It is not one on which any man should seek the confidence of the American people. That's why it's time for a change.

My opponent now announces his desire to be President for 16 years. Yet, in his speech of Saturday night, he called it a "malicious falsehood" that he had even represented himself to be "indispensable."

Let us look at the closely supervised words of the hand-picked candidate for Vice-President. He said of my opponent: "The very future of the peace and prosperity of the world depends upon his reelection in November." I have not heard Mr. Truman repudiated by Mr. Roosevelt as yet. He waits to shed his Vice-Presidents until they have served at least one term.

Here are the words of Boss Kelly of the Chicago machine, the manager of that fake third-term draft of 1940: "The salvation of this nation rests in one man." Was that statement ever repudiated by Mr. Roosevelt? No, it was rewarded by increased White House favors. So it was repeated again by the same man at the same time in the same place and for the same purpose this year: "The salvation of this nation rests in one man."

How was it a falsehood that one of the first acts of my opponent's newly selected National Chairman was to announce last May that he was for a fourth term and—that he was looking forward to a fifth term?

Let's get this straight. The man who wants to be President for 16 years is indeed indispensable. He is indispensable to Harry Hopkins, to Madam Perkins, to Harold Ickes, he's indispensable to a host of other political jobholders. He is indispensable to America's leading enemy of civil liberties—the Mayor of Jersey City. He is indispensable to those infamous machines, in Chicago — in the Bronx—and all the others. He is indispensable to Sidney Hillman and the Political Action Committee, to Earl Browder, the ex-convict and pardoned Communist leader.

Shall we, the American people, perpetuate one man in office for 16 years? Shall we do that to accommodate this motley crew? Shall we expose our country to a return of the seven years of New Deal depression because my opponent is indispensable to the ill-assorted power-hungry conglomeration of city bosses, Communists and career bureaucrats which now compose the New Deal? Shall we submit to the counsel of despair that in all the great expanse of our nation there is only one man capable of occupying the White House?

The American people will answer that question in November. They will see to it that we restore integrity to the White House so that its spoken word can be trusted once again.

On the battlefields and at home, Americans have won the admiration of the world. Under the stress of war, we have thrown off the stupor of despair that seemed in the decade of the 1930's to have settled permanently on our land.

Today we know our strength and we know our ability. Shall we return to the philosophy that my opponent proclaimed when he said our industrial plant is built? Shall we go back to his seven straight years of unemployment? Shall we go back to the corroding misery of leaf-raking and the doles? Shall we continue an administration which invokes the language of our enemies and recklessy hurls charges of falsehood concerning things it knows to be the truth?

I say the time has come to put a stop to everything that is summed up in that phrase, "the indispensable man."

If any man is indispensable, then none of us are free. But America has not lost its passionate belief in freedom. America has not lost its passionate belief in opportunity. It need never lose those beliefs. For here in this country of ours there is plenty of room for freedom and for opportunity and we need not sacrifice security to have both freedom and opportunity.

To achieve these objectives we must have integrity in our government. We need a new high standard of honesty in the Government of the United States. We need a singleness of purpose, a devotion to the people of this country and to the gigantic problems we face at home after this war. We need a whole-souled devotion to the building of a people's peace that will last beyond the lives and friendship of any individuals. We need humility and courage. With the help of Almighty God we shall achieve the spiritual and physical strength to preserve our freedom in the pursuit of happiness for all.

Governor Thomas E. Dewey, Republican Presidential candidate, in a prepared address made at the Civic Auditorium in San Francisco on the evening of Sept. 21, discussed the limits of government economic controls relating to industry, labor and agriculture. He stressed the necessity of government action in economic affairs, but deplored "the ever increasing regimentation" and expressed the belief that "a maximum of security without loss of our essential freedom, under proper leadership, can be attained." The text of Governor Dewey's address follows:

It is mighty fine to come again to your great State of California and to see at first hand the progress you are making under my good friend, your distinguished Governor, Earl Warren. I am happy, too, to share this platform tonight with your able Lieutenant Governor, and next United States Senator from California, Frederick F. Houser.

As I have traveled here, across this magnificent country of ours, I find that men and women everywhere are looking eagerly toward the peace which will follow our total victory over Germany and Japan. I find that, as they look ahead beyond the final victory, two great desires are paramount. We want political freedom and we also want economic security. The great question of the years ahead will be this: Can we have both political freedom and economic security?

I believe we can. I believe we must find a way to have both. To solve that problem we need a new Administration. That's why it's time for a change.

The present Administration has failed utterly to find a solution for that problem. Saturated as it is with the defeatist theory that America is past its prime, the New Deal can see only two possibilities for America—ever-increasing regimentation as one alternative and reaction as the other. It believes that economic security can only be purchased at the price of freedom.

That argument is false. Our people do not want to see this country dragged further and further toward complete Government control over every aspect of our lives. Neither do we want to go back to the reactionary philosophy of dog-eat-dog.

Neither of these alternatives is necessary. There is a better way. There is an American way to meet the modern needs for greater economic stability and individual security within the framework of a free society.

Let's consider a moment where we are today. We speak of freedom, but the farmer asks: "Does that mean freedom to go broke when there are peace-time surpluses and the prices of our crops fall ruinously?" Labor asks: "Does that mean freedom to walk the streets in bad years, looking for work at any price?"

These are questions which go to the heart of our problem. No man can be free when he stands in constant danger of hunger. By the same token, no man can be either free or secure under a Government which seeks to regulate his whole life.

So what is the solution? Must we accept the New Deal way of ever-increasing regimentation as the only escape from reaction? I think not.

Whether we like it or not, and regardless of the party in power, Government is committed to some degree of economic direction. Certain Government measures to influence broad economic conditions are both desirable and inevitable.

Let me give you just three examples.

First, money and credit. Before we have finished financing the war our national debt may be over $300,000,000,000. The annual interest on that debt at current rates will be $6,000,000,000. That is more than the total annual cost of our national Government in any peace-time year before the New Deal. That $6,000,000,000 a year must be raised by taxes before we begin to meet the current cost of Government. We cannot afford a substantial rise in interest rates which would still further increase the cost of carrying our national debt.

So one result of this unprecedented Government debt which now faces us is this: In order to keep down taxes and prevent the price of Government bonds from falling as they did after the last war, the Federal Government is going to have to keep interest rates stable.

Now, let's take up another vital aspect of our life—wages. In bygone days, working men and women worked for whatever they could get. When a lot of people were looking for work, wages went down. In hard times people had to work for literally starvation pay. That was one of the brutal ways our society adjusted itself to depressions under the old-time dog-eat-dog economy. Those days are never coming back again.

They are not coming back because we are never again going to submit to mass unemployment. Government's first job in the peace-time years ahead will be to see that conditions exist which promote widespread job opportunities in private enterprise. There are many means to that end, including the creation of foreign markets and the promotion of foreign trade. If at any time there are not sufficient jobs in private employment to go around, then Government can and must create additional job opportunities. There must be jobs for all.

We have unemployment insurance, old-age pensions and minimum-wage laws. They are here to stay and we are going to broaden them. Tomorrow night on the radio from Los Angeles I shall discuss some of the things we need to do to advance our social progress. We have strong labor unions, protected by law in their right to collective bargaining. Moreover, we have developed over the years a social viewpoint which will not tolerate any solution to the economic cycle which rests upon the grinding down of the wages of working men and women.

So here again we recognize that our economy has become more subject to Government action. The savage old cutthroat adjustments are gone for good. We simply will not tolerate them.

Now, consider agriculture. The farmer, too, has lived under the iron law of supply and demand. In war-time or when crops were normal and demand was good, the farmer prospered. When crops were big and demand was small, the farmer watched his produce go begging while his children were in need.

But the farmer had no control over either supply or demand. He might work his head off all summer long and then lose everything. He had no protection from the inexorable swings of the economic cycle, which swept him alternately from good times to distress.

All that is also in the past. As a nation we are committed to the proposition that the farmer must be protected against extreme fluctuations of prices. We are committed to the proposition that the prices of major farm crops must be supported against the menace of disastrous collapse.

We have undertaken that commitment for the sake of the entire nation. We know that depression on the farm leads to depression in the nation, just as unemployment and misery in the city leads to misery on the farm.

In agriculture, in labor and in

money, we are committed to some degree of Government intervention in the free workings of our economic system. In many directions the free market which old-time economists talked about is gone.

Now, in all this there exists an obvious danger to our fundamental freedoms. The danger is that in accepting the support of Government in certain broad aspects of our economy we may slip by stages into complete Government control of our lives. In other words, in our search for economic security we may lose forever our personal and political freedoms.

Not once in all the last 12 years has the New Deal faced this situation frankly and courageously. Instead, it has sought to buy the favor of one group and then of another. It has pretended to be the generous uncle for each group, meanwhile playing one against the other for political profit. It has built up a towering bureaucracy which today reaches into the smallest village in the country and directly affects the lives of all our citizens. Not content to deal with major economic factors, or possibly because it was not competent to deal with them, it has sought to fasten upon the individual citizen the deadening hand of bureaucratic control.

The result is that today we confront two dangerous alternatives. Under one we may slip by gradual stages into complete Government regulation of every aspect of our lives. Under the other we may become so intolerant of the restraints and interferences in our lives as to take refuge in complete reaction. Either of these courses would be tragic. Neither is necessary.

We have reached a point where we must make a crucial decision. We must decide this year whether we shall reject both of these courses and choose a new leadership pledged to attain a maximum of security without loss of our essential freedoms, and with neither malice nor favor toward any group or class.

For myself, I am utterly confident that America can achieve stability and lasting prosperity without the loss of any part of its political freedom.

Facing the world ahead and recognizing the necessity of a Government active in promoting the best interests of individuals and of individual enterprise, we should establish three principles at the base of such action. All three of these principles are the exact opposite of the New Deal.

The first is that Government action must be of a character consistent with the American system of opportunity for all. Its objective must be not to restrict individual economic opportunity but to widen it. Government must do this without any reservations as to its faith in individual enterprise. It must promote fair trade and not consider trade as something just to be tolerated.

The second principle is that Government action must be administered by men and women who believe in and understand American workers, American business men and American farmers. There has, perhaps, never been a time in our history when the character of the men who compose our Government was so important as it is now.

The temptation to be bureaucratic, to usurp power to puff themselves up has proved irresistible to those who have swarmed to Washington under the New Deal. We must have men in Government who have the strength of character to resist the inevitable temptation toward petty tyranny. We must have men in office who believe that the preservation of individual rights and freedoms is more important than the exaggeration of their own power.

Finally, we must have a new point of view toward the relationship between Government and the people. The role of Government cannot be the purely negative one of correcting abuse, of telling people what they may or may not do. Government must be the means by which our people, working together, seek to meet the problems that are too big for any one of us or any group of us to solve individually.

The individual worker, however capable and energetic he may be, cannot in our modern society assure himself by his own unaided efforts continuity of employment. Even the largest industrial corporation cannot maintain employment if the country as a whole is undergoing a depression.

Yet, if there is one thing we are all agreed upon it is that in the coming peace-time years we in this country must have jobs and opportunity for all. That is everybody's business. Therefore, it is the business of Government. But how?

Where are we going to find these jobs for every one who wants to work? Certainly they will not be found in Government itself. If all of us should go to work for the Government, then our system would be no different from Communism or Fascism.

There can be jobs for all only if business, industry and agriculture are able to provide those jobs. There are no clever short-cuts to this goal. It cannot be achieved by some ingenious scheme concocted by a social dreamer in a Government bureau. The New Deal pulled rabbits out of hats for seven years and ended up in 1940 with 10,000,000 still unemployed. We will achieve our objective only if we create an economic climate in which business, industry and agriculture can grow and flourish.

Our small business men, our farmers, the men who run our offices and factories and stores and mines must know that Government wants each of them to succeed, that Government stands ready, not to hinder, but to help. I am concerned only that our people shall have jobs, and people cannot have jobs if business men are afraid to go to work, if management is afraid to manage, if farmers are afraid to produce. We want the enterprising men and women of America to make a success of their endeavors because that is the only way we can have a going American economy in which all our people can find work at decent pay.

We have seen in the war what can be done when American technical and management skill is given a chance to do a job. All that was necessary was to give American enterprises the green lights in order to bring forth miracles of production. In the same spirit, American business and American industry can be given the green light for peace-time production. Then we shall see peace-time miracles as we have seen war-time miracles.

There is much that Government can do. Our repressive tax laws, which now operate to penalize incentive and to put a brake upon the kind of enterprise that makes job opportunities must be drastically revised. We must have the kind of taxes that do not discourage men to start new businesses. At another time I shall discuss this question of taxes in detail.

Government regulations which discourage and wear down producers in every field must be revised. The whole atmosphere of studied hostility toward our job-producing machinery must be replaced.

More than this, we must have laws that are sufficiently simple and clear so that men can know what they are allowed to do. Most of the laws passed by the New Deal and the regulations under them are so involved and complicated that it is impossible for even the ablest lawyer to advise what they mean. The judges, when called upon to apply them, are violently divided among themselves. There can be neither freedom nor a healthy economy under laws and decrees which are so multitudinous that business men, labor leaders and indeed citizens generally, cannot be law-abiding except by doing nothing.

The man who has an idea that could lead to greater job opportunities must feel that Government is as anxious for him to succeed as he is himself. That means also that Government must cease to pursue policies which foster antagonism and mutual distrust between workers and employers.

For too long we have been a nation divided and Government has been the great divider. Now under the stress of war we have drawn closer together. We have come to appreciate a little better the part that each of us must play. Labor, industry and agriculture, each in its place, has made a mighty contribution to the winning of the war. We must learn to work together in peace as we have worked together in war. We must seek mutual understanding. The worker, the farmer and the business man are equals and are equally important. No one can disregard the interest of the others save at his own cost. No one can be master over the other two. No one is entitled to a voice in the affairs of Government at the sacrifice of the others.

The Government must be equally concerned with the welfare of all elements in our society. Government is not the property of any section of the country or any segment of our society. It should be the servant of all. We are not going back to the days of unregulated business and finance. We are not going back to the days of unprotected farm prices. We are not going back to leaf raking and the dole. We are not going down the New Deal road to total control of our daily lives. We are going forward on the better road. We are going forward to achieve in peace what the New Deal could only achieve at the cost of war—jobs and opportunity for all.

And we shall recover and preserve our individual freedom, which has once again been made sacred by the blood of American men.

Mr. Dewey's Los Angeles Speech

Speaking at Los Angeles, on Sept. 22, Governor Dewey advocated social security and unemployment relief benefits for all workers and employees not now eligible for such payments. His remarks in full were as follows:

Governor Warren, Miss Rogers, Distinguished Guests, Fellow Americans, all ninety thousand of you:

Surely by the size of this immense gathering you are demonstrating better than any words of mine that the people of California are determined to rewin our freedom in Government here at home.

I'm happy once again to appear in your State with your distinguished and constructive Governor, my good friend Earl Warren.

And it is good to have here the next United States Senator from California, Lieutenant Governor Frederick F. Houser.

During the past two weeks I've traveled once again across this great continent of ours, from Albany to Coeur D'Alene, then down the magnificent sweep of your Pacific Coast from Seattle to your great city of Los Angeles. I wish it were possible for every American to share this rich experience. Only to see the natural wealth and beauty of our country, to talk with our people where they live—is a profound and moving refutation of the defeatist New Deal doctrine that America has passed its prime.

Our country is still young, still vigorous, still capable of growth. Once we get a national Administration which believes in our economic system and in the American people—there is no limit to America.

In the course of this trp I have talked with thousands of people, individually and in groups—to labor leaders, to farmers, to cattlemen and ranch hands, to politicians, to business and professional people, to soldiers and sailors, to housewives and newspaper men every day. I've done some talking, but a lot more listening.

The most moving thing about this trip this year is that I find our people, wherever they live, are in a mood to work together. They want a national Administration in Washington that will help them work together. They are thoroughly fed up with Government policies which divide the West from the East and the Middle West from both. They are fed up with policies which divide the farmer, the business man and the working man into rival and contending groups.

