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Imperial Preference And Other Factors In Post-War Trade With The British Empire

By THOMAS R. WILSON*
Chief, British Empire Unit,
Bureau of Foreign and Domestic Commerce

Commerce Department Official Contends That Unfavorable International Financial Position Of United Kingdom "Will Make It Quite Impossible For Them To Give Concessions In Commercial Policies Without A Quid Pro Quo." Finds Also That Preservation Of "Sterling Area" And Existence Of The Blocked Balances Are Other Obstacles To Preference Removals. Reminds Us That All Of These Balances Are Not Abnormal For Prior To War These Areas Maintained Sterling Balances In London Of Appproximately £250,000,000 Representing Currency Reserves And Normal Working Balances.

A survey of the American press and a summary of many recent public addresses leads one to the conclusion that the United States is lagging behind the United Kingdom in post-war planning. According to many of these writers and speakers the British blueprint for the post-war world is complete on major lines and only

Thomas R. Wilson

*Speech delivered by Mr. Wilson before the Foreign Trade Clinic on the British Empire, Los Angeles Chamber of Commerce on Sept. 15, 1944.

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Dangers Ahead In Banking

By A. L. M. WIGGINS*
Retiring President, American Bankers Association
President, Bank of Hartsville, Hartsville, S. C.

Retiring ABA Executive Calls Attention To Growing Threats To Individualism Arising Out Of Technological Developments And Government Action. He Sees Danger In A Continuation Of Deficit Financing — In Use Of Public Funds As Benefit To Special Classes—And In Government Competition With Private Business. Holds Solution Is A Proper Balance Between Freedom Of Action And Government Dictates And Condemns Particularly The So-Called Streamlined, Unified, Federalized Single System Of Banking That Operates Under The Sole Jurisdiction Of One Bureau Or Agency As Leading To The Use Of Banking Resources For Social And Political Objectives.

A. L. M. Wiggins

The rising crescendo of the war in Europe indicates its early ending. This imposes the urgent necessity upon us to face calmly, realistically, and courageously, the situation both nationally and internationally that is now before us. The moving events of world history and of national life in this country within recent years make difficult a current appraisal. A correct analysis of the problems ahead requires the recognition of the world revolution that has

*An address by Mr. Wiggins before the First General Session of the Second War Service Meeting, American Bankers Association, Chicago, Ill., Sept. 26, 1944.

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AMERICAN BANKERS ASSOCIATION HOLDS 70th ANNUAL MEETING

W. Randolph Burgess Elected President At War Service Meeting In Chicago; Other Officers And Division Officials Chosen At ABA Sessions.

Warren Randolph Burgess, Vice-Chairman of the Board of the National City Bank of New York, was elected President of the American Bankers Association at the closing general session of the Second War Service Meeting held in Chicago September 25, 26 and 27. Mr. Burgess succeeds A. Lee M. Wiggins, President of the Bank of Hartsville, Hartsville, S. C., as head of the A. B. A.

Other officers elected were: Frank C. Rathje, President of the Chicago City Bank & Trust Company and of the Mutual National Bank of Chicago, Vice-President. Wilmer J. Waller, President of the Hamilton National Bank of Washington, D. C., was re-elected

W. R. Burgess

Frank C. Rathje

Wilmer J. Waller

Treasurer of the Association at the meeting of the Executive Council. Mr. Waller had completed one term as Treasurer.

The members of the Association conferred on problems facing the country in the post-war era, and discussed matters of national and international fiscal policy. (Reports of the speeches at the meeting by prominent figures in international and national finance will be found elsewhere in the "Chronicle," which regrets that because of severe space limitations it is not possible to include all in this issue. It is hoped that in future issues it will be possible to print these also).

Meetings of the Association's

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Bank Investments

By DR. MARCUS NADLER*
Professor of Finance, New York University
Economist, Central Hanover Bank and Trust Company, New York

While Contending That From The Standpoint Of Liquidity And Soundness, Banks Are In A Stronger Position Than Ever Before, Dr. Nadler Points Out That Large Holdings Of Government Securities May Create Danger Of Political Control Of The Banks. To Avert This, He Urges Bankers To Adopt Measures To Aid Treasury Refunding Operations, To Assist In Keeping Interest Rates Low, And To Meet Aggressively All Legitimate Loan Needs Of Their Customers. He Advocates A Program To Educate The Public On The Essential Role Banks Play In The National Economy.

From the standpoint of liquidity and soundness of their loans and investments the banks today are in a stronger position than perhaps ever before in the history of the country. A large percentage of the earning assets of the banks consists of government securities well diversified as to maturity to meet the requirements of the individual institution. However, the facts that a very large portion of the investments of the banks consists of government securities and that at the end of the war their holdings of these obligations are bound to increase further, have created a danger, not so much economic as political in character, which the banks ought to consider now and combat with every measure at their disposal.


Dr. Marcus Nadler

At the end of hostilities the public debt of the United States may amount to about 300 billion dollars, entailing a debt service of about 6 billion dollars per annum. Undoubtedly efforts will be made to alleviate the debt burden through sleight of hand measures primarily at the expense of the banks. The suggestion has already been made that after the war the Government turn over to the banks in exchange for their gov-

*An address by Dr. Nadler before the Second War Service meeting of the American Bankers Association, Chicago, Ill., on Sept. 25, 1944.

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Dunne & Co. Adds R. S. de Mitkiewicz

R. S. de Mitkiewicz, formerly with the War Department, has become associated with Dunne & Co., 25 Broad Street, New York City, in their new business department. In the past Mr. de Mitkiewicz was in the institutional service department of Baker, Hughes & Treat.

New Abraham Dept. Under Sidney Winters

Abraham & Co., 120 Broadway, New York City, members New York Stock Exchange, announce that they have established a Department of Research in Public Utilities under the management of Sidney R. Winters.

Reconversion And Air Power

By WILLIAM A. M. BURDEN*
Assistant Secretary of Commerce

Government Aviation Expert Points Out The Serious Problems Facing The Aircraft Industry When War Ends —There Will Be The Difficulties Of Surplus Plants, And Contract Terminations—Holds That Despite Our War-time Achievements We Are Only In The Early Stages Of Aircraft Development And Expresses Fear That Surplus Planes Will Retard Aviation Growth As After Last War —Urges Maintenance Of Adequate Air Force, A Continuation Of Research, Expansion Of Domestic And Foreign Air Transportation And Training Of Flyers

There is no magic formula which will sugar coat the hard facts of reconversion. The waste of war with its inevitable destruction of wealth will be with us while we build the peace. We will be paying that bill for a long time no matter how wisely we reconvert our facilities or salvage our useable surpluses.


Wm. A. M. Burden

One of the most troublesome aspects of the aircraft reconversion problem is the public's inadequate comprehension of just how serious a dilemma the industry faces.

Americans readily believe that we are living in an Air Age. The demonstrations of Air Power that are occuring each day in Europe and the Pacific would convince them of that if they needed convincing.

They know, too, that thousands and even millions of men and women will want to fly after the war. They have heard that public opinion surveys show that a significant number of our citizenry want to own and operate a plane. Finally, many if not most of us are convinced that Air Power will be the major future safeguard of our national security.

But, the public does not realize that the wonderful promises of

*An address by Mr. Burden before the Dinner Meeting of the National Industrial Conference Board, Waldorf-Astoria Hotel, New York City, Sept. 21, 1944.

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Education Of Investors Is Advocated

PHILADELPHIA, PA., Oct. 3.—A group of representatives, upon the invitation of the Securities and Exchange Commission, met here today for the purpose of considering an educational campaign which would protect the $21,000,000,000 of liquid funds and securities now owned by the public.

This program, it was declared, is intended to instruct the public marketwise and make the investor less vulnerable to the schemes of dishonest dealers in securities.

The meeting was called to order by Ganson Purcell, Chairman of the Securities and Exchange Commission, who, after reading from a prepared speech of welcome (given further below) setting forth the purposes, turned the chair over to James A. Treanor, Jr., Director of the Commission's Trading and Exchange Division.

Public Advised To Hold "E" Bonds

The consensus of opinion of those present was that owners of Government "E" Bonds should hold those securities because a general turn to immediate redemption would present to our Government the prompt need for issuing new securities out of the proceeds of which "E" Bonds could be paid, and for the further reason that in the opinion of the conferees, these bonds constitute the safest investment for the public.

Bernard Reis, for the American Investors Union, contended that the program of education, as it related to the retention of Government securities, was one for the Treasury Department.

Mr. Treanor said the field was considerably larger since many billions in liquid assets were in banks and in investments rather than Government bonds.

Emil Schram, President of the New York Stock Exchange, reported that his organization had been carrying on an educational program for some time.

Unwarranted Suspicions To Be Avoided

For the Securities Dealers Committee, Messrs. Edward A. Kole and Abraham M. Metz urged that education of the public is always desirable. They contended that the securities enforcement agencies appeared as special pleaders in this conference. In their opinion, education had better be left to the Treasury Department and the National Association of Better Business Bureaus, which guards against all types of fraud. Mr. Kole also indicated that he felt there was danger of creating suspicion in the public mind regarding the integrity of dealers, thereby interfering with the raising of capital in the post-war era and the creation of employment opportunities. A similar warning was voiced by

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Spending Or Saving Our Way To Post-War Prosperity

By RUSSELL WEISMAN*
Associate Editor, Cleveland Plain Dealer, Cleveland, O.

Newspaper Editor Condemns The Wide Acceptance Of The Economic Philosophy That Spending Rather Than Saving Is The Way To Prosperity, As Exemplified By The Federal Government's Spending Policy Of The Last Decade. He Urges Immediately The War Is Over A Policy Of Savings As Against Spending By Both Government And Individuals Be Adopted. Maintains That Issue Of Series E Savings Bonds As "Demand Obligations" Tends To Create An Enormous Burden Of Floating Debt And Threatens The Post-War Economy. Favors Higher Interest Rates And Long Term Bonds As An Encouragement To Thrift.

Your committee in charge of program asked me to address my remarks to the question: Shall we spend or save our way to a sound post-war prosperity?


Russell Weisman

If this were the last session of the convention, or war conference, instead of the first, I should suggest that we change the title to: Shall we sober up or remain intoxicated?

However we phrase the title of these remarks it is appropriate for your group, composed largely of savings bankers, to give some thought to the processes by which what we hope will prove a sound post-war economy shall be created.

In a period of plans and planners certainly it is in order for savings bankers and, in fact, for all bankers to give serious consideration to the means by which they can plan best for themselves,

*An address by Mr. Weisman before the Savings Division at the Second War Service Meeting, American Bankers Association, Chicago, Ill., Sept. 25, 1944.

(Continued on page 1475)

"A People's Peace"

By HON. BURTON K. WHEELER*
U. S. Senator from Montana

Democratic Senator Scores Secret Diplomacy And Advocates Federation Of European States As Best Guarantee Against U. S. Involvement In Their Affairs. Urges More Control By Congress Over Foreign Policies.

The problems we face today are alarmingly serious. For that very reason we need to focus public attention on them. There is altogether too much pontifical talk about world affairs as if they were on some plane above the heads of ordinary Americans. A reading of history brings us the reassurance that there is really nothing new under the sun—that men have repeatedly had to grapple with all the problems that trouble us today.


Burton K. Wheeler

To deal with our problems it is not necessary to throw up our hands and admit the whole subject is beyond the comprehension of the ordinary man and woman.

Many of those who are instructing the American people have adopted a new formula. In ringing phrases they tell us what we MUST do. Their whole technique is a series of clever catch-words—such as:

"The fangs of the aggressors must be drawn."

"America must maintain peace and justice."

*A radio address by Senator Wheeler over the Columbia network on Sept. 26, 1944.

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"Post-War Employment, Flexible Costs And Profits"

We give herewith some more comments received in connection with the article "Post-War Employment, Flexible Costs and Profits," by Elisha M. Friedman, Consulting Economist, which appeared in our issue of Aug. 10. Among Mr. Friedman's recommendations was the adoption of a flexible wage structure and application by industry of the profit-sharing principle with employees. A number of expressions elicited by the article were given previously in our issues of Sept. 21 and Sept. 28.

W. HARNISCHFEGER
President, Harnischfeger Corp., Milwaukee, Wis.

I have read, with considerable interest, the article entitled "Post-War Employment, Flexible Costs and Profits," by Elisha M. Friedman, and I agree, substantially, with most of the reactions contained therein.


W. Harnischfeger

I quite agree that flexible payrolls are very important in order to keep business on an even keel, and I believe this is particularly vital as far as the heavy machinery industry is concerned.

Personally, I am somewhat dubious about the outcome of the many frozen labor contracts, as I believe there will be some reaction not anticipated at the time these agreements were signed.

As the matter of taxation has considerable bearing on costs, I believe prompt attention should be given to revising the tax program to enable industry to produce at a profit of sufficient proportion to enable it to expand into new lines, thereby taking up whatever slack there might be in the regular lines. The Renegotiation Act, which is confiscatory in practice, is one of the great obstacles in the matter of insuring steady employment. Its effect is to retard progress, and as a result will bring about unemployment.

There seems to be some activity at the present time in the matter of expanding Social Security. Here, again, I believe this will result in increased costs which will hinder the natural resumption of activities thereby, automatically, adversely affecting employment.

It appears we are headed in the direction of a planned economy. If we want the capitalistic system to survive, which means a free economy, a great deal of the legislation enacted in recent years will require rationalizing.

O. J. LACY
President, California-Western States Life Insurance Co., Sacramento, Calif.

We agree with Mr. Friedman that a flexible wage plan coupled with profit-sharing and a tax system to encourage risk taking will do more to encourage a balanced economy than all of the patent-medicine nostrums recommended by parlor economists who have never had to meet a payroll, and who do not realize that there is such a thing as a balance statement.

Pouschine In Research Dept. Of Cohu & Torrey

Cohu & Torrey, 1 Wall Street, New York City, members New York Stock Exchange, announce that Ivan Pouschine has become associated with them in their research department. For the past eight years Mr. Pouschine has been connected with Wainwright & Co., as analyst and economist, and previous to that time he was with Bonbright & Co.

Now Fred. Robinson & Co

The firm name of Robinson, Miller & Co., Inc., 52 William Street, New York City, has been changed to Frederick S. Robinson & Co., Inc.

Paul Andersen Is C. J. Lawrence Partner

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, announce that Paul C. Andersen has been admitted as a general partner in the firm. For the last two years he has been head of the firm's research department. Mr. Andersen was associated with R. W. Halsey & Co., Incorporated, from 1926 to 1941, when he formed a partnership with Ralph W. Halsey under the name of Halsey, Andersen & Co. This partnership was dissolved at the time Mr. Andersen joined Cyrus J. Lawrence & Sons in 1942.


Paul C. Andersen

Admission of Mr. Andersen to partnership in the firm was previously reported in the "Chronicle" of Sept. 21.

Internal Auditors 3rd Annual Conference Opens On Oct. 8

The third annual conference of The Institute of Internal Auditors will open at the Hotel Roosevelt in New York on Sunday evening, Oct. 8, and will continue through Tuesday, Oct. 10. Representative of the gathering will be prominent executives in the industrial, banking and insurance, public utility and accounting fields.

A reception will be held on Sunday afternoon and will be followed on Monday evening by the Third Annual Dinner at which William H. Garbade, President of the Institute and Assistant Treasurer of the Shell Oil Company, Incorporated, will preside. Jack Nichols, Vice-President in charge of international development of the Transcontinental & Western Air, Inc., who will be the guest of honor, will give particular and general significance to his views on "International Aviation."

In following sessions, papers will be read by prominent men of industry and finance and discussion will take place on The Modern Internal Department in Operation, War Contract Termination, and various other subjects relating to Internal Auditing and post-war problems.

Alan Lauckner, First Vice-President of the Institute and Assistant Vice-President of the Central Hanover Bank and Trust Company of New York will be the general chairman of the Conference, with Phillips C. Salman, a director of the Institute and General Auditor of the Socony-Vacuum Oil Company, Inc., of New York, vice-general chairman.

C. A. Alberts Member Of NY Security Dealers Ass'n

At a meeting of the Board of Governors held on Sept. 28, 1944, Chester A. Alberts, C. A. Alberts & Co., New York, was elected to membership in the Association.

Brownhoist Interesting

Industrial Brownhoist first preferred offers interesting possibilities according to a new analysis being distributed by Gillis-Russell & Co., Union Commerce Building, Cleveland, Ohio. Copies of this study may be had from the firm upon request.

Post-War Real Estate Prospects

By LLOYD E. LUBETKIN

Writer Contends That Because Large Cities Will Increase in Population After The War,, And Because High Materials And Labor Costs Will Retard New Construction, There Will Be Shortages Of Houses And Office Space. He Also Holds That Because Of The High Yields On Real Estate Bonds, Contrasted With The Low Returns On Other Securities, Insurance Concerns And Other Investors Will Purchase Them, And That At Present Excellent Opportunities Present Themselves To The Intelligent Investor For Real Value, Sound Security And High Yields Which May Never Again Present Themselves.

One must take into consideration that there has been practically no construction of office buildings, hotels or apartment houses in any quantity since 1929 in New York City. In fact, practically none in the entire country. During the past 15 years, we have had a tremendous amount of activity and growth throughout the United States; we have seen sales of merchandise of all types leap to new highs. Since Pearl Harbor, we have seen approximately $11\frac{1}{2}$ million men inducted into the armed forces of the United States. These men came from all walks of life and from all parts of the country. It is an obvious conclusion that the majority of these men came from small towns. As part of their training and prior to their being shipped to foreign shores, they have had an opportunity to see many of the larger cities of the United States which they have never seen before. In fact, most of them had never been out of the towns in which they were born. One reasonable conclusion must follow, and that is a certain percentage of these men will come back with the desire to live in our larger cities, as they undoubtedly will feel that opportunities exist for future wealth in the larger cities, much more so than in the small towns in which they were born.

Lloyd E. Lubetkin

I firmly believe that this reshuffling of population will add either to the urban and suburban population of our large cities,

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Classes Offered In Marine Piloting

The United States Power Squadrons are giving free classes in piloting and small boat handling at the Downtown Athletic Club, 19 West Street, N. Y. City, beginning Oct. 16. These classes are open to all and are conducted free of charge.

Some of the subjects covered are: equipment and lights for all types of vessels, rules of the road at sea, seamanship, safety at sea, the mariner's compass, aids to navigation, charts and piloting.

Further information may be obtained from Paul S. Morton, Peter P. McDermott & Co.

S. H. Cunningham To Open Own Offices

BOSTON, MASS.—S. H. Cunningham will open offices in Boston to engage in the investment business, it is reported. Mr. Cunningham was formerly Vice-President of Equitable Management Corp. Prior thereto he was President of S. H. Cunningham Corp. and was an officer of General Investors Corp. and The Parker Corporation.

G. I. Griffin Opens Office In Raleigh

RALEIGH, N. C. — George I. Griffin is now acting as dealer in industrial, municipal investment trust, local and over-the-counter securities from offices in the Insurance Building. Mr. Griffin was previously vice-president of McAlister, Smith & Pate, Inc., and Barrett, Herrick & Co., Inc.

Commercial Banking After The War

By E. A. GOLDENWEISER*
Division of Research and Statistics,
Board Of Governors Of The Federal Reserve System

Federal Reserve Statistician States That Because Banks Will Continue To Hold Large Amounts Of Government Debt He Is Convinced That Bank Deposits Will Stay At A High Level. Does Not Expect Extensive Regional Shifting Of Deposits And Holds There Will Be No Pressure For Liquidation Of Bank Assets As After Last War. Sees Continuation Of Present Level Of Interest Rates.

As our armed forces press closer to victory, bankers are asking themselves what problems the future will hold for them. They will emerge from the war with deposits in excess of any amount that could have been imagined a decade ago and with portfolios in which Government securities predominate. Will deposits fall off sharply after the war is over, and what will be the position of bank assets? I am convinced that deposits wil stay at a high level for many years after the war, perhaps indefinitely, and that Government securities will always be prime investments.

E. A. Goldenweiser

The principal reason for the tremendous wartime growth in deposits is the large amount of money we have had to spend in fighting the war and the extensive purchase of Government securities by banks. In the four years since the beginning of the defense effort, the Government has spent 223 billion dollars, much more than any government has previously spent in a decade or even a much longer period. This 223 billions, plus an increase in the Treasury's cash balance, came from 87 billions of taxes, 89 billions borrowed from individuals and nonbanking institutions, and 64 billions borrowed from banks. The 64 billions borrowed from banks has resulted in a corresponding increase in bank depos-

*Based on an address by Mr. Goldenweiser before the Illinois Bankers Association in Chicago, Ill., and reprinted from the Federal Reserve Bulletin, September, 1944.

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Gilbert Stanley With Merrill Lynch Firm

Gilbert Stanley has joined Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading National Exchanges, where he will be concerned primarily with the firm's underwriting business. Mr. Stanley was formerly Assistant Treasurer of Metropolitan Life Insurance Company, and for the past 10 years has supervised its industrial investments.

Hawkins Elected V.-P. Of J. B. Roll & Co.

J. B. Roll & Co., Inc., 1 Wall Street, New York City, dealers in U. S. Government securities, announce the election of Russell S. Hawkins as a vice-president. He has been associated with the organization as a contact man since February, 1943. Prior to that Mr. Hawkins headed his own firm, Hawkins & Co., and before that he was a director of R. W. Proctor & Co.

"Free Cash"

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared a tabulation of estimated "free cash" of the solvent railroads which is particularly interesting in view of the refunding railroad deals under contemplation. Copies of this tabulation may be obtained from Vilas & Hickey upon request.

Also available to brokers and dealers is a letter discussing the puzzling public perspective on rail values, institutional and public appraisal of which the firm feels is inconsistent.

Attractive Situations

Common and 6% cumulative convertible preferred of the American Bantam Car and Panama Coca-Cola offer attractive situations according to circulars issued by Hoit, Rose & Troster, 74 Trinity Place, N. Y. City. Copies of these circulars may be had from the firm upon request.

Real Estate Securities

By JOHN WEST

Bond Prices Continue On The Uptrend—Increased Property Earnings And Improved Realty Conditions Having Favorable Effect.

On July 30, 1943, in this column, the writer made the following statement: "The coming boom should be in Real Estate Bonds."

Current prices compared with prices of that day have justified the prediction. Considering the low dollar prices of the securities, the rise in price percentage-wise has been quite large.

Earnings, likewise, have had a tremendous rise, indicating that there may still be more room for price appreciation of the various securities.

During 1943 various articles dealt with specific issues, giving brief outlines of the properties securing the bonds and reasons why we believed that price appreciation would follow. We believe that the following table is interesting, it shows the bid price at the time the issue was specifically mentioned and the current bid price. We still feel that in the light of existing conditions, prices will go higher.

	Bids 1943 Date	Bids 1944 Current
Herald Square	63	84½
2 Park Avenue	54	74
Textile Building	28	41
Hotel Lexington	61	85
N. Y. Title C-2	35	47
National Towers	43	81
1400 Broadway	43	55½
Hotel Governor Clinton	33	61
870—7th Avenue	34	59
St. George Hotel	50	57½
475—5th Avenue	40	56
60 East 65th (Mayfair House)	30	46
Albany Metropolitan	86	95
Beacon Hotel	16¾	26
Hotel Drake	44	50
Sherneth Corp.	28½	38
N. Y. Title Series F-1	58	63½
Savoy Plaza	40½	56¾
London Terrace	43	56½

Post-War Banking Problems

By PRESTON DELANO*

Comptroller Of The Currency

National Bank Supervisor Says War Has So Shaken Our Economy That We Must Emancipate Ourselves From The Deadwood Of The Past. He Outlines Principal Post-War Banking Problems As (1) Holding Within Proper Limits The Demand For Consumers' Durable Goods Until Reconversion Is Accomplished; (2) Raising Bank Capitalization To A Higher Ratio To Deposits; (3) Providing Returning Veterans With Loans; and (4) Providing Enlarged Credits To Industry And Agriculture To The Extent That "Will Require An Ever Diminishing Amount Of Support From Federal Or State Authorities."

It is with a great deal of interest that I come to meet with the National Association of Supervisors of State Banks this Autumn of 1944. It seems to me it is a particularly pertinent time for us to foregather for a discussion of our responsibilities in the field of bank examination and supervision. The pace of things is swift indeed. Since we met for counsel a year ago there has developed a deeply satisfying change in the war situation. The armies of the Allied Nations are everywhere successful, and the crescendo of this success is now rising to such an extent that we may conservatively look forward to an early elimination of those vicious forces which threatened to engulf us.

Preston Delano

We now look forward to peace. Nothing could be more welcome than this peace and the opportunity which it gives us to turn our thought and effort toward building up a civilization which at one time it seemed we could entirely lose.

Yet this peace brings with it adjustments and problems which will require high qualities for their solution, and which concern all of the elements of our complex economic and social life. It is, of course, obvious that these adjustments and problems reach into the financial field in which we are primarily interested. Let us not underestimate the extent and the depth of the change with which we are confronted in this impending transition from war to peace.

Never has the world so organized itself for the exclusive business of war as it has in this totalitarian struggle which was forced upon us by these mad men of Germany and Japan; never has there been such a complete and violent change in the whole economic organization of these United States. This metamorphosis from peace to war was made under the compelling necessity of compressing great changes into a minimum of time—with the enemy already on the march. With what expedition, and how well it was accomplished, the world acknowledges today. It is one important reason why the Allies stand on the threshold of success.

The road back to peace from this intense and close organization for war will lack the stimulus and the emotional urge which carried us forward into hostilities. We need to find a "moral equivalent" for the glamour and exciting tension which makes all things possible when our borders are threatened. Into this transition from war to peace we may now expect to find the clash of opinion, the conflict of economic theories, the selfishness of partisan groups and all those frictions which are temporarily submerged in the common effort during external conflict.

Because this war has laid such a malignant hand upon the lives of all men we must reconcile ourselves to the fact that we are not simply going back to the world as we knew it. It has been shaken too badly, and all who are concerned with the major processes of its economy, as we are, must do original thinking. We must emancipate ourselves from the dead wood of the past; we must invent new wisdom for a new age.

Banks are the nerve centers of commerce and business, and the banking structure in its entirety is an indissoluble part of any economy, whether it be free or controlled. If we were not conversant with the stimulating history of banking throughout the many years in which it has grown and become an integral part of our everyday existence, we might well doubt its capacity to meet the test of this reconversion period. Certainly its leaders will require all the fibre which has distinguished their predecessors. But it is reassuring to look back for a minute and think how well banking as an institution has sur-

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*An address made by Mr. Delano before the National Association of Supervisors of State Banks at Milwaukee, Wis., Sept. 28, 1944.

Dr. W. A. Irwin Named Economist Of ABA

Appointment of Dr. William A. Irwin as economist of the American Bankers Association is announced. In addition to assuming the post of A.B.A. economist he will continue as National Educational Director of the American Institute of Banking, the educational section of the Association.

William A. Irwin

Dr. Irwin came to the Institute seven years ago from Washburn College at Topeka, Kansas, where he headed the economics department for 16 years.

Of Scotch-Irish descent, Dr. Irwin received his early education in Scotland and his higher education in Canada at McGill and Queen's Universities. He took both his B.A. and M.A. degrees at Queen's. Upon receiving his master's degree at Queen's University in 1921, he was appointed head of the economics department at Washburn College. Along with his teaching activities there he studied law and received the degree of LL.B. in 1934. In addition to his instructing in economics at Washburn he taught money and banking, corporation finance and commercial law in the college and in American Institute of Banking chapters at Kansas City and St. Joseph, Missouri.

Dr. Irwin is assistant director of The Graduate School of Banking of the American Bankers Association and a member of its economics faculty, a member of the Association's Public Relations Council, and the board of trustees of its Educational Foundation in Economics.

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.

Trade Bank Elects Somlo Vice-President

Charles Somlo, well-known in banking and foreign trade circles, has just been elected a Vice-President of the Trade Bank and Trust Company, New York.

Charles Somlo

In making the announcement, Henry L. Schenk, the bank's President, described the acquisition of Mr. Somlo's services as part of the bank's plans to begin developing its facilities to handle post-war trade with other countries.

Mr. Somlo is a former Vice-President of the Manufacturers Trust Company, New York. He has also been senior partner of the firm of Charles Somlo and Company, New York. He comes to the Trade Bank from the United States Treasury Department with which he was connected in Washington for several years.

Public National Attractive

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

Tomorrow's Markets Walter Whyte Says—

Approach of some stocks to old highs is harbinger of new general market move. But temporary interim reaction can occur. Basic action still bullish.

By WALTER WHYTE

For the last few days the market hasn't done much of note except mark time. But underneath the apparent dullness individual stocks and at least one group, the airplanes, have advanced nicely. In some cases the advance has brought stocks to new highs.

* * *

On the news front the peace talks which seemed to dominate everything a couple of weeks ago have died aborning. It now seems that victory in Europe is not just around the corner, as general opinion would have had you believe a while back. For instead of fighting dying down on the Continent it now has flamed anew. And the statements that peace in that theatre of the war will come before the snow flies seem to have given way to no peace until the summer or winter of 1945.

On the political front there is little change. Both sides take credit for everything and blame each other for all the mistakes. Based on various public opinion polls it doesn't look as if either side will have an easy time of it.

The market obviously hasn't made up its mind on what the political or the immediate fortunes of war will be. It still veers around from time to time. But the drift towards higher prices seems more and more apparent with each session. Whether this drift forecasts a change in the political front is unknown. It may indicate a more lenient policy or it may indicate nothing of basic importance. But whatever it is the answer seems to be that higher prices are in store.

Last week's column indicated the possibility of a minor setback. Up to this

(Continued on page 1502)

The Securities Salesman's Corner

By JOHN DUTTON

The SEC's New Plan To Protect The Investor

On Tuesday of this week the investment banking and securities business was treated to another SEC conference. This time it was a conference to lay plans for educating the great public so that they could recognize "crooks" in the securities business.

The various organizations in the securities business who sent representatives to this conference couldn't do anything else. If they whole business. It's just another SEC brainstorm. It casts an indirect reflection upon the securities business by bringing to the attention of the public, that if there is any business about which they should be suspicious IT'S THE SECURITIES BUSINESS. It's raking up the dead past, it's adding insult to injury and making it even more difficult for the conscientious securities salesman to gain the confidence of investors and the general public by reminding them that wolves sometimes walk around in sheep's clothing.

The various organizations in the securities business who sent representatives to this conference couldn't do anything else. If they had ignored the SEC's invitation to come to this conference they would have been subject to criticism on the score that they do not have the public's interest at heart. Such is the power of the little bureaucrats today, that even for such an empty gesture as this whole business will prove itself to be — the "boys who make the law, who enforce the law and who are the law" just whistle and Wall Street runs to Philadelphia.

If there are not enough laws now to protect the public—if all the State laws, State securities commissions, better business bureaus, NASD's and the SEC itself have not sufficient power and authority to keep the small percentage of dyed in the wool swindlers from fattening up on the gullible public in the years to come, then how in the world can they ever have enough power and authority to do so? Education is not the answer if you are going to educate the public in learning how to tell when a swindler is a swindler. ANY SECURITIES SALESMAN WHO KNOWS ANYTHING ABOUT SELLING COULD TELL THE SEC WHY PEOPLE GET SWINDLED AND IT'S NOT BECAUSE THE SWINDLER IS SO SMART AND HE WHO GETS HORNSWOGGLED IS SO DUMB. IT'S BECAUSE THERE ARE CERTAIN PEOPLE IN THIS WORLD WHO THINK THEY CAN GET SOMETHING FOR NOTHING. They are the ones that the securities salesman who works for a reputable firm can never sell because they want 20% and the security of Government bonds at the same time. They are the ones that pass up sound investment advice and believe that they can have their cake and eat it too.

There is a need for education of the investing public along the lines of sound investment principles, and in gaining a better understanding of the economic system under which our nation has achieved the highest standard of living on earth. This type of educational campaign would be worthwhile, but it is doubtful if any New Deal bureau would ever initiate such a program. Based upon the record so far, sound economic policies are about the last thing that existing governmental agencies would ever advocate.

Railroad Securities

Even those among the railroad analysts who are inclined to adopt a most conservative attitude towards the outlook for railroad securities (particularly speculative issues) during the reconversion period to follow the end of the war are impressed with the prospects for the Missouri Pacific 1st & Refunding Mortgage bonds which have recently been selling in the neighborhood of 66½. This optimism is based on the fact that a substantial proportion of the current market price is represented by cash and sound new first mortgage bonds allocated to them in reorganization. To this extent the market level should be well supported even if speculative enthusiasm should wane. Very little is being paid for the large block of junior securities, including both series of the income bonds and preferred stock, provided in the reorganization.

We may take the first & refunding 5s, 1980, as an example—other series of the same mortgage are treated in relatively the same manner but actual allocations of cash and new securities vary slightly in line with the difference in unpaid accrued interest to the effective date of the plan. Under the Interstate Commerce Commission reorganization proposal, which followed closely the so-called compromise plan devised by bondholders' groups and should thus prove satisfactory, the Missouri Pacific 5s, 1980, are to receive $72.46 in cash, $404 in new first 4s, $384 in series "A" income 4½s, $152 in series "B" income 5s and 2.22 shares of 5% preferred stock. Holders will have the option of taking 2.79 shares of series "A" common stock instead of the cash but it is not believed that there will be many who accept that alternative.

The effective date of the plan is Jan. 1, 1943, and income has been accruing on the new securities since that date. The preferred is cumulative to the extent earned—the dividend was earned by a wide margin last year and unquestionably will be this year also. As of the end of this year, then, the 5s, 1980, will have accrued cash representing income for 1943 and 1944 on the new securities in the amount of $104.28, in addition to the cash allocated directly in reorganization, a total of $176.74. From this is to be deducted any interest payments made on the old bonds in the interim. One year's interest has already been paid this year and a similar distribution is expected later in 1944 or early in 1945.

Without allowing for the anticipated additional interest payment, the bonds as of the end of 1944 will be entitled to cash of $126.74. Deducting this from the recent market for the old 5s, 1980, the "net" cost of the securities to be received would be only $538.26. The bonds are to receive $404 in new first mortgage bonds. Even if one evaluates the new first mortgage 4s no higher than par (most new first mortgage, issued or when-issued, are selling at premiums running to 106) the junior securities would be acquired at a cost of no more than $134.26 for the bundle. This is allowing a value of less than 40 for the new series "A" income 4½s and no value at all for the series "B" bonds or preferred stock. If one assumes a value of 105 for the new first mortgage bonds the bundle of new securities would cost only $114.26, or a little less than 30 for the series "A" income bonds and nothing for the more junior securities.

On the basis of the present "net" cost of the 5s, 1980, fixed interest on securities to be received would afford an income return of nominally better than 3%, combined fixed and contingent interest would afford a return of approximately 7.6%, while all interest plus dividends on the preferred stock would afford a return of 9.59%. Certainly the fixed portion of interest may be considered eminently safe under any conditions, while the reorganized company should have little difficulty in covering the income bond requirements under all but the most severe depression conditions. Under reasonably good conditions the preferred dividend requirement should also be covered by a good margin.

