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The Commercial and FINANCIAL CHRONICLE

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FDR Elected To Fourth Term

Re-elected as President, Franklin D. Roosevelt has been chosen to serve the nation for another term of four years. At Tuesday's national election, Nov. 7, President Roosevelt defeated his Republican opponent, Thomas E. Dewey, Governor of New York.

President Roosevelt

The Associated Press, pointing out on Nov. 8 that the Democratic Party forged ahead toward an electoral triumph at the Capitol as well as at the White House, stated:

"Smashing yesterday's [Nov. 7] Republican prediction that the Administration would lose control of both Houses of Congress, the Democrats made certain of a Senate majority with votes to spare, and snatched 16 seats from the Republicans in the House while losing only two of their own.

"With 12 Senate races still to be decided, Democrats counted 51 certain Senate seats compared with 58 they hold in the present session. The Republicans tallied up 32, counting holdovers, con-

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Post-War Jobs and International Relations

By EUGENE VAN CLEEF
The Ohio State University

Writer Maintains That Post-War Growth of Foreign Trade Will Be Only Temporary and Will Not Supply a Permanent Basis for Increased Employment. Looks for Industrialization Abroad as Reducing Foreign Demand for American Goods and Points Out Possibility of Renewal of Import Restrictions. Recommends Creation of a Permanent Federal Commission Whose Duty Will Be to Study Undeveloped Regions and To Encourage Direct Investment in Places Providing Raw Materials and Finished Goods Markets.

Unless we in the United States analyze the probable post-war scramble for trade among the world's nations in a rather cold-blooded feet-on-the-ground matter-of-fact manner many of our people are doomed to disappointment. It is well that we argue against post-war isolationism and that our leaders seek to direct our thinking in the post-war years toward a desirable awareness of our forthcoming world responsibilities. Nevertheless, it is equally essential for our own future well-being that we recognize the limitations of world trade and their consequent repercussions upon the job situation. I refer to world trade not as a minor incident in international relations but in recognition of the vital part which it plays in the relations among nations. So let us first look at those factors which underlie foreign or world trade.

Dr. E. Van Cleef

Why do we trade across inter-

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The Financier's Position In Consumer Credit

By K. R. CRAVENS*
Chairman, Committee on Consumer Credit, American Bankers Ass'n
Vice-President, Mercantile-Commerce Bank & Trust Co., St. Louis

Banker Predicts Large Post-War Consumer Credit Demand but Holds Temporary Shortage of Consumers' Durable Goods Will Deter Instalment Purchases. Views Need for Consumer Goods as Astronomical and as Consumer Credit Facilitates Consumption, Banks Will Be Ready to Extend Consumer Credit. Asserts He Has No Real Concern That the Nation Will Become Mired in a Colossal Consumer Credit Debt and Sees No Danger in Removal of Government Controls at End of War.

The purpose of this conference has been defined in part as: (a) To provide more jobs in the post-war era, and (b) To serve the interests of the distributive industries. To a very great extent, consumer credit can play an important part in achieving both of these objectives. Production and distribution depend entirely upon consumption, and consumption in turn, depends upon demand and purchasing power. Consumer purchasing power leans heavily upon consumer credit, particularly with respect to con-

Kenton R. Cravens

*An address by Mr. Cravens before the National Marketing Conference of the Chamber of Commerce of the United States in New York City on Oct. 27, 1944.

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Railroads vs. Industrials--Post-War

By PATRICK B. McGINNIS*

Railroad Expert Ascribes the Widening Price Spread Between Rails and Industrials as Due More to Non-Payment of Dividends Than to Poor Railroad Earnings. Holds Rails Will Follow Trend of Industrials and Because of Reduced Capitalization Due to Reorganizations and Debt Reductions the Rails Are Now in Better Financial Condition. Considers Rail Bonds, Particularly the New "Incomes," Are Cheap and Asserts Competition of the Market Does Not Ever Prove Anything and What the Crowd Wants Never Creates Quality.

Patrick B. McGinnis

Eleven years ago, last month, the Dow-Jones railroad averages sold at about 39. Eleven years ago the same time the Dow-Jones industrial averages sold at about 80. Today the railroad Dow-Jones Averages closed up about $2 from that 11-year price, and the industrial averages closed today at about 147, up from 80 11 years ago. The price spread now, of 105 points, between the Dow-Jones Railroad averages and the Dow-Jones Industrial averages, would seem to indicate that the industrials in this country can be prosperous in the post-war period; and the same set of conditions will cause the ruin of railroad industry; and this afternoon, among other things, I am going to attempt to prove to you that in my opinion the spread is

*An extemporaneous address by Mr. McGinnis, a partner of Pflugfelder, Bampton & Rust, Members of the New York Stock Exchange, before the Association of Customers Brokers in the Governors' Room of the N. Y. Stock Exch., Nov. 1, 1944.

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The Manufacturer's Position In Price Control

By HOWARD E. BLOOD*

Chairman, National Association of Manufacturers
President, Norge Division, Borg-Warner Corporation, Detroit

Industrialist Attacks Proposed Policy of Office of Price Administration to Limit Post-War Prices on Certain Manufactured Equipment to 1942 Levels. Claims this Policy Will Mean Profit Control. Says Costs of Raw Materials Have Increased and Labor Productivity Has Decreased and Maintains that Profit Differentials Must Be Maintained if Private Enterprise Is to Continue and Full Employment Be Accomplished.

At the start, I should like to point out that the manufacturer's interest in reconversion and demobilization does not end with the solution to his own manufacturing problems. His interest extends through his channels of distribution, and clear into the homes of the people who buy his products; it extends into the homes of the people whom he employs. For rapid or slow reconversion, rapid or slow reemployment of the boys demobilized from war industries and those who come home from overseas, will importantly affect the fortunes of almost everyone in our great land.

Howard E. Blood

The statement recently attributed to Vice President Wallace, that manufacturers had to be dragged into war production by the scruff of their necks, was an obvious falsehood. I know of no manufacturers who were not eager to contribute their utmost to war production, but I know of many who suffered inconceivable delays while confusion reigned at the top and of many who went ahead at their own risk and before they had contracts—and thus saved time and bloodshed.

And now we seem to have reached the peak of war production demands and possibly to be very near the time when, even before final victory, war production must be cut back 40%, 50%, yes, maybe 60 to 75%.

Anyone who can do anything

*An address made by Mr. Blood before the Chamber of Commerce of the United States Marketing Conference in New York City, Oct. 23, 1944.

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Chas. B. White Co. Reopens in Houston

HOUSTON, TEX.—Charles B. White, after two years on war duty, is reopening his investment business in the Second National Bank Building, under the name of Charles B. White & Co.

T. M. Huston With Kaiser

SAN FRANCISCO, CALIF.—Thomas McColl Huston has become associated with Kaiser & Co., Russ Building, members of the New York and San Francisco Stock Exchanges.

Vice-President Wallace Proposes Tax Exemption For New Investment

In an address delivered at a dinner given by "Business Men For Roosevelt" at the Hotel Commodore on Nov. 2, and entitled "The New World of Business," Vice-President Henry A. Wallace, after stating that "private control of the tools of industry must not be permitted through whim or anger or avarice to lock the gates while men starve," expressed the belief that "our American system of free enterprise may provide adequate jobs, if there is sufficient imagination and confidence among business leaders and their bankers."

Henry A. Wallace

Among "concrete proposals" for expanding business, "with jobs and plenty", he listed in addition to "a tripled and even quadrupled foreign trade, a clear road ahead for inventive genius and enterprise, wherever found, which is willing to devote itself to enriching the world with goods and services."

Continuing Mr. Wallace said:

"Specifically, any business, old and new, seeking to expand should have tax incentive to accomplish its purpose.

"All capital invested in genuine new enterprise should be income tax free for a period of five years or until the owner of such capital has received his investment back in the form of profit, either through income or sale, provided the investment is one in which two-thirds of the capital is spent on labor or materials. Business should be permitted to write off up to 20% in any one year its investment in machinery or buildings, provided these amounts shall be spent within a specified time for new facilities. Railroads should be given tax incentives to modernize. For the sake of young and growing businesses the excess profits tax should be eliminated as soon as possible.

"Many a small business, honestly capitalized, cannot expand because the tax gatherer hurts the little man with a big idea more than the big man with no idea. There are thousands of cases where small business men have had to pay up to 95% of their annual profits in taxation. They do so gladly in war, but in time of peace such men want to go ahead. They have proven their effectiveness. They want to grow. A wise government will stimulate by taxation the sluggish and the miserly, big or little, so that risk capital can be gotten back into productivity and growth before the taxgatherer takes it all. In the long run under such politics the tax gatherer will get more not less.

"I trust the next Congress will take care of this most glaring of all road blocks to true free enterprise."

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Some Problems of Reconversion

By JOHN M. HANCOCK*
Partner, Lehman Brothers

Co-Author With Bernard M. Baruch of Report on Post-War Readjustment Favors Early Relaxation of Controls, Revision of Corporate Taxes, Quick Disposition of Surplus Property To Avoid Any Trend Toward State Socialism, and a Synthetic Rubber Program Which Will Have the Idea of Never Exposing This Country Again to a Japanese Invasion of Malaya.

I have not prepared a talk for you, but I brought a ticket along, and I am reminded of Lord Riddle, a great British publicist, who came over here in 1926 to the Naval Disarmament Conference in Washington. He really was much in demand. One Sunday morning he found himself on a train leaving Washington to make an address. He sat down in the club car, got out the rotogravure section, and to his surprise, he found his picture in the paper. He was comfortable as he read the paper. The conductor came along and asked for tickets. Lord Riddle began fishing in his pockets and he couldn't find any. So then the conductor said: "You're Lord Riddle, aren't you? I saw your picture in the paper."

John M. Hancock

"Yes, I am."

"Then it's all right with me if you haven't a ticket."

"It may be all right with you, but if I haven't a ticket I'm in a hell of a fix, because I don't know where I'm going!"

I told your Director I would talk for a limited period of time, and I found myself in the diffi-

*An address made by Mr. Hancock before the Boston Conference on Distribution, Boston, Oct. 16, 1944.

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Treanor Would Revolutionize Over-Counter Securities Business

Director of Trading and Exchange Division, Speaking for Himself and Not As an SEC Official, Advocates "Full Disclosure" (Equivalent to Disclosing Wholesale Price in Other Lines of Business) in Over-the-Counter Security Transactions. Thinks Decline in Activities of Regional Exchanges Is Due to Usurpation of Over-the-Counter Dealers Who Do Not Want a Competing Auction Market. Contends Dealers in Reality Act As Agents and Should Be Regulated As Such.

Speaking "off the record" and not as an SEC official at the New York School for Social Research in New York City on Nov. 5, James A. Treanor, Jr., Director, Trading and Research Division of the Securities and Exchange Commission, claimed that the over-the-counter securities market requires further regulation "for the protection of investors." He asserted that buying and selling at the present time in a "negotiated market" is in the nature of "professional trading." He asserted that where a solicitation is involved in negotiated transactions there should be "full disclosure" by dealers. Holding to the assumption that investors, other than institutional buyers, are "laymen" and should come under the protective wing of the SEC, he maintained that security dealers, whether they buy or sell on their own account or not, are in reality "agents of their customers," and as agents they should not take advantage of their customers' ignorance and should make full disclosure. He stated that opposition to this theory arises from "the fear of some dealers that they cannot justify their profits." On the other hand, he stated that when brokers find they must charge a heavy commission to cover the cost of their services, they make it a practice to assume the position of dealers so as to avoid the disclosure of the commission charges. Hence, he said, there is a switching from the position of broker to dealer, and from dealer to broker.

J. A. Treanor, Jr.

Mr. Treanor stoutly maintained that dealers should make only an amount commensurate with a commission charge, and when asked whether a dealer, who takes the risk of losses as well as gains from the ownership of the securities he deals in, should demand compensation from his customers for losses that he undergoes in transactions, he brushed the question aside by stating that most

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Weissman of SEC and Cooper, Tax Expert to Speak at New School For Social Research

Rudolph L. Weissman, member of the staff of the SEC, will speak on "Small Business and Venture Capital" at the New School for Social Research, 66 West 12th St., New York City, on Friday evening, Nov. 10, at 8:30. He is Chairman of the weekly series, "Ten Years of the SEC," being given at the New School each Friday through Dec. 15.

Walter A. Cooper will speak on "Consolidated Returns; Excess Profits Tax Problems" at the New School on Tuesday evening, Nov. 14, at 8:30. Mr. Cooper, who is former Chairman of the Committee on Federal Taxation of the American Institute of Accountants, is one of the tax experts taking part in the weekly tax symposium being conducted by the School. Alex M. Hamburg is Chairman of the symposium.

NHA Estimates Housing Needs

Forecasts Over Twelve Million Non-Farm And Apartment Additional Units In First Post-War Decade.

Construction of 12,600,000 non-farm houses and apartment units will be required in the first post-war decade to meet the needs of American families and to make substantial progress in replacing substandard structures with good homes, the National Housing Agency has estimated.

The estimate was made after careful study and analysis of available information bearing on the problem, NHA said, and John B. Blandford Jr., National Housing Administrator, emphasized that the NHA report is "an earnest effort to judge the size of the nation's housing needs" — not an announcement of a program.

John B. Blandford Jr.

To meet the full need in 10 years would entail replacement of all substandard structures and require 16,100,000 units in all, NHA reported, but the conclusions were based on the premise that the replacement job would probably have to be spread over a 20-year period.

NHA offered an average annual production of 1,260,000 accommodations as a goal that would provide homes for newly formed families, including married soldiers who do not now have a home of their own, as well as all other families who will require new housing during the 10-year period, including those who have been living with relatives or friends for economic reasons, but who may become able to "undouble" and establish independent households.

In addition, it was estimated that such an annual average pro-

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Financing Foreign Trade

Dr. Nadler Predicts that Private Corporations and Investors Will Continue to Play the Greatest Role in Post-War Foreign Financing. Sees Need for Expanded Exports for Reconstruction and Rehabilitation, and Holds that Our Commercial Banks Are Fully Equipped to Handle Self-Liquidating Transactions in Nations Having Established Banking Systems and Assets.

The greatest role in the financing of foreign trade in the initial post-war period will be played by private corporations, Dr. Marcus Nadler, Assistant Director of the Institute of International Finance at New York University, predicted on Oct. 25, 1944, at a meeting in New York of the Institute on Postwar Reconstruction.


Dr. Marcus Nadler

Dr. Nadler also predicted that the volume of direct investments abroad, if economic and political conditions are sound, will be very large.

"International economic relations among nations can play a decisive role in the preservation of peace in the post-war period," Dr. Nadler stated. "If they are sound they will lead not only to world prosperity accompanied by a constant rise in the standard of living of all nations but also to better relations among them and make possible a drastic reduction in armament expenditures. If on the other hand, they are not sound, they will lead to the adoption of policies based on the philosophy of economic self-sufficiency and bring about a repetition of the events which marked the period between the two world wars.

"It may be taken for granted that the need for foreign trade will be greater than perhaps ever before," continued Dr. Nadler. "There will be the need to reconstruct the war-tattered world. Russia, alone for example, could absorb billions of dollars of imported machinery and equipment to be used for reconstruction purposes. There will be the need for developing the economically retarded areas. China alone, for example, could absorb billions of dollars of capital goods. Whether these demands are met or not will depend on the facilities to finance this trade. The financing of the post-war foreign trade will be carried out through the following channels: (1) private, which includes commercial banks and special institutions created for the purpose of financing foreign trade, investment banks and private corporations; (2) government agencies; and (3) possibly special institutions such as those envisaged at the Bretton Woods Conference.

"The commercial banks of the United States are fully equipped to handle all self-liquidating transactions of countries which have fairly well established banking systems and have assets abroad," he added. "This applies to all Latin American countries, to the Scandinavian countries, as well as to Holland, Belgium, Portugal, France and Great Britain. It is also possible that the commercial banks will grant medium-term loans to the various governments which will at first be secured, as in the case of Holland, but later on, as economic and political conditions become clarified, will be unsecured.

"In the initial stages, shortly after the war, the volume of foreign loans publicly offered in the American market is bound to be limited. A revival of the international capital market can take

(Continued on page 2045)

Edw. A. Viner Co. to Admit J. R. Grymes

J. Randolph Grymes, Jr., member of the New York Stock Exchange, and Amelia I. Viner will be admitted to partnership in Edward A. Viner & Co., 220 Broadway, New York City, members of the New York Stock and Curb Exchanges, as of Nov. 17. Mr. Grymes for many years has been active as an individual floor broker.

Interesting Rail Situations

In the current issue of their "Railroad Securities Quotations," B. W. Pizzini & Co., Inc., 55 Broadway, New York City, discuss briefly three railroad situations which the firm believes are particularly interesting at this time. Copies of the release, which contains guaranteed stock quotations, underlying mortgage railroad bond quotations, reorganization railroad bond quotations, minority stock quotations, and guaranteed telegraph stock quotations, may be had from B. W. Pizzini & Co. upon request.

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; General Instrument; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Cons. Cement "A"; Riley Stoker; Alabama Mills, Inc.; and H. & B. American Machine preferred.

Sir John Anderson Upholds Bretton Woods Agreements

British Chancellor Of The Exchequer In Public Address To Financial London Maintains That Britain's Adherence To International Monetary Fund Will Not Require Restoration Of The Gold Standard.

Speaking at the Lord Mayor's luncheon before the bankers and merchants of the City of London on Oct. 4th, Great Britain's Chancellor of the Exchequer, Sir John Anderson, though admitting that the Bretton Woods Agreements constitute "a difficult document" and that the success of the plan "will depend upon schemes of cooperation in other related fields," reiterated the contention of Lord Keynes that adoption of the agreements will not require Great Britain to return to the old gold standard, and will not impose a system of rigid exchange rates, since it expressly recognizes the need for adjustment of exchange rates to correct disequilibrium. The text of Sir John Anderson's address, which preceded that of Lord Catto, Governor of the Bank of England [latter appeared on page 1705 of Oct. 19 "Chronicle"], was reported by the London "Financial News" as follows:

Sir John Anderson

It is customary on this occasion when the Chancellor of the Exchequer stands up before representatives of finance and commerce in the City of London—and I am still bold enough to believe that the City of London will be again the world's centre for finance and commerce—to expect

(Continued on page 2032)

Nichols L. A. Mgr. for Carter H. Corbrey Co.

LOS ANGELES, CALIF.—Carter H. Corbrey & Co. announces that A. E. Nichols has become associated with them as Manager of their Los Angeles office, 650 South Spring Street. Mr. Nichols was formerly with Hill Richards & Co., and Blyth & Co., Inc.

Situation Looks Good

Wellman Engineering Company offers interesting possibilities according to a circular issued by Wm. J. Mericka & Co., Inc., 29 Broadway, New York City, members of the Cleveland Stock Exchange. Copies of this circular may be had from the firm upon request.

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.

R. F. Abbe, Jr., A Member of Security Dealers Ass'n

At a meeting of the Board of Governors of the New York Security Dealers Association, held on Nov. 1, 1944, Richard F. Abbe Jr., Van Tuyl & Abbe, 72 Wall St., New York 5, N. Y., was elected to membership.

International Trade and Bretton Woods

By ANSEL F. LUXFORD*
Assistant General Counsel of the U. S. Treasury

Treasury Official Sees Need for Establishing Economic Peace as Well as Political Peace. Points Out that Bretton Woods Agreements Is Step Toward Eliminating Economic Aggression and Currency Wars Which Handicap International Trade and Bring About Political Disturbances. Predicts that Unless Prompt and Decisive Action Is Taken to Foster International Trade and Economic Reconstruction, Europe Will Undergo Social and Political Disturbances.

It has been a source of wonder to foreign visitors and commentators that in the midst of a great war, the United States can conduct a national election and engage in a—shall we say "vigorous"—political campaign, without interfering with our all out prosecution of the war. I believe I am correct in saying that we alone of the great nations of the world pursue this practice. It is to our credit, that as a people we have the political objectivity and the cool-headedness to be able to wage a war and a political campaign simultaneously without permitting either to suffer as a consequence.

In my mind, this political objectivity is further manifested by the level-headed way you and I can calmly discuss the Bretton Woods Conference just ten days before election.

In our discussion of the Bretton Woods Conference this afternoon, I want to talk about the basic problems which the Conference faced and how the Bretton Woods Agreements propose to deal with them. While both the subject-matter and the Agreements are highly technical, we need not let these technical aspects obscure either the basic problems involved or the proposals made to meet them. In doing this I do not mean to minimize the importance of the technical problems involved, and Mr. Bernstein and I will be most happy to answer any questions at that level which you may care to raise. But in my mind, American policy in this field will be determined on the basis of the fundamental issues involved and not on the basis of technical details.

Foremost among these fundamentals, in my opinion, is the approach this country will adopt in coping with the problems which will face it at the end of the war. I do not believe I am guilty of overstatement when I say that the whole world has witnessed with incredulous wonder America's ca-

*An address made by Mr. Luxford before the New York Board of Trade at the Hotel Astor, New York City, Oct. 27, 1944.

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Tucker, Anthony & Co. Appoints Borkland

Tucker, Anthony & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Ernest W. Borkland, Jr., has been appointed manager of the firm's bond department. Mr. Borkland has been associated with the firm for six years.

Public Utility Securities

American & Foreign Power Recap. Plan

On October 25th American & Foreign Power and its parent, Electric Bond and Share, presented a recapitalization plan to the SEC, replacing all present securities (see table) with the following:

	Amount	Percentage to be Owned by Bond and Share	Public
5% Debentures due 2030	$119,281,200	5.4%	94.6%
Common stock (no par)	2,500,000 shs.	75.9	24.1

The position of the debenture bondholders is not materially altered (including Cuban Electric bonds). In fact, the total parent company debt is increased from about $100,000,000 to $124,281,200, which is advantageous for tax purposes. The reduction of short-term debt to $5,000,000 is also favorable. According to the pro-forma consolidated income account, total system charges (including all deductions from gross income other than parent company preferred dividends) are earned about 1.7 times on a pro-forma basis compared with 1.8 before recapitalization (12 months ended Sept. 30th). Considering the improvement in the general set-up, this change would not seem to reflect any hardship on bondholders.

Stockholders receive the following "packages" for each share of old stock:

	Cash	New Bonds	New Common (Share)
$7 preferred	$20	$80	½
$6 preferred	20	80	3-7
2nd preferred	--	--	½
Common stock	--	--	1-50
Warrants	--	--	--

Taking the new bonds at par, the $7 preferred stock is receiving $100 plus a half share of new common, the latter presumably reflecting the present discounted worth of the arrears if received over a future period of years. The new common stock, which would earn about $3.36 on a consolidated basis, and $2.52 on a parent company basis. Assuming that the present plan should remain unchanged with respect to the second preferred stock (about 84% of which is owned by Bond and Share) the indicated market value of the new common (when issued) would be twice the present value of the second preferred, or about 36. This price would be about 10.7 times consolidated earnings, and the yield (if all parent company earnings were disbursed in dividends) would approximate 7%.

Using the recent market value of the bonds (91), and the hypothetical price of 36 for the new common, stockholders would receive the following:

	Approximate Price ($100 plus arrears)	Estimated Value of "package"
$7 preferred	$96	$111
$6 preferred	92	108
2nd preferred	18	18
Common	3	72c

Total market valuation of parent company securities on this basis would be approximately $110,000,000 bonds and $90,000,000 stock or a total of $200,000,000. Bond and Share is getting about 37% of the latter amount, and public security holders 63%.

The question of the relative rights of Bond and Share and the public security holders to participate in the new capitalization will, of course, be subject to careful investigation by the SEC. Bond and Share has invested about $280,000,000 in Foreign Power, according to the annual report to the SEC. The new common stock equity would represent more than $329,000,000 of cash paid into Foreign Power's treasury, of which Bond and Share furnished about 80% (after completion of plan).

PRESENT CAPITALIZATION

	Total Outstanding	Percentage Owned by Electric Bond and Share	Public
3% serial notes	$30,000,000	100	--
Debentures 5s due 2030	50,000,000	--	100
Preferred stock ($7)	478,995 shs.	2.88	97.12
$6 preferred stock	387,025.65 shs.	17.00	83.00
Second preferred stock	2,569,886 shs.	83.98	16.02
Common stock	2,192,638 shs.	40.20	59.80
Option warrants	6,533,094.80	88.98	11.02

Bertram L. Hames Now With Pacific Company

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Bertram L. Hames has become associated with the Pacific Co. of California, 623 South Spring St. Mr. Hames was formerly with Conrad, Bruce & Co. and Buckley Brothers. In the past he conducted his own investment company in Los Angeles.

Gov. Dewey Extends Congratulations to President Roosevelt on Re-Election

Gov. Thomas E. Dewey, Republican nominee for President, conceded in the early morning hours of Nov. 8 the re-election of President Franklin D. Roosevelt for a fourth term, and extended his congratulations to Mr. Roosevelt in a message broadcast to Hyde Park; in thus extending his felicitations, Gov. Dewey said:

"I understand that the President has gone to bed so I have to do it this way, through a microphone."