Men and women from all parts of our country have been fighting and working side by side in this war. They want to work together with the same unity when peace comes. They want to meet the problems of reconversion fairly and justly, without advantage to any section over any other section of the country.

The great industrial plants you have built here in the West to produce for war must have an equal opportunity to convert to peace-time production with the industrial plants of the East and the Middle West. The workers in all our war plants wherever located must have an equal opportunity for peace-time jobs.

Our people are thinking very much alike upon the major questions of our day. Moreover, they are approaching these questions in a similar mood. They are searching for constructive answers to our problems. They are keenly aware of the mistakes and blunders of the past. But they want to put those mistakes and blunders behind us. They are not thinking in terms of the past. They are thinking in terms of the future.

First in the minds of all of us is the winning of the war. Everyone is agreed that the war can end only with the complete defeat of Germany and Japan, right

in Germany and Japan. We want nothing short of total crushing victory. That comes before everything else. Then we want to get the men and women in our armed forces back home as promptly as possible.

The next thing uppermost in the minds of all our people is the securing of a lasting peace. Among the thousands of people that I talked with was an Indian woman in Wyoming. She was leading her little two-year-old son by the hand. She had a gold star pinned on the blanket she wore over her shoulders. She came up to me and pointed to the little boy and said:

"His father killed in France." Then she said: "You make sure we never have another war."

That Indian mother spoke what was in the hearts of all Americans today. They want America to join with the other peace-loving nations of the world in building a permanent organization for peace. And they know that if this great undertaking is to succeed it must not be the work of one party or

(Continued on page 1368)

Dewey Calls Roosevelt's Record "Desperately Bad"

(Continued from page 1367)

of one man. Representing the aspiration of all our people, it must be a bipartisan effort, having the support of all people.

Everywhere people knew and approved of the joint efforts of Secretary Hull and myself to establish bipartisan cooperation for a permanent world organization to maintain lasting peace.

A third important thing on everybody's mind is the question of jobs here at home after the war. From one side of this country to the other our people are determined that we are not going back to the 10,000,000 unemployed we had in 1940. They know everywhere that under the New Deal we had to have a world war to get jobs. You don't have to tell people about that. They haven't forgotten it. And they're worried about it.

They're worried about it because they remember that in all those long years from 1933 to 1940 this country failed for the first time in its history to achieve real economic recovery and go ahead of previous decades.

The American people are thinking about the problem of how we are to obtain economic security without sacrificing our personal freedom. Last night in San Francisco I discussed the philosophy of Government which I believe we must establish if we are to achieve the goal we all seek—freedom and opportunity with the fullest measure of economic security.

Tonight I'm going to talk about another aspect of this great question: How are we to obtain greater security for the men and women of this country in their personal lives and what the United States Government should do about it.

It's nothing new for Americans to be concerned about social progress. Social progress in America did not begin in 1933. It began when the first settlers came to this continent. It was in the blood of those who came to these shores to found a new kind of nation. It's been as insistent as the growth of our country. It's in our blood today.

Let's look at one of our important social laws of today. Let's consider where we stand and where we're going to go from here.

In 1935 our Social Security Act was passed by a non-partisan vote of overwhelming proportions. Just once in the nine years since then has there been any attempt to improve and extend that social progress. That was in 1939, when a few changes were made. There have been many recommendations since, but there have been no results.

Men and women everywhere are eager for concrete, definite proposals. They want to know what we can do to bring about the better life that we are seeking. Accordingly, I propose that our program for social progress be broadened and strengthened and that we move forthwith to do these things:

First: The Social Security Act should be amended to provide old age and survivors' insurance for those who most desperately need protection and are not now covered by Social Security or some other pension or retirement system.

Twenty million of us, twenty million Americans, are now unprotected, farmers and farm workers, domestic workers, employees of non-profit enterprises, many Government employees, and those who work for themselves—are left without protection as the law now stands. What kind of security is it which leaves all these people unprotected and yet puts the high-salaried officials of large corporations in the system, whether they need it or want it or not?

Why should farm families be denied the benefit of this system of old age security? Why should farm workers be denied security? Why should domestic servants be excluded? Why should those who work for themselves be denied this security? Why should large numbers of white collar workers be excluded?

Because there are difficulties of administration? That is not a good enough answer.

In bringing about the necessary broadening of old age and survivors insurance, we will, of course, meet with many problems. We will have to adopt different methods of collecting the Social Security tax because we must avoid a bookkeeping burden upon small employers, family-type farmers or others we seek to protect. But if we make up our minds that protection against old age is something to which every American is entitled, we shall find a way to reach that objective.

A serious omission in the list of those covered at the present time consists of the men and women now in military service. Those who once worked in jobs covered by old age insurance and who stepped out of those jobs to enter the service of their country suffer a gap in their old age benefit credits. Unless the law is changed, their reward for serving their country may be a net reduction and loss in their old age or survivors' benefits. That law must be changed promptly to correct that injustice.

Secondly: We must widen the provisions of unemployment insurance to include the groups which are not now protected.

Here again there will be problems, but they can and will be solved.

Third: The employment service, originally handled by the States and taken over by the Federal Government during the war, should be returned to the States as soon as practicable. After all, jobs are in the States, not in Washington—we hope. The employment service must be where employment is and in the hands of people who know local conditions.

Employment service and unemployment insurance are just parts of one and the same job. They ought to be handled in the same office by the same administrator.

To provide benefits without providing employment service is to do less than half the job. After all, it is another job a man wants—and as soon as possible.

Fourth: We must help to develop a means for assurance of medical service to those of our citizens who need it, and cannot otherwise obtain it. This is a task that must be carried out in cooperation with our medical men. There can be no group better able to advise on medical care than the medical profession. Yet, unhappily, this is the very group which the New Deal has managed to alienate.

Our free and independent medical profession has advanced medical science in America ahead of every other nation in the world. Its freedom—its very freedom—is what has made it great. It should be encouraged, not discouraged.

Let us enlist the leadership and aid of the doctors of America in organizing our private and public hospitals as well as our other services into a fully effective system to protect the health of all our people.

Fifth: The States and the local communities must be encouraged to establish the fullest information service for veterans.

When the veteran comes back to his home town he should be able to get prompt and expert counsel as to his rights and opportunities. The GI Bill of Rights is a non-partisan law. It rightly recognizes service to veterans as a part of the cost of the war and as a national responsibility.

But that is not all that needs to be done. Every veteran should be able to talk over his plans with somebody at home. There should be someone who can tell him where to look for the best possible job, how to go after that job, how to continue his education if he wants to.

There should be someone to tell him where to find the local, State or Federal agency that can best help him meet his problems. The State and the home community can do this best because they alone have an intimate understanding of the personal problems involved.

This is already being demonstrated in my own State of New York. We are proud of the effective work being done by our veterans' commission, headed by Lieutenant General Hugh Drum. It takes our State service to the place where the veteran lives, where he is known, and where he expects to work. Other States and communities are doing a similar job. I am sure all others will.

Here then is a program to pick up and carry forward an American system of social progress. The years 1945-49, for which we are selecting a new Administration will be largely peace-time years. But the pattern that will shape them is a pattern that has been slowly forming through the agonizing years of war.

Out of the suffering of war there has emerged a high resolve in the minds of the American people that the world we live in must become a better world.

To that end we must work together to increase the security of the individual against the hazards of old age, of unemployment, of ill health. We must work together to increase the security of our society against the hazards of mass unemployment, falling prices and periodic depression.

And we must never forget that security alone is only half the goal. The other half is freedom and opportunity. Without these there can be no real security.

America became great because of the courage and resourcefulness of her men and women. America became great because in this country there was unlimited opportunity. It is for us who have inherited America to keep her great by making sure that in this country of ours there shall be opportunity.

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.

Bottling Co. Attractive

Hoit, Rose & Troster, 74 Trinity Place, New York City, have prepared a circular discussing the situation in Panama Coca-Cola Bottling Company. Copies of this interesting circular may be had from the firm upon request.

Causes Of The Next Depression

(Continued from page 1347)

that generates and deepens depressions.

On the other hand many of the journalistic publications widely read by business men are carrying articles that ooze optimism. This enthusiasm must be considered in the light of our present cyclical position. In the early stages optimists create booms. In the later stages booms create optimists.

We are in a late stage. Since July, 1943 many important statistical series have leveled off and declined. The list is impressive—including employment, physical volume of production, business activity, machine tool output, manufacturers' inventories, the Treasury deficit, consumer income, consumer expenditures, the B.L.S. index of the cost of living, and wholesale prices of farm products (especially wheat and rye prices). Some of these changes reflect the powerful depressing forces latent in our war boom. Others, such as the declines in employment and consumer expenditures, are probably caused by the final spurt in draft calls.

Forces at Work

The history of business trends after previous wars has been analyzed by the Brookings Institution. Following World War I they found a "period of hesitancy" continuing from November, 1918 to March, 1919. The "replacement boom" lasted from April, 1919 to May, 1920. This was followed by a "financial and trade collapse" lasting from June, 1920 until late in 1921.[2] A remarkably similar chain of events occurred after the Civil War and after the War of 1812. Professor Sumner H. Slichter of Harvard University seems to expect something similar after this war.[3]

It is of vital importance to understand that our present military effort differs in significant respects from anything in history. Economic maturity, in the sense of a vanishing population growth rate and the disappearance of free land, has given us a preliminary demonstration of its existence and power. The depression of the 1930's was the longest and deepest any nation has ever known. Furthermore, the stupendous disturbance represented by Government spending (and its prospective cessation) has moved to a new order of magnitude. Some 30% of the national income was used for war expenditures during World War I.[4] In this war the percent going into war spending is two or three times as great. The actual amount is some $90 billion out of a national income of $150 billion each year. The coming demobilization also has no precedent, there being over 30 million persons (about half the total labor force) employed in activities completely dependent on the war, including the military services. A final significant trend is the increasing tendency to finance corporate expansion out of surplus or special reserves, rather than by the sale of new security issues to individual savers.[5]

The specific list of deflationary elements will include (1) cessation of Government spending, (2) reconversion unemployment, (3) demobilization, (4) inflated and inflexible costs, and (5) the morbidity of risk takers. Forecasts of prosperity, by contrast, are based on (1) the backlog of unsatisfied wants, (2) stored up purchasing power, (3) potential foreign markets, (4) the growth of technology—new methods and products. (5) low interest rates, and (6) Congressional consciousness.

War Savings and Post-War Purchasing

Enormous backlogs of unsatisfied wants have always existed. They are a basic attribute of human nature. Never for one instant have we scratched the surface of this bright and shining motive for production. In 1930 the variety and intensity of unsatisfied wants was infinite. Depressions must be prevented by something else. No depression was ever caused by satisfying all the wants of the society. But purchasing power has sometimes been short.

Prospective ability to purchase is the strongest of the expansionary forces in the period before us, but there are weaknesses even here. Annual savings by individuals, never greater than $10,000,000,000 before 1941, were $13,600,000,000 in that year. In 1942, $27,000,000,000 was saved—and in 1943, $36,000,000,000. This trend is continuing in 1944. Total war savings will exceed $100,000,000,000. About 37% of these savings is taking the form of war bond purchases. Another 37% represents bank deposits and currency hoards. The remaining 26% is being used to reduce installment credit, charge accounts, and the debt on homes and insurance policies.

But several motives may encourage post-war hoarding among those who have saved. Falling prices, or the expectation of falling prices, will damp down the volume of business. Customers may prefer to wait till they have fallen. Retailers may prefer to hold cash and deposits rather than stocks of commodities. Manufacturers may go on a hand-to-mouth purchasing basis, reducing forward buying of raw materials, and cutting all inventories. Speculators who have been struggling to stay "long" on the market may shift to short positions if price levels reveal any weaknesses. These shifts, as is well known, will cause the expected price decline to become a reality. Some fear that over-supplies of basic materials may be dumped by war plants is already apparent in the commodity markets. Government stock piles may be carelessly released, though William L. Clayton of the Surplus War Property Administration seems acutely aware of the deflationary dangers. Recent estimates set the value of material to be sold at around $15,000,000,000.[6] This represents a small fraction of the total price paid out for these goods during the present boom.

If the war-created well-to-do own a large percentage of the 2.9% war bonds (as seems to be the case), these may be retained as investments. The yield compares favorably with that on savings deposits, postal savings, and industrial bonds. In addition, it is generally realized that war prices are inflated and that the quality of war models is low. Some of the families with savings may wait for the value of their money to rise. Others may expect revolutionary designs, which are likely to be somewhat delayed. Such hoarding would contribute to the contraction of business activity and the postponement of new models. Purchasing power potential must be accompanied by a household spending psychology on a national scale.

Unfortunately, it is probable that much of this volume of savings is in the hands of persons who will not need to spend it, even when millions are unemployed. Those who are first to lose their jobs are not typically those who have saved. Unemployment will not force the spending of savings if the lowest paid workers bear the brunt of transitional idleness.[7] Service men have been able to save relatively little. Jobs are guaranteed for this group, but there will be certain difficulties in the fulfillment of these guarantees. Many service men are untrained and inexperienced. Some employers may prefer to hire the more productive workers coming out of the defense plants. Some unions may be slow to welcome new members—and may be strong enough to maintain tenure for their present members. However, demobilization bonuses and the unemployment provisions of the G. I. Bill of Rights will contribute to the purchasing power of these men if they are not employed. In addition to expressing the nation's gratitude these enactments may mitigate or possibly prevent an immediate depression.

Liquidation of War Bond Savings

It will not be a simple matter to release the savings tied up in war bonds. If the Treasury retires these bonds by borrowing from Peter to pay off Paul, purchasing power will only be shifted from those who pay in to those who are paid off (from Peter to Paul). Spending war bond savings, in such case, would add **nothing** to the flow of demand for commodities. Every dollar spent by some past saver who has asked for his money will be a dollar not spent by some new bond buyer. Similar abortive results will follow if the war bonds are paid off out of taxes that do not reduce savings. This is true of most of our taxes, which are paid out of income that would otherwise flow into demand for commodities. Considering the political horizon it is not likely that the bonds will be retired out of taxes.

The situation is different if the war bonds are retired by printing five dollar bills, or by creating new deposits in commercial banks. At first glance this seems an intolerable fraud to perpetrate on our patriotic bond buyers, but if depression looms it may be considered equitable. In times of falling prices such creation of money does not cause a decline in the value of the dollar, and may even mitigate the industrial contraction. There are, of course, other and better ways to support the price level — Professor Graham's multiple commodity reserve plan, for example.

Post-War Credit Sales

Approximately 60% of all retail sales was based on the extension of some kind of credit in the years before the war. Regulation W of the Federal Reserve System has reduced this to 40%, shortening the term at the same time. Removal of this control will create some new purchasing power.

On the other hand there may be some significance in the expressed policy of the National Retail Credit Association's post-war planning committees in 125 retail centers—which is (1) to permanently eliminate installment selling without down payment, and (2) to shorten the typical debt retirement period. Any slight shift in the direction of pessimism can make the recommendations of credit managers even more restrictive. A perverse mutual casuality operates here. Pessimism causes tightening of the lines of credit, and this tightening reduces sales, causing unemployment and a logical basis for further pessimism. Consumer credit, as a source of expansion, will work if other expansionary forces work along with it creating the necessary optimism—but it can not be depended on to operate independently.

Federal Spending

The depression of 1939 (8,000,000 unemployed) was "cured" by the unhealthiest medicine known to government—an overwhelmingly inflationary war budget. We have in no sense corrected the fundamental maladjustments of the thirties. We have simply swept away any lack of demand or fear of failure to profit by creating enormous quantities of government purchasing power, chiefly in the form of new bank deposits. These deposits were not earned by producing, but were created by the banks in exchange for government bonds, run off on the Federal printing presses. Some extra hundred dollar bills were run off along with the hundred dollar bonds, but the bulk of the inflation has been engineered through our fractional reserve banking system.