NY Bank Stocks Compared

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared a detailed comparison and analysis of New York City Bank Stocks as of Sept. 30, 1944, copies of which may be had from the firm upon request.

Interesting Air Situations

Mid-Continent Airlines, National Airlines, and Northrop Aircraft offers attractive possibilities, according to circulars just issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these interesting releases may be had from the firm upon request.

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—Bank Stocks

By E. A. VAN DEUSEN

Investors, as distinct from speculators and short-term traders, usually take the long view. Particularly is this true of investors in choice New York City bank stocks, which sometimes have been termed the "Aristocrats of the Security Market". This being so, and in view of the possibility of a relatively early ending of the war with Germany, is seems opportune to give some thought to the prospects of commercial banking after the war.

First, however, it is not inappropriate to recollect that New York's leading commercial banks have a long and successful history, that many of them are well past the century mark in age, that a few have paid dividends without interruption for more than a century, while the average length of unbroken dividend payments averages 74 years for a group of 15 leading institutions. Furthermore, as they have weathered the panics, depressions, booms and wars of the past, so have they increased in size and usefulness, such that today they stand with their resources at a peak and with greater potential earning power than at any time in the history of banking.

Deposits in New York City banks have been expanded enormously through the "deficit financing" program pursued by the Government in the prosecution of the war. According to the balance sheets of June 30, 1944, deposits of a group of 15 leading "Wall Street" banks aggregated $24,131,655,000, or approximately double the volume when Hitler started his war. Holdings of Government securities amounted to $14,809,400,000, or approximately three times the amount held in 1939. Before the war is over both deposits and holdings of Governments will undoubtedly expand still further.

Many dealers and investors in bank stocks are wondering what will happen to these deposits after the war, and appear fearful lest they may shrink considerably and with them the earning assets of the banks. There seems little reason to anticipate any danger of deposit contraction, in fact the exact opposite may occur. In this connection it is pertinent to quote Dr. E. A. Goldenweiser of the Division of Research & Statistics of the Federal Reserve System, from his article in the September Federal Reserve Bulletin, as follows: "They (the banks) will emerge from the war with deposits in excess of any amount that could have been imagined a decade ago and with portfolios in which Government securities predominate. Will deposits fall off sharply after the war is over, and what will be the position of bank assets? I am convinced that deposits will stay at a high level for many years after the war, perhaps indefinitely, and that Government securities will always be prime investments."

The principal means by which any substantial reduction in the banks' volume of Governments, and thus of deposits, could come about, would be through retirement of the national debt. To accomplish this the Federal Government would not only have to balance the budget but would also need a considerable excess of income over expenses year after year in order to start redeeming its bonds in any appreciable quantity. At best the retirement of our huge debt will be a slow and painful process, and it seems likely the banks will hold large portfolios of interest-bearing Governments for many years to come. Thus it seems certain that the banks are assured of a steady volume of gross income from this source alone for a more or less indefinite period.

Another important source of income to commercial banks is business borrowing. At the present time the volume of loans and discounts reported by the 15 banks under review is only about one-third of their volume of Government securities, which relationship is, to say the least, unusual. But even though loans and discounts (business borrowing) have been heavily overshadowed in recent years by Government securities (Government borrowing), nevertheless the former, too, have shown substantial expansion since June 30, 1939, rising from $2,872,981,000 to $5,128,291,000 on June 30, 1944, an increase of 78.5%.

There is likely to be an increasing demand for bank credit as the war draws to its close, and during the peace years following. Rehabilitation work in Europe and reconversion work in the United States will both require working capital in very substantial volume. Already it has been formally announced that a group of New York City banks, headed by the Chase National Bank, will make a $100,000,000 loan to the Netherlands Government. It is also reported that preliminary negotiations are being held for the possible extension of rehabilitation loans to Belgium and Luxemburg, and possibly to France. These are straws in the wind.

With regard to domestic needs, there is little doubt but that the banks will be called upon to provide funds for the reconversion of many businesses and industries from the production of war materials to the production of peacetime goods. Further, it is important to bear in mind that the distribution industry was badly shattered by the war, and that jobbers, wholesalers, distributors and dealers, particularly in the fields of automobiles, electrical household goods, etc., will be needing working capital in an aggregate volume that may well be quite large. Consumer instalment buying will also be resumed on what is likely to be a rather wide scale, consequently financing will be needed for the purchase of automobile and household appliances and also for home modernization. Many banks are planning to be active in this field. It is also of interest that one bank at least, viz: Bank of America, has announced plans for financing the purchase of private airplanes.

A significant move was recently made in New York City with the formation of a $100,000,000 bank credit pool by 23 city banks. It is the first such credit group to be formed in accord with the recently adopted program of the Post-War Small Business Credit Commission of the American Bankers Association. It is understood that similar groups may be organized in other principal banking centers throughout the country.

All in all there are many signs that point to the probability of great activity in the banking world as war gives way to peace.

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.

Public Utility Securities

United Gas Improvement

United Gas Improvement has for some time cooperated with the SEC in a program designed to conform to the requirements of Section 11 of the Holding Company Act. The company's three largest holdings—in Public Service of New Jersey, Philadelphia Electric, and Delaware Power & Light—have been largely distributed to stockholders during 1943-44. The company recently reduced its 23,252,005 shares of common stock to one-tenth that amount, and shareholders now have one share in place of each 10 old shares. The current quotation on the Stock Exchange is 14 (range 15½-13¾) compared with the old stock's 1944 range of about 2⅝-1½ and 1929-43 range of 59⅝-2⅛.

With some 70% of the assets distributed, the company still has securities with a book value of over $90,000,000 together with net cash assets (after deducting current liabilities) estimated at about $5,000,000. The security portfolio consists of about $30,000,000 in some 16 subsidiaries (principally small gas companies), $47,000,000 in stocks of other utilities, and $14,000,000 miscellaneous investments. The outside investments include a substantial proportion of non-dividend-paying securities, with a book value far in excess of present market prices. It includes sizeable blocks of American Water Works, Commonwealth & Southern common and warrants, Niagara Hudson Power preferred and common stocks and warrants, etc. Miscellaneous investments include stocks of Midland United Co. and Midland Utilities Co., carried at over $8,000,000, which will probably be wiped out in the pending reorganization plans for those two companies.

Because of the large number of items which remain in the portfolio, over 50, it is difficult to make any accurate appraisal of liquidating value. Standard & Poor's as of Aug. 21 estimated $2.50 for the old stock, which is equivalent to $25 on the new. However, it is doubtful whether the company will ever liquidate completely, since it apparently plans to continue as an investment corporation, though divestment of some of the remaining assets may prove necessary. One of its industrial subsidiaries, Ugite Sales Corp., has for a number of years been carrying on research activities in water-gas tars, which has resulted in the development of new petroleum cracking processes which have proven useful in the manufacturing of raw material for synthetic rubber.

From an earnings angle, the picture does not seem quite so favorable. For the 12 months ended June 30 consolidated share earnings on the new common stock basis were 80 cents and parent company earnings 60 cents. The dividend of 10 cents a share on the old stock, paid in June, was equivalent to $1.00 a share on the new common, but this must have been paid partially out of surplus. The company has paid dividends each year since 1885 and there is little doubt that payments will continue, but it is difficult to see how more than 60 cents can be paid, and on that basis the current yield would be only 4.3%. Using consolidated earnings, the current price-earnings ratio is 17.5, which is nearly double that of National Power & Light, another holding company which is well on the way toward liquidation. The difference is, of course, partially accounted for by other factors.

S. R. Livingstone Co. Formed In Detroit

DETROIT, MICH.—S. R. Livingstone and J. A. Hancock have formed S. R. Livingstone & Co., a new partnership, with offices in the Penobscot Building to deal in investment securities. George E. O'Brien is associated with the firm as manager of the unlisted securities department.

Mr. Livingstone was formerly in business in Detroit as principal in S. R. Livingstone & Co.; Mr. Hancock was also associated with the former firm.

Resumption of activity by S. R. Livingstone & Co. was previously reported in the "Financial Chronicle" of Sept. 21.

Wm. Loss Heads Dept. Of H. Hentz & Co.

H. Hentz & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange and other leading exchanges, announces that William Loss has joined the organization as head of the research department. Mr. Loss, a member and one of the founders of the Security Analysts Association, was formerly with Blair & Co., Inc.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

The partially tax exempt bond market advanced sharply near the end of last week following the sinking spell of the previous week when new lows were made for the year by many of these issues. . . . During last Friday's trading session gains of from 3/32 to 8/32 were registered with the 2⅞% due March 15, 1960/55 showing the largest recovery with an advance of 8/32. . . .

It had been evident that many institutions, that had been on the sidelines watching the market action of these obligations, were ready to buy as soon as they believed the partially exempt bonds had about reached a bottom, which these issues seem to have made about ten days ago. . . .

It was reported that despite the various plans on future taxes it has been now quite generally concluded among the experienced financial people that there still will be corporate taxes after the war is over, and that they will probably not be dissimilar in rates to those we have at the present time. . . . The elimination of excess profits taxes will probably take place only after the ending of the conflict with Japan, in fact it is indicated that many tax experts believe that it would not be advisable for this tax to be changed until both phases of the war are over. . . .

TAX PROSPECTS

The pattern of future taxes indicates there will probably be a rate of at least 40%, such as we have now, with many holding the opinion that a rate of 50% would not be entirely unexpected. . . . The present tax of 40%, exclusive of the excess profits levy, consists of a rate of 24% normal and a 16% surtax, whereas a 50% rate would most likely be made up of a 24% normal rate and a 26% surtax rate. The increase in the surtax would mean that the partially exempt issues would be subjected to a 26% rate instead of the present 16% rate. . . .

With post-war tax rates of corporations likely to fall somewhere between the 40% and 50% levels it is indicated that the partially exempt obligations at present prices have quite fully adjusted their position to the new anticipated level of rates as well as the yield after taxes on the taxable issues. . . .

The complete elimination of the corporate income taxes is not considered likely to happen. . . . Accordingly there appears to be ample evidence to support the belief that the partially exempt bonds are now at prices where they appear to be attractive, since any declines from these levels should be very minor. . . .

EARLY MATURITY CALENDAR

Another fact has been pointed out in connection with the partially exempt government bonds and that is, these obligations mature or become callable very rapidly in the next few years, with more than one-half of the total outstanding of $22,170,000,000 maturing or being retireable by 1950. . . . By the end of 1947, or only slightly more than three years from now, $5,559,000,000 of these obligations will have been refunded, which is more than 25% of those presently outstanding. . . . During the next year, the partially exempt 2¾% due September 15, 1945/47, outstanding in the amount of $1,214,000,000, become callable and undoubtedly will be retired at the call date. . . . Likewise, $541,000,000 of the partially exempt 2½% due December 15, 1945, mature and will no doubt be replaced by a taxable security. . . . Both of these 1945 issues, it is believed, will have been refunded before any major changes may take place in taxes, and it was pointed out that institutions needing exemption from taxes for the next year should find these two obligations suitable for that purpose. . . . During 1946, $2,344,000,000 of the partially exempt issues become callable, consisting of $489,000,000 of the 3¾% due March 15, 1946/56, and $1,036,000,000 of the 3% due June 15, 1946/48, as well as $819,000,000 of the 3⅛% due June 15, 1946/49 and refinancing of these high coupon

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Interesting Situation

Western Union Telegraph Company Debenture 4s of 1981 (when, as and if issued) offer interesting possibilities according to a summary of the situation prepared by Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this summary may be had from the firm upon request.

Favorable Prospects

The outlook for National Casualty Company is very favorable, according to a detailed study of the situation prepared by Huff, Geyer & Hecht, 67 Wall Street, New York City. Copies of this interesting study may be had from Huff, Geyer & Hecht upon request.

Pennsylvania Brevities

Hearings before the S. E. C. in reference to Standard Gas & Electric Co.'s voluntary plan of reorganization were concluded last Saturday. While no staff report or opinion is as yet available, from the character and quantity of evidence and testimony presented by various interested groups, it appears to be more than possible that the Commission may disapprove the allocations presently contemplated.

Several holders of junior securities introduced well-substantiated arguments to indicate that Standard's valuations were low and that future earning power had been under-estimated. It was pointed out that while the $7 and $6 prior preferred dividends have not been paid since 1934, earnings in each year since that date have more than covered dividend requirements. The fact that dividends were not paid was held to have been rather a "directors' choice" than a matter of necessity.

Under such circumstances, the argument ran, Standard must be considered in the light of a going concern and the Company's plan, which gives preponderant priority to the dividend arrearages, does not conform with the principles of allocation approved by the Commission in other comparable cases.

To support these views, the following were cited:

Holding Company Release No. 4215 (United Light & Power Co.)—"In our view, it is not inconsistent . . . to conclude that . . . stockholders affected should be given participation according to their contractual or other rights determined as though in a continuing enterprise, and that the process of compliance with the statute should not be permitted to mature liquidation preferences . . . The accumulation of preferred dividend arrearages does not constitute a matured claim in the absence of litigation, and does not require compensation to the preferred stockholder for the lapse of time which may precede payment."

Holding Company Release No. 5114 (American Utility Service Corp.)—"We have repeately held in reorganization cases that primary weight must be given to earning power."

Since the Philadelphia Company is to be, eventually, the only subsidiary of Standard, the former's earned surplus and projected earnings are matters of important consideration. Tied in with the Philadelphia Company, is the Pittsburgh Railways Co. and subsidiaries, operated under Trusteeship since 1938. The Philadelphia Company's equity in the adjusted net income of Pittsburgh Railways for 1943 was stated as $2,355,165.

Results for 1944 are said to be comparable to those of last year. Moreover, Philadelphia Company has a stake, probably in excess of $5,000,000, in the $15,000,000 cash now held by the Pittsburgh Railways Trustees.

It is believed that these factors will receive careful study by the Commission in approving, disapproving or suggesting revisions of the Standard plan.

Pittsburgh Railways Co.

Total Operating Revenues for Pittsburgh Railways Co. and Pittsburgh Motor Coach Co., for the 12 months ended June 30, 1944, were reported as $21,400,605, compared with $21,292,180 for the 12 months ended December 31, 1943.

P. T. C. Valuation

The Pennsylvania Supreme Court last week rejected appeals of the Public Utility Commission and the City of Philadelphia for a review of the $93,000,000 valuation set on Philadelphia Transportation Co. by the State Superior Court.

A lower valuation was sought by the Commission and the City to block any moves on the part of P. T. C. to seek a fare increase. About two years ago the transportation company requested a higher schedule of fares based on sharply increased operating costs. Almost coincidentally with the institution of these proceedings, the company's revenues began to rise and have remained at high levels.

The Justices of the Supreme Court stated, in part: "We understand that the transportation company's earnings have so increased that the company, after that increase became manifest, has not sought an increase in its rates. With the existing rates remaining in effect, it is of no legal consequence that the Commission and the learned

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New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late William de Young Kay to Gregory C. Hunt will be considered on October 11. It is understood that Mr. Hunt will become associate odd-lot broker for Carlisle & Jacquelin, New York City.

Arthur A. Blaicher, special partner in Coggeshall & Hicks, New York City, becomes a general partner in the firm effective October 10.

Interest of the late Elizabeth M. Judson in Judson & Co., New York City, ceased as of September 16.

Interest of the late Victor S. Byron in Johnson & Wood, New York, ceased as of September 30.

Interest of the late Harlow W. Young in Lawrence Turnure & Co.-Blyth & Bonner ceased as of September 22.

Margolis To Be Admitted To Partnership By Viner

Edward A. Viner & Co., 220 Broadway, New York City, members of the New York Stock Exchange; will admit Ely Margolis to partnership in the firm on October 19. Mr. Margolis formerly was proprietor of Ely Company. Prior thereto he was with Salomon Bros. & Hutzler and was with Allen & Co. in their municipal bond department.

Pennsylvania Municipals

Specialties Feature Quiet Market

By RUSSELL M. ERGOOD, JR.

Inactivity and dullness prevail in the Pennsylvania Municipal Market as is the case in the general municipal market. This is not surprising to municipal dealers, many of whom having anticipated this period of apathy. When we consider the end of the European War is near; the Presidential campaign with its many political problems; the coming War Loan Drive due next month, and the many other uncertainties which prevail, it seems reasonable that both the investor and the dealer should operate with a certain amount of caution.

Russell M. Ergood

However, as quiet as it has been, the municipal bond business has not dried up completely. Special situations have kept many of the dealers occupied. Pennsylvania Municipal Authority bonds have been one of the special features in recent weeks.

Commonwealth of Pennsylvania Turnpike 3¾s, due Aug. 1, 1968, callable at 104 in August 1947, have remained firm around 109 to 109½, affording the investor approximately a 1.75% return to the first call date and about 3.20% to maturity.

This market firmness is no doubt due to the liberal yield given by these bonds in contrast to other tax-exempts; the recent favorable tax decision in the Port of New York Authority case as well as the steady improvements in revenues. A comparison of revenues for the last four months follows:

	1944	1943	% Change
May ----	$154,627	$153,304	+ 0.9
June ----	162,294	143,252	+13.3
July ----	176,640	158,172	+11.3
August --	191,236	169,841	+12.6

There has been considerable discussion about the extension of the Turnpike, west from Pittsburgh and from Harrisburg to Philadelphia. This, of course, is post-war planning, but it does appear very likely. The financing of the project would no doubt be in the same manner as before and lends to the possibility that the outstanding bonds might be refunded.

Delaware River Joint Commission-Philadelphia Camden Bridge 2.70s, due Aug. 1, 1973, callable at 105 in August 1946, have been in demand by the quality buyers. These bonds, selling around 108, yield 1% to the first call date and about 2.30% to maturity.

With the huge reserve account and substantive revenues, these bonds should be an attractive investment for certain trust accounts. It is understood that the account with the large block of these bonds, which have been in the market for the past couple of months, has been terminated.

There has been considerable retail merchandising of some of the smaller Pennsylvania Authority names. Blocks of the following bonds have been just about liquidated recently:

Hazleton City Authority—Water Revenue 3s

Westmoreland County Municipal Authority—Water Revenue 3s

West View Borough Municipal Authority—Water Revenue 3s and 3¼s

Chester Municipal Authority—Water Revenue 3s and 3¼s

Latrobe Borough Municipal Authority—Water Revenue 3s.

The usually more active Pennsylvania names, such as Allegheny County, Pittsburgh and Philadelphia have been very inactive. There has, however, been some fair-sized blocks of Philadelphia 3¼s move out of the market in rather a quiet way.

Until some of the uncertainties which exist at the present time are eliminated, it is the consensus of opinion that the municipal bonds market will remain quiet and inactive.

Pittsburgh Bond Club To Hold Fall Outing

PITTSBURGH, PA.—The Bond Club of Pittsburgh announces that it will hold its annual fall outing on Wednesday, October 11th, at the Shannopin Country Club, Ben Avon. Golf, La Bouche, and door prizes will be features. Dinner will be at 6:30 p. m. Tickets are $1.00 for members, $5.00 for guests. Because of the problem of food, members are urged to make their reservations well in advance. Reservations should be made with Joseph Buffington, Jr., Young & Co., Inc., chairman of the entertainment committee.

Arthur Rea To Manage Buckley L. A. Office

PHILADELPHIA, PA. — Arthur Rea, cashier of Buckley Brothers, 1529 Walnut Street, members of the New York, Philadelphia and Los Angeles Stock Exchanges, has been placed in charge of the firm's Los Angeles office, 530 West Sixth Street.

Paul F. Miller Now Paul & Co. Sales Mgr.

PHILADELPHIA, PA. — Paul F. Miller has become associated with Paul & Co., Inc., 1420 Walnut Street, members of the Philadelphia Stock Exchange, as sales manager. Mr. Miller was formerly with F. P. Ristine & Co.

Commercial Banking After War

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its, for when banks buy Government securities they pay for them with bank credit.

There will probably be a further growth in deposits before the war is over, and even a gradual increase immediately after the war would not be surprising. On the basis of the best information available, I believe that when peace comes the volume of deposits will be between 125 and 150 billion dollars and the volume of currency between 20 and 25 billions. The disposition of this enormous amount of liquid funds, and of the billions of dollars the public has invested in Government securities, will help to determine the level of business activity and employment in years to come and so to advance or retard the attainment of post-war security and progress. This is a matter of grave concern for bankers and all other groups in the country. Before discussing the future of deposits from the bankers' point of view, therefore, I should like to discuss briefly the function of liquid assets in the years immediately following the war.

If liquid assets held by the public are utilized only gradually as the flow of goods from reconverted plants becomes adequate to meet demand, these assets will ease the difficult task of re-establishing full employment on a peacetime basis and act as a safeguard against deflationary forces that might threaten stability after reconversion has been accomplished. If, on the other hand, liquid assets swell the volume of hasty and indiscriminate purchases by persons who are weary of war restrictions, the result could be a disastrous inflation. It is for this reason that some of the restraints on prices, wages, and consumption should be retained for at least a short while after the war.

No Danger of Deposit Contraction

Of more immediate concern to bank management is the question whether the banking business will have to be adjusted to a lower level of deposits after the war. As indicated above, I do not believe that deposits will decrease after the war. Their wartime expansion has been due to the purchase of Government securities by banks, and this fact is of great importance to bankers. It means that deposits will not diminish unless the banks reduce their holdings of Government securities. There is little likelihood of such action.

An appreciable reduction in bank holdings of Government securities would have to come through rapid contraction of the public debt or through extensive sales of bank holdings to the public. I believe the pressing problems which will confront us after the war will prevent the Government from reducing its debt immediately, and that the public is much more likely to want to sell some of its bonds in order to use the cash than it is to buy more bonds from the banks. In short, I believe the banks will continue to hold their Government securities and hence that deposits will not diminish.

There will be some shifting of deposits from region to region, but I do not believe it will be very extensive. With the wartime growth in deposits, which has been proportionately smaller in the financial centers than elsewhere, there has been a net movement of deposits away from the large financial centers into the producing areas for the reason that tax collections and sales of Government securities in the money markets have been greater than Government expenditures there. This movement was more pronounced in 1942 than in 1943 and is no longer taking place. The financial areas, having extended themselves near the capacity, have not been buying as large a proportion of Government issues as they did in the two earlier years, while other sections of the country have been enlarging their share of the total. In view of this early adjustment of some of the major wartime shifting of funds, it seems likely that there will be no wholesale movement of deposits from one region or district to another immediately after the war.

Every banker will of course have to look to his own individual situation. Some banks will lose deposits and others will gain them. The interbank flow of deposits within a community is the result of competitive conditions with which I am not familiar. Each one of you will be your own judge of these conditions and I do not believe your judgment need make allowance for an unusual regional shifting of funds or a reduction in the aggregate of deposits.

No Pressure for Liquidation of Assets

After this war there will be no pressure for liquidation of bank assets as there was following the last war and the speculative security movement in the 1920's. Since Government securities comprise by far the greater part of the increase in bank assets since the war began, there will be no fear of deterioration in value operating as a motive for liquidation. This is different from the situation after the last war, when bank assets deteriorated as commodity prices declined, or in 1929, when there was great pressure for the liquidation of security loans based on swollen values. The inherent value of Government securities now in bank portfolios is as steady as the Government itself.

This leads to the question which I am sure all bankers have been considering. Is a rise in interest rates going to bring serious shrinkage in the value of Government securities? My answer is reassuring. I think that the interest rate on long-term Government securities is going to continue to be steady. Interest rates on either long-term or short-term investments are not likely to rise while there is a large supply of investment funds such as there will be after the war. Liquid assets will be in large supply not only in the hands of individuals but also with business concerns. Corporations have set up large reserves for post-war contingencies and increased their bank deposits and holdings of Government securities. This does not mean that particular industries or firms will not have to raise funds, but it does indicate that the broad problem for bankers is likely to be how to find enough profitable outlets for available funds. They are not likely to be under pressure to sell Government securities in order to meet demands of customers for loans.

There is the additional fact that to a large extent bank holdings of Government securities are short-term in character. Over one-third of all Government securities owned by banks will mature in one year, and a security having only a year to run can not depreciate much in value. About three-fifths of all member and nonmember bank holdings will mature within five years, and only 14% of the total have maturities of ten or more years. Long-term bonds in bank portfolios are much smaller in volume than are time deposits and they are little in excess of capital. The distribution of maturities, in addition to the quality of the security and the prospect of relatively low interest

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Pennsylvania Brevities

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court differed in their valuations or in the permissible rate of earnings thereon."

The Bell Telephone Co. of Pennsylvania has taken over the operation of Keystone Telephone Co.'s communications system in another step toward the elimination of Keystone, dial pioneer in this area. There will be no alteration in service to some 13,000 Keystone subscribers, but bills for service will come from the Bell Co. Keystone's private-wire trading boards are widely used in the financial section. Brokers won't mind receiving their bills in Bell envelopes, but they would much prefer Keystone rates.

U. G. I.

Somewhat contrary to its recent program of divestment, United Gas Improvement Co., through its subsidiaries, Allentown-Bethlehem Gas Co., and Harrisburg Gas Co., has taken steps to acquire gas properties and facilities in Northampton and Berks and Lancaster counties. Purchases will be made in the names of the subsidiaries from Metropolitan Edison Co.

The consideration is reported as $1,425,000. U. G. I., which has taken a beating under the provisions of the Holding Company Act, is still a long way from down and out.

Pennsylvania Electric Co. has filed a new rate schedule with the Public Utilities Commission, effective Oct. 28. The revised rates, company said, will result in annual savings of $535,954 to 134,863 customers in 15 western Pennsylvania counties.

Clarence M. Brown, 75, Philadelphia attorney, has been recalled as chairman of the board of Pittsburgh Plate Glass Co.

J. Malcolm Johnston, vice president of Girard Trust Co., has been elected a director of Riverside Metal Co.

Investments in units of Fidelity-Philadelphia Trust Co.'s discretionary common trust reached $16,552,796 on July 31, 1944, compared with $13,837,959 a year ago. Government bonds represented 30.7% of the fund's portfolio; corporation bonds, 21.8%; preferred stocks, 20.5%, and common stocks 27%.

Investment Traders Elect Dotts President

PHILADELPHIA, PA.—Russell M. Dotts, of Bioren & Co., has been elected President of the Investment Traders Association of Philadelphia for the ensuing fiscal year.

Russell M. Dotts

Alfred W. Tryder

John M. Hudson

Other officers chosen are: Edmund J. Davis, Rambo, Keen, Close & Kerner, First Vice-President; Alfred W. Tryder, W. H. Newbold's Son & Co., Second Vice-President; Frederick S. Fischer, H. N. Nash & Co., Secretary, and John M. Hudson, Thayer, Baker & Co., Treasurer.

Governors elected for three-year terms are: Charles J. Brennon; Robert McCook, Buckley Brothers; W. J. McCullen, F. J. Morrissey & Co.; Paul Fredericks, Warren W. York & Co.; Samuel K. Phillips, Jr., Samuel K. Phillips & Co., Inc.; Charles L. Wallingford, E. H. Rollins & Sons, Inc.; for two years: Wallace H. Runyan, Graham, Parsons & Co.; for one year: John P. McFadden, Smith, Barney & Co.; and Harry Fahrig, Jr., Parsly Bros. & Co.

The election was held in connection with the Association's annual meeting and dinner on Sept. 29th at the Benjamin Franklin Hotel. The addition of eight new members brings the active list to 182, exclusive of 49 members serving in the armed forces. The Association's service flag carries two gold stars in memory of Harry Harper and Eddie Atkins.

Treasurer John M. Hudson reported a cash balance of $911.93 in addition to $500 in U. S. Savings Bonds.

Reconversion And Air Power

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the Air Age cannot be fulfilled without important action by the public itself expressed in national policy. They do not understand the obstacles and problems that must be overcome if the aircraft industry is to provide maximum employment in the postwar era.

Let us examine some of these problems. There are various criteria that measure their scope.

One veteran airplane man has wryly observed that every day that passes builds up a greater backlog of demand for our automobile manufacturers but that each day adds to the surplus that threatens to inundate the airplane industry.

For a quick assay of the reconversion problems of aviation, a few comparisons are necessary.

This industry, now the world's largest, with almost 2,000,000 employees was ranked 44th among American businesses in 1939, employing approximately 64,000. It was smaller then, than the 5-cent candy bar business.

From its present lofty peak, the industry faces a cold plunge to an uncertain level that can be considered "normal." J. A. Krug, the new Chairman of the War Production Board, has estimated that this plunge may reach 1/10th to 1/20th of the present rate of operations.

An exactly accurate estimate of the size of the postwar aircraft industry is naturally impossible. Its magnitude, in the first years after the conflict at least, depends to a very large degree on the annual production of military airplanes—which in turn depends on the nature of the peace and on Congressional Policy. However, Mr. Krug's range of figures seems reasonable. For example, if a few years after the war we had a 25,000 plane air force; a fleet of 2,500 transport aircraft of various sizes in domestic and foreign service (sufficient to carry five times prewar traffic); and 150,000 private aircraft (again five times our pre-war total) our annual aircraft sales would total about 1,100,000,000 dollars—6% of 1944 estimated production. But this indicated postwar level would be nothing to be ashamed of—it would be five times the production of the last peace-time year, 1939.

Everyone must recognize that even with the wisest governmental policy supported by the most enlightened public opinion, a shrinkage of this magnitude is inevitable. (The aviation industry has been building products which with a few exceptions are as completely war material as tanks or machine guns. The demand for such products will inevitably contract very greatly in time of peace, and cannot be replaced to any great degree by increased commercial sales for many years to come.)

Yet assuming that a 90% to 95% shrinkage will be inevitable the manner in which the shrinkage takes place will be of the greatest importance to the industry and to the country. The return to whatever level can be considered normal could be agonizingly drastic and sharp. Unless the nation and the industry plan most carefully the repercussions upon jobs, upon developmental staff, working capital and even the productive organizations will be most serious.

Specific aspects of this overall problem fall into four main categories.

First is the question of surplus planes. Tens of thousands of aircraft not susceptible of conversion to peacetime uses will be surplus and obsolescent on V-Day. Much more serious, other thousands of military transport planes will await disposition.

Best estimates of the probable immediate postwar market for transport types range from 2,000 to 3,000. And this allows for foreign as well as domestic demand. Estimates of the surplus of transports that will await disposition range from just double to three times this estimated maximum market. Shall the market for new transport airplanes be destroyed by this flood of surplus equipment?

Second, comes the matter of surplus plants. In 1939 the total floor space of the industry was eleven million square feet. Today it is sixteen times that figure—175 million square feet—six and one half square miles or nearly five times the area of Central Park. Of this vast area, nearly 132 million square feet or 75% are owned by the Government outright or through DPC. Then there are the additions and extensions of privately-owned plants also Government-owned—finally the machinery and tools in some privately-owned plants are Government-owned.

How to unscramble the tangle?

Fortunately, no one is seriously proposing that the Government operate these facilities. Certainly, the industry could not face such competition.

Third is the matter of contract termination. Here the problems are serious because the stakes are high but they are perhaps easier to solve. With claims so huge to settle, a small mistake could wipe out even the strongest concern in the industry. The industry's reports show that its working capital is just sufficient to permit operations to continue on the present scale for two or three weeks after termination. If equitable settlements cannot be concluded, and payments promptly disbursed, then there is little chance that aircraft companies can fulfill their role in maintaining our Air Power and supplying substantial employment in the postwar world. But the problem can be solved by a sound policy and intelligent administration.

Fourth is the matter of maintaining research and development, not only during the difficult period of readjustment but thereafter. The cost will not be low—it takes 15 to 20 millions to develop a large trans-oceanic airplane; 35 millions to operate our large basic research establishments for a year—but the returns will be tremendous. Research is the keystone on which rests the whole arch of our aviation structure, both military and commercial.

Spectacular though our wartime achievements may seem, we are only in the very early stages of aircraft development. It is not generally realized that the improvements in aircraft in the last 15 years have been chiefly due to improved detailed design. Now a curtain has lifted before our eyes. For the first time in nearly two decades, we have seen fundamental new inventions enter the aviation field in the form of jet propulsion and radar. To quote my friend, Bob Lovett—"Everything we have done so far is only a prelude to the future. Even now, we are battering on the door of the speed of sound." When jet propulsion and new airfoil shapes enable us to crash through no one knows how fast we can go.

The industry and Government research establishments must be enabled to retain their research brains and to secure the financial support necessary to make it certain that America takes the lead in these new developments.

Those of us who recall the experience after the last war are deeply concerned about the solution to the four problems I have just sketched, because we know that similar problems were not handled very successfully a generation ago.

Back in 1919, the nation was also confronted with an aircraft industry that had undergone a sharp expansion from previous levels, and with a huge surplus of planes. The toll recorded in the following years is alarming to those of us who are studying far more challenging problems today. Let us count that toll: Not only did many companies go out of existence but the research and developmental staffs of other companies were largely absorbed by the automobile and other industries. It is interesting to note for example that Charles Kettering was in aircraft work during the last world war and went to General Motors with Dayton-Wright. Had his genius been retained in aviation, our technical progress in subsequent years might have been far more marked than it was.

Surplus planes of the last war retarded the growth of aviation for more than a decade. For the first five years after 1918, 85% of all private planes sold were Curtiss Jennies, or similar wartime types. The mountainous stockpile of Liberties smothered all engine research! The Army was still using World War DeHavilland observation planes as late as 1930!

Since the industry could not sell new model planes or new model engines, technological development was retarded throughout the early 1920's.

I believe that we will not repeat the unfortunate experiences of the last war. We have learned lessons from our previous mistakes and have planned well in advance for the problems which are now upon us.

We recognize that the effective reconversion of our industry can only be carried out on the basis of a coherent national program designed to keep American first in the air. Such a program is under development and you men who are here tonight can do much to insure it the public support that will be necessary to put it into effect. It deals with all important aspects of the problem—surplus planes and plants, contract termination, and the measures necessary to retain our air power supremacy.

If America is to continue to be a great air power, four fundamental requirements must be met:

1. We must have an adequate air force composed of superior aircraft and competent personnel.
2. We must train our youth to fly and service airplanes.
3. We must expand our domestic and foreign air transportation, and our personal flying.
4. We must maintain a strong aircraft manufacturing industry with continuing world leadership in research and development.

Each of these planks is bound up inseparably with the others. Perhaps the most fundamentally important is the maintenance of an adequate air force. "A second-class air force is worse than useless. It is a positive danger in that it may create a false sense of security. A first-class air force depends upon quality. This means constant improvement and replacement. It is therefore absolutely essential that our Air Force be backed up by an aggressive and imaginative industry capable of rapid expansion."

Mahan in his classic, "The Influence of Sea Power on History," proved that victory in war and prosperity in peace went to the nation that controlled the sea. To Mahan, Neptune's trident was three-pronged — the Navy, the merchant marine, the shipbuilders. And Neptune stood on two firm foundations—naval bases and a maritime tradition.

Air power, too, has a trident—the Air Forces of the Services; the aircraft industry; and a flying tradition nurtured by a progressive transport industry and unfettered private flying.