Thomas E. Dewey

President Roosevelt, though, was not asleep, for shortly after Mr. Dewey had broadcast his congratulations there came a message from Hyde Park, N. Y.

"I thank you," the President wired, "for the statement which I have heard over the air a few minutes ago."

Gov. Dewey's statement congratulating the President was broadcast as follows from New York City:

"It is clear that Mr. Roosevelt has been reelected for a fourth term, and every good American will wholeheartedly accept the will of the people.

"I extend to President Roosevelt my hearty congratulations and my earnest hope that his next term will see speedy victory in the war, the establishment of a lasting peace, and the restoration of tranquility among our people.

"I am deeply grateful for the confidence expressed by so many millions of my fellow citizens and for their labors in the campaign.

"The Republican party emerges from the election revitalized and a great force for the good of the country and for the preservation of free government in America.

"I am confident that all Americans will join me in the devout hope that in the difficult years ahead Divine Providence will guide and protect the President of the United States."

Supreme Court Rebukes Lower Court for Refusing to Heed Congress Order

The U. S. Supreme Court, under a ruling 8 to 0, on Nov. 6 rebuked the U. S. Court of Claims for its decision refusing to heed an order from Congress. An Associated Press dispatch from Washington on Nov. 6, in which this was reported, also had the following to say regarding the case:

The dispute between the judicial and legislative branches originated 17 years ago when a contractor, Allen Pope, sued the United States for $306,000 damages for breach of a contract. The contract covered the construction of a tunnel for the District of Columbia water supply.

The Claims Court allowed Mr. Pope $45,174. Congress then passed a special act, conferring jurisdiction on the Claims Court to hear Mr. Pope's case again—"notwithstanding" any previous court action. Mr. Pope sued for $162,616.

But the Claims Court refused to consider the new suit. It said the act was an unconstitutional infringement upon the Judicial Department of Government. On top of that, the Court said the act purported to decide questions of law which were in the case on its first trial, and to decide most all questions of fact. Mr. Pope appealed to the Supreme Court, contending that the act granted only a new trial in which the Claims Court would be free to decide all questions.

The Department of Justice supported the Claims Court. It told the Supreme Court that "here Congress has directed the (Claims) Court to clothe a legislative conclusion in judicial habiliments, and if such power is conceded to Congress, unwise inroads upon the public treasury may escape either an adequate legislative or judicial check."

But Chief Justice Stone said:

"Congress, by the creation of a legal, in recognition of a moral, obligation to pay petitioner's (Pope's) claims plainly did not encroach upon the judicial function which the Court of Claims had previously exercised in adjudicating that the obligation was not legal. Nor do we think it did so by directing that Court to pass upon petitioner's claims in conformity to the particular rule of liability prescribed by the special act and to give judgment accordingly."

Justice Jackson did not participate in the Supreme Court decision.

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.

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.

Tomorrow's Markets Walter Whyte Says—

Market expected to make another effort to get above old tops, now that election is over. New attempt may get better results. Bearishness, intensified by election figures, unwarranted.

By WALTER WHYTE

The first reaction of the market to the election results was a down opening. Stocks recovered a little by the noon hour, but neither the rally or the decline had much meat in it.

* * *

It is obvious that yesterday's minor decline was due entirely to the election. Yet it is hard to see why it should have been so. For, even if the majority of Street opinion was for the GOP candidate, the election odds had presaged the results long before the votes were tallied. It might be interesting to note that Wall Street has never been wrong on a major election when the odds were in excess of 2 to 1. It was only when odds ran about 3 to 5 or some such ratio that the outcome was in doubt. But the elections are now behind us and we can go back to the war and post-war planning without busting a blood vessel about who is running things in the White House.

* * *

In last week's column I said that as soon as Nov. 7 had passed the chances were that a rally would occur. Nothing has happened since to change that opinion. The opening decline and the subsequent rally were both without significance. What is important is that during all the past hectic weeks the market has managed to hug the old tops fairly closely. As a matter of cold fact, day to day indications in the recent past have been so jumbled as to be practically meaningless. But a perusal of monthly market changes gives many more indications to the technician.

Since last July, when the familiar industrial average

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Some Recent Developments In Transportation

By R. V. FLETCHER*
Vice-President, Association of American Railroads

Railroad Attorney Attacks Action Of The Department Of Justice In Branding As Illegal Practice of Determining Rates Through Bureaus and Joint Conferences. Maintains Railroads Are Now Subject To Rate Regulation By I. C. C. And Therefore Are Exempt From Anti-Trust Act. Contends Department Of Justice's Policy Is Covert Attack On The I. C. C. Since I. C. C. Has Upheld Prevailing "Conference Method" Of Determining Competitive Rates. Looks For Passage Of The Bulwinkel Bill (H. R. 2720) Which Would Exempt Carriers From The Anti-Trust Law In Fixing Rates.


R. V. Fletcher

As we approach the end of the war in Europe, we can begin to visualize the result in the field of transportation of that fine cooperative effort which has so heavily contributed to the phenomenal achievements of our armed forces. The credit does not belong alone to the instrumentalities of transport, nor alone to the shippers and receivers of freight, whether military or civilian. The credit belongs to all those who have participated in the movement of goods, either as owner or as carrier. Particularly should emphasis be placed upon the fact that these factors, acting separately, could not have accomplished the task. It was only by giving practical effect to the zeal for united and cooperative action that this miracle became reality. I do not need, in this presence, to recite again the familiar story of the work of the advisory boards and the committees of traffic men who have labored so earnestly and so patriotically to conserve the nation's car supply and make the freight car do its utmost in the matter of capacity loading and uninterrupted movement. If the history of this epoch in transportation is ever adequately written, it will contain at least one chapter devoted to the labors of these committees of business men, who toiled not only through the day, but often far into the night to make sure that freight cars were being used to the limit of their potential usefulness.

Whatever may be the differences among us as to many policies and theories, economic and political, we have fought this war abroad and at home as well as one united people, single-minded in our devotion to the principles of freedom. Whatever the future may hold for the industry, the past at least is secure. But we cannot afford, complacently, to dwell upon the accomplishments of the past, honorable and creditable as they may be. We must face the future, in whose bosom lie the hopes of humanity. It would be a stupid business man indeed who gives no thought to tomorrow. What lies ahead in our American economy when peace has been declared? This is the anxious inquiry of us all.

The railroad industry has shared with practically all other forms of business activity this searching examination of the outlook in the post-war world. Railroad executives are keenly alive to the problems and prospects of the future. They are not unmindful of the competition which the rails will encounter, nor are they unaware of the need for expending large amounts of capital in the process of rehabilitaion and improvements. They are studying these questions diligently and I hope intelligently, with the fixed determination to give the country, after the war, the best railroad service which the country has

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*An address by Mr. Fletcher before the Atlantic States Shippers Advisory Board in New York City, October 5, 1944.

Railroad Securities

The official text of the proposed debt adjustment plan of Baltimore & Ohio is now at hand, having been mailed to bond holders under date of Nov. 1. A number of points not specified in the preliminary announcement of the management have now been clarified. The first of these is with respect to the cumulative feature of contingent interest. It had originally been thought in some quarters that unpaid interest would be cumulative for only three years as has been the custom in most Section 77 reorganizations. Actually, the plan provides that the contingent interest shall be fully cumulative. This improves the status of the junior bonds somewhat although it has not been reflected marketwise since publication of the terms.

The second feature clarified in the official text of the plan is that of sinking funds. At the time of original announcement of the adjustment, sinking fund provisions had not as yet been decided on. The sinking funds will be somewhat more liberal than had been expected. Immediately following the reduced fixed charges there will be a capital fund amounting to the larger of $5,000,000 or 2½% of gross, less charges for amortization and depreciation of property other than equipment. Any part of the capital fund not used by the end of the year will be added back to available income in the following year. Following the capital fund, but before any provision for contingent interest, there will be a prior sinking fund equal to ½% of the aggregate principal of the RFC Note and the extended mortgage bonds. This fund will amount to approximately $1,750,000 a year and will be used for retirement of the RFC Notes, the extended mortgage bonds, or the Refunding & General Mortgage bonds to the extent that the latter are secured by pledge of any of the extended mortgage bonds. Both the capital fund and the prior sinking fund will be cumulative.

The prior sinking fund naturally places the contingent interest moderately further down the scale, but it does improve the position of the senior mortgage bonds. Charges ahead of secured contingent interest will amount to $22,138,000, taking a minimum capital fund of $5,000,000 less depreciation and amortization of way and structures of $3,500,000. The secured contingent interest will amount initially to $3,854,500, representing 60% of the interest on the Refunding & General Mortgage bonds. The other 40% of interest on these bonds will be a fixed charge.

The most junior charge, the unsecured contingent interest, will come directly after secured contingent interest and will amount to $4,023,300. This junior interest will include the entire interest on the Debenture 4½s, 1% interest on the 1st 5s, and 1½% interest on the Southwestern Division 1st 5s. The entire fixed and contingent charges, including the net capital fund and the prior sinking fund, will amount to just about $30,000,000, or some $2,500,000 less than fixed charges alone when the company undertook its original adjustment plan under the Chandler Act in 1938.

In addition to the prior sinking fund there will be another sinking fund equivalent to 50% of the balance of income remaining after payment of all contingent interest charges. Of this sinking fund, half may be diverted to working capital or capital improvements but the remaining 50% must be used for debt retirement. It will be a general fund except that no more than a specified proportion may be utilized for retirement of the Debenture 4½s. Once the total of fixed charges and contingent interest (initially $26,750,000) has been reduced below $22,000,000 this fund need not exceed $750,000 a year. Until these charges have been reduced to $20,000,000 there will be restrictions on dividend payments. Any dividend payments will have to be matched by a similar amount added to the sinking fund.

The plan appears as a thoroughly realistic approach to the problems facing the road and it is generally expected that it will meet with success. On this basis most rail men view the road's Refunding & General Mortgage bonds as being particularly attractive for speculative purposes. Dividend restrictions detract largely from the appeal of the common and preferred stocks, however.

Bright Post-War Prospects

The potentialities of the paint industry after the war are enormous and the prospects for Devoe & Raynolds Company, Inc., appear particularly attractive according to a circular issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this circular may be had from the firm upon request.

Swedish Foreign Exchange Regulations Amended

Announcement is made that the Federal Reserve Bank of New York received on Oct. 30 from the Sveriges Riksbank, Stockholm, the following cablegram dated Oct. 29:

"By Government decree Swedish Foreign Exchange regulations have been amended from 30th Oct. 1944 to intensify supervision of transfers of funds between foreign countries and Sweden. Exchange office new regulations imply inter-alia that free Kronor accounts with Swedish banks will be subject to control. Transfers between such accounts belonging to foreign banks in same country are still permitted. Another change in present system is that direct payments in foreign exchange to Sweden in favor of a resident or a non-resident often require approval of exchange office. Because of control system for Dollar payments already in force as a consequence of USA freezing regulations new restrictions do not involve any material change in present arrangement for payments between USA and Sweden. The importation of gold and platinum prohibited. Importation prohibited of US Dollar notes exceeding $50 and sterling notes exceeding £10. Other foreign banknotes may be imported if declared."

Seaboard Of Interest

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting arbitrage circular on Seaboard Air Line Railway Co. Copies may be had from the firm upon request.

Majestic Radio to Offer Common Stock

Plant Facilities Enlarged

An offering of 297,500 shares of common stock of Majestic Radio & Television Corporation, is expected early next week. Proceeds from sale by Majestic will be used not in excess of $170,000 for the purpose of calling at $10 per share all of the outstanding 26,016 shares (no par) of preferred stock. Holders of more than 9,000 shares of the preferred, including British Type Investors, Inc. and Empire American Securities Corp., have stated that such stock will be converted into common stock and not presented for redemption. The company stated that it is probable that other holders of preferred will take similar action.

The balance will be used, according to the company, to record, manufacture and sell phonographic records and working equipment.

Proceeds to Majestic on the sale of 95,000 shares of the new stock, upon exercise of options amounting to $112,499 will be added to working capital.

A plant consisting of 146,000 square feet of space and an office building have been leased from Defense Plant Corporation by Majestic for five years with the option of renewal for two years more. The lease may be cancelled by Majestic at the end of the war. The plant, located in St. Charles, Ill., was built originally for the Howard Aircraft Corporation. This plant will be in addition to present facilities, which will be continued as in the past.

Kobbe, Gearhart & Co., Inc., 45 Nassau Street, New York City, is principal underwriter of the new issue.

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.

G. B. Ruddick Dies

Girard B. Ruddick, manager of the underwriting department of Lazard Freres & Co., 44 Wall Street, New York City, died at the Mountainside Hospital in Montclair, N. J. Mr. Ruddick had been associated with Lazard Freres & Co. for the past year. Prior thereto he was in the investment banking department of Smith, Barney & Co.

Real Estate Securities

By JOHN WEST

Analysis of Insurance Company Balance Sheet Reflects Confidence in Real Estate Securities

The 99th Annual Report of the New York Life Insurance Co., which is a matter of public record, discloses a very interesting fact, which would seem to confirm an optimistic regard for the future of real estate and the soundness of first mortgage investments. The company investment in first mortgages is shown as over 410 million dollars. For a company with assets of over 3 billion dollars, this investment, although only equal to about 8% of total assets, is, nevertheless, quite significant, we believe, because the amount invested in first mortgages is considerably greater than the amounts invested in any other type of security with the exception of United States Government obligations.

The following table gives the approximate amounts by which the 410 millions invested in real estate mortgages exceeds the investment in other securities:

Bonds—	
State, county and municipal	$323 million
Railroad	140 "
Public utility	55 "
Industrial and misc.	248 "
Stocks—	
Preferred and guaranteed	336 "

A further study of the balance sheet shows that during 1943 new mortgage loans amounting to $40,982,902.63 were added to the portfolio of the company, but in spite of these new purchases, the mortgage loan portfolio showed a net reduction of $4,140,850.72 because of amortizations and other repayments of existing loans. The investment by this company of over 40 million dollars in a 12-month period in real estate mortgages must be a reflection of confidence in the type of investment and the fact that during the same period over $45,000,000 was received by the company as principal repayments on mortgages previously owned tends to prove their good judgment in the selection of such investment media.

Real estate mortgages have always been looked upon favorably by insurance companies. Real estate is part of the backbone of this country and has always been considered as an inflationary hedge. The foregoing analysis is interesting as it reflects, we believe, the confident viewpoint of such a large company in the future.

Many real estate issues are outlined in these columns from time to time. The existing facts are given and often opinions and reasons for possible price appreciation. Many of them can be acquired at considerable discounts. We believe a further investigation into them are warranted.

Treanor Would Revolutionize Over-Counter Securities Business

(Continued from page 2019)

dealers are engaged in "riskless transactions."

One of the points which Mr. Treanor endeavored to put over, but which was vociferously protested by most of his small audience, was that whenever a buyer of securities pays a commission or a profit to the seller, he undergoes a loss, as he does not get the full market value of his purchases. Because when he buys he pays the dealer or the broker, say, a 5% profit or commission, whatever it may be, and when he sells (to a dealer or through a broker) he gets less than the market price, because a profit or commission must be deducted from the amount he receives. Mr. Treanor did not mention the fact that this situation exists in any transaction of purchase and sale done through an intermediary, though he was reminded of that fact by one of his listeners. However, he admitted that "over-the-counter" dealers performed a useful and necessary function.

Mr. Treanor spoke of the decline in the activities of regional securities exchanges, and ascribed it in part to the usurpation of over-the-counter dealers who did not want a competing "auction market." But he admitted that the registration requirements instituted by the SEC for listed securities was an important factor in driving securities away from exchange listing. For these reasons, he thought that corporations whose securities are sold through dealers have an unfair competitive advantage over those that list their securities on an exchange. He made no mention of the fact that over-the-counter dealers can stabilize the market for inactive securities and maintain proper values more effectively than an "auction market." He indirectly advocated that all securities be required to be registered and listed, regardless of the wishes of stockholders or the managers, and even suggested as a means of accomplishing it, that business enterprises that issue securities be required to be incorporated under Federal laws.

Throughout his talk, Mr. Treanor took the old political attitude of protecting "the widow and orphan". He apparently assumed that any salesman, dealer or broker who succeeds in gaining the confidence of his customers would take an unfair advantage of that situation. When asked whether he thought that security dealers as a whole were a dishonest and corrupt class, and his reasons for so thinking, Mr. Treanor again reiterated his assertion that security dealers are in reality "agents" and have a confidential relationship with their customers, and therefore should be subject to regulation as such.

NSTA Announces New Committee Chairmen

As of November 6th the following have been appointed Chairmen of various committees of the National Security Traders Association, Inc., by E. E. Parsons, Jr., Wm. J. Mericka & Co., President of the Association:

Henri P. Pulver

Paul I. Moreland

Harold B. Smith

Thomas Graham

J. W. Kingsbury

Willis M. Summers

Publicity—Henri P. Pulver, Goodbody & Co., Chicago, Chairman; T. G. Horsfield, William J. Mericka & Co., Inc., New York City, Vice-Chairman.

Educational—Paul I. Moreland, Allman, Moreland & Co., Detroit.

Advertising—Harold B. Smith, Collin, Norton & Co., New York City.

Municipal—Thomas Graham, The Bankers Bond Co., Inc., Louisville, Ky., Chairman; J. Wallace Kingsbury, Kingsbury & Alvis, New Orleans, Vice-Chairman.

Post-War—Willis M. Summers, Troster, Currie & Summers, New York City.

Membership—Thomas Graham, The Bankers Bond Co., Inc., Louisville, Ky.

Announcement of full committees will be made shortly.

NAM's 49th Congress On Reconversion

The National Association of Manufacturers' 49th Annual Congress of American Industry, Dec. 6, 7 and 8, will be dedicated to planning the reconversion of industry back to peacetime production. It will be called the RECONVERSION CONGRESS OF AMERICAN INDUSTRY and will be held at the Waldorf-Astoria Hotel.

The Congress's theme, "Beyond Victory—A Better Nation," is not an empty, visionary slogan, according to NAM President Robert M. Gaylord, who is President of the Ingersoll Milling Machine Co., Rockford, Ill.

"This is industry's promise for the future," Mr. Gaylord said in announcing dates for the 1944 NAM meeting. "It is our pledge to our fighters, our war-dead and to a nation that looks for a continued demonstration of industrial resourcefulness and leadership." He added:

"When Europe is freed, and we all share the earnest hope that it will be soon, we shall still face a challenge no less epochal than that of Dec. 7, 1941. While we concentrate the weight of our industrial might against our Pacific enemy, we must, at the same time, guide industry and the nation through dangers of the transition period.

"Great question marks hang over our post-war economy. As our contribution toward erasing these question marks, the Reconversion Congress of American Industry offers down-to-earth group discussions and advice from outstanding men in manufacturing, in government and other elements of the national community."

Mr. Gaylord listed these highlights among problems to be discussed:

1, Cutbacks and Layoffs; 2, Veterans' Re-employment and Rehabilitation; 3, Peacetime Production and Jobs; 4, Taxes; 5, World Reconstruction and Foreign Trade; 6, Post-war Distribution; 7, Wage and Labor Policies.

"Other problems of equal importance to manufacturers will be taken up at the Congress," Mr. Gaylord said, "but I want to emphasize this: we are determined that when our fighting men return they will be able to assume their rightful positions at productive jobs in our enterprise system as far as industry can provide them. We are not going to lose sight of our goal of more production, of more goods for more people—which will create jobs."

G. C. Jennings Dead

George C. Jennings, a member of the New York Stock Exchange, died at his home in Fort Lauderdale, Fla. Mr. Jennings, although inactive in business for some months because of failing health, kept his membership in the Stock Exchange and maintained his office at 60 Beaver St. In the past he was a member of the firm of G. C. Jennings & Co. and later of Marks, Laser & Co.

Post-War Jobs and International Relations

(Continued from first page)

national boundaries? At first thought the question seems to be superfluous because the answer seems obvious. Supposedly we have some raw materials or finished goods which we wish to sell and which others are willing to buy. Or others have commodities they wish to sell and we succumb to their persuasive sales arguments and buy. Or is it that some nations find themselves in actual need of certain items which they purchase wherever they can find them? Or may we view this trade as arising out of the production of surpluses which can not be disposed of at home? It is easy to see that the answer to our initial question as to the reason for trading across boundaries is not obvious but in some respects is complicated. We need to distinguish between fundamental elements which give rise to trade and incidental elements which fail to provide a condition of permanence. Only factors which provide for world trade upon an essentially continuous-flow basis can provide for continuous jobs. But before we attempt to record these factors let us review certain currently widespread impressions.

There seems to be a popular belief supported by many businessmen that we shall experience a tremendous business upsurge after the war is ended. The argument runs something like this: Owing to the inability of the masses to replace worn out equipment or to supply normal current needs there already exists the equivalent of a great backlog of orders which will be filled immediately upon the resumption of manufacturing for civilian consumption. In the warring nations suffering great physical damage vast replacements and rebuilding must ensue after the peace. These circumstances will call for continued manufacturing on a scale comparable with that of production for war purposes. Clearly, if this be the case, there should be a continued demand for workers—jobs for millions. Naturally, the same workers will not necessarily remain in the plants now producing products for war. Many of these plants will not be able to use the same men and many of the present employees will wish to engage in other kinds of employment. However, we must not overlook the fact that whereas most of our energies now go into munitions of war, and hence into a form of export, and that some output is provided for lend-lease for civilians abroad and some for civilian consumption in Latin-American and other nations cut off from their pre-war sources of supply, considerable portions of this export market will disappear after the war. But for the sake of argument, let us assume that an equivalent production will occur in order to supply the accumulated needs and to replace at least a portion of the destroyed materials. We should still have to reckon with a return to a so-called normal. That is, this immediate post-war continuation of production can be only temporary, while the problem of employment remains to be solved after our return to more normal ways of life.

After the post-war abnormal production for export runs its course what will be the relation of world trade to jobs? The answer to this question depends upon two things, namely, (1) the fundamental basis for international trade and (2) the attitudes of the respective nations toward each other. As for trade itself we should never lose sight of the fact that, not expecting three-way trade, it consists largely of (1) an exchange of essential needs among nations and (2) an exchange of non-essentials. For us, in the present era, various kinds of raw materials are required which are either produced in inadequate amounts at home or not at all. We need not run through the list. Most persons can name a few of them at least. Now, in order to purchase these materials we must export something, either commodities, services or ideas. Thus the exchange is completed. We can afford to pay in gold for only small amounts, in spite of our vast gold deposits. What is more, many nations from whom we import raw materials have little or no use for the gold and prefer in exchange materials of some kind, manufactured or otherwise. Thus the cycle of trade is activated. Note, this conception is in contrast with that one all too commonly held. Our world trade does not begin with exports but rather with imports. Fundamentally we export not to "make money" but to pay for needed imports of things we do not have. To be sure some trade consists of the exchange of luxury goods and other non-essentials, but were it not for necessities our total trade would lack stability and would probably be of little consequence.

If our philosophy be sound then an appraisal of the relation between world trade and jobs based upon point (1) forces us to the conclusion that the number of jobs in the post-war normal period can not be many more, if any more, than in those years of so-called prosperity in which our exports approached five billions of dollars annually. As our inventive genius enables us to produce synthetics from our own natural resources to replace heretofore imported products, we shall have a smaller export market for we shall buy less from abroad. The same thing goes for other nations. Industrialization spreading throughout the world will not necessarily increase our exports on the theory that such action increases the purchasing power of peoples. Those peoples not only may buy from others but they may be forced to buy from others who have fewer products competitive with their own than have we. This is not to say that for certain individual firms there may not be a healthy increase in business or that the total of the world's international trade may not increase. For a time it probably will grow. Neither does it exclude the possibility of less business for certain firms heretofore active in foreign markets, nor even less business for the United States as a whole. If so, it can mean also *fewer* jobs rather than more.

Before leaving this aspect I hasten to add a qualification or two for the benefit of the dyed-in-the-wool optimists who think we have not yet even scratched the potential market. I have no desire to paint a gloomy picture of our trade future. However, stripped of all its glamorous aspects, that future must be viewed in the light of a shrinking world in which all peoples are becoming more and more enlightened and all are seeking to realize a kind of paradoxical situation, namely, one of increased self-sufficiency while at the same time talking greater international cooperation. I have not said foreign trade will decline at once, nor that the immediate future is dark. I have merely tried to point out that after the pent-up demands and the damages of war have been satisfied, we need not look to foreign trade as a solution for the unemployment problem. Our own trade may slow down while that of others increases. At best, if it did increase by 50%, an improbable figure, the ratio between that trade and our total foreign and domestic trade during the same period would still be little higher than in the past and that would not mean a notable demand for more workers. We must distinguish between a **dollar** increase in our trade and a **worker** increase. In fact, many firms could easily double their foreign sales with no increase in the number of employees.

