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World Trade Key To Peace: Watson

In addressing the 31st National Foreign Trade Convention in New York on Oct. 9, Thos. J. Watson, President of the International Business Machines Corp. and Chairman of the convention's New York Committee, emphasized the importance of foreign trade in connection with the rebuilding of the world and in the establishment of an enduring peace. He also pointed to the need of replacing in popularity the word "revenge" by the word "justice," since, he said, "in developing peace we will not think in terms of revenge."

Thomas J. Watson

"I still believe," Mr. Watson stated, "that world peace on a permanent basis must come through world trade on a basis fair to all countries, so that the small countries will have exactly the same opportunity, the same access to the raw materials of the world as the large countries.

"If we can do that," continued Mr. Watson, "I am sure that with

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Our Maritime Future

By ADMIRAL EMORY S. LAND*

Chairman, U. S. Maritime Commission, War Shipping Administrator

Contending That The United States Now Possesses All The Elements Necessary To Restore Its Eminence As A Maritime Nation, Admiral Land Urges American Shippers To Make Greater Use Of Our Merchant Marine. He Points Out That Our Maritime Industries Will Not Only Provide Five Million Post-War Jobs, But Will Be A Powerful Factor In National Defense And In Expanding Our Foreign Trade And Restoring Closer Trade Relationships Throughout The World. He Defends The Ship Subsidy Policy And Other Provisions Of The Merchant Marine Act Of 1936, And Favors A Strong American Marine Insurance Market.

A few days ago the nation observed Victory Fleet Day by paying a well-deserved tribute to the American-flag steamship companies who are operating our war-time Merchant Marine. Today we consider the prospects for our foreign trade after the war. In a few days, at the Annual Merchant Marine Conference, we shall discuss the methods by which our merchant fleet can be adapted to its peacetime role.

Emory S. Land

This is a significant period in our maritime history. On Victory Fleet Day the War Shipping Administration was happy to call to

*An address may by Admiral Land before the National Foreign Trade Council, Hotel Pennsylvania, New York City, Oct. 9, 1944.

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Unity In Foreign Trade Policy

By EUGENE P. THOMAS*

Chairman and President, National Foreign Trade Council

After Stating That Our Leadership In The Reconstruction Era Must Be Based On Unity Of Foreign Trade Policy Mr. Thomas Outlines Tasks Ahead To Insure International Peace And Cooperation And Expansion Of Our Foreign Trade Essential To The Solution Of Our Post-War Employment Problem. These Include (1) Renewal Of Reciprocal Trade Pacts, (2) Removal Of Uncertainties In Webb-Pomerene Act, (3) Resumption Of Normal Trade Channels Through Discontinuance Of Lend-Lease And Government Restrictions, (4) Reconstruction Of Government's Foreign Trade Promotional Activities, And (5) Creation Of A United Nations' Unity For An Orderly World Economy.

I am happy to join in the warm welcome the Chairman has extended to the 1,500 and more delegates present, representing the foreign trade interests of the nation. We include in this welcome the large delegation of 80 Government officials, to whom we are indebted for their annual participation in the proceedings, and for their helpful cooperation throughout the years. We welcome also the representatives of other countries, whose attend-

Eugene P. Thomas

*Address before 31st National Foreign Trade Convention, New York Oct. 9, 1944

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A Look At Aircraft Investments

By THOMAS A. BOAL

Suffens, Boal & Associates, Los Angeles

The cautious investor who wants to investigate the status of any one of the major "airframe" manufacturers rams his head into a wall trying to secure information. Strict and necessary censorship has cut off a complete picture of these companies since 1942, for mere financial reports do not reflect the true story of this industry.

Following the end of World War I, automobile shares rose to high levels in a very short period. The possibility that aircraft shares would parallel this rise has been discussed repeatedly. Will it be so?

Thomas A. Boal

This article is designed to set the reader going on the right track, to produce for you a story easier to understand and of some benefit when you think of aircraft shares as an investment.

Because no other semi-consumer and consumer product is as complicated as aircraft, it is felt wise to outline first some basic definitions and then to present some of the lesser known peculiarities of the industry to supplement the regular reference data.

All but two major aircraft companies build only about 50% of the "weight empty" of a fully

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Stock Market In The Immediate Post-War Period

By CHARLES J. COLLINS*

Chairman, Investment Counsel, Inc., Detroit
President, Investment Letters, Inc., Detroit

Assuming A Post-War National Income Of $110 Billions, Mr. Collins States That The Stock Market Still Should Have A Temporary Period When Caution And The Maintenance Of Substantial Buying Reserves Rather Than A Bullish Attitude Should Be In Order. However, Even Admitting A "Hiatus" Immediately Following The War, He Contends That There Are Forces Which, Under Favorable Conditions, Can Create A Background For Holding Sound Common Stocks.

The last time I had the pleasure of addressing a New York group on the subject of the stock market, I was interested, the next morning, to find that the "Times" reported me as being bullish; the "Tribune," as being bearish. The time allotted to me today does not permit an attempt at any such satisfactory result so I shall put all my cards face up by saying that my present bias with respect to the market is conservative.


Charles J. Collins

As you perhaps know, if any intelligent foreigner is asked what is the distinguishing characteristic of the American people compared with other peoples, he will say that it is optimism. At the present time we are enjoying a wave of optimism as to the post-war future. I believe this was set off by a very capable study developed in Washington by Mr. S. Morris Livingston for the U. S. Bureau of Foreign and Domestic Commerce. Mr. Livingston endeavored to take some early post-war year, say, one or two years after the war had ended, and then to see what would be our national income if our then available labor force was fully employed. He made it clear that this was not a forecast as to what we actually would do in this V1 or

*An address by Mr. Collins before the Association of Customers' Brokers, in the Governors' Room of the N. Y. Stock Exchange, New York City, Oct. 10, 1944.

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D. Jester To Manage Warner Phila. Office

J. Arthur Warner & Co. announce the appointment of David Jester, Jr., as manager of their Philadelphia office, located at 1528 Walnut Street. Mr. Jester has been associated with the financial business in Philadelphia for many years. Announcement is also being made of the appointment of George Brest and E. Marshall Kinsey as district sales managers.

Maintaining principal offices in New York, Boston and Philadelphia, and other offices in 11 cities, including Wilkes-Barre, Stroudsburg and Sunbury in Pennsylvania, J. Arthur Warner & Co. conducts a general business in investment securities.

The Industrial Life Of Post-War America

By WILLIAM M. JEFFERS*

President, Union Pacific Railroad Company

Emphasizing That Stability Must Be Made The Foundation Of Any Post - War Plan, Mr. Jeffers Points To Recent Developments Which Promote Instability, To Wit: Decisions Of The Supreme Court Overturning Opinions And Rules Long Considered The Settled Law Of The Land; The Federal Government Largess Which Puts A Premium On Indolence; The Work Of The Political Action Committee Which Threatens To Destroy Union Labor; And The Recent Anti-Trust Suits Instituted By Department Of Justice. Holds That If Constitution Were Applied Federal Paternalism Would Disappear.

The opportunity to address a body of men of the caliber of the American Bankers Association is a privilege I value highly. American bankers, as a class, have always been, by and large, thinking men, realists, conservatives, — perhaps at times a little too conservative—but fundamentally men of character and stability. And I want to make that word stability the keynote of my remarks on this occasion. I have no desire to preach, no will to pontificate, but rather to present some statements of fact, some of opinion, and to say some things which I think need be said and which deserve emphasis and reiteration.


W. M. Jeffers

First and foremost, I feel that there exists an urgent need for serious thinking, straight thinking, and plain speaking.

Today throughout the country, post-war planning is having a run like a popular song. The singers are sometimes on key, many times off. Stability must be made the

*An address by Mr. Jeffers at the Second War Service Meeting of the American Bankers Association, Chicago, Ill., Sept. 26, 1944.

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What Is The Market Outlook Now?

By RAGNAR D. NAESS*

Naess & Cummings, Investment Counselors, New York

Investment Counselor Predicts A Very Sharp Contraction Of Corporate Profits Immediately After Germany's Defeat In Industries Which Are Unable To Offset War By Civilian Production, But Predicts That Stock Market Will Not Advance Or Decline Seriously From Present Level. Considers That War With Japan Will Continue Two Years, Thus Permitting Gradual Reconversion And Making Possible Substantial Improvement In Earnings And Dividends. Holds Longer Term Market Trend Will Be Upward.

The stock market will continue to be dominated by three major factors—(1) the timing of war developments, (2) a large post-war demand for many civilian products, and (3) corporate taxes. All other factors having a bearing on the trend of the market in the last analysis are related to and depend upon these.


Ragnar Naess

The ending of the war in Europe is the immediate event which will bring economic, political and social changes that are bound to introduce new factors in the stock market. The character and the length of the war with Japan after Germany's defeat will bring a new set of circumstances that will have to be considered in appraising the trend of the market. Throughout these two phases of economic developments, both dominated by war, the prospects of a large post-war deferred demand for civilian goods and anticipated reductions in corporate taxes will continue

*An address made by Mr. Naess before the Association of Customers' Brokers in the Governors' Room of the New York Stock Exchange, Oct. 10, 1944.

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Informed Public Key To Success Of World Agreements: Burgess

By W. RANDOLPH BURGESS*

Pointing Out That Three Banking Groups Have Been Studying Results of Bretton Woods Conference, Noted Banker Observes That Unsatisfactory Record Of United States In Foreign Relations Was Due To Secrecy Surrounding Preliminary And Final Decisions Reached By Nation's Representatives. Says Any Plans Adopted In Field Of International Monetary Stability Must Be Consistent With Firm Preservation Of American Dollar And Also Envisage A Program For Great Britain And Pound Sterling. Warns Against Repeating Policy Of Last War When "We Flooded World With Our Own Money" And Then Precipitately Stopped.

This occasion gives me an opportunity to say a few words in response to inquiries with respect to the Bretton Woods Conference and its larger implications. The subject is a highly technical one, and business men with reason have looked to the bankers for an expression of opinion. At least three banking groups have been studying the Bretton Woods proposals in their earlier forms and especially since they took definite shape in late July.


W. R. Burgess

The committee of the American Bankers Association, a joint committee of the National Foreign Trade Council and the Bankers Association for foreign trade, and a committee of the New York State Bankers Association—all of these are devoting a substantial amount of time and energy to the question and are discussing it with Government officials and others who may have special informa-

*An address made by Mr. Burgess before the National Foreign Trade Council, New York, N. Y., on Oct. 11, 1944. Mr. Burgess is President of American Bankers Association and Vice-Chairman of National City Bank of New York

(Continued on page 1604)

A Dangerous Safeguard

By HENRY NORTH

The spearheading by the Securities and Exchange Commission of a movement to protect the public's billions by education against the wiles of securities swindlers is deserving of the closest scrutiny.

On Oct. 3, 1944, when the conference to implement that purpose met at Philadelphia, in the headquarters of the Commission, many reasons were assigned by the conferees dealing with the program: (a) for its need, and (b) for the designation of the body or bodies to which the task properly belonged.

Here are some of those reasons:

1. A recurrence of conditions in the securities field during the last post-war reconstruction period is undesirable.
2. The conferees are special pleaders.
3. The task of public education properly falls into other spheres

Before examining these reasons let us settle on the proposition that education is fine and desirable. The task which a man performs with knowledge he usually does well.

The attempted comparison of post-war conditions in the securities business last time, and

(Continued on page 1605)

Reveals Plan Of Federal Control Over Foreign Trade

William La Varre, Former Official Of The Department Of Commerce, And Director Of The American Foreign Service Council, Tells Export Managers Club Of Present Administration's Plan To Create A Government Foreign Trade Monopoly.

Speaking before a Luncheon session of the Export Managers Club in New York City on September 12, Mr. William La Varre, a former official of the United States Department of Commerce, but now the Director of the American Foreign Service Council, Washington, D. C. announced that a plan exists whereby the present administration is to create a corporation, which shall be a United States agency


William La Varre

and shall issue a monopoly "directive" over all the foreign commerce of the United States. He also mentioned three "agreements" which have been made with the British Government by officials sent from Washington to London to bar American goods from India, Africa, etc., and to control commercial travelers and news censorship. In making these statements, Mr. La Varre remarked:

I want now to go into two statements which are being presented to Congress tomorrow — and I think probably we shall have some details on them. There have been three agreements made of which the American people have no knowledge. I am quite

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Problems Of Reconversion

By JAMES F. BYRNES*
Director of War Mobilization

After Reviewing Details Of Our War Production, Mr. Byrnes States That We Must View Our Task After The War Not Simply As A Task of Demobilization From War But Mobilization For Peace. Holds That Price, Wage And Other Controls Should Continue Until The Dangers Of Inflation Are Passed "As Post-War Deflation Will Ruin All Plans For Post-War Prosperity." Finds No Single Approach To Full Employment And Points Out The Post-War Economic Problems That Require International Agreements. Urges Cooperation With Other Nations Not Only To Put Down Aggression But To Raise Living Standards Throughout The World.

I have been asked to talk about some of the problems of reconversion which grow out of our unprecedented production for war. I cannot do so without first saying that while we know, and Hitler knows, we are going to win this war, the war is not over. Only now have our armies invaded the soil of Germany, and we have not yet invaded the homeland of the Japs. The roads to Berlin and Tokyo remain long, hard and bloody.


James F. Byrnes

It has been America's production on the home front which has made possible and is making possible the victories of the United Nations on the battlefronts. It will be tomorrow's accomplishments on the home front which will in no small measure determine America's contribution to a better world at home and abroad.

To understand the problems of reconversion we must first understand the magnitude and scope of America's war production. We have not only doubled our national income, but we have more

*An address by Mr. Byrnes before the National Press Club in Washington, Sept. 27, 1944.

(Continued on page 1596)

Bretton Woods In Politics?

By HERBERT M. BRATTER

While it would be too much to expect that a subject of such far-reaching scope as the Bretton Woods program would be kept out of party politics indefinitely, an effort has been made to avoid Congressional discussion of it before Election. The speech of Mr. Winthrop W. Aldrich of the Chase National Bank condemning the Bretton Woods approach and offering an alternative formula gave rise to Senate discussion of the subject along political lines.


Herbert M. Bratter

New Deal Senator Joseph F. Guffey, of Pennsylvania, citing reports that Mr. Aldrich would be Gov. Dewey's choice as Secretary of the Treasury, excoriated the Aldrich speech. He pinned on it labels of "Wall Street" and "international bankers." Quick to the response was Senator Arthur H. Vandenberg (Rep.-Mich.) who indicated that now he, too, has doubts about the wisdom of the Bretton Woods plan. This must be somewhat disturbing to advocates of the Administration's plan, for in April, when the completed draft of the United Nations monetary stabilization plan was disclosed by Secretary Morgenthau to a group of Senators, Mr. Vandenberg gave the Secretary to understand that he would go along with the program.

The pertinent portions of the Guffey and Vandenberg speeches are given below:

Mr. Guffey.—A system of international finance which is controlled by the private banking interests of Wall Street and their connections abroad is not that kind of a set-up. . . .

We must have a people's control, not a private bankers' control, over the flow of world finance.

It was for this reason that last July at Bretton Woods the representatives of 44 governments conferred and undertook to lay the foundations of an economic stability in the post-war days.

These conferences were conducted on a high technical plane, and the United States representatives included both Democratic and Republican members of the Banking and Currency Committees of both Houses of the National Congress.

At the conclusion of these deliberations my colleague the senior Senator from New York

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J. H. Blake Joins Glenn Martin Co.

J. Howard Blake, formerly engaged in Market Research work for N. W. Ayer & Son, Inc., Philadelphia, has joined the Glenn L. Martin Co., Baltimore, Md., as Director of Market Research for non-aeronautical divisions of that company, in which position he will explore the commercial development of products outside the aircraft field.


J. Howard Blake

Prior to joining N. W. Ayer, Mr. Blake was with the Land Title Bank & Trust Co. in Philadelphia, and before that with the Administrative and Research Corporation, New York.

Maxwell, Marshall Co. Adds Three To Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. —Clarence F. Anderson, Henry A. Boulanger, and Howard Daniel Wells have become associated with Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Anderson was formerly with Gross, Van Court & Co., O'Melveny-Wagenseller & Durst, and was Manager of the trading department for Searl-Merrick & Co. Mr. Wells was with Nelson Douglass & Co. and E. H. Rollins & Sons, Inc.

Harris, Upham & Co. To Admit de Gersdorff

Harris, Upham & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading national exchanges, will admit Caspar C. de Gersdorff to partnership in their firm on October 16th.

Carret To Represent N. Y. Dealers Group On Education Committee

The New York Security Dealers Association has appointed Philip L. Carret, of Carret, Gammons & Co., who is one of the Governors of the Association, and also its Secretary, to represent the Association on the national committee recently appointed by the Securities and Exchange Commission to carry out the educational program intended for the owners of Government E bonds.

Banking Services In The Coming Credit Economy

By RAYMOND ROGERS*
Professor of Banking, New York University
School of Commerce, Finance and Accounts

Prof. Rogers Contends That "With The Greatest Production Of All Time We Can Look Forward To A Period Of Low Interest Rates With Bank Deposits Five Or Six Times The Pre-War Level" Or About $150 Billion. Barring Unsound Fiscal Policy, He Considers Inflation As An Impracticability And Holds That Prevention Of Deflation Will Be A Problem. Predicts That Banks Will Face Greater Competition And Will Expand Their Installment And Personal Loan Business And Extend More Credit To Small Concerns.

Looking to the future, the two most significant economic factors, by far, are our swollen volume of bank deposits and our swollen production capacity.

Our wartime production is a modern miracle, and I might add, a 100% American one. Yes, American capitalism rose to the challenge of the greatest war of all times, has met the military demand and, through lend-lease, an important part of the civilian demands of the entire Allied world. Industrial production of nearly 2½ times our large normal production conclusively demonstrates what the American system can do. The peacetime production potentialities of this mighty machine stagger the imagination. Will these potentialities be turned into peacetime realities? And if so, what will be the effect on prices, competition, interest rates and so on?


Raymond Rodgers

The answer to these questions,

*An address by Prof. Rogers before the Banking and Investment Group Conference, Controllers Institute of America Annual Meeting at the Stevens Hotel, Chicago, Ill. on October 3, 1944.

(Continued on page 1607)

Post-War Interest Rates

By AUBREY G. LANSTON
Vice-President, The First Boston Corporation

Investment Banker Holds That In View Of Secretary Morgenthau's And Governor Dewey's Assertions That Interest Rates Must Be Kept Low, And Because Interest Rates Can Now Be Controlled By Governmental Policy, Present Level Of Rates Will Continue, And May Even Go Lower, For A Long Period. Asserts That Higher Interest Rates Would Be A Threat To Private Banking And That Despite Low Interest Rates, Present Bank Earnings "Are Comfortable."

We recently received two worthwhile statements indicative of the attitude of "Government" toward post-war Treasury interest rates. One came from Secretary Morgenthau in a press conference of September 21 which may be said to represent the most "official" statement of its kind on the part of the incumbent administration. Secretary Morgenthau said in part: "There is no prospect of an upturn in interest rates for a long time."


A. G. Lanston

The second was made by Governor Dewey in his San Francisco speech on September 21 and, therefore, may be said to represent the attitude which would characterize his administration. Governor Dewey said: "So one result of this unprecedented Government debt which now faces us is this: In order to keep down taxes and prevent the price of Government bonds from falling as they did after the last war, the Federal Government is going to have to keep interest rates stable."

Thus we have more substantiation than heretofore for the belief that higher interest rates for Treasury securities are not a political question but, to the contrary, both major political parties

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Chase Bank Issues Simplified Callable Bond Yield Formula

A new and simple method of determining the yield on bonds callable prior to maturity at premium prices, bonds carrying unusual coupon rates, and bonds payable at par, has been developed by the Bond Department of The Chase National Bank and is being sent gratis to commercial and savings banks, insurance companies and bond dealers. A specimen letter mailed with the folder says, in part:

"In your portfolio or in trust investment accounts there may be bonds which provide for redemption prior to maturity at a premium. Certain of these bonds would show an infinitesimal yield if calculated on current prices, even though your fixed income from 'premium call' bonds may be at a high interest rate. Usually the market on these bonds is quoted in dollars rather than on a yield basis, which necessitates calculating these yields. The 'premium call' feature makes it difficult, with any accuracy, to determine yields to the call date. Therefore it is desirable to have a simple method of figuring approximate yields in evaluating your investments currently or at the time of purchase.

"One of our officers has devised a method for making such calculations. So far as we know, this is not in use elsewhere."

The use of the formula is illustrated in a folder.

Wendell Willkie Dead

Wendell L. Willkie, unsuccessful Republican candidate for President in 1940, died in New York City, at the Lenox Hill Hospital, on Oct. 7, after a brief illness. He was 52 years of age. While he had been undergoing treatment for a throat infection, Mr. Willkie's death, it is stated, was caused by coronary thrombosis. Mr. Willkie's death followed a few days after that of former Governor Alfred E. Smith of New York, who, too, had been an unsuccessful Presidential candidate—Mr. Smith's death on Oct. 4 having been noted in our Oct. 5 issue, page 1504.


Wendell Willkie

Mr. Willkie was born in Elwood, Ind., but had lived in New York since 1933, said the Associated Press, which also stated:

He became General Counsel of Commonwealth & Southern in 1929 and President of the corporation four years later. As head of the large firm, he became one of the first utility men to speak out openly against Government regulation of power. He offered strenuous objection when the Tennessee Valley Authority was set up to produce cheap power in the territory embraced by the corporation he headed.

There followed a long legal battle which ended when the Government purchased one of Mr. Willkie's companies, the Tennessee Electric Co., for $78,000,000—$23,000,000 more than TVA originally bid. . . .

Mr. Willkie went to Britain early in 1941 to observe wartime conditions "as a private citizen." In the latter part of 1942 Mr. Willkie made a 31,000-mile tour of the Middle East, Russia and China as a special representative of President Roosevelt, from whom he carried letters to Marshall Stalin and President Chiang Kai-shek. He described his travels in a book, "One World."

As was the case in the death of Governor Smith, the death of Mr. Willkie brought countless messages of tribute to his memory, one from President Roosevelt saying:

"The nation will long remember Wendell Willkie as a forthright American. Earnest, honest, wholesouled, he also had tremendous courage. This courage, which was his dominating trait, prompted him more than once to stand alone and to challenge the wisdom of counsels, taken by powerful interests within his own party. In this hour of grave crisis the country loses a great citizen through his untimely passing."

Henry Trundle V.-P. Of G. A. Saxton Co.

Henry C. Trundle has been elected Vice-President of G. A. Saxton & Co., Inc., 70 Pine Street, New York City, it is announced. Mr. Trundle has been associated with the firm for the past seven years as manager of the statistical department. He is a graduate of Wesleyan University.

Public Utility Securities

Empire District Electric Company

On September 14th a syndicate headed by First Boston Corp., New York, and G. H. Walker & Co., St. Louis, offered $10,600,000 Empire District Electric first 3½s due 1969 at 106.92, and 350,000 shares of common stock at $14.875 per share. At the same time the company exchanged the old 6% preferred stock for new 5%, with about 6,500 additional shares sold privately.

These transactions reflected a merger of the company with several smaller utilities, a general refunding, and sale of Cities Service Power & Light's entire interest to the public. This was part of the over-all program of the parent holding company whereby it expects to dispose of all utilities other than those in Ohio, the proceeds being used to pay off a bank loan (incurred this year in connection with the retirement of its bonds and preferred stock).

The merged company serves an area in southwestern Missouri, southeastern Kansas, northeastern Oklahoma and northwestern Arkansas with a population of about 300,000. While there is considerable diversity of farm and industrial operations, the leading industry is the mining of zinc and lead in the so-called Tri-State District. The following is quoted from a special report prepared by J. H. Manning & Co.:

"Zinc and lead ores have been mined in Missouri for almost 100 years, and the Tri-State District is now the largest single zinc producing area in the United States, and has one of the outstanding developed zinc and lead deposits in the world. . . . The mining and milling operations employ from 6,500 to 7,000 wage earners with an annual payroll of about $15,000,000. . . . The production of zinc and lead concentrates during the war period has been at about the average level of the pre-war period. In order to encourage the production of zinc, the Government, under a Premium Price Plan, has paid subsidies to the higher cost producers. . . . It appears from these data that the principal effect of the subsidies for zinc has been to open up many operations of lower grade ores. All indications lead to the conclusion that zinc and lead mining will be an important industry for many years, although possibly at a gradually declining rate. There are, apparently, substantial reserves and technological developments that have been made in recent years which permit the economic working of some lower grade ore bodies and the remilling of some chat piles or tailings."

Doubt has been expressed in other quarters regarding the adequacy of remaining zinc ore reserves in the Tri-State area and some have even feared that, due to partial dependence of commercial business in the area on zinc operations, there might be some exodus of population after the war. The price of zinc will, it is thought, suffer a sharp decline from present subsidized levels, making it unprofitable to work many of the mines in competition with the low-cost eastern reserves. However (according to a study by Leonard Jarvis of Hayden, Stone & Co.) Eagle Picher Lead Co., the largest producer in this area, expects to continue its operations, and on the basis of 75,000 tons annual Tri-State production and visible reserves of around 1,000,000 tons, it is estimated that there should be about a 14-year supply.

While there seems little question that mining operations will decline, the local population is largely native American stock and it appears likely that most unemployed miners will turn to coal mining, farming or other local jobs rather than migrate. Chambers of Commerce in the larger cities will, it is thought, undertake to bring new factories into the area and one $5,000,000 branch plant has already located there.

While approximately one-third of Empire's recent revenues has been obtained from the zinc and lead mining industry's electric requirements, most of the business is done at very low rates (7 mills and upwards) compared with a average of 4.2c. for residential service, so that profits have probably been a much smaller proportion of total net than the revenue ratio. Also, excess profits taxes, which in the 12 months ended May 31 amounted to about $1.43 a share on the new common stock, furnish a "buffer" against the anticipated post-war reduction in gross.

The pro-forma earnings statement in the prospectus showed earnings for the merged company equivalent to $1.56 a share for the 12 months ended May 31; $1.52 in the calendar year 1943; $1.58 in 1942, $1.51 in 1941, $1.23 in 1940, and $1.34 in 1939. These figures were based on application of present high tax rates; if the rates in effect in 1939 has been applied, it is estimated that earnings for that year would have approximated $1.82 instead of $1.34. This is despite the facts that gross revenues were lower by about 36% in that year, and that the depreciation charge in 1939 was substantially larger in relation to gross than in 1944 (14.8% compared with 10.3%).

The management has already initiated dividend payments on the new stock at the annual rate of $1.12 a share. The stock is currently quoted over-the-counter at about 15⅜, yielding around 7.40%.

Morgenthau Favors Short Term Government Financing

Holds Treasury Policy Will Permit Ready Return To Banks Of Funds To Finance Production After War—Gives Post-War Tax Views.

Defending the policy whereby the Government has financed the war mainly by floating securities of short maturities, Secretary of the Treasury Henry Morgenthau, Jr., recently stated that "we tried to avoid the mistakes of the last war. At that time," he said, "we loaded up corporations and banks with long-term bonds that later sold as low as 78 cents on the dollar. This time corporations that need their money after the war to finance production can have it at once. If there is any loss to be taken, the Government will take it."

Sec. Morgenthau

Advices to this effect were contained in a special account from Chicago to the New York "Times," which further reported:

Mr. Morgenthau said that the Government is paying an average interest rate of 1.8% on its debt. This, he said, represented savings which he estimated at $4,000,000,000 a year, compared with the last war.

Asked if he believed the war debt could be refunded after the war at comparable interest rates, the Secretary said:

"I do not regard that as an immediate concern. There is no prospect of an upturn in interest rates for a long time. That will be controlled by the supply and demand, and I believe the large volume of savings will hold the rates down."

A reporter then asked Mr. Morgenthau if the Government would continue the policy of selling mostly short-term securities. The Secretary replied that he did not foresee any change now.

Mr. Morgenthau expressed the belief that holders of war savings bonds would not rush to cash them in when Germany drops out of the war. He was less certain about what will happen after both Japan and Germany have been defeated.

"I haven't thought it through that far," he said. "It will take the combined financial wisdom of the country to meet the problem when we come to it. I do not think that the job of selling war bonds will be more difficult after Germany surrenders."

With respect to comments by Mr. Morgenthau on post-war tax plans, at a news conference on Sept. 21 the Chicago "Journal of Commerce" had the following to say in its Sept. 22 issue:

Through consultations between the technical staffs of the Treasury and the joint committee of the House and Senate on post-war tax plans, "excellent progress has been made to reach a tax bill that will help business," Mr. Morgenthau stated. He did not discuss specific tax reforms and said, when told that some members of the Securities and Exchange Commission had termed the tax laws adverse to small business financing, that he did not question the wisdom of the SEC men, but had noted news of a great deal of financing in the newspapers recently.

Morgan Stanley To Underwrite Issue For American Tobacco Co.

The American Tobacco Co. filed yesterday with the SEC a registration statement covering a proposed issue of $100,000,000 of its 25-year 3% debentures, due Oct. 15, 1969. It is expected that the issue will be underwritten by a nation-wide group of 148 underwriters headed by Morgan Stanley & Co. Contemplated offering date for the new issue is Oct. 26, 1944.

The purpose of the issue is primarily to finance the purchase of the company's projected larger inventories of leaf tobaccos. Such investment in inventories is to be made on the basis of the company's increasing requirements for leaf tobacco and in large part by purchases directly from the leaf markets. A portion of the proceeds from sale of the debentures will be applied to the payment of all short-term loans from banks outstanding at the time of the sale of the debentures, which short-term loans had also been required principally on account of purchases of leaf tobacco.

Guy G. Wedthoff With H. V. Sattley & Co.

(Special to The Financial Chronicle)

DETROIT, MICH.—Guy G. Wedthoff has become associated with H. V. Sattley & Co., Inc., Hammond Building. Mr. Wedthoff in the past conducted his own investment business in Detroit under the name of Guy G. Wedthoff & Co.

Tomorrow's Markets Walter Whyte Says—

Market beginning to show signs of temporary exhaustion. Another point to point and half reaction indicated. Long term trend still up.

By WALTER WHYTE

It is beginning to look as if the war and all the changes it implies has been relegated to the back rows. For right now it is the elections which seem uppermost in everybody's mind. Both sides claim everything that isn't nailed down—and even that doesn't seem to worry them too much.

* * *

That the outcome of the November elections will have an important bearing on our economic as well as our political life is taken for granted. Yet, up to this writing, the stock market has shown little inclination to indicate which way the political winds are blowing.

Last week was given over mostly to small gains. Here and there some volume appeared but seldom did it attain any size sufficient to get stocks through their old resistance levels.

* * *

In the past few days prices have begun bending over. So far, this tendency hasn't gathered any more momentum than the rise that preceded it. But, with resistance overhead apparently showing more stubbornness than support underneath it is quite likely that for the time being the minor trend will be down.

If the latter does develop, it will be no great surprise for readers of this column. In the last two weeks the obstacles ahead of the market were pointed out here. The surprise of the last two weeks wasn't that stocks didn't go down but that they held up.

In the previous warning here that a setback was ahead it was estimated that the reaction would carry stocks down about three points in the Dow averages. At the time that was written the in-

(Continued on page 1602)

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS.—**W. Theodore Williams** has joined the staff of **Townsend, Dabney & Tyson,** 30 State Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **James F. Farmer** has joined the staff of **W. H. Bell & Co., Inc.,** 49 Federal Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Sherwood Rollins** is associated with **Hutchins & Parkinson,** 50 Congress St.

(Special to The Financial Chronicle)

BOSTON, MASS.—**William A. Adams** is with **Trusteed Funds, Inc.,** 89 Broad Street.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **George H. Dunn** is with **Faroll & Company,** 208 So. La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**James E. Claflin** has become associated with **Philip D. Stokes,** 105 So. La Salle Street. Mr. Claflin in the past was with Webber, Darch & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Donn E. Foster** is with **Merrill Lynch, Pierce, Fenner & Beane,** Board of Trade Building.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **Frans Janssen** has been added to the staff of **Lawrence Cook & Co.,** Fidelity Building.

(Special to The Financial Chronicle)

FRESNO, CALIF. — **John B. Bailey** has become connected with **Bankamerica Company,** Bank of America Building. Mr. Bailey was previously with H. R. Baker & Co. and Dean Witter & Co.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**Nelson B. Good** has become affiliated with **Slayton and Co., Inc.,** 111 North Fourth Street, St. Louis, Mo. In the past Mr. Good was with Barrett Herrick & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Frederick Brickner** is with **J. A. Hogle & Co.,** 507 West Sixth Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Philip L. Malmin** has joined the staff of **E. F. Hutton & Co.,** 623 South Spring Street.

(Special to The Financial Chronicle)

PASADENA, CAL.—**Clifford W. Rendall** is with **H. R. Baker & Co.,** 234 East Colorado Street.

(Special to The Financial Chronicle)

PORTLAND, MAINE—**John T. Hale,** previously with Eastman, Dillon & Co., is now connected with **F. L. Putnam & Co.,** 97 Exchange Street.

(Special to The Financial Chronicle)

ROCHESTER, N. H.—**Clayton A. Peterson** is with **Chas. A. Day & Co., Inc.,** Sears Building, Boston, Mass.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Thomas H. Bennett** is with **Edward D. Jones & Co.,** 300 No. Fourth St.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Raymond McKinley** and **Arthur G. Meldrim** are with **H. R. Baker & Co.,** Russ Building.

(Special to The Financial Chronicle)

SEATTLE, WASH. — **Rowland G. France** has become associated with **Grande & Co., Inc.,** Hoge Building. He was previously with Harold M. Huston & Co.

W. Scott Gen'l Sales Mgr. For Lord, Abbett

Andrew J. Lord, President of Lord, Abbett & Co., Inc., 63 Wall Street, New York City, announces the appointment of Walter R. Scott as general sales manager. Since joining the organization early in 1943, Mr. Scott has been in charge of the eastern wholesale department.

Charles J. Cohen Dies

Charles J. Cohen, senior partner in the New York Stock Exchange firm of Cohen, Simonson & Co., 120 Broadway, New York City, died on Oct. 7th at the age of 60. Mr. Cohen, who was born in Russia, was brought to this country when he was five years old. In 1908 he entered the hat manufacturing business, liquidating his millinery holdings in 1926. He became President of the Millinery Center Building Corporation in 1925. Cohen, Simonson & Co. was formed in 1928.