Determination of what constitutes an adequate air force, sufficient to safeguard our national security, is a task to which our Armed Services are giving study now. We can with safety assume that they will have a blueprint to present to Congress when V-Day arrives.

The decisions made by them will determine the future of our country in the air. They will do so because military sales will be of paramount importance to the industry for decades to come. With a 25,000 plane air force purchases by the military each year would be 90% of the industry's estimated immediate postwar sales, even assuming a very rapid increase in the sale of commercial and private planes.

The dependence on the military will, of course, lessen as time goes on. We can, for example, feel entirely confident that air transport will make its contribution to Air Power and to prosperity.

All of you are familiar with the vast expansion plans contemplated by the airlines, plans which the most conservative students believe will, within a decade, result in an industry eight times as large as it was in 1941. Already the airlines are beginning to place orders for the new equipment that will enable them to fulfill the schedules they plan. (One company already has unfilled orders twice as large as its pre-war peak.) The CAB is actively under way with the hearings which will settle the innumerable controversies that inevitably arise in connection with the domestic and foreign route extensions which will be necessary to make its expansion possible.

There are many extremely knotty, and some rather spectacular issues that must be solved but my intimate acquaintance with the Federal officials and members of Congress who are pondering these problems imbues me with confidence that they will be resolved in a manner that insures healthy and rapid growth for our air transport industry.

The development of private flying may well be even more important than the development of air transport as an intermediate market. It would, for example, require the sale of only 6,000 personal aircraft at $1,500 each to equal our annual pre-war sale of transport airplans. The development of personal aircraft sales to a really high volume will require the development of improved types by the manufacturers, a task they can be relied upon to perform. Second, and equally important, it will require the provisions of additional airports.

Statistics reveal that during the several years prior to our entry into the war 80% of all those who purchased planes sold them within a year. One important reason for this was the lack of suitable landing places. It is estimated that there are no more than 3,000 landing fields now existing in this country. The Civil Aeronautics Administration believes that the country will need at least 3,000 more in the next five to ten years. The CAA is presenting an airport program to the Congress which if approved will meet this need.

It is the belief of the aircraft industry, a belief which I share, that personal flying is entering a new era, as was automobile transportation in 1913-1914—but that unless landing facilities are planned promptly, an important part of the foundation for great aviation advancement will not be ready.

There are other steps that should be taken to encourage private flying. The aircraft industry has the responsibility of providing safe, convenient, efficient planes. Perhaps we can look to the insurance companies for a liberalization of insurance practices and premiums. From the banks and finance companies we can hope for financing plans that will enable the men who return from abroad to purchase a plane in the typical, convenient American manner.

Already, thanks to the efforts of State education boards assisted by the Civil Aeronautics Administration, over half of our 28,000 high schools are offering elementary pre-flight aeronautics as an optional course. A system of Government assisted flight training in our colleges was well established before the war in the highly successful Civilian Pilot Training Program which provided elementary training for over 100,000 civilians before the war and for 300,000 Army and Navy men during the war. The introduction of aviation education by the schools should be expanded and the carrying out of flight training in the colleges resumed.

The colleges and schools are generally enthusiastic about our educational and training work. They need only assistance and direction to make their vital contribution to the attainment of the Air Age for America.

But the preservation of the industry in a healthy condition will require more than the maximum possible market. It will require that the industry not be smothered with the surplus and termination problems previously outlined.

With regard to surpluses, the principle must be recognized that the vast majority of the aircraft with which we will find ourselves at the end of the war will have no further use. They are war material as much as bullets or shells and it is inevitable that we should have a large amount of such material left over when the peace is signed. In the words of an eminent officer, "We all wish that we could kill the last German and the last Jap with our last round of ammunition and our last plane," but it is obviously impossible to estimate our needs so closely in time of war when the national safety is at stake.

Surplus aircraft for which there is a reasonable market during the immediate postwar period should be sold during that period at fair prices so that they may help to develop aviation, but the cardinal point to remember is that a large surplus must not be kept overhanging the market indefinitely as was done during the last war. This permanently overhanging surplus would effectively stifle development and research.

What are the possible uses for our surplus aircraft? Contrary to popular belief, a very tiny proportion of those which we will have on hand on V-Day will be suitable for civilian use. Since 1939, we have built some 220,000 airplanes of which 16,000 were transports and 54,000 trainers. Of the combat machines, practically none will have any commercial utility. Bombers cannot be used economically as transports because of their small fuselages and to convert them to transports by building new fuselages is economically unjustifiable when the surplus of military transport types far exceeds the probable market. Similarly among the training types only a tiny fraction are suitable for use by the private owner. The vast majority are relatively high horsepower, open cockpit aircraft which will be too expensive to operate in anything but military training programs. It is in the field of military transports that our war built airplanes can find a peacetime use and even here the number on hand seems likely to be two or three times the probably maximum market.

It seems desirable that these transport aircraft be made available either on a lease basis or on an installment purchase basis, the arrangement to be canceled at any time after the first year or two when the buyer is in a position to purchase a new airplane.

This is basically the solution offered by the Government's Surplus Aircraft Advisory Committee. The matter of surplus plant disposal is also an important one from the standpoint of the future of the industry. A large proportion of our aviation plant has been built especially for war purposes and the most optimistic forecasts of the future of commercial and private flying does not indicate a sufficient volume to make it necessary to use this plant at all. It is also true that a large proportion of the Government-owned factories were located for strategic reasons in the central portion of the country away from the home plants of the manufacturers which by and large are located on the coasts.

It would seem equitable to make these plants available for use by the aircraft industry as needed and in fact a majority of the manufacturers have an option to purchase the Government plants in which they are operating. If they are not needed for aircraft production they should be made available to other industries for which incidentally many of them are not suitable because of their special construction. It is also possible that if they are not used either by the aircraft industry or other industries, they might be kept as standby plants. It would, of course, be most undesirable for any of these factories to be operated by the Government in competition with private industry and no plan for Government operation has been put forward seriously.

As to the final war time problem of contract termination, the problem is to complete the necessary negotiations and examinations as rapidly as possible so as to make available to the companies the funds they need for conversion to postwar production. What is needed is a fast final financial settlement divorced from detailed allocation and disposal of materials. I believe that this policy is accepted by Government as sound and is being put into effect.

These then are some of the steps that must be taken to facilitate the orderly reconversion of the giant aircraft industry to peacetime operation.

If we can be assured of constructive handling of these staggeringly serious problems—

If surplus plane plants are turned over to private industry, or kept in "stand-by" condition as a defense measure;

If surplus planes are disposed of in line with policies that will prevent the smothering of research, development, sales and employment, such as followed the last war;

If contracts are terminated in an efficient and prompt manner with due allowance for the scanty cash reserves of the industry and the need for quick reconversion;

If the maintenance and expansion of industry and government research are encouraged;

If the nation adopts a policy of encouraging flying, both in regularly-scheduled transport and in personal planes;

THEN one must be optimistic about the future of this nation's Air Power and of its national security. Fulfillment of these conditions will also insure that the aircraft industry will take its place as a major supplier of good paying jobs.

I believe that public opinion will make possible the adoption of a policy that will provide these essentials. Earlier I quoted Mr. Krug's realistic if gloomy forecast about the plunge that lies ahead of the aircraft industry. But there are optimistic forecasts too.

I am an optimist. I believe that the adoption of sound national policies will stimulate American aviation to a progress which will be far beyond any estimates which can be factually substantiated today.

Inv. Companies Ass'n Elects To Committee

The National Association of Investment Companies announced the election to its Executive Committee of Hugh Bullock, President, Dividend Shares, Inc. and Bullock Fund, Ltd.; Paul C. Cabot, President, State Street Investment Corporation; Frederick A. Carroll, Vice-President, Shawmut Bank Investment Trust; and Dorsey Richardson, Vice-President, The Lehman Corporation. All four were elected for the three year term commencing Oct. 1, 1944.

Those continuing to serve on the Committee are O. Kelley Anderson, President, Consolidated Investment Trust; Hugh B. Baker, President, Blue Ridge Corporation; George M. Gillies, Jr., President, The Adams Express Company; Edward C. Johnson, 2nd, Vice-President and Treasurer, Incorporated Investors; Hugh W. Long, President, Manhattan Bond Fund, Inc. and New York Stocks, Inc.; Jonathan B. Lovelace, President, The Investment Company of America; S. L. Sholley, President, Keystone Custodian Funds, Inc.; Hardwick Stires, Vice-President, Scudder, Stevens & Clark Fund, Inc.; and Paul Bartholet, Executive Director of the Association.

At the same time, Mr. Bartholet announced the election of Miss Lucille Tomlinson as Executive Assistant. Before joining the staff of the Association a year ago, Miss Tomlinson was Associate Editor of Barron's, the National Business and Financial Weekly.

Admits Partner

Andre de Saint Phalle & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Jaqueline de Saint Phalle to partnership in the firm as of October 15.

Mutual Funds

The Outlook

In the mail last week we received bulletins from three leading investment company sponsors all pointing to the relative cheapness of equities in relation to high-grade bonds at this time.

Keystone Corp., in a recent issue of **Keynotes**, shows a chart of high-grade bond yields from 1875 to date and compares the current yield of approximately 2.75% on top-grade bonds with the dividend yield available on seasoned common stocks.

"The dividend yield on the Dow-Jones industrial average of 30 common stocks is 4.32%. On Barron's average of 50 leading common stocks the dividend yield is 4.82%.

"If it can be assumed that common stock earnings will be well maintained after the war—and there are cogent reasons for believing that this will be the case —then it appears that stock yields are far out of line with bond yields.

"If Barron's stock average were to sell at a level to yield 3½% on present dividends, the rise in price would be from 87 to 120—or 38%. Inasmuch as stocks have frequently sold on the same yield basis as high-grade bonds in the past, it would not be abnormal for stocks to yield 3½% at a time when bonds are yielding under 2.75%."

Lord, Abbett, in the current issue of **Abstracts**, applies the same reasoning to preferred stocks and asks, "Are 'spreads' too wide?"

This sponsor points out that on Sept. 20 the yield from a group of highest grade corporate bonds was 2.76% as against a yield of 3.95% from high-grade, non-callable preferred stocks and a yield of 4.96% from the 50 leading common stocks in the Barron's index.

Calvin Bullock, in the current issue of the **Bulletin**, makes a similar point by comparing the spread between stock and bond yields in this country with that currently existing in Great Britain.

"Moody's index of yields on 200 representative common stocks was 4.7% at the end of August. This is 190% of the average yield on long-term taxable Governments, a very much higher than normal ratio. As contrasted with this, yields on representative British ordinary shares are currently on the average only 114% of the yield on 2½% British consols.

"If common stock yields bore the same relationship to taxable Government bond yields in this country as they do in Great Britain, our average common stock yields would be about 2.83% instead of 4.7%, which would mean a price level 66% above the present level which would be equivalent to 240 for the Dow-Jones industrials."

$59 Million in Dividends

Last week the Trustees of **MIT** declared the 80th consecutive dividend since inception of that trust in 1924. This payment, which will be made on Oct. 20, 1944, to shareholders of record Sept. 29, brings total dividend payments by **MIT** since 1924 to over $59,000,000.

Mutual Fund Literature

Keystone Corp.—A series of charts printed in a single folder showing the market action of each of the 10 **Keystone Custodian Funds** for the years 1940 through 1944 and also giving the amounts of special distributions paid during this period. . . . **George Putnam Fund**—A descriptive booklet entitled, "What Is the Putnam Fund?" . . . **Distributors Group**—Two issues of **Railroad Equipment News**, dated Sept. 26 and Sept. 29, respectively. . . . **Fidelity Fund**—The 161st Monthly Report, dated September, 1944.

Dividends

Keystone Custodian Funds, Inc.—On the Series "B-2" a regular dividend of 75 cents a share and a special dividend of $2.50 a share out of realized profits for a total of $3.25, and on the Series "S-3" a regular dividend of 35 cents a share, both payable Oct. 14, 1944, to shareholders of record Sept. 30.

Institutional Securities, Ltd.—A dividend of 50 cents a share on **Aviation Group Shares**, payable Nov. 30, 1944, to stock of record Oct. 31.

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.

Commercial Banking After War

(Continued from page 1467)

rates, assures the banker against depreciation of assets after the war.

As you know, the bank supervisory authorities have agreed, so far as bank examination is concerned, that you may hold your Government securities at par or at amortized cost value. Conceding, however, that it would be small comfort for you to know that the bank examiner would not report your capital impaired if the value of your Government securities declined to the point where the market value of your assets would be less than your liabilities, I wish to mention two broad factors which will work in the direction of relatively low interest rates and stable value of Government securities.

One is that this country has become the greatest creditor country in the world, and a creditor country tends to have a relatively low rate of interest. A creditor position denotes a surplus of capital which is not consistent with high interest rates.

Public policy also is likely to be such as to maintain low rates. Naturally, I am speaking only for myself, trying to appraise the situation as it appears from the research man's desk. Clearly, it would be good public policy to maintain moderately low interest rates and to support the Government security market. It would not be sound policy to do otherwise in view of the large investment in securities on the part of banks, insurance companies, private and public institutions, corporations and individuals. Then, too, there is the desirability of keeping rates low in order to keep down the cost of the debt. For reasons stated earlier I believe that the market for Government securities will be strong and the interest rate relatively low even without Government intervention. Should it become necessary for the Government to act, however, I believe that the course of action pursued will be in the direction of maintaining relatively low rates and supporting the market.

The Quest for Investment Outlets

To me the greatest banking problem after the war will be how to find outlets for funds, not how to meet a loss of deposits or a deterioration of assets. In view of the great liquidity of business enterprises, it is going to be difficult to find loans. The banker who has been restricting his efforts to saying "no" to loan applicants most of the time and "yes" only occasionally will have to widen his horizons if he is to succeed in the future. If bankers are to do a livewire job they will have to search for unconventional outlets and new fields for investments. More attention will have to be given to small loans to individuals, to financing consumption, and to real estate and other loans that are not business financing in the old sense. Whether business requirements for outside financing will furnish a sizable outlet for bank funds after reconversion has been accomplished will in large measure depend upon the demand for peacetime products. With reasonably full employment, demand would be much above pre-war levels and more funds would flow through business channels. This is but an example of the interaction of forces which will determine the fate of all sections of the economy.

The value of banks and bankers to our economy is beyond question. They have contact with every phase of activity and perform a needed unifying function. So long as they follow the principle of serving the public and meeting the needs of their communities to the best of their ability, I believe that the banking business will continue to receive reasonable returns on capital. In my estimation, bankers have less cause for worry over the future than any other group. If they analyze carefully their functions in the national economy and in their own communities, and manage their businesses with imagination and competence, they can face the future with assurance.

Backlog Of Construction Contracts Estimated At $10,000,000,000

The backlog of construction projects awaiting the relaxation of government controls and the availability of manpower and building materials exceeds 10½ billion dollars, it was reported on Sept. 29 by F. W. Dodge Corporation, fact-finding organization for the construction industry.

The data were compiled after special inquiry by Dodge's field staff directed to more than 400,000 persons representing city, county, State and Federal government agencies, private industry, commercial, religious, social, educational and other organizations, individual prospective home builders, operative home builders, architects, engineers, contractors, insurance companies, banks and other institutional mortgagees. The compilation covers all States east of the Rocky Mountains and pertains to projects reported up to Aug. 31.

School and college buildings, hospital buildings, manufacturing, loft and office buildings and churches — in the order listed — are the principal non-residential classifications reported. The backlog of school and college buildings alone amounted to $767,930,000, and all non-residential building to $2,676,373,000.

In the residential field, Dodge reported a backlog of slightly less than a half billion dollars for one-family dwellings to be built for owners to order and by operative builders for sale or rent. The total of residential building, including apartment houses, dormitories and hotels, was $1,032,066,000.

In the field of heavy engineering construction, comprising public works and utilities, the Dodge corporation has a list of contemplated projects valued at 6.8 billion dollars. Streets and highways represent the bulk of the heavy engineering construction, although substantial volume is indicated for dams and reservoirs, sewerage systems, electric light and power facilities, and airports.

Our Duties To The Service Men

By W. RANDOLPH BURGESS*
Newly Elected President American Bankers Association
Vice-Chairman of the Board of the National City Bank of New York

In His Inaugural Address, Mr. Burgess Suggests Three Ways Banks Can Help Service Men, Viz: (1) Helping End The War By Soliciting Purchases Of War Bonds; (2) Helping The Returning Veteran Find What He Needs In His Home And Community; And (3) Preventing Another War by Assisting In International Cooperation. Claims Bretton Woods Proposals Should Be Simplified And That Britain's Position Be Made "The Key Of The Picture." Sees Dollar Stability Basic To Enduring Monetary Stability, And Says There Is No More Virtue In Making Bad International Loans Than Bad Domestic Loans.

W. R. Burgess

Year by year it is becoming a greater honor to be elected to high office in the American Bankers Association. Lee Wiggins and his distinguished predecessors have made it so. Harold Stonier and his able staff have made it so. The hundreds who serve on the Association committees and devotedly carry forward its activities have made it so. The 150 to 200 men who each year go forth from The Graduate School of Banking and the thousands of AIB graduates who are steadily raising the standards and the principles of banking are adding to the responsibility and the privilege of serving as president of the Association.

We have a better organization than most of us realize and we do well to pause in tribute to those who have made it so, and thus measure our own responsibility to the past and to the future. For we have only just begun. No one of us would dare say that banks today fill the place in the national life which they might. We touch the economic life of our communities at almost every point. At a critical time what we do or fail to do just in carrying through our daily task will influence the country's well being. For money can be the root of evil or the source of national good. I take it as an axiom that sound, progressive banking is good for the country and bad banking wounds the country at a vital spot.

Lee Wiggins has reported to you briefly on the year's activities of the Association. They are so many they can only be mentioned in a fair sized report. They are not just paper activities but each represents the enthusiasm, the patience, and the devotion of a group of our members. These activities are not only impressive and effective, they are very human. They include a number of new activities — new forms of service to help banks, large and small, country and city, do their work better. In this year the established activities and the new ventures alike have gathered impressive impetus. They justify our wholehearted support. As a logical outgrowth of the growth in activities for business and agriculture I have pleasure in announcing the opening of a Chicago office of the Association which may serve better the interests of the great midwestern area. I take personal satisfaction in this move because this was my home for many years.

As we look forward into the new year I want to suggest a theme around which all our activities may center—that will help spur us on when the work may seem hard or a little dull—a very human theme.

The theme I suggest is our duty to the boys of the services, banking and G. I. Joe, under fire today—a veteran back in our midst tomorrow.

My theme was partly suggested by an article in a recent issue of "Time" magazine:

"The hard, unhappy-looking men kept to themselves. Along the boardwalk, in the Atlantic City bars, they avoided civilians, even shunned other soldiers who had not been overseas. The hard young men were veteran Army Air Force pilots and crewmen. They had had 21-day furloughs at home. Now they were at the Atlantic City redistribution center, being prepared for reassignment.

"This was not what they brooded over. One of them said curtly: 'We don't need to be reoriented to the Army. A lot of us are damn glad to be going back overseas. What they should have prepared us for was the shock of coming home.'

"Said a bombardier who had been with Chennault's heavy bomber group in China for 21 months:

"'When I got home Manhattan didn't seem real.

"'I saw people jamming the bars and hot spots and movies. Their way of life hasn't really changed a damn bit. They are a million miles away from the sufferings of war.'

"Along the sunny boardwalk, in the Atlantic City bars, U. S. civilians were getting a look last week at gulfs they will have to cross when the boys come home."

An exaggerated statement perhaps, but it gives a vivid picture of a real gulf—one that has to be bridged.

Banking as a great national enterprise can help to bridge that gap. I suggest three ways.

First, we must give our best in helping to finish the war. We all know many things the banks can do and are doing, but our outstanding and special task is to sell War Bonds. The Sixth War Loan will be tough, with Germany tottering and we hope fallen, and people's minds turning to peace. We must make it a success to show our G. I.'s that we are still behind them. There is another basic reason: A debt well distributed among all the people makes a more healthy economy for us all—including our veterans when they come back. Suppose all the bonds were held by the banks — what would be the result? Would we sleep as well nights when we thought of the goodness of our assets? Our income might be larger. But our peace of mind would be less. The danger of inflation would be more serious, but perhaps more important still, 80,000,000 bond holders are a great protection With 80,000,000 bond holders the demagogue will be slower to propose measures that wreck the value of these bonds. There will be many more votes for sound money. Also these bonds so widely held will be a national reserve for the rainy day.

There is only one real way to sell bonds and that is by individual solicitation. The banks as a whole made a great record in just this way—by soliciting their customers. It is a time for each bank to examine its record. All of us will feel better when our boys come home if we have done our job as well as they have done theirs. Only the best will be good enough. Your committee on Treasury War Borrowing will again suggest procedures which they believe will bring the best results. I commend these to you. Let's go all the way.

Second, we have our direct obligation to the servicemen themselves as people. Some of them are coming home now. Many will come soon. Eleven million veterans to re-absorb in civilian life will be 20% of the whole working population. But they will not be just so many people looking for work. They will, in many cases, be people with new personalities. Many left as school boys and return as men, mature in some ways, immature in others—experienced in the tension of battle, quite inexperienced in peace occupations. Many will have been through terrible ordeals, and will be nervously unstable. Many may be belligerent — because those who stayed at home have seemed so complacent, have made so much money — rebellious just because they themselves have been deprived so long of personal liberty and the chance to live their own lives.

There is no general or overall cure for this great problem. It can't be met just by a bonus, or a system of employment agencies. It must be met by human understanding and immediate practical help. Each veteran must find what he needs in his own home and his own community. The banks can help.

Fortunate are those with work experience before their military life who can settle back into a familiar routine and environment. Old employees who return to our banks will not be hard to absorb, though we must recognize they are different people and will need understanding and adaptation of their work to their restlessness and to their greater maturity. They will need wise counsel and chances to talk frankly, for they have been dreaming dreams, and we shall find if we think about it that the office they come back to is changed from the one they left. Above all, we shall need friendliness and patience—two very useful qualities at any time.

But besides our own people returning to us there will be among the returning veterans looking for work some destined for leadership —fine men, able men tempered in the furnace of war. We are missing a great opportunity if we don't reach out for some of these people, even at the cost of temporarily surplus staffs. To interest them we shall have to offer them more than jobs—we shall have to show them a vision of opportunity in a new, a better banking system to serve their country in peace. This will take thought, planning and imagination, but the reward of success will be great.

Servicemen will come to us also as customers. Some recent surveys show that many of them plan to go into business for themselves. Some will come to us for funds, perhaps for the $4,000 of the G. I. Bill under which the Government will guarantee 50%. The provisions of the bill are far from clear and interpreting regulations have not yet been issued. Bankers are ready to make loans to servicemen as fully as is reasonably possible and desirable. It is, of course, no kindness to start a man off on a venture doomed to failure which will only leave him in debt. Unfortunately a large proportion of this type of business venture ends in failure. Each bank needs to have some one prepared to sit down with the would-be borrower to review his case carefully and

*An address by Mr. Burgess delivered at his inauguration as President of the American Bankers Association at the conclusion of the 70th annual meeting in Chicago, Ill., on Sept. 27, 1944.

advise him wisely. We need to be able to explain the rules for success in starting a business. The machinery of the banks for loans to small business and for personal loans will prove useful in meeting this situation.

Each of us has a broader community responsibility. Let's be sure that the banks do their full part to see that when the men come home they will find their home towns ready to receive them to give them the honor they deserve, to answer their questions, to help them fit back into civilian life.

To make sure that all of us have the necessary information and understanding of this problem, I propose to appoint a new committee of the American Bankers Association which we may call the Committee on Veterans or, if you wish, the G. I. Committee. It will work with other committees and eventually, I hope, will work itself out of a job, but we all, I know, want to make sure now that the banks are ready for the veterans.

There is still a third responsibility to G. I. Joe and to ourselves that you and I, as citizens, will be thinking about in the months ahead—the setting up of means to prevent World War III. Unless we do something it is due to come in 20 to 25 years from now, if not sooner. We thought we had finished the job when we won World War I. We tried to wage peace with disarmament and Kellogg Pacts. Somehow we didn't find the right answer or take it quite seriously enough.

Two things seem to be essential: (1) Setting up of machinery by which nations confer together and act together when necesary. (2) The continued and unflagging attention to this problem by Government and by citizens over long periods.

Our responsibility as bankers is to give particular study to the economic and financial aspect of international relations and report to the public how proposals in this area are likely to affect our country.

There are now before the public certain definite proposals resulting from the conference of 44 nations at Bretton Woods this summer. By general and fortunate agreement action by our Congress on these proposals is being postponed until after election. This gives time for the full consideration which the proposals deserve and require, for they are complicated and difficult to understand.

A year ago the Economic Policy Commission of this Association published a report on the whole problem. The Commission after long study favored among other proposals to encourage trade and sound international finance the creation of an international body for the twin function of conferring among the nations on monetary problems and for the extension of modest amounts of credits where they are likely to be sound and fruitful. The Bretton Woods proposals go far beyond the suggestions of the Economic Policy Commission.

They would call for commitment by the United States of as much as $6,000,000,000. The plans are elaborate and complex. It is not clear, particularly in the Monetary Fund, that only good loans are contemplated. They are, however, the proposals arising from an important international conference at a time when the nations must find means for international cooperation. We have therefore asked the Association's Advisory Committee on Special Activities to make a thorough study of these plans. It is desirable that there should be full and frank expressions of individual opinion on this subject now. It would be unwise for the American Bankers Association to express an opinion on so important a subject until that opinion can represent the informed view of a substantial number of the members.

It may be that the American Bankers Association after further study will be able to suggest means of simplification of the Bretton Woods proposals or alternative constructive proposals which will make sure that funds which we may provide for world recovery are wisely and prudently used. There is no more virtue in making bad international loans than bad domestic loans. Both make trouble. We do not wish to repeat, whether through Government or private channels, the mistake we made in foreign loans after World War I. They led to over-expansion followed by collapse.

The delay in action on these plans not only allows opportunity for the careful study they require but gives time for development of related elements of the international picture. These proposals for mechanisms for currency stabilization and for longer term foreign loans came to us in advance of other necessary parts of an international economic program and we are handicapped in judging them before we know the rest of the program with respect to security, reciprocal trade arrangements and the internal, political and economic stability of the countries concerned. In particular the key to the picture is the British position. For Britain has been a great center of world trade and finance on which many parts of the world depended. Unlike most of the other countries, Britain has drained off her substance in this war. A first step in world recovery is a plan for Britain. We ought to know that, and to know what help is required from this country before making other commitments.

It should also be added that another basic necessity for any enduring world monetary stability is assurance as to the strength and stability of the United States dollar which can only come from our putting our own financial house in order.

Our duty to G. I. Joe, as soldier and as veteran, lies clear before us. We must finish the war effort, and in this our special responsibility as bankers is the Sixth War Loan. We must prepare to welcome the veteran home and meet his needs both for jobs and human understanding. We must build plans to prevent World War III.

Our task ahead could not be better defined than in the words of Abraham Lincoln in his Second Inaugural Address:

"With malice towards none, with charity for all, with firmness in the right as God gives us to see the right, let us strive on to finish the work we are in, to bind up the nation's wounds, to care for him who shall have borne the battle and for his widow and his orphan, to do all which may achieve and cherish a just and lasting peace among ourselves and with all nations."

Some Observations Of Commercial And Savings Banking In England

By W. L. HEMINGWAY*

President, Mercantile-Commerce Bank & Trust Co., St. Louis, Mo.

Bank Executive Describes Briefly The Banking System Of England, Showing The Concentration Of Commercial Banking In "The Big Five," And The Position Of The Bank Of England As A Central Bank and Fiscal Agency Of The Government. He Traces The Development Of Savings Banking And The Widespread Operations Of The British Postal Savings Banks And Points Out How The Development Of Thrift In England Has Produced Self-Denial and Self-Control Among The People.

W. L. Hemingway

The banking business in England is an old one dating back to the goldsmiths in the seventeenth century. Today the commercial banking is concentrated in a few large banks. There are ten members of the London Clearing House through whom a great part of the nation's business is done. The Big Five, as they are called, that is, the five largest banks, viz., Midland, Barclays, Lloyds, Westminster, and National Provincial, with their thousands of branches largely determine the banking policies and practices of the country.

The Bank of England, while publicly owned, is the central bank and works in close cooperation with the Treasury in determining the country's fiscal policies. It used to conduct a general banking business, but of late years it has not been taking new accounts, its purpose being to gradually reduce its individual accounts and confine its operations to serving as depository for the Government and the banks, and acting as fiscal agent for the Treasury.

There are also a number of private banking houses, called merchant bankers, which conduct specialized banking functions such as were familiar to us in other days as J. P. Morgan & Company, Brown Bros., etc. Many of them have names of world-wide renown—Rothschild & Sons, Baring Bros., Morgan, Grenfel & Company, and others. Many of the banks operating in distant parts of the empire have their head offices in London and as one walks through the streets of the financial district the names of the different banking establishments are ample proof that here was the banking center of the world. The heavy drain of two wars on the British and the rapid development of the United States, industrially and financially, may result in that center shifting to New York. If so, there will go with it a great responsibility and it will be no easy task to discharge the duties of bankers to the world. Success will not be achieved unless Government policies in Washington are conducive.

I have mentioned these kinds of banks to give you a background for the savings banks, whose story I now will outline briefly to you. Daniel Defoe, the author of Robinson Crusoe, is credited with the first plan for a savings bank, which he conceived in 1689. Nothing came of this. In 1807 Samuel Whitbread presented to Parliament a plan for a savings bank to be under the management of the Post Office, but this plan also failed. The Rev. Henry Duncan of Ruthwell is called the Father of Savings Banks because he secured the establishment of savings banks there in 1810. A curious feature of this bank was that its depositors had to furnish satisfactory evidence as to their moral character and fines were imposed if deposits fell below 4s annually. Another novel provision for the improvement of society as well as the depositor was the payment to a prospective bridegroom of a higher rate of interest than was generally paid. As might be expected, the story of this bank soon spread around and in a few years others were started.

By 1817 the number had grown sufficiently to attract the attention of the Government which then by an act of Parliament offered to the new banks the privilege of investing their surplus funds with the National Debt Commissioners at a rate of better than 4½%. This proved so attractive that more than 500 banks were organized the next year, each under the management of its Board of Trustees. As time went on the deposits grew so that a limit was placed on the amount that could be deposited by one person and the rate of interest the Government paid was reduced. The experience of the trustee banks prompted Mr. Gladstone, then Chancellor of the Exchequer, to propose the Post Office Savings Bank Bill, which became law in 1861. The use of these banks has steadily increased until there are now 18,500 of them, an increase of 1,000 since the beginning of the war. During the war and because of it the total deposits have increased from 536 million pounds to one billion four hundred ten million pounds and the number of depositors from 11,500,000 to 18,250,000, so that now it is safe to assume that every British household supplies at least one depositor—"Any individual, even a child under seven, may have an account."

I think you may be interested in the types of accounts that are permitted. Any individual over seven years of age may open an account and may have more than one account and may also be a part to joint or trust accounts. An account may be opened in the name of a child under seven which will be subject to withdrawal by the child on reaching the age of seven. Funds of almost any organization can be deposited provided the money is not derived from business operations. There are many accounts carried with social, religious, and similar societies. There is no limit of deposits that may be carried by one depositor, but there is a limit of five hundred pounds that may be deposited in a year.

These banks also sell Government stock to their depositors which has increased since the outbreak of the war from 176 million pounds to 867 million, the increase representing the sale of defense bonds, which are issued only by the Post Office. The Post Office Banks also sell annuities and perform other services in peace times.

To return to the trustee banks, there are now 723 of them and their depositors number in excess of five million. The deposits have increased from 277 million pounds in 1938 to 567 million pounds today. They are strictly supervised by Government, and annual reports are submitted to Parliament by the Savings Bank Inspection Committee. Like the Post Office Savings Banks, they are authorized to issue Government securities and they have been of great assistance to the Government in its program of encouragement to savers. The rate of interest paid on regular accounts is 2½%, but there is a Special Investment Department where money is received on special terms at rates of interest fixed by the trustees of each bank subject to the approval of the National Debt Commissioners. These banks have been encouraged by the Government to the extent of empowering the National Debt Commissioners to advance money for founding new Trustee Savings Banks. Viscount Simon, for many years director of savings of the Post Office, had the following to say about small savings: "The appeal of the savings movement before the war was an individual appeal—wise saving for wise spending. We never encouraged saving profits for its own sake, but urged people to save for a purpose. With the coming of war, the appeal swung over to the vital necessity of saving for the sake of the nation, to furnish money, materials and labor for war purposes. When peace returns, the appeal must again become largely a personal appeal. On the other hand, there will obviously be a need for retrenchment for purposes of national reconstruction, etc. The Chancellor of the Exchequer and others have emphasized that savings must go on in the national interest for some time after the war."

There is a unique savings bank in England. The Birmingham Municipal Bank was founded during World War I as a war measure by Neville Chamberlain and after the war its authority was extended. The management is composed of the Lord Mayor and certain members of the City Council. The bank enjoys an excellent reputation in Birmingham, but the Government has not encouraged the establishment of similar banks elsewhere. Its deposits, on which it pays 3%, are now sixty million pounds. Its funds are invested about half in trustee securities and half for general corporate purposes.

We have been told, and I think most of us believe, that the practice of thrift develops character because it requires some degree of self-denial and self-control. If we feel it is necessary to go abroad for proof of this we need only to go to Britain. There the people are thrifty and they have shown an amazing degree of cool courage and self-discipline during the past five years that has won the admiration of the world.

Now we are brothers in arms with them and we are going forward together to victory, but when the guns cease firing and peace comes again selfish interests in both countries will assert themselves. Then will be the time for us too to show those qualities of self-control and to try to find the largest measure of common understanding possible. Together in peace we can do great good for ourselves and the world as we have done in war, but if the two great English speaking nations fall apart the future will indeed be dark and foreboding.

*An address by Mr. Hemingway before the Savings Division of the Second War Service meeting of the American Bankers Association, Chicago, Ill., on Sept. 25, 1944.

Spending Or Saving Our Way To Post-War Prosperity

(Continued from page 1459)

and in planning wisely for themselves to promote sound business and financial policy and the broad public welfare.

The responsibilities of the banking fraternity for a sound, sane, and solvent America are very great. They have not, I suspect, been as great before. Sound banking leadership, or the lack of it, may very well be the most important single factor in determining the kind of America we shall have in the decade and the generation ahead.

It is superfluous for me to say to this group of men and women that certain trends in the field of spending and financing initiated a decade ago and accelerated as a result of the war run sharply against the grain of modern capitalism and free business enterprise. They run likewise against banking of the kind in which a large majority of those in this room are engaged. In fact, they cut sharply across all of what for the lack of a better name we call the American way of life.

The first of these trends and the one to which I am directing a major portion of my remarks is the trend, already marked, away from individual thrift, the trend away from new capital creation, all trends based upon the philosophies of the last decade which hold that spending, rather than saving, makes the mare go.