Immediately after the war the Federal expenditures will decrease from $90 billion to around $25 billion.[8] Senator Walter F. George (Georgia Democrat and Chairman of the Senate's Special Post-War Planning Committee as well as of the Senate Finance Committee) has estimated the budget at $20 billion a year after the end of the war. The Ruml-Sonne Plan for post-war tax reform aims to provide for a balanced budget of only $18 billion. Governor Bricker, in his address before the Thirty-sixth Annual Governors Conference held in Hershey, Pennsylvania, last May, also expressed himself as definitely favoring a reduced and balanced budget. Demobilization discharge pay is included in these forecasts, being estimated at about $1,500,000,000 per year (an average of $250 each for 6,000,000 persons). Senator George estimates that 8,000,000 men will be eligible for the $20 weekly unemployment benefits under the G. I. Bill of Rights in 1946. If, for example, 2,000,000 were unemployed these payments would add about $2,000,000,000 to the budget.

When the Federal budget is cut it must be replaced by spendings which have been earned in production. This need, however, arises at a time when the physical volume of production will be reduced by reconversion, retooling, return flows of population, and the elimination of overtime. Great political skill will be needed to give business forecasters confidence in the economic environment.

It is possible that any such deflationary shock will be eased by adopting one of the current plans to reduce taxes, leaving the budget still unbalanced. Either political party might accept such a procedure, since tax reductions are always popular. Treasury receipts from excess profits taxes will automatically decline as corporate income declines, and since these taxes are highly progressive there may be little change in net corporate profits after taxes.

Basic Maladjustment

Far from curing the conditions which aggravated the last great depression the war has made many of these worse. Two forms of monopoly are responsible for the fundamental inflexibilities which prevent the normal market adjustments to initial disturbances.

The first of these is labor union monopoly of the supply of workers. Powerful unions have now written highly inflated wage rates into long term trade agreements. The resistance which these organizations will offer to lower wage rates after the war will be one of the principal reasons for unemployment. No worker would ever be unemployed if his employer's costs came down as fast as the prospective price of the finished goods.

The other monopoly problem is the familiar predominance of large firms and corporate combinations. Cartels and monopolistic trade associations are often defended by showing how they have kept prices steady during periods of cyclical disturbance. This argument overlooks the aggravating influence that such rigidities have on the rest of the economy. Business men can nearly always sell more (and employ more) at lower prices. If the commodities produced are used as raw materials in other manufacturing plants a monopoly price may be a direct cause of unemployment.

An inflexible cost item forces a forecast of loss when prices of finished goods are declining. This kind of prediction typically brings curtailment of production. Not only laborers but also capital equipment, mines, oil wells, and corporate officials will be unemployed. Any monopoly that is slow to adjust to the ups and downs of the economy forces a more drastic adjustment among the other industries. This seeming advantage boomerangs when the general cyclical amplitude is deepened. Eventually, but too late, the monopoly finds its own market narrowing.

A third source of cost rigidity exists in legislation designed to prevent free enterprise. Such controls might be valuable for cushioning short run transitions, but they have sometimes prevented necessary readjustments in the size of a particular industry. The Federal Reserve Banks and the RFC have not always provided optimum flexibility in interest rates. Inflexible transportation and power costs are maintained at times by the ICC and FPC. At present, however, the railroads themselves are planning rate reductions to meet competition from airlines after the war, and electric power costs have been falling steadily all through the war period.

Farm price increases recently written into Federal law will make the postwar readjustment of the agricultural industries difficult. The war has stimulated extractive production, causing growth considerably beyond the optimum peace time scale. Many submarginal mines are operating profitably because of Federal subsidies that will soon be discontinued. Our cattle population of 82,000,000 is the largest in history.[9] A return to equilibrium will require a migration of capital (and perhaps labor) out of these fields of production and into industries which we hope will expand. Government price control policy may ease this flow, but must not prevent it.

Post-War Foreign Markets

In the field of foreign trade private business will be able to increase the volume of production for export, but government sponsored exports will greatly decline. Lend-lease shipments to Britain alone amounted to $4,000,000,000 in 1943.[10] The lend-lease legislation will expire at the end of the current fiscal year and the National Association of Manufacturers opposes continuance into the postwar period. Britain has (unofficially) asked for an annual $2,500,000,000 for perhaps two years after the war, or more while she is active in the Pacific War. She rejects the NAM proposal that she borrow either from the International Bank or from the U. S. directly, possibly feeling that her national debt ($75 billion) is already large enough.

Russia has asked for post-war shipments of machinery and railroad equipment. In exchange she offers goodwill and gold—the first having infinite value but enigmatical tangibility; the second being tangible enough, but of little value to the United States. China, England, Russia, and the smaller European countries will have little to export—which means private trade for profit will be far below prewar levels for these regions. Current Federal budget estimates allocate a little more than $1,000,000,000 annually for foreign relief and rehabilitation (including lend-lease) in 1946. The whole picture seems to indicate that the number of persons employed in manufacturing goods for export will decline as lend-lease declines.

The rapid industrial development of countries like Australia and Argentina will provide many surprises for foreign market analysts when their postwar demand surveys are tabulated. The war time unavailability of goods from the United States has accelerated technological growth in the direction of self sufficiency.[11] The Mexican market is now supplied with chemicals, pharmaceuticals, processed foods, textiles, leather goods, rayon, glass, and cement by home industries. Brazil and Canada will have many exports to offer us, but political barriers to international trade show great vitality.

It is hoped that the new international fund and bank will prevent restrictive exchange manipulation, competitive devaluation, discrimination, uncushioned short run readjustments, and the spread of depressions from economy to economy. But a recent statement by United States Treasury experts indicates that these funds are not to be used for direct cycle control.

Post-War Risk Assumption

Industrial plant expansion and the opening of marginal mines has been financed (about 70%) by the government rather than by private security issues, and government guaranteed loans are providing the working capital. Subsidies have encouraged marginal farmers. Business leaders have acccepted a managerial fee for organizing production—letting government supply the capital, take the risks, provide the market, and decide what shall be produced.[12]

Neither the political situation nor the economic trend has been encouraging to risk takers. In the post-war years too much use will be made of taxes on "business,"[13] on payrolls, on sales, on imports, and on corporate income. These may be gradually replaced by personal income and inheritance taxes, but this transition will probably not proceed rapidly enough to help in the immediate future.

After the war the commercial banks may be called upon to redeem a moderate proportion of the outstanding Series E bonds, and also the short-term Government obligations in the hands of private business. Deposits and earning assets have already risen to record highs, while capital accounts have remained relatively constant. Excess reserves are at a low ebb and in effect the banking system has been quietly socialized (or at least brought under regulation as a public utility).

The monetary authorities cannot permit interest rates to rise (which might stimulate private lending). Such a rise would lower the price of the Federal bonds outstanding and ruin the market for future sales. More seriously, it would impair the reserve and surplus accounts of the banks, insurance companies, and other financial firms. Private lending is not likely to increase under such circumstances.

The G. I. Bill of Rights contains no adequate statement of the conditions under which these 4% loans will be guaranteed. Forecasts of the probable effect are impossible without a legislative rewrite or some actual precedents. First reports from bankers indicate that the 4% interest rate may not be high enough to make this lending attractive to ordinary financial institutions.

Later Depressive Influences

Some of the depressive factors discussed in this analysis will be transitory, and some will be persistent. Those that are likely to remain dormant through a possible post-war period of prosperity or inflation are trade barriers, inflexible costs, monopoly, tax laws that encourage the use of bonds rather than stocks, the human propensity to hoard money during price declines, and fractional reserve banking. In addition there will be short run shocks arising at the completion of replacement construction. Professor Slichter estimates the necessary "catching up" period to be four or five years for automobiles, three years for household goods, and still shorter for business inventories.

For example, the National Boot and Shoe Manufacturers Association has gathered figures showing that the total inventory of civilian outdoor footwear has fallen from 280,000,000 to 190,000,000 pairs since rationing began in February, 1943. These stocks will be built up when manufacturing for the armed forces falls off. If this replacement boom requires two or three years, contraction from war time production levels may be postponed until 1947. If the separate firms compete aggressively to sell to this inventory demand, they may experience sharp cuts in orders when the national inventory hits normal.

For these reasons it is possible that delay will deepen the depression when it finally hits. Something like this seems to have gone on during the twenties. But any experience gained in postponing a post-war depression should help in building the permanent prevention program.

Final Statement

If the correct remedial and preventive measures are taken soon enough by our society, there need be no depression. These steps must be accurately aimed at the depressive forces analyzed above and must be taken promptly. Since such handling is unlikely it is necessary to predict that the volume of industrial employment and business activity will show abnormal declines in the post-war period. Most hopeful is the evidence that American business men have learned that constant progress is sound conservative business.

1 Fortune Magazine, March, 1944.

2 See also "Economic Fluctuations in the United States and the United Kingdom, 1918-22." League of Nations.

3 Sumner H. Slichter, "Jobs after the War," an address before the Committee for Economic Development at Chicago, July 13, 1944, reprinted in the Commercial & Financial Chronicle, August 3, 1944.

4 Seymour E. Harris, "Postwar Economic Problems," p. 2.

5 Compare Robert R. Nathan, "Mobilizing for Abundance," Chapter IV, "Why We Have Had Depressions."

6 Abraham K. Kaplan, "Liquidation of War Production," written for the Committee for Economic Development, published by McGraw-Hill Book Co., N. Y.

7 Sumner H. Slichter, "Present Savings and Postwar Markets," McGraw-Hill Book Co., N. Y. Professor Slichter classifies savings into "hot," "warm," and "cold" categories depending on probable speed of conversion into purchasing power.

8 Sumner H. Slichter, "Jobs after the War," Commercial & Financial Chronicle, August 3, 1944.

9 Federal Reserve Bank of Chicago, "Business Conditions," July, 1944.

10 Oliver Lyttelton (British Production Minister), speaking to the American Chamber of Commerce luncheon in London, June, 1944.

11 See Margaret S. Gordon, "Discussion of Professor Simons Postwar Economic Policy," American Economic Review, March Supplement, 1943, p. 446.

12 See Clifford J. Durr, "The Postwar Relationship Between Government and Business," American Economic Review, March Supplement, 1943.

13 Thoroughly discussed in Harold M. Groves, "Production, Jobs, and Taxes," McGraw-Hill Book Co., New York.

Broker-Dealer Personnel Items

(Continued from page 1349)

man was previously with F. L. Putnam & Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Herman F. Wright** is with **Slayton and Company, Inc.,** 111 North Fourth St.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**George O. Thomas** has become associated with **Davies & Mejia,** Russ Building. Mr. Thomas was formerly with Pacific Co. of California.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Harold R. Nelson,** previously with Dean Witter & Co., is now with **Greenwood, Raggio & Co.,** Russ Building.

(Special to The Financial Chronicle)

SEATTLE, WASH.—**F. C. Hayward** has been added to the staff of **Grande & Co., Inc.,** Hoge Bldg.

Wallace Sees Need For Continuous Rebirth Of Liberalism

Vice-President Pays Tribute To Late Senator George W. Norris And Senator Robert Wagner As Champions Of Liberalism, And States That "Roosevelt, Like Norris, Has Fought The Forces Of Evil In Both Parties." Maintains That The Problem In Present Campaign Is Not One Of Indispensability But Who Can Better Co-operate With Leaders Of The Allies And "Who Can Best Make Sure There Are Jobs For Everybody." Claims The "Normalcy" Of Yesteryear Was "Normalcy For The Few And Subnormalcy For The Many."

In an address at Madison Square Garden in New York City on September 21, Vice President Henry A. Wallace stressed the need for "the continuous rebirth of liberalism" if America is to remain "as the vigilant watcher and perpetual guardian of the ramparts of the future." The Vice-President praised Mr. Roosevelt as better fitted than his opponents in handling post-war and peace problems, because of his personal ties with Churchill, Stalin and the Chinese Generalissimo, and declared that there shall never be a return to the "normalcy" of the Harding administration. Mr. Wallace's address, the text of which follows, was made under the auspices of the Independent Voters Committee of the Arts and Sciences for Roosevelt:

Henry A. Wallace

My good friends, Orson Welles, Jo Davidson, good friends all of you:

Tonight I see America as a vigilant watcher and perpetual guardian of the ramparts of the future. This future has one essential — the continuous rebirth of liberalism. The light of this liberalism is all important, not only to the United States but to the far corners of the earth.

Should the ignorance of the selfish, the blindness of the fearful or the designs of the international freebooters capture Washington, where then would be the victories of Berlin and Tokyo, either for us or for the world?

You may well ask what I mean by a liberal person. A liberal is a person who in all his actions is continuously asking, "What is best for all the people — not merely what is best for me personally?" Abraham Lincoln was a liberal when he said he was both for the man and the dollar, but in case of conflict he was for the man before the dollar. Christ was the greatest liberal of all when He put life before things — when He said to seek the Kingdom of Heaven first and things would take care of themselves. Great artists, actors and scientists must be great liberals because in order to create great things they are compelled, for a time at least, to forget "self." In the fever of enthusiasm they strive to create a new beauty, to discover a new truth, to serve mankind in a new way.

The most important seedbed of the future for the production of great scientists, great artists and great liberal leaders is our twenty million white collar workers. These are the forgotten men and women. During war the cost of living always runs away from their wages. They are poorly organized, but any liberal movement if it is to succeed should remember that it must not only represent farmers and factory workers but also the white collar workers and their cousins, the small business men.

To us, who realize the supreme importance of the continuous rebirth of liberalism to meet changing conditions, it is peculiarly appropriate at this time to pay tribute to the memory of one of the greatest American liberals, who more than any other showed his capacity to change in order to meet new conditions — George W. Norris. Norris, a Protestant, a Middle Westerner, a Republican and a dry supported Al Smith in 1928 because he believed Al was more liberal than Herbert Hoover. Norris felt even happier in supporting Roosevelt in 1932, 1936, 1940 and 1944. Roosevelt saw eye to eye with Norris on the Tennessee Valley Authority, farm relief, rural electrification and foreign policies.

Roosevelt, like Norris, had fought the forces of evil in both parties. Norris said about Roosevelt, "He is the nearest right on the power issue of any man in public life." Roosevelt said about Norris, "To those who would say that Senator Norris has been no respecter of parties I would suggest something more important: the forces of evil are far less respecters of parties. They are the lineal descendants of the men and the organizations who called Jefferson a 'radical'; who called Jackson a 'demagogue'; who called Lincoln a 'crackpot idealist'; who called Theodore Roosevelt a 'wild man'; who called Woodrow Wilson an 'impractical idealist.' Senator Norris, I go along with you because it is my honest belief that you follow in their footsteps — radical like Jefferson, demagogue like Jackson, idealist like Lincoln, wild like Theodore Roosevelt, theorist like Wilson — dare to be all of these as you have in bygone years."

Yes, dare to be all of these, as you have in bygone years. Here Roosevelt issued a challenge to Norris which he met to the last days of his life. One of my most cherished possessions is a five-page letter written by Norris on Aug. 19 of this year, a few days before his fatal illness, in which he demonstrated perhaps for the last time his unfailing devotion to the liberal ideals which meant everything to him.

Norris is dead, but another liberal equally close to Roosevelt, and even closer to the heart of labor, lives. I refer to Senator Wagner. No man ever has or ever will sponsor so much vital labor legislation. No man has fought more continuously for a square deal for labor, regardless of race or color. No Senator has more constantly pled the cause of the Jew seeking a haven of safety.

Senator Wagner is running for reelection. The liberals of the nation will watch the outcome of this election with great eagerness to see whether one of the finest of American liberals is again returned to a place of usefulness and service. Were I a citizen of New York it would be my proud privilege to vote for Wagner and Roosevelt.