Railroad Securities

It is expected that an announcement will be forthcoming shortly from the management of Southern Pacific outlining comprehensive refunding plans. There have been many rumors as to the form the proposal may take but up to the time of this writing no definite announcement has been made. One rumor has it that an offer will be made to holders of the non-callable Central Pacific 1st Refunding 4s, 1949, to exchange into an extended bond, with the same mortgage security, with a bonus of ¼ of 1% annual interest to the present maturity, 1949, and a 3½% coupon rate thereafter for the extended life of the bond. The extension would presumably be for a period of 25 to 30 years.

There were a little less than $90,000,000 of the bonds outstanding with the public as of the end of last year, and it is possible that some have been repurchased within the system since that time. In effect, the plan would be the equivalent to being able to call the bonds at the present time at around 103⅜ and replace them at an annual interest saving of $450,000. In addition, it would open the way for almost complete elimination of maturities falling due within the next 10 years.

Already this year two of the intermediate term maturities (1949 and 1954), in the aggregate amount of some $29,000,000, have been eliminated through call for redemption. Also, groups have been formed to bid on an anticipated offering to provide funds for redemption of the San Francisco Terminal 4s, 1950, outstanding as of the end of 1943 at less than $25,000,000 and callable at 105. The next possible redemption date is April 1, 1945, on 90 days' notice. As the system on June 30 had more than $62,000,000 of free cash after setting aside funds to pay bonds already called for redemption it is likely that any such program as outlined above would contemplate either a further immediate substantial reduction in debt or the setting aside of cash sufficient to pay off at maturity those holders of the Central Pacific 4s, 1949, who did not wish to go along on an extension.

Aside from the Central Pacific 4s, 1949, and the San Francisco Terminal 4s, 1950, the only non-equipment maturities falling due within the next 10 years are the Central Pacific European Loan 4s, 1946; the Dawson Railway & Coal 5s, 1951, and the El Paso & Rock Island 5s, 1951, outstanding in the aggregate amount of $10,190,000. The European loan 4s, 1946, are callable, but redemption is not considered feasible at this time, due to European conditions.

The formidable maturity problems of the Southern Pacific which not so long ago were considered insupreable in many quarters are rapidly dissolving. For the most part Southern Pacific has concentrated its aggressive debt retirement efforts on the near term maturities. Since the beginning of 1941 a total of at least $165,814,500 non-equipment debt has been retired, bringing the amount outstanding down to around $520,000,000. This does not include any reduction there may have been this year from system purchases in the open market of bonds other than the issues actually called for redemption. The prospect of additional debt progress opened up by recent rumors has resulted in a marked quickening of speculative interest in the road's junior securities.

Whether or not the presently contemplated program will be carried to a conclusion at this time is impossible to say. Regardless of whether it is or not, however, rail men generally consider Southern Pacific securities as about the most attractive in the solvent class below top grade. The vast progress already made has never fully been reflected in market appraisals. Fixed charges have been reduced to an indicated level of below $23,000,000 a year, compared with close to $32,000,000 annual requirements supported 10 years ago. This alone should assure the company a good credit standing under normal peacetime conditions. Apprehension as to maturity problems have been virtually removed. The road's long-term prospects are bolstered by the pronounced growth factors in the service area. Finally, earnings for some time to come should be supported by Pacific war needs allowing even further debt improvement.

Bright Outlook For Cotton Textile Shares

The future of the cotton textile industry appears more favorable than at any time since World War I, according to a summary prepared by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this summary and a study of Berkshire Fine Spinning Associates, which Scherck, Richter Company believes is particularly attractive, may be had from the firm upon request.

Calvin F. Gatch With Edward D. Jones & Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Calvin F. Gatch has become associated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and St. Louis Stock Exchanges, and other national exchanges. Mr. Gatch in the past was a principal in Gatch Bros., Jordan & McKinney.

Dallas Bond Club To Hold Fall Outing

DALLAS, TEXAS—The annual fall outing of the Dallas Bond Club is being held today at the Colonial Hills Country Club in Fort Worth, Tex. Featured will be golf and indoor games, including "judging" rare products (some imported). Rogers Ray, of Rauscher, Pierce & Co., was in charge of arrangements.

Hugh Long Selection Contest In Last Lap

The industrial selection contest sponsored by Hugh W. Long and Company, Inc., 48 Wall Street, New York City, in which dealers throughout the country were invited to name the seven industries which would register the greatest capital gains during the period from Jan. 2, to Dec. 31, 1944, has entered the final stretch. Leading contestants out of approximately 400 participating were, at October 1, in the following order: E. R. Miller of Grubbs, Scott & Co., Pittsburgh; H. L. Alexander of J. Arthur Warner & Co., Boston; J. F. Bickmore of Boettcher & Co., Chicago; J. M. French of Wyatt, Neal & Waggoner, Atlanta; J. D. Hines of Schwabacher & Co., New York; S. L. Johnson of Pacific Co. of California, Pasadena; F. J. Townsend of Pacific Co., Santa Monica; Elizabeth Royston of Cherrington & Co., Pittsburgh; G. M. Lindsay of Elworthy & Co., San Jose; R. L. Cooke, Jr., of Ballou, Adams & Co., Boston; and Hunter Breckenridge of McCourtney-Breckenridge & Co., St. Louis were tied for tenth place.

The contest is based upon the gain in asset value of the twenty Industrial Series of New York Stocks, Inc., exclusive of dividends paid. The seven leading Series on October 1 were Railroad, 25.17% gain; Aviation, 24.67%; Automobile, 18.70%; Railroad Equipment, 17.85%; Business Equipment, 16.22%; Building Supplies, 15.23%; and Machinery, 14.44%. Over the same period of time the Dow Jones Industrial Average rose 7.98% and the Railroad Average 21.96%.

Real Estate Securities

By JOHN WEST

Many real estate bonds are currently selling at prices influenced by present day earnings. Some of these earnings are inflated due to war time boom while others are restricted due to OPA ceilings. We have often advised that the preferential method of buying real estate securities was on the basis of intrinsic value of the property securing the bonds rather than to be influenced too much by earnings predicated by a temporary situation.

However, being that prices of real estate securities apparently appear to be influenced by these abnormal times, it would seem logical to select one that is temporarily depressed pricewise, due to rent ceilings and because of the intrinsic value of the property securing the bonds, may have a chance of doing better in normal times.

Such a bond, we believe, is the first mortgage bond of the apartment house at 1088 Park Avenue.

Earnings of this property are singularly poor resulting in small interest payments of 1% per annum, with the result that the bonds are selling at a price which we believe does not truly reflect the value of the security.

Pre-war this property found itself with "merchandise" that was rather unmarketable, namely, large suites (6, 8 and 9 room layouts). For some reason or other, in the cycle of real estate business, due in all probability to the scarcity of domestic help, tenants did not favor these large apartments. As a result the building found itself with many vacancies. The management was faced with the problem of going to the large expense of altering the apartments into smaller units which would be rentable, or to rent the large suites at whatever they would bring in order to meet competition from other buildings with similar problems, and more important, rather than to carry the vacant apartments empty at a total loss. They elected to take whatever income they could get for the apartments and in some cases had to lease them at the same rate smaller apartments were bringing.

Then came the war and priorities. Small apartments were bringing very high rents. It then seemed as if an alteration might pay. Consent for a loan to finance such an alteration would need permission from the bondholders. On the other hand, necessary materials for such an alteration would be unobtainable because of priorities. This eliminated an alteration. Then, after all the small apartments in New York were leased, prospective tenants began accepting larger apartments and finally these types of apartments were bringing rents commensurable with their real value.

Again the management was stumped. OPA ceilings had frozen the rents at low levels and that is the situation in which we find the property today. 100% rented but at inadequate rentals.

Post-war, however, the property should have a good chance. Large apartments seem again in demand and the apartments in this house are of a desirable nature.

To visualize how much below the intrinsic value of the property the bonds are selling, the following comparison is interesting:

The first mortgage bond issue currently outstanding on this property: $1,835,916.42.

The current market value of these bonds (based on the current offering side of the market) of approximately 30% which places a value on the entire first mortgage of: $550,774.80.

The original first mortgage bond issue placed on this property by S. W. Straus & Co. in July, 1924, was: $2,150,000.

According to one of the Bondholders' Protective Committees for the property, obligations outstanding at the time of reorganization consisting of first mortgage bonds ($1,855,583), debenture notes $1,070,000) and notes payable ($408,000) totaled: $3,333,583.

According to the same committee the cost of the property was approximately as follows: Land, $1,150,000; building, $2,500,000; equipment, $15,000; a total of $3,665,000.

Pease & Elliman Inc., one of New York's outstanding real estate firms, in December, 1935, during reorganization proceedings, in their appraisal of fair market value of the property stated that it was worth: $1,447,000.

The City of New York in their 1944 assessment, values the land at $685,000 and the building at $1,100,000, making a total value for the property the sum of $1,785,000.

A feature of the bond is that it is traded with stock representing an equal share in 100% of the ownership of the property.

The bonds are secured by a first mortgage on land situated at the southwesterly corner of Park Avenue and East 89th Street, together with the 15-story and penthouse apartment building standing thereon. The plot, slightly "L"-shaped, fronts approximately 150 feet on Park Avenue and 160 feet on East 89th Street, running through to a 77-foot frontage on East 88th Street, and comprising a total ground area of 28,000 square feet. The building contains 664 rooms, divided into 89 apartments. The building consists of three units laid out in typical suites of 6 rooms and 3 baths, 8 rooms and 3 baths, and 9 rooms and 4 baths. There are 6 penthouse apartments, all duplexed with the 15th floor; doctors' offices on the first floor of 1/3, 1/4 and 1/6 room apartments, also servants' rooms on the westerly end of the street floor on East 89th Street. The apartments in the 88th Street unit are simplexed, one apartment on each floor, 9 rooms and 4 baths. The whole structure surrounds an open garden in the rear. The property was completed in 1925. (Note the exceptionally large size of this property which faces three streets and has a total ground area of 28,000 square feet.)

Wisconsin Brevities

The Kimberly-Clark Corporation will offer to owners of common stock of record Oct. 17, the right to subscribe to one share of new common for each share now held, subject to registration under the Securities Act. The company has filed a registration statement with the SEC, details of which are given in our Calendar of New Security Flotations on a subsequent page.

Co-incident with announcement that the Interstate Commerce Commission has mailed final plan of reorganization for the Chicago, Milwaukee, St. Paul and Pacific Railroad Co. to all bondholders is the reported action of a protective committee in urging creditors to delay voting on the program. A letter said to have been issued by the committee voiced the expectation, according to report, that during the 60-day voting period, which expires on Nov. 29, 1944, the Circuit Court of Appeals would have an opportunity to hear arguments on appeals and issue a ruling. No date has been set for a hearing, it was said. The debt reorganization plan, it is noted, has been approved by the ICC and the Federal Court at Chicago.

Kenosha County, Wis., is calling for redemption on Nov. 1, series 1940 poor relief bonds Nos. 201 to 500, dated Nov. 1, 1940 and part of an original issue of $500,000.

Electronic Laboratories Stock Offered At $5

Offering was made Oct. 11 by a syndicate headed by Brailsford & Co. and Shillinglaw, Crowder & Co., Inc. of Chicago for 150,000 shares ($1 par) common stock of Electronic Laboratories, Inc., at $5 per share.

Other members of the syndicate are Link, Gorman & Co., Inc., Sills, Minton & Company, Inc., Baker, Simonds & Co., Straus Securities Company and O. H. Wibbing & Co.

Of the stock offered today, 100,000 shares represent financing on behalf of the company and proceeds will be used for additions to working capital. The remainder is stock purchased from two large stockholders.

The company, whose plant is in Indianapolis, is believed to be the largest manufacturer in the country of heavy-duty vibrators and power supplies. Products manufactured are used in connection with electronic equipment, including radio transmitters and receiving sets, radar, business machines, dental and medical equipment, neon signs, sound amplifiers and fluorescent and other lighting equipment. Other products include "black light" for use in airplanes and boats, and military and commercial radio communications equipment, particularly of the "walkie-talkie" and ship-to-shore telephone types, used in train-control equipment.

At the present time, production is devoted entirely to war equipment but it is very similar to the products manufactured in peacetime and which the company expects to make in the post-war period. As its war business is merely an extension of its normal activities, the company expects that conversion will not involve any great difficulty or expense.

In peacetime, its products are sold through independent jobbers and wholesalers, no one of which took more than 5% of total output. Net sales last year were $7,268 488. Net profits last year, before renegotiation and after $100,000 reserve for war contingencies, was $181,610.

World Trade Key To Peace – Watson

(Continued from first page)

the machinery that is going to be set up—and the machinery we set up for the post-war period must have 'teeth' in it—we will make progress.

"I have no revenge in my heart, and after this war the word 'revenge' is not going to be popular. But a word that is going to be popular is 'justice.' Let us all concentrate our efforts on trying to influence the political bodies of our country, and other countries, on the importance of being just with all of the countries that have been overrun by the Axis Powers and all the people who have suffered through their ruthless methods, going away beyond all bounds of warfare.

"If we will just stick to that text in developing peace we will not think in terms of revenge, if we should happen to feel revengeful. It is important that we keep that in mind. That comes ahead of any economic reconstruction for the enemy countries. The people who brought about the suffering and conditions in these countries will have to spend money and time—and more time than they spent tearing them down—in helping to rebuild these countries, if we will all go on that basis. You understand I have in mind giving them a fair opportunity to do business in the world after they have qualified again as worthy and important parts of our world economic system. Let us stick to justice, and do everything we can to insure justice."

Flater In New Connection

(Special to The Financial Chronicle)

MANITOWAC, WIS.—Harry V. Flater has become associated with the East Wisconsin Trustee Company of Manitowac. Mr. Flater has recently been with the State Banking Commission in Madison. Prior thereto he was with Thomson & McKinnon and Shields & Company.

Form Gagel Securities

(Special to The Financial Chronicle)

DAYTON, OHIO—Gagel Securities Company has been formed with offices in the Mutual Home Building, to engage in an investment business. Partners are John F. Gagel, Jane E. Gagel, Fred R. Gagel, and Grace Gagel.

Contrasts International Financial Problems Of Both World Wars

Dr. Wright Predicts Same Problems As Before But Far Larger And More Complicated. Sees Lack Of Skilled Personnel To Handle International Financial Problems

Dr. Ivan Wright, Professor of Economics at Brooklyn College and Executive Secretary of the Economist's Committee on Reconversion discussed the post-war international financial problems in the light of the experience of the aftermath of the last war at a meeting of the New York Society of Security Analysts on Oct. 3. Professor Wright began by saying that "the first and foremost problem at the end of this war, as at the end of the first world war, is the establishment of workable and dependable democratic governments in which the peoples of the respective countries can have confidence, and with which the rest of the world can carry on international transactions. The first essential of reconstruction in every country is a sound political and dependable form of government. Unless the governments established protect life, liberty and property within their respective countries, set up dependable economic and financial institutions, and honestly meet their obligations, there is little hope of restoring lasting economic and financial relations."

Dr. Ivan Wright

Continuing, Professor Wright remarked that "when we had won the first world war we demobilized the Army and Navy as rapidly as possible, cut war expenses and started on the road to pacificism. Now, after this war, if I interpret the news correctly, we plan to maintain an army of probably two million men and, of course, a proportionally large navy. We are talking about universal military training. All of these seem essential in our international relations, and certainly would have been wise policies at the end of the last war.

"At the end of World War I we maintained sound money and generously aided foreign countries in their efforts to stabilize their currencies on a sound basis, and lavishly loaned them capital for reconstruction, and to a large extent we were the losers. The loans did stimulate foreign trade and our exports were increased, but our venture in financing world reconstruction at the end of the last war was a losing game, and millions of investors will be slow in repeating these ventures. If foreign countries will establish sound currencies, keep their debts within the limits that they can pay, and pay the interest and principal when due, the American investor will regain confidence. This, of course, does not apply to those sound little countries which did meet their obligations, such as Finland, Sweden, Norway, Denmark, Holland, and others. To loan foreign countries money and raise tariffs against their products, the means of payment, is rather inconsistent. Maybe we have learned that we cannot become large investors in the credits of foreign countries and demand payment in gold? It would be far sounder if we accepted the payments due from foreign countries in their currencies deposited in the banks of the respective countries and then reinvested the interest and installments in the capital investment of these countries until there was some real advantage in bringing the money home and it was practical to bring it home.

"It would be far better if we purchased more of the stocks of foreign corporations and less of their bonds," added Professor Wright. "Then these stocks should be listed on our own exchanges, and the prices in the American markets would be a strong indicator of our confidence in the economic conditions of these countries. Also the stocks would be less of a factor in undermining the money and exchange systems of the foreign countries. But for some reason both our investments and our trading in foreign securities have been largely confined to bonds and moneys. In the future we will have to change our attitude toward foreign stock investments or our private investments abroad are not likely to be large.

"At the end of World War I our gold reserve was about 3½ billion dollars; our currency about 5½; bank deposits about 31, and our national debt 26. At the end of this war our gold holdings will be about 20 billions of dollars; our currency more than 22; our bank deposits perhaps $150 billion, and our national debt more than $250 billion. At the end of 1943 the League of Nations reported currencies based upon 1939 as a 100 to be: Bulgaria, 740; Irak, 716; India, 470; Germany, 351; France, 386; Sweden, 215; Japan, 300, and United Kingdom, 215.

"Debts in most of the countries for which figures are available have increased up to 500% as of the end of 1943. Since that time the increase has undoubtedly been substantial. It seems probable that the Federal debts of the United States will for the duration of the war increase to about 1,000% of the debt at the end of the first world war.

"Since the first world war, the populations of the world have probably increased about 25%. But it is doubtful whether peacetime production has increased as much as 25%. I do not have dependable figures for either of these percentages. At any rate, the increase of debts and money have far outrun any needs of the people or production. At the end of World War I we had little foreign gold that could be withdrawn at will. Now we have billions. Americans went abroad in the 20's and spent billions which bankers paid, and they will go abroad after this war as never before, in my opinion.

"At the end of the first world war the debt of Britain was estimated to be 33% of her national wealth. At present I estimate it to be more than 80%. At the end of the first world war our national debt was perhaps 10% of our national wealth; now I would think at the end of this war and the reconstruction our Federal debt would be about 70% of our national wealth in terms of present dollars.

"The world's gold supply has probably increased 50% since World War I, and the whole stock of gold in terms of dollars has been marked up 40% more by devaluation. The world's monetary gold is large enough to support a vast increase in currency and debt over that of 1920, but the present increases in these items seem all out of proportion to any needs of production and commerce for generations to come.

"We will either have a vast inflation or a series of inflations in the different countries to adjust prices to the present inflated money and credit expansion, or we will have to shrink the money and credit outstanding and return to convertible currencies and this would, as in the past, bring on a deflation of present prices and costs, and rising interest rates."

Commenting further on "inflation and international investments," Professor Wright said "complete records of investments in both stocks and bonds in all the important countries of the world between 1914 and 1928 show conclusively that all investors lost money in the countries that went through a revaluation of their currencies. The bond investor lost in purchasing power something near the amount of the devaluation. But the stock investors lost also. Very few stocks over the longer period held an increase in value equal to the decline in the value of the money. This study shows that without a single exception the country in which to invest your money in either stocks or bonds is the country or countries which are determined on a sound money policy."

Professor Wright pointed out that the "foreign exchange, investment, money, and international trade problems to be reconstructed at the end of this war are far larger and, in my opinion, far more complicated than at the end of World War I. At the same time I think it is safe to say that the skilled personnel to handle these problems is far less adequate than at the end of the first world war. The reason for this condition is to be found in the liquidation of the foreign departments of banks and businesses during the past 15 years. I recall when the foreign exchange department of a metropolitan bank was one of the large departments. Today you have a hard time to find the men who are specialists in these foreign financial problems. The reason is, of course, there has been little business to pay the way of these departments for many years."

Referring to the post-war situations of foreign countries, Professor Wright stated:

"At the end of the first world war Britain's international trade, foreign investment and exchange position was stronger than now. Then the pound when unpegged and allowed to take its course dropped to $3.19. What would the pound drop to at the end of this war if unpegged and allowed to find its own level? You are hearing that we will have to aid England with a large loan. You are also being told that the pound and the dollar should be stabilized or pegged as the "Key Currencies" and the other countries of the world could tie their currencies to either the pound or the dollar. The importance of this problem cannot be overstated if we are to have a restoration of international finance and trade. I doubt if England's financial plight is quite as bad as pictured. In the first place, the peoples of the Empire countries still maintain their confidence in thrift and savings and a sense of obligation which I believe is not found in enough places in the world. The Empire countries are loyal and some of them relatively rich. Canada has given generously to England to finance the war and will undoubtedly share the financial problems of reconstruction in international finance and trade. In my opinion, all the rest of the Empire countries will come to the aid of England. This is a fine spirit of international cooperation and we can only wish that it was more widespread. More than 20 countries not within the Empire, before the war pegged their currencies to sterling. The reasons were clearly advantages in trade and international finance. Most of these countries will undoubtedly return to reconstruct this system known as the "sterling area." It seems to me that the United States and the Sterling Area under a united exchange stabilization management would all gain. England and Canada are our largest customers and we are their largest customers. Unless we cooperate with our own customers for our own best interests in reconstruction we will all be losers.

"Before the first world war Russia was an important factor in the international grain markets and in other raw material markets. Between the two world wars Russia was not an important factor in the world markets, either in trade or finance. Now that Russia has adopted the best American mass production methods in industry, it is my opinion that Russia will be a large force to reckon with in the international markets in the post-war era. Russia has about all the raw materials Europe needs. She will have the technical production capacity to process these materials and deliver finished goods after the war. Moreover, Russia is the one country that seems determined to return to the international gold standard. She is wasting no time on international contraptions with managed paper currencies and other experiments which have been proved impractical. Russia may be one of our most important customers, and also one of our most powerful competitors.

"Most South American countries will come out of this war in the strongest financial position in their history. Most of these countries have reduced their debts, accumulated dollar exchange balances and placed their domestic budgets in strong position. But after they have used their dollar balances in the post-war years will we buy enough of South American goods to keep them supplied with dollar exchange so they can keep up their buying of our goods? I doubt it. I think every effort possible should be made to educate the American people on the products of South America which we can use. We must buy from them if we expect to sell to them."

Chicago Brevities

The program of railroad refinancing initiated last April by the Chicago, Burlington & Quincy Railroad $40,000,000 bond refunding transaction, regarded in financial quarters as the first clearcut case of refunding by a railroad to take advantage of current low interest rates, culminated last month in the $100,000,000 Great Northern Railway Co. refunding issue, the largest railroad financing since 1928.

The Great Northern offering was one of the largest corporate issues to be sold under competitive bidding. Two syndicates, one headed by Halsey, Stuart & Co., Inc., and the other by Morgan Stanley & Co., bid on the issue. Associated with Halsey, Stuart, which won the award, were 110 investment firms representing a wide geographic area.

Proceeds from the sale of the new bonds, together with some $23,400,000 in cash, will be used by Great Northern to redeem three series of its bonds and a series of first mortgage bonds of Eastern Railway Company of Minnesota. The refunding program makes possible a net reduction in principal of nearly $20,000,000 and a savings in annual interest of approximately $1,800,000.

Other Railroad Financing

Other railroad financing plans include the New York, Chicago and St. Louis (Nickel Plate), Baltimore & Ohio, Pennsylvania, and Chicago, Milwaukee, St. Paul and Pacific.

The Nickel Plate has applied to the ICC for authority to issue a five-year $10,000,000 promissory note to help finance the redemption of $15,188,000 principal amount outstanding of its extended first mortgage 3½s, due Oct. 1, 1947.

The plan is designed to lay the foundation for a refunding operation involving $42,000,000 new low-interest refunding mortgage bonds, proceeds from which would be used to redeem the company's first 4s of 1950, refunding 5½s of 1974, and the $10,000,000 collateral loan.

A debt adjustment plan affecting some $652,000,000 of its debt and extending the maturity of $427,000,000 of its obligations was announced by the Baltimore & Ohio Railroad Company, subject to the approval of a majority of bondholders, the ICC and the Federal Court.

Two leased lines of the Pennsylvania Railroad are seeking authority of the ICC for general mortgage bond issues totaling $34,735,000. The Pittsburgh, Cincinnati, Chicago & St. Louis proposes a $23,735,000 issue to redeem its 4½s series C, due Jan. 1, 1945, and the Cleveland & Pitsburgh Railroad, a $11,000,000 issue to redeem its general and refunding mortgage 4½s series A by Feb. 1, 1945, and series B by Jan. 1, 1945. The Pennsylvania would assume liability for the new bonds of both roads.

A plan for reorganization calling for a $47,000,000 bond issue has been submitted by the Chicago, Milwaukee, St. Paul and Pacific Railroad to its creditors for approval. The plan has been approved by both the ICC and the United States District Court.

Rumors in financial circles that the Chicago and North Western Railway Co. might initiate a refunding program affecting more than $55,000,000 of first and general "A" 4s of 1989 remained unsubstantiated with the directors taking no action at the last meeting. The possibility remains that the road may undertake a financing program once the last of the road's obligations held by the Reconstruction Finance Corporation are eliminated.

* * *

Pullman Offer

Pullman's proposal to the court that a single centralized pool be formed by the railroads to take over its sleeping car business was viewed with mixed sentiments in

(Continued on page 1587)

D. F. Rice Co. Opens Enlarged N. Y. Offices

Miami Beach Branch Opens October 17

Daniel F. Rice & Co., members of the New York Stock Exchange and other principal exchanges, announce the opening of new enlarged offices at 14 Wall Street, New York City, under the direction of Ralph D. Kaufman. The firm's offices in Miami Beach, Fla., will be opened Oct. 17 this year instead of January 1, as in the past. Benjamin Block, of Chicago, will make his headquarters in Miami Beach during the winter season. The firm maintains a year-around office in Miami, Fla. Direct private wire service is available between the New York, Chicago and Florida offices of the firm, the main office being located in the Board of Trade Building, Chicago.

Chicago Recommendations

Brailsford & Co., 208 South La Salle Street, have prepared up-to-date earnings and current comment on **Chicago North Shore and Milwaukee Railroad**, copies of which are available on request.

Doyle, O'Connor & Co., Inc., 135 South La Salle Street, have prepared a bulletin on **Chicago, South Shore and South Bend Railroad.** Copies may be had from the firm upon request.

Thomson & McKinnon, 231 South La Salle Street, have an interesting discussion of the **Oliver Farm** and **Cleveland Tractor merger**, which is featured in their Stock Survey. Copies of the Survey will be sent by the firm upon request.

Caswell & Co., 120 South La Salle Street, have prepared an interesting circular discussing the attractive post-war outlook for **Central Steel & Wire Co.** Copies of this circular are available from the firm upon request.

Security Traders Association Of New York Give Ruling On State Transfer Tax

The Security Traders Association of New York, Inc., announces that signal success has been won with regard to the elimination of New York State tax payments.

The Tax and Legislation Committee is pleased to report that cognizance has been taken of the importance of maintaining business activity in New York State and recognition has finally been given to the point this Committee raised that unless the out-of-town dealer is allowed to transact his business in this State without the necessity of affixing tax stamps, those who reside in the State are bound to suffer.

On September 12, 1944, Attorney General Nathaniel L. Goldstein rendered an official opinion to Hon. Rollin Browne, Commissioner of Taxation and Finance of the State of New York, in which he said in substance:

"1. All incoming registered mail items **are New York State tax-free.** This upheld the contention that when any out-of-town firm, person or bank sends securities by registered mail to a New York State dealer, no New York State taxes should be collected.

"2. That no tax is payable where the securities are delivered to a common carrier (meaning a bank especially) outside the State for transmission either directly to the purchaser or to a bank or broker with a draft attached, even though payment or acceptance of the draft is to be obtained before the delivery of the stock certificates. Actually, this means that all securities shipped by draft into this State are also tax-exempt."

Many firms have asked the Committee whether they could have securities sent to their New York correspondent connections, have the latter make delivery in New York for New York payment and at the same time eliminate the affixing of New York State tax stamps. The Attorney General ruled that this constitutes a New York State transaction and is therefore taxable. However, as a means of guidance to dealers and their cashiering departments, it is the opinion of the Committee that should this correspondent delivery ideal prevail, and the buyer of the securities to whom delivery is made send a check directly to the correspondent out-of-town seller, then this comes under the category of a tax-free transaction. The Committee would be more than pleased to answer any questions.

Members of the Tax and Legislation Committee are: P. Fred Fox, Chairman, P. F. Fox & Co.; E. Everett Van Tuyl, Van Tuyl & Abbe; William K. Porter, Walter F. Saunders, Dominion Securities Corp.; Wellington Hunter, Hunter & Co.

Holds SEC Will Favor Standard Gas Co. Reorganization Plan

Editor, The Commercial and Financial Chronicle:

I note your article in your issue of Oct. 5, 1944 in regard to the Standard Gas hearings which were closed last Saturday (Pennsylvania Brevities, Page 1466). You state "it appears to be more than possible that the Commission may disaprove the allocations presently contemplated." In my opinion, as a preferred stockholder, this appears quite impossible for the following obvious reasons. Firstly, if the junior securities are undervalued they will be reflected in the value of the new Standard Gas Common which will be exchanged for the preferred stock and, secondly, when you refer to the value of the Philadelphia Company, this also will be reflected in the value of the new Standard Gas Common, because it will not be many months after the disposition of the present plans when the new Standard Gas Common will be exchanged share and share alike for the Philadelphia Company Common. As I have given an analytical study of this matter for over a year, your article appeared to me beyond comprehension and contrary to existing conditions and therefore I thought I would call it to your attention. If you desire any further voluntary information on this subject, the same will be gladly furnished.

I. I. FLATTO.

New York City,
Oct. 6, 1944.

Ralph M. Bloom With Kitchen & Company

CHICAGO, ILL. — Kitchen & Co., 135 South La Salle Street, announce that Ralph M. Bloom has become associated with their firm. Mr. Bloom was formerly in the trading department of Mitchell, Hutchins & Co. Prior thereto he was with Langill & Co. and Kirstein & Co.

Joins Ames, Emerich & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Paul M. Schoessling, Sr. has joined the staff of Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Chicago Stock Exchange. Mr. Schoessling was formerly with George F. Ryan & Co. and John J. Seerley & Co.

Winfield Jackley Is With Dempsey & Co.

CHICAGO, ILL.—Dempsey & Co., 135 South La Salle Street, members of the Chicago Stock Exchange, announce that Winfield C. Jackley has become associated with them as manager of their municipal bond department. Mr. Jackley has recently been with Barcus, Kindred & Co. and was previously for many years head of Jackley & Co., Des Moines, Ia.

John D. Murphy With Paine, Webber

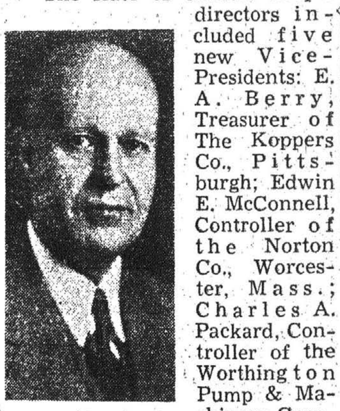
(Special to The Financial Chronicle)

CHICAGO, ILL. — John Dean Murphy has joined the staff of Paine, Webber, Jackson & Curtis, 209 South La Salle Street.

Controllers Institute Elects Burbott President At Thirteenth Annual Meeting In Chicago

Edwin W. Burbott, Assistant Secretary and Controller of the A. B. Dick Company, Chicago, has been elected President of the Controllers Institute of America, succeeding John C. Naylor, Vice-President and Controller of the Pet Milk Company, St. Louis. The election took place at the 13th Annual National Meeting of the Institute.

The slate of officers adopted by the organization's Board of directors included five new Vice-Presidents: E. A. Berry, Treasurer of The Koppers Co., Pittsburgh; Edwin E. McConnell, Controller of the Norton Co., Worcester, Mass.; Charles A. Packard, Controller of the Worthington Pump & Machinery Corp., Harrison, N. J.; Daniel M. Sheehan, Controller of the Monsanto Chemical Co., St. Louis, and Kelly Y. Siddall, Controller of The Procter & Gamble Co., Cincinnati.



Edwin W. Burbott

O. W. Brewer, auditor and executive accountant of the American Gas Association, New York, was reelected Treasurer, and L. W. Jaeger, Controller of Clark-Babbitt Industries, that city, was renamed Assistant Treasurer. Arthur R. Tucker, managing director of the Institute, was reelected Secretary-Controller of the organization.

Mr. Burbott has been active in the affairs of the Institute for many years. He became a member in 1934, and has served on the board of directors since 1942, at which time he was elected a Vice-President. He was President of the Chicago Control for 1941-1942. He has been with the A. B. Dick Co. since 1921. Prior to that time he was Secretary to the late Edward H. Hagar, President of the Simplex Automobile-Wright Martin Co., and the Universal Portland Cement Co. Mr. Burbott also spent five years in the accounting department of the Illinois Steel Co.

Six new directors also were named to office: Fred F. Hoyt, Vice-President of the Carrier Corp., Syracuse; Christian E. Jarchow, Vice-President and Controller of the International Harvester Co., Chicago; Marvin U. Kimbro, Controller of the General Foods Corp., New York; Homer E. Ludwick, Controller of the Firestone Tire & Rubber Co., Los Angeles, and Charles B. Lunsford, Auditor of The Equitable Life Assurance Society of the United States, New York.

Transition Problems Subject Of Meeting

The Securities and Capital Markets Division of the New York Chapter of the American Statistical Association will hold a dinner meeting on Thursday, Oct. 19, at 6 p. m., at the Hotel Sheraton, Lexington Ave. at 37th St., New York City. The topic of the meeting, at which Harold M. Gartley will preside, will be problems of transition.

Speakers will be Ragnar D. Naess, Investment Counsellor; Charles Sewell English, Labor Economist; Gustav Stolper, Consultant Economist, followed by a discussion under Glenn C. Munn, Market Economist.

Tickets for the dinner are $2.50 if paid by Oct. 15; $3 thereafter. Reservations should be made with Helen Slade, District Representative, 400 East 47th St., New York 22, N. Y.

Members of the Program Committee are: Warren Clark, Brundage, Story & Rose; Harold Gartley, H. M. Gartley, Inc.; Benjamin Graham, Graham-Newman Corp.; Lucien Hooper, W. E. Hutton & Co.; J. H. Lewis, John H. Lewis & Co.; Joseph McMullen; Lewis H. Rothchild, B. F. Storey, Brundage, Story & Rose, and H. Slade.