Having been born on a western Ohio farm, I learned early in life and by the sweat of my own face what the real sources of wealth were. Of the place of labor and land in the production of food I needed a little instruction in my first college course in economics. My concept of capital was vague, but I knew full well that the farmer who had good buildings and farm implements and plenty of horse power was the farmer who lived well and made money, and in a vague kind of way I associated good farm equipment with thrift, with savings and generally with a method of living which among many of us today is conspicuous only by its absence.

My purpose in relating this bit of personal history is to record the opinion that the cause of sound economic thinking suffered heavily as more and more of us moved from the land and lost first-hand knowledge of the processes of wealth creation. It is significant in this connection, I think, that a majority of those who today would propose to spend our way to a sound post-war economy are by background and experience far removed from the processes by which wealth is created, and by which only it can be created, and are thus easily persuaded of the alleged advantage of spending over saving and of the high desirability of management and manipulation over industry and production.

It is obviously more pleasant to wish for the abundant life than to provide it by dint or one's own effort. And it is easier to spend money than to save it. It seems to be particularly easy to spend money that belongs to some one else.

Wide acceptance of the philosophy of spending in recent years is due also to a wholly mistaken view of the relation of saving and of capital to production, and particularly to employment and jobs, in which currently there is the widest public interest.

A nationally known woman whose column "My Day" is familiar to most of you published this amazing answer to a question which recently appeared on her "If You Ask Me" page in the "Ladies Home Journal":

"I have never invested any money because I feel that what I earn should be spent to help others or to give useful employment."

The inference is perfectly clear. Money which is spent helps others and gives employment, while that which is saved and invested, is used for selfish advantage. The implication is unmistakable that high-minded altruistic men and women do not save and invest.

Much of this philosophy has been running through government policy and legislation for more than a decade. Take, for example, the tax on undistributed corporate profits which, in a really stiff competition, stands out as perhaps the worst of all New Deal blunders. The thesis underlying that tax measure was precisely the same as that of the answer just referred to: Savings are selfish and make for business stagnation; spending is high-minded since it gives employment and creates great business and commercial activity.

Much the same philosophy seems to lie behind the constant pressure the administration has maintained on the money market. By depressing constantly the rate of interest, which after all is the premium paid for saving, the government has discouraged thrift, has impeded long-term private investment and has thus paved the way for more and more government financing in more and more directions and placed a heavy burden on sound recovery within the framework of private capitalism.

Thus the question shall we spend or save involves an issue which this nation must decide very soon after the war is over. Involved directly in the answer to this question is the choice between private enterprise and some form of collectivism, between saving and investing by individuals and corporations, and dependence on the public credit over an ever-broadening sector of the economy.

That the forces favorable to spending are currently stronger than those of saving there can be no reasonable doubt. They are stronger because spending is easy and saving arduous. They are stronger also because for a decade or more the government has largely been under the influence of a school of economic philosophers who would like to believe that the basic laws of economics are no longer operative, that prices can be controlled by legislation or executive order and that prudence can be thrown to the winds in about every phase of our public housekeeping.

It is largely because we have

(Continued on page 1479)

The Work Of The Trust Division

By HENRY A. THEIS*
President, Trust Division, American Bankers Association
Vice-President, Guaranty Trust Company of New York

Head Of The Trust Division Tells Of Its Accomplishments In Drafting A Statement Of Principles For Trust Institutions Which Has Been Adopted By The Governors Of The Federal Reserve System. He Points Out The Part Played By The Trust Division In Keeping The Trust Business On a Sound Basis. This Includes Making Trust Services Available To Those In The Armed Services, Aiding The Formulation And Adoption Of Pension Systems, Reforming Tax Laws Relating To Trusts, And Uniform Rules Relating To Trust Accounting. Reveals That 22 States Have Adopted Trust Division's Recommendation For Enabling Legislation On Common Trust Funds.

There has probably been less punitive legislation — Federal or State—aimed at the trust business during the past 15 years than against any other sector of American business. This, I believe, is a fair statement. It is a credit to the trustmen all over the country that such a statement can be made, for it indicates that, on the whole, trust business has been honorably and competently conducted.


Henry A. Theis

While the country was still suffering from the shock of the world-wide economic crash, and before the mania for solving all our economic ills by legislation began, trust business set about to declare itself and the standards by which the business should be conducted. How sound trust business should be carried on was in the minds of trustmen, but had never been put down on paper.

In the summer of 1931, trustmen began the work to bring this about, and in the fall of 1932 a committee was assigned to submit a draft of a Statement of Principles of Trust Institutions. The Statement in its final form was approved by the Executive Committee of the Trust Division and by the Executive Council of the American Bankers Association in April 1933. It was incorporated in the Bankers' Code of Fair competition under NRA as Schedule "A", effective October 16, 1933. When Regulation F, governing the conduct of trust departments of national banks, was adopted by the Board of Governors of the Federal Reserve System, the Statement of Principles was included in the appendix and was commended to banks operating trust departments.

When this statement was under consideration for adoption, it was argued by a few that there might be some trust institutions in the country whose standard of performance would not measure up to so high a standard as that prescribed by the Statement of Principles, that the Statement might be used to the injury of such trust institutions, and that, therefore, no statement should be adopted. These views did not prevail and, so far as I know, no trust institution has ever been surcharged because its standard of performance did not measure up to that of the Statement.

The ready approval given by Government officials to the precepts of the Statement may be one reason why the trust business was left substantially alone in the flood of reform legislation. So, it may be said that here is a business which has successfully regulated itself. Due credit for the proper conduct of the trust business must of course be given, also, to the intelligence and fairness of the Federal and State supervisory agencies in their examinations of trust departments.

One phase of the trust business, namely, that of acting as indenture trustee, narrowly escaped punitive legislation. The wise and patient guidance of a committee of the Trust Division, under the Chairmanship of Gregory Page, turned what might have been punitive legislation into constructive legislation; not by any means perfect, but workable.

In our tax laws, punitive legislation was aimed at the customers of trust institutions and at beneficiaries of other trusts. Here, it was a consequence of the misguided activities of a few trust institutions which aggressively pushed their trust business on the basis of tax avoidance. These institutions subordinated the trust instrument as the vehicle that it is for accomplishing laudable social aims, and sold trust business primarily as a tax-saving device. The reaction was quick and severe. As in all such cases, the large majority of innocent had to suffer for the faults of a few. Through the efforts of the Trust Division some part of the discriminatory tax legislation against trusts had been removed.

The growth of interstate trade barriers has had the attention of thinking people. They see in it danger to our economic development. Practically every group—business, agriculture, labor, industry and banking — agrees in particular that interstate trade barriers are harmful, yet in each group there are some who are willing to have special trade barriers put up which will aid them. The trust business has not been free from engaging and promoting restrictive measures in the conduct of trust business between states. There is much confusion and uncertainty in many states as to what the law governing the rights of out-of-state trust institutions actually is. The Trust Division cannot undertake a clarification or the amelioration of this situation. The cure must spring from within the separate states.

The Trust Division is cooperating with the National Conference of Commissioners on Uniform State Laws in drafting a "Uniform Reciprocal Act on Out-of-State Trust Institutions as Fiduciaries," and in the drafting of a "Uniform Ancillary Administration of Estates Act." The most the Trust Division can do is to see to it that whatever uniform statutes are proposed by the National Conference of Commissioners are clear in meaning and workable. Whether or not these proposed statutes are to be adopted by the several States is solely up to the States themselves.

The Trust Division has played an important part in keeping the trust business on a sound basis. As you know, it has no police powers, but, by education and example, it has wielded a powerful influence. This guidance has been felt through many changes — in periods of peace and of war and in the transition from peace to war.

Just now the world is in a disturbed epoch. In the past, disturbed epochs have been creative epochs as well. Trustmen must see to it that the present disturbed period will be a creative one for the trust business.

Defeatist thinking and acting to which this country succumbed in

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*An address by Mr. Theis before the Second War Service Meeting of the American Bankers Association, Chicago, Ill., on Sept. 25, 1944.

Post-War Tasks Of National Banks

By F. RAYMOND PETERSON*
President, First National Bank, Paterson, N. J.
President, National Bank Division, American Bankers Association

While Pointing Out That The Reversion To Peacetime Activities Will Be More Difficult Than Was Conversion To War, Mr. Peterson Asserts That Private Banking Will Prove Itself Still To Be The Most Practical Instrumentality Of Financial Assistance To Every Type Of Business And To Every Individual. He Foresees Need Again To Apply Banking Resources To Civilian Business And Decries The Infringement of Government Upon Tasks Considered To Be In The Realm Of Private Enterprise. Urges Return To Practices Which Permit Individual Planning.

I bid you welcome to this meeting, called for the purpose of discussing some of the problems confronting national banking and other types of banking also. A nation at war always labors under the handicap of many unsettling influences. Their effects are felt by business and industry and also by individuals down through all the different strata of society. National banking bears its share of these burbends, but in spite of them it has forged ahead steadily.

F. R. Peterson

The resources of the national banking system, built up through many years of strict application to public needs, have enabled it to contribute effectively in numerous ways to the successful prosecution of the war and, at the same time, to the conduct of essential civilian business. This record brings deep satisfaction. It proves again the force and strength of that system and its availability for any character of service which the exigencies of modern business and Government management may require.

The satisfaction which comes from aggressive support of any just cause is common to organizations and individuals alike. It is the reward for the extraordinary work demanded, and the imperative nature of the service is a spur to its performance. Banking accomplished its purpose by stepping up its production as each crisis developed. It accepted additional assignments each time a new phase of the war and its demands was reached. The result of all of this was the creation and the employment of a force considered adequate to perform every service within the scope of banking; a force calculated as sufficient to aid beyond the sphere of actual banking in achievement of the end which now seems assured —the successful conclusion of the war.

Looking ahead now, but by no means drawing the curtain upon any essential phase of the current task, which obviously is not finished, and which in no sense is being abandoned, there is an immediate and compelling necessity for preparing for important changes which are certain to come. There is added to the responsibilities banking has assumed in the prosecution of the war program, the exaction that plans be laid to fit banking into the pattern of events to come. The reversion to peacetime activities will be more difficult than was the conversion to war. Fortunately, though, it can be accomplished without lessening either the spirit or the substance of the war program support.

First and foremost, at the conclusion of the war, banking will face two psychological requirements. It will have to be prepared for a general public inspection of its record of achievements during the last several years, and it will have to offer also a blue-print of its plans for the future. Notwithstanding the acknowledged excellence of its contributions to the war effort, banking will be compelled to demonstrate again its usefulness in time of peace. This is not a requirement resting upon just a few banks or a representative group. It is an obligation weighing heavily upon each institution. In fact, the scope of this requirement is broader than the entire field of banking alone. Banking is only one element in the picture.

Each community will want to be shown how effectively its individual citizens and groups can pick up the more or less tangled strands of local business and fashion them into a durable post-war fabric. It will want to know how satisfactorily and how far those same persons can take over and administer the projects which Government has been conducting directly or otherwise.

Each move made in the reconstruction program will be watched by an intensely observant and critical gallery. This may add to the difficulties of the task, but, likewise, it will raise the value of the reward. I feel I cannot impress too strongly the individual character of this task. It is rooted in the life of each town and village and city alike, and its success depends upon the aggressiveness with which it is prosecuted. Within the boundaries of our needs and our limitations the keel of our economy will be re-laid and, encouraged by its possibilities, the structure will attain whatever proportions our determination and our energies support.

Banking shares heavily in this responsibility. It has discovered additional ways to extend its services, and it must employ all of them to prove that private banking still is the most practical instrumentality of financial assistance to every type of business and to every individual. It must show the cleavage of Government and private business, and reawaken an appreciation of the proper function of each by demonstrating what business can do on its own responsibility without Government assistance.

Banking, the same as Government and some industries, has accumulated a stockpile of materials—deposits. Their potential value, through full employment in the coming months and years, is tremendous. The important question now is "How can that vast array of materials be used to the greatest public and national advantage?" Banking recognizes the force of this query and is convinced also that it knows the answer.

A satisfactory volume of these deposits is employed now, and they are serving a wholly commendable purpose. They have reached totals far higher than in any previous period, and even in percentage of current greatly expanded assets, the funds employed are around the best levels of the last twenty years. But in spite of these encouraging elements, the picture lacks the proper balance. The nature of this employment, rather than the amount, gives concern. It is not up to the required standard, but it could be raised to that point through an adjustment of allocations; through a larger portion distributed in business loans. This, of course, is our objective.

There can be no doubt that this objective can be reached if banking will throw the entire weight of its practical experience and its total resources into the effort. In other words, the outcome depends largely upon banking itself. There is only one way to measure the capacity of banking to perform any task. That measurement is its determination, and upon that determination its record and its achievement will rest.

I am not going to make any detailed statement or attempt to outline any plan for the accomplishment of this purpose of banking. The privilege of dong that belongs to our guest speakers. But I feel it will not be an infringement upon their assignments if I try to emphasize the necessity of putting into this effort every facility

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*An address by Mr. Peterson before the National Bank Division of the Second War Service Meeting of the American Bankers Association at Chicago, Ill., Sept. 25, 1944.

Post-War Tasks Of National Banks

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that banking possesses. Civilian business in our nation will be the dominant and the sustaining force again some day. The distinction between civilian and military, in describing the nature of the business, must be carried also, with firmness, into the methods of conducting it. Civilian business primarily means business conducted privately, rather than governmentally. Private enterprise must find regeneration, and individual initiative must take courage and draw strength from the enormity of the task and the far-reaching effect the results will have.

In this instance the indirect results are more important than the direct and immediate effects. The indirect results are the state of mind produced, the national policies which are created, the traditions developed or broken. In our country we have a long-established tradition that the business of our citizens shall be conducted by them as individuals or in groups. In practice, times of emergencies, of course, are excepted. But in general that has been the design, and it has been followed for the most part.

There have been times, however, when this policy has been infringed, even when no emergency seemed to call for it. There has been, now and then, a disregard of the philosophy of this policy, with the result that in practice it has become a bit irregular. Upon occasions, the Federal Government has undertaken tasks which theretofore were considered to be within the realm of private enterprise. Fortunately, the instances were comparatively rare though, or they were supported by excellent reasons or results, and the tradition lived on, but with progressively less force.

It isn't difficult to see what ends such practices may lead to. Once a tradition is violated notoriously, each succeeding infraction is more easily accomplished and arouses less resentment. It is more readily condoned. This can mean only that if a plan resorted to in time of emergency, even to achieve an essential but temporary purpose, is not abandoned as soon as the emergency passes, each additional day will make that much more difficult the resumption of the orthodox practice.

Therefore, one duty resting upon each citizen is to strive, after the close of the war, and also prior to that time, to the extent that its progress will not be retarded, for a return to the customs and practices which gave our people opportunities to plan for themselves, to become self-reliant and aggressive. In short, a nation founded upon the principle that it belongs to its citizens, and that they shall conduct its trade and commerce as such citizens, should not depart from that principle so long as it yields the best results.

A nation which has become great through observance of this principle doesn't seem to be following the best course to preserve that greatness unless it insists constantly upon a policy which assures its citizens the greatest possible participation in the conduct of all of their affairs.

The course of events in America in the near future probably will shape its destiny for many years to come. We are in an artificial atmosphere now. We are laboring under conditions which economically are quite unsound. We are so far removed from the normal way of life that the long road back to stability is beset with many dangers. Some of them are unusually perilous because they hold out plans with some measure of attractiveness, but actually they are untried and lacking in balance.

One of the important tasks our country faces as it moves along this tortuous, exposed road, is that of determining which of the practices we have picked up in the emergencies of the war period are sound and suited to our way of life and business. It is not always a simple matter to distinguish between the constructive and the impractical methods. Neither can one be certain always that a proposal, even though it may be constructive, actually fits into the plans of a people accustomed to doing things for themselves. Temporary and satisfactory employment of plans in a period of emergency may throw about them a surface glow which could be mistaken for ingrained color. It is our job to be able to recognize each of these types, and to retain only such of them as would add to the enjoyment and the productivity of American life.

Applying this philosophy to our own business, none of us would decline to accept practical improvements in banking. We not only welcome them, but we search for them constantly. What we want to avoid is the permanent acceptance of expedients contrived for temporary use and entirely unsuited to continuous application. Vigorous steps to drive them out are imperative and, for itself, banking can accomplish this best by demonstrating that it has the facilities, the experience and the will to give a better financial service than is available from any other source.

I ask that all of us unite to do this very thing; that we remember that the initiative required to keep moving forward must be generated largely within banking itself, and that the advancement it makes will show a pretty definite relationship to the amount of energy we expend.

John Shea Heads Ass'n Of Bank Auditors

At the final session of their annual meeting just concluded at Cleveland, Ohio, John C. Shea, Assistant Vice-President of the Whitney National Bank, New Orleans, was advanced to the Presidency of The National Association of Bank Auditors and Comptrollers. Mr. Shea has been advanced each succeeding year since 1940 when he was first elected to national office as Treasurer. Other officers of the Association are First Vice-President, Ben Jenkins, Assistant Vice-President, First National Bank & Trust Co., Oklahoma City, Okla.; Second Vice-President, Arthur R. Burbett, Comptroller, First National Bank, Baltimore, Md.; Secretary, Mills B. Lane, Jr., First Vice-President, Citizens & Southern National Bank, Atlanta, Ga.; Treasurer, Paul D. Williams, Comptroller, Corn Exchange National Bank & Trust Co., Philadelphia, Pa.

Mr. Williams is the new officer in the official family, all others having been advanced in the officers' line. Mr. Powers, the retiring President, will become an Advisory Board member, which position he will hold four years. Other members of the Advisory Board are Charles Z. Meyer, now serving in the U. S. Army; Cecil W. Borton, Vice-President, Irving Trust Company, New York, and Ottmar A. Waldow, Comptroller, National Bank of Detroit.

President Shea in his inaugural address announced the appointment of a new committee to be known as the Research Committee, with past President Ottmar A. Waldow acting as Chairman. This new research program to find better auditing and operating procedures for banks will start at once. A two-year program is being outlined at the start.

The By-Laws of the Association were amended at this meeting to provide for the election of six directors, and the appointment of a Vice-President for each State. The newly elected directors are Richard L. Brower, Auditor, Bowery Savings Bank, New York; B. N. L. Davis, Auditor, Seattle-First National Bank, Seattle, Wash.; L. H. Hammerstrom, Auditor, Continental Illinois National Bank & Trust Co., Chicago, Ill.; Don Houser, Auditor, Third National Bank, Nashville, Tenn.; Edward F. Lyle, Comptroller, City National Bank & Trust Co., Kansas City, Mo.; Sumner Sinclair, Auditor, Northwestern National Bank, Minneapolis, Minn. President Shea will announce the appointment of State Vice-Presidents at an early date, and also members of the several standing committees.

This convention just closed proved to have a record-breaking attendance of 700 people.

Spending Or Saving Our Way To Post-War Prosperity

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sinned so far and so long against the principles of sound economics and prudent public finance that we are today in very grave danger.

Had our prodigality been confined to the years before the war, there would have been time probably to reverse our course and maintain the stability of our financial institutions. Or better still, had be kept the house in order between 1933 and 1941, we could have borrowed and spent as far as the exigencies of the war demanded, without seriously undermining the foundations of our economy.

But because we chose imprudence instead of prudence in the 1930's and were then compelled to pile upon that unsound foundation the expenditures of a global war, the structure is today by no means secure. That it will be weakened from this time forth by every appreciable addition to the public debt, every informed person is convinced.

Thus it becomes imperative, immediately the war is over, that there be adopted for the government, particularly for the Federal establishment, a policy of saving as against spending. This means, in the first instance, a reduction in the total costs of that establishment to the lowest figure consistent with the performance of essential Federal services. To be sure, a large miltary organization will have to be maintained for years to come. The regularly established departments and divisions of government will always have to function and they will be entitled to appropriations commensurate with the valuable public services they perform.

And the costs of these essential services, including the carrying charges on the public debt, must be covered entirely by taxation. It is my own opinion that in the first full fiscal year after the end of the European war the budget should be balanced and should be kept in balance, a course of action which would involve both government saving, and saving also by individuals and corporations in order to meet their tax liability.

Above everything else, spending for spending's sake; spending to provide consumer buying power, spending to provide jobs without regard to the value of the work undertaken, spending to maintain a huge Federal bureaucracy which would perpetuate itself, if it were able; spending of these and of any other varieties except as it involves a quid pro quo, must be stopped as soon as possible if economic stability is to be more than a catch word, and if the peace is to be clinched after brilliant military victory has been won.

But public saving and a very sharp curtailment in public spending must be complemented by private and corporate saving, by thrift, by new capital creation, and by private capital investment running into the billions every year for some years after the war ends, if the traditional American economy is to be preserved.

Individual thrift will need to be encouraged first, and here you bankers have a heavy liability, as regards the disposition by the public of War Bonds, largely E Bonds, payable to the owner virtually on demand. This is not the time or the place, perhaps, to discuss the financing of the war, but in passing I must say that the stubborn adherence of the Treasury to these demand obligations in the financing of a war costing several hundreds of billions was a very grave error, one which will have to be corrected in the early future if the danger inherent in an enormous burden of floating indebtedness is to be avoided and a sound post-war economy created.

Only slightly less indefensible than its dependence upon obligations payable on demand was the sales talk that went with their distributioin in at least the first three War Bond campaigns, the talk that a citizen could at the same time liquidate his obligation to the government by buying War Bonds and pay in advance for a new post-war motor car or helicopter or finance a vacation trip to the devastated regions of Japan (I hope).

I need not tell this group, I am certain, that there can be no sound post-war economy if a substantial portion of the bonds payable on demand are redeemed for cash at the earliest opportunity after the end of hostilities and the funds thus secured used as the basis for an ever greater spending spree, one free both from most of the prevailing wartime restrictions and also from the discipline which many citizens are voluntarily imposing upon themselves.

It is my firm conviction that the bonds payable on demand along with billions more of short-term Treasury obligations will need to be refunded into long-term bonds bearing a rate of interest that will encourage new and continued thrift and accumulation, bonds that will then find their way into the lock boxes of literally scores of millions of small capitalists to be held as permanent parts of their estates, the principle to be kept intact for at least a generation.

The second responsibility of the banks will be in relation to the billions of savings other than War Bonds that are the subject of so much current discussion wherever and whenever the outlook for the post-war period is considered.

Almost any day one lays eyes on a news story or an editorial or a column the thesis of which is that the transition from war to peace will be easy because the American public has billions of savings which it will pour out for about every wanted commodity and service immediately the commodities and services in question are available.

A recent "Anti-inflation Bulletin" published by the Life Insurance Companies in America placed the total of accumulated savings in the United States at the end of last year at 95½ billions, a figure which included neither the 23 billions of currency in circulation nor billions of individual deposits in commercial bank accounts, in both of which there is presumed to be, particularly at this time, a considerable sediment of savings.

Writing recently of this same fund of "savings" Marriner S. Eccles, chairman of the Board of Governors of the Federal Reserve Board System, said:

"The inflationary potential which, it is estimated, will exist on June 30, 1944, measured by de-

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The Work Of Trust Division

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the '30's were to give us security against the world, against nature, and against one another. Actually they contributed to our insecurity. The extent to which we as a nation had by 1933 reached a stagnation state in society is evidenced by our abandonment of our traditional policy on the freedom of the seas and by the adoption of neutrality legislation. Internationally we became the inert and unwitting victims of circumstance, instead of the master of circumstances.

In the field of domestic economics, too, we adopted self-defeat to cure our economic ills. We deceived people into believing that Utopia may be obtained by spending and wasting, by allowing people to feel that the world owes them a living, that the Government will work and plan for them, and that they need not do anything for themselves. We preached that laziness and profligacy are virtues; work and saving, sins. We weakened bodies and broke souls.

Who knows but that if, in the '30's, we had taken a positive stand instead of the negative one which we chose to take, in both our international and domestic affairs, events abroad and at home might have been different?

It took Pearl Harbor to arouse us from our preoccupation with thoughts of so-called security. Strides are daily being made in the field of science, in the production of raw materials, agriculture, and manufacture. Will the nation, aroused in war, remain aroused in peace? Will we rely upon courage and initiative, or will we revert to defeatism and pacificism?

On behalf of the trust business, I promise you progress. Progress means change — not in the fundamental principles set down in our Statement of Principles, but in the quality of our service and in making our facilities available to an ever-increasing number of people, to the end that the social benefits to be derived through the mechanism of trusts may be enjoyed by an ever-enlarging number of people.

Ever since the beginning of the war, trust institutions have made available their services to the men and women in the armed services, to their families, and to civilians engaged in war work. During the year a new committee on Veterans' Affairs, under the chairmanship of Chester R. Davis, was appointed. This committee has made a broad study covering the desirability, in the public interest, of accepting appointments on behalf of veterans, the best methods of handling them, and the fees and costs involved.

During the year our relations with members of the Bar and with life underwriters have continued to be harmonious. In both fields there has been constructive cooperation, with the interests of the public the paramount consideration.

Members of the Trust Division have continued to work with the Government bureaus having charge and control of foreign funds and securities and all property under the jurisdiction of the Alien Property Custodian, and have observed the spirit as well as the letter of the laws and regulations.

The trust institutions of the country serve thousands of beneficiaries. These beneficiaries are not organized. Many of them are widows, orphans, minors, and incompetents. A substantial number are in the war services. They cannot well speak for themselves. As their trustees we have both the right and the responsibility to speak and act in their behalf. To this end, we asked the nationally known analyst of public opinion, Elmo Roper, to make a survey as to what some of our customers' main financial concerns are. The results of this survey were published in the March issue of the Trust Bulletin.

Because of wartime conditions, and particularly travel conditions, visits to New York were somewhat limited. Consequently, Mr. Selecman and I felt that we should bring the Trust Division to as many communities in the country as we possibly could by visiting them. To carry out this program, I addressed the bankers and trustmen of the New Jersey State Bankers Association, and of the California Bankers Association. I spoke before a group of trustmen in Atlanta, and in Portland, Oregon. I visited the trust institutions of New Orleans and Louisville. I addressed the Mid-Winter Trust Conference in New York, and the Mid-Continent Conference in Chicago.

The war necessitated cancellation of the West Coast Trust Conference for the past three years. In order that many of the institutions in this area might be brought up to date personally on current activities of the Trust Division, Mr. Selecman visited trust institutions and addressed fiduciary associations in Los Angeles, San Francisco, Portland and Seattle, and also Minneapolis and Chicago.

Mr. Stephenson, Trust Research Director, had an unusually busy year. His activities included the publishing of six studies in trust business, lectures, and visits to trust institutions. The six studies were published as bi-monthly supplements to the Trust Bulletin. The lectures were delivered to six of the larger law schools. This is a smaller number than those previously covered, due entirely to the reduced attendance at law schools as a result of the absorption of young men by the armed services. During the year he visited 334 trust institutions located in 76 cities, in 44 States. On these trips he discussed trust business with a total of 4,800 people, mainly trustmen, bankers, directors of and attorneys for banks and trust companies, lawyers and life insurance men.

The field of investment of trust funds had our attention during the year. Our Committee on Trust Investments published its report, "Shop Talk on Trust Investments"; addresses were made and articles in the Trust Bulletin appeared on post-war trust investment policies, investing trust funds under the Prudent Man Rule, and common stocks for trust investment.

Trust institutions are playing an important part in pension and profit sharing plans adopted by private enterprise to meet social obligations to over-age employees. The number of trusts under these plans administered by trust institutions is increasing. While the companies themselves work out and develop the plans for their employees' trusts through their actuaries and attorneys, trust institutions have a certain responsibility in accepting duties under such plans. These plans touch the lives and economic wellbeing of large numbers of people. An ill-advised plan, a terminated plan, or a material defect in a plan may subject the trustee, as well as the employer, to unfavorable criticism. Trust institutions, therefore, have a direct interest in the proper development of sound and bona fide employees' trusts.

Our Committee on Employees' Trusts made an important contribution to the thinking on this important matter, in its report published in the November, 1943, Trust Bulletin. An able address on the subject of Employees' Trusts was delivered at the Mid-Continent Conference. A panel discussion, participated in by trust, actuarial and insurance interests was given at the Mid-Winter Conference in February. The committee has kept in touch with developments in the bureau at Washington on pension trust matters and has had the privilege of exchanging views with members of the staff.

The special committee on Intermediate Court Accounting, of which Richard G. Stockton is chairman, has prepared a most excellent report on this question, which will be published shortly in the Trust Bulletin.

The 1943 Revenue Act, passed by Congress in February, 1944, largely through the efforts of the Trust Division, made a number of technical changes which remove certain inequitable provisions with respect to estates and trusts that had arisen under court and administrative interpretations of prior tax laws.

The Committee on Trust Policies, after making an exhaustive study of practices in connection with the voting of stocks held in trusts, issued an important Statement of Policies for Voting Shares of Stock Held in Trust Accounts. This report was approved by the executive committee in February of this year. This statement recommended that every trust institution should have definite policies and procedures with respect to voting stock, and then outlined certain policies for the consideration of trust institutions.

During the past decade the Trust Division has issued from time to time important Statements of Principles and Policies. It seemed desirable to gather together these statements in a single publication of the Trust Bulletin, in order that they might be available in handy form for restudy by trustmen throughout the country. It was felt particularly important to republish these statements at this time because of the many changes that have taken place in the personnel of trust institutions. The June issue of the Trust Bulletin, therefore, was devoted to the republication of these statements.

It has been apparent to many trustmen that there has been considerable misunderstanding, particularly among legislators, as to the part played by the trust instrument in our social economy. A study is being made of the historical background and the development of trusts, their use as a medium for the conservation of property for the benefit of dependents, and their importance in the general social and economic scheme of our whole property system.

A second phase of this study will deal with the history of Federal taxation of estates and trusts, beginning with the 1913 Revenue Act, showing the statutory development down to the present time. This study will deal with interpretations and regulations relating to the estate and trust sections of the tax laws and leading court decisions. Some of these have led to uncertainties and inequities.

The third phase of this study, therefore, will deal with proposals for amendments to the tax laws to remove these uncertainties and inequities.

During the year 1944 the Legislature of only one State acted upon the Trust Division's recommendation for enabling legislation on common funds, and adoption of the Prudent Man Rule for trust investments. Virginia is the last State to permit the formation of common trust funds and brings the total number to 22.

The credit for what may have been accomplished during my term of office belongs not to me, but to a large extent to the chairmen and members of the committees who have done the real work. I had at all times the full cooperation and wise counsels of the officers, and the guidance of the executive committee. But above all, the source of the power which keeps things moving in the Trust Division is Merle Selecman, and his able staff of assistants—Miss Gildersleeve, Miss Leslie, Miss Schumm and Miss Renker.

Finney Again Heads WFC Public Relations

Peter Finney has beeen appointed Assistant to the State Chairman, in charge of Public Relations for the U. S. Treasury Department's War Finance Committee for New York, it was announced on Sept. 23 by Frederick W. Gehle, State Chairman. Mr. Finney was the War Finance Committee's first Director of Publicity, when the organization was known as the Defense Savings Staff. He came to the Treasury Department from the advertising agency of Arthur Kudner, Inc., in September 1941. A licensed pilot for many years, Mr. Finney resigned from the Treasury in December 1942 and entered the Army Air Forces. He was flight instructor and later a Flight Commander at the 64th Army Air Forces Flying Training Detachment at Camden, S. C. When the Air Corps began curtailing its flying training program last May, Mr. Finney was released to the Bell Aircraft Corp. at Buffalo, N. Y., where he served as a test pilot until now, when he rejoins the Treasury Department.

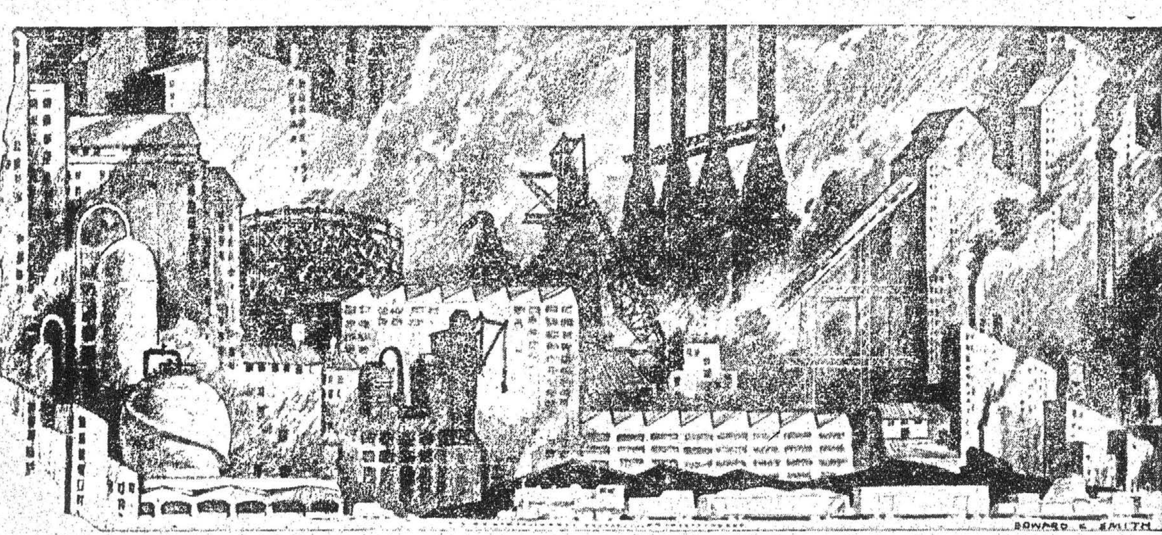
Banks Qualify To Redeem War Bonds Under New Plan

More than 10,000 banks, 70% of all such institutions that are eligible, already have qualified to participate in the Treasury's plan for simplifying redemption of Series E War Bonds, and Series A, B, C, and D Savings Bonds, Secretary Morgenthau announced on Sept. 26. The announcement says:

The new plan, which becomes effective October 2, permits banks to make immediate payment upon satisfactory identification of the applicant owner, in redeeming the bonds. Heretofore payments were handled by check through the Federal Reserve banks or upon direct application to the Treasury, a procedure involving some delay.

Secretary Morgenthau termed the response of the nation's banking industry to the new program "extremely gratifying."

At the same time the Secretary expressed hope that the simplification of redemption procedure will not encourage bond owners to present bonds for payment except in cases of absolute necessity. Mr. Morgenthau pointed out that huge sums still are required for war emergency expenditures. He said every bond owner should remember that the bonds increase in value the longer they are held.



Spending Or Saving Our Way To Post-War Prosperity

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mand deposits and currency, savings deposits in banks and government securities held by business concerns and individually, but excluding government securities held by the life insurance companies and banks, will amount to 194 billion dollars. . . . This compares with liquid holdings as of June 30, 1941. . . . of 71 billions. In other words, there will have been an increase in the three-year period of 115 billion dollars."