Let us look at point number two, relative to international attitudes. Will the nations which heretofore have levied tariffs upon imports be willing to lower or erase those tariffs in order to stimulate trade? Will quota restrictions be removed? Will barter arrangements be withdrawn? Will cartel arrangements that monopolize markets be cast aside? Will blocked exchanges be eradicated? Will the exports and imports of the future be handled exclusively by national governments replacing private enterprise—a strong tendency in recent years? Will the nations assume a more tolerant attitude toward each other, substituting compromise for friction and enmities? Will the peoples of the respective nations attempt to understand each other better, appreciate each other's problems and philosophies of life and show more charity toward each other? Upon the answers to these questions depends the future flow of world trade, almost as much as upon the need for certain imports. No one can answer them with assurance. Only time can record the answers. Foreign traders must be not only salesmen but men with an intelligent appreciation of major international problems.

In concluding these observations it will be worth our while to observe certain trends in world trade which may help us to appraise the future. Since the first settlement of the United States our major trade activities have been with Europe. Even today, excepting war abnormalities, from 40 to 45% of our trade is with Europe. The steady decline in percentage during the last century is what we should expect. As our country and the countries of Europe produce increasing numbers of similar commodities there is less basis for trade. All of us seek new markets, many of which are north or south of us rather than east and west. This shift in direction of trade-avenues from east-west to north-south lines is natural, since considerable differences in latitude often make for permanent differences in kinds of raw materials and agricultural productivity. It is unlikely that in the near future the industrial activities of middle and high latitude areas will find much competition from low-latitude industrial development. Nor will the peoples of extra-tropical areas find ways of producing agricultural products and other raw materials competitive with certain kinds yielded by the tropical regions.

If we as a nation have a desire to develop foreign trade on a considerable scale or even to maintain the degree of activity which characterized our best years, we shall insist upon a permanent commission, preferably as a part of the U. S. Bureau of Foreign and Domestic Commerce in close alliance with other divisions such as the State Department and the U. S. Department of Agriculture, whose duty it will be to study undeveloped regions of the earth with respect to their potential economic development. In those regions which give promise of development through settlement or otherwise, in such manner as to provide sources of raw materials for us and markets for our finished products, the commission would encourage direct investment of United States capital, not loans to foreign governments, and with the cooperation of local governments, settlement by energetic peoples from various parts of the earth. I do not suggest the displacement of initiative on the part of individual citizens or private capital, but do emphasize the desirability of governmental assistance to achieve a program that individuals alone can not accomplish. The days of large voluntary migrations to unoccupied areas are past. Most of the unoccupied areas of today are not as attractive for settlement as were the United States and Canada a century ago. The United States and Canada were lands located in fairly stimulating climatic regions opposite a continent of virile peoples seeking freedom of action. Furthermore there were no restrictions against settlement in these new lands except the feeble protests of the native Indians. The current approach to expanding markets must take on a new design. We have presented a plan which can contribute to the maintenance of a level of employment although it can not be expected either necessarily to increase employment or to solve any major unemployment problems.

UGI Common Interesting

H. Hentz & Co., Hanover Square, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared an interesting circular on United Gas Improvement, discussing the attractiveness of the common stock as a long-pull speculation. Copies of this circular may be had from the firm upon request.

New York Stock Exchange Weekly Firm Changes

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

George C. Jennings, member of the Exchange, died on Nov. 1.

Interest of the late W. Maxwell Fuller in W. E. Hutton & Co. ceased as of Oct. 31, 1944.

Interest of the late Morris L. Parrish in Parrish & Co. ceased as of Oct. 31.

Interest of the late Robert K. Wurts in Wurts, Dulles & Co. ceased as of Oct. 31.

Security Transactions From Tax Viewpoint

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, have prepared an interesting booklet of 1944 Security Transactions, from an income tax viewpoint, indicating when to sell, and giving information on income tax tables, capital gains and losses, when-issued sales, and reorganizations. Copies of this booklet and some comments on 10% theory charts may be had from Vilas & Hickey upon request.

Chicago Brevities

To provide funds for post-war expansion into the refrigerator, range and home freezer field, Admiral Corporation proposes to sell 216,000 shares of $1 par value capital stock. Of the 216,000 shares to be offered to the public, 150,000 will be unissued shares and 66,000 will come from the holdings of seven officer-stockholders of the company.

A registration statement covering the proposed sale has been filed with the Securities and Exchange Commission and, it is understood, will be followed by an application to the Chicago Stock Exchange for listing of the stock.

Admiral, peacetime manufacturer of radios, has been engaged since the war exclusively in the production of radar for the armed forces.

* * *

Butler Brothers is also seeking to provide additional capital for its post-war program of diversification and expansion and has called a special meeting of stockholders Dec. 8 to authorize the issuance of 150,000 shares of $100 par 4½% cumulative non-convertible preferred. At the same time, stockholders will be asked to authorize the increase in the par value of the common stock from $10 to $15 a share.

Proceeds from the sale of the new preferred are expected to net not less than $100 a share, or a total of $15,000,000, and will be used to retire the 270,912 outstanding shares of 5% convertible preferred at the redemption price of $31 a share, or an aggregate of $8,398,272, exclusive of accrued dividends.

Balance of the proceeds will be added to working capital, as and if needed. Upon approval of the plan by stockholders, the company expects to issue an initial 100,000 shares of the new preferred, reserving the balance of 50,000 shares as a source of additional working capital later, if needed.

Increase in the par value of the common stock is proposed to improve "the relationship between the amount of the corporation's stated capital and its surplus," T. B. Freeman, President, stated in his letter to stockholders.

* * *

Illinois Central Railroad took the first step in a long-range plan for refinancing when the executive committee of the company declared effective the plan to exchange $8,700,000 of Illinois Central Railroad Co. and Chicago, St. Louis and New Orleans Railroad Co. joint first refunding mortgage 4% bonds, series D, due 1963, for a like amount of outstanding Illinois Central Railroad Leased Line stock certificates.

Details of the long-range re-
(Continued on page 2027)

Smith V.-P. In Charge Of Marsh & McLennan

CHICAGO, ILL.—Laurence S. Kennedy, newly-elected President of Marsh & McLennan, Inc., national insurance brokers and agents, has announced the appointment of Hermon D. Smith as Vice-President in charge of the firm's Chicago office.

Mr. Smith, who had been with the Northern Trust Co., came with Marsh & McLennan in 1928 and has been a Vice-President since 1931. He served as Second Lieutenant in the First World War, and in September, 1942, was appointed Chief of the Price Adjustment Office of the Army Air Fores at Wright Field, Dayton, Ohio. Upon the completion of a special assignment there he returned to Marsh & McLennan, taking up his duties as administrative assistant to Charles Ward Seabury, who is now Chairman of the board.

Mr. Smith is a graduate of Harvard University and is a trustee, director or officer in many business and charitable organizations. He is a trustee of the University of Chicago and President of the Illinois Children's Home and Aid Society. He is also currently a Vice-President of the Chicago Community Fund and a director of both the Community and War Fund of Metropolitan Chicago and the National War Fund.

F. X. Duffy Is With First Securities Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Frank X. Duffy has become associated with First Securities Co. of Chicago, 105 South La Salle St. Mr. Duffy has recently been with the Bureau of Yards. In the past he was with Thompson Ross Securities Co. and Merrill Lynch, Pierce, Fenner & Beane.

B. I. Dee With Ross, Browne & Fleming

(Special to The Financial Chronicle)

CHICAGO, ILL.—B. I. Dee has been added to the staff of Ross, Browne & Fleming, 919 North Michigan Avenue.

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.

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.

Doyle, O'Connor & Co., Inc., 135 South La Salle Street, have prepared a bulletin on **Chicago, North 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.

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)
CHARLOTTE, N. C.—**Thomas W. Haynes**, formerly with McAlister, Smith & Pate, Inc., has become associated with **George I. Griffin**, Insurance Building, Raleigh, N. C.

(Special to The Financial Chronicle)
CLEVELAND, OHIO—**Judson J. Wickham** has become connected with **Ball, Burge & Kraus**, Union Commerce Building. Mr. Wickham was formerly with Hawley, Shepard & Co. and Paine, Webber, Jackson & Curtis.

(Special to The Financial Chronicle)
KANSAS CITY, MO.—**David C. Logan** has joined the staff of **H. O. Peet & Co.**, 23 West 10th Street. Mr. Logan in the past was with Bankamerica Company and Schwabacher & Co. of San Francisco.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Peter F. Connor** is now with **Bankamerica Company**, 650 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Sydonia B. Chance**, previously with C. A. Botzum Co., has been added to the staff of **Nelson Douglass & Co.**, 510 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**William A. Campbell, Jr.**, is with **E. F. Hutton & Co.**, 623 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Geo. M. Evans** has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, 523 West Sixth Street. Mr. Evans was previously with District Bond Co. and Searl-Merrick Co.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**John A. Armstrong, Jr.**, is with **Dean Witter & Co.**, 634 South Spring Street.

(Special to The Financial Chronicle)
OAKLAND, CALIF.—**George E. Baldry**, in the past with Protected Investors of America, is now connected with **Stephenson, Leydecker & Co.**, 1404 Franklin Street.

(Special to The Financial Chronicle)
ORLANDO, FLA. — **Jack H. Bond** is now affiliated with **Cohu & Torrey**, 26 Wall Street.

(Special to The Financial Chronicle)
PORTLAND, MAINE—**Bayard S. Foye** has rejoined the staff of **Clifford J. Murphy Co.**, 443 Congress Street.

(Special to The Financial Chronicle)
PORTLAND, MAINE—**John C. King** is now with **J. Arthur Warner & Co.**, Chapman Building.

(Special to The Financial Chronicle)
ST. PETERSBURG, FLA.—**William H. Pugh** is with **Cohu & Torrey**, Florida National Bank Building.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — **Sydney S. Clark** and **Frederick S. Weaver** have become associated with **Davies & Mejia**, Russ Building. Mr. Clark was formerly with H. R. Baker & Co. and Bankamerica Co. Mr. Weaver was with Merrill Lynch, Pierce, Fenner & Beane.

Pond, Adams Named For Directors

Harry A. Pond, President of the Plainfield Trust Company of Plainfield, N. J., has been nominated as a candidate for Class A Director of the Federal Reserve Bank of New York, and Charles E. Adams, Chairman of the Air Reduction Co., Inc., of New York, has been nominated as a candidate for Class B Director of the Reserve Bank.

The latter, in its announcement states that the name of Robert G. Cowan, President of the National Newark and Essex Banking Company of Newark, Newark, N. J., was also placed in nomination as a candidate for class A director by a number of member banks, but that Mr. Cowan, has declined the nomination, and has requested that his name be omitted from the list of candidates furnished the member banks. Mr. Pond has been named to succeed William J. Field as class A director, while Mr. Adams has been nominated to succeed Frederick E. Williamson, who resigned in August as class B director because of ill health. Reference to the proposed election of two new directors (the polls will close Nov. 17) was made in our issue of Oct. 12, page 1610.

Wisconsin Brevities

Lehman Brothers, the Wisconsin Co., and Hallgarten & Co. headed a banking group that offered Nov. 2 the unsubscribed part of 99,960 shares of Kimberly-Clark Corp. common stock of no par value not subscribed for by common stockholders. The offering to the public consisted of 2,737 shares at $35.875 a share.

The three underwriters above named also offered and sold the unexchanged portion of 102,424 shares of Kimberly-Clark Corp. 4½% cumulative preferred stock of $100 par, not exchanged by holders of the corporation's present 6% preferred stock. This offering comprised 4,820 shares of stock at $107 a share and accrued dividends from Oct. 1, 1944.

Under subscription rights that expired on Nov. 1, common stockholders could subscribe for one share of common, at $32, for each five shares held. Holders of the 6% cumulative preferred were entitled to exchange one share for 1 3/107 shares of new preferred, plus cash in lieu of fractional shares, and cash representing an adjustment of the difference in dividends.

Current assets as of July 31, 1944, were $71,450,000, including cash of $12,784,000. Current liabilities came to $17,551,000. A year earlier current assets were $57,529,000, including cash of $19,231,000, and current liabilities were $16,161,000.

Earned surplus stood at $27,823,000, the latest date, contrasted with $21,880,000 in 1943.

* * *

A. O. Smith Corp., Milwaukee, has reported a net income for the fiscal year ended July 31 last of $6,407,000, excluding post-war refund of excess profits and before renegotiation of war contracts. On a similar basis the profit for the preceding year was $5,633,000. L. R. Smith, chairman of the board, in his report to stockholders, said that in the latest year the company "established a new peak, both in dollar volume of sales as well as in tonnage of unit quantities produced and shipped."

Net sales for the latest year were listed at $178,112,000 against $173,268,000 in 1943.

* * *

Directors of the Chicago & North Western RR., at a meeting in Chicago, Oct. 31, declared a dividend of $5 a share on the preferred stock for 1944 and $5 on the common, payable from earned surplus accumulated since Jan. 1, 1939, effective date of the plan of reorganization. Both dividends are payable Dec. 30 to stock of record Dec. 1.

* * *

The Parker Pen Co., Janesville, Wis., has declared a regular quarterly dividend of 50c. per share, payable on or before Nov. 25 to stockholders of record Nov. 15.

* * *

Net income of Wisconsin Electric Power Co. for the 12 months ended Sept. 30, 1944, was $4,409,000, of which $1,512,000 was paid in dividends to preferred stockholders, $1,463,000 was paid in dividends to common stockholders and $1,073,000 was retained in the business. Net income for the preceding 12 months was $4,595,000.

Operating revenues for the 12 months ended Sept. 30, 1944, were $33,699,000, an increase of 7.1%. Operating expenses, including taxes and depreciation, aggregated $27,978,000, an increase of 10.3%. Provisions for taxes amounted to $9,439,199, or 28c. of every dollar received for sales and service, and were $770,537 higher than for the preceding period.

Allen & Co. Offers Foremost Dairies Stock

Public offering of 13,000 shares of 6% cumulative preferred stock, $50 par value, and 75,000 shares of common stock 20 cents par value of Foremost Dairies, Inc., was made Nov. 6 by an underwriting group headed by Allen & Co. The preferred stock is priced to the public at $50 per share and the common stock at $7 per share.

This offering does not represent any new financing on the part of the company as all these shares are presently outstanding. The stock is being sold for the account of J. C. Penney and Paul E. Reinhold who will receive the proceeds therefrom.

Other members of the banking group include George D. B. Bonbright & Co., J. C. Bradford & Co., Buckley Brothers, Courts & Co., G. H. Crawford Co., Inc., R. S. Dickson & Co., Inc., Clement A. Evans & Co., Inc., R. H. Johnson & Co., Johnston, Lemon & Co., Kirchofer & Arnold, Inc., V. M. Manning, Mohawk Valley Investing Co., Inc., Peltason, Tenenbaum Co., Clyde C. Pierce Corporation, Scherck, Richter Co., Varnedoe, Chisholm & Co., Inc., and Weil & Co., Inc.

The company was incorporated in Delaware in 1931. It is engaged in the milk, ice cream and dairy products business, purchasing and marketing under the name "Foremost." The company has 20 plants located in many cities throughout the country.

Net income of the company and subsidiaries, after provision for Federal and State income taxes, amounted to $463,387 for the year 1943, as compared with $390,466 for 1942 and $171,003 for 1941. For the period Jan. 1, 1944 to July 15, 1944 net income aggregated $282,197.

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.

Brazil Sterling Bonds

New York Hanseatic Corporation, 120 Broadway, New York City, have issued a circular discussing the current situation in Brazilian Sterling Bonds. Copies may be had from the firm upon request.

Chicago Brevities

(Continued from page 2026)

financing plan have not been completed, but financial quarters see in the completion of the exchange of the bonds for the stock certificates a simplification of the corporate structure of the road, which may result in a consolidation of the properties, and in turn permit the future issuance of an over-all uniform mortgage.

* * *

Objections to the proposal of trustees of the Chicago, Rock Island and Pacific Railway that the road pay off $13,718,700 of collateral loans to the Reconstruction Finance Corporation, with interest at 4%, were raised by various groups of bondholders on the ground that such payment would involve a risk that the reorganization plan of the road would not be carried out.

In taking the proposal under advisement, Federal Judge Michael I. Igoe stated that "if it is unlawful to pay this kind of obligation, it is time we found out."

* * *

The Seventh Circuit Court of Appeals cleared the way for consummation of the reorganization plan of the Chicago, Milwaukee, St. Paul and Pacific Railroad by dismissing appeals taken from the revised plan of reorganization of the carrier. Ballots for voting on the proposed plan are already in the hands of Milwaukee security holders and are to be returned to the Interstate Commerce Commission by Nov. 29.

* * *

Development of a new technique in railway financing to overcome the problem of noncallable issues in order to take advantage of the currently favorable money market was foreseen in some financial quarters should Southern Pacific Company's recently announced plan for refunding its outstanding $88,211,000 Central Pacific first refunding 4s of 1949 prove successful.

The plan, filed with the Interstate Commerce Commission, proposes to offer to holders of the first refunding 4s a new bond carrying 4¼% interest to Aug. 1, 1949 and 3½% interest thereafter to maturity in 1974. The offer would be available to the first $50,000,000 of outstanding bonds offered for exchange to Nov. 15 only.

According to some railroad investment quarters, this method of overcoming the obstacle of noncallable rail issues during a period of low money rates would be particularly useful to those roads whose credit over a period of years has not been regarded as first-line, but whose financial position has been considerably improved by effecting heavy debt retirement through utilization of high wartime earnings.

* * *

Speculative interest in Chicago and North Western Railway common was at fever pitch awaiting the dividend action of the board of directors. The board not only declared a $5 a share dividend on the common as well as on the preferred for the current year, but authorized an additional payment of $5,000,000 to the Reconstruction Finance Corporation, reducing its indebtedness to that agency to approximately $6,250,000.

* * *

Trustees of the Chicago Surface Lines, now in bankruptcy, submitted plans to Federal Judge Michael L. Igoe for a modernization program costing between $16,000,000 and $19,000,000, which would increase the seating capacity of the system by 55,000.

Comstock Teletype

Comstock & Co., 231 South La Salle St., Chicago, Ill., have installed a teletype, CG 257.

David Van Alstyne Jr. Buffalo Bolt Director

David Van Alstyne Jr., Van Alstyne, Noel & Co., New York City, and A. D. Armitage were elected directors of the Buffalo Bolt Co. of North Tonawanda, N. Y., increasing the board to nine members, it was announced by Rudolph B. Flershem, President of the company.

D. Van Alstyne, Jr.

National City Bank Analyzes Farm Price Floors and Export Subsidies

Holds Effect on Cotton and Wheat Has Been the Accumulation of Domestic Stocks and a Shutting-Off of Exports. Points to International Quota Systems and Foreign Retaliation Against "Dumping" and Similar Reprisals as Defeating the Objective Sought.

The November issue of the Monthly Letter of the National City Bank of New York, contains an illuminating and instructive analysis of the Government's farm policies with respect to the support of farm prices through the establishment of "price parities, crop loans and export subsidies." Although the article deals mainly with policies and plans for selling cotton and wheat abroad, it discusses the effects of general measures for domestic price supports and export subsidies.

"The Commodity Credit Corporation," states the article, "has held meetings with representatives of the cotton and wheat trades during the past month, to discuss plans for selling cotton and wheat abroad at prices below the domestic market, the Government bearing the loss. The Corporation is also putting into operation, as fast as the machinery can be set going, its program of buying 1944 cotton from farmers at prices which over the season will average 'parity' (22.13 cents per lb. based on Memphis), and which are above the present market. As noted in this Letter last month, on May 1 next it will pay the parity price, also above the present market, for 1944 crop wheat against which it has made loans to farmers.

"Another item of news during October was the announcement by Secretary of Agriculture Wickard that an agreement has been reached among four countries (United States, Canada, Australia, Argentina) to establish wheat export quotas, whereby each will supply a fixed percentage of the estimated market. The share of the United States will be 16%, which applied to estimated exports by the four countries of 450,000,000 bushels in the crop year 1944-45 will give us a quota of 72,000,000 bushels."

Evolution of Farm Policy

"These apparently disconnected items," the article continues, "are all related. They represent the further development, along lines which many observers have repeatedly forecast, of an agricultural policy which has been evolving for 10 to 15 years. The objective of this policy has been to raise prices for farm products. But price raising measures, instituted to solve one problem, have created other problems requiring new measures. The support of prices above world markets has reduced exports. Loss of exports led to accumulation of stocks, despite crop restriction. Accumulation of stocks leads in turn to export subsidies, and export subsidies to international agreements, involving more crop restriction. Thus the new moves are in straight line of descent from measures taken years ago.

"Price support measures have been extended as time has gone on. During the '30s they took the form of loans to producers at relatively low levels. 'Parity prices' were the goal, but for several years crop loans were limited by law to not under 52 and not over 75% of parity; they were largely permissive instead of mandatory; and they were usually set at or near the minimum. The history of the past four years, however, has been one of steady increase in these loans. In 1941 they were made mandatory at 85% of parity, in 1942 at 90%, and in recent months the rate on cotton has been further raised, first to 92½% and then, for the 1944 crop only, to 95%. Finally the sequence of increases came to its logical end in the Price Stabilization Extension Act of June 30 last, which directed that all lawful action should be taken to assure farmers of prices equal to parity or to the highest price reached between Jan. 1, 1942 and Sept. 15, 1942. The program of purchases of cotton and wheat at parity is being put into effect under this Act.

"With price supports being thus extended, the other steps above mentioned follow naturally. Since the United States produces surpluses of both commodities, and the support prices of both are much above prices of foreign cotton and wheat in the world markets, the effect of maintaining domestic prices is to shut off exports and accumulate stocks in the hands of the Government. To avert unmanageable accumulations and to maintain export markets, export subsidies follow. Limited authority for such subsidies was included in the Agricultural Adjustment Act of 1938, and wheat and cotton subsidies have been paid under that Act. Now Congress—in Section 21 of the Surplus Property Act of 1944, signed by the President Oct. 3—has greatly broadened the authority to sell abroad at a loss. The CCC is preparing to implement this Section.

"The next step in the chain is the international agreement. Selling abroad at prices below the domestic market is "dumping," a policy which other producing countries may resent and which all can follow to the profit of none. The alternative to competition of this kind is to apportion markets, as in the wheat agreement just announced. It can hardly be doubted that a move for an international agreement among cotton producing countries, dividing up the world cotton markets, will follow in due course."

The Cotton Policy

Referring to the future of prices and of exports of cotton, the circular remarks: "After the last war an expansion of cotton growing got under way both in this country, where new lands were put in cultivation notably in West Texas, and to an even greater extent, relatively, in foreign counties. An over-supply developed which during the depression caused a disastrous price collapse. The response of this country to the distress of cotton growers was to support the price and to limit production. This, however, encouraged foreign producers to expand further.

"Before the present war the accumulation of stocks in the hands of our Government — cotton on which loans had been made to growers or which was acquired by foreclosing on loans — together with rising carryovers all over the world, led the then Secretary of Agriculture, Mr. Wallace, to call a conference of cotton producing countries with a view to limiting world production and exports. The conference convened as the Germans were marching into Poland and nothing came of it. A short time previously the United States had established for the first time in its history a subsidy on cotton exports equivalent to 1½¢ a pound.

"The war has immensely increased consumption of cotton within the United States, and the problems which were acute in 1939 became temporarily less pressing. That they still exist, however, and threaten to become acute again, is plain. The war has reduced consumption of foreign cottons, and the carryover of foreign cotton on Aug. 1 of this year was by far the largest on record, 14,800,000 bales compared with 7,500,000 at the outbreak of the war. Thus foreign competition with American cotton will be stronger than ever before. The carryover of American cotton in this country, 10,727,000 bales, also is still far above normal. The figure for all cottons, 25,500,000, is an alltime high and represents nearly one year's normal prewar consumption.

The Export Subsidy

"The second important fact in the current situation is that the price at which the Government is now starting to support cotton is above the world market. It is 3 to 4 cents above the price of equivalent types of Brazilian cotton, delivered in competing markets. Thus the export subsidy which is now to be paid will have to be substantial.

"Among economists it is almost universally agreed that in the long run export subsidies, employed for competitive purposes, are self-defeating and mutually destructive, constituting an international price war. The cotton subsidy, by increasing American exports, will add to the supply of cotton offered in the world market and will depress prices of foreign cottons further, other things being equal. It will invite reprisals, such as new or increased subsidies by other cotton-growing countries. It is in conflict with the liberal trade policies of Secretary Hull and the State Department, and with the established policy of this country, which condemns subsidies on goods sold by other countries to the United States and through Section 303 of the Tariff Act of 1930 provides for the levying of additional or countervailing duties on imports of subsidized goods. The wide gap between the price of cotton to spinners at home and the price to spinners of other countries will in due course make it impossible for American cotton manufacturers to export their goods, and will compel new measures to restrict imports of foreign cotton goods. Finally, the money cost is to be considered.