Chicago Brevities

(Continued from page 1586)

railroad circles. Some quarters continue to favor regional pools and in some the possibility was being voiced that other railroads, following the lead of the Pennsylvania, may prefer to operate their own service individually.

Pullman, in filing its proposed plan for the sale of its sleeping car business in connection with the Government's anti-trust proceeding against the company, stated that "the ownership and operation of sleeping cars by an individual railroad, or the formation of a regional group of railroads for that purpose would not be incompatible with the objects contemplated."

Pullman placed a total valuation of $81,352,222 on its sleeping car properties and estimated that about $30,000,000 in cash would be required with the balance in equipment trust certificates.

* * *

A registration statement covering $180,000,000 of Commonwealth Edison first mortgage 3s, series L bonds was filed with the Securities and Exchange Commission. This was the second largest registration of securities in the history of the Commission.

* * *

Utility Reorganization Plans

Departing from its usual practice, the SEC issued preliminary findings and opinions with an order approving with modifications the plan of the reorganization of Midland United Co. and Midland Utilities Co. Under the modified plan, the amount of new stock allocated to Midland Utilities Company's outstanding prior lien stock would be increased, more rapid settlement of claims of secured creditors would be made possible, and a prompt merger of Midland United into its subsidiary, Midland Utilities effected.

* * *

A proposal made by the post-war small business commission of the American Bankers Association at the ABA convention last month that Chicago banks form a $75,000,000 credit pool, similar to the $100,000,000 New York City post-war small business pooling arrangement, met some opposition among Chicago bankers.

Chicago banks plan to cooperate fully with the ABA program in extending loans to small firms, but some institutions have felt it inadvisable to allocate capital to a pooling arrangement, while others feel that too ambitious an undertaking "might have repercussions later." Some type of formalized credit group will be established, however, it is felt.

* * *

Chicago Withdraws Offer for Surface Lines

The 17-year-old equity receivership of the Chicago Surface Lines was ended Sept. 18 when Federal Judge Michael L. Igoe placed the company in bankruptcy, thus giving the court more power to act and expediting the reorganization of the transit company.

While reorganization of the lines under bankruptcy proceedings could be accomplished without municipal ownership, Judge Igoe said his action placed no obstacles in the way of the City of Chicago to acquire the properties should it elect to do so.

The City Council Local Transportation Committee recommended to the City Council the withdrawal of the city's offer to purchase both the surface and elevated lines on the grounds that some time may elapse before the lines reach a status whereby they could be acquired by the city and meantime existing favorable money rates for financing the purchase, on which the city's price offer was based, may no longer obtain.

The city has not abandoned the idea of municipal ownership but any future offer will be based on the valuation of the properties as appraised at that time.

Earl Virden Now With First Securities Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Earl Lee Virden, Sr. has become associated with First Securities Company of Chicago, 105 South La Salle Street, members of the Chicago Stock Exchange. Mr. Virden was formerly with Cruttenden & Co., Thompson, Davis & Phipps, Inc., and Medway, Wadden & Williams, Inc.

George Jackson, Jr. With D. B. Peck & Co., Chicago

(Special to The Financial Chronicle)

CHICAGO, ILL. — George A. Jackson, Jr. has become associated with D. B. Peck & Co., 111 West Monroe Street. Mr. Jackson was previously with Cruttenden & Co. and the George S. May Co. In the past he was with Palmer, Miller & Co. and James R. Martin & Co., in Los Angeles.

Fred Sharp Now With Straus Securities Co.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND. — Fred Sharp has rejoined the staff of Straus Securities Company, Circle Tower. Mr. Sharp was formerly in business for himself in Indianapolis and in the past had been with Straus Securities Company. Also joining Straus Securities is Robert L. Pike who was affiliated with Mr. Sharp.

Our Maritime Future

(Continued from first page)

the attention of the nation the remarkable planning and execution by our private steamship companies of the most complex shipping operation ever conceived or undertaken. As the fate of the Axis powers is sealed by the onward rush of Allied military might on the European continent and in the Pacific, sustained by the great flow of supplies from America, the time comes closer when the logistics of war will be supplanted by the logistics of peace. As the day approaches that our merchant fleet can sail the seas without armament, without protection and without fear, the door of our greatest maritime opportunity shall swing wide.

The United States now possesses all the elements necessary to restore its eminence as a maritime nation. For the conduct of our foreign trade we have built, as of October 1, of this year, 440 C-type ships, the finest cargo vessels afloat; 370 fast, oceangoing tankers and 90 Victory ships.

Buttressed by coastal cargo ships, coastal tankers, oceangoing tugs, special purpose vessels and more than 2,300 Liberty ships, our merchant fleet is the largest possessed by any nation. More than 160,000 trained officers and men are in the Merchant Marine. More than 100 shipping companies have had their trial by fire in operating these vessels. We possess an abundance of tools. That is our opportunity. Our obligation is to use them wisely.

It was the hope of the War Shipping Administration on Victory Fleet Day to point out to the nation the fact that the Merchant Marine is composed primarily of men and secondarily of ships. In 1942 and 1943, the mounting figures on our production sheets captured the imagination of the world. As the summer of 1943 came to an end our shipbuilders were making certain that we would exceed the objective of 16,000,000 deadweight tons. Exceed it they did, with 1,896 ships of more than 19,000,000 tons.

As ship production overtook losses and our convoys and their protectors fought out the bitter Battle of the Atlantic, the human element of our Merchant Marine replaced production figures, and the public's attention was focused on the skill and heroism of our merchant seamen.

The dawn of peace will no less emphasize the human side of the Merchant Marine. The logistics of peace will require every whit as much intelligence, foresight and determination as the logistics of war. That is the point where the National Foreign Trade Council and the other organizations whose interests lie in overseas commerce will have their test, in their ability to help formulate the guiding policies of our maritime future.

We may say that the battle of supply has been won. Yet there is no room for complacency. We shall build ships and sail them until the enemy is vanquished. When that day comes, however, it shall not find us entirely unprepared to meet the problems of peace.

Preparation for that day is the principal aim of this meeting. There is little need to tell the Foreign Trade Council, whose membership for almost 40 years has fostered the commerce of the United States, of the importance of shipping management in war and in peace. You have watched our shipping in operation as the exigencies of war have demanded. You have aided us. You have seen our foreign commerce change from primarily export into import of materials to manufacture war goods and the export of those goods to distant battlefronts. May God speed the day when your activities may once again be turned to the development of friendly and peaceable commercial relations!

Our opportunity and our obligation in the post-war years are intermingled. Opportunity lies in the direction of increasing our wealth and our welfare through a lively commerce with other nations. Our obligation lies in using our powerful position in international affairs with discretion, with development of our foreign commerce in complete justice to ourselves yet with consideration for the rights of others. Our leadership is a challenge to our destiny. Out of discussions such as these may come the policies that will be guiding and determining factors in international trade movements for years to come.

Our immediate post-war duty is fairly apparent. No matter what the shape of the peace, the enormous productivity of the United States must be extended for the replenishment of those nations impoverished by war. Conflict has leveled thousands of European and Asiatic communities. It is probable that hundreds of thousands of our soldiers will remain in occupied countries for some time. Therefore the first years of peace will be a period of reconstruction, of rehabilitation of nations and populations, and of supplying our armed forces for whatever period they are required abroad.

May we not skip a few years ahead, however, and appraise the future as well as we may from a long range viewpoint? Uncertain this shall certainly be, yet a look at the probabilities may stimulate our thought and provoke the intelligent discussion that is so necessary.

A look beyond the time when the scars of war will not be so evident will reveal the opportunity our industrial structure will have if the imagination of the public is stirred so that it can envision the benefits of a strong merchant fleet, and our industrial and agricultural leaders have the determination to expand our foreign commerce.

Sometimes it seems to me that the Merchant Marine is the least understood of our national assets. Its peacetime connection with our economy appears to be little heeded by business men in general. This may be because of the remoteness of marine operations from the great manufacturing and farming areas of the country's interior.

Ships are but the vehicles by which water-borne commerce is moved from port to port. They do not themselves, except in a very small degree, develop trade. Trade, however, can be greatly benefited or retarded by the type of the ships and the service they render. In the great lanes of commerce they serve the same purpose that the delivery wagon does for the milkman. It is his means of distributing the milk he has to sell. No matter how high the grade of milk he has, it availeth him nothing if he cannot distribute it to his prospective customers. His delivery system is very important. Just so the American manufacturer and farmer should make use of his own Merchant Marine to deliver his product in the foreign market insofar as practicable.

If this be the case, then it behooves every one of us whose interests lie in foreign trade to put forth the effort to obtain the ear of this great segment of our population and actively acquaint them with the maritime facts of life.

Cannot the midwest manufacturers and farmers, though none of them may ever have seen the sea or an ocean vessel, nevertheless be interested in an increase of sales volume from the 10% we export in normal times to 20 or even 30%? Would it not make sense to him that our factories and farms could be operated at a sustained and planned level because we had the overseas transportation system that would take his surplus to a ready market? Would not our railroads and truck lines be interested in hauling this material to our ports?

The primary national post-war objective is provision of jobs for all. Ten million men will ultimately return to civilian life, many of them seeking adjustment into the civilian economy. Our maritime industries, it is estimated, provide five million jobs when operating at normal capacity. Our particular project then, from this standpoint, is expansion of our foreign commerce by every implement at our command for this would mean not only men on ships, or in management, but more men on farms, in insurance offices, supply houses and in land transportation.

You may hear the question, "Where are these markets?"

Well, they're not close. They do, however, exist. There are still frontiers in this world. And on a majority of them we already have salesmen for our foreign trade, several millions of husky, healthy, intelligent lads, proud of their country and its accomplishments and living exponents of our way of life and our standard of living.

China and Africa and India remain to be developed. Russia and South America are on the verge of tremendous expansion. Among our neighbors to the south there is a vast reservoir of purchasing power, stored to a great extent from the war purchases of raw materials.

Rivers are to be harnessed, roads to be built, railroad and airplane equipment to be delivered. In the wake of the engineering services we shall supply these countries will come demands for industrial machinery, electrical goods, household equipment, automobiles and the thousands of things that we can make so rapidly and so abundantly.

It seems to me we can develop additional trade and make use of additional shipping facilities if in the peace terms granted to the Axis nations they are forbidden for a number of years to come to have any merchant marine excepting only that strictly necessary for inland waterways and coastwise operations.

The overseas commerce that these nations had prior to the war could be carried on ships of the United Nations, one-third going to the United States and two-thirds to the European nations interested in maritime commerce.

That is the first half of our opportunity and our obligation.

The other half lies in development of the long range viewpoint that the American Merchant Marine should be a live and dynamic and permanent part of our business structure, an aid to our economic health and one of our resources for national defense.

There are those who maintain that we should not remain in the business of carrying ocean cargo; that our foreign commerce should be carried in ships of other nations who offer a lower price; that every dollar kept from American ship operators is a dollar added to foreign purchasing power for our exports.

I would like to point out that these persons overlook two extremely important points.

First, a Merchant Marine sufficiently large to carry a substantial portion of our foreign commerce is a powerful factor in the defense of our country. Twice in a generation we have been forced to the brink of anxiety and expenditure of a huge sum of money for construction of a merchant fleet to serve in a national emergency. Is it not cheaper—and withal more satisfactory—to maintain a modern fleet of merchant ships constantly ready to help defend our shores, a fleet that can be of inestimable peacetime benefit and still almost pay its way?

The second point these persons overlook is the fact that foreign trade is a two-way business. We are not self-sufficient. The United States does not have enough tin or aluminum or copper or nitrates for our own purposes—sugar, coffee, tea, spices, rare metals, mahogany, bananas—hundreds of foods and other products that are essential to us. We export the things we don't need for those we can use. Other countries do the same. Trade is trade, literally and figuratively.

If we look forward to an expanding economy, in which our farms and factories will produce more than we need and sell the surplus abroad, some adjustment must be made in our national thinking with regard to our foreign trade. We must envision our Merchant Marine as a means to an end. We must also realize that for every seller there must be a buyer to make a sale.

The war has brought home to us the realization of the importance of other lands and people in the world economy; distance has shrunk. Millions of our men in far-off lands will have gained first-hand knowledge of the elementary problems of economically backward nations. In their struggle upwards there will go forth from these nations a great cry for our engineers and our technicians and our goods.

Shall we have the imagination to prepare for a great upsurge in world trade and the courage to use our merchant fleet to obtain a fair share of it?

In any pioneering development, the way must be prepared in advance. This was true with our railroads in the years of our westward expansion. It was true earlier when we were dependent upon other lands for the things we could not produce in America. There was a supply of things abroad we needed. We had the goods to pay for them, and the Clipper ships seized the opportunity to make our foreign trade flourish.

In its Fourth Report to the House of Representatives, issued recently, the Special Committee on Post-War Economic Policy and Planning made certain observations regarding foreign trade to which I direct your attention:

"A substantial foreign trade and investment flow is an essential part of continued prosperity. Without open markets for our exports and unrestricted access to foreign materials, many of our important mass-production industries and our agriculture cannot provide the productive employment for our labor force of which they are capable. However, foreign trade at best can offer no more than a part of the solution to the problem of overproduction capacity of any industry or group of industries. Basically, this is a problem of organizing a sound national economy, rather than of resorting to any uneconomic schemes to give away goods and services through exporting without requiring—and making possible—repayment.

"A nation gets what it does not have by importing. It gives up what it already has by exporting. There has always been a widespread prejudice, amounting almost to a belief, that importing is reprehensible and undesirable while exporting is highly desirable. That fallacy has unfortunately even been carried to States in our country, with many of the States putting up artificial barriers of one kind or another against goods coming from other States.

"A major reason for America's past rapid economic development was the great geographical extent of our national market in which goods flowed freely throughout. Likewise, the Committee believes that a minimum of artificial barriers to the free flow of international trade, both imports and exports, will assure the greatest contribution of our foreign trade to the continuing prosperity of our national economy.

"On a national basis, exports are the means of paying for imports. Likewise, according to the Department of Commerce:

"'In the experience of recent years the chronic shortage of dollars, growing mainly out of the weakness of the United States import demand appears to have been the basic limitation on American exports. Given a more ample supply of dollars, exports should readily exceed any peacetime levels.'

"We cannot escape the fact that foreign trade must be considered as a mutual transaction —buying as well as selling.

"Although fortunately not so immediately urgent in their demand for attention as the conversion of our war production, foreign trade and shipping are probably the most baffling and complex of all our economic problems mainly because their consideration directly involves the interests, policies, intentions, and conditions of all other nations."

These are all important phases of the economic life of the country, and should be carefully considered when plans are being developed in connection with our future foreign commerce.

We have the tools in abundance for expansion. If we use them with vision and according to a just policy, we can build a world-wide system of imports and exports in keeping with the times and with our needs.

What policy shall we follow?

Broadly, it is the Merchant Marine Act of 1936. But within the flexible framework of that legislation we can take steps to insure our maritime future. The size of the fleet is not mandatory. We can specify and regulate the routes and sailings. The task of first importance for us is the provision, year in and year out, of dependable, regular, and fast schedules on all trade routes. It means making American-flag lines the acme of ocean transportation. It means reestablishment of pre-war services and their improvement. It means a search for and study of new routes. It means the establishment, all over the world, of shipping offices, staffed with American business men who are alive to the opportunities of world trade and sensitive to the obligations of our Merchant Marine, and who are willing to establish their permanent homes in the country to which they are sent.

It will cost something to do this. But no international business on the scale of shipping should be averse to spending a dollar in the interest of increasing volume. It may produce many dollars in return.

The cost is not so much as some people think. The much abused word "subsidy" is one of the stumbling blocks to a fuller understanding of the working of the Merchant Marine Act in providing parity of shipbuilding and equalization of ship operation between America and her competitors.

It will be difficult to compare our cost of ship operation with those of foreign nations, post-war, until the internal economies of those nations are shaken down. Some parity payments will doubtless be inevitable. But the money spent in giving our operators an even break is trifling compared to the effect it can have on our national economy. The payments are not a handout from the Government but serve to equalize the cost of operating ships under the American flag and under foreign flags. They go into the pockets of our merchant seamen in the form of a decent wage scale in keeping with our wage and living standards. And, if the results prove to give the operators more than a reasonable return on their investment, part of the excess earnings are recapturable by the Government.

It is worth noting that the maximum amount that has been paid out as the operating differential subsidy in any year since the 1936 Act took effect is less than $13,000,000. If we were to double the amount of our foreign trade carried on American ships, an annual outlay of twice that amount might be anticipated, but increasing volume of traffic should bring an increasing margin of profit, and hence a decreasing amount for subsidy. Particularly would this be so if the American ships could travel full and down. As a matter of fact, out of some $51,000,000 of subsidy payments, during seven years of actual operation of the Act, some $31,000,000—or more than half was earmarked on the balance sheets of the shipping companies as subject to possible recapture, and an increasing volume of business should in all probability, increase the percentage of recapture. It would seem therefore that the net cost of the operating subsidy would hardly exceed an average of $6,000,000 a year and might very well be as low as $3,000,000.

Aside from cash and other current assets which are required for operations, American steamship companies engaged in foreign trade at the end of 1943 had, combined, either actual funds or receivables which would shortly become actual funds that could be used for purchase of vessels, totaling something over $220,000,000. Roughly, therefore, the companies engaged in foreign trade, taken as a whole, have sufficient funds available to enable them on the basis of the 50% differential subsidy and a 25% down payment to purchase ships equivalent at least to their pre-war tonnage in the foreign trade fleet, and probably equivalent to something approximating double the tonnage of the pre-war fleet.

It should be understood, however, that the general availability of funds does not necessarily mean that each individual company is in that particular position with reference to its own requirements for ships. Some may be reluctant to enter into commitments which entail extensive fixed charges resulting from carrying 75% of the purchase price on the deferred mortgage payments, the ability to meet which will depend not only on present cash resources but on future volume of business and earnings. This is one respect in which the effect of the operating differential subsidy is important.

Now, just a word about MARINE INSURANCE. A strong American Marine insurance market is essential to the health of our Merchant Marine. Congress has enacted, from time to time, legislation designed to encourage such a market. The national policy in support of our American underwriters is therefore clear. It remains for the underwriters themselves to go forward constructively. It would certainly strengthen our American marine insurance market if the Syndicate put itself in a position to offer hull insurance to all comers—to foreign owners as well as to our own citizens. I hope they will do so.

None of us has any thought that all the ships we are building will be retained in active service after the war. We are faced with disposal or use of more than 2,000 Liberty ships. To use our entire fleet would be our entrance into commercial warfare with the rest of the world, the very thing we are trying to avoid.

In any consideration of the size of our post-war merchant fleet we must keep in mind that one of the fundamental principles of the Merchant Marine Act of 1936 is to have an adequate number of ships to serve as an auxiliary of the Navy. It has been estimated that if we have a sufficient number of modern, fast ships to carry all of our domestic water-borne commerce, and at least 50% of our foreign commerce in active service, we should have somewhere between 5,000,000 and 10,000,000 deadweight tons of ships in reserve for emergency use.

It would be necessary to put this "National Defense Merchant Reserve Fleet" in first-class condition before being laid up; and to maintain it in that condition in order that when the emergency call came for its use, the individual vessels could be quickly placed in commission.

This reserve fleet should be kept in sanctuary so that it could not be used for any other purpose than to serve as an auxiliary to the Navy in time of emergency. Otherwise, it would always hang over the heads of the shipping and shipbuilding industries as a fleet of vessels that might be brought into service as replacements, or to force down rates, or set up competition with the established lines.

To maintain this reserve fleet in sanctuary, it would cost between $3,000 and $5,000 per ship per year. If we were to place 1,000 vessels in this reserve fleet, it would cost not more than $5,000,000 per year, or $100,000,000 for 20 years. This, plus the active merchant fleet, would be the insurance premium that the country would pay against having to spend some $15,000,000,000 for ships when the next war comes.

We have set the overall size of our post-war fleet at 15 to 20 million deadweight tons. Of this tonnage, I think seven million tons, exclusive of tankers, should properly be engaged in foreign trade, provided we go after the business to keep these ships sailing full and down.

We will have an excess of ships when the war is over and normal conditions are restored. It is not my feeling that we should scrap any of the war-built vessels. Perhaps some of the obsolete, 20-year-old cargo ships that have been in service for many years can be scrapped. It is my belief that we should endeavor to establish in this country a shipbreaking industry such as has existed in England, Germany and other countries for years. By this method, it will be possible to scrap such vessels as are no longer required in an orderly manner and to the best advantage of the entire maritime industry. If we scrapped a large number of ves-

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The Industrial Life Of Post-War America

(Continued from page 1578)

foundation of any post-war plan. If it is not woven into the entire framework, then it's time to look for another architect.

Mr. Justice Roberts of the United States Supreme Court early in the year sounded a note which should echo through the country. In a dissenting opinion he blasted the recent tendency of the present Supreme Court to upset considered opinions and the rules of law announced in them—opinions and rules long considered the settled law oi the land. With a little paraphrasing, his denunciation of this tendency may well be broadened and applied to the unholy tendency of Government in general to throw into the ash can, as if obsolete, the real fundamentals which have been the life blood of our entire national solidarity.

Justice Roberts said:

> The reason for my concern is that the instant decision, overruling that announced about nine years ago, tends to bring adjudications of this tribunal into the same class as a restricted railroad ticket, good for this day and train only.

Again:

> This tendency . . . involves an assumption that knowledge and wisdom reside in us which was denied to our predecessors.

You can apply that as it stands, without paraphrasing.

He said further, and here is a sermon boiled down into a single sentence:

> It is regrettable that in an era marked by doubt and confusion, an era whose greatest need is steadfastness of thought and purpose, this court, which has been looked to as exhibiting consistency of adjudication, and a steadiness which would hold the balance even in the face of temporary ebbs and flows of opinion, should now itself become the breeder of fresh doubt and confusion in the public mind as to the stability of our institutions.

The solemn truth that must sink into the minds of the citizens of this nation is that this country's foremost need is stability—a stabilization of word and deed which will enable men to plan ahead with a feeling of security, thus opening the way for progress.

Now, by stable I do not mean static nor retroactive nor recalcitrant. Stability does not rest on hide-bound conservatism. It beds on a combination of conservatism, which in a nutshell is respect for proven fundamentals, and that liberalism which business adapts to changing conditions, which keeps it progressively abreast of the times, aids it in avoiding stagnation.

I have a broad general impression that you bankers, out of an excess of caution, have in the past been flying too low. That may be responsible in some degree for Government competition. It may be that in post-war banking you will find, as aviation has found, that it is safer, and more efficient and effective, to fly in a higher altitude.

Banks are corporations and in common with all corporations must protect the interests of stockholders. Added to this is a distinguishing characteristic — a pure-trustee relationship to depositors which is a still higher obligation. Safety must be paramount and sacred but not necessarily synonymous with putrefaction. Dollars, like railroad passengers, are not necessarily safest when standing in the station. Even bankers are people, and I venture the suggestion that they too have been too willing to trade freedom for security because of their trustee status.

In many parts of the country post-war planners have dreams of enticing large established business institutions to new locations. Community pride and crystal gazing justify such an endeavor. Its success might be a windfall to these forward looking communities. But the mirage of big business on the dreamy horizon must not blind these communities to the successful, expanding little businesses now within their grasp. After the war new business—young business—will grow up and will be worth nurturing. This new business, this young business established and developed by little business men of character and capacity, must be supported by private capital—the banks. There will be another Walter Chrysler and Henry Ford hidden in the small office of the little workshops. Find them. That is the way of the America of opportunity that has been lost in the crystal maze of regimentation.

The present status of an old business must be reviewed. It may have become sick after the war. Make it well again. The sick child, given care, may grow to be the strongest of the brood.

To the three credit "C's" of banking tradition, character, capacity and capital, a fourth must be supplied by bankers—courage; and even a fifth—confidence—confidence in yourselves and in others.

I suggest that banking must get off the side track—Government banking—and get back on the old main line double track system of lending and borrowing, using the known devices of safety, adjusting speed and load to track condition and equipment.

In this picture, there are loans for longer periods, much longer than those whose near maturity date brings unproductive dread for the borrower; amortization of principal to avoid a staggering shock to the borrower on maturity of the loan; the throwing away of some old rate books; lending on a wider variety of collateral, faith in human character, energy and initiative—yes, a new confidence in yourself and in others.

This can all be done without running any block signals or exceeding speed regulations.

This program is conservative enough to be safe and yet it combines with conservatism a useful, workable liberalism.

Again I suggest that we are too prone to think merely in terms of money. The Federal Government in spreading its largess around thinks in terms of money —the WPA, social security, pensions, post-war money allowances. I have no quarrel with this Government beneficence up to a certain point. But not to the point of putting a premium on indolence, nor to the point of dulling ambition, of making men mere leaners. I just don't believe in handing a young man a free dollar as a substitute for his God-given right to the opportunity to cash in on his energy, his industry, his integrity, and his brains, and to carve out his own successful career.

And right here I want to touch upon something else that raises my temperature—a pernicious innovation that has literally snaked its way into American politics, and in its active malignance, eats the very vital life of our freedom. I mean the Political Action Committee which proposes to force American union labor to contribute from its wages to a political campaign it not only opposes but is then coerced into voting for principles and candidates to which it is opposed. I resent this first and foremost as an American citizen and next as a man who has carried a union card all his working life, and still does. I was a union man before the un-American element, now dominating segments of American labor, was born. The railroad brotherhoods know how and where I stand.

I always have been strong for labor unions headed by right-thinking American leaders—leaders who were interested in the men they represented rather than in some European ideology. But I say to you and to the people of this country that no political action committee or any group or individual is going to tell me or any upheaded American in this country how he is going to vote or what he is going to think. If the sorry day should ever come when nefarious schemes like this succeed, then on that day the disintegration of American labor union starts and democracy begins to crumble.

Josh Billings once said: "Thank God, there is not enough money in the world to buy a wag from a dog's tail. That must come from within the dog."

There is not enough money in the world to compensate for regimentation of Americans, loss of freedom and opportunity, class hatred, prejudice, or intolerance.

I am equally as certain that our victorious returning fighting men are going to insist upon coming back to a better America than they left, and it may go hard with any individual or group who attempts to herd them in a civil non-thinking regiment or attempts to stamp them in a common mold. These boys have been trained to do a job which requires thinking and acting for themselves. Thinking right and acting quickly was the difference between life and death. Those returning will be very much alive in more ways than one.

Now for a few moments I want to get back into my own yard. Many times in my long career I have been brought face to face with the fact that there is more to running a railroad than doing an efficient job of transportation. The extra-curricular problems give you the headaches.

Two, at least two, but particularly two, of these extra-curricular problems face the railroads today. You are familiar with them but their importance justifies stressing them before an association of men deeply interested in the health of railroad securities. I can discuss them only briefly. A railroad executive must have terminal facilities.

The first is the necessity for a repeal of land grant rates, which reduce tariff rates by 50% on Government traffic and which were established something less than a century ago as a condition attendant upon the grant of lands to induce the construction of railroads, particularly in the west. Out of 250,000 miles of railroads in the United States only 18,000 miles are land grant mileage in respect to rates. The other railroads, including the Union Pacific, which is not a land grant railroad in this sense, have long been parties to "Equalization Agreements" under which they equalize their rates on Government traffic with those of land grant railroads. The value of the lands at the time of their grant has been paid for over and over again by these land grant reductions alone.

A bill to accomplish the repeal of these land grant rates is pending in Congress. The House passed it by the overwhelming majority of 236 to 16. The Interstate Commerce Commission, associations embracing shippers in all parts of the country, heads of railroad labor organizations, freight forwarding associations, even trucking companies which are competitors of the railroads, have fronted for the repeal. This bill is now before the Senate.

Uncertainties and disputes have arisen in many, many cases as to what traffic during this time of war and war construction is Government traffic within the meaning of the law. The Government pays the tariff rate. The railroads pay income taxes on what the Government has paid, with the excess earnings brackets as high as 95%. Government accountants, two or more years behind in their work, re-audit the bills, decide which are subject to land grant deductions, and withhold the amount from other charges owed by the Government to the railroads.

No railroad, therefore, knows where it stands. The railroads face the likely prospect of having $300,000,000 or more taken away from them in two, three, five years from now—monies upon which they have already paid taxes. With war traffic earnings diminished or gone, with expenses at a peak of all times, where will they find the money to refund?

The bill affords no retroactive adjustment but merely establishes for the future the same rates to the Government, as a shipper, as will be paid by any other individual or corporation as a shipper.

This measure is not a Santa Claus grant to the railroads. It is merely a measure for justice to the railroads and to the general shipping public.

When war came, the President of the United States asked industry for a miracle. The railroad industry stripped to the waist and pitched in. It strained every muscle. It played its part magnificently. The military departments of the Government have said so. The Office of Defense Transportation has said so. I have said before, and I will say it again, that second only to the men on our battle fronts in Europe and in the far Pacific, the railroad employees of this nation have been the country's first line of defense. They have stood to their jobs as real patriotic American citizens. They have deserved, but they have not received any Army and Navy E's or any other decorations for their performance. The railroad men of this country have taken a beating through these past three years, but they have taken that beating standing up and they will be erect and ready when this conflict is over.

The railroad industry and the railroad men felt fully justified in throwing out their collective chests. And now their reward has come; they have finally been recognized by Washington in the middle of this sustained nerve-wracking effort; a grateful government has, through its Department of Justice, pinned a medal on that chest—an injunction suit in Federal Court which challenges the integrity, the intelligence and the loyalty of railroads and railroad men.

Far be it from me to attempt to try that suit from a public rostrum. The Department of Justice ballyhooed the suit before it was brought as an advance agent ballyhoos a circus. Since the suit was brought, the Department of Justice has tried the issues in every part of the newspapers except the lovelorn column, and I expect it will overflow there soon, since it is a device of cupid-wooing votes.

The suit was brought in the West — Lincoln, Nebraska, the home town of Wendell Berge, Assistant Attorney General in charge of the Anti-Trust Division—probably to give him a chance to visit the home folks. The South has been pretty noisy in its advocacy of adjustment of railroad rates. The West has been quite content except for sporadic outbursts. But a campaign is on. Political fences in the West have to be rebuilt. The political fences in the South are thought to be in a better state of repair. So the suit was brought in the West. Editorial writers throughout the country have pointedly called the turn. It is politics. Wendell Berge did not dictate the editorials.

Mr. Berge evidences great pride in the discovery of a secret weapon used by the western railroads—the Commissioner Plan Agreement. He places great stress upon it. This agreement became effective on Dec. 1, 1932. If it was a secret, Mr. Berge, possibly because he was a very young man at that time, was one of the few who was not let in on the secret. Several members of the Interstate Commerce Commission, including the late Mr. Joseph B. Eastman, knew about the plan before the agreement was signed and were impressed with it. Railway and traffic magazines carried a story about it as did the press generally. Thirty-four railroad chief executives signed the agreement. And if thirty-four railroad executives and their numerous assistants and subordinates knew about it and it remained a secret, then an unprecedented phenomenon occurred in the business world.

In 1932 we were in the depth of the worst depression in our history. Mr. Biddle and his assistant, Mr. Berge, who have secured the bulk of their railroad knowledge from riding in Pullman drawing rooms paid for by taxpayers, never got near enough in those days to a railroad executive to see the furrows depression worries had plowed in his brow. Railroads were plunging into bankruptcy and receivership. President Roosevelt, then as now Candidate Roosevelt, knew something about the plight of the railroads. In a speech made in Salt Lake City, Utah, in September 1932, he discussed at length and sympathetically, the railroad question. His speech deserves quite full quotation but the clock rules it out.

In that speech, Mr. Roosevelt developed the thought that "The wastes of competition have become more and more insupportable." "I believe," he said, "the policy of enforced competition between railroads can be carried to unnecessary lengths." In the 1931 15% rate increase case (which was decided against the railroads except in small part) the Interstate Commerce Commission, to support its decision, pointed out the necessity for the railroads "to cooperate more efficiently with each other and to reduce waste, both in service and rates" and expressed the confidence that it could be minimized but that this would require "A greater degree of cooperation than railroad executives have yet been willing to put into practice."

And the western railroads, sensing the wisdom of the attitude of both Mr. Roosevelt and the commission, decided to do something about it. And now that the depression has been temporarily bridged, and the Commissioner Plan Agreement has outlived its usefulness and been terminated, these railroads are solemnly charged with having broken the law. How can the railroads chart a course when somebody insists on tampering with the compass? What security can man, woman, or child build on? Security of the Biddle-Berge type is built on quicksand.

I am going to pass over the facts that during the depression the railroads of the West pioneered the streamline trains, low cost popular transportation, sped up the service, improved equipment and service to the extent that when war came they were ready and competent to carry the unprecedented load.

I am going to pass over the insinuations of Mr. Berge concerning the ineffectiveness of the Interstate Commerce Commission to regulate rates when I know and every railroad man and every shipper knows how conscientiously and competently the commission has exercised its powers with always an eye to fairness. I am going to pass over the discrepancy between Mr. Berge's assertion that the investigations of the Department of Justice "show that over 99% of the rates filed become 'lawful rates' without any review by the commission" with the statement of the commission in its 57th annual report, issued Nov. 1, 1943, that

> Analysis of the filings of tariffs in a recent year showed that approximately 40% of the total number lodged in our Bureau of Traffic, and reported in our annual report for the year, stated rates which either had been required by us, or had received our formal approval as justified under the act, or the filing was permitted upon administrative consideration of the applications for special permission. A large number of the total number of tariffs above reported as filed with us do not either affect the rate level or change any rate.

In Nebraska, thanks to the wonder-working primary system, a 62-year-old bus boy in a bomber plant cafeteria, George W. Olsen, was nominated for Governor on the Democratic ticket. At the recent Democratic State convention he made a record-breaking speech, reported and commented on editorially by the "Omaha World-Herald," one of the country's great newspapers. It contained 70 words. I quote it in full:

> Fellow Democrats: I feel just like I did when I was 16 and took a load of apples to Nebraska City and got stuck in the mud. I decided I'd have to unload, but the end gate was gone. There I was, stuck and with nothing to unload.
>
> I feel the same way here tonight.
>
> But I appreciate what you are still going to do for me, and I thank you.

It is my opinoin that while the artillery of the Department of Justice is aimed directly at the railroads, the real target is the Interstate Commerce Commission, which is a regulatory body created by and responsible to Congress. My opinion as a layman is that when this anti-trust suit against the railroads is finally tried, the government will find itself stuck in the mud, with the endgate gone, and nothing to unload.