What portion, or proportion, of these "savings" are savings in fact and what part of them represent merely deferred buying power, there is as far as I am informed no way of knowing. My own impression is that the real nature and significance of a substantial part of these savings is still to be determined, that a course of action and a broad public policy favorable to long term profitable investment would lead to decisions which would channel the bulk of these funds into productive capital, and that, on the other hand, a course of action which continued to place spending above saving and was predicated on the notion that spending makes jobs would pave the way not only for great extravagance in personal expenditures but possibly for an orgy of inflation from which there would flow naught but insecurity and an unsound economy for years to come.

It is not difficult to tell others what they should do. But in laying the foundations of a sound post-war economy it is pretty clear to me that the banking fraternity has two heavy responsibilities, both of which are the subject of my remarks today. One is to impress upon their depositors and customers and friends the importance of government economy, of saving by the government; the other of reeducating them to a better knowledge and understanding of the place and importance of private savings, individual capital accumulation, in a free enterprise economy.

Neither of these tasks will be simple. As a nation we have violated for so long many of the tenets of sound public and private finance that we scarcely are able to distinguish the right from the wrong, and for the short term, at least, the wrong is more pleasant than the right.

Inevitably there will be a wide and insistent popular demand for renewed public spending because, after billions of spending and borrowing, many are seriously wondering if the dangers in that course are real and genuine. The cry of inflation has been heard so often in the last decade without grave inflation arising that, like the cry of wolf in the well-known fable, it is widely disregarded.

Then there is the philosophy that a little bit added to what you already have makes just a little bit more, that because the debt is already far in excess of 200 billions there is no occasion for concern at proposed expenditures of another 5 billions here and 3 billions there for this project and that reform.

As I indicated earlier in my remarks the fact of an already huge debt argues forcefully against a continuance of heavy public expenditures in the future.

How with social security and the love of present satisfaction that is reflected in the events of the last few years we shall be able to alter the thinking of the individual with respect to his obligation to save, I am in doubt. The promise of security that government in this country and in other countries holds out (in exchange for the sacrifice of personal freedom) is not going to be easy to cope with. But unless the true basis of security is understood better in the early future, the whole structure of promised security created in the last few years will fall of its own weight, because it is just as strong and just as weak as the public credit.

In closing I wish to touch briefly on one other matter which is very close to your hearts and to the undivided profits item in the statement of your banks' condition. It is the rate of interest. From the time the Treasury began putting heavy pressure on the money market and depressing the rate of interest, presumably for the purpose of reducing to the lowest possible figure, the cost of carrying the public debt, I have been tremendously uneasy of the long term implications of this policy. I have long believed and I am of the firm conviction today that the kind of economy those of us in this room would have restored at the end of the war cannot live and thrive on 1% money or 2% money, and that an early starting point in restoring a sound post-war economy within the framework of the capitalist system must be the reestablishment of a rate of interest which will be at once a spur to new saving, both individual and corporate, and an index of a fair profit as applied to all invested funds.

For in last analysis this economy of ours is activated by the prospect of profits; and profits commensurate with the risks of business and commercial enterprise are not measured by the rate of interest either paid today by the savings banks or by that paid by the government in financing the largest portion of the war's costs.

Extend Mail To France

Postmaster Albert Goldman announced on Sept. 25 that information has been received from the Post Office Department at Washington 25, D. C., that limited mail service was resumed September 24 from the United States to 11 French Departments, including the city of Paris. The service is restricted to non-illustrated postcards of a personal character written in English or French.

The Departments to which service is extended are: Cotes-du-Nord, Eure, Eure-et-Loir, Ille-et-Vilaine, Mayenne, Orne, Sarthe, Seine (including the city of Paris), Seine-Inferieure, Seine-et-Marne and Seine-et-Oise. On September 9 service of this character was made available to all communities in the Departments of Calvados and Manche.

Life Insurance Policy Loans At New Low

Life insurance policy loans outstanding at mid-year reached a record low for the past 15 years and the ratio of policy loans to total policy reserves is now the lowest since 1900, according to the Institute of Life Insurance. By June 30, total policy loans had dropped to approximately $2,100,000,000 from the peak of $3,800,000,000 reached in 1932, at the bottom of the depression, and the loan ratio had dropped to 6.1% from the depression high of 21.3%, the Institute reported on Sept. 27. By December, it is expected the loan total will have declined to about $2,000,000,000 and the loan ratio to 5.6%.

"By year-end the total of policy loans outstanding will have been reduced by over a billion dollars from the total on record at the outbreak of the war," Holgar J. Johnson, President of the Institute, said on Sept. 26. He added that "the total of loan repayments in these years has been even larger as the net reduction takes into account new loans made. This loan reduction has been an important anti-inflation contribution through debt reduction. It represents a strengthening of the resources of our people with which to meet future emergencies and a strengthening of their insurance security programs."

Policy loans relate to an important extent to the general tone of business and family financial conditions, the Institute said in its report. The advices in part state:

"A survey of life insurance policy loan trends since 1940 shows that high points in the ratio of loans to reserves have always been reached during periods of general depression and low points during periods of relative prosperity. The ratio was at a relatively low rate in the opening years of this century, when the general tone of economic welfare was good. There were several minor depressions in the ensuing years and the period, not one of outstanding prosperity, culminated in the panic of 1907. During these years the loan ratio increased. * * * During the recovery years and the present war boom, the ratio has been steadily declining, reaching a new low since 1900 this year, as the business index has reached a new high. Some part of the decrease has been the result of a shift to bank loans, with policies as collateral, but overall there has been a consistent decrease since 1932."

Market Transactions In Govts. For August

During the month of August, market transactions in direct and guaranteed securities of the Government for Treasury Investment and other accounts resulted in net sales of $18,992,500, Secretary Morgenthau announced on Sept. 15. In July there were net sales of $18,484,000.

The following tabulation shows the Treasury's transactions in Government securities for the last two years:—

1942—		
August	$8,446,000	sold
September	4,500,000	sold
October	1,000,800	sold
November	No sales or	purchases
December	No sales or	purchases
1943—		
January	$14,500,000	sold
February	90,300,000	sold
March	72,927,750	sold
April	400,000	purchased
May	35,200,000	sold
June	145,768,000	sold
July	67,757,200	sold
August	15,800,000	sold
September	2,651,600	sold
October	No sales or	purchases
November	$5,000,000	sold
December	4,800,000	purchased
1944—		
January	$9,924,000	sold
February	105,100,000	sold
March	11,500,000	sold
April	16,511,300	sold
May	9,965,000	sold
June	20,500,000	purchased
July	18,484,000	sold
August	18,992,500	sold

Dangers Ahead In Banking

(Continued from first page)

been going on for half a century and has resulted in greater social economic, and political changes than any similar period in world history. It has produced two World Wars within a quarter of a century and has broken the moorings of the lives of the people in most of the countries of the earth.

We have witnessed the rise of a socialistic concept of human relationships, the growth of radicalism everywhere, and we would be blind indeed if we failed to recognize this impact on our own national life.

Many of our former standards have been overturned and old concepts have been uprooted. We find it difficult to discover sure anchors of political, economic, and philosophical thought on which to build these days of cyclonic changes.

As you have, so have I, undertaken to discover a catalyst of principle in whose presence the false would disappear and leave truth as our beacon. I have been inspired by the report of the navigator of a night flying bomber, who was asked how he found his way home after his compass had been destroyed and his radio beam blacked out, when he replied: "When all else failed, I set my course by the stars."

Our entire lives and thinking have been cast in a mold of competitive enterprise. All of our thinking is colored by our experience under that system. Now we must recognize the rise of a great and powerful nation, whose entire economy is based not upon free competition but upon an elemental form of cooperation that is known as collectivism.

There are students of history, economics, and philosophy, who now say that the revolution of the future arises out of an inescapable collision between the philosophy of cooperation and of competition. They point out that the basic human necessity for national well-being and for international peace is a highly developed program of cooperation in which men must work together, rather than fight one another, and that the competition within the private enterprise system is of the same character as the competition among nations, and produces the same conflicts.

I have come to accept the thesis that basic in the solution of our problems, national and international, there must be increasing cooperation among men. With swift transportation and instant communication throughout the world and with the interdependence of a complex economic life, there is increasing necessity for men to work with one another rather than against one another. If this is true, then we are confronted with the very practical problem of whether or not we can cooperate and at the same time maintain a competitive society. I believe that we can and will, and that the question is not one of conflict but is rather a question of the extent to which this cooperation can be on a voluntary basis with all of the freedom that implies, or to what extent it must be based on the force and power of compulsion by government.

Voluntary cooperation has been the characteristic of free men and is nowhere exemplified to a higher degree than in the United States of America. However, the trend of government and the development of our national life for many years has been to substitute compulsion by laws and regulations in place of freedom of voluntary action. The ultimate end of that trend is complete regimentation under government dictate with the resultant state socialization of statism in some other form.

Let us admit in the beginning our fears of some of these developments and trends. It is no disgrace to be afraid and to measure the danger that is upon us. The disgrace is in the cowardice of refusing to fight even when the danger is fully recognized.

Let us bring out into the open and boldly examine those threats to a satisfying national life and take their measure, if we may. I present several fundamental issues.

The first of these is the growing threat to individualism. Opportunity for the individual to achieve seems to have been caught between two millstones. On the one hand, technological developments have moved our production system away from individual or small group effort into mass production. The discovery and multiplication of mechanical energy, steam, electricity, and oil, with the greatest horsepower per man of any nation on earth, has resulted in a mass productive machine, the potentialities of which we have just begun to discover. Who among us was so bold as to predict that the production of this nation within two and one-half years could have turned out the overwhelming superiority of war material for ourselves and Allies that has astounded them and us and, at the same time, produced food in such abundance that in addition to feeding our own armed forces and dividing with our Allies, it supplied the highest level of civilian consumption in our history? This giant productive machine so useful in war is now haunting us as we plan to convert its energies to the service of peace. We have learned to do big things in a big way. We scarcely bat an eye when we talk of financing in terms of billions of dollars. We are proud of the colossal proportions of our economic machine.

But we are beginning to discover that the very magnitude of our operations constitutes a threat to our individualism. We have seen half a million small businesses disappear since we went to war. Many former small businesmen have become employees. Freedom of opportunity for them has been drying up. Finding it difficult to survive, they give up and become a part of the gigantic machine that has contributed to the destruction of their independence. There is today much talk of jobs and too little talk of opportunity to go into business for one's self. And yet, all of us recognize the importance of the development of small business and its place in American life. I am glad that the bankers of this country recognize the value of a vigorous growth of small business opportunity and are taking practical steps to assist in its development.

There is little question but that uncontrolled or unregulated laissez faire tends to destroy small business and the individual initiative and opportunity that is characteristic of it. However much we may resent the imposition of laws and regulations that in any way restrain the complete freedom of business to develop in any way it chooses, the other choice seems to be the envelopment by bigness, by monopoly, by cartel. Surely, such an end is not the desire of the freedom-loving and independent people of this nation.

On the other hand is government. Designed to protect and to safeguard the individual against the powerful forces that would destroy his freedom, government now is itself becoming a monster in size and in its control and regulation of the lives and fortunes of every individual. While apparently attempting to protect the individual against the big and the powerful, it is drawing him closer under its own control into what may become an embrace of death to freedom and opportunity.

Out of the desperate needs of the early thirties, government has attempted through many devices to find new answers to old problems and to discover the secrets of full production, full employment, and full distribution. It instituted many economic and social measures that were designed to relieve distress and to provide a new measure of social and economic security for large numbers of people. Most of these objectives were and are highly desirable and many of the reforms long overdue. But along with these reforms arose a multitude of devices that had as their objective economic readjustment and experiment. Even here, many of the objectives were desirable but some of them were visionary in concept and basically unsound. Others destroyed far more than they created.

Let us review a few of the devices that government has used in its economic program, that are of particular interest to banks.

First and foremost was the use of an unbalanced budget, spending more than it received. This was not a new discovery because it has long been recognized that in wartime or in a period of great national distress, government is justified in borrowing beyond its income to meet the exigencies of the demand upon it. In the same way, an individual is fully justified in mortgaging his future income for a loan to appease the hunger of his family or to provide medical care for a serious illness.

But we have had a continuous unbalanced Federal budget for the past fifteen years. The first was the result of inadequate tax collections that came from a declining national income. We then deliberately increased the deficit and spent vast sums in order to stop the downward spiral of deflation. I believe that most of us will agree that under such desperate economic conditions as prevailed in 1931, 1932, and 1933, it was not only proper but it was the duty of government to throw its credit into the breach of a world-wide depression and stop the deflation of value that threatened to destroy our entire economy. We then started up the hill painfully and slowly and there was vast unemployment. We continued to spend vast sums on made work in a desperate effort to restore the economy by artificial respiration.

We watched our national debt climb to 30 billions of dollars and then gradually increase to 50 odd billions of dollars. We began to wonder if we were not digging a bottomless pit that would eventually destroy us. We continued to spend more than our income but we began to question whether or not we were on the wrong track and should change our policy by increasing taxes and reducing expenditures. Then came the war. All questions of an unbalanced budget and national debt became largely academic under the stern necessity of fully and adequately meeting all needs of the war effort. We adopted a program of heavy taxation in an effort to achieve the goal of paying for approximately half of the cost of war and going in debt for the other half. Whatever the cost of the war and whatever national debt it might require, we were ready to pay the taxes and assume the liability for the future.

We now see our national debt approaching 250 billions of dollars with the probability of reaching 300 billions by the end of the war period. We will then be confronted with a government budget of some 18 billion dollars a year which includes some 6 billion dollars a year to service the debt without amortization. On these figures, it means that about 15% of probable national income will be required.

These are not alarming figures in themselves. We can and will service this debt and will take care of the necessary expenses of maintaining government. I have no fear on this score but the fear I do have is the attitude of large numbers of people that we can continue to pile on this debt many billions more and accept continuing peace time deficits as a normal procedure in governmental finance. In spite of the spending of vast sums in the peace time years in an effort to create artificially a high level of national income and the failure of receiving the results hoped for, there are many who now advocate a continuing program on a larger scale.

The payment of debts comes largely out of the production of wealth and the more of that production that is required for debt service, the less there will be for maintaining standards of living. The thing that I am afraid of is the philosophy and economics of those who maintain that the continuous ballooning of national debt in peace time is a proper and desirable way in which to maintain our national economy. The idle talk of men in high places that the size of an internal government debt is of no consequence is a red herring that obscures the basic fact that all debt is possible because of the confidence of some one that it will be paid.

The reason that we are able to raise vast sums for the war effort is not only patriotism but is because the people of this nation believe in the integrity of our government and our productive capacity to take care of these obligations. Credit is based upon character and integrity as well as ability to pay. Once the nation is back on the track of peace time economy, the people will then hold some 300 billions of dollars of obligations of government and will expect and demand that policies and programs be directed to the end of servicing and paying the debt instead of enlarging it. If they should once get the idea that the peace time pattern of government finances is to continue a program of deficit financing, we need not be surprised to see the beginning of a loss of confidence. It will be your job and mine to see that such a disastrous program is prevented.

Another device that has been used by government in increasing proportions in recent years has been the use of public funds directly and indirectly for gifts, loans and so-called benefits to various segments of our people. An astonishingly large proportion of the people today have their hands in the public treasury. The war is responsible for much of this which must be accepted as part of the cost of the war. However, it helps make the pattern from which there will be much difficulty in extricating ourselves after the war. Large pressure groups receiving direct government bounties can destroy democratic self-government. Farmers have received vast payments directly and indirectly as an incentive to production which has been necessary during the war and by way of artifically maintaining a price that has enabled agriculture to maintain itself in our economy.

Let me say at this point that although I am opposed to the principle of government bounties, my full sympathies are with the farmers of this country. Too long have we built up an artificial economy in which the relative trading position of the farmer has been shortened and even with all the government payments and price support, the exchange value of his labor is far below that of the labor of commerce and industry, whose services he must employ. He is in a competitive struggle with low wage groups throughout the world and is at the mercy of world prices. He can have no closed shop monopoly whereby he can dictate the price of the product he produces under a threat of closing down the business. He struggles against the artificial high prices of many of the industrial products he must have and services he must use. Little wonder that he feels that injustice is done him when three or four hours of his labor is required in exchange for each hour of the labor of those whose products and services he requires.

The farmers accept the bounties and subsidies of government but it is distasteful to most of them. They have no desire to receive the returns for their labor in the form of a government handout. But until there is a fairer balance between the returns to the workers in agriculture and industry and commerce, they will continue to expect society, through government, to make up at least a part of that disparity.

We may therefore expect continuing large appropriations out of the public treasury for agriculture so long as the present disparity between agriculture and other segments of our economy continues.

A fourth device that has grown to large proportions and may multiply in the peace time ahead is the competition of government direct and through subsidized agencies with private enterprises. The measure of the desirability of such enterprises is the value to the general welfare of the people but where such projects through the subsidy of the free use of government capital make a hidden drain upon the taxpayer's funds and use that advantage to undersell and put out of business competing private business, there can be little question of wherein lies the public good. Cooperative effort is desirable for many services and is a form of private enterprise that has a valuable place in our economy. But when it is used as a device to secure the free use of public funds to compete with private capital, it destroys far more than it creates. Carried to its logical conclusion, it would mean the destruction of competitive private enterprise.

A comparatively recent development in the field of credit that is of particular concern to chartered banking has been the use of the device of government guaranteed loans. For war purposes, it is recognized that credit losses constitute part of the cost of war and that such should be socialized

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at the expense of the taxpayer. However, such socialization of credit losses has no place in a permanent peace time credit structure. We are already confronted with numerous proposals to carry over the principle of the guaranteed loans into the post-reconversion period, making it a permanent part of our credit system. Borrowers have been intrigued with the ease with which they could obtain such credits and of the low cost to them. Lenders have enjoyed a moderate return upon a practically riskless operation. There are some who see only immediate benefits and fail to recognize that this type of credit operation involves a socialization of credit losses and carried to its logical conclusion will destroy private credit.

The socialization of credit to business is far more dangerous than socialized credit to home owners or small farmers. It means, in effect, the financing of incompetent men and impossible business operations that will compete with well run businesses that pay their own way, including taxes. It means easy financing for businesses that have all to gain and nothing to lose and permits a type of competition that, in many cases, a soundly run business cannot meet. The one competitor that a well run business cannot stand against is the business that does not make ends met and takes its losses out of its creditors. It is unthinkable that tax paying business in this country should be called upon to subsidize through government credit that kind of competition.

If time permitted, we could point out numerous other policies and programs of government that apparently were designed for the common good, but in effect have represented the substitution of the mandates of government through laws and regulations, in place of the freedoms of voluntary cooperative effort.

The question before this nation is to find a proper balance between freedom of action and government dictate. There must of necessity be a certain amount of regulation by government, rules of fair play and protection in the interest of the common welfare, but on the other hand, such government control should leave a maximum of freedom for voluntary cooperative effort.

Perhaps no segment of our American economy has demonstrated so completely the fine balance between government regulation and private constructive competitive effort with resultant benefit and service to the American people as does the chartered banking system. The banks are supervised and regulated by state and federal agencies under laws that have as their objective the protection of the public. There is evidence of the fullest cooperation of banks with government in such regulation and supervision. Although at times it is felt that some regulations or laws are unnecessarily restrictive, on the whole, the chartered banks accept the supervision of government as being a proper governmental function and administered in the public interest.

At the same time, banking is one of the most highly developed segments of our national life in its voluntary cooperation in the interest of the public good. Although banks are highly competitive with each other in their efforts to secure business, to make loans, and to perform banking services, they have demonstrated a degree of cooperation with each other in serving the needs of the American people that is unexcelled in our American business system. Through national and state organizations, banks are continuously seeking new ways in which to perform greater service, they are constantly exploring new techniques to improve the efficiency of what is already recognized as one of the most efficient systems for performing valuable services at minimum costs to the public that has yet been devised by man. When it is recognized that hundreds of millions of checks on banks throughout the country are constantly transferring funds from and to every town, city village in the nation quickly and economically and so efficiently that the public scarcely realizes the size of the job that is being performed every day, there is abundant evidence of a high degree of cooperation.

Banking cooperates not only within itself but with every other segment of our economy. It cooperates with business in serving and performing multiple financial services. Banking is closely identified with agriculture and recognizes a community of interest between the two. It serves every need of agricultural credit and bankers are in the forefront of every effort to promote the interest of farmers. Banking cooperates with government and the history of that cooperation during the war period is a fine evidence that business and government can cooperate in the public interest. In spite of all of its own problems and difficulties during the war period, banking has willingly accepted every request made by government to utilize its services not only in performing ordinary banking services but in carrying on many new war time activities that were needed in the war effort. Banking identifies itself with the needs of the individual in providing checking services, small loans, trust services, savings accounts, and in many other ways. Banking policies everywhere are directed toward performing the most useful and most valuable services to the American people. Banking demonstrates the capacity of an important segment of our private enterprise system to cooperate voluntarily within its own field and with all other fields in the performance of services that are positively and definitely in the public good. Truly, banking demonstrates that private competitive enterprise under reasonable government regulation can and does cooperate voluntarily and in the public interest. At the same time, banks vigorously compete with one another and with resultant benefits to the public.

In looking ahead to post-war needs, let us examine the capacity of our chartered banking system to meet those needs.

In money and other financial resources, the banking system has reached the largest volume in history. In the past twelve years, these resources have multiplied nearly four-fold. Approximately, three-fourths of all banking assets consist of government bonds and cash. The remainder is in assets of a high quality. A large part of increase in bank deposits has been created through deficit financing and borrowing by the Federal Government. The total volume of bank deposits will likely continue near or above the present high level for many years to come. There exists today no inflated volume of private credit to be liquidated and there is little prospect for any substantial reduction in the present total of government debt in the near future. On the other hand, it will likely go higher. All of the factors that enter into the creation of bank deposits or their liquidation indicate a continuing volume of bank deposits not far from the present high level. The inevitable shifting of deposits between banks in the post-war adjustment period will create problems for individual institutions but will not diminish the deposits and resources of the banking system as a whole. This situation constitutes a guarantee of the adequacy of bank resources to meet almost any volume of credit requirements that our post-war economy may require. It gives assurance of a continuing adequate supply of credit and will be a highly stabilizing force in the reconversion period and after.

Banking's resources of men of competence and vision are unsurpassed in the history of banking. A high degree of expertness in management characterizes the entire banking system. The cumulative results of the educational activities of the American Institute of Banking and the Graduate School of Banking, together with numerous study conferences have given tens of thousands of bankers a better understanding of the technique of banking, as well as the proper function of banks in serving the economy of the nation. Supervisory authorities, national and State, recognize and acclaim the high quality of bank management today. The recent report of the Comptroller of the Currency, relating to national banks, is fairly representative of supervisory opinion when he said that the banks under his supervision are well managed. I quote from his report:

> The ability and competence of the officers and directors of the banks under the supervision of this office have shown a steady improvement in the last few years. Those who are responsible for the management and policies of small banks, as well as large, of the country institutions as well as those in the city, exhibit the satisfying comprehension of the techniques and principles of banking, both as they apply to the operation of their own institutions and as they relate to the entire banking and business field.

The machinery of the banking system has proved its adequacy and effectiveness under all the strains imposed upon it by war-time economy and by the new and increased demands made upon it for many war-time services. There will be a continuing need for legislative and administrative

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WHAT WILL I SEE ON MY TELEVISION SCREEN?

I am Alec Electron, here again to keep you up to date on Television

1. Will I see important news events while they are happening?

Yes, *immediately* in the city in which the news event transpires. And distant events — when cable or radio relay networks link up our large cities. Until such time, motion picture newsreels will be rushed to your local Television station by swift planes and will be shown at once or held for regular newscast periods.

2. Will I see famous stars of stage, screen and radio?

Yes. In the past 3 years, hundreds of the great names of the entertainment world have been tested for Television. Every week brings new faces to DuMont's Station WABD, anxious to explore the thrilling possibilities of this great new medium.

3. Will I get "local news pictures" on my Television Set?

Yes, indeed, DuMont has designed "pickup trucks" for fast eye-and-ear coverage of everything that goes on in your community. As portable video cameras scan the parade passing 5th and Main, it will appear on your DuMont home receiver. You'll watch for your friends in style shows and amateur productions, graduations, street interviews, quizzes and other contests, inspections of crops, gardens, and new construction. You'll visit dedications, patriotic and political rallies, county fairs, fires and accidents. You'll take wonderful shopping tours — without leaving your favorite armchair.

4. Will I get big sporting events free?

Yes, national advertisers are already seeking options for telecasting the World Series, Madison Square Garden attractions, the races, football classics, etc. Because several Television cameras will be employed, you'll enjoy several "best seats" at each event.

5. What educational programs will Television offer?

Television will make education as exciting as a mystery adventure. Well-known scientists and engineers will take us on tours of great industries, mines and utilities; will entertain us in their laboratories. We shall enjoy conducted tours of art galleries, planetariums, museums, zoos, aquariums, historic sites and national parks. We shall sit in Congress, political conventions, town hall meetings and courts. We'll visit automobile and aviation shows, hospital clinics, kitchens of famous chefs, model farms and lecture halls.

6. Will I have to look at a parade of advertised products?

Television's commercial sponsors will mix a lot of entertainment with very little sales talk. For some time over Station WABD, DuMont has cooperated with national advertisers in developing techniques for putting product demonstrations and advertising messages high among the truly entertaining features of Television. They have many surprises in store for you — very pleasant ones.

7. Will I receive pictures in full color?

Don't expect them soon. Engineers in many laboratories — including DuMont's — are giving their days to war work and their spare time to the development of natural color telecasting. Truthfully, color transmission is still in the laboratory stage.

8. Will I get standard radio programs on my Television Set?

Not unless you own a *combination* Television-Radio Receiver. A separate unit is required. Several new-model DuMont Television-Radio Receivers will provide Television, standard AM and FM (Frequency-Modulation) reception and an excellent phonograph record player. DuMont's impressive pioneering achievement in Television assures you of the very finest in electronic engineering and cabinet artistry . . . of unique performance in your peacetime Television Set.

DUMONT *Precision Electronics and Television*

ALLEN B. DuMONT LABORATORIES, INC., GENERAL OFFICES AND PLANT, 2 MAIN AVENUE, PASSAIC, N. J.
TELEVISION STUDIOS AND STATION WABD, 515 MADISON AVENUE, NEW YORK 22, NEW YORK

Post-War Banking Problems

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vived its many perils—among others the pirates who threatened it in the days of the Hanseatic League, the royal repudiations of the Sixteenth and Seventeenth Centuries, the first impact of the business cycle which came with the Industrial Revolution, and in this country the terrors of wild-cat days and depreciated paper currencies which followed the destruction of the Second Bank of the United States. This history of survival through all the vicissitudes from infancy to present maturity suggests that banking institutions are essential to our world, and that they will find, by trial and error, the means to cope with the problems which now confront them. It is our duty, of course, to help them do this, and I should like to take advantage of my early position on the program of this conference to lay before you for thought and discussion some of the matters which, in my judgment, will be of interest and concern to banks and banking during the impending conversion period. It is possible that through the exchange of ideas we may be able to develop a program which will be of assistance during this trying time.

It is generally agreed that one of the main difficulties in the transition of our economy from war to peace will be the necessity of holding within proper limits the demand for consumers' durable goods until these goods can be turned out in volume by our industrial plant reconverted from its war effort. It is assumed that rationing and price control will play their parts in the months ahead, but a very important factor, almost a determining one, will be the question of what the individual investor does with his holdings of government bonds, now at the impressive total of some 47 billion dollars. The banks have done yeoman service in promoting the sale of war bonds to individuals, but it now devolves upon them, in their own interest and more importantly in the interest of the country, to use their influence everywhere to prevent a general cashing in of these securities to storm a market for goods which can not be immediately produced. The Secretary of the Treasury has expressed his confidence in the good sense of the American people in this regard. The Secretary feels that people generally have been taught to save and that they are not going to be so quick to spend after the war is over. May I ask that the weight of your influence be used to support this hope and expectation, and thus to prevent the fostering of black markets and the further unnecessary absorption of government securities by the banks. There is, of course, an impressive back log of purchasing power in these 47 billion dollars of individual savings which may be of significant service in the future. Our immediate concern is that this back log—a guarantee of future ultimate consuming power and employment—be not used until reconversion has supplied goods to buy.

The second problem which it occurs to me we might discuss among ourselves is that of bank capitalization. Generally speaking, banks today are in very strong position. Their assets are largely composed of government bonds, government guaranteed paper and cash. Their risk assets are few. Their earnings are satisfactory. But the exigencies of war financing have greatly increased deposits without a commensurate increase in capital protection. All of this has been inevitable, and so recognized by all supervisory authorities. Yet I submit that with the advent of peace it is desirable that the management of banks reappraise the relationship of their capital to deposits with a view towards the changed conditions which will soon confront them, conditions which we hope will move them vigorously into an expanded commercial loaning field. Certainly with good earnings, high liquidity and large available funds in the hands of the general public there was never a more opportune time to approach investors with the idea of increasing their commitments in bank stocks.

Thirdly, there is developing for banks a problem in public relations growing out of the return of millions of service men who are anxious to re-establish themselves in business and in agriculture. A great debt is owed these men by society. The Federal Government has recognized the impelling nature of it by passing legislation designed to assist them in their endeavors to pick up the threads of their lives where they were dropped. Some of this legislation provides for a partial assumption of risk by the Federal Government of credit extended to returning veterans. We are not yet familiar with the regulations which are to be laid down by the Veterans' Bureau in these matters, but the supervisory authorities as well as the banks themselves are certain to be confronted with very delicate questions growing out of this general situation. We should be giving thought to this matter.

Finally, and most important of all, there remains the general question of just what role the banks of these United States will play in the post-war world. They are in splendid condition to meet an issue which is fundamental. If we are to have a society of free enterprise and personal initiative, of individualism in the American tradition, we need a banking system alive to its responsibilities for providing credit for industry and agriculture, and determined to do such a good job that it will require an ever diminishing amount of support from either Federal or State authorities. The proper function of banking is not the enjoyment of a comfortable security in the form of income from government obligations and government guaranteed paper, but rather the hard and often difficult business of making loans, supplying the necessary credit of the community and exerting leadership in an independent and competitive economy.

I trust I shall not be misunderstood here. I am certainly not suggesting that the bankers of this country should assume the role of the entrepreneur and go into the business of providing venture capital. I am not inviting any extension of credit which can not be justified by proper banking standards. But short of such a reckless abuse of a banker's trusteeship there lies a broad field in the coming post-war world which should be diligently explored and covered. The extent to which this field is pre-empted will determine the future of private banking in the American scene.

In conclusion, may I be permitted to quote once more a few sentences written by one of our classic economists a great many years ago. It seems to compress a great deal of wisdom into a very few words. The author is John Stuart Mill, and he said:

"History shows that great economic and social forces flow like a tide over communities only half conscious of that which is befalling them. Wise statesmen foresee what time is thus bringing, and try to shape institutions and mold men's thought in accordance with the change that is silently coming on. The unwise are those who bring nothing constructive to the process, and who greatly imperil the future of mankind by leaving great questions to be fought out between ignorant change on one hand, and ignorant opposition to change on the other."

We are today experiencing a great acceleration in those economic and social forces which, as Mr. Mill says, "flow like a tide over communities which are only half conscious of that which is befalling them." We must hold fast to the good. We must also adjust thought and action to the present extremity and to the prospect of that world which, not without promise, lies beyond the horizon of war.

Dangers Ahead In Banking

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adjustment of banking machinery. But there is abundant evidence that the dual banking system, the operation of institutions under State and Federal authority, is peculiarly suited to the dynamic and changing needs of the people of this nation. Results of the past few years give abundant evidence not only of constructive cooperation between Federal and State authorities but of the inherent value of a banking system that is flexible and that is not dominated by a single governmental agency. The kind of banking system that this country does not need is a so-called streamlined, unified, Federalized, single system that operates under the sole jurisdiction of any one individual bureau or agency. Such a system would mean that the banks would quickly lose their close local touch and would fail to respond to the varied and changing needs of local business, agriculture, and industry. Such a system would easily lend itself to the designs of any groups within government who might desire to utilize the banking resources for social or political objectives and it would become a ripe plum for those who might desire the complete socialization of banking.

An inventory of the purpose of banking and its dedication to the post-war needs of the American people reveals new heights in planning a nation-wide program of enlarged service. Banking has approached its own problem of meeting the threat against private enterprise by taking positive and definite action to enlarge its service to American agriculture and business and to meet the needs of the public generally. The prompt organization of a Post-War Small Business Credit Commission and the widespread banker support for its program and objective is one of the most heartening answers that has been given to the question of whether or not private enterprise is able and willing to meet the demands of the post-war. The bankers of this country are determined to serve fully and adequately the credit needs of every competent individual, firm, or corporation that performs a useful service.

We have as an immediate task the provision of an adequate supply of credit that will be needed for the termination of war production. Many small businesses that heretofore have needed little if any credit will be confronted with the necessity of securing adequate termination loans. This is our first and immediate task as war production is curtailed, and banking will meet it.

One lesson that all of us should have learned well by now is that with increasing political control of our economic life, public relations have become a most important element in the conduct of our affairs. We should keep constantly before us the realistic recognition that under democratic government, ultimately the will of the people prevails. The people will determine not only the kind of banking system we will have but the kind of economy that is to prevail in this country. The sovereign people are the final arbiters of our national life and no manipulation of shrewd operators in government or in business can succeed long in any plans or programs that do not meet public approval. Banking and business have long ago found this out and other groups are now beginning to discover it. Service in the public interest is the basic policy that must prevail. Every segment of our economy is being weighed in the balance of its value to society. That which truly serves will survive and that which is purely selfish and against the public good will be destroyed.

As individual bankers, we now have before us a great opportunity for leadership as well as the responsibilities that go along with that leadership. The country demands men of clear vision, who recognize the dangers that threaten us and have the courage to rise above the littleness of prejudice, the greed of self-interest, and will boldly lead the way in finding answers to the needs of the American people. They are demanding a satisfying national economy in which we will harness the vast potentials of our productive system to make the plenty that is possible and then to make that plenty available to all who can and would see it.

In our efforts to serve in broad fields, we as bankers should not neglect the most fruitful results of leadership in serving the community life where we live.

If you would discover the soul of America, that priceless spirit which sets the quality of our living and yields the satisfaction of the worthwhile, you will find it in the community life of the villages, the towns, and the cities across this broad land. The banker is a leader in that community life. He contributes to its tone and to its quality. He helps develop and promote community enterprise, he participates in the social, the cultural, and the religious life of the people about him. What a rare opportunity for genuine service to his fellowman; what a life of satisfying accomplishment may be his. The future of America will not be determined by decisions made or policies adopted on Pennsylvania Avenue in Washington but it will spring from the hearts of men, the common man who works in the field, at the office, or in the shop. The association of the banker with these men in his own community —the worker, the home owner, the small business man—is his rare opportunity for friendship, for leadership, and for service.