"The Congress has not been swayed by the foregoing arguments, but by its determination to maintain the domestic price and hold an export market also. The question raised by its action is whether an international price war will follow, and what steps may be taken to avert it. All other cotton-growing countries will be affected. For about ten years before the war the American cotton policy supported the world price and held an umbrella over the market under which foreign producers expanded their production. The new legislation expresses a decision to hold the umbrella no more. It notifies foreign producers that we are not interested in supporting the world price any longer, but in keeping the domestic price above it.

Chances of an International Agreement

"This notification is the most powerful argument that could be used to bring other countries into an agreement to limit their cotton growing as the United States is doing. On the other hand, they can offer forceful reasons for not making such an agreement. They entered the field with their eyes open at a time when prices were low, confident of their ability to compete with the United States. Some have thought cotton growing of such importance to their economy as to be worth government subsidies for the sake of the employment given and the foreign exchange realized from export sales. They have made investments in land and machinery, and they may feel that alternative crops are less attractive than cotton even at a low world price. Some may argue that it would be difficult to restrict production as much as they may be asked to, just as it has been difficult in the United States.

"Finally, if producers should agree in principle to divide the world market, would they be able to agree on the fair share of each, taking all the above factors into consideration? In the abortive conference of 1939 Secretary Wallace took the position that the fair share of the United States in the world cotton trade was at least 6 million bales. This was a reasonable figure based on past experience, but it was 2,673,000 bales more than the United States had exported in the preceding season. The conference never discovered what countries, in addition to limiting the further growth of their exports, would be willing to reduce their share to allow us to sell 2,673,000 bales more.

"Whether the view of foreign growers will be different now, in light of our new policy, remains to be seen. A late news dispatch says that in Brazil the Minister of Finance has submitted a decree to the President calling for an increase from about 10.9c to 14.8c per pound in the loans which the Brazilian government makes to farmers on cotton, and requiring as a condition that cotton growers plant more food crops. This presumably would have the effect of limiting the cotton acerage. It may be an indication of a changing attitude abroad, or it may be a temporary measure to deal with depressed prices and the excession stock of cotton which has piled up in Brazil during the war.

Dangers of the Policy

"Some of the current comment on the cotton situation implies that if an international agreement could be reached it would overcome most of the practical objections to our policy of supporting prices and restricting crops. An agreement to restrict world production would give the United States which heretofore has done all the crop restricting itself, either a larger export market or a lower cost in export subsidies than it will otherwise have.

"However, there are other aspects of the question. The objections to crop restriction by arbitrary decisions of an overhead authority, as opposed to voluntary adjustment of production by individual producers under the guidance of price changes, apply whether the policy is followed in one country or in all. The defect of overhead restriction is that governments must treat producers generally alike, without sufficient regard for the differences in their efficiency, their land, and their costs. In our own cotton program the basis of the Government's acreage allocations at first was entirely historical, i. e., the acreage allotments represented fixed percentages of the acreage in a selected base period. Under this plan the individual farmer may hold his poorest land out of production, but there is no distinction between geographical areas. The reduction is applied equally to the fertile areas with high yields and low costs and to the eroded hilly lands with low yields and high costs. On the worn-out lands cotton production should be eliminated entirely, and they should be brought under grass for rehabilitation and for increased output of livestock products, of which much more ought to be consumed locally.

"More lately an effort has been made to take some account of differences in land areas, but the extent to which different producers can be treated differently is limited. On the other hand, when the adjustments are by individual growers under the guidance of prices, the brunt falls on the high-cost producers, which is where it belongs if the industry is to get on a sound economic basis.

"If crop restriction is extended in by international agreement, it will guarantee high-cost countries a share of the world cottton markets and require low-cost countries to restrict their output.

"The purpose of international crop restriction would be to raise prices, but the effect of the higher prices is to reduce consumption. Cotton does not enjoy a monopoly, but is subject to increasing competition from synthetic fibers. World output of rayon and staple fiber is estimated to have reached about 3½ billion pounds in 1942, which is equivalent to 7¼ million bales of cotton even without allowing for the lack of waste in using rayon as compared with cotton. Much of the rayon competes with silk and other textile fibers more than with cotton; nevertheless, the development of synthetics has been a tremendous influence in checking the growth of cotton consumption, and all the evidence is that this development will continue, including an increasing use of rayon in tires. The history of rayon, as of other materials developed through new technical processes, is one of improving qualities at lower prices, and the higher the price of cotton the greater its inroads on cotton consumption can be expected to be.

"This is something for the low-cost producers of cotton to consider. They may be able to grow cotton profitably at lower prices, which will promote the use of cotton relative to competitive fibers. But if national, and possibly international, policies are to hold up prices in order to keep high-cost producers in operation, cotton consumption will be endangered and the low-cost growers will be the ultimate losers."

Goodall-Sanford, Inc. Securities on Market

Union Securities Corp. and W. C. Langley & Co. headed an underwriting group that offered Nov. 6 $2,800,360 of Goodall-Sanford, Inc. 3½% sinking fund debentures, due 1956, at 103 and accrued interest, and 226,566 2/12 shares of common stock at $22.75 a share. Goodall-Sanford, Inc. is a continuation by merger of the business of Sanford Mills and Goodall Worsted Co. The securities now offered are issued and outstanding and do not represent new financing in behalf of the company.

Outstanding capitalization of Goodall-Sanford, Inc. consists of $4,699,560 of debentures and 555,952.5 shares of common stock.

The company, according to the prospectus, anticipates no serious reconversion problems, because all products made directly or indirectly for war purposes have been manufactured with existing plant and equipment from raw materials similar to those used in its normal business.

Sanford Mills division is normally engaged principally in the manufacture of pile fabrics and their sale to the automobile and railroad industries. It also sells fabrics for use in buses and airplanes. Goodall Worsted division's principal business is in the manufacture of Palm Beach and other cloth partly in the form of finished men's suits and partly to manufacturers of neckties, women's suits, etc.

Situation of Interest

Chicago North Shore & Milwaukee Railroad Co. offers interesting possibilities, according to a descriptive circular being distributed by Brailsford & Co., 208 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange. Copies of this circular may be had from Brailsford & Co. upon request.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Fire insurance stocks are running behind the market this year. From December 31, 1943 to October 31, 1944 a group of thirty representative fire stocks show an average appreciation of 0.8% compared with an appreciation of 7.8% for industrial stocks, as measured by the Dow Jones industrial average. In view of the uncertainties introduced by the recent Supreme Court decision which classified insurance as "interstate commerce," coupled with a continuation of heavy fire losses, this is not a bad showing and testifies to the high regard in which these equities are held by dealers and investors.

	Asked Price 12-31-43	Asked Price 10-31-44	Change %
Aetna Insurance	54¾	52½	— 4.1
Agricultural Ins.	74	74½	+ 0.7
American Alliance	22¾	24	+ 5.5
American Equity	20	17⅞	—10.6
Bankers & Shippers	87	84½	— 2.9
Boston Insurance	560	630	+12.5
Continental Ins.	46½	48¾	+ 4.8
Fidelity-Phenix	50	53½	+ 7.0
Fire Association	64	65½	+ 2.3
Fireman's Fund	86½	93	+ 7.5
Franklin	29¼	24¾	—15.4
Glens Falls	44¾	45¾	+ 2.2
Great American	28	29⅞	+ 6.7
Hanover Insurance	26½	27⅜	+ 3.3
Hartford	99¾	103½	+ 3.8
Home Insurance	32⅛	29⅜	— 8.6
Ins. Co. of N. A.	81¼	91¼	+12.3
National Fire	58½	61½	+ 5.1
National Union	191	178	— 6.8
New Brunswick	30¾	30¼	— 1.6
New Hampshire	46¾	47¼	+ 1.1
North River	23⅝	23⅝	---
Northern Ins.	93½	87½	— 6.4
Pacific Fire	110½	98½	—10.9
Phoenix	87¾	86¾	— 1.1
Prov. Washington	36⅜	37⅜	+ 2.7
St. Paul F. & M.	59⅝	71¾	+20.3
Security	36⅜	35⅞	— 1.4
Springfield F. & M.	132	126	— 4.5
United States Fire	49½	49½	---
Average of 30			+ 0.8

The accompanying table lists the asked prices of 30 stocks for Dec. 31, 1943 and Oct. 31, 1944, together with the respective market appreciation or depreciation between the two dates. It will be observed that, although the average appreciation is 0.8%, two stocks show no change in price, viz.: North River and United States Fire; 12 stocks show a decline, and 16 stocks show an increase. Franklin shows the greatest loss in price with a decline of 15.4%, and St. Paul Fire & Marine shows the maximum gain with an appreciation of 20.3%. Other outstanding gains are 12.5% for Boston and 12.3% for Insurance Company of North America, while good gains, in excess of 5%, were made by Fireman's Fund, Fidelity-Phenix, Great American, American Alliance and National Fire.

It seems worthwhile to study the wide range and diversity of market performance exhibited in this record, with a view to ascertaining the reason for such disparity in a few especially interesting instances.

In the case of Franklin and of Home, for example, the reason for their decline appears obvious, viz.: the reduction of the annual dividend rate through the elimination of the extras which had heretofore been regularly paid each year since 1936. This dividend action had not been entirely unexpected in view of the fact that their 1942 and 1943 earnings failed to cover total dividend requirements, and also of the probability that 1944 operating results would be insufficient to justify Franklin's $1.40 and Home's $1.60.

St. Paul Fire & Marine, on the other hand, has not only covered dividends in recent years by a generous margin but, furthermore, by reason of its 5-for-1 stock split-up early this year, has brought the price of its shares down to a more popular level, thus increasing their marketability.

The 12.5% appreciation of Boston is difficult to explain, for it is a high-priced stock which is not actively traded and its dividend yield, at 3.3%, is somewhat below average. True, its earnings in recent years have averaged over twice its dividends, except in 1942 when, due to heavy marine losses, they amounted to approximately 50% of dividend requirements.

Insurance Company of North America is one of the strongest companies in the group, which reports consistently good earnings that have averaged well above twice dividend disbursements in recent years. Its consolidated earnings in 1943 were $8.42 per share, or 2.8 times the $3.00 dividend. The 12.3% appreciation of its stock since the first of the year is well merited.

On the other hand, American Equitable has declined 10.6%, in response, undoubtedly, to poor earnings reported in 1943 which amounted to $0.51 per share against a dividend of $1.00. These earnings compare with $1.04 in 1942 and $0.86 in 1941. Over the past five years earnings have aggregated $4.52 and dividends $5.10.

Fidelity-Phenix Fire Insurance stock has been acting well this year with an advance of 7.0%, and justifiably so, for its $2.20 dividends were earned 2.0 times last year, and its dividend coverage has invariably been generous. Springfield Fire & Marine, on the other hand, failed to cover its $4.75 dividend last year, and its stock has gone off 4.5%.

Space does not permit further discussion as to the probable why and wherefore of the respective market moves, up or down, of other stocks in the list. Usually, however, a little searching will disclose what seems to be the likely reason for out-of-line movements by individual stocks.

The Manufacturer's Position In Price Control

(Continued from page 2018)

about getting ready to meet the problems of imminent industrial demobilization and reconversion —and does not do it—is letting his country down on the eve of another great crisis in its history.

The whole process of taking timely and present steps to meet the problems of reconversion, is getting ahead too slow for comfort. All have a part in it — all will be affected by it—

Consumers
Distribution
Production
The Armed Services
The Law Makers
The Executive Branches and Bureaus
The Voters.

In its simplest terms the problem boils down to that of providing promptly enough jobs so we will have the condition called Prosperity.

In order to carry out my assignment here I must try to discuss the problem from the manufacturer's viewpoint, but can really only express the views of one manufacturer — myself — and hope that my thinking is in tune with representative manufacturing opinion.

Just to get our platform straight let me repeat the recognized fundamental that what we must have is volume production and distribution.

The training of the managers of our vital manufacturing industries, be they large or small, has been in the school of free competitive private enterprise. They have not forgotten — even yet — how this system, the only one under which our country has ever had real prosperity and maximum employment in times of peace, and the system which has made living conditions in the United States the envy and the marvel of all other countries — they haven't forgotten, even yet, how free enterprise can stimulate the men and women in production and distribution to high individual productiveness with really earned high wages; how it can produce vast quantities of goods that people want at costs they can pay, and can return to the investor enough wages for the use of his savings to make capital flow to the generation of new industries and to increase and improve the facilities of old ones.

The managers of American manufacturing have a very practical understanding of the things that can and must be done to demobilize and reconvert with the least unemployment gap. Their experience in converting to war production will stand them in good stead. Many improved techniques and materials will be employed as fast as can be. The course that should be followed is clear to these men.

But it isn't as simple as all that. While many obstacles are being cleared away from week to week, Washington bureaus are loathe to let go and fully trust the men who have managed the war production job — with this important task of rapid reemployment—and there is too much fear that manufacturers will neglect their war work without the tight rein of officialdom.

Nature of Tasks

One job that seems well planned so that it will be much better handled than after World War I is Termination of Contracts procedure.

But plans for the rapid clearing from plants of war equipment and inventories are still dragging.

The turning over of many surplus war plants so that they may be used in civilian goods manufacture seems to be in for long delays.

Plans for the orderly disposal of surplus goods and equipment seem to be coming along pretty well.

But freedom to buy and have under way the construction of new and better machinery has been too much delayed.

There has been a beginning of permitting the purchase of materials and component parts in advance of the final plants being available, but in too many cases these releases have been ineffective because people haven't been permitted to accept these orders.

There has been a gesture of permitting experimental and development work to be done, but under such limitations as to make it mostly an ineffectual gesture.

Policies affecting our export business should have been advanced so manufacturers could make intelligent plans and be ready.

The extent to which investment in plants and facilities will be justified depends a good deal on what corporation taxes will be, and how soon any new rules will be in effect.

The policies which will govern price ceilings are of great importance to many manufacturers and continued failure by OPA to get down to price control instead of profit control may seriously delay maximum employment.

For a long time it has been the custom of influential factors in our Government to blame business for all our economic ills. Business should not in turn blame Government for all business ills.

But I believe business opinion is strongly united in an intense desire to preserve our constitutional form of government and in the conviction that the return to free competitive private enterprise is an essential requisite to that end.

And now is the time of all times to get a better understanding on the part of government of what must be done to avoid serious delays in returning to a healthy, prosperous economy.

Of course the impact of demobilization and reconversion varies greatly in different industries. Important industries, having continued to make their peacetime products, have lesser reconversion problems. Others have converted their plants to build radically different war products and are faced with major reconversion problems. Among the latter are almost all of the consumer durable goods industries.

Reconversion and OPA

An OPA spokesman, Mr. Mansfield, says that 12 major products —automobiles and parts, electric refrigerators, washing machines, sewing machines, radios, pianos, phonographs, vacuum cleaners, electric irons, electric toasters, clocks, watches, accounted for 87% of the total sales of metal durable goods in 1941. These industries employ vast numbers of highly paid people and are, most of them, faced with major reconversion problems.

Of especial importance to those industries, to their ability to reemploy and to attract capital for expansion and improvement is the policy of the powerful bureau of Price Control — or, if you please, the Office of Price Administration.

OPA has done a great and good thing in preventing runaway price inflation in these times of relative scarcity and its control is, I believe, needed so long as this relative scarcity continues — but no longer. Staffed originally by such an impractical group of theorists that Congress had to insist on a housecleaning, and seemingly determined to make an obviously immense and complicated job just as immense and complicated as possible, the bureau has nevertheless, done the country a great deal of good.

But even pressure from an enlightened Congress has failed to correct in OPA a dangerous misconception of its function. Their actions prove they still believe they should not only protect the country from unnecessary price rises but should squeeze the unit profit structures and should set individual prices even at the no-profit level whenever manufacturers' overall profit position would, in the judgment of OPA, make that endurable.

Theories of Chester Bowles

This man Chester Bowles is so plausible—such a skillful salesman.

In the Oct. 14 issue of the "Saturday Evening Post" he talks so eloquently about being responsible for rapid and vast reemployment and then leads the public to believe that the durable consumer goods industries need no increase over 1942 prices.

He says that straight time wage rates are up only from 4% to 15% and in the automobile industry only 4½% from 1942, whereas I believe in the most important segments of these industries, actual hourly earnings are up from 25% to 60%.

He says individual productivity has improved, thereby confusing the improvement made in the formerly non-mass production industries, such as aircraft with the already highly mechanized consumer goods industries; and completely ignores the widely recognized fact that the workers in these industries have, to an alarming degree, slowed up, and that we have a major problem in restoring the spirit of individual effort and good old hard work.

He gives the impression that materials will cost no more than before the war. I wish he were my purchasing agent and could make good on that.

He treats very lightly the wages needed by capital to restore the adventure type of investment and the flow of investment into industry which has been so handicapped for so many years and which is so badly needed to provide jobs.

He indulges in the popular government sport of business baiting and sneers at the effectiveness of free competition to hold down prices and at the stupidity of manufacturers who, he says, maintain high unit profits when they could make more money and employ more people with lower unit profits.

This advertising man, now become an economist and an instructor of the managers of industry, says in his Oct. 9 news release:

"Most of us think of free enterprise as a system in which prices are set by competition and the law of supply and demand. In too many industries prices were held up artificially in order to provide higher unit profits. Because of this policy, in some industries full production and employment were curbed. In **many** instances business men pursued a policy of high unit profits based on curtailed production, rather than going after the larger total profits that might have come through larger volume at a lower profit per unit."

Is he referring to the automobile industry where the volume has been so great, the price so low in relation to the value? Is he referring to the refrigerator industry where prices have gone down so fast in so few years and the price wars have rocked the heavens? Or is he just trying to undermine public confidence in free enterprise by talking about a few unnamed and unimportant exceptions?

Then he says—"It is unlikely, after the war, that our people, including 11,000,000 returning servicemen, will long tolerate any economic system which does not provide full production with reasonably full employment at a high standard of wages and farm income."

Personally I agree with that statement, but not with what I understand to be Mr. Bowles connotation. I believe the intelligence and information of our people, including 11,000,000 servicemen, will not much longer tolerate a system which aims to continue to prevent free competitive private enterprise from providing full production with reasonably full employment at a high standard of wages and farm income.

In the "Saturday Evening Post," Mr. Bowles says he is unjustly charged with tinkering with the profit system. Why does he then say in his Oct. 9 news release—

"We will expect absorption of cost increases on less profitable items as well as on more profitable items by industries which manufacture several lines and whose total profits are satisfactory."

Such a policy is not only profit tinkering but must obviously lead to price chaos or to hard going for smaller manufacturers who may not be able to sell at higher prices, even if permitted to do so, than big companies whose prices are held down because their "total profits are satisfactory."

I know the President of a company that has been making, among other things, spring steel teeth for farmers' harrows and hay rakes. His plant is an old established supplier of these articles and I can remember as a boy watching the forges, the sparking hammers and the presses and other machines. Men in this shop have been making the spring teeth for farm implements for generations, and the plant has modern wide-awake management.

During the war their prices have been frozen by OPA and their costs have gone up so much that on some items they are losing as much as 50%. The President of this plant personally took the figures to OPA in Washington and while his facts were not disputed, he was asked to show the statement of overall operations of his business. Discovering that his business as a whole was profitable, OPA refused him permission to increase the prices of spring harrow and hay rake teeth. So he went back home and notified his customers he would no longer manufacture those articles.

This is just one small, very recent case. How many more will there be when the patriotic urge to produce for war is replaced by the desire to produce for jobs and profits—for those two must be teamed up or there will be neither.

Tinkering With Profit System

How dangerous it is for a bureau to claim it is defending the country from a horde of selfish profit seekers when, in fact, it is tinkering with the profit system—and may reduce profits to a point where production will be less, employment will be less, and the forces of inflation rampant, in an out-of-balance economy.

Mr. Bowles is damming up the forces of inflation in categories of the scarcest and most desired goods, to an extent they may burst the dam.

Mr. Bowles leads you to believe that there will be substantially no price increases in consumer durable goods. He refers to his old home town of Essex, Conn., as being a typical reconversion community . . . having three small industries, one of which is piano parts.

But I notice in the newspapers that OPA has granted the piano industry a price increase of 13%. Perhaps this gives the people of his home town some encouragement. But if the increase covers only the actual increase in material and labor, the net margins in the piano business will be a lot thinner than before the war, and I assume this is not one of the industries that formerly maintained inordinate profits or no increase would have been allowed. The piano ruling further provides for hardship relief so that if any piano maker finds he is losing money at the new price, he may have an added increase. The increase in such cases will cover his total cost . . . without any profit?

And by what reasoning does Mr. Bowles find that piano costs have justifiably increased whereas automobiles and other consumer goods have not.

Bowles recently announced that 20 manufacturers of electric irons have agreed to produce 81% of the total allotment at 1942 prices. Thus after about a year's delay since the WPB allocated the materials to build these badly needed irons, OPA has manoeuvred these manufacturers into resuming manufacturing on an unsound economic basis.

In the Chicago "Journal of Commerce" issue of Oct. 7, Mr. H. C. Mansfield, price executive of the consumer d u r a b l e goods branch of OPA, says—

"Reconversion industries can, like other industries, absorb some or all of the increase in labor and material prices of the last two years or so. Evidence now available to us indicates the probability that reconversion goods prices can be held at, or fairly close to 1942 levels in most cases."

This is great stuff for the public to read in the newspapers.

Perhaps he should have said—

"Reconversion industries can be made by the powerful OPA and by public opinion fostered by them to absorb some or all of the increases in cost of the last two years or so."

Kiplinger says (Oct. 14):

"Prices high enough to cover costs—break even. Then after the output increases, these prices will assure profits—says OPA."

Another case of over-simplification of a vital problem.

Rational Treatment Needed

And yet this whole problem is capable of simplification, of rational treatment. Prices can be set so as to really encourage production, so as to avoid putting pressure on wage reductions, and not be inflationary beyond the extent required for sound recovery of our peace production velocities.

It is only necessary for OPA to respect the historic differentials that have been built up in these durable consumer goods industries.

These goods, before the war, had built into them certain direct labor and direct material costs — and the manufacturer's price represented a differential over this prime cost which was the result of intense competition. OPA in the reconversion period should permit these industries to increase prices enough to maintain this historic percentage differential on the actual prime material and labor cost.

The maintenance of this differential would, in no way, absorb the costs of reconversion nor the temporarily excessive overheads incident to temporarily small production. This treatment would represent a commonsense solution of the problem and would not produce increases in price beyond the minimum that is required to really start the wheels going in the manufacture of civilian goods quickly . . . and confidently.

The same general theory would apply to all scarce goods.

And Mr. Bowles and his cohorts should stop undermining the confidence of the public and of labor in free enterprise itself.

Some of the problems of the automobile industry were ably presented to the National Industrial Conference Board in New York City by George Romney, Managing Director of the Automotive Council for War Production, on Sept. 21, 1944. In his paper Mr. Romney quoted a motto of the late Raymond Clapper:

"Never underestimate the peoples' intelligence; never overestimate their information."

This is a good motto to carry around and look at once in awhile. It's bad business and foolish to think of Congressmen and bureaucrats as dumb . . . no matter how dumb some of them may think we are . . . and no matter how provoked we may sometimes be . . . lets not underestimate their intelligence . . . but lets not overestimate their information. Many business men have commented on how sincerely eager Congressmen are for information. Many of the bureaucrats are also. So lets keep everlastingly at it to bring out the facts.

I also firmly believe that management and labor can get closer together and again become an efficient production team, if management will take the time and trouble to analyze the specific kinds of false teaching and false thinking that are at the root of these troubles . . . and then make plans and carry them out, that will correct these false opinions.

Lets not underestimate the intelligence of the other fellow . . . and lets not overestimate his information.

Mutual Funds

The Nation's Money Supply

Mutual Fund sponsors are keenly aware of the "potential inflation in swollen dollars" as it is described in the current issue of **Keystone Corp.**'s weekly memorandum, **Keynotes.** The presentation in **Keynotes** is one of the best we've seen.

A chart of the nation's money supply extending back to 1895 shows clearly the astronomical levels which have been reached in the last few years. The chart also shows that we financed the first World War with an increase of $12 billion in our money supply; we financed the business growth of the 1920's with an increase of $2.5 billion in the money supply.

"Since this war began we have increased our money supply by $48 billion or 140%.

"These dollars are like banked-down coals in a boiler. If and when the drafts are opened the steam pressure can increase enormously. Commodity prices have increased somewhat, but the tremendous effect of this accumulated purchasing power has not yet begun to be felt.

"Meanwhile, common stock prices are about where they were at the beginning of the war in 1939."

* * *

In the current issue of **National Notes**, another aspect of our money supply is discussed by **National Securities & Research Corp.** Under the heading, "Individual Savings Up 100% in 2½ Years," the letter points out that the reservoir of buying power which was already $65½ billion in 1941 is now $130 billion.