The Department of Justice is gunning for monopolies. Since Pearl Harbor around 140 anti-trust suits have been brought. A little introspection by the department will discover a monopoly right at its own headquarters. The remedy for this monopoly is not an application of the Sherman Act but of that fundamental law, which for more than a century and a half has made this nation the envy of the world—I mean the Constitution of the United States. Apply this fundamental law in its letter and in its spirit and paternalism by the Federal Government will disappear, regimentation will be but a sorry page in history, the ABC's and the XYZ's will go into the discard, Congress will no longer share with bureaus and executive directives its legislative powers, courts will no longer share with bureaus their judicial powers, the states will cease to be mere geographical boundaries but will resume their accustomed and respected places in the Union of the States, and again exercise those powers which they have not yielded under the Constitution to the Federal Government—then—and not before—the stability of this land of opportunity, the United States of America, will be reestablished.

Coca-Cola Securities Appear Attractive

An interesting analysis of the various companies comprising the Coca-Cola industry has been prepared by Wm. F. Dowdall & Co., 319 North Fourth Street, St. Louis, Mo. Copies of this analysis are available to dealers on request from the firm, which specializes in these securities.

E. W. Clucas To Admit

Lester E. Ogden will be admitted to partnership in E. W. Clucas & Co., 70 Pine Street, New York City, members of the New York Stock Exchange and other leading Exchanges, as of October 18th.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

An extremely interesting and informative 96-page booklet has come to the writer's desk entitled "Review of Operations of 38 Fire-Marine Insurance Companies and 18 Casualty-Surety Insurance Companies for Five Years Ending with 1943 and for the Year 1943." It is published by a prominent Baltimore investment house, and member of the New York Stock Exchange.*

In the "Foreword" the publishers state: "We have prepared it for the use of our dealer friends with the thought that it would be of assistance to their sales organization in the presentation to investors of factual information concerning the results of operations of a number of insurance companies." The companies covered in this survey include practically all of the old-line leaders, and a few of the smaller and lesser known.

Data on each one of these companies are presented separately, the presentation comprising: historical review; analysis of 1943 operations; chart showing percentage of plow-back, Federal taxes, etc.; pie-chart giving percent. diversification of assets; five-year change in liquidating value; five-year price range, and other pertinent facts and figures.

In the back of the booklet an interesting tabulation is given which shows the aggregate five-year operating income of each company, compared with aggregate dividends paid during the period and the resulting five-year plow-back; the latter is expressed in dollars and also as a percentage of aggregate net operating income. This tabulation covers 41 fire companies and 20 casualty companies. It is of interest to know that the percent. plow-back of the fire group averages 41.0% compared with 62.6% for the casualty group.

The ten highest and ten lowest companies in the fire group are as follows:

Ten Highest—	
Fidelity & Guaranty	77.6%
Firemen's Insurance	71.8
Hartford Fire	69.3
Nat. Union Fire	66.7
Automobile Ins.	61.5
St. Paul F. & M.	58.8
Ins. Co. of No. Amer.	57.0
Fireman's Fund	56.8
American Ins.	55.4
Security Ins.	54.7
Average of 10	63.0%
Ten Lowest	
Hanover Fire	27.9%
Baltimore Amer. Insurance	27.5
Bankers & Shippers Insurance	26.4
New Hampshire Fire	23.1
Home Insurance	17.4
North River	16.5
National Liberty	12.5
Republic Insurance	9.8
Westchester Fire	8.2
Franklin Fire	2.1
Average of 10	17.1%

In the casualty group the percentage ranges from a high of 80.2% for New Amsterdam Casualty to a low of 54.3% for American Casualty, while one company, Preferred Accident, shows a negative plow-back of —39.3%, i. e. dividends exceeded net operating income.

A second tabulation of interest and significance gives the liquidating value of each stock as of Dec. 31, 1943, compared with Dec. 31, 1938, and shows the percent. increase during the five-year period. This tabulation immediately shows the importance of plowback to liquidating value growth, for Fidelity & Guaranty Fire again heads the list with an increase of 44.1% while Franklin Fire again foots the list with 2.9%. The average gain for 41 fire companies is 17.8%, while for the 20 casualty companies the average is 48.1%.

The "pie charts," which show the diversification of assets of each company, are well worth studying, for they bring out so clearly the great difference in investment policy which exists among the companies. For example, the percentage of Government securities held in the investment portfolios of all the companies ranges from 59.9% of total assets to 6.0% of total assets. There are seven companies which have an excess of 50% of total assets represented by Government securities, while, at the other end of the list are seven companies with less than 15%. In the first group are: Standard Accident, 59.9%; American Reinsurance, 54.9%; Employers' Group, 54.4%; Aetna Casualty, 53.2%; U. S. Guarantee, 53.2%; Fidelity & Deposit, 51.9%, and U. S. Fidelity & Guaranty, 51.0%. In the second group are: Camden Fire, 14.3%; Merchants Fire, 13.4%; Continental Insurance, 13.1%; Insurance of North America, 11.1%; St. Paul Fire & Marine, 9.1%; Fidelity-Phenix, 8.6%, and Great American, 6.0%. It is interesting to observe that the first group is composed entirely of casualty-surety companies and the second group of fire-marine companies. The fire company with the highest percentage is Jersey Insurance with 45.4%, and the casualty company with the lowest is Pacific Indemnity with 27.8%.

The factual information in this booklet is very clearly and simply presented, and should prove of great helpfulness and interest to investors and dealers in insurance stocks and to all students of their investment characteristics. While it brings out the excellent investment calibre of the stocks of the leading insurance companies and thus is of great aid in the problem of selection, it also brings out their very marked differences. Thus, it leads one to the inevitable conclusion that, even when investing in insurance stocks, diversification of risk is a sound policy.

*Mackubin, Legg & Co.

Stock Market In The Immediate Post-War Period

(Continued from page 1578)

V2 year but, rather, what we could do under the ideal conditions mentioned. Taking the price level of 1942 and assuming the same 38-hour work-week as in 1940, Mr. Livingston arrived at a net national income of $134 billion for 1946. That figure compares with around $83 billion at our peak peacetime year 1929 and with $71 billion for the peak peace year of the past decade, 1937. On the basis of this study, on one part only of which I have touched, and for which the entire industry research fraternity owes Mr. Livingston a vote of thanks, we have had figures emanating from some of the Congressional Committees of a net national income as high as $145 billion. Some Government economists say $125 billion. The lowest responsible estimate I have seen was that developed by the General Motors Corporation, of around $100 billion. The estimate most generally accepted is $110 billion, which estimate equals or is not far out of line with that of Mr. Schram of the New York Stock Exchange, Dr. Julius Hirsch, and a group of more conservative economists in Washington.

At this point, however, I should like to say that these estimates are not based upon any certainty but, rather, on a belief that, unless some relatively high level of national income is attained, we shall suffer extremely difficult conditions in this country. Mr. Livingston's study, for instance, indicated that if, in the year 1946, we only turned out the same physical volume of goods as in the year 1940, which year, incidentally, exceeded 1937 and 1929 in physical output, then we would have around 20 million people unemployed in this country. This would mean a great depression. Again, when we look at the governmental post-war budget, estimated at from $20 to $30 billion by the experts, we again see the need for a relatively high post-war income.

While I have no intention of quarreling with any of these higher figures but, on the other hand, am willing to tentatively accept the $110 billion figure, at least I should like to raise one question. It is this: Are we not going at the matter somewhat like the Georgia mountaineer who found that he needed some money badly and, after casting about as to how it could be secured, could find only one asset, namely, his hound dog. He put an ad in the county paper offering the dog for $15. Several days afterwards a man from town called on him, finding the mountaineer and his flea-bitten animal asleep under a tree. The man was a little bit upset at the dog's appearance but he went ahead. First, he asked if the dog was healthy. The mountaineer replied, "Healthiest in the county." The man asked if the dog was a good hunter. The mountaineer said, "None better in Georgia." He then asked about the pedigree. The mountaineer said it was one of the finest in the nation. The stranger, realizing that he was up against a stiff combination, looked at the mountaineer and finally said, "Can he climb a tree?" The mountaineer thought for a minute, looked up and said, "Mister, that dog has just got to climb a tree because I need that $15." As we study our post-war future, we see that we have just got to have a high income and I am hopeful we shall develop it. However, I can't help but repeat a statement by Professor Myrdal, a Swedish economist, before the National Economic Society of Sweden earlier this year in reporting on American conditions and our general assumption that we would attain a very high post-war income level. Professor Myrdal pointed out our hopes of well over $100 billion against our substantially lower peaks of earlier years and made the observation that it is yet historically to be demonstrated that any capitalistic economy can achieve stabilization at boom levels. After reviewing our domestic and export potentialities, he seriously asked from whence this unprecedented peacetime lift in the national income is to originate. Professor Myrdal's views interest me because they are fully objective. As someone recently remarked, he is neither a Democrat nor a Republican. He is forced to study the American outlook because, to a degree, Sweden and Europe, for that matter, swing in our economic orbit. He questions whether we shall continue immediately on the high production plateau to which the war has temporarily driven us.

Let us, however, by-pass this debatable ground by assuming that we are going to attain a high post-war level of income and let us tentatively grant that market optimism is, therefore, warranted for this eventual period. In the meantime, what about the interval that will intervene between the end of the war and the attainment of full post-war production? In examining this more immediate period, it is necessary, first, to determine where we are now. Briefly, we entered on a rearmament or war boom, economically speaking, in mid-1940 and, presumably, are now at the top of such boom. There are signs that it is running out. Let me, in this connection, cite some important statistical series that have leveled off or declined. These include production, railway traffic, employment, manufacturers inventories, deficit Federal spending, wholesale prices, farm prices, commodity futures, corporate profits, and consumers income as well as expenditures. That is an important and significant list.

In the course of this war boom the stock market, having readjusted to the political regulatory exigencies of war plus the rather low state of Allied fortunes in the war's early days, commenced rising in 1942. This advancing trend was in recognition of the war boom itself, plus our military successes. The advance has now been under way for well over two years. In this period the Dow-Jones industrial average of 30 leading and diversified industrial stocks has advanced by over 60%. This index does not fully reflect the movement, however, for the reason that activity has been particularly pronounced in those issues representative of our marginal producers that have benefited most fully, earningswise, from the war. Partially reflecting this list is the Barron's average of low-priced stocks which recently reached a point some 225% above its 1942 low. Under disguise of a moderate swing in the, for once, slowly-moving Dow-Jones industrial average, we have actually enjoyed what I would term a concealed triple bull market. As to price-earnings relationships, even the Dow-Jones figures are not bad. On the basis of present earnings estimates for the Dow-Jones industrial average, which call for a 5% to 10% decline from 1943, this average, at its recent price of around 150, was selling at around 16 to 17 times earnings, a level not far from that attained at the peak in 1936 and 1937. Altogether, the stock market would seem to have accorded full recognition to the presence of a business boom.

With termination of the war against Germany, which does not seem too remote an eventuality, deflation of a degree would seem in order. Government spending will have to be cut back from, say, $100 billion to around $25 to $20 billion, the last stages of such cutback being after the war with Japan has been concluded. Manpower, both in war industries and the military establishments, will require demobilization, which spells increasing unemployment. Price distortions have necessarily occurred during the insistent type of buying, along with regulatory controls, witnessed during the war period and, therefore, important price readjustments must be witnessed. Plant and inventory liquidation will be necessary. There is the question of the solvency of some groups, particularly the so-called secondary contractors, since their inventory positions and payrolls have both been built up to a point where any substantial drain or loss, because of them, might wipe out working capital. It is difficult to see the individual consumer entering on any strong buying movement for various goods while the unemployment spiral is running its course.

The stock market discounts important events in orderly sequence. From the 1938-39 peak levels to early 1942 the market adjusted to war in Europe and this country's eventual entrance by price decline. From 1942 until mid-1943, and even until the present occasion, it has been in process of discounting the war boom in this country, plus our improving military fortunes. Is it logical to believe that the market will, from these levels, undertake a true discounting of the generally assumed favorable post-war buying boom until it has first given attention to the uncertainties and problems of the transition period from war to peace, as just discussed, and until it has readjusted to such developments of this transition period as prove deflationary? Under the circumstances, it would seem that the stock market has an uncertain period ahead, when caution and the maintenance of substantial buying reserves rather than a bullish or purchasing attitude should be in order.

At this po[illegible]t someone may interpose the thought that the stock market, at the termination of World War I, witnessed only minor irregularity of two or three months, to be followed by a further large advance carrying some ten to eleven months. This is quite true but before we postulate an analogy between the movement of stock prices following this war and following the earlier war, let us examine the economic and political backgrounds existing during each of these wars. Differences will be found of major caliber:

(1) Whereas price control was not exerted following World War I, there is every evidence that it will be continued in the period immediately following the end of this war. It was the immediate inflation in prices, based upon a mad, uncontrolled scramble for inventories, following World War I, that abetted the immediate post-war business recovery and the inflationary movement in the stock market culminating in late 1919.

(2) In the earlier war, industry and manpower (labor) had converted only to a relatively minor degree to wartime manufacture and the Armed Forces as compared with the heavy conversion in this war. Thus, the readjustment period from war to peace was not the problem in the earlier war that it will be in the present occasion.

(3) Before World War I, mass unemployment was unknown in this country. Prior to World War II, we had, despite huge governmental efforts of eight years' duration to the contrary, 8 to 10 million unemployed. This magnifies the reconversion and immediate post-war recovery problem, as does the great increase in productivity per man-hour, incident to World War II, as compared with the increase resulting from World War I.

(4) During the period emerging out of World War I, business was relatively elastic. Business emerges from this war with (a) a rigid wage level, based upon organized labor's increased authority and governmental sanctions, (b) with many governmental controls and interventions, dating from well before the war, that greatly hamper and impede the free and full play of private initiative, and (c) a substantial part of the industrial plant Government owned.

(5) The relatively mild shock, as based upon the magnitude of the industry and labor readjustment to peace, of World War I's termination on the economy found a stock market that had, to November, 1918, or over a period of 12 months, advanced but 22% and was thus not subject to considerable technical readjustment. The relatively greater shock, as previously discussed, of World War II's termination on the economy will find a stock market that, over a period of two or more years, has advanced over 30% and, hence, is vulnerable to material technical readjustment, entirely aside from economic influences. Let me point out, in this connection, that the several-month market decline coming immediately with World War I's ending, canceled 40% of the war advance from the 1917 cyclical, or war depression, low point. A similar movement here, from the 1942 cyclical, or war depression, low point would move the Dow-Jones industrial average down by 23 points or 15% from its July high of 150.

(6) Internationally, the three powers — the United States, the British Empire, and France—that emerged dominant from World War I subscribed to similar political and economic ideologies. While, even then, friction arose as to post-war settlements, it was friction within an area where the broader fundamentals were not at issue. World War II will witness the emergence of three dominant powers — the United States, the British Empire, and Russia. The political and economic ideologies of the two Anglo-Saxon countries are diametrically opposed to those of Russia. There is thus the background for graver immediate post-war problems over the reorganization of Europe and the Near East (with its immense oil deposits) than existed in 1919.

This last factor, namely, post-war international political relationships, is admittedly an imponderable but I do not believe it has been, as yet, sufficiently probed by the investment community.

In summary, we know that there are certain forces present that, under favorable conditions, can create a fairly substantial business period in this country. These are the banked-up demand for consumers durable goods, in combination with the large war savings of the American people. Additionally, there are the needs of war-torn Europe and other parts of the world of a rehabilitation and construction nature. These needs require considerable American goods if we are willing to advance the credit and I believe we shall do so. Fort Knox may be called on yet. On these grounds one might make a case for the holding of a portion of the investment fund in selected common stocks of sound investment rating, awaiting the favorable market level that should accomplish such a boom. However, pending the presence of that economic and psychological background which should contribute to the activation of these forces, there lies immediately ahead what might be termed a hiatus period when many problems of a serious character will be presented for solution and, until the exigencies of this period can be factually appraised, it would seem a time when fairly substantial cash or buying reserves might be held for subsequent purchasing of common stocks once prices have been readjusted downward or, in the absence of such readjustment, when it is fairly assured that the conditions of the transition period are sufficiently present to have thoroughly tested the market structure.

While currrent polls and general opinion still indicate Mr. Roosevelt as the successful candidate in the coming elections, it might be suggested that Mr. Dewey's election, should it take place, would improve investment psychology and might even contribute to some temporary strength in the market. Mr. Dewey's election, however, would not cancel out the problems of transition. Furthermore, for a two-month period following Mr. Dewey's election, should it occur, we must not overlook the fact that governmental operations on the policy plane might come to a standstill very much as we witnessed in the period between Mr. Hoover's defeat in 1932 and the accession to office of Mr. Roosevelt in 1933. The Government in office during this period would lack the endorsement of the American people whereas the endorsed group would not yet have attained to power. Such a period, particularly were the war just over in Europe and important post-war international political negotiations under way, might be disconcerting.

Between 1932 and 1942 we witnessed an attractive cyclical buying point for stocks at intervals averaging every two and one-half years. In this period the Dow-Jones industrial average, now around 150, ranged from 41 to 110, to 85, to 194, to 98, to 158, to 93; General Motors, now 62, ranged from 7 to 42, to 24, to 77, to 25, to 56, to 28; International Harvester, now 80, from 10 to 46, to 23, to 120, to 48, to 71, to 40, and so it goes for other leading stocks. As J. P. Morgan said, "They fluctuate." Over the 46 years from 1897 to 1942, inclusive, we witnessed cyclical buying points averaging out at every three and one-third years. Over the entire period, 1897 to 1942, the most shallow of these buying points came after a 15% market decline; the deepest, after an 89% decline. Even during the great credit inflation from 1924 to 1929 we witnessed, after about two years of advance, a 16% decline. The market, under boom conditions, has now been advancing for over two years without decline of even the minimum proportions stated. I feel we should see something of the transition period before assuming that we are going to erect, without some price readjustment, a superstructure on the present apex.

"Review Of Operations" Of Marine & Casualty Cos.

Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., members of the New York Stock Exchange, have prepared a "Review of Operations" of 38 fire-marine insurance companies and 18 casualty-surety insurance companies. The review covers results of operations for a five-year period, not only in dollars, but also dollars per share, as well as the operating results percentagewise to total operating income for each of the companies.

Each individual company report contains a circular chart showing the percentage diversification of assets at the year-end 1943. Also shown is the percentage of Government bonds and cash to net liabilities, and at the year-end, which are the total liabilities less than equity in the unearned premium reserve, thus showing at a glance the liquid position of each of the companies. Another interesting item is the net operating income (after Federal taxes) for the five-year period. The percent of "plow back" to net operating income is also shown—one of the most important of all growth factors.

Copies of this interesting and unique review may be had from Mackubin, Legg & Co., upon request.

Mutual Funds

New Offerings

The revised prospectus on **New York Stocks, Inc.**, dated Sept. 30, 1944, describes two new series of that Fund which will be offered nationally as soon as they have been qualified for sale in the various States. These two new series are **Diversified Investment Fund**, a "balanced" fund with investments spread over bonds, preferred stocks and common stocks, and **Diversified Speculative Shares**, a common stock fund with investments spread over all main categories of common stocks.

Gyroscopes and Diversification

North American Securities Co., general distributors of **Commonwealth Investment Co.**, likens the stabilizing force of diversification as applied to investments to the action of a gyroscope in maintaining ships and planes on an even keel. To experienced investors this metaphor will strike a respective note.

Success Story

The story of **Group Securities, Inc.**, is told in a strikingly attractive booklet mailed to dealers last week by **Distributors Group**.

"In essence," writes the sponsor, "it is a 'success' story—a story of investment success!

"That is what intelligent investors are looking for. Witness the **growth of Group Securities, Inc.**, from $16,500,000 to $33,500,000 in the past 12 months."

Public Utility Preferreds

Lord, Abbett points out in the current issue of **Abstracts** the improved position of the public utility industry, emphasizing the progress which has been made in recapitalization of holding company units. **Union Preferred Stock Fund** is designed and managed to permit investor participation in these favorable developments.

"The objectives and composition of Union Preferred Stock Fund are unusual. The Fund has a backlog of sound, income-producing preferred stocks, but primary emphasis has been on capital appreciation."

Uninterrupted Dividends

Keystone Corp. analyzes the dividend records of the 40 common stocks currently held in the **Keystone Income Common Stock Fund S-2**. 32% of these 40 stocks have paid annual dividends without interruption for 30 years or more—55% for 16 years or more; 92½% for 9 years or more.

Another recent issue of **Keynotes** outlines "A Balanced Investment Program for $10,000." The over-all program calls for 50% in bonds, 10% in income preferred stocks and 40% in common stocks. The bonds and common stocks categories are divided up as follows: 10% reserve bonds, 20% low-priced bonds, 20% high-return bonds, 20% income common stocks, 20% speculative common stocks. By dividing the $10,000 up among Keystone B-1, B-3, B-4, K-1, S-2 and S-3 in the percentages stated, the investor acquires a supervised portfolio containing 150 bonds, 50 preferred stocks and 80 common stocks. Such diversification of a $10,000 investment would be utterly impossible except through the medium of mutual investment funds such as the Keystone Custodian Funds.

$130 Billions

National Securities & Research Corp. devotes the current issue of **Investment Timing** to the "Potentialities of $130 Billions Liquid Savings." We are undoubtedly going to hear a good deal more about these liquid savings as time goes on. What is more important, they are going to affect the economic future of America and the world in a way which is now difficult to predict.

In the latest issue of **National Notes** this sponsor discusses the rise in output per worker as an aid to post-war business. "The steadily increasing efficiency of labor augurs well for companies which have taken pride in the consistency of their earnings and dividend records. When combined with experienced management it should more than compensate for continued high wage scales."

Shrinking Income

A new folder on **Manhattan Bond Fund** entitled, "Is **Your** Investment Income Shrinking?" presents a logical solution to the problem of diminishing investment return. "Protective diversification," that is, broad diversification among bonds of less than first investment quality, enables investors to enjoy higher income without assuming undue risks.

A Composite Bond

Distributors Group, in a letter accompanying current literature on **General Bond Shares**, describes the investment characteristics of the 48 bonds in the portfolio as they would be if **averaged** in a single bond. Here is the composite picture:

1. Continuous interest payments since issuance over 22 years ago.
2. Interest requirements covered by earnings 2.32 times in 1943 compared with 1.08 times in 1937.
3. A present price of 74½, leaving room for appreciation of 34% to its par value.
4. A true investment return of 5.2% on the current offering price.

"An actual single bond with these investment characteristics would be attractive. Ownership of 48 different issues with these average characteristics is an even sounder investment."

Informed Speculation

The late Mr. Justice Holmes, in a Supreme Court opinion on "informed speculation," is quoted in a timely issue of **National Notes.** Here is what Mr. Justice Holmes said:

"People will endeavor to forecast the future, and to make agreements according to their prophecy. Speculation of this kind by competent men is the self-adjustment of society to the probable. Its value is well known as a means of avoiding or mitigating catastrophes, equalizing prices, and providing for periods of want."

Annual Report

Keystone Income Preferred Stock Fund "K-1" reports total net assets of $11,706,920 for the fiscal year ended Aug. 31, 1944, compared with $6,757,216 a year earlier.

Mutual Fund Literature

National Securities & Research Corp.—Letter No. 8 in the current series on **National Stock Series** and **Industrial Stocks Series.** . . . **Lord, Abbett—A Composite Summary** folder for October, covering the Lord, Abbett group of companies; a revised portfolio folder on **Union Preferred Stock Fund.** . . . **Distributors Group, Inc.**—A special month-end price comparison on **Group Securities, Inc.** . . . **Keystone Corp.**—The September issue of **"The Keystone Investor"**; a revised edition of the booklet, "The Keystone Plan"; a revised **Current Data** folder for October. . . . **Hare's, Ltd.**—A folder discussing the recent Supreme Court decision affecting insurance companies. . . . **Broad Street Sales Corp.**—A current issue of **Items** on **National Investors Corp.** . . . **Selected Investments Co.**—The current issue of "These Things Seemed Important."

Dividends

Knickerbocker Fund — A regular dividend of 8 cents and an extra dividend of 8 cents payable Nov. 20, 1944, to stock of record Oct. 31.

Our Maritime Future

(Continued from page 1589)

sels all at once, the return would be extremely small. If we set up a shipbreaking industry, we can handle this in a manner that would bring about a much greater return.

When wartime controls are removed, ship owners will be able to return their ships to normal peacetime operations. The War Shipping Administration has already started the removal of some of the restrictions that have been necessary as a means of controlling the use of cargo space to wartime essential needs.

We have frozen ships into the trade in which they are operating now. This already applies to the East Coast and the West Coast of South America and to Australia. We think it is going to save tonnage, and we also think it puts the steamship companies back in business again. We think that it is going to cut out a lot of red tape of having to get permits, and will enable shippers to know just when ships are to sail.

As fast as any of the existing restrictions can be removed, they will be. We want to restore the shipping facilities to normal use as soon as possible, so that it may be used in handling peacetime commerce.

Let me repeat something I have said many times before. The Maritime Commission or the nation does not seek a monopoly of world trade. We are sensitive to the rights of other maritime nations. We shall not pursue a policy that is detrimental to them.

We are, however, insistent that we shall remain a maritime nation. We shall not repeat the errors we made between the previous war and 1936. We have the maritime "Magna Charta" in the Act of 1936. The circumstances of war have provided us with a merchant fleet four times the size contemplated when the long range program was formulated in the early days of the Maritime Commission. It was built in six years instead of ten.

Shipping is dynamic. In some form or other it touches every part of the world and goes farther into nations' economies than is apparent on the surface. Withheld, it can cause untold damage. But directed and controlled properly and with justice, it can be the bloodstream of the world's flow of good will and harmony.

The time is fast approaching when we must make momentous decisions. Our maritime future is in the balance. We have the means of making that future secure. That is our opportunity. Our obligation is to use our power wisely.

In a recent address on "Some Aspects of American Foreign Economic Policy," Winthrop W. Aldrich, Chairman of the Board of The Chase National Bank, said: "Unless the channels of international trade are reopened, currency stabilization and foreign investment will rest on an ephemeral basis. The world will have been lulled into a false sense of security. We shall have the shadow of stability without substance. We shall eventually realize that the solution of our basic economic problems has become infinitely more difficult.

"To promote well being abroad as well as at home, the United States also has the responsibility of achieving a reasonably high level of national income and of avoiding the excess of boom and, in consequence, the dangers of depression. The attainment of a high level of national income will depend to a considerable extent upon governmental policies in the fields of taxation, labor and corporate regulation. The avoidance of boom and of subsequent depression is largely a matter of preventing post-war inflation. If we succeed in achieving these objectives, the United States will offer a good market for foreign products and will not prove a disturbing factor in other economies."

Perhaps we consider our foreign trade and shipping problem too earnestly. Perhaps so, but I doubt it, for it is one of the most important questions we must settle if we are to meet the future with a will to go forward. Would that we could, as did one of our wise men of old — "Looked behind to find his past and lo — it had gone before."

DuMont Laboratories Stock Offered At $7.375 Per Share

Offering of 225,000 shares of class A common stock of Allen B. DuMont Laboratories, Inc., was made Oct. 10 by a banking group headed by Van Alstyne, Noel & Co. and Kobbe, Gearhart & Company, Inc. The stock is priced to the public at $7.375 per share.

Other members of the underwriting syndicate are Ames, Emerich & Co., Inc.; Adamex Securities Corp.; J. C. Bradford & Co.; Cohu & Torrey; H. L. Emerson & Co., Inc.; First Securities Co. of Chicago; Hayden, Stone & Co.; R. H. Johnson & Co.; Johnston, Lemon & Co.; Loewi & Co.; Newburger & Hano; Brooke, Stokes & Co.; Joseph Faroll & Co.; Robinson, Miller & Co., Inc.; Courts & Co.; W. H. Bell & Co., Inc.; Bioren & Co.; E. W. Clucas & Co.; Coburn & Middlebrook; Francis I. du Pont & Co.; The First Cleveland Corp.; Johnson, Lane, Space & Co., Inc.; Robert C. Jones & Co.; A. M. Kidder & Co.; MacColl, Fraser & Co.; Newhard, Cook & Co., and Straus Securities Company.

Proceeds to be received by the company from the sale of these shares will be used for the production and sale of television transmitters and television receiving sets when priority restrictions are removed or modified. These funds also will be used for the construction and operation of television broadcasting stations and for the development and expansion of production facilities in the field of electronics.

Upon completion of the present financing, the outstanding capitalization of the company will consist of $23,542 of mortgages payable; 1,046,040 shares of class A common stock and 560,000 shares of class B common stock. All of the class B common stock is owned by Paramount Pictures, Inc.

The company is principally engaged in the development, manufacture and sale of cathode ray tubes, cathode ray oscillographs and other electronic devices including radar equipment. Practically all of the facilities of the company are now devoted to filling war needs. The company also broadcasts without charge, television programs in New York City, in addition to other experimental broadcasting work in New York and New Jersey. Since the company's war production has remained in its normal field, no substantial problem of reconversion is anticipated.

Net sales of the company for the fiscal year ended Jan. 2, 1944, amounted to $4,648,346, compared with $2,172,824 in the previous fiscal year. For the 28 weeks ended July 16, 1944, net sales amounted to $4,056,435.

Unity In Foreign Trade Policy

(Continued from first page)

ance reflects the interdependence of international trade interests.

Over-sanguine expectations of an early end of the war may not be fulfilled, but on the threshold of military victory immediate constructive planning is indispensable to the winning of an economic victory and the building on the ruins of Fascist totalitarianism of stable and lasting foundations of cooperative world trade relations. In governmental and business circles there is growing assurance of successful planning for the solution of the post-war reconstruction problem. The intergovernmental conversations conducted by our Government through the past year; the addresses and proposals to be made at this convention, culminating in its Final Declaration; the work of the Committee on International Economic Policy, under the leadership of Mr. Thomas J. Watson, Mr. Winthrop W. Aldrich, and Mr. Clark H. Minor, are valuable contributions toward the formulation of sound and effective international economic policies.

During the year there were three conferences of national organizations representing industry, banking, agriculture, labor and other interests, for the discussion of post-war problems. This exchange of views has revealed a large area of agreement.

Of world-wide interest will be the International Business Conference, November 10 to 18 inclusive, of delegates from over 30 countries. This conference is sponsored by the American Section of the International Chamber of Commerce, the Chamber of Commerce of the U. S., the National Association of Manufacturers, and the National Foreign Trade Council, in the effort to bring leading businessmen of the United Nations together for exchange of views and, if possible, reconciliation of differences and substantial accord on questions of mutual concern.

The presence of hundreds of delegates from so many countries, despite the difficulties of travel, reflects the anxiety prevailing in international industry and business to come to close quarters with common post-war problems. It is earnestly hoped that the American proposals will have the united support of industry and trade, and of agricultural and labor organizations in the United States. Our leadership in the reconstruction era must be based on unity of foreign trade policy.

In the immediate post-war transition period, the rebuilding of shattered domestic economies will not permit of any rigidity of policy. If the signatories to the Mutual Aid Agreement adhere strictly to Article 7 of that accord as applicable to long-term international trade policy, flexibility will be needed for short-term modifications to meet pressing and exceptional circumstances.

The intense interest taken this year in the Convention reflects the firm belief that it is high time to get down to brass tacks and to define clearly and unmistakably where American business stands in preparedness for the difficult years ahead.

I would like to refer briefly to some of the hazards on the fairway of international trade. The solution of the problem of international political security, vitally important to economic recovery and to world trade expansion, will be hammered out on the anvil of discussion at the Peace Conference. The Allies must not fail this time to safeguard the economic peace.

The future economy of the defeated Axis countries is of great importance to the future of world peace and trade. Stern justice must be meted out to all involved in crimes against humanity and enemy countries deprived of any power to prepare for another war. I use the word "prepare" advisedly, for the great mistake in the past was in permitting Hitler to organize a Five-Year Plan for making war on the most colossal scale in the history of the world. There must be complete and rigorous enforcement of disarmament in both Axis countries, in addition to such changes in national boundaries and curtailment of war industries and strategic imports as the United Nations may determine. History will judge us with respect to the policy we pursue beyond the limits of cold, relentless justice; especially with relation to its economic implications, which will affect the future peace and prosperity of the world.

The suggested reduction of the enemy countries to economies resting primarily on agriculture, ignores the fact that neither country could support its population on an agricultural basis. The remedy is one of effective control, not riddance, of German and Japanese industrialism. We cannot hope to speed the expansion of the world economy by destroying industrial segments of that economy, which are essential, if put to work, for purposes of restoration and reparations. There must also be absolute control of their competitive power to dominate world markets by the devious methods of the past, both in their export and import trade.

Expansion of our foreign trade is essential to the solution of our post-war employment problem. Our best markets always have been those of highly industrialized nations. Both enemy countries are lacking strategic materials necessary for war purposes. Added to effective control of their exports and imports, shipping and aviation, for years to come, the long-term task is one of extermination in both countries of the spirit of Fascist militarism.

Among the questions to be considered at this Convention is the future of the reciprocal trade agreements program. Have our people learned the lesson of the depressing repercussions of the tariff philosophy of 1930? Have they unequivocably accepted the principle of trade concessions adopted by us in 1934? Congress should be impressed with the necessity of renewing the Reciprocal Trade Agreements Act, when it expires next year. This method of tariff bargaining is a tried and effective mechanism for the promotion of our foreign trade. The bi-partisan majority approval given to the 1943 extension of the act is an encouraging indication of a national determination to dispense with the contentious, unilateral, log-rolling method of tariff-making.

It would be highly optimistic to expect unilateral reductions of tariffs and other trade barriers by other countries in the present confusion as to future trade relationships. The initiative taken by the United States in 1934, towards the removal of excessive trade barriers, has impressed 27 or more agreement countries with the practical value of our tariff-making system as a means of improving and stabilizing mutual trade relations.

Consideration, many feel, should be given to the creation of an International Economic Council which would act in an advisory capacity and help in the development of world trade in ways that promise to be most effective in enabling all countries to raise their standard of living.

A wartime topic which has given rise to much controversy and misunderstanding is that of cartels. Other countries have adopted cartellization practices for the promotion of their export trade which have the support and encouragement of their governments and which have operated to the great disadvantage of American export trade. The Council was largely responsible for the enactment of the Webb-Pomerene Law, which freed our export trade from the restrictions of the Sherman Act and placed our exporters in a stronger competitive position in markets controlled by foreign combinations. We cannot deny the sovereign rights of other countries to permit, or even require, their nationals to enter into combinations considered by them as necessary to their individual economic conditions. Nor is it likely that we can persuade these other countries to abandon cartels, particularly in the post-war transition period. Congress, therefore, should remove any uncertainty as to the interpretation of the law as applied to American international business agreements. You will be interested in hearing this subject discussed by Mr. John W. White, President of the Westinghouse Electric International Company, at the Second General Session, tomorrow morning.