No view of the future in the light of liberalism, as represented by President Roosevelt and Senator Wagner, can overlook the necessity of planning the inclusion of all the people in the economic, educational and political progress which only such liberalism can guarantee. And by all the people I want specifically to include the Negro and every other minority group. If that means a permanent Fair Employment Practices Committee, patterned after the committee already established by the President, then we must have it. If that means Federal aid to education such as was killed in this Congress by the Republicans, then we must provide it. If that means abolition of the poll tax, then the poll tax must go. I repeat what I have said before and shall always believe — in an economic, educational and political sense there must be no inferior races.

There are ninety million people in the United States who could vote if all were permitted to vote. The more potential voters who register and vote, the more democracy. And I am firm in the belief that the more voters we have the more liberalism we shall enjoy, and therefore the greater hope for America and for the world. I am talking in New York. I use New York as an example. On Oct. 12 registration is over, and so there is a double duty of registering before Oct. 12 and voting on Nov. 7. Since he who does not register does not vote, I urge all Americans to register so that the largest number of Americans in history may reach the polls on Nov. 7.

The problem in this campaign is not one of indispensability. The only issue confronting us is: who of the two men can the better handle the following two problems:

1. Who can the better cooperate with Churchill, Stalin and the Generalissimo in writing a lasting, liberal, democratic peace which will best preserve American interests without being unfair to any nation, big or small?

2. Who can best make sure that there are jobs for everybody, and therefore good incomes for farmers, white collar workers, business and professional men?

Who scores higher as we pose these two problems? I know your answer.

Even the most ardent Republican knows that Roosevelt has the precious asset of long acquaintance as he deals with Churchill and Stalin. He has met them face to face. He knows their innermost reactions because he has been in continuous, almost daily contact with them for several years. Even a reactionary will not lightly vote to toss such knowledge into the discard.

Moreover, all middle-aged Republicans in favor of permanent peace will remember how Harding betrayed their peace ideals in 1920 and 1921. In spite of everything Dewey has said, the isolationists are still going to vote Republican in 1944. Just as Harding placated the isolationists in 1921, so Dewey would be under the necessity of placating the isolationists in 1945. The Republican party, in spite of the millions of its members who think clearly about international affairs, has been, is now and will be the channel through which the isolationists, the cartellists and the international freebooters work best.

I am glad to bring you a bit of information which should cheer us all to greater and more confident effort. During the past month I have spent most of my time among active workers, seeking my own education on the great subject of post-war employment. There has been time for many questions. Four out of five of the people I met believe post-war jobs and a durable peace the two most important problems of their lives. Two-thirds of the people think Roosevelt is the man best equipped to fashion a permanent peace. A majority think that Roosevelt is the best hope for the management of post-war domestic affairs. Three out of four say Roosevelt is the man to finish the war. I am not forecasting. I am merely telling you what I heard and what was said by a cross-section of the people. I am telling you this because I returned to Washington from each of four trips more than ever convinced that the American people can't be frightened, can't be confused and are moving ahead in calm bravery toward the future and its problems.

There is one especial reason this year which makes a ballot Nov. 7 of unusual value. In this democracy we are dedicated to the principle that the majority rules. There are these 90 million potential voters. Forecasters who make up what are called polls regarding future events have estimated at Princeton, N. J., that only forty million of the ninety million will vote. The additional information is volunteered that a vote below forty million should result in a victory for the conservatives. The same sources declare that nineteen million conservatives are certain to vote against Roosevelt and that only eighteen million other people are certain to vote for Roosevelt.

Well, I am not a conservative. I do not for one moment believe that the American people are not alive to the vital importance of registering and voting in this most important electoral year in the history of our country. I believe that over forty-five million people, a clear majority of the electorate, will vote Nov. 7. And I am willing to take the conservative statement from Princeton that forty-five million votes means victory with Roosevelt.

A reactionary does not believe in, nor does he hope for, a forty-five million vote Nov. 7. Such a man merely wants a conservative victory. He wants Roosevelt beaten. He doesn't care how. He doesn't care whether the soldier, or the war worker away from home, gets maximum help from his Governor. For such a man, victory is its own significance. Only a full registration and a maximum vote will express the new liberalism and guarantee the hope of this world for permanent peace and maximum jobs.

As we liberals strive to blueprint the future we give first place in our hearts to "Jobs for All," in health and in security. Any modern government, post-war, which is not dedicated to full employment will fail its people. Such a government deserves to fall. Such a government will be discarded. It is not enough to protect factories in reconversion. It is absolutely imperative to protect people in reconversion.

In all earnestness I say again that it is not enough to fix up our war production plants by granting tax relief to big capital. Twenty billion of tax relief for factory and machinery and capital structure will not do all this job. The blueprint calls for an orderly and efficient change-over of thirty million workers from wartime and fighting jobs to full peacetime work. Any government which fails in this maximum ideal, fails all. Any government which does not give confidence to our workers and farmers, and to the great white collar twenty millions, that they shall not be idle, will be responsible for a panic mass movement.

This panic would find millions in ill-considered shifting, each man trying to find the safest spot, many men forgetting that each should, in calm bravery, stand at his lathe or plow his furrow, until the job of Tokyo and Berlin is done — until the boys who have done the job of Tokyo and Berlin are back with us in work and comradeship. All may help in this — the individual, the business man, and our governments — city and county and State and national.

It has been my privilege recently—since the Chicago convention, in fact—to travel through the South, New England and the Middle East, talking to farmers, workers, business men about the reconversion of human beings. Everywhere I have found optimism and courage. I have returned to Washington from these trips each time refreshed in the knowledge that our people will be calm. They, these American people, are grown up. They will not be frightened by those who say that their government would abuse them. They don't believe absurd charges that their government would keep one man at war for one minute longer than is necessary to win a total victory.

And they know that every right thinking American believes that his government will meet the terrific post-war employment problem in the spirit of fairness. Those who say otherwise are self-seeking. Those who say otherwise do not know the American people. You can't scare the American people this way.

Next after "Jobs for All" we liberals emphasize the willingness —yes, the eagerness—of all men in health, to work. There can be no sit-down strikes of idle seeking the dole. In my trips I never found a single man who wanted to be idle. But I found hundreds who were thinking and planning for healthful work so that their churches, their homes, and their families might inherit the fruits of victory in peace and gainful labor.

Third in our liberal blueprint we would underline the problem of the returned soldier. Wise laws have already been passed at Washington and by nearly every State, giving job priority to the volunteer and the man drafted into war work and the fighting line. The military authorities, for instance, have provided questionnaires for each soldier to sign regarding his former job. It will be known by every draft board and in every community whether a soldier wants his job back or whether he wants some other kind of work.

There will have to be much readjustment. Five hundred thousand businesses have been closed since Pearl Harbor. An equal number of new businesses must be started as civilian demand and the backlog of civilian need swings the country from war to peace.

A wise Government, believing in humanity, should be adequate to protect the relocation of men and women with the least waste and the least idleness and the most promptness. There is not time here to fill in the detail. Some of the broad outlines may be mentioned. This country needs a peacetime industry producing at least one hundred seventy billion dollars annually at present price levels of peacetime goods and services. With war needs over, one hundred and seventy billion dollars of peacetime activity will mean 60% more clothing to be enjoyed; will mean a better food standard; will mean better housing; will provide for the housewife those labor-saving devices and home comforts which modern invention has so ably conceived and executed.

A brave America knows that we have the factories and the machines and the great backlog of savings. Who should tell us that the consuming market is not here? Who should tell us that private American industry and a half million new businesses will not be ready and anxious to fill the need and to wait on the customer? The man who tells us such things is self-seeking or ignorant. The man who would approach the business of Government leadership in fear and accusation, shall not merit the confidence of a work-willing people.

When a willing people on farm, in mine, in factory, in the professions, in transportation, and in other service, goes forward toward full peacetime employment, there is reason to believe that three-fourths of the problem will take care of itself. There will, of course, be much to be done by the minute men of peacetime conversion in the cities, in the States and in the nation. For instance, Lynchburg, Va., has its plan; Worcester, Mass., has its plan; the State of Rhode Island has its plan, the forward-looking Governor of Georgia is on his way with post-war jobs for Georgia. The bankers and large corporations are necessary but have no monopoly on peacetime reconversion. The job is a human one. Liberals looking forward know this. You know it. Roosevelt knows it. I wonder if certain other people know it.

Tonight we should look ahead to the Washington scene post-war. After all, what the Federal Government does will act as encouragement and inspiration for every State and every community. The national blueprint must come from Washington, after private industry, the county, the city and the State have contributed their all. I believe the best guarantee that Washington will do its full share comes from the examination of the facts.

What has Roosevelt done since Hoover left off? What has Roosevelt done since Pearl Harbor to keep inflation from engulfing this country? What has Roosevelt done to see that our soldiers became the best equipped and the best fed, and that there was still enough left for all the healthful needs of those who remained behind to make and build for victory?

These facts are your guide. These facts should govern your vote as you seek to choose between one of the two men.

It would be absurb to attack the motives of any man seeking national leadership. Certainly both Dewey and Roosevelt will do their level best if called upon to serve. The first question to decide is one of equipment and experience. Who can better provide for permanent peace and full employment—Dewey or Roosevelt? Who do you say?

I pause here to say that no man can run this country by himself. If Roosevelt is to carry on he is charged, as you are charged, with the duty of having the ablest body of teammates. If a wartime President may draft men to fight, certainly a peacetime President may call on the brains of this country to work full time in the most exciting battle of modern times—the battle against depression, against panic, against defeatism; the battle for full employment, national health, and permanent peace.

There is no peacetime job for profit or self which ever again will be paramount over the needs of all. Government service must be the supreme duty when the need is determined. There can be no slackers as we fight for the common man in his pursuit of the richer life. I don't favor the dollar-a-year plan; I do belive that this Government, at fair wages, has the first call on all for all.

Especially where brains and leadership are in demand, no private industry should have the right to bid unfairly for private profit against government and public necessity. A sit-down strike of brains needed by Government should be impossible in the days to come.

The opponents of what Roosevelt stands for will question the right of the Government of all the people to call on the best brains for peacetime service. These same critics of Roosevelt first questioned the right of government to draft men to fight. These same critics questioned Congress when the President was given power to take over factories for maximum war production.

These same critics, who under no circumstances would vote for Roosevelt, will be the loudest in demanding that government and the people take second place—that the needs of men are second to the needs of profit and immediate dollars. And if, on Nov. 7, these men win because people are too excited to register or too far from a voting place to vote, we may return to a normalcy of a Harding and a ten-year decay into the panic of a Hoover.

Our people are winning a magnificent military victory against despotism. Our people shall also win a victory even more exciting than the victories of the war. The constructive victory of the peace to come will be won on the farm, in the factory and at the fireside. Those who believe in human rights as a first love and a first duty shall win the peace.

The new liberalism shall carry on responsibly and bravely confident that peace on earth and good-will toward men is a practical endeavor. There shall never be a return to the normalcy of yesteryear—to normalcy for the few and subnormalcy for the many. We welcome—yes, we shall fight for something we have never had—the normalcy of the good life for everybody.

"Post-War Employment, Flexible Costs And Profits"

(Continued from page 1346)

true, of course. Profits depend on the relation between cost and price, and cost depends on many controllable factors besides wages; for example, on managerial skill, technological equipment, rate of operations, access to raw materials, financial set-up, etc. If wages were the only factor, then the lower the wages the higher the profits, which of course is absurd. Profits are higher in high-wage countries than in low-wage countries for the simple reason that high wages lead to and make possible the use of more machinery. The unit cost of production in well-managed, highly-mechanized American industries is lower than in countries having much lower wage scales but using inferior industrial techniques.

Flexible Wages—When Mr. Friedman speaks of "flexible wages" he does not specify whether he means flexible on an industry-wide basis or in relation to individual enterprises.

If he means the latter, it is obvious that lowering wages would increase profits only if all one's competitors refrained from doing likewise. If all competitors lowered wages, no one would gain an advantage thereby, but all would suffer by the decline in purchasing power.

Mr. Friedman says that 95% of all new business enterprises fail, and that even in 1929 over 35% showed no profits. "Genius is as rare in business as in music or in science," he points out.

If a labor union should attempt to adjust its wage rates to the varying efficiency of individual business enterprises, it would have to have access to the books, and a voice in management. Does Mr. Friedman advocate that? Or does he think that labor should voluntarily undertake to subsidize (through a preferential wage rate) a poorly managed industry in order that it might survive in competition with a better managed concern?

On the other hand, if Mr. Friedman means that wages should be "flexible" on an industry-wide basis, we run into another difficulty. Mr. Friedman admits that "the customer must have buying power," and points out that about 70% of the national income is paid out in wages. A general lowering of wages at the onset of a depression would thus lessen the purchasing power of the largest body of consumers in the country at the very time that business most needed customers.

This is not to deny that individual wages rates may get out of line with other wage rates and need adjustment. But to saddle labor with the responsibility for keeping individual businesses afloat by adjusting its wage rates to their balance sheets is no more realistic than to ask the same sacrifice of the suppliers of raw materials, or other essentials for carrying on trade. Any union that attempted such a policy would be in hot water all the time. No employer would sign a contract with a union that granted preferential wage rates to his competitors.

As a matter of fact, the most important and useful function of a trade union is to prevent the **competitive lowering of wages,** which leads to disastrous deflation and the undermining of our whole standard of living. The most that can be demanded of any union is that its wage rates shall be realistic, uniform, and honestly enforced, so that each employer may know what his competitor has to pay.

Labor Statesmanship—"Labor has great power," says Mr. Friedman, "and must accept responsibility."

With this I thoroughly concur; and now that the primary battle for the right to organize has been won, I believe labor will be found willing to accept whatever measure of regulation is necessary to insure that its power shall not be abused. This is as necessary for the protection of the individual union member as for employers and the public. The employer has a legitimate grievance if the union fails to live up to its contract, interferes with proper discipline, or does not give a fair day's work for the agreed-upon pay. Perhaps the answer to this problem will be found in some system of incentive wages. If wages are to rise and fall, it should not be according to the cost of living, but according to theoutput of the workers. Only in this way will technological progress be reflected in a rising standard of living.

A. H. BROUSE
President, National Bank of Washington, Tacoma, Wash.

Arthur Brouse

I was deeply interested in the article, "Post-War Employment, Flexible Costs and Profits," by Elisha M. Friedman.

I agree with the principle that wages should be flexible if prices are to be flexible. If wages remain rigid, there is not enough spread in the cost of raw material and other operating costs to enable prices to conform to supply and demand.

CHARLES C. HUITT
President, Ampere Bank and Trust Co., East Orange, N. J.

In effect, Mr. Friedman restates in a very palatable way the old axiom, that sooner or later the law of supply and demand must supersede all man-made controls.

HERMAN W. STEINKRAUS
President and General Manager, Bridgeport Brass Co., Bridgeport, Conn.

Mr. Friedman's article, entitled "Post-War Employment, Flexible Costs and Profits," strikes me as a very good presentation of the fundamentals, and I would like to place an order for 100 reprints for distribution among our executives.

GANSON PURCELL,
Chairman, Securities and Exchange Commission

I note that Mr. Friedman praises this Commission for its work in controlling dishonest financing but goes on to say that some of our rules with respect to new issues are too rigid and should be relaxed. We are constantly re-examining our rules and procedures with a view to ensuring fair treatment of registrants and a minimum interference with business.

Ganson Purcell

I cannot agree with Mr. Friedman's comment on public utility holding companies in paragraph 10. In my opinion, the enforcement of Section 11 of the Public Utility Holding Company Act is greatly strengthening the utility industry. This will become even more evident as more operating utility companies are released from the control of far-flung holding company systems and are returned to local management and local responsibility.

OUR REPORTER'S REPORT

Temporarily at any rate, the railroads appear to have nudged the public utilities out of the position of leadership as the source of new security flotations, and while activity in that direction appears destined to continue for a spell, the ascendancy of the railroads seems likely to be only temporary.

But since the revival of the new issue market early this month, the country's carriers have been doing a sizable job of overhauling their debt structures, as witness the fact that they have either marketed, or plan to sell a total of more than $206,000,000 of new issues by way of replacing higher coupon loans previously outstanding.