"Simultaneously with this accumulation of savings there has been a significant decline in debt. Perhaps never before in history have so many people had so much money and credit available for consumer goods."

Why Mutual Funds?

The fundamental reasons for the existence of mutual funds—to give individual investors the advantages of selective diversification and continuous, professional management—are being increasingly underscored by the performance records of the funds themselves. Barron's Quarterly Investment Gauge, covering the period up to Sept. 30, 1944, reports that "Majority of Funds Outpace Market Average in Third Quarter."

Vance, Sanders & Co., in the current issue of **Brevits**, compares the performance of **MIT** with that of seven individual stocks which on Dec. 7, 1933, were recommended unanimously by all of the leading services. The comparison is pertinent because at that time a client had some $25,000 to invest in common stocks and chose the individual issues in preference to **MIT.**

The results over the past 12 years through Oct. 20, 1944, show an average **net loss** of 0.5% in principal for the individual stocks which, in the meantime, have provided a total income of $15,490 on the original investment. In comparison, a similar investment in **MIT** during the same period would have resulted in a **net gain** in principal of $8,303, or 31.4% and would have paid a total of $14,800 in dividends.

* * *

Another interesting comparison of mutual fund performance is presented in the current issue of **Broad Street Sales Corp.**'s letter, **Items.** This letter compares the performance of **National Investors** with that of the 30 individual stocks in the Dow-Jones Industrial Average from March 31, 1937 to Oct. 26, 1944. During that period only four of the individual stocks showed a net gain in price, while losses ranged all the way from 1.5% for General Foods down to 59.4% for American Smelting. Only two of the 30 stocks did better than National Investors which showed a net gain of 2.8% for the period.

In other words, the odds were 15 to 1 against the investor who tried to select a stock in the Dow-Jones Industrial Average which would do well as **National Investors** during the 5½-year period from March, 1937.

Commonwealth Comparison

Another interesting performance record, that of **Commonwealth Investment Co.**, is highlighted in a memorandum from Commonwealth's Management Staff which shows the record of Commonwealth over the past five years in comparison with the results achieved by the Barron's "Widow" prize winners. During the five-year period, Commonwealth showed a net gain in asset value of $63,279 on the $100,000 investment, as compared with an average gain of $8,298 for the eight contest winners. The total income from the $100,000 investment in Commonwealth during the five-year period amounted to $25,671, compared with an average of $21,888 for the eight contest winners.

Not only are the average results strikingly better for **Commonwealth**, but the year-by-year results, which are also tabulated in the memorandum, show that the investor would have been far better off in Commonwealth in any single year during the entire five-year period.

Railroad Stocks

Distributors Group, in a new folder on **Railroad Stock Shares**, makes strong point of the proposition that "railroad common stocks are selling at bargain prices today because investors are still skeptical of their future."

A unique chart presentation of a group of leading railroad stocks shows average earnings and market prices for selected years from 1929 to date and estimates earnings in the first post-war year after reconversion at between $12 and $16 per share, on average.

With these stocks currently selling at approximately $40 a share, on average, they can now be purchased at three to four times estimated post-war earnings.

Investment Company Reports

Keystone Custodian Fund Series B-4—Total net assets increased to $15,184,207 on Sept. 30, 1944, from $11,962,632 a year earlier.

Keystone Custodian Fund Series S-1—Net assets during the fiscal year ended Sept. 30, 1944, more than doubled to reach $1,202,349, as compared with $506,147 the year before.

Combined assets of the 10 **Keystone Funds** as of Nov. 1 amounted to approximately $92,000,000, representing an increase of $27,500,000 during the last 12 months.

New England Fund—Net assets on Sept. 30, 1944, amounted to $2,777,133, equivalent to $13.08 per share.

Mutual Fund Literature

Distributors Group—Current issue of **Steel News**, citing the "Good Post-War Outlook"; a reprint of Barron's September Quarterly Investment Company Gauge, giving comparable performance for the various classes of **Group Securities, Inc.** . . . **National Securities & Research Corp. — Current Information** folder revised to November; a memorandum listing portfolio changes on **National** sponsored funds during October. . . . **Keystone Corp.**—Revised portfolio folders on **Keystone B-1, B-2, B-3** and **B-4; Current Data** folder on all **Keystone Funds** revised to Nov. 1, 1944. . . . **Selected Investments Co.** — Current issue of "These Things Seemed Important." . . . **Harriman Ripley & Co.**—Revised prospectus on **Century Shares Trust** dated Nov. 4, 1944.

Over-Counter Review

Bristol & Willett, 115 Broadway, New York City, have prepared the current issue of their "Over-The-Counter Review." Copies may be had from Bristol & Willett upon request.

Sir John Anderson Upholds Bretton Woods Agreements

(Continued from page 2021)

him to say something of interest. Whether that tradition adds to the enjoyment of the other guests, or indeed to that of the Chancellor of the Exchequer, who is honored by the invitation, must be a matter of opinion. But I shall defer to the tradition and try to say something which I hope may be of interest to some of you.

You will not expect me today to make any formal and far-reaching declarations of Government policy. We are meeting in a more intimate atmosphere in which I might, as the phrase goes, "think aloud" on one or two subjects on which in due course decisions will have to be taken.

In doing so I am with your leave going to by-pass the problems of our internal finance. Thanks to the sound lines of policy laid down in the early years of the war and thanks also to the remarkable way in which our people have sustained the great effort which they have been called upon to make, our financial and economic position is today, after five long years of a most exacting war, strong enough to be a legitimate source of pride. In the fifth year of war when our expenditure was higher than ever before, we met a greater proportion of it than in any of the previous four years out of current tax revenue. The very large sums we have had to borrow each year can truly be said to have been raised in ways which have avoided the risks awaiting any Government which must by hook or by crook raise large sums of money in a limited time to meet inescapable obligations. It is I think no mean achievement that out of a total borrowing during the war of nearly £13,000 millions less than 30% took the form of floating debt in the hands of the public; and that in the process of raising over £4,000 millions from the public on medium and long-term securities the terms have steadily improved in favor of the Exchequer.

We are now, when some relief from the burdens of war seems at last to be in sight, contemplating the acceptance of fresh obligations in various directions. It is my duty to see that the Government and Parliament do not accept such obligations without counting the cost. If the people of this country are prepared to work for a better standard of life as they have worked for victory—not with the same intensity but with the same purposeful resolution—all will be well. Any expenditure can be justified which is matched by increased productive efficiency. This is the light in which every new proposal must be judged. I shall have to develop this theme at greater length on some other occasion.

Meanwhile there are other subjects on which I wish to talk to you today and I ask you first to go with me to Bretton Woods in whose pleasant groves my friend Mr. Morgenthau, Secretary of the United States Treasury, summoned the International Monetary Conference. This conference produced a document called the Final Act, which has been published. It is, I confess a difficult document inevitably long and technical. There are some obscurities of language in it which have led to misunderstanding and must be clarified. The time for detailed exposition will come when the whole matter has to be debated in Parliament. But it does seem to me important that while necessary and useful preliminary discussions are taking place in the press and among interested groups, one or two misunderstandings which, unless they are corrected, may darken counsel, should be removed.

The document is the draft of an international agreement which the technical experts of the United Nations submit for favorable consideration by the Governments and legislatures concerned. Neither our Government nor any other Government is in any way committed to acceptance of it.

At the same time, if we find that the United States and other countries important in international trade and finance decide that it is acceptable to them, we must not reject it lightly. If we have to choose between standing out of international institutions or taking a leading part in making them work, particularly when they are institutions for economic cooperation, I have no doubt where our true interest lies. Anyone who doubts this has only to look at the map of the world and see how widely spread our interests are, and with how many countries the frontiers of those interests march.

Moreover, we should betray much of the hope for peace if we failed to carry forward into those difficult years the unity and cooperation that have existed between us and our chief Allies during the war.

The second point I want to make is that the Bretton Woods document explicity recognizes that, while we might agree upon objectives and methods when the world's trade is settling down, countries like our own have to face an extremely difficult period of transition in which they must keep their hands free to deal with their difficulties as they arise and as seems best. It is in our interest to make that transitional period as short as possible and equally, to endeavor while it lasts, to develop our policy so that others will be willing to cooperate with us.

For these reasons the first plea I make with regard to the results of the Bretton Woods Conference is that what was done there should be studied carefully. I say "what was done there" deliberately for some of the criticisms are about the things that were not done there. It is complained that the conference did not deal with commercial policy and the removal of trade barriers, with the stabilization of commodity prices, with schemes for bulk purchases and long-term contracts, and so on. I admit all these criticisms at once, but the answer is that the conference was not summoned to deal with these subjects. It was dealing with the essentials of international monetary policy without which policies of economic cooperation in other parts of the international field could not be sustained. Bretton Woods is not the end of the story. Indeed the success of some parts of the Bretton Woods plan will depend in turn upon schemes of cooperation in other related fields.

I do not want to range too widely today; but there is one point that I must bring to the attention of some of the critics of the Final Act. I mean those who appear to think that the line of safety for us after the war is to reserve our full rights to enter into discriminatory commercial and currency agreements, not only as temporary measure during the transitional period, but permanently. Various ways of achieving this have been suggested and one of the criticisms of the Final Act is that it would prohibit or frown upon such arrangements. Now I think it is doubtful whether in fact the Final Act is decisive on this point, but there is another and wider issue involved. It is an issue of good faith. Under Article VII of the Mutual Aid Agreement, the master agreement under which we have received assistance of prodigious amount, we agreed to work for the elimination of all forms of discrimination in international commerce. The only qualification was concerned with imperial preference. We are bound by this agreement and we are going to honor it. Incidentally, quite apart from the Mutual Aid Agreement, by our commercial agreement with the United States of 1938 we also accepted a policy of non-discrimination in trade. I would ask those who recommend what is in essence a barter system as the basis for our international trade: do they really wish us to follow a course which goes back on what we have formally agreed with the United States, and flouts one of the principles of international commerce to which the United States Government attach importance, and which as a matter of fact I believe in our own interest is a sound principle? If we discriminate, other people can discriminate. If we indulge in barter, other people can indulge in barter. It is a difficulty in all agreements and contracts that one party cannot have it all his own way.

I commend these issues to your very careful consideration.

I am also told that the Bretton Woods Conference means a return to the gold standard. Now I doubt whether those critics who use the words "gold standard" as a term of approbrium always have a perfectly clear idea of what they mean, but perhaps one can assume that what they are thinking of is a system under which the external value of sterling was fixed, and the internal credit policy was made subservient to the maintenance of that value. To that system, if it ever existed in such a crude form, we do not propose to return. I have not minced my words about that in Parliament.

But it is said that Bretton Woods has tied our exchanges in virtually the same way, whereas the experience between the wars has shown the necessity for flexibility or adaptability in exchange rates.

To read some criticisms one would imagine that Britain's foreign trade fundamentally depends upon exchange rates, which rush up and down almost like a barometer in a cyclone. Now that is nonsense. For a country whose whole economy is widely influenced by international trade, some reasonable stability in the value of sterling is of primary interest. We have not much less interest in the reasonable stability of other peoples exchanges. I do not go the whole way in believing that the greater part of our troubles between the wars was caused by unstable exchanges. Nor do I believe that countries with a major interest in international trade lightly alter their exchange rates. Those alterations disturb internal as well as external values. But there is no doubt that the instability of the exchange rates of some important countries at some periods between the wars was a disturbing factor in international trade. After the huge economic disturbance of this war we must expect difficulties in arriving at equilibrium in the balance of payments.

The Bretton Woods document follows a middle course in this matter. So far from imposing a system of rigid exchange rates, it expressly recognizes the need for adjustment of exchange rates to correct disequilibrium. If we believe it is in our own interests to have a reasonable stability of exchange, but at the same time to have a method for the orderly adjustment of exchanges when the occasion arises, I do not see very well how one could have a very different principle from that stated in the Bretton Woods document.

It is of course true that to a certain extent, we would bring our exchange policy under review by an international body on which we should be represented. But so would every other country. We would not surrender any ultimate right to follow our own policy, but we would accept an obligation to recognize that the adjustment of the exchange value of sterling, or of any other major international currency, is a two ended process and that we owe it to the general interests of international trade to consult with an international institution before we make a change which will affect our commercial, as well as our financial relations, with other countries. For those who are particularly anxious on the question of our freedom to adjust our exchanges, I would commend a study of Section 5 of Article IV of the document, the last paragraph of which makes it obligatory on the management of the fund to allow a change in exchange rates in order to correct a fundamental disequilibrium.

Before the conference at Bretton Woods took place I made it plain that the Government would watch with great care our position with regard to our exchanges. For myself, I am absolutely unimpressed by the loose criticism that, by accepting the plan, we shall have returned to the gold standard in the sense of putting our policy under the dictation of others.

There is much more that has to be said about the Bretton Woods document and I feel confident that it will be said, but for the moment I have chosen these three points —the international aspect of the document, the provisions for the difficulties of the transition, and the treatment of exchange values,—for comment here, before you, who have such wide knowledge and such great responsibility for international commerce.

I should like now to turn to an entirely different subject—the relation between the Government and industry, commerce and finance after the war. You will not expect to find me greatly concerned to test each issue of policy by asking whether this is true private enterprise or that is good Socialism.

I am tempted to think that those who make extreme judgments in these matters overlook one not unimportant motive in human conduct—the ordinary desire to do a job properly for its own sake. An honest ship well found is an honest ship, whether its ultimate owners are a large and scattered body of shareholders or a public authority. Pride of craftsmanship and enterprise are not the sole prerogative either of private or of public trade. Whatever may be the ultimate shape of our economic structure in this country, it is quite clear that after waging a terrible war we shall have too much to do to waste time on sweeping up all private enterprise and turning it into some other kind of enterprise. But private enterprise has a public responsibility. I believe this to be true at any time, but in any case I am certain that it is true for the very difficult conditions of the resettlement of industry and trade in the immediate years after the war. We must all recognize this new partnership and develop it to the full. It will be the duty of the Government to exert itself to achieve conditions in which private enterprise can play its part worthily and well; it will be a big part. But those conditions cannot be achieved unless private enterprise is willing, genuinely and regularly, to consult with the Government on main lines of policy, and to accept the determination of the Government to take a much closer interest in the general lines of industrial and commercial policy than it has taken in the past.

A gathering like this would not seriously wish for any other policy in the situation in which we shall find ourselves. The interest of the Government in private enterprise does not mean interference by the Government at every stage. The closer the voluntary consultation, the less frequent will be the need for interference.

I need hardly remind you of the bearing of taxation policy upon industry and trade after the war. I tried to give some evidence of my own appreciation of this fact in my budget last April. It is part of the public responsibility of the Chancellor of the Exchequer in these days that he must pay continuing attention to the relation between taxation and industry, but speaking quite plainly it will be much easier to ensure that that attention has fruitful results, if trade and industry recognize their public responsibility by close and free consultation with the Government.

Finally I want to say a very brief word about our external financial position after the war. We shall emerge with heavy overseas obligations, but at the same time our credit throughout the world will stand very high. I hope I am not being unorthodox in suggesting at such a gathering that the basis of national credit is the character of the people, their courage, their determination and skill, and above all their productive efficiency. I do not think that anyone need be apprehensive about our possession of these real assets. Now that means that our financial indebtedness can be translated into physical terms of production. I tell you, and I speak under a sense of responsibility, that I believe we can see our way through. We can meet our obligations in a realistic way, that is, by producing the goods that other countries will want. The process will take time, but it depends in the main not upon skillful financial adjustments, but upon the willingness of our own people to recognize that, as they fought their way to freedom, so they can work their way to security and progressive improvement in all their material conditions. It depends also upon the recognition by our creditors that they have a common interest with us and must collaborate. They must be reasonable and not seek to treat war debts on the footing of ordinary commercial obligations. Practically the whole of our external obligations incurred during the war are to our Allies and associates in the war. We have incurred a debt to them—but have they not also incurred some kind of a debt to us which they too can pay, by their confidence in us, which has stood a much sterner test, and by their practical cooperation with us?

Canadian Securities

By BRUCE WILLIAMS

It must be somewhat disconcerting to the political opponents of Mr. Mackenzie King when time after time crises threatening to his Liberal Government are skillfully circumnavigated, and more often than not the Administration emerges in a stronger position than ever.

The latest example of shrewd political maneuvering is demonstrated by the replacement of Col. J. L. Ralston by Gen. Andrew McNaughton in the Cabinet post of Minister of Defense. This event is the culmination of a prolonged controversey as to whether draftees should be compulsorily sent overseas.

Recently, this question had become an embarrassing election issue for the Liberal regime. Disquieting reports were received concerning the dispatch overseas of ill-trained reenforcement units, and it appeared that Mr. King would have to yield at last to Colonel Ralston's insistence on compulsion, which would have led to a renewed flareup of bitter dispute with the Province of Quebec.

However, as it now transpires, the Liberal Government has definitely been strengthened by the inclusion of General McNaughton, one of Canada's most popular public figures, distinguished both as a soldier and a scientist. In the latter field, under General McNaughton's able direction, the National Research Foundation, a Government agency for industrial, mining and agricultural research, has rendered a valuable contribution to the development of the Canadian economy.

Contrary to general expectation, Colonel Ralston's resignation has not yet caused further defection from the Government's ranks. It would appear, therefore, that the overriding consideration of national unity has constrained those ministers who share the former Defense Minister's views from undermining the Liberal cause at this crucial stage on the eve of a Federal election.

Turning to the market for the past week, there was an understandable lack of activity in view of the Seventh Victory Loan. Prices in the high-grade section were practically unchanged but Saskatchewans and Albertas registered declines.

The easier trend in Alberta issues was a result of continued silence as to progress of recent discussions in Toronto concerning plans for the reorganization of the provincial debt. In fairness to the many interested parties in this country, at least a statement should be forthcoming to the effect that negotiations are, or have been, proceeding.

According to rumor, some measure of agreement is understood to have been reached with regard to the basic rate of interest and to a lesser degree concerning back-interest. It would appear that the greatest complication that has arisen is the measure of damage suffered and, therefore, the degree of compensation as between a holder of a past due bond and a holder of a bond that has not yet reached maturity.

Internal issues were in steady demand and there was exceptional interest displayed by individuals in this country in the Seventh Victory Loan, whereas during previous loans this interest had been almost entirely lacking. In addition, funds were still moving northwards in connection with industrial and mining investment and consequently the Canadian dollar in the free market continued firm at 10% discount.

It is interesting to note in this connection that Mr. James A. Robb, a Texas oil expert who was instrumental in arranging funds for the drilling of the first test well in Turner Valley, is returning to Alberta to take further part in drilling operations. The recent completing of a flowing well in the Standard Oil of California Steveville - Princess field, about 130 miles southeast of Calgary, is responsible for this renewed interest. For, according to Mr. Robb and other experts, this discovery of oil in Devonian limestone which underlies 375,000 square miles of the Prairie provinces, occurs under conditions similar to those prevailing in the East Texas fields.

With regard to possible future developments, until the termination next week of the Seventh Victory Loan, little change in the present quiet, steady market pattern can be anticipated.

Kimberly-Clark Stocks Offered

Lehman Bros., the Wisconsin Co., and Hallgarten & Co., headed a group that offered Nov. 3, 2,737 shares of Kimberly-Clark Corp. no-par value common stock at $35⅞ per share. The stock consists of the portion of 99,960 shares not subscribed for by stockholders.

The three underwriters also offered and sold 4,820 shares of Kimberly-Clark 4½% cumulative preferred of $100 par value, at $107 per share and accrued dividends from Oct. 1. This was the portion of 102,424 shares not exchanged by holders of the corporation's present preferred stock.

Under subscription rights that expired Nov. 1, common stockholders could subscribe for one share of common at $32 for each five shares held. Holders of the 6% cumulative preferred were entitled to exchange one share for one and 3-107ths share of new preferred, plus cash in lieu of fractional shares, and cash representing an adjustment of the difference in dividends.

It is expected that $1,850,000 of the net proceeds from the sale of the common stock will be used to reimburse the corporation's general funds for the Canadian plant now in course of construction, and that the balance will be used in the expansion and improvement of manufacturing facilities as wartime restrictions are relaxed. The expansion will include purchase of additional cellulose wadding machines, rebuilding and re-equipping paper machines.

Net proceeds from the sale or exchange of the new preferred, together with corporation funds as required, will be used for the redemption of all present preferred stock not exchanged. The new preferred is redeemable prior to Oct. 1, 1947, at $112 per share; thereafter and prior to Oct. 1, 1949, at $110; and thereafter, at $107, plus accrued dividends in each case.

Carrison Back at Desk With Clyde C. Pierce

JACKSONVILLE, FLA. — H. George Carrison, Vice-President of Clyde C. Pierce Corp., Barnett National Bank Bldg., is now back at the trading desk. During his leave of absence from the firm Mr. Carrison was Treasurer and Plan Business Manager of a war contracting firm operating on Army and Navy orders.

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.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

There was considerable activity in the Government bond market last week as institutions continued to adjust their portfolios in preparation for the Sixth War Loan. . . . These changes in holdings are the usual happenings prior to the opening of a bond drive, and it is indicated that the banks, insurance companies and other institutions have largely completed the switches in holdings that they had intended making prior to Nov. 20, the beginning of the drive. . . . These portfolio changes involved practically the entire list with the New York banks being sellers of certificates and buyers of bonds, in addition to the bills that were disposed of to Federal. . . . Dealers, according to reports, took on the greater amount of the certificates that were sold by these institutions although some of these obligations, it was learned, went to corporations and out-of-town banks. . . .

The New York banks likewise were the principal buyers of bonds sold by the savings banks, insurance companies and other institutions, and it was reported that both the taxable and partially tax-exempt issues were involved in these transactions. . . .

The New York banks, by selling certificates, were disposing of securities in which only a small amount of profit was involved, so that taxes on profits realized would not be an important factor, while in purchasing bonds income would be increased although maturities would be extended somewhat. . . . The statement of the New York Federal Reserve Bank for the period ended Nov. 1, 1944, showed that certificates declined by $101,000,000 while bond holdings increased by $92,000,000, thus substantiating the dealers' reports of what had been taking place in the Government holdings of these institutions. . . .

TAXABLE 2s IN DEMAND

There appears to be substantial interest in the entire 2% group of taxable bonds with some of the dealers at this time recommending the purchase of the 2% due 9-15-51/53 at present prices of 100 23/32. . . .

It was pointed out that these bonds are within the 10-year maturity period which the Government considers suitable for banks, and there is not likely to be any immediate financing in this maturity range. . . .

Also, the amount of premium involved is small, while the prospects of appreciation appear to be favorable. . . . The yield to call date of 1.89% is considered attractive. . . . These bonds are being recommended as a reinvestment for the 2% due 12-15-51/55 selling at the same price, and giving the same yield, although three months longer in maturity. . . . The 2% due 12-15-51/55 outstanding in the amount of only $510,000,000 have a scarcity value that tends to keep the market price for these obligations out of line with the other issues in the 2% group. . . .

PARTIAL EXEMPTS CALM

The partially exempt issues settled down last week and improved in prices, although some of the short issues continued to give ground, particularly the 4¼% due 10-15-47/52. . . . The intermediate term bonds gained about 3/32 while the longer term issues were up 6/32 during this period. . . . It was reported that several changes were made last week in the holdings of the partially exempt bonds, with switches being made out of the short and intermediate term securities with high premiums into the long-term obligations. . . .

It was reported that there had been selling of the 4¼% due 10-15-47/52 at about 110 with the reinvestment of the proceeds in the 2⅞% due 3-15-55/60 at 111 20/32 and the 2¾% due 6-15-58/63 at 111 7/32. . . .

It was learned that these institutions, needing tax exemption, have decided to extend maturities and at the same time take advantage of the high premiums prevailing for this short-term issue. . . . It was also reported that several other switches are in the making in the partially exempt list, with the 3⅛% due 12-15-49/52, the 2¾% due 6-15-51/54 and the 3% due 9-15-51/55 on the sell list, with the proceeds to be reinvested in the 2¾% due 9-15-56/59 and the 2¾% due 12-15-60/55. . . . The last four maturities of the partially exempt issues are considered attractive not only for tax purposes but also for appreciation possibilities, and it is indicated that there are a number of institutions that are ready to take on these bonds in a substantial way if volume and price weakness should develop during the Sixth War Loan. . . .

MONEY RATE TREND

There has been considerable discussion about the future trend of interest rates, and the question is constantly being raised as to when money market conditions will change so that higher rates of return will be obtainable on interest-bearing obligations. . . .

Such a turn of events cannot be forecast at this time, but certain recent happenings seem to indicate that the British do not expect interest rates to advance much in the foreseeable future. . . .

It was announced at the end of October by the Chancellor of the Exchequer, Sir John Anderson, that the sale of British National War Bonds, the present issue being the 2½% due 1952/54, would be discontinued after Nov. 6, and in their place will be offered, at 100, a new security, the 1¾% due Feb. 15, 1950. . . . The Chancellor also announced that the national debt, as of Sept. 30, was about $84,800,000,000, an increase of $51,200,000,000 since the beginning of the war. . . .