The future of Lend-Lease has a direct bearing on our foreign trade. Lend-Lease is an emergency measure that must be discontinued when the war ends in Europe and the Far East. It should be restricted to the handling only of purchases that can not be transacted through regular trade channels. Its extension to Allied countries should take into consideration, aside from direct war aid, the effective implementation of Article 7 of the Mutual Aid Agreement. It should not be used to meet civilian needs of a country that can be met through private trade channels. It is essential that we resume, as rapidly as circumstances permit, the normal channels of distribution and that Lend-Lease procedure be closely examined from this point of view.

While both Government and business are agreed upon the need for the restoration of private enterprise, recognition must be made of wartime changes that indicate the possible prolongation or permanency of Government controls in certain directions. We will strengthen the case for early release of private enterprise from permanent controls, and shorten their duration in other countries, if, instead of reiterating the well-worn phrase, "freedom of private enterprise," we seek to define the line of demarcation to be drawn between Government and private business operations. The accepted principle that Government exists for the formulation of policy and its administration the encouragement of private enterprise and the removal of obstacles in its path, has deep roots in American tradition.

A question of paramount importance is the reconstruction of the Government's foreign trade promotion activities. The integration of foreign trade agencies of the Government has been urged by previous conventions as a most necessary undertaking for the recovery and protection of our international trade after the war. The coordination of autonomous departments and agencies through a central body, under the jurisdiction of the Department of State, would prove most helpful to the foreign trader and tend to avoid the overlapping and duplication inherent in a system hallowed only by age and tradition.

We have also long advocated the creation of an Inter-American Board of Trade.

Continued unity amongst the United Nations in the reconstruction years is essential to the creation of an orderly world economy. High productivity in the American domestic economy, augmented by an increased foreign trade based on generous concessions in return for genuine reciprocity, will do much to promote and maintain international cooperation.

Our stake in the growing industrialization of the world calls for constructive policies in relation to our capital investments in foreign enterprises and judicious loans for sound projects. The great advances in American technique and skill in production has been demonstrated on many battlefields and will exercise a most favorable influence on the expansion of our export trade.

It is difficult to exaggerate the importance of this Convention, as an interpreter of the views of American foreign trade interests on post-war problems. These are times of decision that test the fiber of the American nation. It is our hope that our deliberations here and the Final Declaration of the Convention will provide a blueprint of the pattern of national policy.

Roth, Beiser Retire From Weil, Roth Co.

CINCINNATI, OHIO—John E. Roth has resigned from the presidency and George W. Beiser from a vice-presidency in The Weil, Roth & Irving Co., Dixie Terminal Building, it is announced by the firm. Mr. Roth, one of the founders of Weil, Roth & Co., predecessors of the present firm, in 1901, felt it advisable to retire from business because of advancing years, although he will be at the firm's offices for a short time. Mr. Beiser has been with the company since 1902; he plans a rest and an opportunity to care for his personal interests.

Harry R. Niehoff, with the company for 40 years, becomes President. Stanley G. McKie and Erwin J. Moster, who have been associated with the firm for 25 and 30 years, respectively, will continue as Vice-Presidents.

Mr. Niehoff was one of the originators of the North Carolina Municipal Council and has been a director for many years. He has also served on the board of trustees of the Ohio Muncipal Advisory Council for the last 10 years. Mr. McKie was a member of the House of Representatives and has served as State Senator for three terms. In the Senate he was Chairman of the Banking Committee and also a Vice-Chairman of the Taxation Committee, and a member of the Insurance and Finance Committee. Mr. Moster for eight years represented the firm in Chicago; he has been in the Cincinnati office for the past 15 years.

The firm, which is a member of the Cincinnati Stock Exchange, will continue its offices in the Dixie Terminal Building, and will continue its policy of originating and distributing municipal issues and certain corporate bonds and investment trust shares.

Attractive Investment

The Public National Bank and Trust Company of New York offers an attractive investment, according to a memorandum on the Sept. 30th, 1944 statement of the bank, which is being distributed by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this interesting memorandum may be had from the firm upon request.

Canadian Securities

By BRUCE WILLIAMS

Mr. Mitchell F. Hepburn, the most colorful personality in Canadian public life, makes a dramatic reappearance on the fast unfolding political scene. The various conjectures of the past two years, that the former Ontario Liberal Premier would join the Progressive Conservatives, that he would link up with the C. C. F. to form a coalition to defeat Mackenzie King's Liberal government, are set to naught.

This shrewd appraiser of political prospects sees clearly the implication of recent events — that the divided abortive leadership of the Conservative Party (with neither John Bracken and his solid, colorless virtues nor Colonel Drew and his provincial isolationism able to capture the popular imagination) has led to retrogression throughout the Dominion.

What of the flattering successes of the C. C. F. which have been widely heralded in this country as the beginning of a Canadian revolution or at the least a violent swing to the left? Here again Mr. Hepburn looks through the fog and sees the waning influence of this movement. Perhaps his vision was aided by the recent Gallup poll which shows that, whereas in September, 1943, Canadian political opinion favored the C. C. F. with a percentage of 29%, against 28% Liberal, and 28% Conservative, the poll as of September, 1944, indicates 36% in favor of the Liberal party, 27% Conservative and 24% C. C. F.

Thus Mr. Hepburn, in recent slashing attacks on the Progressive Conservative Premier of Ontario, Colonel Drew, declares his intention to "oppose the new and dangerous form of Toryism in Ontario" and at the same time implicitly buries the hatchet in his feud with Dominion Premier Mackenzie King by the announcement that he "holds no issue with the Liberal Government in Ottawa." In a further statement Mr. Hepburn pledges himself to take his place "in the ranks of reform Liberalism to rally the forward-looking people of Ontario against the new Tory menace, whether it be in the Provincial or Federal field."

This striking political development is the key to the forthcoming Federal elections. Whatever hopes were held by the C. C. F. or the Progressive Conservatives to upset the Liberal Government, must now be rudely shattered. Mr. Hepburn will prove himself once more a powerful factor in Canadian politics and whereas the Liberal prospects previously appeared to be not unfavorable, they are now positively bright.

During the past week, market activity was at a low ebb although the underlying firm tone remained unchanged. There was, however, a decided recovery in Alberta issues, which development belied the pessimistic reports concerning a satisfactory settlement of the provincial debt problem.

Little trading took place in internal issues and the Canadian free exchange rate although firm at 10% discount was plainly marking time pending definite developments. High-grade Canadian stocks showed evidence of increasing attention and Consolidated Mining and Smelting further improved to 51¾. As already mentioned, this company has excellent post-war prospects. It is the world's largest and lowest cost supplier of lead and possibly in a similar position in the production of zinc, and the ore-reserves of these metals in this country are steadily diminishing. In addition to the production of other metals such as mercury, gold, silver, tungsten and cadmium, this company has recently become an important producer of sulphuric acid and fertilizers. Also after the war this company's extensive interests in new gold properties in the Yellowknife district of the North West Territories are likely to return surprisingly high dividends.

With regard to general market prospects, the nearer we approach the new Victory Loan period, the less likelihood is there for any variation from the present quiet steady pattern.

Problems Of Reconversion

(Continued from page 1580)

than doubled our industrial production.

It has been this enormous increase in production which has made possible the enormous increase in our fighting power since Pearl Harbor. Our Navy now has more than three times the number of combat ships it then had. It has two and one-half times the tonnage. Its fighting strength has been increased at least five-fold. It has almost seven times as many planes. Its offensive and defensive powers have been enormously strengthened by aircraft carriers, escort vessels and radar equipment. Its air force is as strong as the entire air force of either one of our enemies.

Today we are producing planes at the rate of 100,000 per annum. Our production is larger than the combined production of all other countries, and is three times the combined production of our enemies. To achieve this plane production we had to increase our production of aluminum five-fold, and our production of magnesium 70 fold.

The personnel of the Army has increased more than five-fold since Pearl Harbor, now numbering more than seven and one-half million, and the forces in all of the armed services now number more than 11 million.

We are able to produce 75,000 tanks a year and as much ammunition as all the rest of the world combined.

Food is a weapon of war. At the beginning of the war there was talk of a food shortage and a food famine. But despite the movement of labor from the farms and the shortage of farm machinery, our farmers, by long hours of work, will produce in 1944 30% more food than in 1939.

In 1939, we were using 592,000 tons of rubber, practically all of which we imported from foreign countries. Almost over night our supply was shut off. American industry met the problem and solved it. In 1944 we are using approximately a million tons of rubber, four-fifths of which is being turned out by our great synthetic rubber plants.

In 1939 we were using 36 million tons of steel. In 1944 we are using 65 million tons of steel.

In 1939 we were producing 28 billion feet of lumber. In 1944 we are producing 36 billion feet of lumber. Recent surveys indicate after V-E Day the lumber situation will still be tight but there will be enough lumber and building materials to take care of the demand for private construction.

In the light of our production record, achieved while eleven million of our youngest and strongest men, physically, and mentally, were in the armed services, what limit is there to our production when they return home? We must view our task after the war not simply as a task of demobilization from war but mobilization for peace. The task of reconversion is not to go back but to go forward.

As a result of our successful mobilization, nearly half of our total production is now going for war purposes. Despite our extraordinary war effort, we have avoided any real suffering on the part of our civilian population. There has been rationing, but our people, as a whole, are better fed and better clothed than they ever were, even though there are fewer nylon stockings to wear and fewer beefsteaks to eat.

Even after V-E Day we must continue rationing commodities which are in short supply, but it is the policy of the Government to remove items from the ration list as soon as the supply makes it possible.

We have had price control. Without it we could not have prevented the cost of living from skyrocketing as it did during the last war. According to the Bureau of Labor Statistics, the cost of living since Jan. 1, 1941 has risen only 25.3%. Food prices have risen only 40.8%, and in most communities rents have been held at the 1942 level. Of course there has been some deterioration in quality and some difficulty in getting low priced items, and these facts are not reflected in any index. But who can be happy feeling that he is not foregoing anything when the heroes of Bataan are still prisoners of the Japs?

While we are prosecuting the war against Japan, price control must continue just as wage control must continue, and the relationship between wages and prices must be stabilized.

The stabilization program has hurt neither the farmer nor the worker. The net income of farmers in 1943 was 81% higher than in 1941, and current estimates are that this will be maintained in 1944.

Since Jan. 1, 1941, the average weekly earnings of salary and wage earners have increased 51.3% and the average hourly earnings have increased 36.4%.

The white collar workers and people with small fixed incomes have fared less well during the war, but the only way to help them is to continue to hold the line against inflation. In April, 1943, the President issued what was known as the Hold the Line Order. Subsequently, I issued a directive supplementing that order. The present Director of Economic Stabilization in several decisions has referred to it as the Byrnes' Hold the Line Order. Well, I am proud of it. My only regret is that its provisions were not written into the law which was enacted before I took charge.

The Office of Economic Stabilization, the Office of Price Administration, and the War Labor Board have done a wonderful job trying to hold that line. Here and there it has been bent. Rear guard actions have been fought against the attacks of groups that are powerful while we are fighting a war. But, on the whole, the line has been held and Government should continue to hold it until the dangers of inflation are passed. If we do not preserve a stable economy, post-war deflation will ruin all plans for post-war prosperity.

But the success of neither our production program nor our stabilization program will eliminate the problems of readjustment when V-E Day comes.

Congress has properly said that when production is no longer needed for the war effort, it shall not be continued merely to furnish business to an employer or jobs to employees. The overnight reduction of 40% in the requirements of the War Department will necessarily seriously affect our economy. The procurement agencies are taking steps to promptly settle with contractors, remove government property from their plants and thus hasten the resumption of civilian production. Advanced notice is being given to contractors and the contractors will be required to communicate that notice to employees.

All information about cancellations will now be cleared through one office — that of the Production Executive Committee. From time to time meetings of various agencies will be held so that the reconversion plans of an agency will be known to other agencies. The war controls of the War Production Board, of the War Manpower Commission, and other agencies will be lifted as quickly as possible, consistent with the all-out prosecution of the war against Japan.

I have asked the Director of the Budget to make a survey of the requests of government agencies for reports from business. In many instances the requests for these reports come from some representatives of business. Many are still essential but I hope at this stage we can dispense with many of them.

Many of us have changed our thinking. We have accomplished what seemed impossible two short years ago. In the past I was certain a democracy could function in peace-time but doubted that it could successfully function in war-time. Today, we must meet the challenge to prove that our democracy can function as well for purposes of peace as for purposes of war.

V-E Day will present many problems for our solution. Government alone cannot solve them. You of the press can arouse the thoughtful people among us who can help in the solution.

When on V-E Day the War Department reduces its requirements 40% because thereafter there will be a war on only one front, it must then be determined whether there should be a corresponding reduction in the munitions of war we produce and through lend-lease furnish to our Allies. The seriousness of the problem is apparent when you realize that our lend-lease expenditures for all purposes for the first six months of this year amounted to $5,794,000,000. The problem, however, involves not only dollars, but the extent to which we and our Allies should change from war production to civilian production, and what our respective contributions to the war against Japan should be. This can be determined only by the heads of governments.

I look ahead to V-J Day which from the reconversion point of view will present more serious problems than V-E Day. Here are a few, not necessarily the most critical. We have a shipping problem. On Pearl Harbor Day we had an ocean-going merchant fleet of 1,100 ships of approximately 10,000,000 deadweight tons. Today with over 4,000 ocean-going merchant type vessels having a tonnage of approximately 42,000,000, our fleet is four times as large.

At the outbreak of the war in 1939 the ocean-borne commerce of the world was carried in 9,200 ships with a total tonnage of 72,000,000. Today our tonnage alone is more than one-half the combined tonnage of the world prior to the war. Our tonnage is four times that of Germany and Japan.

In the past much of the world commerce was transported by other nations like Great Britain and Norway, where ships were built and operated for less than ours. The service they rendered in carrying our goods made it possible for them to pay for goods purchased from us. Their ships will return to the sea.

At the present rate of ship construction, a large post-war surplus of world shipping seems inevitable. With our huge stake in shipping, shall we watch this surplus result in international cutthroat competition or shall we participate in an orderly international procedure for adjusting the world supply of ships to the world demand for ocean transportation? Industry should now agree upon a policy and submit that policy to government.

And what about air transportation? Before the war all of our domestic airlines were using only 350 transport planes. Today the Army and Navy have more than 12,000 transport planes.

After the war thousands of planes can be converted to commercial use. We have transport equipment scattered over the world. We have trained personnel with which we can develop an air transport system larger and better than any other nation. We know there will be a tremendous increase in overseas passenger traffic by air. Again, there must be established international procedure to regulate that air traffic. And again, industry must agree upon a policy and government must give fair and sympathetic consideration to its proposals.

America today stands at the cross roads. This generation of Americans can nobly gain or meanly lose the hope of the world. If America can use her productive powers for peace as she used them for war, we shall nobly gain that hope. If American cannot use her productive powers for peace, America and the whole world will lose that hope.

Only by working together as a united people can we achieve that hope. It is not a theory to be held, but a condition to be met. We must not allow fear of going to work in the wrong way keep us from going to work at all. We must and shall provide the opportunity for productive work for all our people.

There may be one perfect theory by which this can be accomplished. But I doubt it. It is far more likely that we shall reach our goal more safely and more quickly if we approach it by many avenues. Even economists are better able to tell us how things happen after the event than before. The true economic theory of full employment is not likely to be written until full employment has in fact been achieved.

America's technical equipment, America's capacity and trained skill to produce, are greater than ever before. America has the ability to maintain a much higher standard of life than ever before.

There is no place in America for economic defeatism. We can make America worthy of the men and women who are fighting to preserve its highest ideals. We have the men and materials to replace the slum dwellings in town and in country with modern low-cost homes, to conserve our soils, improve and diversify our agriculture, and modernize our transportation.

As we keep our soldiers fit for fighting and care for them when they can no longer fight, so after the war we must strengthen and expand our social security system to make and keep our citizens fit for working and fit for living. No one in America should be denied access to these minimum standards of living because he is too young to work or too old to work; or because through no fault of his own he is unable to work.

I am not blind to the irreplaceable resources we are using up in this terrible war. I am not unaware of the precious youths who are giving their lives bravely and gladly that we may have a better world. But tragic as the loss of human life may be, and great as our loss of resources may be, our country is so richly endowed and so marvelously equipped that only the lack of vision stands in the way of our handing down to the next generation a heritage of even greater promise than our fathers bequeathed to us.

As a rich and powerful nation we have responsibilities not only to ourselves but to the whole world. If we do not maintain employment and prosperity at home, we will not be able to do our part to maintain employment and prosperity abroad.

Relief will be required and should be extended to those peace-loving countries whose economic life has been shattered by war, but no world settlement that provides only a place on the relief rolls to nations willing to work for their livelihood as well as to fight for freedom will be adequate to ensure a just and enduring peace. That is not the sort of freedom from want that the free and peace-loving nations are fighting for. Only through increased production, increased employment and increased trade can freedom from want be achieved.

There can be no lasting peace in or for America, unless America does her part to maintain world peace. We have learned that nations, like individuals, cannot live at peace except under the law, and that nations, like individuals, must cooperate to see that the law is enforced and must be willing to use force if need be to compel obedience to law.

It is not, however, enough to cooperate to put down aggression and to settle boundary disputes. We must cooperate with other nations in order that each nation may be helped in its effort to enable its own people to enjoy the highest standard of life that a wise and prudent use of their human and material resources entitle them to have. We must cooperate with other nations so that every people by a fair exchange of the products of their labor should be helped to acquire the products of labor of other countries required for their health and welfare. That is necessary to ensure full employment in our country and rising standards of living here and throughout the world.

We have the strongest Navy in the world; an Army that is the equal of any in the world. We have unlimited natural resources and unlimited capacity for production. We have the gold, the ships and the planes. For the sacrifices we have made in this war we ask neither territory nor money. But surely through the proposed international bank and by other means, we will use uor influence to raise the standards of living throughout the world, promoting the economic productivity and welfare of the people and thus providing markets for our surplus goods.

But the great wealth and strength of America must not be used primarily for material gain. That is not the spirit of our people. To win this war we have given the most precious of our assets — the youth of our land. We want to make certain that those who speak for us in the days to come will use the wealth and power of America to prevent the mothers of this nation from again suffering the anguish they today endure.

Nash Associated With C. A. Taggart & Co.

PHILADELPHIA, PA.—The investment firm of Charles A. Taggart & Co., 1500 Walnut Street, announce that John E. Nash has become associated with them.

Mr. Nash was formerly manager of the trading department for Tyson, Jourdan & Co., Inc. Prior thereto he was with W. Vaughan Clarke & Co.

Charles Otis Dead

Charles Otis, publisher of the "American Banker" and "The Bond Buyer," died on Sept. 30 at his Summer home in Yarmouth Port, Mass. He was 72 years old. From the "American Banker" it is learned that Mr. Otis was associated with the newspaper business all his life. He started with the "Boston News Bureau" and later became president of the "Wall Street Journal" and Doremus & Co. Since 1913 he has been President and Publisher of "The Bond Buyer" and, since 1918, President and Publisher of the "American Banker." He was Vice-President and Director of the First National Bank of Yarmouth which his grandfather founded in 1825.

He was born at Yarmouth Port, Mass., on Aug. 19, 1872.

Economists Urge Repeal Of Sections Of Monetary Law

National Committee On Monetary Policy Points To Changes Which Would Put The Currency "In A More Wholesome Condition" And Aid In Treasury Financing.

The Economists' National Committee on Monetary Policy, of which Prof. Walter E. Spahr of New York University is Executive Secretary, has sponsored a petition to Congress signed by 58 of its members, urging the prompt repeal of the Thomas Inflation Law of May 12, 1933, and the elimination from the Gold Reserve Act of 1934 of Sections 8 and 9 that give the President power to fix the prices of gold and silver within certain limits, whenever the Secretary of the Treasury "may deem it most advantageous to the public interest." The contention of the signers of the petition (among whom are such prominent economists as General Leonard P. Ayres, Vice-President of the Cleveland Trust Co.; Professor Eugene E. Agger, Superintendent of Banking and Insurance of New Jersey; Dr. Benjamin H. Beckhart, Professor of Banking, Columbia University, and Economist of the Chase National Bank, and Dr. Edwin W. Kemmerer, Professor Emeritus of International Finance, Princeton University) is that the repeal of these provisions would place the extensive program of financing confronting the United States Treasury on a better basis.

The Thomas Inflation Law permits the President to issue unsecured notes (greenbacks) to an amount not exceeding $3,000,000,000, and under the Gold Reserve Act of 1934 the President has the authority to change the value of the gold dollar as fixed by the law so that it may be further reduced from its present weight of 15 5/21 grains to 12.9 grains.

The following is the full text of the recommendations, dated Oct. 6, together with the names of the signatories:

Considering the extensive program of financing confronting the United States Treasury and the fact that such financing can be undertaken best when the nation's currency is in the most wholesome condition which circumstances will permit, we the undersigned members of the Economists' National Committee on Monetary Policy recommend that the following monetary laws be promptly repealed:

1. The Thomas Inflation (greenback) Law of May 12, 1933.

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

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

Signed:

Eugene E. Agger, Rutgers University.
Benjamin M. Anderson, University of California at Los Angeles.
Charles C. Arbuthnot, Western Reserve University.
Leonard P. Ayres, The Cleveland Trust Co.
Benjamin H. Beckhart, Columbia University.
James Washington Bell, Northwestern University.
Ernest L. Bogart, New York University.
Frederick A. Bradford, Lehigh University.
J. Ray Cable, Missouri Valley College.
Wilbur P. Calhoun, University of Cincinnati.
Neil Carothers, Lehigh University.
William W. Cumberland, Wellington & Co., New York.
Charles A. Dice, The Ohio State University.
D. W. Ellsworth, E. W. Axe & Co., Inc., Tarrytown, N. Y.
William D. Ennis, Stevens Institute of Technology.
Fred R. Fairchild, Yale University.
Charles C. Fichtner, Wales-Strippit Corp., North Tonawanda, N. Y.
Clyde Olin Fisher, Wesleyan University.
J. Anderson Fitzgerald, University of Texas.
Major B. Foster, Alexander Hamilton Institute and New York University.
Herbert F. Fraser, Swarthmore College.
Roy L. Garis, Vanderbilt University.
Lewis H. Haney, New York University.
Hudson B. Hastings, Yale University.
William F. Hauhart, Southern Methodist University.
Frederick C. Hicks, University of Cincinnati.
John Thom Holdsworth, University of Miami.
Montfort Jones, University of Pittsburgh.
Donald L. Kemmerer, University of Illinois.
Edwin W. Kemmerer, Princeton University.
William H. Kiekhofer, University of Wisconsin.
Frederic E. Lee, University of Illinois.
J. L. Leonard, University of Southern California.
Philipp H. Lohman, Time Magazine.
James D. Magee, New York University.
A. Wilfred May, New York City.
Mark C. Mills, Indiana University.
Margaret G. Myers, Vassar College.
Melchior Palyi, Chicago, Ill.
Frank Parker, University of Pennsylvania.
Clyde W. Phelps, University of Chattanooga.
Chester A. Phillips, State University of Iowa.
Howard H. Preston, University of Washington.
Leland Rex Robinson, 2 West 45th Street, New York.
R. G. Rodkey, University of Michigan.
Olin Glenn Saxon, Yale University.
Joseph A. Schumpeter, Harvard University.
Carlton A. Shively, New York "Sun."
Walter E. Spahr, New York University.
Charles S. Tippetts, Mercersburg Academy.
Alvin S. Tostlebe, College of Wooster.
James B. Trant, Louisiana State University.
Rufus S. Tucker, Westfield, N. J.
Russell Weisman, Western Reserve University.
Nathaniel R. Whitney, Procter & Gamble Co., Cincinnati, Ohio.
Edward Wiest, University of Kentucky.
Max Winkler, College of the City of New York.
Ivan Wright, Brooklyn College.

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.

A Look At Aircraft Investments

(Continued from first page)

completed airplane and because of that should really be called "airframe" manufacturers. The weight empty of an airplane is the complete airplane less fuel, crew, passengers, and cargo.

Various definitions of airframe have been used to determine a base point for comparisons; the technical definition is unnecessary for the investor except that he should realize that, generally speaking, an airframe is that portion of a complete airplane which a manufacturer has engineered, fabricated, and assembled from raw materials, rivets, bolts, tubing, brackets, etc.

Units of airplanes produced cannot be used as a basis of comparison since types of aircraft vary on a wide area. The assembly and installation time on a small plane is proportionately higher because the workers have difficulty in the smaller areas of the airframe.

A method of comparison by volume may some day supersede the muddled weight basis. The value of density comparisons is that the working area of a closed structure directly affects the assembly and installation hours necessary to complete.

Airplanes Are Expensive!

Despite all the starry-eyed dreamers, the future of aviation functioning solely on private enterprise has no Milky Way of prospective customers. The companies that will present investment possibilities will be those who very shortly deflate, experiment, investigate, and promote.

The growth of the aviation industry through private markets alone would never have accelerated, because the high cost of the product relegates it to commercial usage with a small bit of the "yacht trade."

The airplane is expensive, not only because it is produced in small quantities but because the product itself is a delicately balanced instrument. Airplane tolerances for sheet metal far exceed those of the automobile. "Bumping to fit" may do the job but that costs man-hours. Airplanes require high precision assembly jigs machined to .001 tolerances. Even a one degree variation in the angle of the wing mating to the fuselage will cause the airplane to fly very poorly with a good chance for it to crack up.

The perfect airplane would carry the greatest load at the fastest speed at the lowest cost to its destination safely. By attempting to combine those qualities into one model, a designer would go mad in a week.

Hence, every airplane built is a compromise. A fighter plane sacrifices speed for greater load and longer range; a bomber sacrifices cost and speed for a greater load and a longer range; a private plane sacrifices speed and load for cheaper cost. None, actually, can sacrifice safety, and safety adds man-hours to plane production.

Besides being expensive to assemble and design, airplanes incorporate some pretty costly installations such as engines, instruments, and radio. All three are quite necessary. A good engine in 1941 cost $7.75 per horsepower to the airframe companies. Since most pilots prefer to fly with at least 100 hp., a considerable outlay is indicated for power alone. Even assuming that the cost per horsepower would drop to $4, a private owner would still have the price of a good used car tied up in his engine.

Good instruments of all types average more than $25 apiece, not including necessary transmission lines. Estimating a minimum of ten instruments per airplane would amount to $250. There are many indicators that sell for hundreds of dollars and here only the basic ones were used.

Radios have come down since 1941 and some farsighted firms will be able to supply two-way sets for quite reasonable prices. However, safety regulations will require complete installations on airliners and these still hover in the $5,000 neighborhood.

As airplanes fly higher and faster, additional installations of a specialty nature appear, such as cabin pressurization. This is also known as cabin supercharging and will be standard equipment on all stratosphere type aircraft. One airplane company incorporating such, estimates that the installation will cost close to $60,000.

Reviewing these facts in light of their relationship to profit is not encouraging. Although the wish for one's own plane may be high, the effective demand will be lacking. A small splurge by the better-fixed to replace older models, with a limited market from "Drive Yourself" groups, and completed by a short rush from war pilots and enthusiasts will produce opportunities for speculative-minded buyers. When the last group begin to lose their planes through repossessions and huge service bills, sales drops will follow. Only the airlines will continue orderly plans of replenishment.

Using Known Figures for the Future

It is quite likely that aircraft companies will publish some sort of production figures of airframe poundage. By determining the number of direct man-hours for the same period and dividing, a fair yardstick of both production and management efficiency can be obtained. Compare your figures with these:

Date—	Manhours per pound
HEAVY BOMBER TYPE (Equal to all-cargo)	
January, 1943	1.54*
June, 1943	.99*
January, 1944	.69*
MEDIUM BOMBER TYPE (Small transport)	
January, 1943	1.65*
June, 1943	1.09*
January, 1944	.91*
FIGHTER (4-5 place private ship)	
January, 1943	1.41*
June, 1943	1.97*
January, 1944	1.08*
TRANSPORT TYPE (Commercial will run more)	
January, 1943	1.71*
June, 1943	1.07*
January, 1944	.85*†

*Plus sub-contracted parts. †Source—W.P.D., A.A.F.

These man-hour figures of direct labor per pound of airframe are from a period when the West Coast branch of the industry was relatively efficient. Small changes were being made in the finished products and lines were producing "systematically." It is doubtful that in post-war times any one aircraft company producing in small lots will be able even to meet these figures.

Further, it must be shown that these man-hours per airframe pound do not include sub-contracted parts. To meet the schedules set by the AAF, a large percentage of the total airframes were made by thousands of smaller independent shops. For example, one fighter plane had only 17% of its weight fabricated by its original designer. A good figure to remember when judging commercial production is 2.0 hours per pound minimum at the 100th airplane. Some intricate designs will shove this higher but it should not top 2.5 hours per pound.

Those Conversion Problems

While production efficiency figures inform the investor of the condition of the tools, machinery, and employee skill, it is only a portion of the total expenditures. Aircraft overhead rates, based on production hours, range from 100% to 130% and these rates do not result from high production efficiency. The average aircraft company has 50-60 out of every 100 full-time employees shuffling papers while 40-50 buck rivets!

Management has given the armed services an answer for all the non-producers but investors have not been told the story. True, there are thousands of parts for every airplane. True, there are many reports and cost statistics required to satisfy Government price investigators. But what is more than true is the fact that "cost-plus-a-fixed-fee" does not develop an economical way of maintaining records and hurrying production.

Converting to peacetime models and a peacetime production rate will bind the airframe industry greater than any other save the shipyards. Conversion for both is not just the mere re-tooling and re-arranging that other industries face.

First, consider this feature—90% of all the facilities operated are owned by the Defense Plant Corporation. Much of this equipment is integrated with company-owned. Should the DPC allow it to be sold for 10 cents on the dollar, a goodly portion of each firm's post-war reserve would be immediately allocated. At the end of 1943, for example, eight of the largest airframe companies held post-war reserves of only $35,000,000, a figure less than the total DPC holdings.

A few airframe concerns have neatly provided for this by keeping their original plants free from DPC equipment and facilities. On "C" Day (Cancellation), they plan to move out everything they own from branch plants and settle the details from their own tower. Any of the desirable equipment can be bought later.

But even those firms that do retire to a fully owned physical plant still lack the tooling—dies, drill plates, jigs, and such—to fabricate airframes. The ones they do have in their own plants are Government property. In the case of a firm desiring to continue building a transport type airframe, a serious handicap presents itself unless the AAF will permit usage while a purchase price is agreed upon.

The troubles have only begun! In the storerooms of every plant stand millions of dollars of raw materials. How much is there? To whom does it belong? How much will the Army charge for its share? Progress payments on contracts do not specify so many feet of extrusion stored in Bin No. 79. If the companies actually knew the amounts, and the Army agreed that those amounts were accurate, the problem would be simple. Few, if any, actually know.

Then there is the matter of work-in-process. Small assembled parts are binned along the lines. Who owns what part of them? Does the Army want them and will it haul them away? Through the tons of records, the answer, or at least a practical answer, may be found, but this alone will take a long time to settle.

Who Has the Market?

Dealing with the Armed Services is not so hard as most companies would like you to believe. The AAF has had all the money it needed and has not been really tough except when production was behind schedule. Yes, there have been many arguments during "renegotiations" about "true" costs of detail parts, but since neither the Army nor the contractor knew the actual costs, the arguments were pointless.

But commercial airline customers, the biggest foreseeable peacetime users, are not likely to warm to such a haphazard attitude or method. They will demand and receive competent prices.

All this points to one thing: There will be as radical a war-to-peace change as there was from peace-to-war. Until the efficiency of detail control develops within the airframe companies, profits will remain relatively meager.

Forgetting for the moment production and overhead deficiencies, let us view the market potential. Before the war approximately 350 transport planes supplied the domestic need. Today, all these same airplanes could be built by one company employing 10,000 production workers in less than a half-year!

So that this picture may have a few bright spots, let us "guess-timate" that the domestic airlines expand after the war to include 200 four-engined transports of 95,000 pounds gross; 300 medium-sized ships of 28,000 pounds (3,000 pounds heavier than the DC-3); 500 interurban aircraft of 12,000 pounds gross; and 50 four-engined cargo carriers of 125,000 pounds gross. The total weight would amount to 39,650,000 pounds. Since an airframe is normally 35% of the gross weight, that leaves 13,877,500 pounds for the airframe manufacturers to fabricate.

In 1940, the seven West Coast companies and their divisions alone produced 12,006,100 pounds of completed airframes.* In 1940,

*Source: Western Procurement District, AAF.

the net profits of these same companies amounted to approximately $23,000,000, with three firms receiving 87% of that amount.

Before the war, one company, Douglas, dominated the domestic airline market with Boeing, Chance-Vought (Vought-Sikorsky), Lockheed, and Martin trailing. As it looks from here, there will be little change in the line-up, except to add Convair into the group as a forceful competitor.

Douglas again leads the domestice race with two airline types and one interurban type announced to date. The airlines have already subscribed to their planned revisions of the DC-4 (C-54) and are curious about the huge DC-7. Announced abilities of the Douglas "Skybus" (to sell at $80,000) have stirred the fixed-base operators looking for feeder business.

Boeing has never been so secretive as now about the post-war. Their "know-how" was in pioneering two-engined transports and four-engined "Stratoliners." It is rumored that they have a big one ready for near future tests. Certainly, with their experience at building B-17's, and B-29's, they will present formidable competition.

Lockheed's spectacular "Constellation" will capture the express trunk routes of length. Changes being proposed will make it more attractive to other operators. No doubt they plan other models to round out their stable in addition to ambitious world-wide service projects. Acquisition of the Pacific Finance Corporation with the announced intention of aiding private plane sales would indicate entry into the private plane field.

Martin still banks on flying boats as the best for over-water transportation. Reconversion plans of the "Mars" and projected boats of even greater capacity have been widely publicized. However, the biggest commercial consumer of flying boats is shying at replenishing his fleet due to certain operational disadvantages of this type.

Newcomers Will Make It Hot

These manufacturers along with Cessna and Beech possess the know-how, the contacts, the publicity and, best of all, the public confidence.