By far the largest of such undertakings was that of the Great Northern Railway, involving $100,000,000 of new issues in three maturities. A huge offering by any rule of measurement, this one appears to have been making decidedly satisfactory progress so far as placement of the securities is concerned.

Not far behind was the refunding job done by the Oregon & Washington Railroad and Navigation Co., operated under lease by the Union Pacific. Here the total of new issues involved was $54,750,000 and observers report things have moved well since the public offering.

Yesterday bankers had little difficulty in marketing $13,000,000 of new series E $3\frac{1}{4}$% first mortgage bonds for the Erie Railroad Co., priced at 100, and now two Pennsylvania Railroad leased lines have applied to the Interstate Commerce Commission for authority to refund a total of almost $35,000,000 of outstanding liens.

The Pittsburgh, Cincinnati, Cleveland & St. Louis proposes to refund $23,735,000 outstanding bonds, while the Chicago & Pittsburgh would replace $11,000,000 of its outstanding general and refunding mortgage bonds.

Two Larger Issues Ahead

Unless all signs fail, it is now pretty much the opinion in security underwriting circles that two other substantial railway refinancing programs are likely to materialize between now and the launching of the next Treasury War Loan Drive.

The Chicago, Burlington & Quincy is reported to be giving active consideration to plans for refinancing which is expected to involve about $40,000,000 new securities.

And it is well known that several syndicates are in process of formation with the purpose in mind of bidding for a potential $60,000,000 operation for the Virginian Railway.

The company has that amount of first and refunding $3\frac{3}{4}$s outstanding, due in 1966 and subject to call at 106. Conjecture in market circles is that the road would like to replace this obligation with a new issue of longer maturity and lower coupon.

Competition Is Brisk

Competition is going to be mighty keen when the material on the auction block measures up to bankers' ideas.

That is especially likely to be true in the case of medium-sized issues, such as the Birmingham Electric Co.'s $10,000,000 of new first mortgage bonds sold on Tuesday.

When time came to consider tenders for this issue on Monday, the company found itself with no less than five bids from different syndicates. The bonds were knocked down to a banking group which bid 100.13 for 3s and planned for reoffering at 101.

Ohio Edison Issues Sold

A larger undertaking, involving approximately $50,000,000 of new bonds and preferred stock, undertaken by the Ohio Edison Co., was likewise the center of active competition.

Here the company was offering $30,962,000 of new 3% first mortgage bonds, due in 30 years, and 180,000 shares of new 4.4% preferred stock.

This financing brought out a total of three group bids, with the winning syndicate paying the company a price of 101.417 for the bonds and 100.717 for the new preferred. Dealers were confident that the reoffering, the bonds at $102\frac{1}{2}$ and the stock at 103, yesterday, would find the new securities cleaning up quickly, judging by preliminary inquiries in the wake of the award.

Say Prices Can Be Held Despite Wage Increase

Reconversion prices can be held to 1942 levels in many cases even if the War Labor Board wage formula is cracked, said economists of the Office of Price Administration on Sept. 21, according to Associated Press advices from Washington on the same day, which added:

"For the second time in a week a WLB panel held yesterday that the President has the power to modify wage controls, stating that the Little Steel wage ceiling can be broken to keep earnings abreast of the cost of living.

"The 1942 goal of prices can be achieved, OPA economists say, if wage increases allowed do no more than compensate for loss of overtime pay when the 48-hour week is abandoned.

"Price Administrator Chester Bowles has said that a number of manufacturers intend to put 1942 price tags on consumer goods produced when Germany is defeated.

"The WLB panel did not recommend the 17-cent hourly wage increase demanded by the United Electrical, Radio and Machine Workers (CIO), but said it could be granted."

Problems Of Post-War Federal Tax Policy

(Continued from page 1346)

agree: A successful tax system must serve the needs of its time. War gave rise to the necessity of raising stupendous sums of revenue, of reducing or recapturing excessive war profits, and of diminishing and restraining inflationary pressures. Fundamental changes were required to adapt our prewar system to those wartime needs. The wartime tax system, however well it serves its present purposes, will not be suitable for the postwar years when less revenue will be needed, when high war profits will be a memory, and when inflationary pressures may be superseded by the need to maintain a high level of employment. Fundamental changes again will be required to adapt our wartime system to postwar needs.

Special Character of the Postwar Tax Problem

In many respects the problem of postwar tax readjustment resembles that of any tax legislation. Although the setting will be different, the same specific decisions must be faced. What exemptions are to be allowed for the individual income tax? What is the starting rate to be? What about the top rate? What about the shape of the rate curve? And so on through the myraid details of the individual income tax, corporation taxes, estate and gift taxes, excise taxes, payroll taxes, and other miscellaneous taxes.

Likewise, the criteria of desirable taxation in the postwar period are not essentially different from the criteria of desirable taxation in the prewar period or the wartime period. We must still consider adequacy of revenue. We must still seek to minimize tax discrimination and maximize tax justice. We must still work for simplicity and ease of compliance and administration. We must still seek to achieve the maximum of Federal-State coordination and the minimum of conflict with State and local taxes. And we must still endeavor to reduce the harmful and promote the desirable economic effects of taxation.

Despite these similarities, however, the postwar tax problem differs from the tax problems we have faced at other times. But before getting down to the minutiae perhaps we should define the term, "postwar." Literally interpreted, "postwar" means all future time after the war. Obviously we cannot now plan for all time to come. Most workers in the field of postwar taxation are not inclined to look farther ahead than 10 or 15 years. Those on the political firing line seem inclined to focus attention on a shorter period of time. Some of them prefer to concentrate only on the transition years immediately ahead. Yet if future difficulties are to be avoided, the policies of the transition years must be formed with at least one eye on probable post-transition conditions, so that steps taken shortly will not be inconsistent with steps to be taken later on. Similarly, tax policies for the 10 or 15 post-transition years should guard against ingraining the use of measures which, though temporarily efficacious, might be injurious in the long-run.

This brings us to the first major feature distinguishing the postwar tax problem from previous tax problems, namely, the fact that the economy will pass through a crucial transition period from war to peace. The process of winding down the war economy, of demobilizing men and reconverting industry, will take time. We cannot shift overnight from a wartime budget to a peacetime budget. Conceivably at a given moment our wartime tax system could be changed by a single legislative stroke to a postwar tax system. The advantages thus afforded of stability of postwar rates and structures would be substantial, assuming there could really be stability. But it is hardly likely that either the budgetary situation or the economic climate would justify taxes and rates during the transition period that would be appropriate for the long pull. Moreover, it will be very hard to forecast just what would be proper rates for the post-transition years. The postwar tax problem thus presents a critically delicate problem of timing. It is the problem of determining by what steps, in what sequence, and at what time tax adjustments should be made after final victory is won.

A second factor which distinguishes the postwar tax problem from the problems we have faced heretofore is the size of the tax load. The amount of taxes to be raised is determined in the first instance by the amount of current expenditures. To this sum, one must add the amount of intended surplus for debt retirement or subtract the amount of expected deficit. By any reasonable calculation, the tax load will have to be much larger after the war than in any previous peacetime years. Without getting into detailed estimates, it is clear that postwar needs will call for Federal tax collections three or more times as large as those of the immediate prewar period. The amounts needed will not, of course, be as great as wartime tax collections which will possibly reach their wartime peak of more than $43 billion during the current fiscal year. Per dollar of taxes, however, the postwar load may well be harder to bear in that it will be a continuing load with no expectation of early relief; it will not be paid out of war-swollen incomes; and it will no longer have the support of wartime patriotism.

The size of the postwar tax load has extremely important implications. The quality of the tax structure, its virtues and its defects, are much more important to the efficient operation of the economy when taxes are high than when taxes are low. The postwar tax load will be so large that taxes will have a profound effect upon the operation of the postwar economy. Moreover, the stake involved in the distribution of the tax burden will be greater than ever before; this presages a more intense effort of different economic groups to unload the tax burden upon each other. The effectiveness of our political machinery for attaining the public interest in the tax field will be tested to the utmost.

The size of post-war tax needs will also determine in large part the extent to which post-war tax revision is possible. In essence, tax revision consists of changes in the relative importance of different taxes and in the amounts which different people pay. It is scarcely conceivable that immediately following the war Congress would increase taxes on any substantial group of people while at the same time decreasing taxes on all other groups. Accordingly, the degree of tax revision that can be expected to take place will depend upon the aggregate reductions that can be made. If there is little leeway available for tax reduction, there is likely to be relatively little basic revision of the tax structure. The more leeway in revenue, the better the prospect for basic revision.

A third element of difference in the post-war tax problem, especially as compared with the war period, will be the sharply changed economic situation. As I have said, a successful tax system must fit the needs of the times; and the climate of the economy is an important aspect of the times. The economic weather will vitally affect the amount of our post-war expenditures, the yield of our taxes, and the fiscal policy we should adopt. One policy may be called for if industry enters a period of high employment and sustained expansion after the war. Quite another may be appropriate if employment declines and factories are idle. The kinds of taxes, the rates of taxes, and the speed of debt retirement will necessarily be tightly interrelated with the economic situation in the post-war period.

What kind of economic weather can we expect after the war? Will the pattern of the last war be repeated, that is, will we have post-war inflation followed by collapse and recovery? Will the first year or two after the war be a time of business activity sustained at a high level, and later years a time of stagnation? Will pent-up demands, expanding world markets, and the optimism of peace lead to a decade or so of highly active business?

If one may judge by the premises on which post-war tax plans are being formulated, it is safe to say that the most commonly held view of the post-war economic situation following the transition is that maintenance of full employment and high gross national product will not be easy and will require the most constructive governmental policies. Methods of avoiding unemployment are receiving widespread attention. Generally, the expectation is that stimulation of economic activity rather than restraint of inflationary forces will be needed.*

In this setting, much greater emphasis will have to be placed upon minimizing the restrictive effects of taxation than in previous tax programs. We are currently in the midst of a wartime economy supercharged by huge Government expenditures for war. Restrictive effects on the economy outside the field of war production are not objectionable during a war. In fact, they are implicit in the purposes of a wartime tax policy which, by absorbing excessive profits and excessive purchasing power, supports the stabilization program. But in the post-war period, when high employment and business activity are goals to be reached rather than facts to be taken for granted, the problem is entirely different. The tax system must be adjusted to the economy so as to reduce restrictions on employment and activity in every possible way. Equitable tax measures which yield revenue with the least restrictive effect will be the goal of policymakers.

The Role of Taxes in Maintaining Employment

Emphasis on the importance of desirable economic effects in framing post-war taxes does not, of course, mean that other criteria should be neglected. But few would contest the assertion that, with due regard to justice, ease of compliance and administration, and other considerations, taxes should be designed so as to provide the minimum of interference with a high level of production and employment. I should like to pause for a moment over the idea of "minimum interference." Many writers apparently assume that the presence of high taxes, designed for wartime use, is the only obstacle to permanent full employment in the post-war period. This point of view seems to proceed from an over-simplification of the post-war economic problem. However great an obstacle taxation may interpose to maintaining full employment, the removal of this obstacle may not be enough. That unemployment can occur when taxes are low is attested by the tragedy of 1929 and the ensuing years. Numerous and important forces besides taxes may stand in the way of high employment. Consequently, no guarantee of high employment can be found in tax policy alone. The most we can hope for is that taxes will be designed to produce the "minimum interference" with the factors and forces leading to full employment. However, "minimum interference" is not an entirely negative concept; it is often urged that carefully devised tax measures can provide positive incentives to stimulate investment or consumption. But the post-war tax load 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.

A high level of employment is, of course, associated with a high level of production. It may be worth while, therefore, to examine briefly the components of our national production, that is, of our gross national product. By gross national product is meant the aggregate value of all goods and services produced in the country during a given period of time. It is made up of three items. They are, first, goods and services purchased by consumers; second, gross business investment in physical goods such as plants, equipment and inventory; and third, goods and services purchased by Government. No one of these three items can be allowed to shrink without a compensating expansion in one or both of the others, except by paying the price of increased unemployment. To maintain full employment, in the face of shrinking Government expenditures for war, the slack must be taken up by consumer expenditures and business investment.

Unfortunately for the peace of mind of would-be architects of the post-war tax structure, there are widely divergent views regarding the conditions under which the goals of high consumption and high investment can be achieved. Some people, for example, blame the ills of the economy on monopoly. To their minds, the removal of restrictions on business competition and on the labor market is the prime necessity. Their program calls for readjusting American institutions along lines which will minimize restrictions and maximize the freedom of the market mechanism. Some persons holding this approach regard reliance on fiscal policy as a snare and a delusion which, by postponing more fundamental changes, may lead the nation to eventual economic ruin.

Other groups, while agreeing that there is need for more truly competitive freedom of enterprise, believe it will never develop in an atmosphere of insecurity and depression. As they see it, a vigorous approach to the problem of monopoly and restrictive practices will be achieved only in an atmosphere of security for labor and business groups. This approach holds that appropriate fiscal policy can help to achieve such an atmosphere and is, therefore, a prerequisite of fundamental economic adjustment.

Another divergence of economic thinking which is important to tax and fiscal policy bears upon the relation of incentives to the expansion and high-level operation of business. On one hand is the view that the factors, including taxes, which operate directly on the businessman's profits are the influence determining business expansion and employment. According to this view, if tax and other restrictions on the businessman are minimized, he will be stimulated by the profit motive to adopt new processes, invest new capital, and expand operations. The very fact of business expansion, it is said, employs labor and materials to create additional plant, equipment, and other capital goods; with businesses in other fields similarly expanding, investment builds up the consumer demand necessary to move the enlarged volume of consumer goods from the market. According to this theory, therefore, the greatest stress should be laid on removing and reducing taxes which cut into the profit incentive of the investor.

On the other hand are those who argue that since a businessman is a practical and prudent person he must have the assurance of a consumer market to induce him to invest and expand; accordingly the road to high employment is a high level of consumer purchasing power, for consumption gives employment directly and also creates investment, thus giving employment indirectly. Those who hold this theory urge that taxes should fall lightly, or not at all, at those income levels where they would largely reduce consumption.

Here we have an important issue. Both views are plausible, both undoubtedly reflect one facet of the truth. One side argues that taxes which reduce consumption reduce the gross national product and employment, because no one can afford to employ labor and produce goods that he cannot sell. The other side argues that taxes which reduce business investment likewise reduce gross national product and employment. But taxes must fall somewhere. If one tax is lowered, another must be raised to maintain revenue. Conceivably, we could impose a tax that would reduce neither consumption nor investment. The effect of such a tax would be merely to reduce hoarding, which occurs when income is neither spent nor invested in new plant, equipment, or other capital goods. But the kinds of taxes that would reduce the savings from which hoards are created are likely also to reduce the incentive for making investment. This presents a real dilemma. There is no easy way out. However, there must be one solution which is better than the others, one which will result in the minimum restriction on consumption and investment.

The effort to find taxes that are least restrictive on investment gives rise to a further division of opinion, which relates to the point at which taxes take hold on incentives. One group holds that what retards investment is an insufficient supply of investment funds, that is, of funds which their owners are willing to invest. They maintain further that the potential supply of investment funds is largely in the hands of, or controlled by, individual investors. Therefore, they reason that the way to increase incentives and stimulate investment is to reduce taxes on personal incomes, particularly those incomes which are derived from business investment.

On the other side are those who hold that what retards investment is the unwillingness of corporation and other business managers to decide to build a plant, buy new machinery, or otherwise invest in new capital goods. They contend that once the corporate manager sees an opportunity to make a good profit for the corporation, the necessary funds will be forthcoming, either through retained corporate profits, from banking institutions, or from individual investors who will not willingly sit forever on idle funds. This group holds that incentive is best supported by lowering corporation taxes.