Experts on the money markets point out that the financing of the British debt with the lower coupon bonds has particular significance at this time since many people have felt that an upward trend in interest rates is inevitable. . . .

It was pointed out that the public debt of England has risen sharply since 1939, when the war started in Europe, and this has resulted in increasingly heavy debt charges. . . . Likewise, it was noted that the British do not want the burden of debt service already heavy, to be increased, since the end of deficit financing is not yet in sight. . . .

ENGLISH VIEWPOINT

Accordingly, these facts have resulted in the opinion among students of the money markets that this change in the British method of financing the war indicates the following:

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Dealers and Brokers Reminded of Treasury Request on Loans to Finance War Bond Purchase

Calling attention to the fact that during the Sixth War Loan Drive, which will start Nov. 20 and will run through Dec. 16, 1944, every effort will be made to sell as many securities as possible to investors other than commercial banks and to obtain the maximum investment of funds which are currently available or shortly to become available to such investors, Allan Sproul, President of the Federal Reserve Bank of New York in a circular dated Nov. 3 to dealers and brokers in the New York District says:

"To help in achieving this objective all banking institutions have been requested by the Treasury Department to take appropriate steps to help prevent subscriptions being submitted for the purpose of acquiring securities for resale shortly after the drive, and to decline to make loans to finance speculative subscriptions or any other loans on Government securities which cannot be paid out of anticipated income within a period not exceeding six months.

"Subscriptions by dealers and brokers in securities are to be limited to an amount not in excess of (a) 50% of their net worth, or (b) the amount of securities included in the Fifth War Loan Drive sold by them directly to customers other than commercial banks and dealers and brokers during the first thirty days following the close of the Fifth War Loan Drive, whichever is greater. Generally speaking, the volume of purchases for subsequent resale to customers should be small regardless of the size of the investment firm, as most customers will have ample opportunity to subscribe during the drive. In order that there can be no misunderstanding as to the amount subscribed by a dealer or broker for his own account, subscriptions for account of customers must not be entered in the name of the dealer or broker.

"If you propose to enter subscriptions to any of the marketable issues offered during the Sixth War Loan Drive, we shall appreciate your informing us of the amount of your net worth or the amount of marketable securities included in the Fifth War Loan Drive which you sold to your customers during the thirty day period following the close of that drive. For your convenience in furnishing this information, we are enclosing a form which should be filled in and returned to us prior to entering a subscription.

"In further support of the Treasury's program for the Sixth War Loan Drive, and in order to avoid an unnecessary redistribution of securities in the Government security market following the drive, the public has been requested to refrain from entering subscriptions if subsequent prompt sale of the securities is intended. Dealers and brokers are requested to cooperate with the Treasury in discouraging subscriptions for Government securities by their customers for this purpose."

President Sproul has also made available a 43-page pamphlet bearing on the Sixth War Loan, embodying general information and Treasury circulars with respect thereto, in which it is pointed out that in the drive a goal of $14,000,000,000 has been established by the Treasury to be raised through the sale of Government securities to investors other than banking institutions accepting demand depositors. The quota for individuals included in this amount is $5,000,000,000. While the drive will run from Nov. 20 through Dec. 16, "all subscriptions to Savings Bonds and Savings Notes processed by the Reserve Banks or the Treasury Department during November and December will be credited to the drive," says Mr. Sproul, who also states:

"With critical phases of the war still ahead, it is urgent that the objectives of the drive be attained and exceeded. Special emphasis will be placed upon the attainment of the quota for individuals. The efficient co-operation of the banks of the country and of this District will continue to be a major factor in the solicitation and entering of subscriptions particularly for their customers."

Regarding the new regulations, which are of considerable length, the New York "Herald Tribune" had the following to say in part in its Nov. 4 issue:

The Treasury requests each banking institution to examine subscriptions for the four marketable issues placed through it "to see if the amounts of the subscriptions are in excess of the ability of subscribers to pay." In the latter event banks are requested to inform the Federal Reserve Bank of the circumstances and all available information, and should not enter subscriptions until instructions have been received.

Another novelty of procedure during the Sixth War Loan drive is that deferred payments for the 2½% Treasury bonds of 1966-71 and the 2% Treasury bonds of 1952-54 are permissible if subscriptions are entered "by a life insurance company, savings institution, state, municipality, political subdivision or similar public corporation."

Such time payments "may be made, in whole or in part, at par with accrued interest, at any time or times, with payments to be completed not later than Feb. 28 next." Finally, restrictions on subscriptions by commercial banks were modified to permit greater participation.

Thus, "commercial banks holding savings deposits or issuing time certificates of deposit may enter cash subscriptions" for the securities available to them in amounts not exceeding 10% of such accounts or instruments, as shown on the most recent call statement required by the supervisory authorities, or $500,000, whichever is less.

Heretofore, specifically during the Fourth and Fifth War Loan campaigns, effective subscriptions in this classification were limited to about $100,000, or 10% of savings or time deposits. The Treasury also requests "that there be no trading in any of the marketable securities and no purchases other than direct subscriptions until after Dec. 16."

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.

Lifts Bans on Business Trades With France

Restrictions on commercial and business communication with liberated France imposed by reason of the German occupation were lifted on Nov. 4 by the Treasury Department, at Washington, according to advices from the Department on that day, which said:

"Treasury licenses no longer are required for concerns in the United States and liberated France to exchange financial and commercial information and establish business contacts. Creditors may get in touch with their debtors in France. Banks, brokerage houses, and other financial institutions may advise their customers and depositors in France of the status of their accounts. Bank statements, financial records, and commercial reports may freely be furnished. Wills, legal notices, and birth, death, and marriage certficates may be transmitted. Proxies may be solicited and signature cards may be obtained. Correspondent relations between banks in the United States and banks in France may be established.

"In addition, support remittances may be sent to France under General Licenses Nos. 32 and 33 as soon as banks in this country are able to make the necessary arrangements with French banks. These general licenses permit a maximum of $500 per month to be sent to individuals in France through banking channels. Currency, money orders, checks or drafts cannot be used for this purpose since their transmission continues to be prohibited.

"With the exception of instructions relating to support remittances, business communications between the United States and France will be restricted for the time being to the ascertainment of facts and the exchange of information. Accordingly Treasury licenses will not be granted for the present for the sending to France of powers of attorney, executed proxies, payment instructions and other communications which are transactional in nature. It is understood that similar restrictions will remain in effect in France and the United Kingdom.

"Today's action by the Treasury was in the form of an amendment to General Ruling No. 11 removing the liberated areas of France from the category of 'enemy territory.' French areas still under the control of the enemy will continue to be 'enemy territory' and will remain subject to the restrictions contained in the General Ruling."

Hautz & Engel Admit

Hautz & Engel, 57 William Street, New York City, members of the New York Curb Exchange, have admitted Heinz H. Bartling to partnership in the firm.

Some Recent Developments In Transportation

(Continued from page 2023)

ever known. To this end, carefully selected committees are at work on the individual railroads and under the auspices of the National Association, subjecting every phase of railroading to the severest scrutiny, to the end that weaknesses may be detected and corrected and the capacity for continued usefulness measured and enlarged. There is a spirit stirring in the railroad realm — a spirit of enterprise, energy, inquiry, expectation, ambition and hope.

However, we confront problems that are indeed serious and, as the title of my address indicates, it was my purpose to discuss some of these, particularly those of recent origin. But as I came to reflect upon the nature of these issues, one seemed to me to be so overwhelming in its significance that I concluded it to be the part of wisdom to confine my remarks to that one question. For upon its correct solution may depend not only the future of the railroad industry, but the welfare of all forms of transportation, whether on the rails, on the highways, on the waterways, or in the air. That question is: Shall transportation be regulated by Congress through its administrative agencies, or shall it be controlled by a bureau in the Department of Justice — a bureau staffed by men with no practical knowledge of the subject, knowledge which can be gained only by experience, sadly lacking in the case of the lawyers who determine the policy of the bureau. This is a question which the American people must answer, and that answer should be made effective through legislation, if such a course becomes necessary.

When I speak of this question as serious, I have in mind addresses made by officials of the Department of Justice and statements made before Congressional committees, in which there are frank declarations that the power of the courts will be invoked to prevent a continuance of the so-called conference method of initiating rates — a system that in one form or another has been in effect for more than 50 years. In its ultimate analysis, this system does no more than to give effect to the principle that before important revisions in rates are entered upon, the proposed changes should be openly and freely discussed among the interested carriers and the interested shippers.

Such discussion is not only highly desirable, but absolutely essential to the orderly conduct of the business of transportation. Without such conferences, it might be necessary for the Interstate Commerce Commission to suspend every rate filed with it, in order that interested parties might be heard as to the reasonableness and fairness of the rates. Such a course of action would entail upon the Commission, upon the carriers and upon the users of transportation a burden too heavy to be borne. Every rate change would lead to litigation and such a volume of work and such crippling delays that rates would no longer be flexible and responsive to business needs, but as rigid as the laws of the ancient Medes, or the decrees of the Greek lawgiver who, you will remember, after exacting a promise that his laws should not be changed without consulting him, cast himself into the sea as a sacrifice to stability.

As opposed to the method of conference, discussion and cooperation, the theorists in the Anti-Trust Division of the Department of Justice propose that each railroad should be compelled to file its own rates, without consultation or conference with other carriers, or with shippers other than its own. The spokesmen for the Anti-Trust Division assert that their prohibition will not extend to the formulation of joint through rates, which, obviously, must be the subject of agreement and contract as to divisions. I am not sure that these spokesmen for the Department really understand the full implication of this concession. It is conceivable that they would be surprised to learn how large a proportion of the total these joint through rates really comprise.

In making and insisting upon this theory of rate handling, the Department ignores the entire theory of rate regulation in this country, and mistakes as well the fundamental purposes of the anti-trust law. Combinations in restraint of trade are as old as civilization, and legal remedies against such conspiracies almost as old. It was against the principles of the common law to restrain trade, and this ancient common law principle was embodied in the statutes of many States before the passage of the Sherman Act in 1890. That Act was necessary because of the inability of the several States, under our constitutional system, to function effectively in the field of interstate commerce. What is the thing aimed at in these anti-trust statutes? Very obviously, and as repeatedly declared by the courts, the purpose was to secure fair and reasonable prices, through the exercise of the only force to which the people could appeal, viz: the power of competition. If competition were given free play, excessive prices would not be possible, since the prevalence of such high prices would immediately attract idle capital to a field so attractive, and thus competition, if left unrestrained by conspiratorial agreements, would furnish an automatic regulation of prices.

In the case, however, of public carriers, a different rule was necessary and, in fact, a different rule was applied. These carriers were engaged in a business affected with the public interest and, therefore, subject to regulation by public authority in the matter of rates. Logically, therefore, and it seems to me inevitably, there came before the legislative eye these two classes of business enterprises, that which was wholly private, and that which was quasi-public. As to private business, including manufacturing, merchandising and farming, the regulating factor was competition, and if this influence were given free play, with no agreements unduly restraining it, all would be well, since the forces of competition would defeat extortion. But this competitive influence would not always work in the case of carriers such as railroads. In many cases, a particular community was entirely dependent upon a single railroad for its commerical life. No competition was present or possible. It was necessary, therefore, that the rates of these quasi-public agencies should be subject to public regulation, in the form of orders fixing rates, or at least maximum rates. And so there came into being the State Railroad Commissions, with certain regulatory authority, and ultimately, in 1887, the Interstate Commerce Commission was created, with certain rather limited inquisitorial and decretal authority. Three years later, the Sherman Act was passed, dealing with restraints of interstate commerce.

I think it can safely be said that the five to four decision of the Supreme Court in the Trans-Missouri Freight Association case in 1897, holding that the railroads are subject to the Sherman Act in the matter of rate-making, came as a shock to the country. But so the court held and this decision, while qualified, limited and frequently explained, has never been expressly overruled. The railroads, for almost 50 years, have maintained their rate bureaus by which the conference method is made effective, not in defiance of the law as declared, but in conformity therewith.

I have always believed that one potent reason for the decision in the Trans-Missouri case was the futile nature of the regulation in effect at the time the case was decided. In 1897, the Interstate Commerce Commission had no power to suspend rates and no power to fix rates, either maximum or minimum. It could condemn a rate as unreasonable or discriminatory, but it could not say what rate would be more than reasonable. I dare say that had the Commission in 1897 had the power over rates that it possesses now, the Trans-Missouri decision would have been very different. This view finds confirmation in what happened in 1910, when the railroads proposed a general increase in rates, which increase was vigorously protested by certain commercial interests.

Mr. Taft was President at the time. A measure was pending in Congress to give the Commission the power to suspend rates, a power not previously possessed. It was obvious, however, that the bill could not be enacted into law before the increase in rates became effective. Thereupon, President Taft directed the Department of Justice to seek an injunction against these rates going into effect. A suit was filed, and a temporary restraining order obtained upon the ground that the rates filed with the Commission were the result of collusion and conspiracy in restraint of trade. However, when Congress enacted the law giving the Commission power to suspend all rates, it was recognized that the end sought by the suit had been accomplished by legislation and the suit was promptly dismissed. The so-called conference method of initiating rates has long been familiar to the Commission and has, in effect, been approved by that body.

I call attention to the situation that existed after the decision of the Supreme Court in the Trans-Missouri case and the related Joint Traffic Association case. The railroads were forced to take some action that would avoid the impossible chaos and confusion that would follow such a policy as the Department of Justice now insists upon, viz: the policy of requiring each road to make its own rates, without regard to the intolerable discriminations that would thereby be brought about. This was a situation which the Commission thoroughly understood. In the very first annual report of the Commission, probably written by the great Judge Cooley, it was stated that permanence and stability of rates is of the very first importance. In the second annual report, where certainly the influence of Judge Cooley was dominant, there will be found a reference to the evils of rate wars and a discussion of the harmful effects to the public interest of indiscriminate and uncontrolled bidding for traffic through the medium of competitive rate cutting. To quote this significant report:

"The apparent benefit is almost always illusory, for the unremunerative rate sheets are seldom evenly balanced; they favor particular towns or particular interests, or they go spasmodically up and down, and thus unsettle prices; they are commonly made quite as much to injure competitors as to benefit the party making them, and it will generally be found that reasonable rates adjusted equitably over the whole field of service would have been as much better to the community as to the carrier itself."

In this report, in discussing the very question we are considering, whether it were better for all rates to be made by independent action, the Commission said:

"But the voluntary establishment of such extensive responsibility would require such mutual arrangements between the carriers as would establish a common authority which should be vested with power to make traffic arrangements, to fix rates and provide for their steady maintenance, to compel the performance of mutual duties among the members and to enforce promptly and efficiently such sanctions to their mutual understanding as might be agreed upon."

In accordance with principles thus clearly and authoritatively announced, the carriers, after the decisions in the Trans-Missouri and Joint Traffic Association cases, out of sheer necessity and impelled by considerations that were all-controlling, continued the conference method of initiating rates, avoiding, however, the very appearance of evil by reserving to each railroad the right to take individual action, contrary to the majority view, a right which, as you know, is very often exercised. I call attention to the fact that in 1921 the Senate of the United States adopted a resolution directing the Commission to investigate the Transcontinental Freight Bureau. The Commission did so and filed a report to the Senate, which you will find in 77 I. C. C. Reports at page 252. It is there said:

"It is manifest that the Transcontinental Freight Bureau as at present organized and operated serves many useful purposes, promotes economy and efficiency, and is of advantage to shippers as well as to carriers. The need for some organization of this character in the transcontinental traffic field is demonstrated upon the record. The mitigation or cure of such defects and imperfections in the operation of the bureau as experience has disclosed, or as may develop in the future, should be the object of constant solicitude on the part of those who best know them through their intimate acquaintance with and responsibility for the conduct of its affairs. It is abundantly shown that operation of the bureau tends to obviate or remove the discriminations as between persons and localities which the law condemns."

Again, it is said:

"Upon the record in this investigation we are of opinion and find that the maintenance and operation of the Transcontinental Freight Bureau are not in violation of any provision of the Interstate Commerce Act."

You understand, of course, that the Transcontinental Freight Bureau conducted its proceedings in substantially the same manner as do the freight bureaus of the present era.

A little reflection and even a

superficial knowledge of the subject must convince anyone of the indispensable character of the conference method. The freight rate structure of the country is necessarily a complex matter. It could not be otherwise. It consists of millions of rates, applicable to every conceivable commodity, moving among nearly 70,000 railroad stations in this country and a large number of other stations located in Canada and Mexico. These rates must be applied by scores of railroads, owned and operated independently. The adjustment of these rates affects vitally the welfare of thousands of communities and many millions of people.

The primary purpose of the Act to Regulate Commerce, as repeatedly declared by the courts and the Commission, was to insure fair treatment to localities and individuals, or in other words, to prevent undue discriminations. Whenever an important rate is changed, the effect is felt not only by the interests directly involved but as well by dozens of communities, situated on other lines of railway where the element of competition is present. It is absurd to assert, for example, that a railroad serving New York and Chicago but not St. Louis could establish a rate between Chicago and New York which would not affect the commercial interests of St. Louis. The rate adjustment is so sensitive and so delicately balanced that before it is disturbed, the effect of the change in rates must be carefully weighed, and to bring this about, the views of railroads and shippers alike must be ascertained and appraised.

It is not as if action taken by these rate bureaus is final. Every rate, however it be initiated, must be filed with the Commission, and that regulating authority has the power, which it constantly exercises, to suspend the rates so filed until they can be carefully investigated through the medium of public hearings. It is said, however, in public statements emanating from officers of the Anti-Trust Division, that very few of the filed rates are actually suspended by the Commission — not more than 1%, according to one statement. In the 1943 annual report of the Commission, on page 123, it is stated that in 611 instances, in the year which the report covers, where the Commission acted upon requests for suspensions, 316 were suspended, and in 295 cases suspension was refused. So we see than when suspensions were asked, in more than 50% of such cases the request was granted. The Commission states in its report that these suspended schedules comprised many thousands of rates. To illustrate how lacking in substance is the assertion that 99% of the rates go into effect without investigation by the Commission, let me quote what the late lamented Mr. Eastman said on this subject, when testifying before a Senate Committee in 1943:

"The fact that only a small percentage of the tariff changes that are filed with the Commission are suspended for formal investigation does not warrant the conclusions which have been drawn from that fact. A large proportion of these changes are of a purely routine nature, involving such matters as the extension of expiration dates, the republication of tariffs where supplements have become too numerous, efforts to simplify tariffs, and so on. Many others are in response, directly or indirectly, to decisions of the Commission. Many others involve reductions in rates or are otherwise in favor of the shippers. You can be assured that the shippers of the country, of practically all types, are very effectively organized and are watching these tariff changes all the time. They know when their interests are adversely affected, and they have recourse to the Commission at such times. It is also the fact that by far the greater part of the freight rate structure has at one time or another been under Commission review. The great majority of the rates charged are equal to or below those which have been prescribed by the Commission as maximum reasonable rates, and conform to relations between commodities and species of traffic and between localities and sections of the country established by the Commission after long and painstaking investigation."

In reality, the attack upon the rate bureaus maintained by the carriers is a covert attack upon the competency, if not the integrity, of the Interstate Commerce Commission. Implicit in the public addresses and statements of the lawyers attached to the Anti-Trust Division is the thought that the Commission has been derelict in its duty, in that it has not protected vast sections of the country from the evils of unfair and illegal rates. Much of the criticism has been directed against the class rate structure, a great part of which has been prescribed by the Commission.

That distinguished body certainly needs no defense at my hands. It has functioned now for considerably more than half a century. The personnel of its membership has changed a great many times. In the roster of its membership will be found some of the most venerated names in our history. To mention only a few of these before whom I have appeared, and putting aside, for reasons of propriety, the present membership, may I recall to your attention such men as Lane, Clark, Harlan, Clements, Prouty, Meyer and Eastman. These and many others worthy of mention if time permitted have so guided the deliberations of this great tribunal as to command universal respect and admiration. In the 50 years of its life, not a breath of scandal has blown upon it. Never has there been a charge of improper influence or a suggestion of action controlled by any motive other than a worthy one. Doubtless, mistakes have been made. To err is human. But never has there been a suggestion from any responsible source that these errors were the result of prejudice or corruption. I feel safe in saying that the country recognizes today that the Interstate Commerce Commission is the most highly respected administrative tribunal in the world.

In all its deliberations, it has gone forward fearlessly, unswayed by personal or partisan considerations, exerting all its efforts to ascertain the facts and apply the law as without fear and favor. I submit in all fairness that here is a body far more competent than the Anti-Trust Division of the Department of Justice to control the activities of our transportation agencies and far better qualified than is the Department of Justice to carry out the mandate of Congress, as clearly stated in the Declaration of Policy which forms the opening paragraph of the Transportation Act of 1940.

Let me say this one word in conclusion: The railroads are law abiding agencies. They have honestly endeavored to comply with the letter and spirit of the law. They are conscious of no wrong doing. They look for guidance and for inspiration to the language of the law wherein they are enjoined so to shape their policy and conduct "to the end of developing, coordinating and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service and of the national defense." This high objective, thus nobly stated, can never be achieved if transportation companies are to be regulated in their most vital concerns by the changing whims and fancies of those who may be clothed with a little brief authority, rather than by a responsible agency of Congress, informed by experience and free from political influence.

One of the most influential members of Congress, Major Bulwinkle, of North Carolina, a member of the great Committee on Interstate and Foreign Commerce, mindful of the serious threat to the industry and the country implicit in the efforts of the Anti-Trust Division to turn back the wheels of progress and reduce to chaos an essential and vigorous servant of our economic system, introduced into Congress a bill known as H. R. 2720, which provides in substance that the Interstate Commerce Commission shall be charged with the obligation to make rules and regulations by which all carriers shall be governed in the conduct of their rate bureaus. It is further provided that carriers of all classes shall observe such rules and when they do, they shall not be prosecuted under the Anti-Trust Law by reason of anything done in compliance therewith. The railroads are strong in their conviction of innocence under the law as it stands. If, however, Congress, acting in accordance with the will of the people definitely expressed, were to pass a law embodying the principle of the Bulwinkle bill, the railroads, motor carriers, water carriers and freight forwarders could go forward confidently on the road to a larger field of usefulness, unhampered by the meddling of the Anti-Trust Division.

Detroit Traders to Hold Annual Fall Party

DETROIT, MICH.—The Security Traders Association of Detroit and Michigan, Inc., will hold its annual fall party at the Penobscot Club on Nov. 17, from 5:30 p. m. on.

Informal guest speaker will be Edward E. Parsons Jr., Wm. J. Mericka & Co., who as President of the National Security Traders Association will speak of the work the NSTA is doing in behalf of the securities business.

Tickets for non-member guests may be had at $5 each.

Members of the program committee are R. C. O'Donnell, R. C. O'Donnell & Co.; Frank H. Kemp, Charles A. Parcells & Co., and John L. Kenower, Miller, Kenower & Co.

The Business Man's Bookshelf

Civil Aviation and Peace—J. Parker Van Zandt—The Brookings Institution, Washington 6, D. C.—Cloth—$1.00.

Classification of Jobs in Small Companies—Robert D. Gray—California Institute of Technology, Pasadena 4, Calif.—Paper—$1.00.

Federal Post-War Taxation, a Review of Significant Proposals—The Chicago Association of Commerce—Paper.

Price Control in the Post-War Period—Norman S. Buchanan—Committee on International Economic Policy, 205 East 42nd Street, New York 17—Paper.

Production Credit System for Farmers, The—Earl L. Butz—The Brookings Institution, Washington 6, D. C.—Cloth—$1.00.

Selecting, Training, and Rating Supervisors—Victor V. Veysey—California Institute of Technology, Pasadena 4, Calif.—Cloth—$1.00.

N. Y. Analysts to Hear

The railroad group of the New York Society of Security Analysts will meet on Friday, Nov. 10.

Clifford Paige, President of the Brooklyn Union Gas Co., will address the meeting of the public utilities group on Monday, Nov. 13.

Meetings will be held at 56 Broad Street, at 12:30 p.m.

The Financier's Position In Consumer Credit

(Continued from first page)
sumer durable goods. Completing the cycle, jobs of course, depend upon production. What you are interested in knowing, therefore, is what are bankers planning and willing to do to facilitate consumer credit, i.e., consumption.