But the others do not plan to leave the race before the start. Look at the line-up of prospective air-transport producers as known: Consolidated - Vultee, Fairchild, Republic, Northrop, newcomers to recent airline business, and all anxious to stay in business. Fairchild builds a single-engined utility transport and has flown their new cargo carrier. Convair's long experience with big airplanes and their successes with the Liberators helped them design their Model 39. Besides bidding for the air-transport business, a recently announced aircar for $2,100 will vie in the smaller class. Northrop says the "Black Widow" can lose its sting with the substitution of a new fuselage to carry passengers.

Republic has announced nothing, but their house advertisements in such magazines as "Time" are not a bid for peacetime Air Force trade. Reports state that a four-engined airplane is about ready to be flown. Curtiss-Wright's bad luck with the CW-20 (Army C-46 Commando) will change since it proved itself on the toughest airline route of all—over the top of the world from India to China, the Burma Hump.

That leaves North American, Bell, Grumman, Brewster, Chance-Vought, and others. The post-war plans of the light plane makers are obvious. They will go for John Q. Public. Since they have succeeded even in poor years with careful management, their outlook may not be too dark despite obvious difficulties that are a part of luxury goods production.

North American with General Motors for a godfather will survive come washing machines or stainless steel railroad cars. Bell is speeding helicopter development but design and operation problems will slow its wide acceptance for some time.

Summary

By focusing a critical eye on the landscape, several prominent points are brought into view.

First, forget all you have read about thousands of airplanes blotting the sky. Air travel often is very fine, but the weather still controls the flight. Many business men fly only when absolutely necessary, and then only if a big savings is important.

Flying privately hurts the purse. Some salesmen with large territories, the sports pilot, and the week-end fair weather pilot will be the sole market until a long range, big load carrying, low cost airplane is designed. This plane may not appear for some years.

Cargo carrying becomes a bright spot but not until an airplane is designed that will make a profit on 15¢ ton-mile rate. So far, none are in sight.

Until the weather no longer hinders arrivals and departures; until private planes can fly family-loaded and cheaply; until the true cargo carrier appears, the airframe companies will not produce profit windfalls.

Second, look behind the front cover and investigate management efficiency. When it has become expedient to break a company into 34 branches, 31 divisions (from one to a division to thousands) and almost 300 departments sales volume will help you very little.

This is not a unique picture. It is quite typical. Four years of cost ignorance does not generate good administration. The shell may be hard but the yolk is rotting. Until airframe companies re-learn the value of a dollar this condition of small-fry interior empires will give you the headache.

Third, aircraft production does not lend itself to mass fabrication with unskilled labor. Until airplanes are designed simpler, i.e., with a greater number of their component parts identical or similar, your dividend dollars will be few.

Fourth, the troubles attendant with war contract terminations, disposal of government-owned equipment, facilities, materials, and work-in-process will have the attention of most executives for the next two years.

The accounts covering these items are nebulous and confused. Most concerns are praying for a fell-swoop completion even if it costs money. But the Army, practical and realistic in many ways, may be forced to do close accounting to satisfy the Government's General Accounting Office.

Fifth and last, is the ever-present prospect of mergers and bankruptcies. It is not altogether out of the way to say that some may fall soon after cancellations. Others who have good names but weak structures are subject to merger bait.

Too many companies each undermining the other hurt sales, raise costs, and lower profits. War-nourished babies have a tough time digesting lean peacetime food.

Until the period of "after earthquake settlings" is completed, you, as an investor, may find yourself with some expensive wallpaper instead of a stock certificate.

Subtracting it all from even the bright picture of a boom in air transport aviation and maintenance of a 25,000 plane strong Air Force leaves you well bound reports but no checks.

This novice, who knows little about the proper ratios, would advise that, if you must hold aircraft shares, you should look to the equipment companies first; United Aircraft, Bendix, Curtiss-Wright, Pratt & Whitney, General Electric, Westinghouse, Square D and Cleveland-Pneumatic don't care what airline buys what airplane for their products will ride along in any event.

And, then, if you feel you must hold airframe shares, bank on those who will sell the world's airlines and who possess matured management. Then, and only then, is the time for you to compare the ratios, the earnings statements and the surpluses.

Reveals Plan Of Federal Control Over Foreign Trade

(Continued from page 1579)

certain that American businessmen have no knowledge of them. My thought is that since I am a past official of the Department of Commerce my job is to give out this information. The information has to be given out and I am going to read now an exact copy of the three agreements to which I have referred. These agreements have been made by officials sent from Washington to London, and they have been made with the British Government. These agreements are as follows:

1—"Certain consuming areas of the world have been 'reserved' for the export industries—factory and labor — of Great Britain. Neither American factories nor American labor will be able to participate, for instance, in the profits of foreign trade with India, most of Africa, and with many nations of the Far East.

2—"No American citizen—representative of an American factory or service — will receive a passport entitling him to travel into certain areas of the world or even in transit through British territory until his application for passport has been presented through Washington to the British Board of Trade in London for the British Board of Trade's approval.

3—"Censorship intercepts — from the foreign mail of American businesses and citizens—will be regularly routed to His Majesty's censors in Washington and New York."

"Now I am going to give you the highlights of a plan which exists. I don't know whether you will like it or not. It is up to the people of this country to decide, each man for himself, whether he likes it. In any event, this is a fact:

(1) The present Administration has a plan under which a corporation, established by an agency of the United States Government, will summarily — when the signal is given — be issued a monopoly 'directive' over all the foreign commerce of the United States. This Federal corporation will purchase, at special discounts, products of American factories—many of which must be produced according to this corporation's specifications and priorities—for export and sale in foreign markets. No private corporation or citizen in the United States will be permitted to engage independently or directly in any export or import business.

To this Washington corporation, rather than to private industries throughout the United States, must go all orders from foreign customers for products made in American factories or for services to be rendered abroad by American citizens. This Washington corporation will attempt to retain the right of deciding which brand or trademark the foreign customer must accept in lieu, when desired, of any specified brand name. It may also insist upon the manufacture of products for export under new trademarks or brand names which will be the property of the United States Government.

Just before I left Washington I was able to see a comment which had been sent to the President, attempting to answer the fact that this was too harsh a plan and that no American citizen would put up with it. This is a comment by one of the President's advisers, who said:

"As a step toward Government control the corporation authorized to engage in foreign commerce or services can have common and preferred stock. The Government will purchase the preferred stock of the corporation. By limiting the profits to be made by the private interests running such a corporation, and through the appointment of Government directors on the board of such corporation, the Government will be able to determine all policies of the corporation, and undertake what would be tantamount to a quasi-governmental control, which would result in our Government itself having the same general position in the rest of the world as the Government monopolies of the other countries — Russia, England, France, Holland, and China — would possess."

I have been long enough in Washington as the assistant to Mr. Jesse Jones, and sitting in his stead as an alternate in interdepartmental meetings, to know that there is only one opportunity to kill a program for setting up in the United States a Russian Amtorg. I have seen this coming from different directions. The people believe in it. Some of the people in these agencies insist upon it. My thought today, and my desire in coming here at this time, was to see whether the people in the export business might not consider that this was the time for missionary work to be done in the next few months; or whether you consider and will suddenly make up your minds that the export business is too complicated and that you don't want to be in it and that you will perhaps come to Washington and take a job which would be called a lifetime job.

Interest'g Semi-Speculative

Certain of the semi-speculative D. L. & W. leased line stocks offer an interesting situation, according to a discussion in the current issue of "Railroad Securities Quotations," issued by B. W. Pizzini & Co., Inc., 55 Broadway, New York City. Copies of this release, which also contains quotations on guaranteed stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks, and guaranteed telegraph stocks, may be had from B. W. Pizzini & Co. upon request.

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$7,365,900 NEW JERSEY COUNTY, MUNICIPAL, AND SCHOOL BONDS TO BE SOLD IN COUPON FORM TUESDAY, OCTOBER 24, 1944

At 2:00 P. M., **Tuesday, October 24, 1944**, the Board of Trustees of the Teachers' Pension and Annuity Fund, State of New Jersey, will receive and open in their office, Room 1307, Trenton Trust Building, Trenton, sealed bids for the purchase of $7,365,900 New Jersey County, Municipal and School Bonds.

The bonds will be sold in coupon form with the approving opinions of recognized bond counsel.

Separate bids will be considered for all of the bonds offered under each of the following twenty-six separate blocks. Awards will be made the same day.

Block No. 1—$200,000

$200,000 Atlantic County, Refunding, Series of 1939, 3½'s, dated August 1, 1939, maturing on August 1st as follows: $81,000 in 1952, $92,000 in 1953, $15,000 in 1954, $5,000 in 1956, and $7,000 in 1957. Opinion of Dillon, Vandewater & Moore.

Block No. 2—$777,000

$347,000 Camden County, General Refunding 4's, dated March 1, 1936, maturing on March 1st as follows: $10,000 in 1947, $30,000 in 1952, $5,000 in 1953, $10,000 in 1954, $16,000 in 1955, $5,000 in 1956, $1,000 in 1957, $30,000 in 1958, $56,000 in 1960, $37,000 in 1961, $68,000 in 1962, $63,000 in 1964, and $16,000 in 1965. Opinion of Hawkins, Delafield and Longfellow.

$230,000 Camden County, Vocational School 4½'s, dated January 1, 1929, maturing on January 1st as follows: $30,000 in 1948, $30,000 in 1950, $10,000 in 1952, $10,000 in 1955, $30,000 in 1957, $30,000 in 1958, $30,000 in 1959, $20,000 in 1960, $20,000 in 1961, $15,000 in 1962, and $5,000 in 1967. Opinion of Hawkins, Delafield and Longfellow.

$25,000 Camden County, Park 4½'s, dated January 1, 1930, maturing $5,000 on January 1st, 1966, 1967, and 1968, and $10,000 on January 1st, 1969. Opinion of Hawkins, Delafield and Longfellow.

$85,000 Camden County Road, Bridge and Institution 6's, dated March 1, 1932, maturing on March 1st as follows: $15,000 in 1959, $10,000 in 1961, $20,000 in 1963, 1964, and 1965. Opinion of Hawkins, Delafield and Longfellow.

$30,000 Camden County, Park 4¼'s, dated October 1, 1937, maturing $5,000 on October 1st, 1949, 1951, 1953, 1964, 1965, and 1966. Opinion of Hawkins, Delafield and Longfellow.

$60,000 Camden County, Park 4¾'s, dated March 1, 1938, maturing on March 1st as follows: $3,000 in 1959, $10,000 in 1965, $5,000 in 1966, $15,000 in 1967, $15,000 in 1968, and $12,000 in 1969. Opinion of Hawkins, Delafield and Longfellow.

Block No. 3—$419,000

$234,000 Passaic County, Park, Series 2, 6's, dated June 1, 1932, maturing on June 1st as follows: $5,000 in 1959, 1960, and 1961; $15,000 in 1962; $5,000 in 1963 and 1964; $15,000 in 1965; $28,000 in 1966; $5,000 in 1967; $6,000 in 1968; $5,000 from 1969 to 1975, inclusive; and $35,000 in 1976, 1977, and 1978. Opinion of Hawkins, Delafield and Longfellow.

$143,000 Passaic County, Tuberculosis Hospital 4½'s, dated December 1, 1928, maturing December 1st as follows: $8,000 in 1957, $75,000 in 1958, $45,000 in 1959, and $15,000 in 1960. Opinion of Hawkins, Delafield and Longfellow.

$42,000 Passaic County, Welfare Home 5's, dated June 1, 1934, maturing June 1st as follows: $10,000 in 1960, $15,000 in 1962 and 1963, and $2,000 in 1964. Opinion of Hawkins, Delafield and Longfellow.

Block No. 4—$192,000

$130,000 Union County, General Improvement, 4½'s, dated November 1, 1929, maturing November 1st as follows: $20,000 in 1958, $50,000 in 1959, and $60,000 in 1960. Opinion of Reed, Hoyt and Washburn.

$62,000 Union County, General Improvement, Series B, 2.70's, dated June 1, 1937, maturing June 1st as follows: $20,000 in 1958, $40,000 in 1959, and $2,000 in 1960. Opinion of Reed, Hoyt and Washburn.

Block No. 5—$155,000

$155,000 Bridgeton City, Cumberland County, Sewer 4½'s, dated July 1, 1930, maturing $10,000 on July 1st each year from 1945 to 1957, inclusive, and in 1963 and 1964; and $5,000 in 1967. Opinion of Hawkins, Delafield and Longfellow.

Block No. 6—$609,000

$349,000 Camden City, Camden County, General Refunding 4's, dated June 1, 1936, maturing December 1st as follows: $4,000 in 1952, $8,000 in 1953, $10,000 in 1956, $7,000 in 1958, $17,000 in 1959, $2,000 in 1960, $84,000 in 1961, $46,000 in 1962, $96,000 in 1963, $31,000 in 1964, $3,000 in 1965, and $41,000 in 1966. Opinion of Hawkins, Delafield and Longfellow.

$260,000 Camden City, Camden County, General Refunding 3½'s, dated June 1, 1936, maturing December 1st as follows: $10,000 in 1959, $25,000 in 1960, $30,000 in 1961, $40,000 in 1962, $35,000 in 1963, 1964, and 1965, and $50,000 in 1966. Opinion of Hawkins, Delafield and Longfellow.

Block No. 7—$280,000

$101,000 East Orange City, Essex County, General Improvement, Series 12, 4½'s, dated February 1, 1929, maturing February 1st as follows: $40,000 in 1960, $10,000 in 1961, $25,000 in 1963 and 1966, and $1,000 in 1967. Opinion of Hawkins, Delafield and Longfellow.

$47,000 East Orange City, Essex County, General Improvement, Series 13, 4½'s, dated June 1, 1930, maturing June 1st as follows: $15,000 in 1960, $11,000 in 1963, $16,000 in 1964, and $5,000 in 1966. Opinion of Hawkins, Delafield and Longfellow.

$132,000 East Orange City, Essex County, School, Series 00, 4½'s, dated June 1, 1930, maturing June 1st as follows: $25,000 in 1960, $13,000 in 1963, $14,000 in 1964, $5,000 in 1966, $25,000 in 1967, 1968, and 1969. Opinion of Hawkins, Delafield and Longfellow.

Block No. 8—$256,000

$104,000 East Rutherford Borough, Bergen County, Sewer 3¼'s, dated February 1, 1939, maturing February 1st as follows: $5,000 in 1951, 1952, and 1953; $7,000 in 1957; $6,000 in 1958; $7,000 from 1959 to 1968, inclusive; and $6,000 in 1969. Opinion of Reed, Hoyt, Washburn and Clay.

$152,000 East Rutherford Borough, Bergen County, School 4¾'s, dated September 1, 1926, maturing $9,000 September 1st each year from 1951 to 1958, inclusive, and $10,000 September 1st each year from 1959 to 1966, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 9—$20,000

$20,000 Elizabeth City, Union County, Police Building 4¼'s, dated April 1, 1931, maturing April 1st as follows: $7,000 in 1955, $2,000 in 1957 and 1961, $7,000 in 1962, and $2,000 in 1963. Opinion of Reed, Hoyt and Washburn.

Block No. 10—$434,000

$83,000 Fairlawn Borough, Bergen County, School 5's, dated December 1, 1929, maturing $3,000 December 1st each year from 1945 to 1957, inclusive, and $4,000 December 1st each year from 1958 to 1968, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$26,000 Fairlawn Borough, Bergen County, Serial Funding 4½'s, dated June 1, 1935, maturing June 1st as follows: $5,000 in 1945, $20,000 in 1946, and $1,000 in 1947. Opinion of Reed, Hoyt and Washburn.

$25,000 Fairlawn Borough, Bergen County, Water 2¾'s, dated October 1, 1940, maturing $5,000 October 1st each year from 1953 to 1957, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$28,000 Fairlawn Borough, Bergen County, School 5¾'s, dated July 1, 1929, maturing July 1st as follows: $2,000 in 1948, $3,000 in 1949 and 1950, and $4,000 each year from 1951 to 1955, inclusive. Opinion of Thomson, Wood and Hoffman.

$100,000 Fairlawn Borough, Bergen County, School 2.80's, dated April 1, 1942, maturing October 1st as follows: $15,000 in 1952, $10,000 in 1953, $20,000 in 1954, $15,000 in 1955, $20,000 in 1956 and 1957. Opinion of Hawkins, Delafield and Longfellow.

$116,000 Fairlawn Borough, Bergen County, Water Funding 4½'s, dated June 1, 1935, maturing June 1st as follows: $30,000 in 1946, $10,000 in 1947, $1,000 in 1950, $8,000 in 1951, $15,000 in 1952, $38,000 in 1953, $12,000 in 1954, and $2,000 in 1955. Opinion of Reed, Hoyt and Washburn.

$27,000 Fairlawn Borough, Bergen County, School 3's, dated April 1, 1940, maturing $3,000 April 1st each year from 1952 to 1960, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$29,000 Fairlawn Borough, Bergen County, School 5's, dated March 1, 1926, maturing $2,000 March 1st each year from 1945 to 1951, inclusive, and $3,000 March 1st each year from 1952 to 1956, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 11—$22,000

$22,000 Hasbrouck Heights Borough, Bergen County, Sewer 4½'s, dated January 1, 1927, maturing January 1st as follows: $5,000 in 1953 and 1954; $1,000 in 1956, 1957, and 1963; $7,000 in 1964, and $2,000 in 1965. Opinion of Hawkins, Delafield and Longfellow.

Block No. 12—$267,900

$267,900 Hillside Township, Union County, School 4's, dated January 3, 1939, maturing $7,000 January 3rd each year from 1945 to 1961, inclusive; $8,000 January 3rd each year from 1962 to 1974, inclusive; $9,000 January 3rd each year from 1975 to 1978, inclusive, and $8,900 on January 3, 1979. Opinion of Hawkins, Delafield and Longfellow.

Block No. 13—$101,000

$56,000 Irvington Town, Essex County, School 4¾'s, dated November 1, 1930, maturing November 1st as follows: $5,000 in 1957, $1,000 in 1958, $30,000 in 1961, and $20,000 in 1962. Opinion of Hawkins, Delafield and Longfellow.

$45,000 Irvington Town, Essex County, School 4½'s, dated January 1, 1927, maturing January 1st as follows: $10,000 in 1954, $1,000 in 1958, $30,000 in 1959, and $4,000 in 1963. Opinion of Hawkins, Delafield and Longfellow.

Block No. 14—$344,000

$30,000 Kearny Town, Hudson County, Water 5's, dated June 15, 1929, maturing $5,000 June 15th, 1957, and $25,000 June 15th, 1961. Opinion of Hawkins, Delafield and Longfellow.

$314,000 Kearny Town, Hudson County, Water Supply 4½'s, dated June 15, 1930, maturing June 15th as follows: $15,000 in 1957, $45,000 in 1958, $25,000 in 1959, $10,000 in 1960, $2,000 in 1961, $12,000 in 1962, $60,000 in 1964, $25,000 in 1965, $24,000 in 1967, $20,000 in 1968, $35,000 in 1969, and $41,000 in 1970. Opinion of Hawkins, Delafield and Longfellow.

Block No. 15—$92,000

$92,000 Livingston Township, Essex County, Water 4½'s, dated July 1, 1930, maturing July 1st as follows: $6,000 in 1950 and 1951; $7,000 in 1952 and 1953; $2,000 in 1956, $7,000 each year from 1957 to 1960, inclusive; and $9,000 each year from 1961 to 1964, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 16—$46,000

$9,000 Millburn Township, Essex County, Sewer 4½'s, dated October 1, 1926, maturing October 1st as follows: $1,000 in 1958 and 1961, $2,000 in 1962, $1,000 in 1963, $2,000 in 1964, and $1,000 in 1965 and 1966. Opinion of Reed, Dougherty, Hoyt and Washburn.

$20,000 Millburn Township, Essex County, School 4¾'s, dated June 1, 1929, maturing June 1, 1959. Opinion of Hawkins, Delafield and Longfellow.

$17,000 Millburn Township, Essex County, School, Series C, 4¼'s, dated October 1, 1927, maturing $1,000 July 1st each year from 1951 to 1967, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 17—$57,000

$57,000 Montclair Town, Essex County, Serial Water 4¼'s, Series No. 1, dated October 15, 1931, maturing $3,000 October 15th each year from 1953 to 1971, inclusive. Opinion of Thomson, Wood and Hoffman.

Block No. 18—$50,000

$50,000 Morristown Town, Morris County, School 4's, dated June 1, 1931, maturing $10,000 June 1st each year from 1965 to 1969, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 19—$923,000

$62,000 Newark City, Essex County, Dock 4½'s, dated December 15, 1914, maturing December 15th, 1959. Opinion of Hawkins, Delafield and Longfellow.

$50,000 Newark City, Essex County, Dock 4½'s, dated February 1, 1914, maturing February 1st, 1959. Opinion of Hawkins, Delafield and Longfellow.

$94,000 Newark City, Essex County, Water 4¼'s, dated November 15, 1926, maturing November 15th as follows: $10,000 in 1953 and 1954, $19,000 in 1955, $20,000 in 1957, and $35,000 in 1962. Opinion of Reed, Dougherty, Hoyt and Washburn.

$395,000 Newark City, Essex County, Passaic Valley Sewer 4's, dated December 1, 1911, maturing December 1st, 1961. Opinion of Reed, Hoyt, Washburn and Clay.

$322,000 Newark City, Essex County, Street Opening, Series B, 5¼s, dated August 1, 1934, maturing August 1st as follows: $11,000 in 1947, $25,000 in 1950, $30,000 in 1951, $1,000 in 1952, $5,000 in 1953, $25,000 in 1956, $50,000 in 1958, $25,000 in 1959, $75,000 in 1960 and 1961. Opinion of Reed, Hoyt and Washburn.

Block No. 20—$46,000

$16,000 Nutley Town, Essex County, Public Improvement 6's, dated October 15, 1931, maturing $8,000 October 15th, 1960 and 1961. Opinion of Thomson, Wood and Hoffman.

$30,000 Nutley Town, Essex County, Water 4's, dated April 1, 1935, maturing $2,000 April 1st each year from 1951 to 1965, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 21—$180,000

$70,000 Orange City, Essex County, Passaic Valley Sewer 4½'s, dated October 1, 1926, maturing October 1st as follows: $10,000 in 1952 and 1960, $35,000 in 1962, and $15,000 in 1963. Opinion of Reed, Dougherty, Hoyt and Washburn.

$110,000 Orange City, Essex County, General Refunding, Series A, 3's, dated February 1, 1939, maturing $5,000 February 1st each year from 1952 to 1956, inclusive, $10,000 February 1st each year from 1957 to 1960, inclusive, $25,000 February 1st, 1961, and $20,000 February 1st, 1964. Opinion of Reed, Hoyt, Washburn and Clay.

(Continued on page 1601)

Municipal News & Notes

Although the municipal market is still under the influence of the rather widely held opinion that the end of the war in Europe and return of a partial peacetime economy necessarily will result in a marked readjustment of prices to permanently lower levels, there has been a material improvement in the tone of the market during the past few days. This was reflected in a renewal of buying interest in offerings which have been overhanging the market for quite a spell and quick absorption of the handful of new issues reaching the markets.

In all instances, however, the level of prices at which bonds were placed with investors represented a reduction of from 10 to at least 20 basis points below the base which prevailed some two months ago.

As noted in this space a fortnight ago, there are quite a number of investors and some dealers who feel that the end of the European war is bound to have an adverse effect on the price level. This view is necessarily based on the assumption that a partial changeover to peacetime conditions will be accompanied by a sharp reduction in Federal taxes and a substantial increase in the volume of municipal financing.

The effect of such developments, it is reasoned, would be to greatly lessen influence of the two factors which have contributed so importantly to the present peak level of municipal bond prices. Under the circumstances, it is believed that a readjustment of considerable proportions will necessarily ensue.

There is no disputing the fact, of course, that municipal prices have been aided tremendously by the high level of wartime taxation and the enforced curtailment of borrowings occasioned by materials and manpower shortage. On the surface, therefore, it is no less than reasonable to suppose that a dissipation of these factors would react to the disadvantage of the current price level.

The important point at issue naturally bears on the validity and correctness of the assumption that the twin developments referred to will automatically become operative with the close of the war in Europe or soon thereafter.

In the opinion of many observers, for example, the optimistic forecasts of an early downward revision in the Federal tax structure constitute nothing more than wishful thinking. While they fully agree that some easing of the burden is in the cards, they seriously question whether any appreciable change will occur until well after the defeat of Germany.

In this group is an influential segment of the municipal bond fraternity, which believes that present pessimism regarding the outlook for municipal bond prices is unwarranted.

In this connection, it may be noted that the municipal department of the First Boston Corp., in a memorandum entitled "The Outlook for Municipal Bond Prices," reviewed the pros and cons of the situation and asserted that any general conclusion of a drastic downward revision in the municipal structure "is wrong."

One New York municipal bond house commented in part as follows in a recent bulletin on the market:

That there was good business to be done at a price was demonstrated also by the members who recently had Consumers Public Power District of Nebraska bonds handed to them in the breakup of their group. Marked down 10 to 15 basis points, these bonds have been moving out nicely. A number of dealers took occasion last week to shade the price on various small, old lots they were carrying, by perhaps 15 basis points, and were rewarded by finding buyers there.

There has been no general reduction in prices. Dealers are waiting to see what last week's activity really means. Is it going to be necessary to drop to a lower level to do business, or were last week's purchases merely those of a relatively few buyers who had refused to follow the market up and seized upon the first opportunity to buy at their limit?

Regardless of point of view, it would appear that both theories as to the course of the price level will be tested on the result of the rather large volume of offerings scheduled to reach the market within the next few weeks. With the Sixth War Loan Drive scheduled to begin on Nov. 20, a number of institutions and public trust funds are understood to be making preparations for heavy participation, and to this end contemplate disposing of substantial portions of their municipal holdings. Two large operations of this category are definitely in prospect. The Metropolitan Life Insurance Co. of New York, for example, is asking for bids until Oct. 16 on $15,152,000 various State and municipals. In addition, the New Jersey State Teachers' Pension and Annuity Fund is making an offering on Oct. 24 of $7,365,900 New Jersey county, municipal and school bonds.

Full details of the latter offering appear elsewhere in these columns in an announcement signed by John A. Wood, 3rd, Secretary of the Board of Trustees of the State fund.

The calendar of strictly new financing coming to market is strikingly impressive and is headed by the projected sale on Oct. 17 of $33,000,000 Los Angeles, Calif., Department of Water and Power electric plant refunding revenue bonds. This marks the second appearance of the department in the market this year, a previous sale having been made on Feb. 24, when a $15,000,000 refunding issue was awarded to a syndicate headed by the Mellon Securities Corp. of Pittsburgh. The impending operation is particularly significant in that the purpose of the loan is to provide for the refunding of an equal amount of outstanding bonds which are not callable until a year hence.

The natural implication is that municipal officials believe that it will be more advantageous to effect the refunding award at this time, even though this requires double interest payments up to the callable date of the outstanding obligation.

A similar desire to take advantage of existing favorable market conditions, rather than gamble on the future, is apparently the primary factor underlying several of the other important offerings awaiting opening of bids. The City of Baltimore, Md., for example, intends to sell on Oct. 17 a total of $9,450,000 bonds for various municipal purposes, some of which contemplated construction may have to be postponed until post-war readjustments have been fully effected.

Portland, Ore., presented the market on Tuesday with its $12,000,000 sewage disposal bond issue and will receive bids Oct. 30 on another issue of $3,000,000 harbor development bonds.

In the New York metropolitan area we find the Borough of Fort Lee, N. J., offering on Oct. 18 an issue of $3,384,000 general refunding bonds of the borough, and $733,000 school refunding bonds of the borough's school district. Taking it by and large, it seems safe to say that there will be a brisker feeling to the municipal picture in the autumnal month of October.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

The Government bond market has been comparatively stable in the past week, although there was some further improvement evidenced in the longer-term, partially tax-exempt issues. . . . The market had been waiting for the Treasury's announcement of the type of securities that would be offered in the Sixth War Loan, which was made public last Thursday. . . .

The basket of issues to be sold in the coming drive were in line with previous expectations, so that the outstanding issues appear to have quite fully adjusted their position to the new financing which will be available to all (except the commercial banks, who may be allowed to buy limited amounts) from Nov. 20 to Dec. 16, 1944. . . .

The issues to be offered in the coming War Loan Drive are practically the same as those used in the Fifth War Loan, aside from some minor changes in maturities reflecting principally the later date in the year of the drive. . . . The securities to be offered are as follows:

Series E, F and G Savings Bonds
Series C Tax Saving Notes
⅞% Certificates of Indebtedness, due Dec. 1, 1945
1¼% Treasury Notes, due Sept. 15, 1947
2% Treasury Bonds, due Dec. 15, 1952/54
2½% Treasury bonds, due March 15, 1966/71

COMMERCIAL BANK FORMULA

As in the Fifth War Loan, the commercial banks will not be permitted to own the 2½% bonds offered in this drive until Dec. 1, 1954. It was also announced that these institutions likewise will not be allowed to buy the 2% bonds (other than those acquired in exchange for the called 4% bonds) until Dec. 18, 1944, after the drive has closed, except for a limited investment of time deposits, under a formula yet to be made public by the Treasury. . . . The specific formula by which the commercial banks will be allowed a limited participation in the issues to be offered in the Sixth War Loan was withheld for prescription in the official offering circular. . . . Previously the formula has been made known, at the time the type of securities to be offered in the drive were made public. . . .

The formula for commercial banks' participation in the Sixth War Loan may be held in abeyance, thus giving the Treasury more time to decide upon a policy for these institutions in the coming drive. . . .

LARGER PARTICIPATION SOUGHT

There had been considerable support for the belief that the commercial banks should be given a larger participation in the coming War Loan, which participation would be conditioned upon the indirect support they gave to the last two drives, and this may still be the case when the Treasury finally gives out the formula for the amount of securities that these institutions may purchase directly in the Sixth War Loan. . . .

It may be that the Treasury is awaiting developments in the military situation, and should the war in Europe end in November, or be in its final stages, the participation of the commercial banks in the coming drive might be increased. . . .

There would probably not be as large sales to individuals and others, as has been evidenced in the previous war loan drives, if the European war were to end or be in its waning stages before the coming drive starts. . . . Then the institutions having demand deposits might be allowed to be almost as important directly in the drive as they have been indirectly in the previous ones. . . . It was learned that there has been considerable discussion as to the type and amount of securities the commercial banks should be allowed to purchase in the drive, if the Treasury should see its way clear to fit them into their plans. . . .

WAR END FACTOR

The prevailing feeling is that if these institutions are given an opportunity to subscribe to the new issues it should be for the certificates, notes and 2% bonds at par, with no restrictions as to amounts. . . .

It was pointed out, on the other hand, that if it appears

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Bretton Woods In Politics?

(Continued from page 1580)

[Mr. Wagner] expressed the hope that the preliminary work that had been done would be kept free from any partisan debate during this Presidential campaign.

The broad area of agreement that was there established among the liberty-loving nations of the world was of great significance.

The fact that these representatives could and did outline the base of economic and financial collaboration in the days of reconstruction that are ahead gave rise to a new hope that the nations of the world could and would work together to establish a permanent peace and banish war from the earth.

For my part I had intended, during the course of this political campaign, to refrain from discussing the accomplishments of the historic meetings at Bretton Woods.

I hope that even now there is no essential difference between the thinking of the rank and file memberships of the major parties upon the objectives of international monetary and economic stabilization.

I had envisioned a new day of bipartisan or nonpartisan collaboration in which all could work together to achieve the great purposes of a new world order.

I still believe this to be possible.

There was, however, a development last week that impels me to speak out.

I would feel remiss in my duty to the people of this country if I did not raise a flag of warning that the supporters of Governor Dewey are even now beginning to undermine and may seek to destroy the very fundamentals upon which, in my judgment, the future of world peace rests.

Last Friday in Chicago Mr. Winthrop Aldrich, a distinguished New York banker and a financial supporter and adviser of Governor Dewey, came out flatly against the proposals developed at Bretton Woods.

He advocated a unilateral agreement with Great Britain and the United States which would exclude all other nations, large and small, from participation in the financial affairs of the post-war world.

This philosophy, advocated by the man who, it is reported, would become Secretary of the Treasury in the event Dewey were to become President, is simply a return to those conditions which cause wars.

Thus we have the paradox of Governor Dewey giving lip service to an international political organization which would seek to prevent wars while his principal financial adviser speaks out against the kind of economic measures which would remove the cause of wars.

It is my opinion that the spokesmen for Mr. Dewey reveal the Dewey approach much more definitely than do the candidate's own glittering generalities in his campaign speeches or in his clever and evasive parries at press conferences.

Mr. Aldrich, representing the point of view of the international bankers, is at least forthright.

He says that he is against the Bretton Woods proposals because he fears that they would lead to post-war inflation.

But this advice of the banking spokesman has a familiar ring. It is the same advice that was given to President Hoover in 1930 — that the only way out of the depression was by stringent economies and a balancing of the budget.

This banking group in 1937 was successful in persuading the Government to increase reserve requirements, sterilize gold, drastically curtail Government relief spending, and put the brakes on our developing prosperity to prevent the runaway inflation which the bankers saw just around the corner.

As the result of these repressive measures the Nation lost valuable time in making its recovery under the New Deal.

And when the disastrous results of their mistaken monetary policies were obvious, the Wall Street group had the effrontery to blame it all on the SEC.

When the President reversed the measures which this group advocated we again started on the road to recovery.

Mr. Aldrich offers as a substitute for the Bretton Woods proposals a return to the gold standard and Hoover economy.

This obviously would be Governor Dewey's program, if, by chance, he were to become President.

Mr. Aldrich says:

"We must be prepared to reintroduce gold redemption. The dollar must be free from all foreign exchange controls."

This is the same advice, the same economic isolationism, that was given Mr. Hoover by the Wall Street bankers in 1930.

The terrible depression years, the subsequent recovery under the Roosevelt administration, and the Second World War have apparently left no imprint upon the minds of these private bankers who would return to power if Governor Dewey were elected.

The private bankers — Mr. Dewey's political mentors — are against Government regulation of international exchange or investment. They want private bankers to be in complete control as they were in 1914.

They refuse to recognize, and Mr. Dewey refuses to recognize, what the rest of the world has long realized — that you cannot separate international diplomacy from international money.

Governor Dewey pays lip service to an international organization to work for permanent peace while at the same time his prospective Secretary of the Treasury demands that the international monetary relations be left in the same hands that brought the world into a tailspin.

It is understandable that the private bankers want foreign exchange left free from government regulation because that is one of the most lucrative departments of the big New York banks.