At this point, as if matters were not already sufficiently complicated, we are confronted by another point of divergence in eco-

* In any event, of course, employment will never be perfectly "full" because of the inevitable so-called frictional unemployment of possibly two or three million persons moving from one job to another or otherwise temporarily between jobs. In using the term "full employment," the presence of frictional unemployment is assumed.

nomic thinking, namely, the incidence of the corporation tax. The answer to the question, who bears the corporate tax, largely determines what role that tax plays in creating or destroying conditions favorable to a high level of investment and employment. I believe it is fair to say that, in general, businessmen have held that the corporation tax is shifted to consumers much as if it were an excise tax, while tax students have held that it is largely borne by stockholders, as if it were a withheld income tax. The argument is also made that it is shifted at least in part to the workers in the form of lower wages. Now one important argument concerning post-war taxation is that "investment" is being discouraged by what is called the double taxation of corporate profits. The validity of the double taxation argument hinges upon whether corporation taxes are, or are not, shifted to consumers and workers. If they are not shifted, then the stockholder is doubly taxed in the sense that his dividend income is subject to the corporation tax as well as the individual income tax. If, in a very large part, the corporation tax is shifted and therefore not borne by stockholders, the double taxation of corporate income largely disappears. But then the argument can be made that the corporate tax represses consumption, as would an excise or sales tax.

A little way back in the argument the point was made that when one tax is lowered another must be raised if the revenue is to be maintained. One of the most important points of divergence of economic opinion is at what level the revenue should be maintained. Obviously, the smaller the total tax load, the more easily solved is the dilemma of restrictive taxation. But if lowering the total tax load produces a budget deficit, are the effects desirable or undesirable? Or, more specifically, in an economy operating at less than full employment, what are the effects of a large budgetary deficit as compared with a balanced budget, or with a large budgetary surplus? How do these effects differ in the current year and in the long run? You are all familiar with this problem and know that the answers range all the way from insistence upon an annually balanced budget with a surplus for debt retirement to defense of a chronic deficit. The arguments by which both of these extreme positions manage to spell maximum gross national product and employment are interesting and important, and I very much regret that time does not permit examining them here.

Lest we feel in a too confused mood after all this emphasis on economics, we ought not to overlook the possibility that these economic theories may grow out of points of view rather than determine points of view. We are all inclined to believe that taxes which fall lightly on ourselves and more heavily on others are the kind of taxes calculated to promote employment, production, and general economic well-being. The perennially appealing economic arguments are those which seem to promote most directly our own special interests. All economic theories including our own should be viewed with an amiable skepticism.

Technical Problems

In placing emphasis on the more fundamental policy problems of post-war tax revision, I do not wish to gloss over the technical problems that are involved. Some of the hardest problems can be called technical. Thus the problem of eliminating double taxation of income earned through coroprations may be considered primarily technical, but it is a problem for which a really satisfactory answer has thus far been sought in vain.

High taxes make technical problems more important and more difficult to solve than when taxes are low. On the one side are loopholes through which taxpayers find a way to escape the load they were intended to pay. The loopholes may not be worth using when tax rates are low, but may seem to justify great effort when the rates are high. One of the difficulties in connection with so-called tax incentives to encourage production is that such incentives lend themselves to the reduction of taxes for people whom the devices were not intended to benefit.

On the other side is the matter of relieving hardships. Again high tax rates greatly increase the importance of hardships on some individuals and corporations. The problem is to relieve the hardships without opening up new loopholes at the same time. Wartime rates have produced many new loopholes and hardships. These are unfortunate in time of war, but it would be still more serious for them to continue over the long pull of the post-war years. The technical work on any post-war tax bill is likely to be very heavy. To this may be added the continuing problem of tax simplification. The desirability of greater simplicity both for the masses of taxpayers and for taxpayers subject to more intricate provisions of the law increases the technical problems of post-war tax revision.

The technical and other difficulties of the post-war tax problem are also accentuated by the emphasis being placed on stability of structure and rates. An advance decision on a level of rates and a tax structure, which are to remain stable throughout a future period that may turn out to be not at all stable, requires a much more accurate forecast and greater skill of tax adjustment than may be acceptable if experimentation and change are to be permitted. Although stability is to be desired, it will not necessarily be achieved. A study of tax history, for example, with respect to the treatment of capital gains indicates that the virtues of stability seem much more important to us when the law is as we like it than when it is not. Since large numbers of people believe themselves to be relatively overtaxed, regardless of how much they are taxed, the stability of taxes is likely to depend on the stability of the balance of political power among economic groups.

Conclusion

On the whole, I think it is becoming clear that the post-war tax problem is even more difficult than the wartime tax problem. That may seem a pessimistic view to those who look forward to the return of the good old days of low taxes. Even the good old days of taxation were, of course, not without their difficulties. But these difficulties will be greatly magnified in the post-war period by the combination of high revenue requirements, clouded business prospects, and the heavier impact of taxes upon the national economy.

Today we have a tax system which is the kind of fiscal instrument we need in wartime. At its peak it will have raised nearly $45 billion a year. How much can we reduce taxes after the war? Probably less than most people think. Yet our wartime tax system will not serve our peacetime needs. We hope reconversion will soon be the order of the day. We must prepare now to rebuild our wartime tax system to meet our postwar needs—our post-war revenue needs and our post-war economic needs. This is the time when the economic brains of this country, whether in business, agriculture, labor, Government, or academic circles, must be marshalled in the solution of the most difficult tax problem in American history. It will take all of the courage and ingenuity and unswerving devotion to the public interest that we can command.

But in the end our tax problem must finally be solved by the Congress. Inevitably there will be differences of opinion, conflicts of interest, divergent plans and recommendations. No technicians can compromise these differences. But we have democratic political machinery designed for that purpose. Upon the successful functioning of that machinery we must finally rely for the solution of our post-war problems.

Circuit Court Decision Granting Unlisted Trading Privileges To Kentucky Utilities 4% Bonds

Court Hold That Among Elements Constituting The "Vicinity" Of An Exchange Is "The Nature Of The Security For Which Unlisted Trading Privileges Are Sought."—Upholds SEC's Action In Granting Unlisted Privileges Against Opposition Of NASD.

We give below in its entirety the decision handed down by the United States Circuit Court of Appeals, Third Circuit, decided Jan. 6, 1944, and recently made public, in which the Court upheld the action of the Securities and Exchange Commission in permitting the New York Curb Exchange to grant unlisted trading privileges to Kentucky Utilities 4% Bonds. The National Association of Securities Dealers appealed to the Court to review the order of the Commission.

UNITED STATES CIRCUIT COURT OF APPEALS

THIRD CIRCUIT

Stock Exchanges—Securities And Exchange Commission—Extension of Unlisted Trading Privileges on an Exchange to a Security as to Which There is Sufficient Distribution and Trading Activity in the Vicinity of the Exchange—Meaning of "Vicinity"

In the provision in the Securities and Exchange Act under which unlisted trading privileges on an exchange may be extended to a security by the Securities and Exchange Commission when, among other things, there exist in the vicinity of the exchange sufficiently widespread public distribution of the security and sufficient trading activity therein to render the extension of the privilege to the security necessary or appropriate in the public interest or for the protection of investors, the word "vicinity" is to be interpreted as meaning the geographical section or sections in which the exchange ranks as the national exchange, or as one of the national exchanges, to which investors would look for an exchange market in the security. The vicinity of an exchange is not a constant; it varies with the security and must be defined with reference to the distribution of and other factors relating to the particular security in question.

National Association of Securities Dealers, Inc., petitioner. v. Securities and Exchange Commission and New York Curb Exchange, respondents.

Decided January 6, 1944.

Before Biggs, Jones and Goodrich, Circuit Judges.

Appeal from Securities and Exchange Commission.

Petition by National Association of Securities Dealers, Inc., to review order of the Securities and Exchange Commission approving the application of the New York Curb Exchange to extend unlisted trading privileges to certain bonds.

Paul W. Frum, of Cleveland, Ohio (Baker, Hostetler & Patterson and Joseph C. Hostatler, all of Cleveland, Ohio, on the brief) for petitioner.

Orrin C. Knudsen, of Philadelphia, Pa. (John F. Davis, and Arden L. Andresen, both of Philadelphia, Pa., on the brief) for respondent Securities and Exchange Commission.

William A. Lockwood and Thomas A. McGovern, both of New York City (Reed, Truslow, Crane & de Give of New York City, on the brief) for respondent New York Curb Exchange.

Biggs, Circuit Judge—In this case we must decide whether a determination by the Securities and Exchange Commission that there exists in the vicinity of the New York Curb Exchange sufficiently widespread public distribution of certain bonds[1] and sufficient public trading activity in them to render the extension of unlisted trading privileges on the Curb to that security necessary or appropriate in the public interest or for the protection of investors.

The Curb, a registered national securities exchange, filed with the Commission its application pursuant to Section 12(f), Clause (3), of the Securities Exchange Act of 1934 as amended asking the extension of unlisted trading privileges to Kentucky 4% bonds.[2] National Association of Securities Dealers, Inc.,[3] intervened in the proceedings before the Commission. The Curb's application asserted that the portion of the United States lying east of the Mississippi River constituted its "vicinity" as to the Kentucky 4% bonds. NASD contended that that vicinity should be restricted to an extent which we will point out hereafter. Notice was given and a hearing was had before a trial examiner, who filed advisory findings which need not be set out here. Exceptions were filed to these findings and argument was had before the Commission. After a review of the record the Commission found[4] that "* * * there exists in the vicinity of the Curb Exchange sufficiently widespread public distribution of the bonds and sufficient public trading activity therein to render the extension of unlisted trading privileges on the Curb to the bonds necessary and appropriate in the public interest and for the protection of investors * * *."

Pursuant to the provisions of Section 25(a) of the act (15 U.S.C.A., Sec. 78y-a) NASD petitioned this court to review the Commission's order and to set it aside in so far as it approves the Curb's application to extend unlisted trading privileges to the bonds.

The petitioner asserts first that the Commission erred in defining the "vicinity" of the Curb Exchange. Direct evidence of the vicinity or area in which investors regard the Curb as a market being unavailable, the Curb, as it had done in many other cases,[5] introduced evidence showing the location of offices of Curb members and the maintenance of Curb ticker service in certain localities. Assuming, as we must, that trading courses through those channels which are the most open to it, the Commission's inference that offices of Curb members would not be maintained and that facilities would not exist in localities which do not supply business for the Exchange, is a fair one. Conversely, the inference that there is some business where offices and facilities exist is a supportable one. The Commission also received evidence as to the number of persons to whom the bonds had been distributed originally, the amount of bonds so distributed and the localities of the distributees by States. We shall not review specifically the evidence which was before the Commission. It is sufficient to state that the Commission reached the conclusion that the vicinity of the Curb should include for the purpose of the application which we are discussing, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania and Ohio. The petitioner had insisted that the vicinity must be limited either to New York City, to an area within one hour's commuting distance of New York City, or to a territory inclosed by lines midway between New York City and Philadelphia and New York City and Boston, Philadelphia and Boston being those cities nearest to New York City in which there are securities exchanges extending unlisted trading privileges.

What is the "vicinity" of the Curb? The word certainly is not one of art. It is capable of a broad or narrow construction, depending upon the object to which it is to be related. For example, New Jersey and Delaware both may be said to be in the vicinity of Pennsylvania. On the other hand, the vicinity of City Hall Square, Philadelphia, would not take one to the suburbs of Philadelphia. The word is not defined in the act.[6] We conclude, therefore, that Congress intended a practical test. The Commission invariably has endeavored to apply such a test.

There have been many decisions by the Commission as to what constitutes the vicinity of the Curb in respect to extending unlisted trading privileges to securities. In the Matter of Applications by the New York Curb Exchange for Unlisted Trading Privileges (3 SEC, 81, 85) the Curb had insisted that its vicinity included the whole of the United States. The Commission stated that "Congress must have had in mind something more than the mere circulation of information (concerning securities to possible customers) or it would have chosen a more appropriate word than 'vicinity.' Rather, we interpret 'vicinity' to mean the particular geographical section or sections in which a particular Exchange ranks as the, or one of the, national Exchanges to which investors would look for an exchange market in the securities for which unlisted trading is sought." It will be noted that emphasis was laid on the relation of the securities for which unlisted trading privileges are sought to the applicant Exchange as well as upon the geographical section or sections in which that Exchange could be considered to rank as one of the national Exchanges. Obviously the Commission considered that one of the essential elements to be employed in determining the vicinity of the Exchange is the nature of the security for which unlisted trading privileges are sought, and the extent and kind of the public holdings in it. The vicinity, therefore, of a particular Exchange may vary with the distribution and other factors relating to a particular security. It seems to us that the Commission itself clearly has recognized this fact in numerous decisions.[7]

In respect to applications made by the New York Curb Exchange the Commission has allowed it

(Continued on page 1374)

Circuit Court Decision Granting Unlisted Trading Privileges To Kentucky Utilities 4% Bonds

(Continued from page 1373)

different and varying vicinities depending upon the securities involved, their distribution and other factors relating to them as well as to the facilities possessed by the Exchange itself, such as members' offices and ticker services.[8] These vicinities have varied from that allowed the Curb in the instant case. In applications by the San Francisco Curb Exchange (2 SEC, 653) in note 6 at page 657, the Commission commented upon this conception of varying vicinity and expressly disapproved it. The Commission stated, "It is true that the concept of the vicinity of an Exchange is a flexible one, the limits of which may differ under different circumstances. But under Section 12(f), we must first determine the vicinity of the Exchange and then consider whether distribution of the security within that vicinity is sufficient. The vicinity of the Exchange thus constitutes the area within which the distribution of the security must be sufficient. It would reverse the plain meaning of Section 12(f) to hold that the area within which the distribution of the security is deemed to be sufficient constitutes or largely determines the vicinity of the Exchange, although conceivably in some cases it might be relevant to such a determination." The position of the Commission is ambiguous, for it seems to us that in determining vicinity the Commission has of necessity considered the nature of the security, its distribution and other factors which must be distinguished from simple geographical area. That the Commission has weighed these factors is demonstrated by the fact, as we have said, the vicinity of the Curb has been held by the Commission to vary with the security. See notes 7 and 8 (supra). If an Exchange's vicinity depended solely on geographical considerations it could not vary. We think that it is not a constant and that an Exchange's vicinity must vary with the security.

We can conceive, of course, of circumstances in which a most widespread distribution of a security might not aid an Exchange in establishing a vicinity in respect to an application for extending unlisted trading privileges to that security. For example, there might be a very extensive distribution of a given security in an area in which the Curb had neither members nor facilities. Such an area could not be considered to be in the vicinity of the Curb. On the other hand, if Curb facilities are present in a given locality, the extent of the distribution and nature of the holdings of a certain security in that locality must be deemed to be relevant in determining vicinity. We conclude that this is what the Commission had in mind when it made use of the words last quoted. The Commission must consider the circumstances attendant upon each application made to it and decide it on the particular facts inhering in each case. Vicinity, a word indefinite in meaning, was not intended by Congress to fasten to an Exchange a fixed area as a vicinity without regard to the nature or distribution of the security for which unlisted trading privileges are sought. On the contrary, Congress intended to cause the Commission to approve the extension of unlisted trading privileges to a security when the applicant Exchange can demonstrate its ability to support an adequate market in that security and the extension of the privilege is required in the public interest or for public protection. Vicinity may furnish a movable feast. We conclude, therefore, that the definition employed by the Commission in the Matter of Applications by the New York Curb Exchange (3 SEC at p. 85), hereinbefore quoted, is a sound and legal definition. The Commission has applied its substance in the case at bar.