Post-War Consumer Demand

To appraise properly the task that lies before the bankers of the nation, let's review the most acceptable forecasts with respect to the various phases of this cycle covering jobs, consumer needs, purchasing power, and, lastly, the demand for consumer credit in the post-war era. Sumner H. Slichter, Lamont Professor of Economics of Harvard University and Chairman of the Research Advisory Board of the Committee for Economic Development, points out that within two years after the end of fighting we will have the greatest and swiftest disappearance of markets in all history, occasioned by a drop in Federal expenditures from about $90 billion to about $25 billion a year. He estimates that this will mean that within a year after the end of the war there will be some 20 million people looking for jobs, comprising some 8 or 9 million men demobilized from the armed services, 2 million from civilian Government jobs, 5 million laid off by plants making combat munitions, and approximately 6 million additional men now making other war goods. Jobs for these 20 million people are a big order, which seems almost overwhelming until we take into consideration the accumulated needs of American consumers and American business enterprises.

The wealth of America is clearly illustrated by Eric Johnston in his recent book, "America Unlimited," when he reminds us that even though our country contains less than 7% of the world's population, it nevertheless possesses 35% of all the world's railroads, 45% of all the world's radio sets, 50% of the world's telephones, and 70% of the world's automobiles. And it consumes 59% of the world's petroleum, 56% of the world's silk, 53% of the world's coffee, 50% of the world's rubber, and 21% of the world's sugar.[1]

At first glance, compared with the rest of the world, these figures would seem to justify some satisfaction on our part, yet, in 1940, 61% of our people had no telephones, 60% had no central heating system, 57% had no mechanical refrigeration, 45% had no bathrooms, 24% had no electricity, 17% had no radio sets.[2] To emphasize further this vacuum for consumer durable goods, let's look at the farm situation in America since that constitutes 24% of our population, and, incidentally, bears 31% of the expense of rearing the children of the nation. Only 8.5% of the farms of the United States have flush toilets, only 30% had water in the home, and of these a good percentage was piped cold water, and a larger percentage was hand-pumped; only 25% had electricity; only 70% had radio sets, and many of these were battery sets; farmers had 57 fewer cars per 1,000 population than non-farmers — the figures were 193 cars per 1,000 farm people, compared to 250 for non-farm people.[3]

Since 1939, farmers have made up only 19% of the nation's population and receive about 10% of the national income. Here again we come back to that cycle since farm prices depend on high levels of industrial employment. Going from what our people do not have to what they will probably need, let's first take a glance at the survey made by the U. S. Chamber of Commerce last year. This survey was made of a cross section of 35 million families of the United States as to their plan of consumer purchases after the war. Of the 35 million, 64% thought they would be in the market for consumer durable goods as soon as they were available; 3,600,000 said they would buy new automobiles; 2,600,000 said they would buy some other consumer durable goods such as refrigerators, washing machines, stoves, vacuum cleaners; 1 million said they would be in the market for some kind of furniture; 1½ million said they would either buy or build a new home, and 39% said that they would make some improvement to their property. All in all, these plans represented an estimated expenditure of over $7 billion. Professor Slichter estimates that the post-war use of automobiles may jump from 29 to 33 or 34 million cars, whereas the present number of cars in use has been reduced to some 20 to 23 million. He further points out that there are 600 articles of iron and steel that have not been made since 1942. He specifically estimates the following volumes of accumulated demand: 3.5 million vacuum cleaners, 7.2 million clocks, 23 million radio receivers, 5.2 million refrigerators, 10.3 million electric irons, 3.1 million washing machines, 1.5 million waffle irons, 1.8 million heating pads, 3.7 million percolators, and 4.5 million toasters.

He points out that family increases are at the rate of 550,000 annually, and that the present housing deficiency is 750,000 homes. Most important, that of the 7 million couples who have been married the last four years, a very high percentage has not set up housekeeping and will need every kind of household furnishings and equipment as well as housing. History shows that the greatest number of marriages here in our country was in 1920, and we may accordingly expect a new high the first year following this terrible war.

One conclusion is most apparent, and that is that the needs of our country with respect to consumer durable goods and residential property will be astronomical. In addition to the two years replacement on items specifically referred to, we must take into account the scores of new articles which will undoubtedly be available—such items as airplanes, television and other articles in the field of electronics, etc. It is anybody's guess as to what the exact post-war demand for consumer goods will be. Whether the accumulated demand is 7 billion or 20 billion, or whether the annual demand is 14 billion or 20 billion, makes little difference, particularly when we remember that the 1940 dollar demand was only approximately $7 billion. A fair estimate would be that in terms of 1943 prices, the catching up demand for consumer durable goods would approximate $20 billion. Added to current demand this would create a formidable demand many times greater than that heretofore considered the absolute saturation point of consumption.

Yes, there is the need—there is the vacuum, there are acute shortages and pressing needs, but does this mean demand? No, these needs do not spell demand. Demand requires purchasing power. To ascertain the extent of our purchasing power it is the common mistake to measure it directly by the amount of the nation's accumulated savings and annual income. Liquid savings and current incomes, or in other words—cash, have never had the power to make possible the mass distribution of consumer durable goods. This mass distribution is a product of consumer credit—it took the instalment plan to do this job. The American people are instalment credit-minded. They have acquired the habit, and by their very nature will always have this habit even when they are able to pay cash. An analysis of the users of the instalment plan would show a high percentage with large cash resources and an even greater percentage with substantial incomes. So it will be after the war.

Consumer Credit Facilitates Consumption

Something might be learned by examining the pre-war use of consumer credit. The total outstandings of consumer credit at the outbreak of the war in December of 1941, which, by the way, were their all-time high, were approximately $9,200,000,000. Of this amount about $4 billion represented retail instalment lending and end-of-the-month bills, and the balance of $5,200,000,000 represented credit extended to consumers on some scheduled plan for repayment — the instalment plan. This all-time high is important when we remember that the national income and savings were, too, at an all-time high. We cannot in any way accurately determine the post-war uses of consumer credit without considering the effect of savings and national income. Individuals have saved during the last three years in excess of $75 billion, equal to 10 years at the 1940 rate, and undoubtedly by the end of the war this will be equal to 15 years at the 1940 rate. Putting it another way, individuals' liquid assets comprising their holdings of cash, demand deposits, time deposits and war savings bonds are twice their holdings at the end of 1940. Savings in the banks alone have increased about $6 billion since 1934. But what effect will these vast accumulated savings have on the consumer credit after the war and will or won't they facilitate consumption! Most certainly they will facilitate consumption, but they will have no real dampening effect on the demand for consumer credit. It seems to me that the following will represent some of the important uses:

1. They will be used to bridge the readjustment period, the reconversion period, the deflationary gap.

2. A high percentage will be retained for a rainy day. Now that people have saved, they have become accustomed to having the feel of a reserve for contingencies.

3. They will be used to a large extent for satisfying the pent-up demands for soft goods, personal services and travel.

4. A large portion of these accumulated savings will be used to supply capital for the holders and relatives, for members of their families returning from the armed services and those returning from war work. Moreover, don't forget the 7 million newly married couples who will call on their families and friends for help.

5. Lower corporate taxes and fewer Governmental business controls will attract a substantial portion to corporate investments.

6. Hot money, i.e., excess money in circulation, in my opinion largely consists of proceeds of tax evasion and black market operations and accordingly will find its way back to bank deposits.

7. They will be used for equity payments for residential property and consumer durable goods, such as automobiles, refrigerators, etc. Normally, down payments on new automobiles consist of old cars traded in, but due to the heavy obsolescence during the war period and the certain post-war deflation in used-car values cash will be necessary either in whole or in part for almost all new-car down payments.

Prognostications with respect to the aggregate amounts of the national income in the post-war era have been in many respects conflicting. It has been a subject of much controversy, yet even the most conservative seem to agree that we may expect this figure to run around $130 billion, which would mean that we would have some 55 to 60 million workers putting in fewer hours than they did in 1943. 10% of this would necessarily go for taxes and at least 70% would go for nondurable goods, leaving a maximum of some 20% for durable goods, savings and other expenditures. Regardless of this margin current incomes of the average workers have never been sufficient to cover the outright purchase of their consumer durable goods needs. Savings and credit have been necessary in most instances. Moreover, a good deal of this margin will be necessary for the maintenance of a higher standard of living, more education and considerably more travel. On the other hand, high income levels will temporarily, at least, soften the demand for long instalment maturities but will not materially affect the initial demand for consumer credit.

A Post-War Period of Limited Consumer Goods

While it has been definitely determined that the accumulated consumer needs will test the nation's productive capacity, nevertheless it will take some time to get this productive capacity in high gear following the war. This certainly means limiting quantities of consumer durable goods during this first year. With this in mind, it is fair to conclude that the large accumulated savings and high incomes will reduce the immediate demand for consumer credit to a fairly low level. Moreover, it will be a seller's market and accordingly the seller will not have to resort to time sales devices to sell his goods. But it is crystal clear that the nation cannot and will not absorb the vast amount of consumer durable goods necessary without a substantial use of consumer credit. Consumer credit outstandings have always maintained about the same proportions, relatively, as our national income, showing that people were willing to buy and use their credit when they had confidence and this confidence came from full pay envelopes.

In fact, the very existence of a large national income and substantial savings portends the maximum use of consumer credit in peacetime when consumer goods are freely available.

Some authorities predict that within the next few decades income payments to individuals will rise to more than 200 billion dollars. If this occurs, and if our productive capacity comes up to our expectations, consumer credit outstandings could easily rise to more than $20 billion.

Is Enough Consumer Credit Available?

But is credit in this amount or any substantial amount available? Are the banks of the nation prepared and willing to make this credit available either at wholesale through other credit agencies or at retail direct to the consumer or via the dealer? First of all, the experience of other credit agencies, i.e., the finance companies, loan companies, etc., has been so eminently satisfactory that we may expect them to continue aggressively in this field of credit. Not only will large amounts of bank credit be available to these agencies but the vast accumulation of savings will make unlimited financing possible. With reference to banks themselves—never before has banking had such a powerhouse of financial energy. Moreover, the bankers have adopted a dynamic and constructive credit program designed not only to do a real job in the consumer credit field, but also to see that every competent individual, firm or corporation has credit available. Mark Brown will undoubtedly cover this program in his talk to you today.

Several months ago the American Bankers Association conducted a consumer credit survey through 14,675 questionnaires mailed to banks throughout the country; 11,210 questionnaires were returned, or approximately 77% of the total mailed. Of the 11,210 returns, 10,600 banks indicated that they are engaged in or will be engaged in some phase of consumer lending immediately after the war. On this basis, we may expect 95% of the nation's 15,000 banks to be directly supplying consumer credit. It is quite evident, therefore, that the bankers are willing and ready and that the supply of consumer credit will be more than adequate to meet any reasonable demand. Moreover, and most important, they constitute an adequate organization to service it. This overabundance of credit will undoubtedly result in a highly competitive situation, and in turn lower costs to the consumer. In the absence of Government regulation, some undesirable terms may be expected and eventually **credit** instead of **merchandise** will be sold by some, but in my opinion none of these highly competitive practices represent any dangerous threat to our economy. The value of consumer credit with respect to purchasing power depends on the terms under which it is extended as well as the amount of credit available. By terms, I have reference to the number of months which are permitted for repayment, the amount of down payment required, etc. The contracting or expanding of these terms can have a material effect on the aggregate purchasing power of consumers, but in a peacetime economy there is no real need of artificially controlling this purchasing power by regulating consumer credit terms. Personally, I have no real concern that terms will get out of hand after the war or that the nation will become mired in a colossal consumer credit debt, particularly if **merchandise, not credit,** is sold. Moreover, the eventual wider distribution of consumer credit holdings which will result in larger bank activity in the field, and the more important position of banks in this field will have a steadying influence on post-war terms. The individual consumer obliger still has the very best debt payment record we have seen during any depression. On the whole, very little money has been lost through the extension of this kind of credit and it has been proven that John Doe eventually pays his bills and almost universally pays them to the full extent he is able to do so. While much has been said about the dangers of the time payment plan, such as a dollar down and a dollar forever, there is still little evidence to support the contention that the nation's consumers in the aggregate will go too far in debt. The consumer credit debt will always be relatively small compared with other debt.

Effect of Government Control

You will notice that I have conditioned the above on the absence of Government control and regulation. Business is very likely to succumb to the opiate of Government regulation and lean upon the Government to eliminate the hazard of competition. Many of those engaged in the extension of consumer credit have found temporary advantage in having the Government police their competitors and are selfishly and thoughtlessly pleading for its continuance.

Of course I refer to Regulation W of the Board of Governors

[1] "America Unlimited," Eric Johnston.

[2] United States Census of 1940.

[3] U. S. Department of Agriculture Year Book entitled, "Farmers in a Changing World."

of the Federal Reserve System, issued under Presidential Executive Order in 1941, which subjects the extension of consumer credit to rigid regulations. Regulation W was primarily a defense period anti-inflation measure strictly supplementary in character. It was intended to dampen the demand for consumer durable goods, then already growing scarce, in the hopes that there would be less bidding of prices upward. Even in a defense economy it at best could only supplement major anti-inflation devices such as wage and price controls, heavy taxes, enforced savings and the like; but in a war economy, with virtually no demand for consumer credit, its significance is completely lost.

The authority for such regulation expires at the end of the war when the President proclaims the emergency is over. As I have previously indicated, there will be little demand for consumer credit immediately following the end of the war during the period of scarcity of consumer durable goods, so the post-war control of consumer credit could contribute very little as an anti-inflation device. If a system of Federal selective credit controls is established by Congress after the war to permit the regulation of consumer cerdit, then it will only be a matter of time until commercial and other types of credit are likewise regulated. This would ultimately mean the end of private enterprise since credit is its very lifeblood. By controlling consumer credit, the Government can and will control production via consumption and by controlling productive credit it can directly control all private enterprise. Business must accept the hazards of competition. If it must rely on the Government to police, supervise and to regulate its conduct in order to eliminate normal business risks, then it cannot and will not justify its existence. The reduction of risks in business so achieved acts as an opiate, dulling our senses until permanent control is upon us. Consumers and business men alike must join banking in a united front to oppose any legislation designed to regulate credit. This is essential to any program designed to provide full peacetime employment.

But even in the absence of Federal credit controls, full consumer credit reservoirs are not enough to clear the channels of distribution. Production in the quantities I envision will require skillful handling and careful planning to finance its ultimate consumption. Producers must, therefore, make a place for the bankers at their post-war planning round table.

The only liaison between bankers and producers heretofore has been the treasurer and his productive credit requirements. It is high time the sales manager likewise assumes this liaison role. In many cases consumer credit was something taken for granted or considered unessential, or if properly evaluated only to be entrusted with specialized credit agencies—not banks.

A New Era in Consumer Credit

The post-war period will not only be a new era in manufacturing technique, chemistry and electronics, but also a new era in the field of consumer credit. Closer cooperation among banks will undoubtedly result in efficient nationwide syndicates to finance distribution and consumption.

But bankers cannot streamline the economic processes if they do not have the producer's confidence. Bankers are deeply rooted in their communities. They can be of material assistance in building the producer's distribution organization by locating competent businessmen and financing their enterprises. They are close to the consumer, cognizant of his needs, and are ideally situated to finance him. It is essential, however, that they know what the producer expects to do — his plan of distribution — the value, life and characteristics of his product — his distributor's and retailer's credit requirements — what retail terms of credit his products will need and justify — and a thousand and one things essential to satisfy properly the credit needs of consumption.

Producers should take another look at this modern child, consumer credit, which they helped create, with special attention to its new paternal relationship. It is essential to optimum production.

In "America Unlimited," Eric Johnston outlined six post-war potentials, which, if properly utilized, should ease the transition from war to peace. To refresh your memory, they are:

1. We will have the greatest plant capacity in our history.

2. We will have greater sources of raw materials, natural and synthetic, than we have ever had in the past.

3. We will have the greatest number of skilled mechanics and technicians ever available to any nation.

4. We will have a tremendous backlog of accumulated demands for all types of commodities.

5. The people will have accumulated unprecedentedly large savings with which to satisfy their deferred demands.

6. An economic vacuum will exist in most of the nations of the world, and it is an immutable law of nature that a vacuum must be filled.

One more should be added if full employment and better living are to be achieved. It might well read as follows: "We have a banking system eager, willing and able to supply the nation with an unlimited supply of credit necessary to facilitate national consumption."

Yes, banking is ready to fully assume its responsibilities to finance adequately production, distribution and consumption after the war.

OUR REPORTER'S REPORT

Barely a month has passed since the underwriting fraternity was all adither over the fact that the new financing calendar showed a "bunching" of issues up for bids. It was feared that some of the prospective deals would suffer by inability of a sufficient number of syndicates to organize for the sales.

But the business went through pretty much on schedule, although in several instances the number of groups seeking the new offerings was not as large as might have been the case under more auspicious circumstances.

Now we have quite the reverse of that situation. At that time prospective issuers were reluctant to shift the dates for the bidding. In this instance the schedule called for bidding for two issues on next Monday, namely those of the Central New York Power Corporation and the Houston Lighting Co.

Both are sizable undertakings, a bit larger than what the investment world likes to refer to as "Street-sized" offerings. So here we find the Central New York Power Corp., setting back its offering of $48,000,000 new general mortgage bonds for a day. This serves to give Houston Lighting a "clear-track" for its $30,000,000 undertaking.

And the promise is for the keenest kind of competition for the new loans, which may have been a factor in prompting the voluntary action of the up-State New York utility in setting its schedule back for a day.

Treasury Takes Over

By force of circumstances the investment market has been experiencing something in the nature of a "planned economy" over a period of months. Private financing must manage to squeeze itself in between the recurrent War Loan Drives of the Treasury.

Accordingly the sale of the two aforementioned corporate undertakings will mark finis to the current phase of heavy private emissions, unless a railroad loan pushes through between now and November 20. But there is nothing to indicate that such a development is likely.

Several carriers are working on prospective refinancing programs wth indications that the finishing touches will not be made until the Sixth War Loan is out of the way.

Louisville & Nashville

Louisville & Nashville Railroad, for example, is known to be contemplating a plan for refinancing the greater part of the bonded indebtedness issued under its first and refunding mortgage.

Two underwriting groups, headed by firms which have become intense rivals in the railroad field under the new order of things, are prepared to compete for any new L. & N. securities that will arise under the road's program.

Since the next semi-annual interest date on the bonds to be called, however, is April 1, it becomes apparent that the element of time is not pressing in this particular undertaking.

Cash for War Bonds

Institutional investors, notably insurance companies, have been rearranging their portfolios with an eye to being in cash and in a position to take on further allotments of new war loans in the Treasury's drive which is now scarcely a week away.

Several of the large insurance firms have completed this operation in recent weeks through the reoffering of substantial blocks of state and municipal issues from their holdings.

The latest recruit to this contingent, reportedly, is New York City Comptroller Joseph D. McGoldrick who is expected to ask bids on blocks of New York City bonds, face value approximately $13,000,000, now held in various pension funds. Receipts, it is assumed, will be placed in the next War Loan.

Nickel Plate Refunding

Another prospective railroad candidate for the new issue market after the close of the forthcoming Sixth War Loan is the New York, Chicago & St. Louis Railroad, (Nickel Plate).

The management here is said to have whipped its plans into shape so that its refinancing program probably will be ready for market most any time after the Treasury gives the next "all clear."

Nickel Plate plans a $42,000,000 issue of 30-year bonds to provide funds, along with treasury cash, for redemption of $26,100,000 of its own 5½s, due 1974, a $6,500,000 issue of Toledo, St. Louis & Western 4s, and the repayment of a $10,000,000 bank loan secured only recently.

Richardson to Attend Mining Conference

Allan S. Richardson, Securities Commissioner for Colorado, plans to attend a conference called by Gov. Sam C. Ford, of Montana, at the Finlen Hotel, Butte, Montana, Nov. 10 and 11, to discuss problems concerning small mine financing. Mr. Richardson is Secretary of the National Association of Securities Commissioners and will represent that organization at the meeting. Mr. Richardson is also Chairman of the Mining Committee of the National Association of Securities Commissioners.

Morgan Stanley Group Offers $40,000,000 C. B. & Q. 3¾% Issue

Morgan Stanley & Co., headed a group of 24 underwriting firms which offered Nov. 3 subject to authorization by the Interstate Commerce Commission, $40,000,000 of Chicago, Burlington & Quincy RR. first and refunding mortgage 3¾% bonds, due Aug. 1, 1974. The bonds were priced at 100¾, to yield 3.71% to maturity.

Proceeds from the sale of these bonds will be used to refund $40,000,000 of the road's first and refunding mortgage 5% bonds, Series A, due 1971, which are to be called for payment on Feb. 1, 1945, at 107½. The company expects to offer to prepay the redemption price and interest to Feb. 1, 1945.

In the opinion of counsel for the underwriters, the new Burlington 3¾s wil be legal investments for savings banks in New York, Pennsylvania, New Jersey, Ohio and certain other States.

Since Dec. 31, 1941, the Burlington will have reduced its funded debt by $52,788,000 to $198,770,000 after giving effect to the retirement of the Illinois Division mortgage bonds on Jan. 1, next.

The new issue of 3¾s will have the benefit of an annual sinking fund equal to 10% of the dividends paid by the company on its capital stock during the preceding calendar year.

Post-War Appraisal of Railroad Securities

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared a most attractive and informative booklet containing a post-war appraisal of railroad securities. Copies of this booklet, which also contains interesting comparative tables, may be had upon request from E. F. Hutton & Company.

Railroads Vs. Industrials--Post-War

(Continued from first page)

far too great. Either in the post-war period the conditions will be such as not to justify today's price of 147 in the Dow-Jones Industrial averages, or the railroad averages are ridiculously low.

The spread between industrial stocks and railroads is caused, in my opinion, primarily by lack of dividends for the railroad stocks, not lack of earnings. Stocks, unfortunately, sell on dividend records more than on earnings; unfortunately, at least, for the rails, because, as I will show you later, they have used in last three years over one billion dollars, which ordinarily would be stockholders' money, to buy bonds.

I do not agree that the post-war conditions will be such as to create prosperity for the industrials and bankruptcy for the railroads. Those two things have never occurred and I doubt if they will ever occur in the foreseeable future.

Investors, in addition, now seem to be inclined to the theory that the whole railroad industry was on the verge of bankruptcy in '32, '33 and '38. True, 37 railroads entered bankruptcy; about another 20 survived bankruptcy because of RFC loans; but the railroads doing about 50% of the railroad business retained their credit right through that great depression.

The point is that the investors generally do not realize that that condition can never return in the foreseeable future because by the reorganization of the 37 carriers and by the reduction of debt in the other 20, either in open market purchases, or through refunding, the bankruptcy risk in the railroad industry in the foreseeable future has been entirely eliminated.

It is true that in the 1930's the railroad industry suffered a tremendous decline in gross revenues; but so did national production and commerce in the 1930's. We had a decline of about 50% in industrial activity between 1929 and 1932 and, likewise, railroad gross declined about 50%. The climb back from 1932 to a year like 1941 was about 100% in industrial activity and about 75% in railroad gross. The reason the railroad gross did not follow almost exactly with industrial production was the fact that unregulated competition reduced the rates so that the same volume of business in 1941 as in 1923 produced a billion dollars less gross for the railroads. Speaking generally, having adapted itself to these lower rates, I think that the railroad industry will follow our industrial activity, good, bad or indifferent, also exactly. The tremendous decline in railroad prices during that period was caused, among other things, by bankruptcies. These have been cured. As a matter of fact, I have made the statement to you before that there is no railroad in reorganization today or that has been reorganized, which relatively had a good capitalization. So, without trying to prove what I think post-war gross is going to be (almost everybody else in the country is guessing what the national income is going to be post-war), I say that the railroads are prepared to get their share of whatever that level of business is, and that the last four years, plus reorganization, has completely eliminated the bankruptcy risk which prevailed in 1932, 1933, 1935 and 1938.

Now, just a few words on the transportation industry. The railroads now, unlike in 1920, are only part of a service industry, the transportation industry. And also remember, when they tell you that the railroads are our most unstable industry, that it cannot be true, because it is a service industry. A service industry is only as unstable as the industries which use it.

Now, prior to 1920, from a practical angle, we only had two means of commercial transport in the United States—one was the railroads, and the others were the ships on the Great Lakes. In the meantime, we have had a tremendous advance in the transportation industry, railroads, waterways, pipelines, airlines and highways. The railroads, however, are by far the largest private investment in transportation in this country. There are only two completely private transportation units in the transportation business, the railroads are one and the pipe lines are the other.

Now, the railroads, as part of the transportation industry, operate about 230,000 miles of roadway and about 385,000 miles of track; about 37,000 passenger cars; about 1,800,000 freight cars; and about 43,000 locomotives. This represents an investment by the railroads of about 26½ billion dollars. In the meantime, and during this intervening 23-year period, the public—that includes the municipalities, Federal Government, State governments—have invested about twenty billion dollars in highways and roads. We now have about three and one-quarter million miles of highways in this country. To use that tremendous system which was created by public funds prior to the war, we had about twenty-six million automobiles operating.

In that period there appeared on these highways about four and one-half million trucks and about nine hundred thousand trailers, representing a private investment of five billion dollars.