Of course, they want a return to the rigid gold standard, but they want it only as a substitute for government control of credit, of currency, and of foreign exchange.

Either we have government regulation of foreign exchange or we return to the horse-and-buggy system of settling international balances, in gold — the system that proved so disastrous during the Hoover administration.

We either develop a workable, cooperative plan among nations or we set the stage for another war.

Why this insistence by the large banking group that we reestablish the old gold standard system?

To those not engaged in finance it seems a very remote and technical problem. We have seen Germany, without any gold at all and declared bankrupt by financiers, build up the greatest armaments in the world.

We ourselves have locked all our gold in Fort Knox and forbidden our citizens to hold it or traffic with it as though we recognized the scriptural warning that it is the "root of all evil."

Then why, we may ask, this repeated effort to return to a system which proved so disastrous to this country and to the world during the Hoover administration?

Here is an answer which is necessarily a simplification of a complex problem.

The only substitute for the gold standard is government control of domestic credit and foreign exchange.

The farther we depart from the gold standard system the more we must rely upon government control and the less power is left in the hands of private bankers.

That is apparently what Mr. Aldrich had in mind when he said last Friday that—

"Both England and the United States shun totalitarian tactics in international trade and both give full support to the principle of economic liberalism."

What this spokesman for Mr. Dewey was really asking was that we scrap the Bretton Woods proposals and abandon government regulation of our money system and return it to the hands of the private bankers who led us into the orgy of speculation in the twenties and then were helpless to stem the disastrous depression of the early thirties.

This policy, which would return us to the days of Hoover, would be a dangerous and costly experiment with the welfare of our citizens and of the world.

Mr. Aldrich urges that we "balance the Federal Budget and refinance the floating debt." This, of course, would spell a drastic deflation and result in high interest rates.

In common with most private bankers, Mr. Aldrich wants money scarce and interest rates high. This is a kind of a monetary astigmatism which makes it impossible for most bankers to see that such a policy leads to depression, ultimately injuring the creditor as well as the debtor.

In striking contradiction to Dewey's demand that smaller nations be recognized in the world peace organization, his financial spokesman proposes as a substitute for the Bretton Woods plan the stabilization of the dollar-pound rate.

What would such a proposal mean?

It would leave the United States and Great Britain in control of the monetary systems of the world. Since this war will leave Great Britain heavily in debt to the rest of the world, the United States would be the dominant partner in that combination.

Going further — since Mr. Aldrich would abolish government regulation of foreign exchange — this would mean that a small group of Wall Street banks would control the world monetary exchange. In my judgment, this would mean that the seeds of a third World War would be sown before the guns of this one are cold.

Of course, Mr. Aldrich does propose organizing an international institution where central bankers could meet regularly to discuss monetary and credit problems of mutual interest.

But this international institution is to have a capital of only $500,000,000, which is too small to have any real influence on world monetary affairs.

In fact, Mr. Aldrich, himself, says its influence would be exerted by persuasion — not by coercion. A kind of international banking club tucked away in some pleasant corner of Switzerland which would afford the gentlemen bankers an excuse to get away from home, at the expense of their depositors.

There is too much involved in the principles of economic and political collaboration not to raise this issue at this time. A war-torn world demands definite measures to insure against another holocaust. The conversations at Bretton Woods were an important step in that direction.

Either we return to the old days of international financial anarchy or the people of the nations of the world evolve a plan, not for the private benefit of private bankers, but for our mutual welfare.

Either Governor Dewey should repudiate this pronouncement of his financial mentor and benefactor, or the American people should be forewarned that he would return us to the conditions which breed wars and depression.

Senator Vandenberg's Remarks

Mr. Vandenberg subsequently said:

Mr. President, I very much regret that the distinguished Senator from Pennsylvania [Mr. Guffey] has left the floor. The Senator from Pennsylvania is always sententious and always partisan, though always interesting, in his belligerent observations. I wanted immediately to respond to his smudgy effort to smear Governor Dewey by attacking John Foster Dulles and J. Winthrop Aldrich, of New York.

Mr. President, I want to refer only briefly to Mr. Aldrich, who does not speak with authority for Mr. Dewey on the basis of any credentials with which I am familiar. Nevertheless, Mr. Winthrop Aldrich is one of the distinguished and honored leaders in the financial life of America and he can stand on his own feet and be weighed on the basis of his own merits.

It is true that he made a speech —a very able speech, in my opinion—questioning in a constructive way the work of the International Monetary Conference at Bretton Woods. Well, Mr. President, there is a very serious question in the minds of a very great many earnest Americans—myself included—whether Bretton Woods and its agreement do not entirely ignore the basic necessities prerequisite to stabilizing currency values in other countries, whether it also does not put the American dollar at the mercy of international raids in the proposed stabilization fund, and whether it may not stifle instead of stimulate our foreign trade. These are not questions of politics. They are questions of fact.

Mr. President, it has not yet become treason for an American citizen to challenge an international agreement made by this administration; it has not yet become treason to submit an honest inquiry as to whether the agreements are in the interest of America or not. The fact of the matter is that America's representation at Bretton Woods — and I speak with the greatest respect for it — did not include any delegates who have ever had any substantial experience in the active world of international exchange, and if there ever was a technical problem on the earth it is the problem of international exchange in all of its related phases. I do not know whether the Bretton Woods agreement is good or bad; I do not assume to say; I withhold my judgment until my studies are complete; but I want to condemn without reservation the idea that the men of America who know the subject of international exchange, even though they may be that whipping boy called a Wall Street banker, should not be encouraged to give us the benefit of their constructive thought on this highly technical subject to the utmost limit. I am not afraid of information.

The address made by Mr. Aldrich in Chicago did not have a syllable of politics in it. The address made by Mr. Aldrich was a constructive discussion of a technical question concerning which he knows more than the Senator from Pennsylvania or the Senator from Michigan will ever know in their lifetimes. I think his contribution is to be welcomed for whatever it may prove to be worth in the determination of this terrifically difficult problem. . . .

Forms J. G. Kinnard & Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — John G. Kinnard has formed John G. Kinnard & Company with offices in the Roanoke Building to engage in an investment business. Mr. Kinnard has been associated with Investors Syndicate as investment analyst and trader of securities. In the past he was in business for himself as tax consultant and investment analyst.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1582)

dustrials were about 149.25. As this is written they are about 147.75, or approximately one and a half points lower. If my figuring is correct, then we have already seen half the reaction.

* * *

A general market decline of even three points is never limited to just that in every stock. Some issues may decline more than three points; others may not react at all. Still others may actually advance. I feel that the stocks you hold, Allied Mills, Bendix, Crown Zellerbach, Lockheed and U. S. Steel, possess all the qualities of the general market rather than any single one. A glance at any of these issues will show that some have declined, some have advanced and some stood still. Yet, basically, they still possess an underlying tape quality that carried to its logical conclusion means eventually higher prices. The advice to continue holding them therefore still applies.

But to hold on blindly is poor practice. So, every issue recommended here carries with it a stop under which an issue should not be carried. With the world at war and all sorts of accidents likely to carry stocks with no sort of protection is dangerous.

For a complete list of the stocks held here, their purchase and stop levels, I suggest reading the column of Oct. 5.

* * *

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.]

What Is The Market Outlook Now?

(Continued from page 1579)

to exercise an important influence.

At the present time each of these factors has its influence in shaping market developments to a greater or lesser degree.

Main Factors in Present Market

The anticipated enormous deferred demand after the war for many civilian products and the expectation of an early reduction in excess profits taxes and relatively low post-war taxes have been the most powerful factors in recent months in determining the level of the market as a whole and even more so in the price performance of individual groups. As long as our economy is operating under maximum steam pressure these favorable factors can be exploited to the utmost without many offsetting doubts and fears. The question is when these apparently favorable long-term market factors can be counted upon to support a higher stock market. Also whether their influence will diminish at least temporarily when our economy loses a great deal of its steam and we are again confronted with many of the economic and social problems of pre-war days.

Next Test of Market After Germany's Defeat

The first serious test will come after Germany's defeat. A decline in armament expenditures of 40% or more without any offset even in part, at least for a time, of rising civilian production will release many deflationary forces now held in restraint by our high pressure economy. These deflationary factors will cause a drop in production of a greater magnitude than that traceable directly to armament reduction. Excess plant capacity, a sharp decline in employment and payrolls, large and excessive inventories of many products, particularly of foods and raw materials, and a declining trend of prices of many products are some of the chief deflationary elements which will emerge almost immediately. It is of course true that even after the decline in production the level of output will still be substantially higher than pre-war levels. It is not so much the level of production that is important from the point of view of earnings and dividends, however, but the relationship of the level of production and sales to other economic factors such as prices, wages and other costs. A sharp and perhaps sudden decline in the volume of sales is bound to throw out of balance price and cost relationships.

This is apt to be particularly true under present conditions. In the first place the excess profits tax burden has taken the edge off the constant effort to keep costs down. In the second place the national policy will be to maintain wage rates and employment at the highest possible level. The freedom to adjust costs by reductions in wage rates and employment will be very limited and will be circumscribed as compared with pre-war days. Wide publicity has been given the concept of full employment and high wages in the post-war world. It is no understatement to say that the key to economic developments after the war lies in the maintenance of reasonably full employment and high wage rates. The experience of private industry and the trend of government policies and labor demands will hinge upon reaching this goal. If it can not be attained by the normal interplay of economic forces, many attempts will surely be made to attain it by other means. Large scale unemployment and serious wage reductions will simply not be tolerated.

It is of course true that industry will have the benefit of lower costs through the elimination of overtime pay and through the utilization of new methods of production and new labor saving equipment and machinery developed during the war. Demands for increased wage rates, however, may well offset at least part of the first advantage and the reduction of costs through technological improvements takes time and will not be of major assistance in the immediate future.

I have not mentioned other problems such as the disposal of war surpluses, the removal of government equipment from private plants, the prompt and adequate settlement of contract cancellations and the prompt release of raw materials, plants and labor for civilian production. These problems are on the whole likely to be handled reasonably well although their solution will obviously take much time and will involve many difficulties.

The magnitude and the seriousness of many of these problems have been widely discussed. I question, however, that they are generally appreciated either by the investing public or by industry. Many of the problems will prove so great that they can be solved only through continued government controls and intervention. How far such controls of our economic life might carry is anybody's guess. Certainly many controls and regulations aimed at stabilizing prices or volume will be welcomed by industry after the war as essential steps to soften the economic storm that might blow. The very seriousness of the situation is apt to result in such government aid in various forms to many industries which may make it possible to soften the deflationary forces which would normally result from the present situation. This, however, is another subject which deserves in itself far more attention than I can give it today.

Profit Decline After Germany's Defeat Will Not Be General

These considerations lead me to believe that there will be a very sharp contraction of corporate profits immediately following Germany's defeat. A great proportion of the decline will be absorbed by the reduction in excess profits taxes but even after taxes there will be a serious decline. The important qualification to make, however, is that this decline will not be general. It will be concentrated in industries which are particularly vulnerable to a decline in volume arising from large scale cancellation of war contracts and which are not in a position to offset a part of the decline with civilian production within a short period of time. It will naturally be particularly severe in industries of this type with high labor and overhead expenses. On the other hand, it is clear that a great many corporations will not be affected seriously. Corporations that have suffered from the impact of the war or corporations that have enjoyed a large volume of war business in addition to their regular peace business should not suffer too much, particularly if they are heavily in the excess profits tax bracket.

The widely diversified profit experience among individual industries and companies is suggested by an estimate that among the 30 industrial stocks of the Dow-Jones Industrial average, 12 may show approximately the same earnings as in 1944 during the 12 months after Germany's defeat and 18 are likely to show a decline in earnings. The earnings of the stocks in the Dow-Jones Industrial average are unlikely to decline below $8 a share before contingency reserves as compared with $10 a share after such reserves this year. Dividends are unlikely to go below $5.50 a share as against $6.40 a share this year. This is certainly not a serious decline in either earnings or dividends.

Stock Market Reflects Problems Ahead

This diversity of profit experience after Germany's defeat is reflected in the stock market at today's prices. Obviously stocks of companies that will be badly hurt earningswise are selling at relatively low prices in relation to current earnings and past price ranges. This of course does not mean that they will necessarily maintain even these prices when earnings shrink, but it does mean that any price decline that they may have should not be serious. Therefore the stock market as a whole should not decline seriously either before or immediately after Germany's collapse. Neither is it likely to advance much during this period. Chances are that it will continue to remain within a fairly narrow range and be highly selective.

"Guns and Butter" Both After Germany's Defeat

The trend of the market after Germany's defeat will depend upon the character and length of the Japanese phase of the war. It is my opinion that the Japanese phase will last longer than the average Wall Street observer assumes. It will probably last over a year and may last more than two years. This means that American industry will pass through a prolonged period of continued very large war production while converting to civilian production.

Such a course of events will have important implications. It will ease the conversion to a civilian economy because the necessary readjustments can be made over a longer period of time while business is still operating at a relatively high level. I am assuming and I believe that we have enough overall capacity to maintain a large volume of both war and civilian production during the Japanese phase of the war. We will be able to have both guns and butter in large volume. Towards the end of the Japanese phase of the war, if it should be prolonged, civilian production will have recovered to a very high level.

Under these conditions, after the initial shock immediately following Germany's defeat, the volume of business should improve considerably as civilian production increases. If this improvement should continue for a year and a half to two years while we fight Japan, the level of business towards the end of that period should be large enough to result in a substantial increase in profits and dividends from the low point at the beginning of the period, even if a high rate of excess profits taxes continues in effect. Many industries would continue to enjoy a large volume of war business and also would benefit from a large deferred demand for their civilian products. The railroads would continue to operate at a relatively high level, carrying an increasing volume of civilian goods as well as a large volume of war goods. Heavy industry would be in a far better position than if the Japanese phase of the war should be over within a short period of time.

Substantial Improvement in Earnings and Dividends Possible

The improvement in earnings and dividends would be particularly great if the Japanese phase of the war is prolonged and at the same time excess profits taxes are reduced. I believe there is a better than even chance that there will be a reduction in the excess profits tax rate before the Japanese phase is over. This reduction might be applicable to the year 1946.

If the Japanese war should continue through 1945 and 1946 a considerable part of the deferred demand for civilian products will be satisfied while we are still at war. This applies particularly to all types of machinery and equipment which is now being produced in heavy volume. These industries have virtually no conversion problem and can supply large quantities of goods for civilian use immediately. Some of these industries are already doing so now. A substantial part of the deferred demand for consumers' goods will also be satisfied. The result is that the ultimate readjustment following the ending of the war with Japan will be more serious and prolonged.

It is clear from what I have said that I believe that the longer term trend of the stock market will be upward and that the Dow-Jones Industrial average may rise substantially above the present level within the next two years. The more immediate hurdle of the repercussions of Germany's defeat will have to be overcome, however, before the market is likely to begin to discount the longer term improvement in earnings and dividends.

The selective character of the market will probably continue throughout the period as a dominating influence. With all the far reaching economic, political and social changes that will occur or will be implied in public discussions there should be plenty of opportunities to do well in Wall Street.

NY Group Of IBA Names Willard Chairman

The New York Group of the Investment Bankers Association has elected Frank A. Willard of Reynolds & Co., Chairman. John C. Maxwell, Tucker, Anthony & Co., was chosen Vice-Chairman, and Hearn W. Streat of Blair & Co., Inc., Secretary-Treasurer. The slate proposed by the Nominating Committee, headed by Frank M. Stanton of First Boston Corp., was unopposed.

The executive committee for the ensuing year will be composed of Frank M. Stanton, the First Boston Corp.; Augustus W. Phelps, Phelps, Fenn & Co.; Stuart R. Reed, Paine, Webber, Jackson & Curtis, and F. Kenneth Stephenson, Goldman, Sachs & Co., one year terms; W. Manning Barr, Barr Bros.; F. E. Bosson, Putnam & Co (Hartford, Conn.), and Henry G. Riter 3rd, Riter & Co., for two-year terms; Robert E. Broome, Guaranty Co.; Sumner B. Emerson, Morgan Stanley & Co., and Edward K. Van Horne, Stone & Webster and Blodget, Inc., three-year terms.

The following committee Chairmen were appointed:

Education—R. McLean Stewart, Harriman Ripley & Co., Inc.

Legislation—John R. Montgomery, Blair & Co., Inc.

Municipal—Francis P. Gallagher, Kidder, Peabody & Co.

DIVIDEND NOTICES

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a dividend of two per cent. (fifty cents per share) on the Ordinary Capital Stock in respect of, and out of earnings for the year 1944, was declared payable, in Canadian funds, December 1, 1944, to Shareholders of record at 3 p.m. on November 1, 1944.

By order of the Board,

FREDERICK BRAMLEY, *Secretary.*

Montreal, October 10, 1944.

COLUMBIA GAS & ELECTRIC CORPORATION

The Board of Directors has declared this day the following dividends:

Cumulative 6% Preferred Stock, Series A
No. 72, quarterly, $1.50 per share

Cumulative Preferred Stock, 5% Series
No. 62, quarterly, $1.25 per share

5% Cumulative Preference Stock
No. 51, quarterly, $1.25 per share

Common Stock
No. 41, 10¢ per share

payable on November 15, 1944, to holders of record at close of business October 20, 1944.

DALE PARKER, Secretary

October 9, 1944

Spencer Kellogg & Sons, Inc.

A Quarterly Dividend of $0.45 per share has been declared on the stock, payable December 9, 1944, to Stockholders of record as of the close of business November 18, 1944.

JAMES L. WICKSTEAD, Treasurer

TRIUMPH EXPLOSIVES, Inc.

The Board of Directors of Triumph Explosives, Inc., has declared a dividend of twenty cents (20¢) per share, out of earnings for the year ended July 31, 1944, on the common stock of the company, payable on November 16, 1944, to stockholders of record at the close of business on November 8, 1944.

BENJAMIN F. PEPPER, *President.*

October 4, 1944

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.

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.

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.

Post-War Prospects

The common stock of Bird & Son, Inc., offers attractive possibilities for participating in the building boom which seems due after this war, as after the first World War, according to a study of the situation prepared by J. Roy Prosser & Co., 52 William Street, New York City. Copies of this interesting study may be had from the firm upon request.

Post-War Interest Rates

(Continued from page 1581)

favor continuing stability to the existing pattern. (It is unlikely that these statements, made during a political campaign, will change after the elections are concluded.)

To this "intent" of both political parties we would like to add the points previously made in June—that the low interest rate phenomenon is not one common to the United States alone, and that technical considerations give every indication of operating on the side of political desires during, at least, the early post-war years.

Confidence In Stability Has Been Illustrated.

As a matter of fact, the extremely strong tone to the market for fully taxable issues which followed the raising of 22 billions of dollars in the Fifth War Loan Drive, caused some close observers to fear a tendency toward lower rates for this section of the market to an extent that the Treasury financing pattern might be pierced in the direction of a lower yield pattern. Certainly "confidence" has been an outstanding characteristic of the summer markets for these securities and implies an increasing confidence in the early post-war stability of the interest curve.

The Impractical Aspects of Orthodox Analyses.

Some, however, continue to attempt to persuade us that the future of interest rates is all in the higher interest rate area. This gives rise to the question as to whether or not too close adherence to so-called orthodox lines of thinking is practical in view of the major changes which have taken place in the importance of interest rates to political governments. Orthodox thinking tends to set against the intent or wishes of these political governments the presumably greater power of the laws of supply and demand for money and credit. Since confidence in the future stability of the interest pattern is a prerequisite for that continued stability, it might be well to analyze the possibilities of situations in which the normal functioning of such laws might operate against the intent or wishes of political governments.

We are all familiar with the degree by which the problems foreseen by orthodox analyses of (1) the deficit financings of the 1930's and (2) those of war financings, were sidestepped by Government control authorities. It seemed that many orthodox thinkers failed to take into account, in the first place, the degree by which Government actions could affect the various factors which make up the supply and demand of money and credit; and, in the second place, there was a tendency to underestimate the degree by which Government could first impose, and then cause to be accepted, what amounted to nothing more than a purely arbitrary rate structure. The fact that some orthodox analyses of the effect of the laws of supply and demand fail to accurately predict the facility with which Government could handle these problems of the last decade, does not, of course, mean that Government controls would always be efficacious. The chances favor, however, that Government will be able to achieve its desires for an indefinite period because the actions of Government involve, in many instances, the substitution of a new problem for an old one. Substitutions can be devised to carry us over a long period of years and in the end are likely to bring us up against different problems than those which we might originally contemplate. Capable students are constantly aware of this situation and are always seeking to pre-determine the differences between the problems of history and those of the future which might be inspired by similar causes.

Higher Interest Rates Are a Threat to Private Banking

While we may not like the "possibilities" that some envision, one of them has been outlined, last February, by the editor of the London "Economist" in a paper which was read before the Manchester Statistical Society. He started out "to discuss possibilities, not to propound policies." He first subjected the classical description of the functions of a commercial bank to the changing conditions of the past 80 years and then ventured the thought that traditional patterns of banking practice are "no longer appriate" and that, in effect, the liabilities of the banks should earn their profits rather than the assets. He then suggested that should this prove to be the commonly accepted view of the future that it could well "provide that all or part of the banks' holdings of Government debt, long, medium, and floating, should be interest-free or, if it remained interest-bearing, that any profits over a stipulated level be paid over to the Exchequer; further, that the rates of interest charged to non-Governmental borrowers, short or long, could be decided in accordance with general economic policy."

If we attempt to relate such possibilities to this country we must admit that we have two situations confronting us that would give rise to just this type of dangerous possibility:

(1) Should the end of hostilities be reached by the end of 1945, it seems probable that the public debt, when the costs of war are paid for, will amount to $300 billions or more. This will call for an interest charge of between $5 and $6 billions per annum (under a debt structure which contains a large proportion of short and, therefore, lower-than-average interest rate securities). A moderate decrease in the amount of the floating debt might well hold the interest at the $6 billion level for early "post-war" years. If, however, we are to honor, in some reasonable degree, sound principles of national finance, we shall have to provide a sinking fund for this indebtedness. If repayment of debt is scheduled to cover a 100-year period this does not mean that the debt will necessarily be discharged at the end of that time, but simply that we will have taken prudent steps to reduce it so that when the next emergency comes up we can more safely again expand it. Such a sinking fund would require $3 billions per annum and thus the total burden of debt would represent a $9 billions cost item in our first peace-time budget. Reductions in this large sum will unquestionably be the objective of **some** well-meaning men, and **many** political demagogues.

(2) In spite of the relatively low level of interest rates, bank earnings, generally speaking, are comfortable today. Moreover, as the end of hostilities approaches large transfers of public debt will begin to take place with the commercial banks representing the major source of buying power. This will correspond with a time in which it is assumed that a greater demand for funds via loans to industry, mortgages, etc., might also be witnessed. It seems likely, therefore, that bank earnings will continue toward higher levels during the post-war years—even if interest rates remain unchanged or tend somewhat lower.

If we combine these two conditions, then any tendency for interest rates to change upward, regardless of the causes, will increase the pressure for changes in the traditional pattern and role of private banking. Thus the minority who hold that upward changes in interest rates are "inevitable" may actually be envisaging a new and far more difficult problem to handle.

For our part, we continue to believe, and we feel that this is an opinion which is being more widely shared than ever before that the pattern of interest rates established by war financing needs will carry well into the post-war period, and that the changes in this pattern, if any may well be toward slightly easier rather than firmer rates.

Informed Public Key To Success Of World Agreements: Burgess

(Continued from page 1579)

tion. All three committees have as yet refrained from taking a position until they have devoted more time to these important questions and have made sure that any position they might recommend would be supported by a substantial body of informed opinion in the organizations they represent.

From my contact with all three of these committees I can assure you that they are making every effort to arrive at a constructive conclusion. If we are to avoid another world war we must establish new instruments of international understanding and cooperative action, not only in the political and military sphere but in the economic area as well, for we cannot ignore the political effects of economic causes. A smoothly operating world financial mechanism is one of the necessary bases for world trade.

The United States Treasury has performed an important service in compelling us all to think vigorously about this problem, and in bringing to bear on it not only opinion in this country but from other countries as well. Our problem now is to examine these proposals sympathetically and make sure that we reach a solution which is sound and adequate and lasting. We must not repeat the experiences after the last war when we flooded the rest of the world with our money for a period of years and then suddenly stopped. There is no lasting virtue in making bad loans. The plans we adopt in this field must also fit logically as part of a larger economic and political program, including provisions for security and for world trade. Any plan we adopt must be consistent with the firm preservation of the integrity of the American dollar. It must also envisage a program for Great Britain and the pound sterling.

The time which is being taken to study these matters is not lost time for it gives an opportunity for the emergence of other aspects of a well-rounded international program without which Bretton Woods would be ineffective. In particular it is cheering to see progress made in provisions for political security which is basic to any economic program. It is my belief also that we have made substantial progress since the Bretton Woods conference in the understanding of these monetary problems. I should like to commend especially to your attention the searching analysis of the problem by Dr. John Williams in the latest issue of "Foreign Affairs."

While I cannot report to you to-night any final conclusion on this subject, I should like to comment on one intensely practical question which has been brought vividly before us by the Bretton Woods conference and the meeting at Dumbarton Oaks, and will be with us increasingly in coming months, and that is a question of method: how can this country prepare itself for more effective international collaboration? The record of the United States in foreign relations has been unsatisfactory. After the 1st World War the Senate rejected the peace treaty negotiated by President Wilson. We declined to participate in the League of Nations, the World Court, and the Bank for International Settlements. In 1933, the action of our Government broke up the London Economic Conference.

No wonder Marshal Stalin asked Eric Johnston recently whether our Senate would fail to approve treaties after the war. No wonder totalitarian leaders believe that democracies do not function effectively. If we are to secure and maintain any genuine position of world leadership we must not only want effective mechanisms for insuring peace; we must find the means for getting our own people to work them out and then stick by them.

What, then, is the answer? Is it in doing away with the two-thirds majority required for Senatorial approval of treaties, as so often suggested? That proposal should be soberly considered, but I doubt whether it goes to the heart of the difficulty.

The real problem seems to me the relation in our democracy between Government action, expert knowledge, and public opinion. Old World or totalitarian methods do not fit our democracy. The Executive may propose, but he cannot conclude arrangements with other countries unless these arrangements interpret truly the will of the people. Our representatives go into each negotiation with a body of silent partners, the American public. This is often embarrassing. But if those silent partners are ignored, as has happened all too frequently, when the final decisions must be made they often refuse to sign on the dotted line, and the results are even more embarrassing.

In the field of international relations we can secure the respect of foreign nations only on one condition. That condition is that we will not recommend a program for the consideration of other nations unless we already have reasonable assurance that it will be acceptable to our own people. This is difficult, but essential. To be as practical as possible, let me suggest that the solution of the problem lies in three areas: a higher quality of government service; a better informed public, and more attention to bridging the gap between government and public when treaties and other foreign arrangements are being considered.

Not long ago, in a conversation with some foreigners, someone recalled the quip of Will Rogers that "The United States never lost a war but never won a conference." To which one of the foreigners replied, "Well, if you insist on sending out amateurs to deal with professionals, what else can you expect?" In other words, we need more professionals and fewer amateurs in government. If government is going to fill a larger role in our lives than in the past, it is essential that the quality of government service be improved. We need to realize that being elected to public office does not automatically transform a politician into a statesman. We need a better civil service, drawing into its upper ranks more competent career men who will bring to the Government continuing service of the same high standard of efficiency and know-how that is demanded in private industry; we have some outstanding examples of such men in Government service today, but there are not enough of them, and most of them do not stay long enough. This means, of course, that we must find ways of making such service more attractive. We need more men of the seasoned ability which alone can produce simple, understandable and acceptable Government programs.

A second thing we have to do is develop a public opinion that will support active cooperative policies. There is no quick and easy way to do this. We need to re-establish public faith in the integrity of our Government, so that suggested programs will be taken seriously and studied carefully. We need to train our voting population to read, and think, and discuss; and to accept personal responsibility for Government action. This is primarily a job for our public school system and our vast network of higher education. Associations such as this one constitute another valuable mechanism for educating our people in the responsibilities of citizenship.

The third point, of bridging the gap between Government and public, is one about which we can do something effective immediately.

The first very simple rule is advance consultation. A proposed international agreement ought to be negotiated with the American people before it is negotiated with foreign statesmen. No business man would think of committing his company at an important business conference without prior understanding with his associates and directors. Yet our representatives have often entered international negotiations without consulting either their board of directors, which is Congress, or their shareholders, the American people.

Now, of course, you can't literally take every international proposal to the people. What you can and should do is to call into consultation at an early stage important members of Congress, technical experts, and informed citizens, and also keep the public generally aware of the problems.

Let me illustrate from national practice a method of proved value. For many years the Treasury Department has faced a highly technical and difficult problem in arranging its program of Government financing. It is a delicate problem, as well, because the plans and pricing of future issues affect directly the current market on Government securities. So the Department has to be careful about letting people in on its secrets.

However, a technique has been worked out of calling into consultation in the formative period of any program a substantial number of representatives of banking, insurance and other investors, as well as representatives of the market. The Federal Reserve mechanism has been particularly useful for this purpose. As a result of these prior consultations the financing program has gone so smoothly that we almost forget the difficulties of the problem. The key to the matter has been *advance* consultation with a group of technically skilled, informed and influential people, as a consequence of which the programs have been sensible and public opinion has been prepared for their reception.

Admittedly, negotiations with foreigners offer additional difficulty, but this makes it even more important that difficulties within our own ranks be faced before they become matters of international discussion. Here I believe the same general techniques can be applied as in the field of domestic finance.

As the result of the war we have learned a good deal about the joint operations of this trio of forces: theory, practice, and politics. Business men have been drawn into the operations of Government more perhaps than ever before. Certainly the academic fraternity is better represented than heretofore. As we look towards the future the problem is whether business will take a walk and leave the politician and theoretician to run the show. This would be a major calamity. We need to draw on the theory and learning of the scholar. We need the practical experience of the business man. We need the art of government which, in a democracy, is the art of getting people to act together. And we particularly need—and here is where we shall have to work hardest—we need an understanding by each of these three of the problems of the other two. Our politicians need to understand business, not merely orate about it. Our professors of economics need a more practical understanding of politics, and a few months or years of personal participation in helping run a business. Our business men need all the grasp they can acquire of the mental processes of politicians and professors. The problem is to get the proper balance. Business, for example, tends to be impatient of all talk of national planning. Government usually has too much faith in it. College professors go off half cocked about it. The need is to find a sensible, practicable middle course.

To do this places a special direct responsibility on business leadership, for if business judgment is to be brought to bear on governmental problems we must make government our business. That means something more than having someone look after our own specific business interests. It means that organized business must plan to devote some of the time of its best people to the national good.

We would do well to heed the words of Pericles in his speech on the Peloponnesian War to the citizens of Athens when he said:

"... Our citizens attend both to public and private duties, and do not allow absorption in their own various affairs to interfere with their knowledge of the city's. We differ from other States in regarding the man who holds aloof from public life not as 'quiet,' but as useless ..."

A Dangerous Safeguard

(Continued from page 1579)

those that we are about to witness constitutes a complete fallacy because the situations will bear contrast rather than comparison.

After the last war there was neither the Securities and Exchange Commission nor the National Association of Securities Dealers. The current emphasis upon fair principles of trade by organizations equipped for the enforcement of those principles was virtually limited to the Blue Sky Laws of the States, many of which were sadly inadequate. Hence the opportunities for deception were numerous, and there existed a large percentage of chance that punishment might be avoided.

Today with the multiform powers of the Securities and Exchange Commission there is no escape for the racketeer and securities swindler. To become a registered dealer, muster of the Securities and Exchange Commission must first be passed. The Commission has a power of visitation which makes available to it the records of every broker and dealer. It passes upon the registration of securities issues in the first instance, and has created a system of disclosure and certain principles dealing with the prospectus which have stemmed the tide of fraud.

Its liaison arrangement with State authorities has also acted as a wholesome deterrent.

Law enforcement has done more to protect the gullible than education can, because the world is built upon trust and good faith, and the distinct tendency is to believe in human kind.

Illustrating this, one of the conferees in charge of the securities division of the New York Attorney General's office, William F. McNulty, in giving his experience, related that some investors who had already been duped, returned to the Attorney General's office again and again with similar complaints.

WE BELIEVE THOSE WHO FEEL THAT THE SECURITIES AND EXCHANGE COMMISSION SHOULD NOT BE CONDUCTING THIS CAMPAIGN ARE ON SOUND GROUND, PRIMARILY BECAUSE THAT ADMINISTRATIVE BODY JUDGING BY THE DELAY IN SOME OF ITS DECISION, e.g., THE ONE DEALING WITH THE "5% SPREAD," IS ALREADY HEAVILY BURDENED BY ITS MANY OTHER DUTIES.

As to the retention by the public of Government E bonds, that program of education should be in the province of our Treasury Department. It performed an excellent selling job, and can also teach an excellent holding job. That opinion was expressed at the conference and we approve it.

For security enforcement agencies to attempt to make misanthropes of the public seems to us particularly unfortunate. The timing is bad. During reconversion new capital will make new jobs; but an alarmed public will hesitate to invest in new capital issues. What started as a good intention may turn out to be another block for the road which is usually paved with them.

Reconstruction is our foremost aim. Faith in our future is essential to the success of the transformation period.

WITH AGENCIES SUCH AS THE BETTER BUSINESS BUREAUS, ENGAGED IN EDUCATING THE PUBLIC IN THE AVOIDANCE OF HUNDREDS OF TYPES OF FRAUD, IT SEEMS TO US UNFORTUNATE THAT ENFORCEMENT AGENCIES AND OTHERS IN THE SECURITIES FIELD SHOULD HAVE CHOSEN THIS CRUCIAL PERIOD TO POINT UP THE POSSIBILITY OF DISHONESTY AND THUS FOSTER SUSPICION.

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.

Paul & Co. Elects

PHILADELPHIA, PA.—Edward S. Lewis has resigned as Vice-President and Secretary of Paul & Co., Inc., 1420 Walnut Street, as of Sept. 30, 1944.

At a meeting of the Board of Directors on October 4th, M. Lester Snyder was elected Secretary and Assistant Treasurer.

Bradford With Shaw Hooker

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Roy Bradford has become associated with Shaw, Hooker & Co., 1 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Bradford for many years was with Dean Witter & Co. In the past he was a partner in Filmer, Bradford & Maxwell.