The same principles of cooperation in a competitive society within our own country are principles that must be employed among the nations of the earth if we are to have any hope of world peace. The international flow of goods, services, money and credits is indispensable to a stable world-wide economy. We will be confronted with many vexing problems of new machinery of cooperation in the manifold fields in which nations must work together. We may at times find a conflict between immediate self-interest and long range welfare. We will find conflicts between our heads and our hearts, between our desire for profit and our impulse of generosity. Let us recognize that world cooperation does not require the dissipation of our resources to the four winds. There must be protection of our national interest while, at the same time, we share with the nations of the earth in working out the common problems of preserving civilization and seeking the mutual understanding and cooperation upon which is dependent, the peace of the world.

In a practical way, let us seek and give cooperation. The world needs us and we need the friendship, cooperation, and good-will of all nations. Most of all, they need the blessings of the freedoms and opportunities that have long been ours.

Three New Members Of Chicago Stock Exch.

Rollin G. Andrews of Minneapolis, Minnesota, Vice-President of J. M. Dain & Co.; James J. McNulty of Chicago, Vice-President of Ames, Emerich & Co., Inc.; and Philip Plesofsky of Chicago, partner of Irving E. Meyerhoff & Co., were elected to membership in the Chicago Stock Exchange by the Board of Governors, it was announced. With the election of Mr. Andrews to membership, J. M. Dain & Co. becomes the fifteenth registered member corporation of the Exchange. The membership transferred to Mr. McNulty was previously held by the late Marshall Forrest, formerly Executive Vice-President of Ames, Emerich & Co., Inc.

Bank Investments

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ernment obligations certain non-marketable low-coupon-bearing securities. Such a development would not merely materially decrease the liquidity of the banks but would also reduce their earnings and might lead to a wholesale liquidation of institutions, large as well as small.

The establishment of the 100% reserve system under which all Government obligations held by the banks and even some of their loans would be transferred to a governmental agency would also not merely deprive the banks of a considerable portion of their earnings but would make banking in the United States a football for politics. What is even worse is the rather widespread belief that the only way to solve the debt problem is through inflationary measures, either through the issuance of fiat money or through a further drastic devaluatoin of the dollar. Such a measure would undoubtedly lead to financial chaos.

While each individual bank has its own investment problems the prime problem that confronts the banking system as a whole is that the public debt be handled along sound economic lines. A debt of 300 billion dollars can be carried by the United States particularly if production in the post-war period is maintained at a high level and the national income is large. The banks as well as every citizen interested in the future welfare of the country must realize that the only way to solve the public debt is the hard way, namely, through the institution of economy on the part of the Government and its political subdivisions, through an increase in the production of the country and through an adequate tax system. Any other measures will lead to economic and financial disaster.

At the end of May 1944 the holding of Government securities by the commercial banks of the country amounted to $63,200,000,000 as compared with $20,095,000,000 on June 30, 1941. This sharp increase proves conclusively that the banks always reflect the economic and financial position of the country. Since a large portion of the national economy is engaged in war work it is only natural that the assets of the banks should reflect this situation.

On the surface it would appear that banking today is rather simple, that the banker merely has to take in his customers' deposits and place them in Government bonds. But banking, and particularly the investment phase thereof, is not so simple as that. A well managed bank must stand ready to meet the demands of its customers at any time and hence the funds intrusted to it must be employed in such a manner that the bank can do so without the danger of incurring a loss from the liquidation of some of its assets. A bank must also handle its portfolio in such a manner that it will be able to meet legitimate demands for credit from its customers. It must guard against depreciation of its portfolio. At present this is even more important than perhaps ever before since the ratio of capital resources to deposits has decreased materially and investments form a very substantial part of the total earning assets of the banks.

The investment problems that confront the banks are numerous and complicated and divide themselves into two distant phases, namely, (a) the problems confronting individual banks and (b) those confronting the banking system as a whole.

The problems of the individual banks may be analyzed under the following headings: (1) liquidity to meet the possible withdrawal of deposits and the needs of their customers; (2) the need for earnings; (3) the tax problem; (4) the prevention of loss caused by a change in interest rates; (5) the handling of securities other than Government obligations; and (6) the handling of mortgages and real estate.

The investment problems which confront the entire banking sytem will arise out of: (1) the refunding operations of the Treasury, which will be very large indeed, (2) the need to absorb Government securities which will be sold by corporations and individuals in the immediate post-war period. (3) Most important of all will be the agitation to relieve the debt burden of the nation at the expense of the banks. (4) Other implications will arise out of the fact that not only the assets of the banks rest largely on Government credit but also that deposits of individuals are insured up to $5,000 by a governmental agency and that most of the mortgages held by financial institutions are insured by the FHA.

Liquidity: It is impossible to prescribe how an individual bank shall handle its portfolio and particularly its Government obligations in order to achieve a high degree of liquidity combined with satisfactory earnings. However, there are certain fundamental principles which apply more or less to every commercial bank. Briefly stated, these principles may be summarized as follows:

(1) The investment policy of each bank should be based on the composition of its deposits. It is quite evident that a bank operating primarily with demand deposits belonging to relatively few customers will need greater liquidity than an institution operating primarily with savings deposits belonging to many thousands of depositors.

(2) Each bank, in adopting its investment policy, should consider the composition of its assets other than Government obligations. If a considerable portion of the assets consists of mortgages or other long term obligations, it is quite evident that such an institution should endeavor to have shorter Government maturities. On the other hand, institutions which have only few securities other than Government obligations and have no mortgages at all and whose loans are on the whole satisfactory can afford to own a larger proportion of long term Government obligations.

(3) Each bank should consider the fact that the end of the war may witness a considerable crisscross movement of deposits from one section of the country to another. While it is fairly certain that the total volume of bank deposits is bound to increase in the immediate post-war period yet it is equally certain that certain sections of the country, notably those which had benefited materially from the war effort, will lose deposits. Other sections, particularly the centers producing durable as well as non-durable consumers' goods, as well as the financial centers of the country, may gain deposits.

A bank whose investment policy is based on the above considerations will handle its portfolio somewhat as follows. Those deposits that a bank expects to lose in the immediate post-war period, commonly referred to among bankers as "foam" or "froth," should be covered by short term Government obligations. Since certain sections of the country will gain deposits the banks in these sections undoubtedly will be in the market for Government obligations. However, one may assume that even these institutions will prefer primarily short term Government obligations at least in the initial stages. Above all, no bank should allow itself to be in a position where it has to readjust its cash position through the sale of long term Government obligations. Not that there is a danger of a material decline in prices of long term Government obligations, but it is sound banking practice that deposits which may be withdrawn in the foreseeable future be covered by short term Government obligations or other short term assets.

The ratio of capital resources to deposits will also exercise an influence on the liquidity position of the bank. Naturally banks whose deposits have increased very sharply during the past few years and whose ratio of capital resources to deposits has decreased materially will endeavor to hold a larger portion of short term Government obligations. However, when an institution holds a sufficient amount of obligations coming due in one year it may curtail its holdings of two to three year obligations and increase its holdings of longer maturities, thus increasing its earnings without impairing its liquidity. It goes without saying that a bank operating primarily with time deposits can well afford to hold a large percentage of its Government obligations in the longest maturities.

Government obligations carry no credit risk. The only danger that can arise is from a change in interest rates which, as will be pointed out later, is not anticipated in the foreseeable future. While banks operating with savings deposits can well afford to be almost entirely invested in long term Government obligations they too should not overlook the potential demand for mortgage loans that will arise in the post-war period and naturally should make the proper arrangements.

By following the few principles outlined above, a bank will be in a position to meet all contingencies that may arise in the future and will also have adequate earnings. However, just as it is not advisable to be invested entirely in long term obligations it is unnecessary to hold an excessive amount of short term Government obligations.

Taxable versus partially tax-exempt securities: The question whether to buy taxable or partially tax-exempt Government obligations is one which can be answered only by the individual bank and will depend on the following considerations: (1) What is the tax situation of the institution today and what will it be during the next two or three years? (2) Is the bank in a position to pay the substantial premium which the present outstanding partially tax-exempt Government obligations command? Obviously a bank whose ratio of capital to deposits has witnessed a sharp decrease in recent years will not be willing to invest a considerable portion of its capital in the premium which the medium and long term partially tax-exempt Government obligations command at the present time. Finally in considering the question of partially tax-exempts versus taxable securities, it should always be borne in mind that taxation should not be the primary consideration in an investment policy but other factors such as liquidity and the potential demands that may be made on a bank should receive equal attention. While a reduction in taxes, and notably of the excess profits tax, is quite likely in the post-war period yet the fact should not be overlooked that the excess profits tax may not be entirely eliminated for several years. Furthermore, one may take it for granted that while taxes will be lower in the post-war period than at the present time they will be substantially higher than in the pre-war period. Furthermore, since the volume of partially tax-exempt Government obligations is being reduced at a rapid rate, it is highly doubtful whether the Congress will make any changes in taxes which would have an adverse effect on the exemption from the normal tax.

Fluctuations caused by changes in interest rates: Since the amount of Government securities held by the banks is very large, it is quite clear that any increase in interest rates accompanied by a decline in prices of Government obligations could have a highly adverse effect on the position of the banks. The trend of interest rates can be analyzed from two angles: (1) from the point of view of the Treasury and (2) from the angle of supply and demand. The dependence of the Treasury on the money market in the immediate post-war period will be great indeed. Not only will the Treasury be confronted with the task of refunding billions of dollars of maturing obligations but also the deficit of the Federal Government will not be eliminated with the end of hostilities.

The needs of the Treasury always exercise a great influence on the policies adopted by the monetary authorities. In a number of countries such as England and Canada as well as in this country, the opinion has been expressed by high authorities that it will be the policy of their respective governments to maintain money rates at a low level. It certainly will be to the interest of the Treasury to utilize all means at its disposal to prevent an increase in the annual debt burden. The powers of the monetary authorities over the money market are great and since at the end of the war the people at large will be interested primarily in a reduction in taxes one may expect that they will support the Congress as well as any administration that may be in power to prevent money rates from going up and which would further increase the fixed expenditures of the Government.

It is the opinion of this writer that the monetary authorities in this country, Great Britain or in Canada will not permit any material increase in interest rates until the treasuries of these countries have completed their refunding operations and have become entirely independent of the money market. One may go even a step farther and say that an increase in money rates would have an adverse effect on banks politically as well as economically. A material increase in money rates would be accompanied by a decline in prices of Government bonds, thus causing some institutions substantial depreciation. Furthermore, what is of much greater importance is the fact that an increase in interest rates would undoubtedly strengthen the hands of those who will advocate a relief of the debt burden at the expense of the banks. Viewed, therefore, from the standpoint of the needs of the Treasury and the position of the banks themselves, one may reach the conclusion that no material increase in interest rates can be expected so far as the human mind can foresee, which is four or five years from today.

The demand and supply factors: However, a much sounder approach in analyzing the trend of interest rates is not from the angle of the needs of the Treasury and its influence on the money market but rather from a study of the demand and supply factors. On the supply side this will be the situation: (1) The volume of deposits will be very large and will witness a further increase. Hence industry and trade, broadly speaking will have sufficient liquid funds at their disposal to meet the conversion and the necessary expansion. (2) There is bound to be a return flow of currency from circulation which will not only increase deposits but also create a corresponding amount of reserve balances. (3) There is a possibility that the end of Lend-Lease may witness a return flow of gold to the United States since the demand for American products will be exceedingly great and will undoubtedly exceed the supply of commodities that foreigners could sell to the United States. (4) Almost all mortgages and a large number of bonds outstanding at the present time carry amortization provisions, thus implying a constant repayment of principal. (5) Pension schemes and the large volume of life insurance sold during the last few years will create large sums which will seek investment in high grade securities. Finally (6) if business activity after the conversion period is at a high level, as is generally expected, the savings of the people ought to be substantial.

On the demand side there is considerable divergence of views

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even among Government agencies as to what the demand for bank credit will be. However, unless the end of the war witnesses a very sharp increase in commodity prices, which is not anticipated, the demand for bank credit will be only moderate. There will be a moderate demand for capital for the purpose of acquiring plants erected and owned by the Government. Undoubtedly there will be a substantial demand for mortgage money. States and municipalities will also sell considerable amounts of securities to finance public works neglected during the war. On the whole, however, the demand cannot be so great, particularly if war contracts are promptly settled and the price level does not witness a sharp increase after the end of hostilities.

Hence one may conclude that in the foreseeable future no material increase in money rates is to be expected. Banks which hold medium or long term Government securities based on a sound policy, therefore, need not fear any substantial losses from the depreciation of Government securities. On the contrary, under certain circumstances one can even visualize a situation where long term money rates may be fractionally lower than they are today.

Other than Government obligations: AAA corporate securities naturally are a proper field for bank investments. In considering the relationship between Governments and AAA corporate securities the only question is the return. If the return of a corporate obligation is only a fraction of one per cent higher than that of a Government obligation of the same maturity, then there is little advantage in holding such a security. The fact should not be overlooked that Government securities enjoy certain advantages even over the highest grade bonds. In the first place there is absolutely no credit risk attached to them. Secondly, in periods of stress they are protected by the open market operations of the Federal Reserve banks.

Banks still hold a certain amount of credit bonds. No generalization can be made about this type of security. Each should be investigated and analyzed separately. Where the outlook for the industry and for the debtor corporation is good and where the yield on the bond is satisfactory there is no reason why such a security should be sold. On the other hand, obligations of corporations with a doubtful future and which may encounter considerable difficulties in the post-war period should be liquidated.

Well amortized mortgages whether insured by the FHA or not are a sound investment for institutions operating with savings deposits. Real estate, on the other hand, however good and profitable, is not a satisfactory bank asset and present real estate conditions make the liquidation of such assets highly desirable.

In conclusion one may say that the individual bank today is in a position to adopt a sound investment policy which can be based on a fair degree of liquidity combined with satisfactory earnings.

Refunding by the Treasury: One of the first problems that will confront the banks as a whole in the immediate post-war period will be to assist the Treasury in carrying out its huge refunding program. At the end of the war the short term floating debt of the United States will be very large. Furthermore, since series E, F and G bonds are for all practical purposes demand obligations the Treasury must stand ready to meet any demand that may arise from this source. It is also quite certain that corporations which have accumulated a large amount of short term Government obligations will convert them into cash in order to finance their reconversion.

These facts must be recognized by the banks and plans should be made by them in conjunction with the Treasury to handle the refunding operations in a manner which would be satisfactory to the Treasury and at the same time not decrease the liquidity of the banks. The following recommendations suggest themselves: (1) The banks as a whole must stand ready to assist the Government in the refunding operations. (2) The refunding must be gradual in order not to impair the liquidity of the banks. Under conditions as they exist today and will continue for a number of years after the war the liquidity of the banks as well as of the money market will rest to a very large extent on the floating debt of the Treasury. Hence for many years to come the floating debt of the Federal Government is bound to be very large and the banks in all likelihood will be the largest holders of this floating debt. (3) Every effort should be made to distribute Government securities among others than commercial banks. It is evident that for some time after the war the supply of money in the hands of the people is bound to be great and the supply of certain types of commodities available for consumption is bound to remain limited. Hence every effort should therefore be made even after the war to induce the people to hold and buy more Government bonds, at least until the economy of the country has been reconverted and the supply of civilian goods is equal to the demand. (4) The Government must make every effort to reduce expenditures at the end of hostilities. While a balanced budget cannot be achieved as fast as was the case at the end of the last war, yet in view of the huge public debt outstanding and the large amount of debt service, it is absolutely essential that the budget of the Federal Government be balanced as soon as possible and efforts made to gradually retire the public debt. It would be advisable now to devise a system to handle the maturing E, F, and G bonds when they mature. Some of these obligations will come due next year and it would be helpful if the public had some conception as to how the Treasury intends to handle maturing obligations.

All these problems should be considered now. Above all, plans should be made by the banking system as a whole to stand ready to absorb the short term Government obligations which the corporations may offer for sale or redemption. Since at the end of the war a material return flow of currency from circulation is to be expected, the volume of reserve balances of the member banks should increase, and this in turn ought to enable the commercial banks of the country to absorb a portion of the short term obligations now held as reserve or surplus by business concerns.

Relieving the debt burden at the expense of the banks: As was pointed out at the beginning, the public debt of the United States at the end of hostilities may amount to about 300 billion dollars. At present rates of interest the debt burden alone will amount to about 6 billion dollars per annum. If debt retirement of 2 to 3 billion dollars is included one may expect that the handling of the public debt alone may absorb each year 8 to 9 billion dollars of the taxpayers' money. In addition the total expenditures of the Government, exclusive of the public debt, will be substantially larger than was the case before the war. In fact one may expect that the minimum expenditures of the Federal Government in the post-war period may range from 18 to 20 billion dollars. Under these circumstances, and particularly if a balanced budget is to be attained, taxes of necessity are bound to remain high.

Hence it would not be surprising if measures were to be suggested to solve the debt burden through unorthodox measures, such as: (1) Inflation, which is a sharp rise in commodity prices, accompanied as it would be by a much higher national income in terms of dollars. However, such a solution would be dishonest and in the long run would spell economic and political disaster. It would rob the people of their liquid savings. It would wipe out the middle class. It would undermine confidence in Government and in its institutions and hence would have far reaching economic and political consequences. Such a solution, while it may seem painless at the beginning, inevitably leads to disaster as the experience of other countries has conclusively proven.

(2) A second way of lightening the debt burden is at the expense of the banks which can be achieved as follows. (a) To nationalize the 12 Federal Reserve banks and thus save the interest on the Government obligations held by them. (b) To issue special low-interest-bearing securities to the banks in exchange for the Government obligations held by them now. As compensation the reserve authorities or the Government would obligate itself to maintain these obligations constantly at par. (c) To institute the 100% reserve system and thus save the interest on all Government obligations owned by the banks. (d) To redeem the outstanding obligations held by the banks through fiat money or through the profit that can be realized through a sharp depreciation of the dollar in terms of gold.

All these measures invariably would have far reaching adverse effects on the national economy of the country and the cure would be by far worse than the ills which it was intended to remedy.

Finally, in England the suggestion has already been made by the editor of the "London Economist" that the income derived by the banks from the holding of Government securities should be turned over to the Government. In an address made before the Manchester Statistical Society, Mr. Geoffrey Crowther stated as follows:

"It might be possible to provide that all, or part, of these holdings should be interest-free. But this would involve creating special categories of securities for the banks alone to hold and, especially in the larger issues, would seriously interfere with the elasticity of the market. I would prefer to see the banks treated like the Issue Department of the Bank of England (which, in any case, nowadays, they largely resemble). Let them hold interest-bearing securities, but let any profits over a stipulated level be paid to the Exchequer:

The consequences of the above measures: Nationalization of the reserve banks would be the first step in the direction toward the nationalization of the banking system and the Federal Reserve banks would become the football of politics. Furthermore, so far as control over the Federal Reserve banks is concerned, nothing would be gained since all major powers concerning the operations of the Federal Reserve banks are already vested in the Board of Governors of the Federal Reserve System, a body appointed by the President of the United States with the advice and consent of the Senate.

Issuance of low coupon or non-interest-bearing obligations to the banks or turning over the income derived by them from Government securities to the Treasury would have the following effects: It would induce the banks to sell their obligations and thus disorganize the Government bond market. It would drastically curtail the earnings of the banks which would lead either to the liquidation of many institutions or they would be forced to assume greater risks in the acquisition of securities or in granting loans, or to impose heavy service charges. It would penalize those banks which supported the war effort and which acquired large amounts of Government obligations. Since any securities specially issued to the banks would have only a limited market it would impair the liquidity of these institutions and would make them more dependent on the reserve banks than ever before. In addition it would become exceedingly difficult to shift Government obligations from the banks to other investors.

The disastrous effects of inflation on the national economy of the country are too well known and need not be further elaborated. The only way to handle the public debt is to keep the national income at a high level, to maintain full employment, to adopt a sound system of taxation and for the Government to practice economy.

The dangers enumerated before, however, have to be faced by the banks and measures must be taken to combat them long before they become really serious. The following recommendations suggest themselves:

(1) Education: The banks throughout the country should launch an educational campaign pointing out that the fate of the banks is closely interwoven with that of the economy of the entire country and that any measures which hurt the banks are bound in the long run to have an adverse effect on the national economy of the country.

(2) The banks should make every effort to distribute Government obligations among ultimate investors. This should be done not merely during the War Loan Drives but particularly during the period of refunding.

(3) Banks should seek loans aggressively and should place themselves in a position to be able to meet all the legitimate needs of the community. In doing so they not only will diversify their own assets but they will remove the criticism that has at times been levelled against them that they are not meeting the needs particularly of the small men.

(4) Since the debt burden of the Government will be very heavy it is desirable that the banks themselves combat any effort that may be made to increase money rates which would in turn further increase the debt burden.

(5) Finally it would be advisable for the banks to appoint a well qualified committee to study the problems involved in the refunding operations and thus be prepared to assist the Treasury in this vital task.

Conclusion: The investment problems confronting the individual banks are numerous but they can be solved if the proper policies are adopted now. The banks are able today to place themselves in a position of high liquidity and at the same time enjoy adequate earnings.

The problems confronting the individual banks, however, are greatly overshadowed by those which confront the banking system as a whole. Their solution is closely interwoven with the economic and political future of the country. Banks as a general rule reflect economic and financial conditions prevailing at a given time. At present when the nation is engaged in war the resources of the banks reflect the fact that a considerable portion of the entire economy of the country has been diverted to war work. When the war is over and the reconversion process has been completed, the banks will again reflect the economy of the country and their assets in all likelihood will show a greater diversification than is possible under present conditions.

Notwithstanding the great problems that confront the nation as a whole and the banks there is no need to adopt a pessimistic attitude. A nation which could within a relatively short time convert an economy geared up to produce goods which make life easy and comfortable into the arsenal of democracy and which could change peaceful citizens into armies of liberation can without any question reconvert its economy to peaceful pursuits. In comparison with the problems that confront the nations ravaged by war, those facing the United States are relatively simple.

Governors Of S.E. Firms Ass'n Meet In N. Y.

The Board of Governors of the Association of Stock Exchange Firms, of which Wm. Wymond Cabell, of Richmond, Va., is President, held its Fall meeting at the Biltmore Hotel, New York, on Monday and Tuesday, Oct. 2 and 3, bringing to New York representatives of the Association from 16 cities in 13 states who joined with New York City Governors of the Association in a discussion of current and post-war problems confronting the securities industry. Emil Schram, President of the Exchange, and John A. Coleman, Chairman of the Exchange's Board of Governors, participated in the discussions.

Governors of the Association who came here from out of town, in addition to Mr. Cabell, were D. J. Bogardus, First Vice-President, Los Angeles; Springer H. Brooks, Second Vice-President, St. Paul; Frank E. Baker, Baker, Weeks and Harden, Philadelphia; J. C. Bradford, J. C. Bradford & Co., Nashville; Richard P. Dunn, Auchincloss, Parker & Redpath, Washington; Albert P. Everts, Paine, Webber, Jackson & Curtis, Boston; William J. Fleming, A. E. Masten & Co., Pittsburgh; Charles S. Garland, Alex. Brown & Sons, Baltimore; William E. Huger, Courts & Co., Atlanta; James M. Hutton Jr., W. E. Hutton & Co., Cincinnati; Arthur F. Lindley, Clement, Curtis & Co., Chicago; Latham W. Murfey, Curtiss, House & Co., Cleveland; Laurence P. Smith, Crouse, Bennett, Smith & Co., Detroit, and John Witter, Dean Witter & Co., San Francisco.

A dinner was given on Monday evening Oct. 2 by the Board of Governors of the Exchange at the Biltmore in honor of the Governors of the Association.

Post-War Real Estate Prospects

(Continued from page 1461)
more than likely those cities that are ports of entry. It therefore should be a resonable conclusion that a city such as New York, which is the largest port in the United States, through which will pass millions of men returning from overseas, a certain percentage of these will make their permanent home in New York. It is also a reasonable conclusion that those that are merely transients going home, possessing accumulations of their pay while they were abroad, and having their families meet them at the port of entry, will spend at least some time and money in New York before returning to their home town. This conclusion should prove that hotel business in the City of New York ought to be good for many years to come, especially in view of the Government's policy of not releasing from our armed forces great numbers at any one time, but rather to employ the stagger system.

In addition thereto, all industrial and manufacturing firms for the last four years have had as their principle customer the United States Government and their main problem has not been one of salesmanship and merchandising but merely that of getting enough raw materials to complete their orders. With the cessation of hostilities, all business firms will again be on a competitive basis to get the maximum from the spending public. Therefore, I believe that more people will travel to New York in order to get business ideas, merchandise and the many other things that emanate from a city like New York in order to place themselves in a competitive position throughout the country.

Many people have brought up the question of ceilings on rents. Obviously it is impossible to see at this time whether those ceilings will be eliminated. However, it is reasonable to assume that with the breaking of the "little steel formula," that one can see the spiral of inflation starting and ceilings, as such, will be gradually raised upward. Labor in connection with the operation of buildings of all types have received increases up to 75% in the last ten years, but in the face of such increases, together with operating cost increases and also in the face of ceiling rents, properties are showing substantial profits.

As to the question of construction of new buildings, when we have availability of materials, one should keep in mind that construction costs over 1939 levels will be 50% higher, plus a 75% increase in labor. This would lead one to come to the conclusion that new buildings will be extremely costly and certainly in a poor competitive position against buildings which have been reorganized, and in many cases their funded debt reduced substantially. To quote from a recent address given before the Central Home Loan Bank of Cincinnati by the President of Real Estate Analysis, Inc. of St. Louis, the following figures, according to the Bureau of Statistics, show "rentals are 14.9% below the eighteen-year average as against miscellaneous items, such as picture show admissions, which are 15.1% above the eighteen-year average; clothing 19%; food 21%, house furnishings 23.3%." These figures are quoted as a guide as to how low present rentals are in comparison with other items of living expense.

Many people have been concerned about the amount of Government space occupied in buildings in the City of New York. It is interesting to note that although no actual statistics have been made, reliable sources contend that about 10% of the office space in Wall Street district is occupied by Government agencies, some of which are permanent and are included in the 10% figure. In the Grand Central zone, about 5% of the space is similarly used. But with the pent-up demand for space, it is reasonable and logical to expect that should a percentage of those Government agencies cancel their leases, it will not present a serious vacancy problem.

In view of the fact that in real estate, we have no reconversion problems, we have no adjustments to be made in the operations of property to take care of the change from war conditions to normal peace conditions there should be no reason why the earnings for real estate properties as such should not continue on the upward course immediately following the war. In addition, all of our insurance companies and financial institutions are presented with a very serious problem in the investment of their funds. Presently, and for the next several years to come, this problem will continue, interest rates will be very low and because of that factor more and more financial institutions are looking for first mortgage loans on improved properties in good locations as it is their only opportunity to get higher than the unusually low rates they are receiving in other classes of securities. As the mortgage market becomes freer and more money can be obtained for loans on real estate, it is logical that the market for all real estate should become extremely active. Hotels, office buildings and apartment houses are still selling at less than the prices obtained for such properties during normal business years. The conclusion that one must draw from these arguments are that real estate as such is far behind any other commodity and that it is just coming into its rightful investment position.

We then come to the fact that real estate first mortgage bonds are selling at substantial discounts on a very high yield basis. If the arguments given above are sound, real estate securities as a class are far behind their true value and that excellent opportunities present themselves to the intelligent investor for real value, sound security and high yields which mamy never again present itself.

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.

Wall Street Riders Elect New Officers

At the anual meeting of the Wall Street Riding Club held Sept. 28, 1944, Miss Frances M. Weller of Harry Downs & Co. was elected president for a third term. Miss Regina Hankinson of Adolph Lewisohn & Sons, Inc., was re-elected vice-president and treasurer, and Miss Loraine B. Ross of F. Eberstadt & Co. was elected secretary. Misses Eugenie Dittmann, Helen M. Doyle, Loraine B. Ross, Frances M. Weller, and Mr. William H. Salisbury were all voted to remain on the board of directors for another two years.

The club plans an active season despite the fact that many of its members are in the armed services.

A benefit horse show is again planned in April, and as in the past will be for some worthwhile charity. The last show was for the benefit of The Tribune Fresh Air Fund which received a sizable donation.

The Wall Street Riding Club meets each Friday at its ride headquarters, New York Riding and Polo Club, 32 West 67th St., and during the season holds many events, including a gymkhana, costume ride, and inter-club competition for prizes and ribbons. Miss Weller, President, has won several trophies in open competition.

The club will celebrate the opening of its ninth season with a reunion and get-together on Friday, Oct. 6, at its ride headquarters.

Stoker Looks Good

Large potential demands for railroad equipment, both here and abroad, including locomotives dependent upon mechanical stokers, make the outlook for Standard Stoker Co., Inc., most attractive, according to a recent memorandum on the situation prepared by G. A. Saxton & Co., 70 Pine Street, New York City. Copies may be had from the firm upon request.

"A People's Peace"

(Continued from page 1459)

"Isolationism must be abolished."

"America must police the world for a 100 years."

And so on, indefinitely. The crowd cheers and says the orator is a great leader. But just what has he said that could not be said by any high school boy? There is no leadership in name-calling—or the uttering of meaningless phrases. Such talk merely appeals to emotions—not judgments. It does no more than confuse the public mind.

If you dream along with our global planners you will have visions of peoples all over the world sitting by their firesides or under their cocoanut palms, or in their sod huts, discussing the beauties of world organizations, world courts, or world armies. This is all very inspiring, but travel the world over and you will find nothing to justify this picture.

I do not presume to specify all the outlines of a foreign policy for our country, but rather to analyze some of the proposals that have been advanced. This approach should appeal to those who are willing to submit their plans to public scrutiny. And while I am talking about scrutiny, I want to emphasize what is now apparently taking place with respect to peace planning.

These plans—so vital to the happiness and prosperity of the American people—should not be reached or adopted in secret conclaves; and then forced upon the people by emotional appeal based upon bitterness and hatred stemming from war.

Secret diplomacy is in the saddle today. People who believe in Woodrow Wilson's rebuke of secret covenants, secretly arrived at and who will not be bound by them, wonder why—in a democracy—leaders are afraid to trust the people with the facts of global life. If Americans are intelligent enough to fight and make the instruments of war to win victory—aren't they intelligent enough to discuss the terms of the settlement and win the peace? A foreign policy based on secret diplomacy is so weak and flimsy, so devoid of a basic foundation—that it cannot long survive. Conversely, a program of international cooperation in which the common denominator of world-wide peace is political and economic freedom—can become the cornerstone of the kind of peace for which the plain people of all countries yearn.

Today we are being told that we must agree to a world organization before we know the commitments of our Government or the terms of the peace. The proponents of this idea are afraid that if and when the people know the full details of our commitments they will become so disillusioned that they will want no part of these global schemes.

The American people start with certain inescapable fundamentals: We have certain principles and convictions which compose a basis for a foreign policy. We desire to avoid wars and maintain peace. We do not covet our neighbors' land. We believe in the independence of all peoples. We favor the expansion of representative government as promoting the maintenance of peace. We should not depart from these principles and convictions at the peace table.

Everyone wants peace. How to attain a just and lasting peace is the practical question that confronts the world today. Many groups urge varied forms of world organizations as a solution. The latest proposal advanced is that we should join a world organization which would require us to fight to enforce its decisions. It proposes that the Congress should delegate to the President the right to appoint a representative to a council composed of England, Russia, the United States and possibly China. This representative would be empowered to vote in that council and commit this country to war against whomever that council decided might be the "aggressor"—without referring the question back to the people of this country or to the Congress of the United States.

This would mean that the Congress of the United States is abdicating its Constitutional duty to declare war.

The causes of war lie deep in human nature and cannot be eradicated by any project or piece of machinery without such transformation of human nature that it would be human no longer.

The major premise of the arguments of the advocates of this proposal is that the council should adopt a definition of "aggression" and be able to stop all future aggressors. Under the Geneva protocol an "aggressive war" was to be declared an "International Crime." But a deed does not become a crime merely by being called so. The leading statesmen representing their countries at the League of Nations were never able to agree on the definition of "aggressor" even in general terms, except in specific cases and in the light of events. Nor have any of the attempts to distinguish between aggressors and defensive warfare been successful. One of the reasons for the failure of the League of Nations was because it sought to maintain the status quo of the provisions of the Versailles treaty. The essence of the covenant is that private or local wars are prohibited but to wage universal war is the duty of all.

Before we commit ourselves to join any world organization to preserve the status quo of a peace treaty we should know the terms of that treaty. We should know whether or not Russia or England or any other of our Allies intends to seize territories of countries now recognized by the United States.

There is a disposition in too many quarters to assume that we need only to prevent future aggression by Germany or Japan. This is unrealistic in the extreme. The American people assume, and if they can believe their leaders, they have a right to assume, that after this war Germany and Japan will be so thoroughly defeated and disarmed that they will not in the foreseeable future become military threats to the peoples of the world. This being so, there remain three nations that could possibly start a world war. This is plain common sense and we might just as well face that fact now. Is then, this world organization, which will be controlled by these three leading powers, being formed to dictate to the smaller countries of the world what they can and cannot do? Or is it, as some have suggested, for the purpose of preventing them from going to war with each other? But how will it prevent wars among the big three, or by any one of the big three against another power?

No nation that is strong enough to resist is going to acquiesce in disciplinary measures directed against itself. The plan may work when applied to small nations but not when applied to great nations.

Would the American people agree to reduce our force to the point of impotence as against an international force directed by some foreign body? In practice, such a force could be directed only against weak nations. Unless the powerful nations are to defy the central authority they must be disarmed to the point where they have no alternative to obedience.

Thus we see it is no simple matter of placing some ships and troops and planes at the disposal of a central authority. It means that Great Britain, Russia and the United States—the only powers who will be able to carry on a world war—would have to yield their sovereignty. It is likely that Russia or England would consent to surrender the force they have built up to defend their territory? Would we turn our navy or our air force over to a central body? Of course not.

The most important function of government is the defense of its people. This includes the right to declare war. Are the American people willing to turn over to some international organization over which they may not have any control the power to send their boys to police the world?

I do not believe so.

The answer to the question of peace in Europe is, in my opinion, a federation of European states—a sort of United States of Europe. It is an answer that is practical and workable for Europe and holds out the best guarantee against future involvement in European affairs by this Republic.

When in possession of the facts, and given time, the American people have a way of reaching sound conclusions. However, they are not always afforded time nowadays to feel their way, and as matters stand, they are not in possession of adequate facts about our foreign relations. This is not a reproach leveled against any particular administration. It is no more than a statement of a deplorable fact.

As a result of developments extending over a century and a half, we have reached a point where the American people have, in practice, little control over foreign affairs, either directly through force of public opinion, or through their elected representatives. The fact is that in our country there is in practice autocratic control of foreign affairs, brought about almost unnoticed because of the gradual relaxation of checks, controls and provisions for collaboration.

The Senate and House, separately and jointly, have been largely eliminated from the effective participation in the conduct of foreign relations prescribed by the Constitution. The people as a whole can register their approval or disapproval only at the ballot box. But these opportunities occur only at rare intervals instead of being continuous. Furthermore in practice elections are rarely decided on international issues because it is stated that politics should stop at the water's edge. That was the picture four years ago and that is the picture today.