We think that the Commission could have included in the vicinity of the Curb as to the Kentucky 4% bonds a wider area than it did, but there is substantial evidence to support the Commission's conclusion that there is sufficient public distribution and sufficient public trading in the area defined by the Commission to constitute it the Curb's vicinity. It appears also that it is necessary to extend unlisted trading privileges in the bonds to the Curb in the public interest and for public protection. The Commission's finding in this respect finds adequate support in the very nature of the securities. They are public utility bonds of the kind which the ordinary purchaser expects to be able to buy or sell on a national Exchange. The granting of the unlisted trading privilege will subject trading in the bonds to the supervision of the Curb and to the provisions of the Securities Exchange Act in so far as Exchange trading is concerned. Investors will still be able to avail themselves of the over-the-counter market. The extension of unlisted trading privileges will provide an additional public market with facilities for quick trading.

The petitioner has laid emphasis upon the provisions of Section 12(f) that no application shall be approved unless the applicant Exchange shall establish to the satisfaction of the Commission the existence of the conditions prescribed by the act. But, giving fullest scope to the intent of Congress as to the burden of proof which must be sustained by an applicant, we conclude that the Curb has met and carried that burden. The phrase "establish to the satisfaction of the Commission" does not mean that the Commission may either capriciously extend the unlisted trading privilege to a security upon the application of an Exchange or whimsically withhold it. Such would constitute a breach of the Commission's discretion. What the statute requires is that the applicant Exchange shall present substantial evidence to the Commission of the existence of the conditions prescribed by the section, and if such evidence is presented to it the Commission must extend the privilege. We think that it is clear that the Curb has met the burden prescribed by the section and that the Commission committed no error of law in so regarding the evidence.

The order of the Commission, in so far as it relates to the application for the extension of unlisted trading privileges to the Kentucky 4% bonds, is affirmed. The petition for review is dismissed in so far as it relates to the application in respect to the first mortgage bonds of Central Power and Light Company, for all questions relating to the latter application have become moot.

1 Two securities issued by Kentucky Utilities Company were involved originally in this case. These were respectively, First Mortgage Bonds, 4% Series, due Jan. 1, 1970, hereinafter referred to as "Kentucky 4% bonds," and 4½% Sinking Fund Mortgage Bonds, due Feb. 1, 1955, hereinafter referred to as "Kentucky 4½% bonds." The Commision by its order of July 3, 1943, reviewed in this opinion, approved the Curb's application for permission to extend unlisted trading privileges to the Kentucky 4% bonds and denied the Curb's application to the Kentucky 4½% bonds. The Curb has not filed a petition to review the latter part of the Commision's order.

A security issued by Central Power and Light Company, First Mortgage Bonds, Series A, 3¾%, due Aug. 1, 1969, was the subject of a separate but similar application by the New York Curb Exchange. These bonds have been redeemed and therefore the controversy with respect to them has become moot. We do not consider that controversy to have been of sufficient public importance to bring the issues presented within the ruling of such decisions as Southern Pacific Terminal Co. v. Interstate Commerce Commission (219 U. S. 498, 514, 516, 31 S. Ct., 279, 55 L. Ed., 310) or Boise City Irrigation & Land Co. v. Clerk (9 Cir., 131 F., 415, 418, 419).

In the case at bar, therefore, we are concerned only with the application relating to the Kentucky 4% bonds.

2 The pertinent provisions of section 12(f) of the Act, 15 U. S. C. A., sec. 78l(f) are as follows:

Section 12.

"(f) * * * any national securities exchange, upon application to and approval of such application by the Commission and subject to the terms and conditions hereinafter set forth, * * * (3) may extend unlisted trading privileges to any security in respect of which there is available from a registration statement and periodic reports or other data filed pursuant to rules or regulations prescribed by the Commission under this title or the Secuirties Act of 1933, as amended, information substantially equivalent to that available pursuant to rules or regulations of the Commision in respect of a security duly listed and registered on a national securites exchange, * * *.

"No application pursuant to this subsection shall be approved unless the Commission finds that the continuation or extension of unlisted trading privileges pursuant to such application is necessary or appropriate in the public interest or for the protection of investors. * * * No application to extent unlisted trading privileges to any security pursuant to clause (2) or (3) of this subsection shall be approved unless the applicant exchange shall establish to the satisfaction of the Commission that there exists in the vicinity of such exchange sufficiently widespread public distribution of such security and sufficient public trading activity therein to render the extension of unlisted trading privileges on such exchange thereto necessary or appropriate in the public interest or for the protection of investors. * * *"

3 At the time that National Association of Security Dealers, Inc. (referred to hereafter as NASD), filed its petition for review with this court it had 2,243 members who are primarily over-the-counter brokers and dealers, as distinguished from brokers and dealers who are members of national securities exchanges. The members of NASD have places of business in all parts of the United States and engage collectively in all branches of investment banking and in selling securities. The nature of NASD is fully set out and explained in Matter of National Association of Securities Dealers, Inc. (5 S. E. C., 627, 1939). It appears that NASD is a non-profit membership corporation, organized under the laws of Delaware and registered with the Commission as a national securities association pursuant to section 15A of the act, 15 U. S. C. A., sec. 78o-3.

4 Commissioner Healy dissented on the ground that the applicant exchange had not made a showing by a fair preponderance of the evidence that there exists in the vicinity as defined by the Commission sufficient public trading activity in the bonds to render the existence of unlisted trading privileges necessary or appropriate in the public interest or for the protection of investors.

5 See the decisions of the Commission relating to applications of the Curb and other exchanges, cited in Notes 7 and 8, infra.

6 The legislative history of the act makes no specific reference to the word "vicinity." Reports of Congressional committees, however, state that the approach of the act "may be described as an endeavor to create a fair field of competition among exchanges and between exchanges as a group and the over-the-counter markets and to allow each type of market to develop in accordance with its natural genius and consistently with the public interest." See S. Rep. 1739, 74th Cong., 2d Sess., p. 33, and H. R. Rep. 2601, 74th Cong., 2d Sess., p. 4.

7 For example, in applications by the Pittsburgh Stock Exchange, 2 S. E. C., 178, 187, the Commision states that the vicinity of the applicant exchange "* * * for the purpose of these applications" includes certain named states. See also Application by the New York Curb Exchange, 4 S. E. C., 560, 561; Application by the Cleveland Stock Exchange, 4 S. E. C., 895, 897, and Application by the Los Angeles Stock Exchange, 6 S. E. C., 310, 313.

8 See Edison Electric Illuminating Company of Boston, 1 S. E. C., 909; Applications by the New York Curb Exchange, 2 S. E. C., 732; Application by the New York Curb Exchange, 3 S. E. C., 81, 4 S. E. C., 555, idem 560, idem 899, 6 S. E. C., 901, and 7 S. E. C., 672.

One Essential Difference Between The "Listed" And The "Over-the-Counter" Market

(Continued from page 1351)

the stock, or possibly some independent floor trader willing to make the best bid.

In an active stock the above set-up results in a "close" market. In an inactive stock, however, especially if the order to buy or sell is large, the market may be anything but "close." Say the order is to sell: very possibly there may be no agent (broker) there, with an order to buy. The specialist, of course, is supposed to stand in the breach, but, obviously, to only a definitely limited extent. No floor trader, especially at an inactive "post," may be there; or, in my case, may not be disposed to make a bid for the stock offered.

Right there is one essential difference between an "auction" market and a "negotiation" market, the kind of market on which "over-the-counter" buying or selling is done:

In an "auction" market the buying and selling is done in just one place; and if, at that place, at the time stock is offered, there doesn't happen to be a buyer, why then the business just isn't done.

In the case of a "negotiation" market — Over-the-Counter—the procedure is entirely different. There it's a case not of the order being sent to some "post" on some stock exchange where there may happen to be buyers or sellers, but of the order being "shown" anywhere—in *any* part of the country—where an interest in buying or selling that particular security may be known to exist. That interest may be right here in New York or in some city in the Middle West or out on the Coast or down South, or in all these places at once. "I've got some stock to sell; where am I going to find a buyer?" or "I've got some stock to buy; where am I going to find a seller?"—that's what it's an Over-the-Counter dealer or broker's business to know, and that's what, if he is any good, he does know. He doesn't, in other words, rely on finding his prospective customer at any given place; he goes out and finds that customer wherever he may happen to be. He may, furthermore, and often does (in cases where he can't readily find the buyer or seller he is looking for) use his influence to *create* a customer with whom the business can be done.

The above is by no means to be taken to mean that each individual trade in an over-the-counter security is a "work-out" proposition. Such is far from being the case. In many non-listed securities, indeed, owing to the fact that there are hundreds of investment firms all over the country constantly ready to sell and buy for their own account, there exists a close and highly competitive market. In such stocks, if a dealer "shops around" it isn't because there's any trouble finding a buyer or seller. It's simply because, a large number of firms being always interested, the dealer wants to find the one that will pay him the most or sell to him the cheapest. (A sort of "auction," here, but one which, except in the case of the most highly popularized listed stocks, takes in a far larger number of possible buyers or sellers than could reasonably be expected to be found in one single place.)

Completion By Congress Of Action On Demobilization And Reconversion Bill

The completion of Congressional action on the war demobilization and reconversion bill of 1944 was effected on Sept. 20, when the House agreed to the conference report on the measure, after the Senate had on Sept. 19 yielded to House demands and accepted a demobilization bill stripped of provisions extending unemployment compensation to 3,000,000 Federal employes and authorizing travel pay for discharged war workers. United Press advices from Washington Sept. 19, from which we quote, also said:

"The Senate approved the measure, last major barrier to the pre-election recess, soon after its conferees agreed that it was necessary to give in 'or have no bill at all' in view of adamant House refusal to accept the deleted provisions. Sen. Walter F. George, Dem., Ga., indicated that he may attempt to revive them through separate legislation.

"The demobilization bill provides a presidentially-appointed director of reconversion at $15,000 a year with broad powers; coordination of existing retraining and vocational agencies; a revolving Federal fund to guarantee solvency of State unemployment compensation funds, and Federal assistance for a public works program.

"House refusal to accept clauses authorizing jobless benefits for Federal employes and back-home travel pay for war workers brought bitter denunciation from labor and farm leaders."

In Associated Press accounts from Washington Sept. 21 it was stated:

"The demobilization and reconversion bill, which was accepted by the House yesterday, included a mandate on the release of soldiers and sailors no longer needed to fight, declaring:

"'The War and Navy Departments shall not retain persons in the armed forces for the purpose of preventing unemployment or awaiting opportunities for employment.'

"The legislation leaves control of unemployment insurance entirely in State hands. At House insistence, it was stripped of Senate provisions for back-home travel pay, up to $200 a family, for war workers, and unemployment insurance for 3,100,000 Federal employes.

"Chairman Doughton (D., N. C.) of the Ways and Means Committee, who led the battle against these provisions, told the House he would call the committee to make a study of back-home travel allowances and Federal employe jobless insurance when Congress reassembles.

"The legislation sets up a separate administration to handle reconversion problems. It provides non-interest loans for States and cities to plan post-war public works; guarantees the solvency of State unemployment compensation funds, sets up a retaining and reemployment office with power to coordinate existing activities."

The House, on Aug. 31, by a voice vote, passed the war mobilization and reconversion bill, after shouting down a substitute bill for the broad liberalization of benefits for the post-war unemployed. As passed, the bill left jobless compensation to the States. As was noted in our issue of Aug. 17, page 691, the Senate on Aug. 11 passed the reconversion and unemployment bill sponsored by Senator George, and because of differences between the two bills, the legislation was sent to conference. Regarding the differences between the two, Associated Press advices from Washington Aug. 31 stated:

The Senate and House were agreed on leaving unemployment insurance with the States, but the House refused to accept the Senate provisions for a Government program to retrain war workers for other jobs, to transport them back home, and to put 3,500,000 Government workers under unemployment compensation at Government expense.

The substitute bill was rejected by a 188-to-54 vote. It would have set Federal standards for jobless payments running up to 52 weeks at $25 weekly for civilians while raising veterans' payments from a present maximum of $20 to $35 weekly.

Calendar Of New Security Flotations

OFFERINGS

BIRMINGHAM ELECTRIC CO. has filed registration statement for $10,000,000 rst mortgage bonds. series due 1974. Inrest rate will be supplied by post-effecve amendment. Price to the public will e filed by post-effective amendment. ompany is a subsidiary of National Power Light Co. which is the sole owner of the 45,610 shares of its outstanding common tock. The net proceeds, together with uch additional cash from its general unds as may be required, will be used for he redemption, at 101 and accrued interst, of all of the company's first and reunding 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.

Bonds were awarded Sept. 25 to Smith, Barney & Co., and Blyth & Co., Inc. at 100.13 for a 3% coupon.

Offered Sept. 27 at 101 and interest by Smith, Barney & Co., Blyth & Co., Inc. and associates.

GULF STATES UTILITIES CO. has filed a registration statement for 120,000 shares of $4.40 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.

The directors on Sept. 22 accepted the bid of a syndicate headed by Stone & Webster and Blogdet, Inc. for service to be rendered in obtaining acceptances of an exchange offer of its present preferred stock holders and for the purchase from the company of such of the 120,000 shares of $4.40 dividend preferred stock as will not be required for the exchange. The cost of money to the company contained in the winning bid is 4.2206%.

A formal public offering of a portion of the $4.40 dividend preferred stock (par $100) was made Sept. 26 at $106 per share by Stone & Webster and Blodget, Inc., The First Boston Corp. and associates.

OHIO EDISON CO. nas 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.

The securities were awarded to Morgan Stanley & Co. Sept. 25, the bonds as 3s on a bid of 101.417 and the preferred stock with a $4.40 dividend rate at 100.717. The bonds were offered Sept. 27 at 102½ and interest and the preferred stock at $103 per share by Morgan Stanley & Co., Blyth & Co., Inc., The First Boston Corp. and associates.

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. Filed Aug. 24, 1944. Details in "Chronicle," Aug. 31, 1944.

Offered Sept. 22, 1944 at 100 and interest by Blair & Co., Inc. and Maxwell Marshall & Co. and associates.

NEW FILINGS

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

MONDAY, OCT. 2

THE EUGENE FREEMAN CO. has filed a registration statement for $300,000 trade acceptances. Proceeds will be applied to organization expenses, acquisition of motor trucks, real estate, buildings, machinery, etc. Filed Sept. 13, 1944. Details in "Chronicle," Sept. 21, 1944.

TUESDAY, OCT. 3

ALLEN B. Du MONT LABORATORIES, INC., has filed a registration statement for 250,000 shares of class A common stock, par 10 cents per share, of which 25,000 shares are reserved for warrants which will be sold to underwriters. Proceeds will be used for working capital or investment in U. S. Government securities for future expansion and development. Underwriters are Val Alstyne, Noel & Co. and Kobbe, Gearhart & Co., Inc. Others to be named by amendment. Filed Sept. 14, 1944.

THURSDAY, OCT. 5

RESISTOFLEX CORP. has filed a registration statement for 100,000 shares of common stock ($1 par). Proceeds for additional working capital. Price to public $4 per share. Herrick, Waddell & Co., Inc., New York are underwriters. Filed Sept. 16, 1944. Details in "Chronicle," Sept. 21, 1944.

LIBERTY AIRCRAFT PRODUCTS CORP. has filed a registration statement for 80,000 shares of $1.25 cumulative convertible preferred stock (par $20) and 160,000 shares of common stock (par 50 cents). The common shares will be reserved for issuance with respect to the exercise of the conversion rights of the preferred stock. The shares of new $1.25 cum. conv. pfd. stock will be first offered to the company's common stockholders at the rate of one share of preferred for each 3½ shares of common stock. Net proceeds will be applied to the reduction of a bank loan of $1,000,000, and excess proceeds, if any, will be added to working capital. E. H. Rollins & Sons, Inc., and Van Alstyne, Noel & Co., both of New York, are named principal underwriters. Others will be named by amendment. Filed Sept. 16, 1944, Details in "Chronicle," Sept. 21, 1944.

MONDAY, OCT. 9

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10).

Address — 27 East Broadway Street, Columbia, S. C.

Business — Incorporated in July, 1944, and contemplates the operation of a petroleum terminal.

Underwriting—None.

Offering—Offering price to the public $10 per share.

Proceeds—Proceeds will be used for the acquisition of land, equipment and for working capital.