Chinese Phase Of Security Conference Ended

The conclusion of the second phase of the Dumbarton Oaks Conference, undertaken to develop plans for an International Security Organization, was concluded on Oct. 7 when the representatives of the United States, British and Chinese Governments brought to a close their conversations which had been opened on Sept. 29. As we have heretofore reported (in our issue of Oct. 5, page 1511), the conversations on the subject among representatives of the United States, British and Russian Governments were concluded on Sept. 28.

With the ending of both phases of the conference the text of the tentative proposals reached were made available on Oct. 9.

Under date of Oct. 6, when the final touches were put on the proposed plans for a world peace organization by the American, British and Chinese delegates, the Associated Press said that the plan agreed upon is in all essentials the one worked out by the American, British and Russian delegates. These advices said:

"It was ascertained that the Chinese, who entered the talks after the Russian conversations were concluded, were able to complete their work in a single week because they found that their main ideas were covered in the Anglo-American-Russian draft, at least by implication."

From the Philadelphia "Inquirer" we take the following Associated Press advices, Oct. 6:

"While the Chinese had several specific points to bring up during their talks, it was said that when American and British delegates explained to them the document worked out with the Russians they were satisfied that the principles they supported either were included or implied.

"The main questions dealt with in this manner were:

"1. Assurance that quick international action would be taken to eliminate any threats to world peace without time-wasting debate.

"2. A sufficiently concrete definition of aggression so there could be no last-minute backing down by the international organization if the peace is broken.

"3. Provision for tying in international economic, social welfare and cultural organizations with the future world peace agency.

"The Chinese, it was learned, did not bring up their request for a plank guaranteeing racial equality and decided that other points they wished to make were technical details which could more properly be brought up at a general United Nations conference.

"Still to be settled, officials say, before that meeting is called is the question whether a major Power accused of aggression should be permitted to participate in the security organization's vote on the matter, a point which the Russians are reported to have favored."

New York Security Dealers Association Meeting To Discuss Important Current Developments

A general dinner-meeting of the New York Security Dealers Association has been called for Thursday, Oct. 26th, 1944, at 4 P. M., to be held in the second floor ballroom of Sherry's, 300 Park Avenue, New York City.

The Board of Governors deems it necessary to hold the meeting because of the various current developments within the industry which have an important bearing on the future life and conduct of the Over-the-Counter business. Remarks will be made by the officers on matters generally affecting the Association.

The meeting will then be opened to general discussion by the members. Due to the element of time, and in order to permit as many members as possible the opportunity to express their ideas, each member will be limited to three minutes in presenting his views.

The meeting, because of its nature, will be confined to members, their partners, and heads of trading departments. The dinner charge will be $6 for each person, which will just about cover the costs. Due to the food situation, Sherry's must be notified by Oct. 20th regarding reservations and tickets may be obtained at the office of the Association from Alfred E. Loyd, Executive Secretary.

The meeting will start promptly at 4 P. M., and it is planned to have everyone seated for dinner at 7 P. M., after which outside speakers will address the assembly, including Lt. John Mason Brown, U. S. N. R., who addressed the meeting last year.

It is also announced that with the consent of the Public Relations Department of the U. S. Coast Guard, the famous Coast Guard Quartet will appear. Members are Homer Smith, Boatswain's Mate 2/c; Thomas Lockard, Storekeeper 2/c; James Lewis, Gunner's Mate 3/c, and Martin Boughan, Yeoman 3/c. Francis Boyle, Mus. 2/c, is accompanist.

Third National Of Nashville Recommends Tennessee For Post-War Plants

The Third National Bank of Nashville, of which N. A. Crockett is Chairman, Watkins Crockett, Vice-Chairman and F. M. Farris, President, is urging industrialists to consider the State of Tennessee for post-war location.

The bank has direct contacts with virtually every line of Tennessee business and industry which places it in a position to answer questions regarding choice industrial plant locations promptly and accurately.

The Third National Bank has grown from an institution of $1,018,140 deposits on its opening day, July 18, 1927, to $73,635,503.98 deposits on June 30, 1944. In addition to a capitalization of $1,000,000 its surplus and undivided profit account is now $2,578,687.04 and total resources $77,811,675.46.

J. W. Malmberg Co. Formed

(Special to The Financial Chronicle)

SAN DIEGO, CALIF.—J. Waldo Malmberg has formed J. W. Malmberg & Co. with offices at 625 Broadway, to engage in the investment business. Mr. Malmberg was formerly with Blyth & Co., Inc., and prior thereto was for a number of years with Bankamerica Company.

Calendar Of New Security Flotations

OFFERINGS

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. Filed Sept. 14, 1944.

Offered Oct. 10, 1944 at $7.375 per share by Van Alstyne, Noel & Co., Kobbe, Gearhart & Co., Inc., Cohu & Torrey, K. H. Johnson & Co., Newburger & Hano and Joseph Faroll & Co.

ELECTRONIC LABORATORIES, INC., has filed a registration statement for 150,000 shares of common stock (par $1). Of the total 100,000 shares are to be offered for the account of the company and 50,000 shares for the account of stockholders. The proceeds from the sale of 100,000 share will be used for additional working capital. Proceeds of the sale of the remaining 50,000 shares will accrue to Norman R. Kevers as owner of 27,000 shares and to William W. Garstang as owner of 23,000 shares. Brailsford & Co., and Shillinglaw, Crowder & Co., Inc., Chicago, are principal underwriters.

Offered Oct. 11, 1944 by above named underwriters at $5 per share.

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. Net proceeds of the preferred shares 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. Common stockholders of record Oct. 7 are offered the right to subscribe to the preferred stock (par $20) at $25 per share in the ratio of one new share of preferred for each 3½ shares of common held. Rights expire Oct. 23. Any preferred not taken by stockholders will be offered to the public by E. H. Rollins & Sons, Inc., and Van Alstyne, Noel & Co., New York, principal underwriters. Filed Sept. 16, 1944.

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.

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. 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.

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 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. Filed Sept. 26, 1944. Details in "Chronicle," Oct. 5, 1944.

MONDAY, OCT. 16

VAN RAALTE COMPANY, INC., has filed a registration statement for 129,281 shares of common stock (par $10). Company is granting holders of common stock of record of Oct. 16, 1944, rights to subscribe to 129,281 shares of 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. If all of the common shares offered are subscribed for it is estimated company will receive a net amount 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 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. Not underwritten. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

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. The offering will exclude $25,000,000 of series L bonds to be isued, without interest adjustment or underwriting discounts or commissions, in exchange for $25,000,000 of first mortgage 3% bonds, series K, owned by 14 insurance companies. Net proceeds will be applied toward the redemption of the entire $98,000,000 first mortgage 3½% bonds, series I, due June 1, 1968, at 105% and $80,000,000 Public Service Co. of Northern Illinois first mortgage bonds, 3½% series due Oct. 1, 1968, at 105½. Additional funds required will be supplied out of other funds of the company. Halsey, Stuart & Co., Inc., are named principal underwriter. Filed Sept. 28, 1944. Details in "Chronicle," Oct. 5, 1944.

CALIFORNIA OREGON POWER CO. has filed a registration statement for $13,500,000 first mortgage bonds series due Nov. 1, 1974. The bonds will be offered for sale at competitive bidding with the successful bidder fixing the interest rate. Company will apply net proceeds towards the redemption of $13,500,000 first mortgage bonds, 4% series due 1966, at 195½ plus interest. Filed Sept. 28, 1944. Details in "Chronicle," Oct. 5, 1944.

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. A. G. Becker & Co., Inc., New York, is principal underwriter. Filed Sept. 29, 1944. Details in "Chronicle," Oct. 5, 1944.

CENTRAL NEW YORK POWER CORP. has filed a registration statement for $48,-00,000 general mortgage bonds, 3% series due 1974. The bonds will be offered for sale under the Commission's competitive bidding rule. Net proceeds with other funds of the company or other borrowings will be applied to the redemption of 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. Filed Sept. 29, 1944. Details in "Chronicle," Oct. 5, 1944.

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. Allen & Co., New York, head the list of underwriters. Price to the public is $50 per share for the preferred stock and $7 per share for the common. Filed Sept. 30, 1944. Details in "Chronicle," Oct. 5, 1944.

AETNA BALL BEARING MANUFACTURING CO. has filed a registration statement for 30,375 shares of 5% cumulative convertible preferred stock, par $20. The preferred stock is being offered to holders of common stock of record Oct. 14, for subscription at $20 per share on basis of one share of preferred for each four shares of common. Subscription rights will expire Oct. 30, 1944. Underwriters will purchase preferred stock not subscribed for by the stockholders. Proceeds will be added to working capital. The underwriters are Bacon, Whipple & Co., and Rawson Lizars & Co., Chicago, and Carlton M. Higbie Corp., Detroit. Filed Sept. 30, 1944. Details in "Chronicle," Oct. 5, 1944.

MONDAY, OCT. 23

MOBILE GAS SERVICE CORP. has filed a registration statement for $1,400,000 first mortgage bonds, series due Oct. 1, 1964, 6,000 shares of cumulative preferred stock, par $100, and 100,000 shares of common stock, par $7.50.

Address—162 St. Francis Street, Mobile, Ala.

Business—Operating public utility.

Underwriting—All three classes of securities are to be offered for sale at competitive bidding, with the successful bidder naming the interest rate on the bonds and the dividend rate on the preferred stock. The bonds and preferred stock are being offered for the account of the corporation, while the common stock is being offered by Consolidated Electric & Gas Co., parent, which owns all of the common shares of company, except directors' qualifying shares.

Offering—Prices to the public for the bonds and preferred and common stocks will be filed by amendment.

Proceeds—Company will apply the proceeds from sale of bonds and preferred stock, estimated at not less than $2,000,000, together with general funds, to the redemption of $1,400,000 of first mortgage bonds, 3¾% series due 1961, at 104½ and to the redemption of 6,000 shares of 6% cumulative preferred stock at $110 per share. Proceeds from the sale of the common stock estimated at $1,350,000 are to be received by Consolidated.

Registration Statement No. 2-5493. Form S-1. (10-4-44).

WEDNESDAY, OCT. 25

KIMBERLY-CLARK CORP. has filed a registration statement for 4½% cumulative preferred stock, par $100, the number of shares to be filed by amendment.

Address — 128 N. Commercial Street, Neenah, Wis.

Business — Manufacturing and selling white paper, cellulose wadding and other allied products.

Underwriting — Lehman Brothers, the Wisconsin Co. and Hallgarten & Co.

Offering—The corporation is making an offer to the holders of its present preferred stock on the basis of which each holder of present preferred would receive one and a fraction shares of new preferred for each share of present preferred, with adjustment for dividends. The full exchange basis will be set forth by amendment.

Proceeds—For exchange of stock and proceeds from sale of any unexchanged stock to underwriters will be used for the redemption of all the shares of present preferred stock not exchanged pursuant to the company's offer.

Registration Statement No. 2-5494. Form S-1. (10-6-44).

KIMBERLY-CLARK CORP. has filed a registration statement for 99,960 shares of common stock (no par).

Address — 128 N. Commercial Street, Neenah, Wis.

Business — Manufacturing and selling white paper, cellulose wadding and other allied products.

Underwriting — Lehman Brothers, the Wisconsin Co. and Hallgarten & Co.

Offering—The 99,960 shares of common are being offered by the corporation for subscription to the holders of its common stock at the rate of one share for each five shares of common held. The offering price and record date will be filed by amendment. Unsubscribed shares will be offered by the underwriters to the public at a price to be filed by amendment.

Proceeds—Will be added to the general funds of the company.

Registration Statement No. 2-5496. Form S-1. (10-6-44).

SILEX COMPANY has filed a registration statement for 82,000 shares of common stock (no par). The stock is issued and outstanding and does not represent new financing by the company.

Address—80 Pliny Street, Hartford, Conn.

Business—Glass coffee makers, both electric and non-electric, as well as stoves, ranges, water heaters and other equipment used in connection with glass coffee makers.

Underwriting—Paine, Webber, Jackson & Curtis, New York, head the list of underwriters. Others will be named by amendment.

Offering—Price to the public will be filed by amendment.

Proceeds—The 82,000 shares are being offered for the account of three holders of common stock who will receive the proceeds from the sale.

Registration Statement No. 2-5495. Form S-1. (10-6-44).

METROPOLITAN EDISON CO. has filed a registration statement for $24,500,000 first mortgage bonds series due 1974 and 125,000 shares cumulative preferred stock (par $100). The interest rate on the bonds and the dividend rate on the preferred stock will be filed by amendment.

Address—412 Washington Street, Reading, Pa.

Business—Operating public utility company.

Underwriting—The bonds and preferred stock will be offered for sale pursuant to the Commission's competitive bidding rule. Names of underwriters will be filed by amendment.

Offering—The offering price to the public will be filed by amendment.

Proceeds—The proceeds from the sale of the new bonds and preferred stock, together with $9,049,900 to be received from NY PA NJ Utilities Co. and other funds of the company to the extent required are to be applied to the redemption of the following securities: First mortgage bonds, series D 4½%, $20,330,500, series E 4%, $4,684,000 and series G, 4%, $11,710,900 and to the redemption of outstanding $6 and $7 dividend prior preferred stock, cumulative, no par, and $5, $6 and $7 cumulative preferred stock, no par. Including premiums the total amount required is $51,150,663.

Registration Statement No. 2-5497. Form S-1. (10-6-44).

SATURDAY, OCT. 28

KOPPERS CO. filed a registration statement for $23,000,000 first mortgage bonds, 3% series due Oct. 1, 1964, and $11,400,000 serial notes, issue of 1944.

Address—Koppers Building, Pittsburgh, Pa.

Business—Engaged in the production, manufacture and sale of crude and refined coal tar products, etc., and in the design and construction of by-product coke plants, coke ovens, chemical plants, etc.

Underwriting — The underwriters are Mellon Securities Corp., A. C. Allyn & Co., Inc., Baker, Watts & Co., Blyth & Co., Inc., Alex. Brown & Sons, Coffin & Burr, Inc., First Boston Corp., Hallgarten & Co., Halsey, Stuart & Co., Inc., Harriman Ripley & Co., Inc., Harris, Hall & Co., Inc., Hayden, Miller & Co., Hemphill, Noyes & Co., Illinois Co. of Chicago, W. C. Langley & Co., Lazard Freres & Co., Moore, Leonard & Lynch, Reinholdt & Gardner, E. H. Rollins & Sons, Inc., Singer, Deane & Scribner, Stifel, Nicolaus & Co., Inc., Stein Bros. & Boyce, Stone & Webster and Blodget, Inc., Union Securities Corp., White, Weld & Co., and Whiting, Weeks & Stubbs.

Offering—Price to the public will be filed by amendment. Following the issuance and sale of the bonds and notes, Koppers Co. and its parent, Koppers United Co., may be merged into Koppers Co., Inc., a new corporation formed for carrying out the merger, providing stockholders' approval is obtained.

Proceeds—The proceeds from the contemplated financing will result in the retirement of all existing funded debt of Koppers Co. and Koppers United Co. and all of the existing 200,000 shares of preferred stock of Koppers Co.

Registration Statement No. 2-5498. Form S-1. (10-9-44).

KOPPERS CO., INC., has filed a registration statement for 150,000 shares of cumulative preferred stock and 200,000 shares of common. The dividend rate on the preferred will be filed by amendment.

Address—Koppers Building, Pittsburgh, Pa.

Busines — Company was organized on Sept. 30, 1944, for the purpose of carrying out a plan of merger of Koppers Co. and Koppers United Co., under which it would be the surviving corporation.

Underwriting—See above statement.

Offering—The offering price to the public will be filed by amendment.

Proceeds—To be applied to the retirement of all of the existing 200,000 shares of preferred stock of the Koppers Co. after the merger and to pay off bank notes aggregating $4,786,624 of Koppers United Co.

Registration Statement No. 2-5499. Form S-1. (10-9-44).

TIDE WATER POWER CO. has filed a registration statement for $4,500,000 first mortgage bonds 3½% series due Nov. 1, 1974, and 10,000 shares of 5% preferred stock, par $100.

Address—Tide Water Building, Wilmington, N. C.

Underwriting—The bonds and preferred stock are to be offered for sale at competitive bidding. Names of underwriters will be filed by amendment.

Offering—Offering price to the public will be filed by amendment.

Proceeds—The net proceeds estimated to be approximately $5,605,000, together with such cash from the company's general funds as may be required, will be used to redeem the company's first mortgage 5% bonds due Feb. 1, 1979, series A, in the principal amount of $6,065,500.

Registration Statement No. 5500. Form S-1. (10-9-44).

FEDERAL MACHINE & WELDER CO. has filed a registration statement for $2,000,000 15-year 5% sinking fund debentures due Sept. 1, 1959.

Address—212 Dana Street, N. E., Warren, O.

Business—Principal peace-time business is manufacture and sale of a complete line of resistance welding machines and equipment.

Underwriting—Central Republic Co., Inc. and Peltason, Tenenbaum Co. are principal underwriters.

Offering—Price to the public will be supplied by amendment.

Proceeds—Will be added to working capital.

Registration Statement No. 2-5501. Form S-1. (10-9-44).

TUBIZE RAYON CORP. has filed a registration statement for 70,000 shares of preferred stock (par $100). The dividend rate will be filed by amendment.

Address—2 Park Avenue, New York City.

Business—Manufacture and sale of continuous filament rayon yarns made by the viscose and cellulose acetate process, etc.

Underwriting—Kidder, Peabody & Co., and Union Securities Corp. head the list of underwriters.

Offering—Price to the public will be filed by amendment.

Proceeds—Net proceeds will be applied to the redemption of $2,450,000 3½% sinking fund debentures, due Nov. 1, 1956, and for redemption of 18,395 shares of 7% preferred stock, par $100, redeemable at $110 per share and accrued dividends. Balance of net proceds will be added to working capital.

Registration Statement No. 2-5502. Form S-1. (10-9-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund 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.

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.

EQUIPMENT FINANCE CORP. filed a registration statement for 14.000 shares 4% cumulative series 2 preferred, par $100. To be sold to officers and employees, of company and Curtiss Candy Co. and its subsidiaries. Price $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

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

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GERMANTOWN FIRE INSURANCE CO has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Underwriter is P. W. Brooks & Co., Inc., New York. Proceeds will be applied to the reduction of bank loans. Price range 101 for 1945 maturities to 99.5 for 1960-64 maturities. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

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. The SEC has denied the company's application to exempt it from the competitive bidding requirements of Rule U-50. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

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.

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.

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.

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

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

The directors Sept. 5 voted to direct the officers to formulate plans to invite competitive bids for the new bond issue.

Due to a decision of the N. Y. Public Service Commission that it has jurisdiction over the proposed issue, the company has decided to defer the issue temporarily.

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.

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.

Banking Services In The Coming Credit Economy

(Continued from page 1581)

I am convinced, lies largely in the enormous volume of bank deposits which will be a legacy of our wartime Government financing. The banks of the United States hold $75,800,000,000 of Government securities, which is the chief cause of the wartime increase of nearly $50,000,000,000 in bank deposits. The total deposits for all banks has reached the all-time high of $128,550,000,000. Adjusted demand deposits and United States Government deposits have reached another all-time high of $79 billions. This is more than five times the June, 1933, total of $15 billions. The upward trend of demand deposits will probably carry this total to seven or eight times the 1933 figure. To express it another way, the post-war volume of demand deposits will probably be five or six times the **normal** pre-war total.

Many economists, and some bankers, I am sorry to say, think that the end of the war will initiate a downward trend in deposits because (1) unemployment will be heavy, forcing the use of savings; (2) people will reduce their individual deposits by purchasing commodities which cannot be obtained during the war because of scarcity and rationing; (3) corporate deposits will be reduced by corporations spending large amounts for equipment and other conversion costs, and (4) high taxes will cause deposits to be withdrawn to pay the tax-gatherer. None of these will cause a drop in total deposits—only transfers from account to account and from bank to bank are involved. Such debits, however, without offsetting credits, constitute a real deposit shrinkage for the individual bank, which it must meet, regardless of the statistical volume of bank deposits for all banks.

Deposits could be decreased by Treasury redemption of securities held by the banks, if, and when, surplus tax receipts are available. Or, a differentiated interest rate conversion policy might force the shift of securities from banks to non-banks. Modern total war, however, is so expensive that, in my opinion, a reduction in the holding of Government securities by the banks is not likely to happen during the war or, for that matter, in the immediate post-war period.

Instead of decreasing, deposits are bound to increase for the remainder of the war and for some time after the end of hostilities as the banks continue to buy Government bonds. Many corporations have invested billions in surplus funds, and depletion and depreciation reserves in short-term Government securities which will undoubtedly be shifted to the banks to meet post-war conversion costs. This may increase deposits as much as another $10 billions. Likewise, the Treasury will probably sell additional short-term securities to the banks to raise funds to meet the post-war redemptions of the United States Savings Bonds cashed by the general public. After the war, hoarding will decrease, money now "burning" the pockets of war workers will be spent (circulation now is more than $23 billions as compared with $4.7 billions in 1929) and there will be a considerable return flow of currency from abroad. There is also a good probability of an inflow of gold, or at least a release of gold from "earmarking," which will further increase deposits.

All of this means that post-war bank deposits of, say, $150 billions, or possibly even more, must be reckoned with in your planning. Does this mean inflation is to be expected? Certainly not! How anyone familiar with our amazing wartime production record can fear inflation is more than I can understand. Unless the future fiscal policy of the United States Government is completely unsound, there is no danger of inflation. Conditions in the United States are quite different than those which obtained in any country which suffered inflation. In this amazing country of ours, with its fantastic production ability, inflation is a practical impossibility because our industrial machine can produce the goods, i.e., it is capable of meeting any demand which will be placed upon it.

The probable reduction in employment of four or five million people at the end of the European war and the reduction in the take-home pay of many of the remaining employed, through elimination of overtime, will be a psychological, as well as a direct monetary, brake on inflation.

Then, too, corporations will have **ample bank deposits and short-term Government securities** to enable them to secure the latest labor-saving equipment and methods so that they can become **low-cost** producers. (The Anti-Trust experts of the Attorney-General's office have publicly announced that they intend to see that these savings are passed on to consumers in the form of lower prices.) Easy money and credit conditions will enable corporations to secure the latest machinery and facilities, and at low carrying cost, too. This will inaugurate an unparalleled competitive battle for the consumer's dollar, of which I shall say more later.

Another brake on inflation is our much **better and closer control over bank credit.** Regulation W, which gives the Federal authorities credit control of the consumer in addition to the great powers they already have over the banks and the money market, is an example of what the Government can do in regulating credit. And, if the authorities should need more power to do the job, the Congress would not hesitate to pass the necessary legislation.

Instead of inflation, the problem will be to prevent deflation. This will be particularly true for a short time after the end of the European war, especially in soft-goods where quality has been permitted to deteriorate. (Prices and orders of sub-standard goods are already very weak, just on the prospect of V E Day. Consumers are starting to hold off buying with the expectation of getting better merchandise as wartime restrictions are relaxed. Who wouldn't be willing to wait for a shirt with a tail on it! **Off the record.)**

Purchases and storage of food supplies by the services will decline and the demand from Europe will not be very great. Support of agricultural commodities by the Government will have to be continued to prevent a serious break—even with Government support a moderate decline seems inevitable, the supplies are so large. For example, the wheat crop promises to be some 12% larger than the previous all-time record crop of 1915. The corn crop of nearly 3 billion bushels is within 150 million bushels of the all-time record of 1942.

This is a good place to pause and pay our respects (?) to those economists who predicted run-away prices during the war. Despite their fearsome predictions the Government problem on many agricultural commodities has been market support, a floor, rather **than a ceiling, on prices—eggs and pork, for example.** The wheat, [illegible] demonstrates what this country can do and should be an object lesson to prophets of inflationary doom.

In durable goods prices, at first, will be higher as the wage scale and taxes will be higher. Initial production costs due to the shifting of labor and skills will be higher. Demand will be very great for refrigerators, radios, washing machines and other durable consumer goods, and the price trend will be sharply upward for a while after production is resumed. **But**, even here the forces which I have already described will soon assert themselves and the keenest competition which this country has ever experienced will set in—competition in price, quality, service and, **please note, credit facilities.**

Consumer credit rates of change which we thought low before the war will look very high in the low-interest era ahead. Sales finance companies will not only have more competition from similar organizations, but the banks will enter this field in earnest. And, with their vast credit facilities installment interest rates will tumble. Manufacturers, too, who will be largely independent of the banks because of their large deposits and accumulation of Government securities, will undoubtedly increase their direct financing activities.

I wish I could assure you that post-war business volume would bring back old-fashioned volume to the banks, but that is a false hope. Business **in the aggregate** already holds enough cash and Government securities to do the job of conversion and more, too. A recent Federal Reserve Board study of ownership of demand deposits showed that 92% of the total of manufacturing and mining deposits was held in accounts above $10,000. Giving consideration to the great increase in deposits, this indicates that the immediate post-war borrowing will be largely confined to the smaller concerns.

Thus it is clear that banks must develop new outlets for their credit. For example, some method must be developed whereby banks can safely extend to small and medium-sized business enterprises loans for longer periods, similar to the term loans extended to large, well-established concerns. To be sure, pools, such as those proposed by the American Bankers Association, or some new mechanism will be needed to put this business on a bankable basis. Yet, unless the present capital or credit agencies arrange to take care of this need, the Government will step in and do it, and that we should try to avoid at all costs.

Consumer credit, installment loans of all kinds, **real** personal loans to individuals, private home mortgages and similar avenues of credit extension must be fully exploited by the banks and credit agencies.

May I summarize my ideas as follows:

a. With the greatest productive capacity of all time, we can look forward to a period of low interest rates with bank deposits five or six times the **normal** pre-war total.

b. Barring a completely unsound fiscal policy on the part of our Government, I do not expect inflation and, although psychological factors which cannot be foreseen will have an important bearing on prices, the present outlook is for higher prices on durable goods and lower prices on soft goods for the immediate period following our victory in Europe.

c. Also, these same basic factors of great production capacity and enormous purchasing power will cause the keenest competition of all time, **particularly in credit facilities, terms and rates.** The consumer will be king and credit will be **his** servant. Business men who comprehend the [illegible] import of this phenomenal change will be able to meet the challenge of the future. Do not sit and wait for a return of the "good old days." Remember the old saying, "He who sits and waits gets but the dust of the procession."

Which Industries Will Do Best?

Entitled, "Which Industries Will Do Best?", a booklet on New York Stocks, Inc. just issued by Hugh W. Long and Company, Inc., 48 Wall Street, New York City, opens with the following challenge: "Of the 1,231 stocks listed on the New York Stock Exchange, how would you like to have the task of choosing THE ONE which will advance most in price dring the next year or two?"

Discarding this task as an impossibility, the industrial selection method of investing is introduced. "This tested method begins by discarding the idea of trying to pick out the ONE STOCK . . . or the two . . . or three . . . which will outperform all others. It is based instead on the principle that it is easier to pick an industry which will do well than to select a single stock which will do well."

Records of the market appreciation registered by each of the twenty Industrial Series of New York Stocks, Inc. from April, 1942 to August, 1944 are compared with the action of the Dow-Jones Industrial Average for the same period. A contrast with a leading company in each industry is also included.

Thumb-nail sketches of each of the Series, a commentary on their Post-War Outlook and reconversion problems, together with lists of securities held and price and dividend records make the booklet a complete handbook for salesmen as well as an effective sales presentation.

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.

Coming Rail Events

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared an interesting calendar of more important events affecting rails. Copies of this calendar may be had from the firm 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.

Bright Possibilities

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

"Our Reporter On Governments"

(Continued from page 1601)

that the war in Europe should continue on into the early months of 1945, as was recently indicated by Prime Minister Churchill, the offering of securities to the banks would probably be as limited in the Sixth War Loan as it was in the last three drives. . . .

Accordingly, the Treasury in not announcing the formula at this time for the participation of the commercial banks in the Sixth War Loan appears to be hedging its position in order to be prepared and flexible enough to meet any condition that may develop before the drive opens. . . .

EXCHANGE OFFER DETAILS

Concurrently with the Sixth War Loan, but separate from it, the holders of the 4% Treasury bonds, due 1944/54, called for redemption on Dec. 15, 1944, will be offered other Government securities in exchange for these obligations. . . . All holders of the called bonds, except the commercial banks, will be offered the 1½% notes, 2% bonds and the 2½% obligations. . . .

The commercial bank holders of the 4% bonds called for payment on Dec. 15, 1944, will be offered in exchange for these call bonds, the 1¼% notes and the 2% bonds. . . .

The total outstanding of the 4% bonds called for payment on Dec. 15, 1944, according to the latest available statistics, was $1,037,000,000, of which $423,000,000 were held by the commercial banks, $28,000,000 by savings banks, $69,000,000 by life insurance companies, $31,000,000 by fire and casualty companies, $78,000,000 by Government corporations and agencies, and $407,000,000 by other investors. . . . The retirement of the 4% partially tax-exempt bonds on Dec. 15, next, will further reduce the available supply of this type of obligation which are being rapidly eliminated by the Government. . . . The replacing of the 4% issue with either the 1¼% notes or the 2% and 2½% bonds will likewise result in an interest savings to the Treasury. . . .

TAX-EXEMPTS DRYING UP

One of the large Government bond dealers, in a recent study of the partially exempt Government issues, points out that the available supply of these securities is relatively so small that only a minor percentage of those who may need to purchase such income now, or over the next few years, will be able to buy it to advantage. . . .

It was also pointed out that the declines in these securities occurred on a surprisingly low volume of offerings, and that the only result of the recent market decline in these obligations has been to produce a level which is more attractive to potential buyers, but is also more devoid of securities than any comparable recent market situation. . . .

It was noted in this analysis that the weakness in the partially exempt Government issues was generally attributed to the belief that some tax reform might be enacted in Congress in the near future. . . . Generally, there seems to be agreement that while various Congressional committees may do much spade work between now and the convening of the next Congress, no tax legislation will be enacted until after this new Congress has convened and has been organized. . . . This general view automatically precludes the enactment of new legislation until the first quarter of 1945. . . . Some are sufficiently optimistic with regard to the outlook for tax reduction that they admit the above and, nevertheless, believe that regardless of the conditions of war then existent, such 1945 tax legislation would be retroactive. . . . The study concludes there is no realistic basis for this hopeful assumption, and it is unlikely that any real tax reductions enacted in 1945 would be effective until Jan. 1, 1946. . . .

CANADA'S SEVENTH WAR LOAN

The Canadian Minister of Finance recently set the date of Oct. 23 as the beginning of the Seventh Victory Loan with minimum loan totals set at $1,300,000,000. . . . This figure exceeds by $100,000,000 the objectives of the Sixth War Loan which took place in May of this year. . . . The totals to be asked of individuals is $75,000,000 higher than that sought in the previous war loan. . . .

The Canadian Seventh War Loan totals are higher than those sought in the previous drive, and are in direct contrast to what is to take place in our country in the Sixth War Loan, when the total asked for will be $14,000,000,000 as against the $16,000,000,000 called for in the previous drive. . . .

In our Sixth War Loan the amount to be raised from individuals is set at $5,000,000,000 compared with the $6,000,000,000 sought in the Fifth War Loan Drive. . . .

INCREASE IN BILL OFFERINGS

The increase in weekly offerings of the 91-day Treasury discount bills, to take place next week, raising them from $1,200,000,000 to $1,300,000,000, is undoubtedly for the purpose of accumulating funds to be used by the Government to pay off savings bonds if they should be turned in for redemption in volume. . . . These bonds are now payable upon presentation at the banks. . . .

It is indicated, however, that if the commercial banks are given a substantial participation in the Sixth War Loan, the larger offerings of Treasury bills will be withdrawn.

Gov. Dewey Sees In Dumbarton Conference "A Fine Beginning In Momentous Task"

Commending the work of the Dumbarton Conference for an International Security Organization, Gov. Thomas E. Dewey of New York, Republican nominee for President, stated on Oct. 9 that "the work of the British, Russian, Chinese and American experts makes a fine beginning in a momentous task." "We know that there is in this country," he said, "bipartisan agreement upon the end to be achieved, that there is already a large measure of accord with our British, Russian and Chinese friends and that our approach to other nations is animated by a genuine desire to "deal with them as partners." Governor Dewey's statement follows:

"The work of the British, Russian, Chinese and American experts makes a fine beginning in a momentous task. I am very happy over the result. All peace-loving people must rejoice that we have found so large an area of agreement about world organization for peace. The unanimous recommendations open the way to the next steps.

"We must find agreement as to voting rights within the council, particularly in case one of the permanent members of the council is itself involved in controversy. We must seek the views of other nations who will be members.

"Not only the great but the small nations must have a full share in shaping the peace structure if it is to work. The reactions of other nations should, therefore, be obtained as soon as possible. Then there must be drafted the definitive treaty establishing the new organization and that in turn must be submitted to the member States for adoption.

"There is thus much still to be done and we should push forward steadily to do it. The structure we plan derives from the present war coalition of more than 30 united nations. We must take advantage of that mood of common purpose to assure continuing unity for peace. This makes it important to act promptly rather than to delay in the search for perfection. We must not be discouraged or become disunited if every detail is not immediately solved to perfection. The initial organization will in any event need to be perfected as we go along.

"We can feel confident as we enter these next phases of our task. We know that there is in this country bipartisan agreement upon the end to be achieved; that there is already a large measure of accord with our British, Russian and Chinese friends, and that our approach to other nations is animated by a genuine desire to deal with them as equal partners. With all of this we cannot fail."

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.

Internal Auditors Elect Lauckner Pres.

Alan Lauckner, Assistant Vice-President of the Central Hanover Bank and Trust Company of this city, was elected President of The Institute of Internal Auditors for the 1944-45 year, at the annual meeting on Oct. 9, 1944, at the Hotel Roosevelt in New York, where the Institute's Third Annual Conference was held.

Alan Lauckner

Other newly elected officers were Curtis T. Atkisson of Ebasco Services Incorporated, First Vice-President; Charles J. Hill of The Peoples Gas, Light and Coke Company, Chicago, Ill., Second Vice-President; J. Ernest Laurie of the Prudential Insurance Company, Newark, N. J., Treasurer, and Peter J. Buzanga of the Consolidated Edison Co. of New York, Inc., Secretary.

Miller And Horn On J. P. Morgan Staff

J. P. Morgan & Co., Inc., announced on Oct. 4 the appointment of Atwood H. Miller as Personal Trust Officer and John Horn as Assistant Trust Officer. Mr. Miller, before his association with the Morgan concern practiced law as an associate of Davis, Polk, Wardwell, Sunderland & Kiendl. Mr. Horn was in the trust department of Bankers Trust Co.

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