One of our most vital problems is to find a way whereby the American people can come into their own, can run their own show, directly through public opinion and indirectly through their elected representatives. We should have a totally different picture today if we were doing this for ourselves rather than under the guidance of propaganda and organized emotion.

Imperial Preference And Other Factors In Post-War Trade With The British Empire

(Continued from first page)

needs the inclusion of a few minor details, whereas the American blueprint is in large measure unfinished and as yet only a confusion of unrelated lines.

One writer in a popular weekly magazine, speaking about foreign policy, said: "We share the British intention to win the war completely. But beyond that we have no such clean-cut plans as the British have. We are not at all sure how far we want to extend our influence and what price we are willing to pay to do it. We bewilder ourselves with theoretical discussions about world peace and world organization and world policing." A business man sitting in my office stated that if our Government did not do something pretty quick, the British would not only have the British Empire markets under their control, but would dominate also the European and Latin American markets. A little further questioning and he surmised that we would have little chance in the African markets, and since the British were entering into long-term contracts with Russia, we could not expect to get much of that trade. A little further urging along this line and he began to see the untenable position he was getting into and began to hedge by admitting that some parts of the world needed a few of the things we had to sell.

In the terms of one of our radio comedians I would say: "That ain't the way I heerd it." To those of us that are required to read the British Parliamentary debates and to follow British newspapers and journals the picture is quite different. Dozens of post-war plans by British political parties, associations and individuals come to our attention showing a multiplicity of ideas and innumerable gradations of thinking. The British Government is under constant pressure to tell the people what its plans are for housing, agriculture, employment, social security, foreign trade, and every other phase of the economic, commercial, financial and social life of the people. They all agree that there must be full employment and increased exports, but considerable confusion exists on the methods for attaining those goals. An editorial in the British "Export Gazette" stated: "The minimum export level has been put at 50% over pre-war at least. But no one, as yet, has produced any really satisfactory plan showing how it is to be done. There is more than a suggestion that industry is expecting the Government somehow to do the trick, while the Government is throwing the ball to industry."

A member of Parliament endorsed the British Government view that a high rate of employment and living depended on British export trade and wanted to know what steps the Government was taking to implement that policy. He said: "It is no good blinking the fact that, unless something is done now, when the war is over our American allies will be in a position to capture a large proportion of the export trade of the world. It is an open secret that America is making extensive preparations for securing a large export trade, whereas we, in this country, possibly for very good reasons, are not in a position to carry out the necessary planning and research to enable us to get our share of the export trade."

Perhaps these few quotations and ideas will help you to understand that the confusion so often attributed to Washington is balanced by equal or possibly greater confusion in the capitals of our allies and foreign trade competitors. Suffice to say the Government officials in Washington are not unmindful of the importance of planning for the post-war world and much time and effort is devoted to exploring the many proposals.

One problem of paramount interest is the volume and direction of American export trade after the war. To understand this problem one must give consideration to the foreign trade of our greatest competitor, the British Empire. You were informed last week by Dr. Mowatt of the historical development of the Empire as a whole, with particular emphasis on the commercial side. Today that Empire stands as a monument to the political sagacity of its leaders, imbued with a policy of give and take, sometimes guilty of tremendous errors of judgment though often counterbalanced by unusual brilliance of decision in other matters. Is this Empire a single trading unit or a collection of many units? As the political Empire is made up of a conglomeration of races, religions and political philisophy bound together by a few visible and many invisible ties, so the commercial Empire is made up of many individual trading units bound together by certain policies that tend to make for unity of treatment. Among these policies are the Imperial preferential tariff system, the currency system and sterling balances, and the current trade control system.

The importance of the British Empire market to the United States is clearly demonstrated by the fact that prior to the outbreak of hostilities in 1939 the British Empire was the largest foreign market for the produce and manufactures of the United States. That market took approximately 41.4% of all United States exports during the period 1919-1939. In spite of the Imperial preferential tariff policy, the energetic "Buy British" campaigns, the political and cultural ties of Empire, the extensive British investments in the Empire, and other forces, the British Empire consistently bought more from the United States than did any other political or continental group of countries. Economic developments since September, 1939, indicate that even though certain phases of this situation will be altered to some extent after the termination of hostilities, the discernible tendencies will probably not be of sufficient strength to displace the British Empire market from its place as the first market for United States goods. This will be true particularly if the United States continues to purchase as large a percentage of imports from the Empire as before the war. In the period 1919-1939 approximately 35.5% of imports into the United States originated in the British Empire. It is not easy to predict whether we will continue to buy a corresponding volume of goods from the Empire after the war. For example, will we buy Malayan rubber? I believe that we will buy it in some volume because the increased uses for rubber will create sufficient demand for both synthetic and natural rubber. However, we will undoubtedly maintain a strong position in rubber production so that we will not be at the mercy of market manipulations of quantity, price, etc.

The outstanding policy that tends to unite all parts of the British commercial empire into one trading unit is the Imperial preferential tariff system. In my recent article in "Foreign Commerce Weekly," copies of which were distributed to you last week, I defined Imperial Preference as a trade policy based on numerous agreements and legislative enactments whereby one part of the British Empire provides for more favorable tariff treatment of goods imported from another designated part of the Empire than is accorded similar goods imported from a country outside the Empire.

Recent statements by certain prominent writers in this country that Imperial Preferences began with the Ottawa Agreements of 1932 are not accurate. The principle of colonial preferences is almost as old as the Empire itself, but the early preferences were eliminated by the Reforms of Peel in the period 1846 to 1860. The present system had its beginnings in 1898 when Canada granted a few preferences on products of the United Kingdom and certain western hemisphere colonies. Canada was one of the leading proponents of an Empire-wide system of preferences. After 1898 the system expanded until nearly all parts of the Empire had adopted some form of preferential schedule. The British Government resisted the pressure applied by the various parts of the Empire until 1919, in which year preferential rates were provided on imports from Empire sources of tea, cocoa, coffee, sugar, dried or preserved fruit, wine, spirits and motor cars. It will be observed that these preferences were of little real value to the Empire, as much of the British imports of these commodities came from non-Empire sources. The preferential system received its greatest impetus from the Ottawa Agreements signed on Aug. 20, 1932, by which preferential rates were increased throughout the Empire, particularly in the United Kingdom, where a general protective tariff had been adopted a few months earlier.

The Ottawa Agreements consist of 12 bilateral agreements between various members of the Empire represented at the Ottawa conference. Otherwise the preferential system is based on legislation of the individual parts of the Empire. Due to this tariff autonomy the preferential system is not uniform. Some of the colonies such as Nigeria, Straits Settlements, Zanzibar, Malta, British New Guinea and others maintain a single-column tariff and grant equality of treatment to all imports regardless of source. Other areas maintain a tariff of two or more columns, and provide lower rates of duty for imports from all or specified parts of the Empire. For example, Eire has a three-column tariff, and in some cases grants one rate to products of the United Kingdom and Canada, another rate to the rest of the Empire, and a third rate to the rest of the world. The tariff of Northern Rhodesia has four columns; Schedule A for all non-British imports, Schedule B for imports from reciprocating British areas, Schedule C for imports from non-reciprocating British areas, and Schedule D for imports from the Congo Basin.

The amount of the preference varies from a small fraction of the tariff rate to the full rate. For instance, in the Union of South Africa many of the preferences are only 3% or 5% of the value of the products, while in the United Kingdom it varies from 7½% of the value of the products to the full amount of duty.

An important factor in the application of preferential duties is the eligibility requirements for the preferential rates. For non-processed articles they must be the bona fide growth or produce of the country of origin to which the preferences apply. For manufactured goods the requirements are more complicated. For instance, in Australia the preferences are granted if the goods contain at least 75% of labor or materials of the country of origin in their factory or work cost. However, if goods are of a class or kind not commercially manufactured in Australia, this percentage may be reduced to 25%. It is essential that the final process or processes of manufacture shall take place in the country claiming the preference and that the goods are consigned therefrom direct to Australia.

Many of you are familiar with these details of the operation of the preferential duties. Of more interest is the effect of the preferences on the trade of the United States. A precise statistical answer cannot be given, although specific instances could be pointed out where United States markets were taken over by British competitors, such as lumber in Australia, which is now being supplied from British Columbia. In my recent study, entitled "Some Factors in Post-War Export Trade With British Empire," my colleague, Miss Kathleen Horton, prepared some charts which show that England undoubtedly substituted purchases from the Empire for certain imports formerly obtained from the United States, and that import trade within the Empire expanded at the expense of imports from the United States. Preferences are granted in many of these areas for Empire products competitive with products produced in the Los Angeles area.

One of the well known effects of the British preferential system has been the encouragement to the establishment of branch plants or the granting of manufacturing rights by United States manufacturers in Canada and in a few cases in other Empire areas. The success of this policy has not always been clearly indicated. Individual manufacturers have profited, but some elements in this country claim that our national welfare has suffered a loss by this creation of additional competition and by the export of jobs. Other people claim that this argument is somewhat tenuous, as some other competitor would probably establish such an industry in the Empire if we failed to do so.

As the conflict in Europe is rapidly drawing to a close, you are perhaps deeply interested in the prospects for the elimination of the preferences. While we will continue to hope for the attainment of that objective, the total elimination of preferences does not seem to be in the cards in the near future. The decision as to the continuation of the preferential system is not simple, for it depends not alone on the United Kingdom but on the combined decision of the parts of the Empire having autonomy in regard to tariffs.

There is no question but that most British and Empire authorities desire some form of multilateral commercial agreement which will provide for lowering of trade barriers, including possibly some moderation in preferences. The difficulty, however, will be the unfavorable international financial position of the United Kingdom which will make it quite impossible for them to give concessions in commercial policies without an appropriate quid pro quo. It is estimated that of the foreign exchange available annually to the United Kingdom before the war approximately $500,000,000 will not be available after the war because of liquidation of foreign investments and loss of services to foreigners. In addition to this loss of exchange there will also be the necessity to find additional funds to pay the service on the new external debts that have developed during the war years. The international accounts of the United Kingdom were not always balanced before the war; hence the financial prospects for Great Britain after the close of hostilities are extremely hazy. This is the very heart of the confusion that exists today in British plans for the post-war period.

The solution generally given for this problem is an increase in British exports up to 50% over pre-war figures. That would be a herculean task, and no one has provided the answer as to how it can be done. Can British industrial capacity meet the post-war demands for domestic reconstruction, as well as the normal export demands, and then find the capacity over and above to provide an additional $800,000,000 to $1,000,000,000 of exports? The answer is yes, only if the British Government can maintain some form of rationing of its production for domestic purposes in favor of production by export industries. Increased exports from the United Kingdom will mean increased imports of raw materials and semi-manufactures to produce those exports. It would therefore appear necessary for the British Government to maintain some form of control over imports to assure the proper use of available foreign exchange for necessary purchases abroad.

Someone will remind me that British agricultural policy during the war has greatly reduced the necessity to import foodstuffs. That is very true, and today Great Britain depends on imports for only about 1/4 to 1/3 of its food requirements as compared with 2/3 prior to 1939. This condition can hardly continue in peace-time for a war-weary people cannot be expected to be satisfied with a rigid and monotonous diet imposed by the necessities of five years of war.

In view of all this the problem of canceling or drastically reducing Imperial preferences without a substantial concession on the part of other nations is extremely dubious. A very small beginning was made in the reciprocal trade agreements with the United Kingdom and Canada. It must also be remembered that any lowering of import duties lessens the impact of preferences. What concessions would be of interest to the British and to the dominions? The first and most attractive concession would be greater access to the large and high-standard United States market. This would mean increased imports into the United States of British manufactures, not necessarily of a competitive type but of more specialized types which the British can produce, such as specialized chinaware, cutlery, whiskey, high-grade woolens, certain types of machine tools, or perhaps some new products developed during the war. It might mean a guarantee of the disposal of the surplus agricultural, forest and mineral products of the dominions and colonies in the United States or in some other foreign market.

The second concession would be some form of world division of markets that would guarantee the British an export potential sufficient to meet their financial requirements.

Would the United States be willing to grant the first concession or be a party to the granting of the second concession? Needless to say, any suggestion of the first concession, namely, the opening of this market to more British Empire products, brings into play the activities of all the numerous pressure groups in this country that seem to be afraid of competition. The second concession, namely, a division of world markets in its broad form at least, is contrary to the announced policy of this Government, namely, the elimination or reduction of trade barriers. But in the end we must fully realize that the British commercial policy in the post-war period will be determined in large measure by the commercial policy of the United States. The two largest markets for United States goods are in the Empire, namely, the United Kingdom and Canada. It would appear that some concessions would be worth while if we want to maintain or possibly increase our share in those markets, particularly bearing in mind that total imports from those countries are rather small in relation to the total national income or national production of the United States.

Another factor of considerable interest to American exporters is the extensive industrialization in all of the major segments of the British Empire. British exporters are also faced with this growing complexity in the economies of the dominions and some colonies. These areas are no longer satisfied to fulfill their early function of suppliers of agricultural products. The full competitive capacity of these new industries is not known in most cases, but sufficient information is available to indicate that in many instances the domestic market can now be fully satisfied without relying on imports. In some cases these newly inaugurated industries are making plans to extend their activities into some export markets. In this way they will be competitors not only of United States industries but also of British industries. Thus Australian industry has its eyes on some of the markets of the South Pacific and southeast Asia; Canadian industry is looking to Latin American markets, and the Union of South Africa feels that it should be able to sell advantageously in markets in Central Africa. There is a very vociferous demand within these areas for increased protection. Where this occurs, Imperial preferential rates tend to lose considerable significance, for they are no longer low rates but merely lower "protective" duties and tend to serve as a protection in many instances against imports from the United Kingdom.

Many people are fearful that the growing industrialization in these areas will disastrously affect the export of United States products, that some markets will be permanently narrowed or eliminated. While there will undoubtedly be a shifting of the trade in the types of exports to such markets, the probable result of their industrialization will be a rising standard of living and an increased demand for United States products.

We have the example of Canada whose gross value of manufactures increased from about $500,000,000 in 1900 to $4,500,000,000 in 1940. At the same time imports from the United States increased from $100,000,000 to $750,000,000. Let us hope that this experience with Canada will be typical of what will happen in other Empire areas. One of the definite checks to this uneconomic trend toward self-sufficiency in certain areas is the very limited domestic market for the products of their factories. Financial assistance, tariff protection, trade controls and other means may be used to assist them and may meet with some success, but many such efforts will fail.

Another factor in trading with the British Empire that is of paramount interest to American exporters is the currency controls and the sterling balances. With the exception of Canada and Newfoundland, all parts of the British Empire are in the sterling bloc. Their sterling and foreign exchange has been managed throughout the war by the British Treasury through the Bank of England. This management has not dealt with individual transactions which have been approved or disapproved by the local exchange authorities. The British Treasury was interested in the global transactions. Such management was necessary in order to make the most efficient use of scarce foreign exchange. The elimination of this and other exchange controls by the end of the transition period is contemplated by the proposed Bretton Woods agreements.

As a result of war-time financial controls there are now in London sterling balances of approximately £1,750,000,000. This external floating or unfunded non-interest-bearing debt of the United Kingdom represents the sterling assets acquired by the designated countries as a result of their trade and other transactions with the United Kingdom. In the latter category are included the United States dollars that became available to those countries and which were in turn placed in the foreign exchange pool in London and for which the equivalent in pounds sterling was credited in the sterling account. Under present restrictions this sterling cannot be used for purchases outside the sterling bloc without proper authorization.

A number of suggestions have been made as to the best method of liquidating these balances. Certain British interests desire to have the restrictions continued after the war at least until existing balances are worked off, and thus require the respective countries to buy as much as possible in the United Kingdom. This would tend to "bilateralize" more of the British trade and thus offset the recognized advantages of increased multilateral trade. It raises the question of whether the United Kingdom can afford to channelize too much of her exports to countries paying in sterling when she will be in such dire need of foreign exchange. Personally, I do not think she can afford to press such a solution too far.

It has been proposed that these balances be classed with the lend-lease or mutual-aid accounts for settlement. This might be a satisfactory settlement for that part of the accounts that was due to purchases of goods for the war effort by the United Kingdom from countries that have not provided any lend-lease or mutual aid. It would hardly be a satisfactory solution of that part of the balances which resulted from United States purchases in those countries, since the dollars thus paid for the goods were turned into the dollar pool in London and used to make purchases not available or eligible for lend-lease or mutual aid.

Another suggestion is that these balances, over and above the normal amount required, should be funded over a long period. It appears that the only feasible method of providing for the eventual liquidation of the larger accounts would be some such long-term arrangements. Ostensibly the United Kingdom would be unable to pay these accounts in a short period after the war, but could undoubtedly make payments over a long period of time. The annual payments on such a debt would tend to increase the pressure on the creditor countries to buy British goods. This type of solution would be particularly adaptable to the countries credited with large abnormal balances, such as India.

It must be remembered that all of these balances are not abnormal for prior to the war these areas maintained sterling balances in London of approximately £250,000,000. This represented currency reserves and normal working balances. The increase in currency circulation in each country and the expansion in the volume of transactions requiring larger working balances would indicate that the "abnormal" sterling balances would be far less than the £1,750,000,000 just mentioned.

There are other problems that you will probably discuss in your meeting on the individual areas of the Empire. The problems of cartels, bulk purchases, settlement of lend-lease, etc., are baffling and intriguing. In all cases it is well to remember that the United Kingdom is a nation whose life blood is foreign trade whereas with the United States, foreign trade is something of a luxury, a marginal item in the thinking of most people, though in the future we may have to take our export trade more seriously if we are to have full employment.

In spite of all obstacles and handicaps the "Yankee trader" has done quite well in competition with all others. The United States market is the best market in the world and to which all countries are anxious to obtain greater access. This is a bargaining point in our commercial negotiations. American ingenuity and standards of quality have made American goods known in every corner of the globe. Lend-lease has given the American producers millions of dollars of free advertising. The friendly smile, the kindly generosity and the fighting spirit of the American doughboy have created many trade opportunities for American products. There is a future for American export trade but it lies in the ability of the American people to continue to produce high quality goods and to permit their government to work out a commercial policy for national development based on national needs which can be reconciled with the needs of other countries, and not a policy based on sectional specialized interests, or on narrow nationalism.

Detroit Traders Elect Don Miller President

DETROIT, MICH.—At the annual election of the Security Traders Association of Detroit and Michigan, Don W. Miller of McDonald, Moore & Co. was elected President. Other officers are: Vice President, Paul I. Moreland, of Allman, Moreland & Co.; Secretary, Harold R. Chapel of Crouse, Bennett, Smith & Co.;


Don W. Miller Paul I. Moreland


Harold R. Chapel A. C. Allen

Treasurer; Alonzo C. Allen of Blyth & Co. R. C. O'Donnell of R. C. O'Donnell & Co. was appointed Chairman of the Program Committee; Ray E. Davis of E. H. Rollins & Sons, Chairman of the Membership Committee; and Ray P. Bernardi of Cray, McFawn & Co., the retiring President, becomes Chairman of the Arbitration and Ethics Committee.

The above officers and committee chairman constitute the association's Board of Directors.

Other appointments were Frank P. Meyer of First of Michigan Corp., John K. Roney of Wm. C. Roney & Co. and C. Edwin Mercier of Mercier, McDowell & Dolphyn as National Committeemen. Alternate Committeemen are H. Russel Hastings of H. Russell Hastings Co., A. Buel Quirk of M. A. Manley & Co. and Neil De Young of De Young, Larson & Tornga.

The newly elected officers contemplate a more active program with monthly conference and discussion meetings for members only in addition to the customary Fall and Spring open dinners. The membership drive will renew the effort to enlist a greater number of the Michigan out-State traders.

American Bankers Association Holds 70th Annual Meeting

(Continued from first page)

committees and commissions were held. Officers of the Association's division groups were also elected at annual meetings held during the Conference.

The National Bank Division

R. Otis McClintock, President of the First National Bank & Trust Co., Tulsa, Oklahoma, was elected President of the National Bank Division. Mr. McClintock was advanced from the post of Vice-President of the Division.

Norfleet Turner, President of the First National Bank, Memphis, Tenn., was elected Vice-President of the Division, being advanced from the post of Chairman of the Executive Committee.

In addition, Carl K. Withers, President of the Lincoln National Bank, Newark, N. J., was elected Chairman of the Executive Committee, and four new members were elected to the committee by members of the Division. The new members include L. J. Brainerd, President, Palmer National Bank, Palmer, Mass.; W. W. Campbell, President, National Bank of Eastern Arkansas, Forrest City, Ark.; T. N. Hayter, Vice-President, First National Bank & Trust Co., Sioux Falls, S. D.; and R. L. Thornton, President, Mercantile National Bank, Dallas, Texas.

State Bank Division

Wilbur W. McEachern, Vice-Chairman of the Board of Directors of the Union Trust Co. at St. Petersburg, Fla., was elected President of the State Bank Division. Mr. McEachern was advanced from the position of Chairman of the Executive Committee.

H. N. Thomson, Vice-President of the Farmers & Merchants Bank, Presho, S. D., was elected Vice-President of the Division, and James C. Wilson, President of the First State Bank & Trust Co., Perth Amboy, N. J., was elected Chairman of the Executive Committee.

In addition the Division elected four members to its Executive Committee. They are Kenton R. Cravens, Vice-President of Mercantile-Commerce Bank & Trust Co., St. Louis, Mo.; C. A. Randolph, President, Citizens Bank, Shelbyville, Ky.; Frank L. King, Executive Vice-President of California Bank, Los Angeles, Calif.; and Russell Dunbar, Cashier of Peoples Bank & Trust Co., Sunman, Ind.

State Association Section

G. Harold Welch, Secretary of the Connecticut Bankers Association, and Vice-President and trust officer of the New Haven Bank N. B. A., New Haven, Conn., was elected President of the State Association Section. Mr. Welch was advanced from the post of Vice-President of the Section.

Ray O. Brundage, Executive Manager of the Michigan Bankers Association, Lansing, Mich., was elected Vice-President of the Section.

The Executive Committee of the Section includes President Welch, Vice-President Brundage, and three members, who are Lauder W. Hodges, Immediate Past President of the Section, who is Executive Manager of the California Bankers Association, San Francisco, Calif.; J. Carlisle Rogers, Secretary, Florida Bankers Association, who is cashier of the First National Bank, Leesburg, Fla.; and Paul W. Albright, General Secretary of the Savings Banks Association of the State of New York, New York.

Savings Division

Harry R. Templeton, Vice-President of the Cleveland Trust Co., Cleveland, Ohio, was elected President of the Savings Division. Mr. Templeton was advanced from the position of Vice-President.

Myron F. Converse, President of the Worcester Five Cents Savings Bank, Worcester, Mass., was elected Vice-President. In addition two members were elected to the Executive Committee of the Division. They are Myron S. Short, Executive Vice-President of the Buffalo Savings Bank, Buffalo, N. Y., and Charles H. Stewart, President of the Portland Trust and Savings Bank, Portland, Oregon.

Trust Division

Frederick A. Carroll, Vice-President and Trust Officer of the National Shawmut Bank of Boston, Mass., was elected President of the Trust Division. Mr. Carroll was advanced from the post of Vice-President.

James W. Allison, Vice-President of the Equitable Trust Co., Wilmington, Dela., was elected Vice-President of the Division, being advanced from the post of Chairman of the Executive Committee.

In addition, Evans Woollen, Jr., President of the Fletcher Trust Co., Indianapolis, Ind., was elected Chairman of the Executive Committee and five new members were chosen, including George C. Barclay, Vice-President, City Bank Farmers Trust Co., New York; H. M. Bardt, Vice-President and Trust Officer, Bank of America National Trust & Savings Assn., Los Angeles, Calif.; Lee P. Miller, Vice-President, Fidelity & Columbia Trust Co., Louisville, Ky.; J. M. Hutchinson, Vice-President and Trust Officer, Davenport Bank & Trust Co., Davenport, Iowa; and John A. Reid, Vice-President, First National Bank, Cincinnati, Ohio.

New Course Given In Selling Securities

The New York Institute of Finance, successor to the New York Stock Exchange Institute, is inaugurating a new course to be known as "The Science of Selling Securities Successfully." This class will consist of eight weekly sessions conducted by Frank M. Cryan, of the investment securities firm of Brady & Co., beginning Tuesday, Oct. 3.

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., September 26, 1944.

The Board of Directors has this day declared a dividend of One Dollar and Fifty Cents ($1.50) per share, being Dividend No. 127, on the Common Capital Stock of this Company, payable December 1, 1944, to holders of said Common Capital Stock registered on the books of the Company at close of business October 27, 1944.

Dividend checks will be mailed to holders of Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

CANCO **AMERICAN CAN COMPANY**

COMMON STOCK

On September 26, 1944 a quarterly dividend of seventy-five cents per share was declared on the Common Stock of this Company, payable November 15, 1944, to Stockholders of record at the close of business October 26, 1944. Transfer books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

Electric Bond and Share Company

$6 and $5 Preferred Stock Dividends

The regular quarterly dividends of $1.50 per share on the $6 Preferred Stock and $1.25 per share on the $5 Preferred Stock of the Company have been declared for payment November 1, 1944, to the stockholders of record at the close of business October 6, 1944.

L. B. WIEGERS, *Treasurer.*

JOHN MORRELL & CO.

Morrell PRIDE meats

DIVIDEND NO. 61

A dividend of Fifty Cents ($0.50) plus an extra dividend of Fifty Cents ($0.50) per share on the capital stock of John Morrell & Co., will be paid October 28, 1944, to stockholders of record October 14, 1944, as shown on the books of the company. Ottumwa, Iowa. Geo. A. Morrell, Treas.

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regula quarterly dividend of 50¢ per share on the out standing Common Stock, payable on Novembe 1, 1944, to stockholders of record on October 16 1944. The transfer books will not close.

THOS. A. CLARK

September 28, 1944 TREASURER

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 115

A cash dividend declared by the Board of Directors on Sept. 13, 1944, for the third quarter of the year 1944, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on Oct. 16, 1944, to shareholders of record at the close of business Sept. 29, 1944. The Transfer Books will not be closed.

E. J. BECKETT, *Treasurer*

San Francisco, California

SOUTHERN UNION GAS COMPANY

DIVIDEND NOTICE COMMON STOCK

A dividend of one-tenth (1/10th) of a share of Common Stock, par value $2.00, of TEXAS SOUTHEASTERN GAS COMPANY, on each share of Common Stock of SOUTHERN UNION GAS COMPANY has been declared by the Board of Directors, payable November 1, 1944, to SOUTHERN UNION GAS COMPANY stockholders of record at the close of business October 9, 1944. No fractional shares of the Common Stock of TEXAS SOUTHEASTERN GAS COMPANY will be issued, but in lieu thereof, stockholders will receive cash at the rate of $3.50 per share of Common Stock of TEXAS SOUTHEASTERN GAS COMPANY. Certificates and/or checks will be mailed by the Mercantile National Bank at Dallas, Dallas, Texas, as Distribution Agent.

F. W. SMITH,
Vice President and Treasurer

September 29, 1944

ADVERTISEMENT

INTERSTATE COMMERCE COMMISSION

FINANCE DOCKET NO. 10992
NEW YORK, NEW HAVEN & HARTFORD RAILROAD COMPANY REORGANIZATION

NOTICE OF SUBMISSION OF PLAN OF REORGANIZATION:

The United States District Court for the District of Connecticut and the Interstate Commerce Commission have approved a plan for the reorganization of The New York, New Haven and Hartford Railroad Company, principal debtor, and Hartford and Connecticut Western Railroad Company, Old Colony Railroad Company, and Providence, Warren & Bristol Railroad Company, secondary debtors, pursuant to section 77 of the Bankruptcy Act.

The plan is being submitted for acceptance or rejection to the holders of the following:

The New York, New Haven and Hartford Railroad Company

1. All holders (not otherwise classified) of The Housatonic Railroad Co. 5% fifty-year consolidated mortgage gold bonds due November 1, 1937.

2. All holders (not otherwise classified) of The New England Railroad Co. 4 and 5% fifty-year consolidated mortgage gold bonds due July 1, 1945.

3. All holders (not otherwise classified) of Danbury and Norwalk Railroad Company 4% fifty-year first refunding mortgage gold bonds due June 1, 1955.

4. All holders (not otherwise classified) of Boston and New York Air Line Railroad Co. 4% first mortgage gold bonds, due August 1, 1955.

5. All holders (not otherwise classified) of New Haven and Northampton Co. 4% fifty-year refunding consolidated mortgage gold bonds due June 1, 1956.

6. All holders (not otherwise classified) of Central New England Railway Co. 4% fifty-year first mortgage gold bonds due January 1, 1961, [including the National Rockland Bank (Boston)] to the extent that said bank holds said bonds in pledge.

7. All holders (not otherwise classified) of the following debentures and bonds secured by the first and refunding mortgage of The New York, New Haven and Hartford Railroad Company to Bankers Trust Co., trustee, dated December 9, 1920, as amended and supplemented:

(a) The New York, New Haven and Hartford Railroad Co. series of 1927 4½% first and refunding mortgage bonds due December 1, 1967;

(b) The New York, New Haven and Hartford Railroad Co. 4% debentures due March 1, 1947;

(c) The New York, New Haven and Hartford Railroad Co. 3½% debentures due March 1, 1947;

(d) The New York, New Haven and Hartford Railroad Co. 6% debentures due January 15, 1948;

(e) The New York, New Haven and Hartford Railroad Co. 3½% debentures due April 1, 1954;

(f) The New York, New Haven and Hartford Railroad Co. 4% debentures due July 1, 1955;

(g) The New York, New Haven and Hartford Railroad Co. 3½% debentures due January 1, 1956;

(h) The New York, New Haven and Hartford Railroad Co. 4% debentures due May 1, 1956;

(i) Consolidated Railway Co. 4% debentures due July 1, 1954;

(j) Consolidated Railway Co. 4% debentures due January 1, 1955;

(k) Consolidated Railway Co. 4% debentures due April 1, 1955;

(l) Consolidated Railway Co. 4% debentures due January 1, 1956;

(m) The National Rockland Bank (Boston) and Rhode Island Hospital National Bank (Providence) to the extent that each said bank holds in pledge first and refunding 6% bonds due July 1, 1972.

8. All holders (not otherwise classified) of The New York, New Haven and Hartford Railroad Co. 6% fifteen-year secured gold bonds due April 1, 1940.

9. The following holders of The New York, New Haven and Hartford Railroad Co. short-term collateral promissory notes secured by pledge of collateral:

Railroad Credit Corporation.

Reconstruction Finance Corporation.

Old Colony Railroad Company

10. All holders (whether as pledgees or otherwise) of the following bonds of Old Colony Railroad Co. issued under and/or secured by the first mortgage of Old Colony Railroad Co. to Old Colony Trust Co., trustee, dated January 30, 1924, as supplemented:

Old Colony Railroad Co. 4% bonds due January 1, 1938;
Old Colony Railroad Co. first-mortgage bonds, series A, 5½% due February 1, 1944;
Old Colony Railroad Co. first-mortgage bonds, series B, 5% due December 1, 1945;
Old Colony Railroad Co. first-mortgage bonds, series C, 4½% due July 1, 1950;
Old Colony Railroad Co. first-mortgage bonds, series D, 6% due July 1, 1952;
Old Colony Railroad Co. first-mortgage bonds, series E, 6% due September 1, 1953.

Providence, Warren & Bristol Railroad Company

11. All holders of the stock of Providence, Warren & Bristol Railroad Co. which is outstanding in the hands of the public in the aggregate amount of 449 shares.

Hartford and Connecticut Western Railroad Company

12. All holders of the stock of Hartford and Connecticut Western Railroad Company which is outstanding in the hands of the public in an aggregate amount of 3,382 shares.

Miscellaneous creditors

13. All other creditors of the debtors who are affected by the plan, excepting the trustees of the properties of said debtors and of the Boston and Providence Railroad Corporation.

Only those holding such securities on September 26, 1944 will be entitled to vote on the plan.

Holders of such securities who shall not promptly secure a ballot by mail may obtain one, together with copies of plan of reorganization, the Commission's reports thereon, and the opinion and order of the court approving the plan, by writing to the Interstate Commerce Commission, Washington, D. C.

Separate ballots have been prepared for each class of security entitled to vote on the plan. Therefore, in making requests for ballots the Commission should be advised of the class of security for which ballots are desired and the number of ballots required in each class.

In order that a ballot may be valid, it must be filled out, in duplicate, and filed with the Commission on or before November 25, 1944, or the envelope containing the ballot mailed in continental United States must bear postmark showing it was placed in the mail on or before that date. Ballots executed by persons residing outside continental United States in order to be effective must be returned to the office of the Commission in Washington, D. C., not later than November 25, 1944.

W. P. BARTEL, *Secretary.*

Washington, D. C.
September 26, 1944.

Education Of Investors Is Advocated

(Continued from page 1459)

Frank Dunne, President of the New York Security Dealers Association.

National Committee Appointed

After the luncheon recess, a temporary committee brought in the following resolution, which was passed:

"(1) The Temporary Committee appointed by the Chairman approves the purpose of this Conference, and endorses the suggestion that co-operative steps be taken to warn and protect holders of war bonds and others against loss of their savings in the postwar period through fraud.

"(2) It specifically approves the proposed plan to send a letter or phamphlet to owners of "E" bonds. This document, it feels, should be signed first by the U. S. Treasury Department, from which the bonds were purchased, then by the Securities and Exchange Commission, the Association of State Securities Commissioners, and any other appropriate public bodies, and by the national organizations which represent the dealers and brokers of the nation. Perhaps the Treasury Department would see fit to have it signed also by national trade associations of insurance men, realtors and others in whose businesses the danger of fraud may exist.

"(3) In order to prepare recommendations to the U. S. Treasury Department regarding such a pamphlet, and in order to study other possible methods of pursuing the same general purposes, the Temporary Committee recommends that a National Committee be formed, to be composed of the various groups, public and private, which make up this conference, including the Better Business Bureaus and the Associations of Financial Writers.

"(4) The Temporary Committee further recommends that widest possible publicity of a continuing nature attend this effort, and that the material publicized should be not merely cautionary in a negative sense, but also—and more importantly—a constructive presentation of the trustworthiness and integrity of the thousands of American business men and public officials covered by the signatures to the pamphlet.

H. J. Kenner,
Walter A. Schmidt,
McClarty Harbison,
Fred C. Moffatt,
Edgar Scott."

Mr. Treanor indicated that pursuant to this resolution he would appoint a committee composed of representatives of the following bodies:

National Association of Securities Dealers.
Investment Bankers Association of America.
National Association of Securities Traders.
Better Business Bureau.
National Association of Securities Commissioners.
New York Stock Exchange.
New York Curb Exchange.
The Regional Exchanges.
Securities Exchange Commission.

Present at the conference were:

Daniel Bell, National Association of Better Business Bureaus.

Frank R. Dunne, New York Securities Dealers Association.

John Clifford Folger, President, and Edward Hopkinson, Jr., Investment Bankers Association of America.