Registration Statement No. 2-5471. Form A-1. (9-20-44).

PHILADELPHIA ELECTRIC CO. has filed a registration statement for $130,000,000 first and refunding mortgage bonds consisting of $65,000,000 2¾% series due Nov. 1, 1967, and $65,000,000 2¾% series due Nov. 1, 1974.

Address—1000 Chestnut Street, Philadelphia, Pa.

Business—Public utility.

Underwriting—The bonds are to be offered for sale pursuant to the Commission's competitive bidding rule U-50. Names of underwriters will be supplied by amendment.

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

Proceeds—The entire net proceeds together with Treasury cash or cash augmented by means of short term loans will be used to redeem on or about Dec. 1, 1944, at 106 $130,000,000 principal amount of the company's first and refunding mortgage bonds, 3½% series due 1967, aggregating $137,800,000.

Registration Statement No. 2-5472. Form S-1. (9-20-44).

Company on Sept. 25, 1944 filed an application with the SEC to exempt it from the competitive bidding requirements of Rule U-50. Hearing on the application is scheduled for Oct. 2.

WEDNESDAY, OCT. 11

POTOMAC EDISON CO. has filed a registration statement for $16,981,000 first mortgage and collateral trust bonds, 3¼% series due 1974.

Address — 55 East Washington Street, Hagerstown, Md.

Business—Public utility.

Underwriting—Bonds to be sold at competitive bidding under Commision's Rule U-50. Names of underwriters will be filed by amendment.

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

Proceeds—Proceeds from sale, with additional funds of the company, will be used for the redemption of $11,981,000 first mortgage gold bonds, series E, 5%, at 105, and $5,000,000 first mortgage gold bonds, series F, 4½%, at 107½, in each case plus accrued interest.

Registration Statement No. 2-5473. Form S-1. (9-22-44).

THURSDAY, OCT. 12

THE OLIVER CORPORATION (name changed from Oliver Farm Equipment Co.) has filed a registration statement for 82,000 shares of cumulative convertible preferred stock ($100 par). The dividend rate will be filed by amendment.

Address—400 West Madison Street, Chicago, Ill.

Business—Company's peacetime business consists of manufacture, assembly and sale of farm equipment.

Underwriting — The underwriting group is headed by Blyth & Co., Inc., Chicago. Others will be supplied by amendment.

Offering—The 82,000 shares of preferred stock will be offered for subscription to holders of common stock at a price to be filed by amendment, at the rate of one share of preferred for each 8 shares of common held of record at the close of business on Oct. 13. Subscription warrants will expire 3 p.m. on Oct. 25, 1944. The underwriters will purchase any shares not subscribed for by the stockholders.

Proceeds—The company on or about Oct. 30, 1944, will apply $1,505,625 of the net proceeds to the payment at 100⅜ of all its promissory notes payable to banks in the aggregate amount of $1,500,000. The company expects that $4,500,000 of the proceeds will be used in the improvement and modernization of its plants, and the balance will be added to working capital.

Registration Statement No. 2-5474. Form S-1. (9-23-44).

MONMOUTH PARK JOCKEY CLUB has filed a registration statement for $1,600,000 10-year 6% cumulative income debentures and 230,000 shares of common stock, one cent par value, to be represented by voting trust certificates.

Address—Elkwood Park, Oceanport, N. J.

Business—Club was organized in April, 1941, to construct and operate a horse racing plant to be located at Oceanport, N. J., and to conduct running horse race meetings.

Underwriting—Bond & Goodwin, Inc., is named principal underwriter.

Offering—The offering price to the public of the debentures is par, although certain of the debentures are being offered otherwise than through an underwriter at a price less than 100%. The common stock, voting trust certificates, is being offered at par. Upon completion of the financing the underwriter, Bond & Goodwin, Inc., will be entitled to purchase 25,000 shares of common stock represented by voting trust certificates, at one cent per share.

Proceeds—For construction.

Registration Statement No. 2-5475. Form A-1. (9-23-44).

MONMOUTH PARK JOCKEY CLUB—Eugene L. Norton, Amory L. Haskell, Reeve Schley and Philip H. Iselin, voting trustees, have filed a registration statement for voting trust certificates for common stock, one cent par value, of Monmouth Park Jockey Club. (See registration statement above).

Offering—As soon as practicable after effective date of registration statement. Voting trust is to run until Oct. 1, 1954, but it may be terminated at an earlier date under certain conditions.

Registration Statement No. 2-5476. Form F-1. (9-23-44).

SATURDAY, OCT. 14

STANDARD ACCIDENT INSURANCE CO. has filed a registration statement for 175,938 shares of common stock (par $10) and 175,938 subscription warrants evidencing the right to subscribe for common stock.

Address—640 Temple Avenue, Detroit, Mich.

Business—Casualty insurance and surety and fidelity bonding.

Underwriting—No underwriters.

Offering—Company is offering to its stockholders of record Oct. 9, 1944, the right to subscribe to the new stock at $10 per share on the basis of one share of new stock for each share of common stock held. The rights will expire at 3 p.m. Oct. 27, 1944. Any shares of new stock not subscribed for by stockholders may subsequently be sold by the company direct.

Proceeds—Of the proceeds $10 per share will be allocated to the capital stock account.

Registration Statement No. 2-5477. Form A-2. (9-25-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 100,000 shares of investment trust—full certificates of participation, series "B-1."

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5478. Form C-1. (9-25-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 250,000 shares of investment trust—full certificates of participation, series "B-3."

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5479. Form C-1. (9-25-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 1,000,000 shares investment trust—full certificates of participation, series "K-1."

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5480. Form C-1. (9-25-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 200,000 shares investment trust—full certificates of participation, series "K-2."

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5481. Form C-1. (9-25-44).

KEYSTONE CUSTODIAN FUNDS, INC., has filed a registration statement for 1,000,000 shares investment trust—full certificates of participation, series "S-4."

Address — 50 Congress Street, Boston, Mass.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5482. Form C-1. (9-25-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund note. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. No underwriter named. Filed Aug. 8, 1944. Details in "Chronicle," Aug. 17, 1944.

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.

Bids for the purchase of the $30,000,000 bonds will be received by the company at room 2244, 2 Rector St., New York 6, N. Y. up to 12 noon EWT, Oct. 2. The successful bidder is to name the interest rate.

CENTRAL VERMONT PUBLIC SERVICE CORP. has filed a registration statement for 37,856 shares of 4¼% dividend series preferred stock, ($100 par). 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. Filed Sept. 7, 1944. Details in "Chronicle," Sept. 14, 1944.

The SEC on Sept. 22 conditionally approved the financing. Under the plan company proposes to offer at competitive bidding the 37,856 shares of preferred stock (par $100) including the handling of the exchange offer. The dividend rate on the new preferred is not to exceed 4½% and the initial offering price is to be not less than $102.50, nor more than $107 per share.

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).

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% cumulative series 2 preferred, par $100. To be sold to officers and employees of company and Curtiss Candy Co. and its subsidiaries. Price $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.

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. Price range 101 for 1945 maturities to 99.5 for 1960-64 maturities. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

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

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.

Bids for the purchase of the $31,500,000 1st mortgage bonds, series A 3% due 1974 will be received at the company's office, 49 Westminster St., Providence, R. I., up to 12 noon EWT Oct 2, 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.

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 Ang. 18, 1944. Details in "Chronicle," Aug. 24, 1944.

The directors Sept. 5 voted to direct the officers to formulate plans to invite competitive bids for the new bond issue.

Due to a decision of the N. Y. Public Service Commission that it has jurisdiction over the proposed issue, the company has decided to defer the issue temporarily.

Attractive Situations

Metal and Tremit Corp. and Lukens Steel Co. offer attractive situations according to recent memoranda issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York, Philadelphia and Los Angeles Stock Exchanges. Copies of these interesting memoranda may be obtained from the firm upon request.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

The partially tax exempt Government bonds continue to be exceedingly tax conscious and in the past week suffered another sinking spell with declines of 5/32s to 6/32s being registered during a single trading session on very light volume. . . . It was reported that the turnover in the bonds, during the decline, has been very moderate, although it is indicated that the amount of these securities available for sale is quite substantial, which means that while these obligations are overhanging the market no important change in trend is to be expected. . . .

It is definitely an "order market" with the dealers on the sidelines until some clarification is forthcoming in the tax situation. . . .

The recent decline in prices of the partially exempt Government bonds has carried most of these issues into new low levels for the year. . . .

UP TO CONGRESS

Some institutions feel that the publicity given to the various tax proposals, particularly with reference to changes in the normal and surtax rates will force the Congress to give this feature serious consideration when writing the new tax bill. . . . The Ruml-Sonne plan provides for a normal rate of 16% on undistributed earnings, with a 20% rate suggested by the Committee for Economic Development, while the Twin Cities plan allows for a 24% normal tax and 16% surtax, the same as we have now. . . .

It was pointed out, however, that the various tax plans submitted by the several groups are purely suggestions, which may or may not be followed by the Congress when a new tax bill is finally adopted. . . .

Nevertheless, in the interim, while tax matters are being widely discussed, as they should be, it was learned that certain institutions have been studying the market position of the partially exempt obligations for the purpose of finding a level beyond which these bonds are not likely to go, irrespective of the kind of a tax bill that may be adopted in the future. . . .

RELATIVE STUDIES

One of the studies that have been made has put the partially exempt bonds on the same basis as the taxable issues, that is the tax exemption features of the partially exempt obligations have been discarded for the comparison, and the partially exempt obligations are considered to be taxable issues. . . . The maturity date and not the call date is used in figuring the yield on the taxable bonds, in this study, since these issues with their low coupon rates are not believed likely to be retired at the earlier date. . . . For the partially exempt issues, the call date is taken as the maturity date since the coupon rate is high enough so that even as a taxable issue it could be readily refunded with a lower coupon obligation. . . . An example of this is indicated in the following:

	Recent Price	Yield to Call Date
Taxable—2% due 6-15-1951-49	101 29/32	1.58%
Partially tax exempt 2¾% due 6-15-1954-51	108 18/32	1.41

The yield on the taxable 2% bond to maturity at the price of 101 29/32 is 1.70%. . . . A yield of 1.70% for a 2¾% bond due in 1951 is equivalent to a price of 106 21/32. . . .

This price compares with the recent price for this obligation of 108 18/32 which means that a further decline of one point and 29/32 would put the partially exempt security on the same basis as the taxable issue. . . .

Another illustration used is given below:

	Recent Price	Yield to Call Date
Taxable—2% due 9-15-1951-49	101 28/32	1.61%
Partially tax exempt 3% due 9-15-1955-51	110 12/32	1.43

The yield to maturity for the taxable 2% bond at 101 28/32 is 1.71%, while a yield of 1.71% for a 3% bond due in 1951, gives a price of 108 20/32. . . . In other words the 3% partially exempt issue would have to make a downward adjustment of one point and 24/32 to be on a comparable basis with the taxable obligation. . . .

For the longer term bonds the comparison used was:

	Recent Price	Yield to Call Date
Taxable—2¼% due 6-15-1955-52	102 8/32	1.93%
Partially tax exempt 2⅞% due 3-15-1960-55	111 10/32	1.69

The yield to maturity for the taxable 2¼% at the price of 102 8/32 is 2.02%.

The price equivalent of a 2.02% yield for a 2⅞% obligation due June 15, 1955, is 108 7/32, while the price to the actual maturity date of March 15, 1955, is about 108 2/32. . . . While some allowance could be made for the three months difference in maturity of the two issues of from 3/32 to 4/32 in favor of the shorter maturity, this was not given consideration since the lowest price at which the partially exempted bonds might sell was what was being determined. . . .

Thus it is indicated that the 2⅞% bonds would have to decline to the extent of 3 points and 8/32 to be on a basis comparable to the taxable issue. . . .

It was pointed out that this comparison shows the lowest levels at which the partially exempt bonds are likely to sell with the complete elimination of all the tax advantages, that these obligations still have, and which may not be completely done away with for a considerable period of time, if at all. . . .

POSSIBLE PRICE LEVEL

With the lower limits set for the possible decline in the partially exempt issues, and these levels are considered deflated ones, holders of these issues are now in a position to decide their future course of action. . . . It is indicated that those who have purchased the partially exempt bonds below the probable levels of deflation will continue to hold their bonds because of the very desirable income they receive, as well as the still important tax protection. . . .

It is believed in some quarters that the major part of the decline in the partially exempt obligations has already taken place, and it was reported that several institutional buyers are watching the market for this type of obligation very closely, in order to make purchases of these issues if they should have further sinking spells that might carry them down sharply from present levels. . . .

The belief is held among these institutions that tax revisions will not be made so rapidly as to completely change overnight the present tax structure and it may be that important tax legislation will not be forthcoming until the ending of the war with Japan. . . .

CAPITAL AND DEPOSIT RATIO

A check recently made with some of the smaller commercial banks, outside of the metropolitan area, indicates that these institutions have sold out practically all of their partially exempt obligations at prices well above those presently prevailing. . . . Several of these institutions have reported that because of the declining ratio of capital funds to deposits and the loss of some deposits due to the curtailment of war industries in their territory, they liquidated the major part of their holdings of the partially exempt issues, during the earlier part of this year, in order to cut down on the premium account. . . .

It was stated that tax protection to these institutions was not as important as the high prices then prevailing, which afforded these banks an opportunity to practically eliminate their premium accounts. . . .

DEALER OPINION

One of the government bond dealers has been advising the sale of the Treasury 2% due June 15, 1949/51 @ 101 27/32 and the 2% due Dec. 15, 1949/51 @ 101 25/32 and the purchase of the 2% due Sept. 15, 1953/51 @ 100 25/32. . . . It was pointed out that price appreciation possibilities over the next year are considered better in the 2% due Sept. 15, 1953/51, while withdrawal of premium may be made with the same coupon income retained. . . . The exchange into the 2% due 1953/51 would permit a withdrawal of premium of one point and 2/32 in the case of the 2% due June 1951/49 and one point in the case of the 2% due December 1951/49. . . .

It is expected that the price of the 2% due 1953/51 will move upward toward that now shown for the 2% due June, 1951/49.

Paul Young Joins Reagan Co. Staff

(Special to The Financial Chronicle)

PASADENA, CALIF. — Paul Young has become associated with Reagan & Co., Inc., 575 East Green Street. Mr. Young was formerly Vice-President of Leo G. MacLaughlin Co. Prior thereto he was with Conrad, Bruce & Co., and Revel Miller & Co. in Los Angeles.

New York Analysts to Hear

At its meeting scheduled for today, Sept. 28th, the New York Society of Security Analysts will hear Louis Ruthenburg, President of the Servel Corporation.

The meeting for Friday, Sept. 20th, will feature railroads, under the auspices of Pierre Bretey.

Stoker Attractive

G. A. Saxton & Co., 70 Pine Street, New York City, have prepared an interesting memorandum on recent developments affecting favorably Standard Stoker Co., Inc., indicating how essential stoker equipment is to the operation of modern railways. Copies of this memorandum and a circular discussing the situation in New England Power Association 6% cumulative preferred stock may be had from the firm upon request. Also available on request is the September issue of G. A. Saxton & Co.'s "Preferred Stock Guide."

Rails Look Good

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared a detailed memorandum discussing the present situation in rails and outlining their reasons for a bullish outlook for the carriers. Copies of this memorandum and a circular reviewing the Baltimore & Ohio situation may be had upon request from Vilas & Hickey.

INDEX

Siegel To Be Leopold Partner

As of October 7th, the present partnership of James M. Leopold & Co., 64 Wall Street, New York City, will be dissolved and a new partnership will be formed consisting of James M. Leopold, member of the New York Stock Exchange, and William Siegel.

Southwest Natural Gas Situation Of Interest

Edward A. Purcell & Co., 65 Broadway, New York City, members of the New York Stock Exchange, have prepared a circular on the Southwest Natural Gas Company. Copies of this interesting circular may be had from the firm upon request.