H. P. Green, President, St. Louis Stock Exchange.

McClarty Harbison, President, Los Angeles Stock Exchange.

Richard G. Horn, President-Elect, Association of Customers Brokers.

Edward A. Kole and A. M. Metz, Counsel, Securities Dealers Committee.

Andrew J. Markey, Assistant Attorney General of the State of New Jersey.

J. Myron Honigman, Securities Commissioner, State of Pennsylvania.

Harold Johnson, Securities Commissioner, State of Nebraska.

Arden Richardson, Securities Commissioner, State of Colorado.

William F. McNulty, Assistant Attorney General, State of New York.

William Gould, National Association of Securities Dealers.

Fred C. Moffatt, President, New York Curb Exchange.

Edward E. Parsons, President, and B. Winthrop Pizzini, National Securities Traders Association.

Stearns Poor, President, and Henry E. Tracy, Secretary, Boston Stock Exchange.

Bernard Reis, American Investors Union.

Emil Schram, President, New York Stock Exchange.

Edgar Scott, President, Philadelphia Stock Exchange.

Howard R. Taylor, President, Baltimore Stock Exchange.

William J. McNeil, Pittsburgh Stock Exchange.

Colonel William A. Lockwood, Counsel, New York Curb Exchange.

Hal Smith, Jr., Detroit Stock Exchange.

Remarks of Ganson Purcell

As many of you know, two years ago as the problems of our financial economy which were created by the war became increasingly pressing, we invited the State Securities Commissioners, the Stock Exchanges and the National Association of Securities Dealers and various other groups to join together with us to consider ways and means of solving those problems to the end of maintaining the strength of our financial economy in the face of the stresses of war. The results that were obtained from those meetings and the continuing work that has been done since have been very gratifying indeed. Some of these were expressed in tangible form, such as the uniform financial report for brokers and dealers, while others took shape in the adoption of policy and practice in the conduct of business and Governmental activities. The work started then has proceeded largely without the formality of conference gatherings in the face of wartime transportation restrictions. It was felt, however, that the subject which we are gathered together to discuss today was of sufficient importance to warrant the holding of this meeting.

Ganson Purcell

In the invitation which I extended on behalf of the Commission for the meetings two years ago, I suggested that the problems to be considered were those "being created from day to day as we go forward with the war and those which will be presented to us in the post-war period."

The subject of investment of the nation's savings partakes of the nature of both but will be more important after the war—even after the end of war in Europe. The huge amounts of liquid savings which individuals have accumulated in recent years will have a profound influence on our national economy. It is natural, therefore, that Government agencies such as the various State agencies represented here, as well as the Securities and Exchange Commission, should be concerned with the protection of these savings through creating an awareness in the public of the hazards likely to be encountered in the purchase and sale of securities by uninformed individuals.

The question of protection of our people in the investment of their savings is not a new one to any of us. I know, for instance, that Mr. Treanor has been discussing it with many of you in person and by correspondence for a considerable length of time. Nor do I want to leave the impression that its full solution will necessarily be reached at this or any subsequent meeting of this group. It seems to me, however, that we can go far in reviewing the questions that are raised and in formulating the attack on the whole problem.

I shall not attempt to specify what the questions for solution are. I shall leave that to you gentlemen under Mr. Treanor's general chairmanship, as I am going to ask him to take over this meeting and conduct it on behalf of the Commission. I wish it were possible for all of us to continue to attend these sessions but the regular work of the Commission is extremely heavy at the present time and calls for our constant attention. Some of us hope to be able to join you from time to time.

We appreciate very much your presence here today and your willingness to offer your services. They evidence your keen interest in the preservation of our capital and securities markets and of the soundness of our economy generally, If, as a result of our work together, we can devise methods for continuing the confidence of the American people in our markets and their economic function, we will have gone all the way in justifying the time, work and expense which is involved.

Again, let me express the thanks of the Commission—and a hearty welcome to you.

Halsey Stuart Groups Market Two New Issues

Halsey, Stuart & Co., Inc., headed a group of underwriters that offered publicly Oct. 4 $30,000,000 of Arkansas Power & Light Co. first mortgage bonds, 3⅛% series due 1974, at 104% and accrued interest. Net proceeds from the sale of bonds, together with general funds of Arkansas Power & Light Co., will be used to redeem the following first and refunding mortgage gold bonds: $30,800,000 of 5% series due 1956, at 102¾%; and $276,000 of 2.88% series due 1956, and $185,000 of 2.73% series due 1959, at 100%.

Halsey, Stuart & Co. head another syndicate that is marketing $31,500,000 Narragansett Electric Co. first mtge. series A 3% bonds, due in 1974, at 105.08 and accrued interest.

Operating revenues of Arkansas Power & Light and subsidiaries were $17,648,615 for the year ended June 30, 1944, and gross income, before interest and other income deductions, was $4,305,654. For the 1943 calendar year, operating revenues were $16,255,986, and gross before income deductions was $4,076,389. Corresponding 1942 figures were $13,540,918 and $3,291,032.

A summary of consolidated earnings of Narragansett Electric shows $9,208,376 operating revenues for the first six months of this year, with income of $1,760,037 before interest, amortization and other charges. For the 1943 calendar year, operating revenues were $17,165,407, and income before interest, amortization and other charges was $3,540,111. Annual interest requirements on the Series A 3s will be $945,000.

Wire To Los Angeles

J. F. Reilly & Co., 111 Broadway, New York, announce the installation of private wire facilities to Quincy Cass Associates, Los Angeles, Calif.

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.

Canadian Securities

By BRUCE WILLIAMS

Canada has recognized the claims of that long-forgotten man—the father. As a result of the Family Allowance Act, heads of families will receive amounts varying from $5 to $8 per month for children under 16. The provisions of the Act do not permit payment to those claiming income tax credit for dependents and, therefore, the benefit extends to families earning under $1,200 a year.

This legislation has led to criticism within the Dominion, on the grounds that this action on the part of the Liberal government was motivated by political reasons and especially constituted a bid for votes from the Province of Quebec.

However, an analysis of the situation shows that, broadly speaking, Quebec Province contributes approximately as much as it will receive in allowances, and the Prairie provinces, the section of the country where such benefit is most needed, stand most to gain.

Thus the Canadian Government demonstrates that just as it has tackled the problem of war in a capable, courageous fashion, so is it determined similarly to deal with the even more complicated post-war situation. Together with the 1942 Unemployment Insurance scheme and the pending Health Insurance plan, this new forward-looking legislation boldly attacks the basis of peace-time unemployment and prepares for the social well-being of the country.

In a modern high-geared economy, production ceases to be a great problem, but the more efficient the production, the more difficult becomes the question of consumption. For Canada and this country, the situation is further aggravated by the impending drop in consumption which will be caused by the cessation of Lend-Lease and Mutual Aid. Therefore, the Dominion is engaging in long-range planning in order to compensate at least for this impending decrease in consumption, and also to implement the Government's intention to achieve the goal of full employment.

Another merit attaching to the Family Allowance scheme is that it will ultimately partially solve another urgent Canadian problem, namely, the population deficiency. Encouragement is thereby given to the raising of larger families, and the boost in population thus achieved is preferable to an increase obtained by immigration. The argument raised by the opponents of the measure in Ontario that Quebec with its preponderance of large families is unduly favored is, therefore, only temporarily justifiable, as there is obviously a greater scope for future larger benefits for the provinces outside Quebec.

Finally, it can be said that this legislation is a countermeasure against any unemployment that might arise after the war, and it reaches down where the problem is most acute—the large masses on the bare subsistence level. The case against most economic measures in the pump-priming category, is that they are not usually adopted as specific cures for specific ills and in consequence are not subject to proper control.

Turning to the market for the past week, there were a few indications of slightly increased activity. High-grade issues when available were readily absorbed, and in some instances peak levels were recorded. Albertas were steadier following a more careful examination of debt reorganization prospects, and Montreals also displayed a better tone.

There was intermittent activity in internal bonds and the rate was motionless at 10 3/16% discount. Exchange movements are likely to remain restricted until the consummation of the transactions in connection with the bonds called and maturing on Oct. 15. The gold share market in Toronto steadied out after its recent decline, and it is now felt that the well established and the new proven mines will be a bright feature in post-war markets.

With regard to possible future developments, there still appears little reason to expect any marked change in the quiet, steady pattern that has established itself in the past few weeks. **With the increase in activity in the corporate and utility investment markets, more attention might possibly be devoted to high-grade Canadians which, in spite of their steady appreciation over a long period, still have a slight edge in comparison.**

Wanted—A "Blood Bank" For Industry

In a unique advertised announcement entitled, "Wanted—a 'Blood Bank' for Industry," appearing elsewhere in the "Chronicle" today, the trade paper publishing house of Chilton Company, Inc., of Philadelphia and New York, sets out in typical American fashion the company's post-war program to meet the trying reconversion requirements. The Chilton Company's announcement is so well expressed and contains so much courageous suggestion that we are repeating its argument here:

"When fortress Europe has fallen, and the slate against Japan is wiped clean, Victory—for America—will be only half won. Only the military phase of our fight to preserve American ideals and living standards will be ended. The economic battles—the phase of this war that intimately affects the daily bread of every American—will remain to be fought out here at home!

"How are we prepared for the shocks of this coming conflict? Shocks which must be withstood by American industry, if American homes are to survive.

"From a 1941 high (in profits after taxes), the over-all return of large corporations had dropped last year nearly 20%—despite a much greater volume of business. And these disturbing figures from the Federal Reserve are bracketed today with dolorous forecasts . . . experts estimate that three out of every five plants now pouring out hundreds of weekly millions in war-roll checks must find new work within six months after Hitler's fall—or close their doors!

"Here, at Chilton, we know that reserves and risk capital are the lifeblood of all business . . . that they, alone, can furnish the plasma to safely cushion economic shock. And we, at Chilton, shall continue to work energetically for tax law revisions which will permit industry to accumulate its vitally needed 'blood bank' of transfusible investments."

The Chilton Company, Inc., sources and influence are world-wide, as they are the publishers of such well-known authorities in their respective fields as "The Iron Age," "Hardware Age," "Department Store Economist," "Boot and Shoe Recorder," "The Optical Journal and Review of Optometry," "The Jewelers' Circular-Keystone," "Automotive and Aviation Industries," "Motor Age," "Commercial Car Journal," "The Spectator Life Insurance in Action," "The Spectator Property Insurance Review," and other trade publications in foreign countries.

In addition to their own publications, the Chilton Company prints 25 additional publications for other publishing concerns at the Philadelphia plant, Chestnut and 56th Streets. The corporation's personnel includes: C. A. Musselman, President; J. S. Hildreth, G. H. Griffiths, Everit B. Terhune, J. H. Van Deventer, C. S. Baur, John B. Moffett, Vice-Presidents, and William A. Barber, Treasurer. The New York editorial and business office of the corporation's publication is located at 100 East 42nd Street.

Greyhound Corporation Securities Offered By Kidder, Peabody & Co.

A syndicate headed by Kidder, Peabody & Co. and Glore, Forgan & Co., as joint managers, on Oct. 3 offered $10,000,000 of 3% debentures and 50,000 shares of 4¼% cumulative preferred stock of the Greyhound Corp. The debentures, dated Oct. 1, 1944, and due Oct. 1, 1959, were priced at 101¼, to yield 2.90%, and the stock at 103½ a share, to yield 4.11%.

Proceeds from the sale of these securities will be used to redeem the outstanding 5½% preference stock ($10 par), and provide the company with funds to meet present and post-war requirements of the business. Redemption of the preference shares, which will take place on or about Nov. 3, at $11 a share, will require $3,528,877, provided none of the 320,807 shares now outstanding is converted into common stock in the meantime.

The debentures will be redeemable at 104¼ up to Oct. 1, 1945, and at lower prices thereafter. Under a fixed annual sinking fund that becomes operative Oct. 1, 1948, $5,000,000 of the debentures will have been retired by maturity. For sinking fund purposes, the debentures will be redeemable on Oct 1, 1948 and 1949, at 101, and at lower prices thereafter.

The preferred shares also will have a fixed annual sinking fund that each year will retire 2½% of the maximum number of shares issued. The stock will be redeemable for sinking fund purposes at $103.50 a share. Otherwise, the shares will be redeemable at prices varying from $108 a share to Oct. 1, 1949, down to $103.50 a share on Oct. 2, 1954, and at $103.50 thereafter.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1462)

writing this hasn't materialized. But the signs present when the previous column was written are still evident. For example, stocks have slowly moved back but in their retrace they have just about reached the level where early resistance was encountered. There are two ways for such obstacles to be overcome. One way is by volume; the other is by dullness. If the first method is followed it will mean a sudden burst of activity, not limited to individuals, but encompassing the entire market. During this period numerous stocks approach new highs and as they get within hailing distance of it, the volume increases. This burst of strength usually attracts enough buying to place the market in jeopardy and a violent setback to correct excesses is in the cards.

The second method is a gradual approach to old resistance levels with volume either dwindling, or the increase so small it is not apparent. According to past experience this latter method has at least one false start. Just before prices are ready to come out into the open they experience a shakeout. It is possible that the reaction of two weeks ago was this shakeout. But a slow approach to old highs must always be viewed with suspicion. If there is any bad news in the offing, nine times out of ten, it becomes public just as the market is in a position to react. The reaction itself may be small, but the fears it raises may intensify it to a point where, in the public mind, a severe break is feared. Yet seldom do these fears materialize. Occasionally there may be two, or even more, such setbacks, followed by a sudden break on the upside into the open. I believe that is the case at this writing. Obviously the advice to hold all positions must therefore obtain.

You are still long of five stocks. Most of them show profits, though one is still in the red. Allied Mills, bought at 28 is now about 31. Obstacles are present from 32 to 33. Half profits at 32½ or better with a stop at 28 is suggested. Bendix, bought at 38¼, is about 44. From 45 to 46 it meets trouble. Half profits advised at 45½ or better with a stop at 38. Crown Zellerback, bought at 18, is now about 19. From 19½ to 20 is stock. Hold full lot with stop at 17. Lockheed, bought at 17, now about 22, has recently made a new high at 22¼. Hold whole position with stop at 18. U. S. Steel, bought at 58½, is still about where you bought it. From 59½ to 61 it meets stock. Hold until better indications appear.

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.]

Calendar Of New Security Flotations

OFFERINGS

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.

Issue awarded Oct. 2 to Halsey, Stuart & Co., Inc. and associates on bid of 102.889 for obligations with a 3⅛% coupon.

Offered Oct. 4 at 104 and interest by Halsey, Stuart & Co., Inc., A. C. Allyn & Co., Inc., Blair & Co., Inc. and associates.

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.

Issue awarded Oct. 2 to Halsey, Stuart & Co. and associates on bid of 104.38.

Offered Oct. 5 by Halsey, Stuart & Co. and associates at 105.08 and interest.

THE UTAH RADIO PRODUCTS CO. has filed a registration statement for $1,175,000, 10-year, 4½% convertible debentures and 146,875 shares ($1 par) common stock for issuance upon conversion of the debentures at any time prior to Sept. 16, 1954 at rate of 12½ shares of common for each $100 in debentures. Underwriters are Cruttenden & Co., $200,000; Bankamerica Company, $200,000; Mackubin, Legg & Co., $200,000; Paine, Webber, Jackson & Curtis, $100,000; A. G. Edwards & Co., $100,000; Dempsey-Detmer & Co., $100,000; The First Trust Company of Lincoln, $100,000; Kneeland & Co., $100,000; First Securities Co. of Chicago, $75,000. Common stockholders of record Aug. 24 were offered right to subscribe to the debentures in ratio of one $100 debenture for each 25 shares of stock at 103 plus interest from Sept. 14, 1944. Rights expired Sept. 24. Net proceeds, estimated at $1,159,029, are to be used for expansion purposes and as an addition to working capital. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24, 1944. Unsubscribed debentures offered Sept. 28 by above named underwriters at 103 and interest.

NEW FILINGS

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

THURSDAY, 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). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

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. 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 first and refunding mortgage bonds, 3½% series due 1967, aggregating $137,800,000. 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 was held Oct. 2. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

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. Proceeds from sale, with additional funds of 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. Bonds to be sold at competitive bidding. Filed Sept. 22, 1944. Details in "Chronicle," Sept. 28, 1944.

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 shares will be offered for subscription to holders of common stock 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. Company will apply $1,505,625 of the net proceeds to the payment at 100⅜ of all promissory notes payable to banks in the aggregate amount of $1,500,000. 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. Price to stockholders to be filed by amendment. Underwriting group headed by Blyth & Co., Inc. Filed Sept. 23, 1944. Details in "Chronicle," Sept. 28, 1944.

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. 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 will be use for construction. Filed Sept. 23, 1944. Details in "Chronicle," Sept. 28, 1944.

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. Company is offering to 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. Of the proceeds $10 per share will be allocated to the capital stock account. Not underwritten. Filed Sept. 25, 1944. Details in "Chronicle," Sept. 28, 1944.

SUNDAY, OCT. 15

TWIN CITY RAPID TRANSIT CO. has filed a registration statement for $7,000,000 4% collateral trust bonds, due Oct. 1, 1964.

Address—One South Eleventh Street, Minneapolis, Minn.

Business—Is a holding company owning subsidiaries through which it operates the street railway and local bus transportation system in Minneapolis and St. Paul.

Underwriting—The principal underwriter is Dillon, Read & Co., New York. Others will be named by amendment.

Offering—Price to the public will be supplied by amendment.

Proceeds—Net proceeds will be applied toward redemption of entire $10,888,600 outstanding first lien and refunding gold bonds, 5½%, series A and series B, at 102%. The series A bonds are to be redeemed on Dec. 1, 1944, and the series B bonds on Jan. 15, 1945. The additional amount required for the redemption will be supplied to the extent of $2,000,000 from a bank loan evidenced by the company's 1½% and 2½% serial notes and from other funds of the company. Since June 30, 1944, the company and its subsidiaries have purchased $418,600 of its series A and series B bonds at a cost, exclusive of accrued interest, of $424,123.

Registration Statement No. 2-5483. Form S-1. (9-26-1944).

MONDAY, OCT. 16

VAN RAALTE COMPANY, INC., has filed a registration statement for 129,281 shares of common stock (par $10).

Address—417 Fifth Avenue, New York City.

Business—Manufacture and sale of women's full-fashioned hosiery, underwear, fabric gloves, laces, etc.

Underwriting—None.

Offering—Company is granting holders of its common stock of record at the close of busines on Oct. 16, 1944, rights to subscribe to 129,281 shares of its authorized but unissued common stock at $10 per share, in the ratio of one additional share for each share held. Subscription rights are exercisable on Oct. 17, 1944, and expire Nov. 14, 1944.

Proceeds—If all of the common shares offered are subscribed for by stockholders it is estimated company will receive a net amount after expenses of $1,262,810. The company will use $1,110,210 of such proceeds to redeem, on March 1, 1945, the 9,654 shares of its 7% cumulative first preferred stock now outstanding at $115 per share, and the balance of the proceeds will be added to working capital. In the event that proceeds from sale of common stock offered to stockholders are insufficient to redeem the preferred stock, the company will use its own treasury cash to make up any deficiency.

Registration Statement No. 2-5484. Form S-1. (9-27-44).

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954.

Address—1719 Ferris Avenue, Lincoln Park, Mich.

Business—Manufacture and sale of precision tools, etc.

Underwriting—None named. To be offered directly by the company.

Offering—At par plus accrued interest from Nov. 1, 1944 to date of delivery.

Proceeds—For additional working capital.

Registration Statement No. 2-5485. Form A-2. (9-27-44).

TUESDAY, OCT. 17

COMMONWEALTH EDISON CO. has filed a registration statement for $180,000,000 first mortgage 3% bonds, series L, due Feb. 1, 1977, of which $155,000,000 are publicly offered.

Address—72 West Adams Street, Chicago, Ill.

Business—Public utility.

Underwriting—Halsey, Stuart & Co., Inc., is named principal underwriter. Names of others will be supplied by amendment.

Offering—Price to the public will be supplied by amendment. The offering excludes $25,000,000 of series L bonds to be issued, without interest adjustment or underwriting discounts or commisions, in exchange for $25,000,000 of the company's first mortgage 3% bonds, series K, owned by 14 insurance companies.

Proceeds—The net proceeds from the sale of the $155,000,000 principal amount of bonds will be applied toward the redemption of the entire $98,000,000 of the company's outstanding first mortgage 3½% bonds, series I, due June 1, 1968, at 105% and the entire $80,000,000 principal amount of Public Service Company of Northern Illinois outstanding first mortgage bonds, 3½% series due Oct. 1, 1968, at 105½%, total $178,000,000. The additional amount required for the payment of principal upon redemption of the company's series I bonds will be supplied out of other funds of the company, including $12,617,146 of unapplied net proceeds from the sale in 1942 of $25,000,000 principal amount of the company's first mortgage 3% bonds, series K. Funds for the redemption premium of $4,900,000 will also be supplied out of other funds of the company. In order to effect the application of $80,000,000 of the net proceeds of the $155,000,000 principal amount of the company's series L bonds to the payment of principal upon redemption of Public Service Company's bonds, Commonwealth will purchase for cash, $80,000,000 of 3% unsecured promissory notes of Public Service Company, due Feb. 1, 1977. Funds for the redemption premium of $4,400,000 and accrued interest will be supplied out of other funds of Public Service Company.

Registration Statement No. 2-5486. Form S-1. (9-28-44).

CALIFORNIA OREGON POWER CO. has filed a registration statement for $13,500,000 first mortgage bonds series due Nov. 1, 1974.

Address—216 West Main Street, Medford, Ore.

Business—Public utility.

Underwriting—The bonds will be offered for sale at competitive bidding pursuant to the Commision's Rule U-50, with the succesful bidder fixing the interest rate.

Offering—Price to the public will be supplied by amendment.

Proceeds—Company will apply the net proceeds towards the redemption of $13,500,000 of its first mortgage bonds, 4% series due 1966 presently outstanding at the redemption price of 105½, plus accrued interest. To the extent that the net proceeds are insufficient for this purpose, general funds of the company will be used.

Registration Statement No. 2-5487. Form S-1. (9-28-44).

S AND W FINE FOODS, INC. has filed a registration statement for 75,000 shares of common stock (par $10). Proceeds for working capital which may be used for plant improvements and office and warehouse expansion. Blyth & Co., Inc. are underwriters. Price to public $16 per share. Filed Sept. 28, 1944.

WEDNESDAY, OCT. 18

MOJUD HOSIERY CO., INC., has filed a registration statement for 12,943 shares of 5% cumulative preferred stock, par $50, and 81,182 shares of common stock, par $2.50. The shares offered are issued and outstanding and do not represent new financing by the company.

Address—385 Fifth Avenue, New York, N. Y.

Business—Consists principally of the manufacture and sale of ladies' full-fashioned hosiery.

Underwriting—A. G. Becker & Co., Inc., New York, is the principal underwriter, with names of others to be filed by amendment.

Offering—Prices of the preferred and common stock to the public will be filed by amendment.

Proceeds—The preferred and common stock being purchased by the several underwriters are being sold by 21 stockholders. Proceeds will go to the selling stockholders.

Registration Statement No. 2-5489. Form S-1. (9-29-44).

CENTRAL NEW YORK POWER CORP. has filed a registration statement for $48,000,000 general mortgage bonds, 3% series due 1974.

Address—300 Erie Boulevard West, Syracuse, New York.

Business—Public utility company.

Underwriting—The bonds will be offered for sale under the Commission's competitive bidding Rule U-50. Names will be filed by amendment.

Offering—The offering price to the public will be supplied by amendment.

Proceeds—Net proceeds from the sale of the bonds, with other funds of the company or other borrowings will be applied to the redemption of the company's outstanding $45,000,000 general mortgage bonds, 3¾% series due 1962 at 104, and $5,000,000 general mortgage bonds, 3½% series due 1965, at 104½.

Registration Statement No. 2-5490. Form S-1. (9-29-44).

THURSDAY, OCT. 19

FOREMOST DAIRIES, INC., has filed a registration statement for 13,000 shares of preferred stock, 6% cumulative, par $50, and 75,000 shares of common, 20-cent par value. The shares are issued and outstanding and the offering does not represent new financing by the company.

Address—2903 College Street, Jacksonville, Florida.

Business—Engaged in the milk, ice cream and dairy products business.

Underwriting—Allen & Co., New York, head the list of underwriters. Others will be named by amendment.

Offering—Price to the public is $50 per share for the preferred stock and $7 per share for the common. J. C. Penney and Paul E. Reinhold have contracted with the underwriters to sell them the stock registered. However, each stockholder of record will be offered an opportunity to sell at least 25% of his holding on the same basis as the two holders named. To the extent that this offer is accepted by the stockholders, Penney and Reinhold will reduce the percentage of stock they will sell to make the total number of shares equal to the number contracted to be sold.

Proceeds—The selling stockholders are to receive the proceeds.

Registration Statement No. 2-5491. Form A-2. (9-30-44).

AETNA BALL BEARING MANUFACTURING CO. has filed a registration statement for 30,375 shares of 5% cumulative convertible preferred stock, par $20.

Address—4600 Schubert Avenue, Chicago, Ill. Last October the corporate name of the company was changed to Aetna Ball & Roller Bearing Company.

Business—Manufacture and sale of ball bearings.

Underwriting—The underwriters are Bacon, Whipple & Co., and Rawson Lizars & Co., Chicago, and Carlton M. Higbie Corp., Detroit.

Offering—The preferred stock is being offered by the company to the holders of its common stock of record on Oct. 14, 1944, for subscription at a price of $20 per share on the basis of one share of preferred for each four shares of common. Subscription rights will expire Oct. 30, 1944. The underwriters will purchase the preferred stock not subscribed for by the stockholders.

Proceeds—Will be added to working capital.

Registration Statement No. 2-5492. Form S-1. (9-30-44).

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.

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.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund notes, due 1954. 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. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

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.

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.

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.

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 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.

(This list is incomplete this week)

Statement of Ownership, Management, &c., required by the Acts of Congress of Aug. 24, 1912 and March 3, 1933 of the Commercial & Financial Chronicle, published two times a week on Thursday and Monday, at New York, N. Y., for Oct. 1, 1944.

State of New York, County of New York, ss.: Before me, a notary public, in and for the State and County aforesaid, personally appeared Herbert D. Seibert, who having been duly sworn according to law, deposes and says that he is the editor of the Commercial & Financial Chronicle and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, &c., of the aforesaid publication for the date shown in the above caption, required by the Act of Aug. 24, 1912, as amended by the Act of March 3, 1933, embodied in Section 537, Postal Laws and Regulations, printed on the reverse side of this form, to wit:

(1) That the names and addresses of the publisher, editor, managing editor and business managers are:

Publisher, William B. Dana Company, 25 Spruce St., New York, N. Y.
Editor, Herbert D. Seibert, 25 Spruce St., New York, N. Y.
Managing Editor, Herbert D. Seibert, 25 Spruce St., New York, N. Y.
Business Manager, William D. Riggs, 25 Spruce St., New York, N. Y.

(2) That the owner is (if owned by a corporation, its name and address must be stated, and also immediately thereunder the names and addresses of stockholders owning or holding 1% or more of the total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address as well as those of each individual member must be given):

Owner, William B. Dana Company, 25 Spruce St., New York, N. Y.
Stockholders, Estate of Jacob Seibert, 25 Spruce St., New York, N. Y.

(3) That the known bondholders, mortgagees and other security holders owning or holding 1% or more of the total amount of bonds, mortgages or other securities are: (If there are none, so state.) None.

(4) That the two paragraphs next above, giving the names of the owners, stockholders and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner, and this affiant has no reason to believe that any other person, association or corporation has any interest, direct or indirect, in the said stock, bonds or other securities than as so stated by him.

(Signed) Herbert D. Seibert, Editor. Sworn to and subscribed before me this 26th day of Sept., 1944. Thomas A. Creegan, Notary Public, Kings County, New York, County Clerk's No. 555. New York County Register No. 326-C-5. (My commission expires March 30, 1945.)

Our Reporter On "Governments"

(Continued from page 1465)

issues is a foregone conclusion. . . . These three issues would be refinanced by the middle of 1946, which may still be within the period before important tax changes are forthcoming. . . .

It is indicated that with the partially exempt issues pretty well adjusted in yield and prices to the taxable bonds, the 1945 and 1946 maturities of the partially exempt obligations are attractive for short-term tax shelter since there seems to be good possibilities that at least the 1945, and probably the 1946 maturities may be refinanced before there is complete elimination of the excess profits taxes. . . .

The latest available data show that of the 1945 issues of the partially exempts that are callable or mature the commercial banks and other investors were the largest holders with 43.6% and 32.6% respectively while United States Government agencies and trust funds ownd 10.7%, with the remainder being held by life insurance companies with 8.1%, fire and casualty companies with 3.4% and savings banks 1.6%. . . . The 1946 callable issues of these obligations are 41.5% owned by commercial banks, 25.0% by other investors, 15.8% by government agencies and trust funds, 11.9% by life insurance companies, 3.2% by savings banks, and 2.6% by fire and casualty companies. . . .

SIXTH WAR LOAN

Secretary of the Treasury Morgenthau recently announced that the Sixth War Loan Drive is scheduled to begin November 20, with the goal set at $14,000,000,000. . . . A total of $5,000,000,000 will be sought from the sale of securities to individuals with the remaining $9,000,000,000 coming from corporations. . . . The goal set for individuals in the Fifth War Loan Drive was $6,000,000,000 with the balance of $10,000,000,000 to have been obtained from corporations, with final results showing that individuals bought $6,300,000,000 while corporations and other investors purchased $14,300,000,000, making a grand total of $20,600,000,000 raised during the drive. . . .

The Sixth War Loan goal is the same as the Treasury set for the Fourth War Loan Drive when sales actually amounted to $16,700,000,000. . . .

In the Third War Loan the Treasury asked for $15,000,000,000 and received $18,900,000,000 while the Second War Loan Goal was $13,000,000,000 and $18,600,000,000 was raised, with the First War Loan total set at $9,000,000,000 and the final figures showing that $12,900,000,000 was realized. . . . Emphasis will again be placed upon sales of securities to individuals, and the commercial banks will be excluded from the Sixth War Loan except in limited amounts, according to present announcements. . . .

COMMERCIAL BANKS IMPORTANT FACTOR

The commercial banks have been very important factors in the last two War Loans, although only in an indirect way, with outstanding securities in the amount of $4,900,000,000 having been bought by these institutions during the Fifth War Loan, which supplied funds in that amount to the market that were used to buy drive issues. . . . Direct purchases of obligations during the Fifth War Loan by the commercial banks amounted only to $760,000,000. . . . It is reported that based upon the amount of outstanding securities that the commercial banks purchased during the last War Loan, which resulted in a corresponding increase in deposits just as if the bonds were bought directly from the Treasury, that these institutions may be given a somewhat larger direct participation in the Sixth War Loan. . . .

It was pointed that with a percentage of the loan allotted for commercial bank purchase, these institutions would be obtaining the securities at the offering price, instead of buying them at premiums after the drive is over from individuals and others who subscribed to the drive issues with the knowledge that they could unload them profitably to the commercial banks. . . .

Following the ending of the Fifth War Loan, the 1¼% notes due 3/15/47 and the 2% bonds due 6/15/52/54 went immediately to a substantial premium due to the buying of the commercial banks, that had been excluded, from only a very minor direct participation in the drive. . . . From July 12, shortly after the last War Loan Drive ended, to September 27, the security holdings of the Twelve Federal Reserve Banks went from $14,815,981,000 to $16,501,259,000, with the largest increases being reported in the short-term issues and a decrease of more than $133,000,000 being shown in the two to five-year maturities, while obligations due in more than five years were down in excess of $258,000,000. . . .

This indicates that the Central Banks are prepared for almost anything that may develop and are certainly in a position to lend any support that may be needed in the Sixth War Loan, especially to the longer-term bond issues if they should be in supply during the next drive. . . .

The member banks in the system during that period reported increased holdings only in their Government bonds, with notes, certificates and bills holdings on September 20, all being under those reported on July 12th. The increase in holdings of Government bonds were well distributed throughout the country with the New York banks the largest buyers, followed by the Chicago, Cleveland, San Francisco, Boston and Richmond banks in that order. . . .

TRUST COMPANY BUYING

The 2½% due 1967/72, it is reported, are still being used by trust companies and many of the out-of-town commercial banks with substantial savings deposits, to replace a number of the corporate bonds that are being refunded at lower coupon rates. . . .

The spread between the recently refunded high grade corporate issues and the long-term Government securities is still considered to be too narrow to make the corporate obligations as attractive as the Government bonds of a similar maturity.

President Signs Reconversion And Surplus Government Property Bills

Cites Objections And Expects Remedial Action By Congress.

The signing by President Roosevelt of the War Mobilization and Reconversion Bill, and the measures providing for the disposal of surplus government property was made known on Oct. 3. While affixing his signature to the bills, he pointed, however, to deficiencies in both, which he hoped Congress would correct.

The President stated that as far as the reconversion bill goes "it is quite satisfactory," but he drew attention "to the fact that the bill does not adequately deal with the human side of reconversion." He noted that "provisions which were in the bill as it passed the Senate, to provide transportation for war workers from the place of their employment to their bona fide residence or to the location of new employment arranged by the workers were omitted in conference." "So also," he said, "were the provisions, in the bill as it passed the Senate, ensuring appropriate unemployment in compensation to Federal workers."

He stated that "we should be no less fair in our treatment of our workers" than in the case of G I men.

As to the surplus property bill the President stated that "it is with considerable reluctance that I have decided to sign this bill." Expressing himself as "in full accord with the declared objectives of the bill" he added that he has "considerable doubt whether many provisions of the bill will not make extremely difficult the accomplishment of its objectives."

The completion of Congressional action on this bill was referred to in our Sept. 28 issue, page 1386, while the final action of Congress on the reconversion bill was reported in the same issue, page 1374.

To Be Mervin Ash Partner

Mervin Ash & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will admit Charles E. Spiegelberg to partnership in the firm on October 7.

Johnson Appointed By Central Hanover

J. Edward Johnson, former President of the Atlantic National Bank of West Palm Beach, Florida, has been appointed Assistant Vice-President of Central Hanover Bank & Trust Company.

J. Edward Johnson

Mr. Johnson entered the banking field in 1926 with the First American Bank and Trust Company, West Palm Beach, and later went to Central Farmers Trust Company which consolidated with the Atlantic National Bank of West Palm Beach in 1937.

Alfred E. Smith Dies

Alfred E. Smith, four times Governor of the State of New York, and unsuccessful candidate for President on the Democratic ticket in 1928, died in New York City yesterday at the age of 70. Disclosure of the passing of the "Happy Warrior" brought forth a host of messages of sympathy and tribute from people in all walks of life. In a statement issued at the White House, President Roosevelt said that with the passing of Mr. Smith "the country loses a true patriot" and one "who had the courage of his convictions even when his espousal of unpopular causes invited the enmity of powerful adversaries." Mr. Smith, the President declared, "made no compromise with honor, honesty or integrity."

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