Now, on the inland waterways, particularly the Mississippi and the Ohio, we now have 27,000 miles of navigable rivers and canals, all of which were built with public funds, and the public funds have been estimated now at about three billion dollars. The pipe lines are the only other completely private investment. They now operate about 126,000 miles with a private investment of about $842,000,000. As of the end of 1939, the airlines had about 46,000 miles in domestic operation. The total investment in airports, public investment, was around $325,000,000. The United States had about $125,000,000 invested in beacons and lighting arrangements, so that the public investment in airline transportation in the United States at that time was about $450,000,000.

As of July 1, 1941, prior to the time the Army took over the airlines, we had in operation in this country about 452 domestic planes; the private investment in the airlines in this country was about $61,000,000.

Despite this complete change in the transportation system in the United States, in the years 1939, 1940 and 1941, according to the Interstate Commerce Commission, the railroads carried about 63% of the available intercity freight ton miles. The Great Lakes carried about 17%, but the great majority of the business on the Great Lakes is either rail and water, or rail-water-rail. For example, most of the ore that comes from the Missabe range on those big ore carriers goes to Duluth by rail.

So that despite the appearance of all these other means of transportation, at tremendous sums of investment of public and private funds, the Great Lakes and the railroads in 1939, 1940 and 1941 still carried about 80% of the intercity freight ton miles. In other words, the railroads still carry the great majority of all of the available freight business in this country.

Now, this railroad industry has invested about twenty-six and a half billion in its plant and property. Between 1921 and 1941, but principally between 1921 and 1931, the railroads spent on their plant and property about ten billion dollars, and after depreciation, there was a net investment of around six billion dollars.

Then come the 10 years of poverty for the railroads where this plant with tremendous capacity due to these improvements was not used to capacity because of the depression. That is the reason why the railroads are able today to handle about 93% of all the transportation business in this country and that transportation business is almost 200% more than the record year of 1929.

Because they have the plan and equipment, we have found out that there is practically no limit to the volume that the railroads can handle.

But how does the public appraise this twenty-six and one-half billion dollar plant? We had about ten billion bonds and about seven billion stocks. So that the capitalization of the railroads in 1940 was about 17 billion dollars. I have excluded equipments because they fluctuate so much. Therefore, the railroad capitalization was way under the investment. The ICC cost of reproduction, less depreciation for the American railroads, was about 20 billion dollars in 1941. Therefore, the capitalization at par was three billion dollars below even the ICC valuation for the railroads.

Now, in the reorganization of carriers, and in the open market purchases, let's see what happened to this ten billion dollars in bonds, and seven billion dollars in stocks. First, the ten billion dollars in bonds. Five billion of that was the obligation of railroads that had been in bankruptcy, or are going through bankruptcy, 37 railroads. These 37 railroads carried five billion dollars worth of debt, yet those 37 railroads did only 30% of the gross business. That is your answer to, "Were these roads in bankruptcy over-capitalized in debt?" and the answer was and is, without argument, "Yes."

However, that five billion dollars in fixed debt of these 37 railroads is being changed into two billion dollars of fixed debt, a billion and a quarter of income bonds, and two and three-quarters of stock so that of this ten billion dollars, we are losing three billion dollars of fixed interest-bearing bonds, just through the reorganization of these 37 carriers.

Now, the other railroads, amounting to about one hundred, which carried the five billion dollars worth of bonds, they too, have been reducing the bonds in the open market. In the years 1941, 1942 and 1943, through the market purchases, they retired about a billion out of their five billion bonds. In 1944 and 1945, including the savings made in refunding by capitalizing the difference, in my opinion that will amount to the equivalent of another billion dollars in bonds. So that this ten billion dollars in bonds, in my opinion, by the end of 1945, will become five billion dollars in fixed interest-bearing bonds, and a billion and a quarter of income bonds.

Now, what has happened to the stocks? Out of the seven billion dollar stocks, the ICC has eliminated as being worthless, about two billion. So we now have, roughly, about five billion par value stocks. The stocks are in the Dow Jones railroad averages—sell at 40, but you know there are plenty of them that sell at much lower prices, so that this twenty-six and a half billion dollar plant, valued by the ICC at twenty billion dollars, is today selling in the open market for eight billion dollars. That is my estimation of the market value of all the bonds and stocks in today's market.

You have read of the large debt reductions of the Southern Pacific and the Atchison's, and every day you pick up the paper you see some other calls like Nickel Plate, Great Northern, and L. & N. I hardly have to mention the reorganized companies, the tremendous debt reduction, so that four railroads, the Northwest, the St. Paul, Rock Island and Missouri Pacific, the fixed debt reduction on those four roads alone is over one billion dollars. Just those four alone out of 37 reorganized or being reorganized.

Now, the ever-present topic of wages. The railroads have demonstrated an ability from 1921 to 1941 to control wages in relation to their gross revenues. The railroads were vulnerable, from a wage standpoint, for this reason, that although they had unions long before industry generally, the wage scale on the railroads was generally low. Therefore, the railroads were vulnerable to attack subsequently because of competitive wages. In 1916, if you worked on the railroad, if you were an average employee, you received about $17 a week and you worked about 60 hours a week, and you made about $880 a year. In 1943, if you were the same average fellow on a railroad, you received about $50 a week for working about 54 hours, and you made about $2,605 annually. The average hourly wage increased from about 28 cents to about 92½ cents.

This is an important point. It is now competitive with industry generally, and in some cases, industry is not competitive with the railroads from a wage angle. The wage scale today in the American railroads is no longer vulnerable. What I mean is you cannot isolate the wage question to the railroads.

The facts are that railroads have always limited the wages, the total wages, to a certain percent. of their gross revenues, and it runs around 47%. By that I mean this: I don't mean an average, I mean when the gross business of the American railroads was six billion dollars in 1929, the wage bill was a little less than three billion dollars, and yet in 1932, when the total gross revenue of the American railroads was three billion dollars, the wage bill was not over one billion, five hundred million dollars.

I was reading the other day about the domestic airlines for the year ending July 1, 1944, compared with the year ending July 1, 1943. This is from the CAB, the Civil Aeronautics Board, and I noticed operating revenues for all of the domestic airlines were up in that comparative period, $21,800,000, but the operating expenses were up $24,551,000.

Now, I admit that railroad earnings are going off because of taxes and wages, but they are still going to make this year about $1,300,000,000, which is still a lot of money available for interest, dividends and surplus.

I noticed the Federal Power Commission report on utilities — 1937 versus 1943. The gross income in 1937 was $749,000,000. In 1943, the gross income, that is, the amount available for dividends, interest and surplus was $759,000,000, a decrease of, from 1937 to 1943, of $10,000,000.

To emphasize again this wage thing and to repeat what I have said before, I compared the year 1928, and the 12 months ending September, 1941, the business of the railroads was almost exactly the same, and by "business" I mean the ton miles plus the passenger miles, about 528,000,000,000 ton miles for the year 1928, and for the 12 months ending September, 1941. Now, the gross in the 1941 period was about five billion, the same business, but we lost a billion dollars in gross because through the lack of regulation for trucks primarily caused a decline in rates so that the same business gave us a billion dollars less gross revenue.

In the meantime, wages went up about 26%, rates declined about 15%. Now, the net railway operating income in 1928 was about $1,100,000,000. The railroads saved over a billion dollars out of the six billion. Now, if you sat back in 1928 and said, "Wages are going up 26% and rates are coming down 15%," you could forecast at that time that the railroads wouldn't make any money.

What are the facts? In the 12 months ending September, 1941, the net railway operating income of the American railroads was 990 million dollars, 110 million dollars less, although they lost a billion dollars in gross. That is due primarily to the efficiency which has appeared in the American railroad industry, probably for the first time, because they have finally come to realize that they are only part of the transportation service.

In other words, they know now they are in competition, and through this efficiency, despite the decline of one billion dollars in gross, doing the same business, the net railroad operating income was almost the same.

Now, how did they do it? In the first place, they employed 500,000 less men to run the railroads to do the same business, in those two different periods. The efficiency has hardly been scratched, in my opinion. The great mechanical tools, the central traffic control, the Sperry Gyroscope car and hundreds of other mechanical gadgets are the product of the last four years which, in my opinion, have virtually not scratched the surface in future efficiency.

Now, take this tremendous gross they are doing. I am speaking now of taxes. The railroads are going to do this year pretty close to 10 billion dollars, around 9½ billion dollars gross, as against 5½ billion dollars in 1941. The net will be different by about 200 million dollars. The increase in taxes, 1941 and 1944 will be about one billion six hundred million.

So, supposing we lose some of this tremendous gross. We don't have to do 9½ billion when we contribute almost two billion dollars in taxes.

In other words, what I am trying to say is, don't pick out the railroads as the only thing that could possibly go wrong in the post-war period, because you can't isolate them any more. They are going to be as good or as bad as industry generally.

Just a moment on the Dow-Jones averages. There are 20 railroad stocks in the Dow-Jones averages. In the industrial averages there isn't a single non-dividend paying stock. Not a single one. There isn't a single stock in the Dow-Jones industrial averages that does not have a dividend record.

Now, the Dow-Jones railroad stock average, composing 20 stocks, include about 66½ million shares. 44,443,000 of those shares represent five railroads, so that about 67% of the total shares in the Dow-Jones averages represent five railroads. Pennsylvania itself represents over 13 million shares, 13,120,000 shares out of this 56 million shares; the C. & O. with about 7,500,000 shares; the New York Central with about 6,450,000 shares; the Southern Pacific with about 3,770,000, and the Canadian Pacific with 13,400,000 shares. The other 15 railroads in the averages have an average of about 1,300,000 shares outstanding so there is real leverage in some of the Dow-Jones rail stocks.

We are constantly comparing the Dow-Jones Industrials and Dow-Jones rails. From 1943 to 1937, inclusive, the industrial averages earned about $68, and they paid dividends of about $47. The railroads earned in that period about $37 per share and paid about $12. The Industrials paid out about 70% of earnings and the rails about 32% of earnings.

Now, to bring it down to the current period. Last year, the the Dow-Jones industrials and earned about $9.56 and they paid about $6.30 or about 65%. Last year the Dow-Jones rails earned about $10.19 and paid about $2.63 or about 25%.

I don't say they should, but I say this: That if railroads paid an average of $7 on the stocks in the Dow-Jones averages, there wouldn't be a 105 point spread today between the industrial averages and the rail averages and the railroad average would not sell at 42. That perhaps would be wrong, but nevertheless that would be the way the market, in my opinion, would appraise railroad stocks. If the railroads did pay $7 on the averages last year, then you would have some reason to call them war babies, but they did not.

Now, what was the effect of this very conservative dividend policy. In this period 1937 to 1943, out of that $37 worth of earnings they paid the stockholders $12. Therefore, from these 20 railroads alone, these 20 railroads in the Dow-Jones averages took into surplus $24 a share. On these 20 railroads alone that means one billion six hundred million dollars.

Now, that $1,600,000,000, not going to the stockholders, went to the bondholders in the effect of reducing bonds in the open market, or to surplus. That's why you have an almost complete restoration of bond credit in the last four years and you have stocks still selling about $2 higher than they did five years ago. They are about $2 higher than they were in 1939. As a matter of fact, they are about $25 below what they were in 1937.

The cumulative effect of the restoration of credit has been in bonds. If history means anything, if you destroy bond credit, you destroy stock prices and when you restore bond credit, you restore stock prices, and I believe stock prices will follow bond prices. At the end of another 12 months, there will be little necessity, in my opinion, for any further large bond reductions so that you could well have—I believe you will have—higher dividends on railroad common stocks and higher prices if and always if, industrial production can justify present prices of 147.

You don't have to earn $10 to pay $2. The Southern Pacific sold at 131, earnings $9 and paying $6. It's the regularity of the dividend that the customers want.

Now, to analyze these Dow-Jones averages a little further. There are only five regular dividend payers in the Dow-Jones rail averages, just five. By regular, I mean they paid all through the depression with rare exceptions, namely, C. & O., L. & N. N. & W., Pennsylvania and U. P. Those stocks are not selling at the average price of $40. They are selling at an average price of about $100. They are a test of the railroad industry with the industrial industry. Certainly not the other extreme, where you have six stocks in the Dow-Jones averages—B. & O., D. & H., D. L. & W., Illinois Central, Nickel Plate and Boston and Maine—paying no dividends and selling at an average price of $15.

Now, in between there you have the "fairly regular" group and the "nominal group." Now, in the first group, the regular dividend payers, the C. & O., L. & N, Norfolk & Western, Pennsylvania and U. P., this last year they earned $12.21 and paid $5.80. They are the regular dividend payers. In other words, they paid out about 47% of what they earned and the industrials paid out last year 65% of what they earned.

Now, in this group that I say is "fairly regular," Atchison, Coastline and Great Northern. Last year they earned $15 and they paid an average of $3.66 or 24%. The third group, the "nominal dividend" payers, Canadian Pacific, New York Central, Northern Pacific, Southern Pacific and Southern Railroad, they earned $10.18, and they paid $1.30 or 12%.

In the last group which I have enumerated, the non-dividend payers, they earned $10.47 and paid nothing.

That is the primary reason why Dow Jones averages sell at 40, but it is also the reason that they cannot be war babies. If the exact reverse of this were true, as it used to be in 1928 and 1929, where the fellows who shouldn't pay it out, like 'Frisco and Rock Island, did pay it out, then you might accuse them as "war babies."

In other words, if the Nickel Plate, earning $14.50, had paid out $12, then there might be some argument that these railroad stocks were war babies, but the real gains were made by the bondholders and surplus.

Let's see what happened to bonds. Today the Burlington sold refunding 3¾s close to par, yet Burlington refunding 5s sold at 71 in 1942. Great Northern 3¾s were available in 1942 at 69. You know where they are selling today, way above par.

I can go on and on and give you all kinds of examples—Southern Railway 5s, up from 88 to 118; Lake Shore 3½s, 75 to 105; Nickel Plate 5½s, at 71 in 1942; today, selling above the call price; Northern Pacific 4s, from 68 to 102; Pennsylvania 3¼s, from 81 to 103, and Pennsylvania debentures, from 86 to 103.

The "AAA" credit of the American railroads has gone down 100 basis points, so that your "AAA" bonds are selling to yield 2.90%. Your "AA" ones, as illustrated by Atchison gen. 4s, have gone down 150 basis points where they are selling to yield a little less than 3%. Your "A" bonds, which sold at an average price of around 90, have gone up to yield about 3.50%.

Now, you might say, "But they are still high grade." But here your "BAA" bonds, which sold at an average price of 68 in 1942, are today selling to yield 3.98. Now, there is the almost complete restoration of railroad bond credit. You received the market benefit in bonds rather than in stocks, so far.

What about the speculative rails, the junior bonds of those companies that were borderline? They have gone up from an average price of 46 and they closed today at about 90.

In other words—a few more points—and there will be a complete restoration of railroad bond credit in the railroads that remained solvent.

I am speaking, up to this point, on the railroads generally. The market has recognized the restoration of railroad credit in bonds and I believe it will in stocks.

Now I come to the subject that interests me most—the railroad reorganization bonds and stocks.

Despite all this progress that has been made by all the solvent railroad companies, the average price of 23 new income bonds today is about 61, to yield about 8%. Now you know, selling to yield 8% in a 3% market can only mean one thing—possible bankruptcy. That can't happen. They are in bankruptcy. They can't go into bankruptcy. They are in bankruptcy already. You still have 23 bonds selling at an average price of 61 to yield about 8%.

Now, you can't generalize on all railroads, of course, but the great majority of these income bonds, such as St. Paul, Seaboard, Rock Island, Northwest, Erie and Wabash, are better bonds in my opinion than any BAA bonds in this market, which are selling to yield 3.98%.

The fact that a railroad bond is fixed causes it to sell on a 3.98% basis, but don't forget the fact that railroad bonds were fixed caused them to sell at tremendously low prices. In other words, in 1938, how did you know what price to average a bond because it was fixed? If it were not fixed, you would have had some idea where judgment could say at a certain price that they were attractive, because it was fixed. You didn't know what the bottom might possibly be, because of the then bankruptcy risk in some of the fixed bonds.

In my opinion, the income bonds of the restored companies are going to sell—I don't mean every one, but I mean the good ones—with the BAA bonds, and I think they will do it over the course of the next 18 months or two years, and, in some cases, quicker. At the last meeting, about a year ago, some gentleman over on my left got up and said, "You have been talking about Wabash income bonds" (they were selling at 48) and they never do anything." They closed at 88 today. It wasn't over 12 months ago.

To go back again to the leverage. What you and your customers are interested in is how to make some money out of this thing. Otherwise, you would probably not be here.

The railroads in reorganization number 35 either through Section 77, or the Special Acts, or voluntary 17, have been reorganized and the securities delivered. Most of them are listed on the Exchange. Eight of them have no plans of reorganization on record. In between the eight which have no plans and the 17 which have been completed, there remain 10 which are at various stages of their progress though reorganization. These 10 comprise, without any order or preference, the New Haven, the Cotton Belt, the St. Paul, Denver, Seaboard, the Monon, Rock Island, Missouri Pacific, Susquehanna and the Frisco.

At this time, in my opinion, in order of timing, the Seaboard and the Denver are in the lead of these ten.

The St. Paul is next by virtue of the dismissal by the Circuit Court yesterday of the final litigation. The Monon and the Rock Island are next. Frisco, Missouri Pacific and Susquehanna are in the next group and the New Haven and the Cotton Belt in the next group. I am including four groups. That does not necessarily mean that the last group is years behind the first at all. Because I think, without a single exception, every one of those ten reorganizations will be completed within a year and half or two years from now.

Now, of these ten, the "Street" is trading "when, as and if" issued, in the Denver, Seaboard, St. Paul, Monon, Rock Island and undoubtedly will be trading in Frisco. So we are trading five out of ten.

As a matter of fact, we will be trading probably eight out of the ten of these securities soon after the end of the year.

Now, in the case of the reorganized companies, they have gone up, reflecting, No. 1, the progress made, and, No. 2, cash.

The Rock Island Trustee testified yesterday out in Chicago—I listened to the RFC case, that is, whether they should pay off the RFC—right today, the Rock Island has 107 million dollars in cash. They have gone up for that reason. Obviously, you can't have the solvent railroads using their cash and not promote a higher price for the bonds; likewise, you can't have huge cash not being paid out without advancing defaulted bond prices. They, too, are reflecting the cash and the progress made in the plan, and most of them have now progressed to the point where, in my opinion, with the exception of the Cotton Belt and the New Haven, there is not much chance of any successful appeal.

Naturally, you can appeal—all you need is a lawyer and the money. I mean, there is little chance of the success of the appeals, and I base that a great deal on the decision of the Circuit Court yesterday, dismissing the appeal in the St. Paul, because the Supreme Court had decided these questions—they have decided them—and they are not going to decide them twice, so the appeals take a little time, but in my opinion they have little chance.

Now, if you agree with me that income bonds are cheap, you agree, too, that the preferreds and the common stocks are cheap. At the same time, I talked about Wabash at 48, the preferred stock was selling at 23. Wabash incomes are selling at 88 and the preferred stock at 59.

I can remember fourteen or fifteen months ago, when Southern Pacific was selling at 30¾, or something like that, the bonds were at 50. It didn't make sense to me. Now the bonds are 85, and yet the stock is still at about 31. This doesn't make sense either.

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Railroads vs. Industrials--Post-War

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When Southern Pacific bonds go to par, the stock can't stay at 31 cents on the dollar.

Now, to get back to these eight situations. I have outlined them in speeches many times before, and I now again recommend the Frisco 4s and 5s of 1950 and the 4½s of 1978, the St. Paul gold 5s, the Seaboard 1st 4s, consolidated 6s and refunding 4s; the Missouri Pacific 5s of '81, or any of the maturities of the refunding bonds; the Rock Island 4s of '34; New Haven 4½s and Denver securities —to mention those eight situations. All those bonds are selling now at an average price of at least 20% below what they are now worth, because this is the average arbitrage price. Those that have not started trading "when issued" are selling at about 40% below what they are worth, but those prices are what they are worth now, not necessarily what they will be worth. That is important.

Now, if the income bonds are going to sell at 90 in the next twelve months, at an average price, it makes the percentage jump to 50, 70 and 90% from present levels.

Just to mention one bond like Seaboard first 4s, that get $700 income bonds; 30% in the income bonds is 21 points in the old bonds, and at the same time you create further increased appreciation because if your income bonds go up 30 points you won't need any help with the preferred and the common. It will go along with the income bonds as it has in the Erie and in the Wabash.

If you accept figures for the income bonds of around 70 to 75—if you accept prices that can be achieved in the foreseeable future of four, five or six months and taking along the preferred and common with it, there is an average spread now between these old bonds and those prices of about 60%.

If they go to par in every case there is a capital appreciation possibly of 100% from these levels and every single one of these.

Just a minute on why these things are available if they are so cheap. You know—I don't know what the figures are, but an awful lot of the bond money in this country is controlled by fiduciaries, insurance companies, banks and trustees.

So far as the banks are concerned, and unless they are selling at 95, commanding a B-1 plus rating, you cannot buy them. I don't want to go into it. You have heard me on that enough, but you can prove it now a lot more than you could before, because that rating follows prices, as these bonds go back to par—take a look at the rating difference between Burlington 5s at 71 and Great Northern at 68, and today's rating, because they are selling at the call prices.

These income bonds, selling at a 40-point discount, you can prove they are as good as the BAA bonds.

I started off years ago on railroad bonds, and in 1931, to my knowledge, they were nearly all in the banks, savings banks, insurance companies and trust funds.

I was a broker down here all my life. I never dreamed of calling an individual on a railroad bond up to that time. Now fiduciaries were our market, and in 1931 they stopped buying. We lost our market overnight. And, worse than that, they became sellers, and have been sellers on balance ever since. We had to go out and find a market, and it was not easy. We had to get the bonds down to 2, 3, 4 and 10 cents on the dollar before we could convince individuals that they should buy these bonds and hold them until they went back to the prices where the institutions could justify their purchase.

When you change a corporation from default to solvent, as in Wabash, you can see for yourself that the market appreciates. I call it a mechanical profit that occurs because in default you have more sellers than buyers; as a new solvent corporation, you have at least an equality and, generally speaking, more buyers than sellers.

To sum it up, because I know most of you are commuters, I think that the railroad industry will go up and down with the United States. They are not war babies. I have tried to prove that.

They have virtually no difficult maturities. We now have good capitalizations. We have wonderful financial conditions. We have a net current asset position of close to two billion dollars. The trucks are regulated by the Interstate Commerce Commission. The efficiency which started to come in 1940 and 1941, in my opinion, will be continued.

Our wage problems, in my opinion, are now in competition with industry, and I think we are in a better position with industry because of the wages that we are now paying. The fear of bankruptcy, even though it is still there, is false. There cannot be, in my opinion, any bankruptcy in the foreseeable future. The lack of dividends on the stocks, I think, will be made up as this thing continues.

Last, but not least, when you buy railroad bonds, you are buying in competition with corporate securities. I don't say they are as good as Governments, or municipals.

Don't forget that the competition of the market does not prove anything. It never has, and never will. There is not a TVA utility bond today with a 3¼% coupon utility that did not sell at 50 and 55 in 1934, 1935 and 1936, with a 5% coupon.

The competition in the market there did not prove that the utility industry was no good because most of those bonds, that sold at 50 cents and 60 cents on the dollar, had to come from some institution.

They are now back there with a 3¼% coupon.

Another thing is this—what the crowd wants, never, in my opinion, determines quality and the corollary to that is, if you have always been in unpopular securities or, to put it another way, if you have always been in securities when they are extremely unpopular, you have made money.

I follow those two standards, that the competition of the market does not ever prove anything, and what the crowd wants never creates quality.

So far as the market today or tomorrow is concerned, I have never been able to develop any formula for telling me what any particular security is worth at any particular moment. All I try to point out is that I like the railroad industry and I like its credit. I like the bonds that I recommend because they still sell at the biggest discounts and I believe the best values. They offer the biggest discounts because you get a double discount. You get a discount at a price the new securities are selling at, and you get a double discount because, in my opinion, the new securities are way underpriced.

In other words, I do not think you can closely distinguish between speculation and investment because, to me, it is all crystal gazing with as much intelligence as you can command to prophecy what will happen when you buy a bond at 102, or whether you buy one at 60. That is a combination, I think, of investment and speculation. In other words, it is an enlightened judgment and all I am trying to point out is that these conclusions which I have reached is on that basis.

And then, last, you can never buy the railroad industry or anything else where it is unpopular unless you have some faith and confidence in it. It is difficult to make money on facts you can absolutely prove; you must discount the event before it can be proved. What I am saying is, by discounting what will happen in the rails, I think you have a good chance for capital appreciation.

Some Problems of Reconversion

(Continued from page 2019)

cult position of trying to find the things that might be of interest to you. I probably won't succeed.

For over a year and a half, now, I have been giving all of my time to the problem of trying to see where we want to go and how we can get there in this problem of transition from wartime to peacetime. We have had a few guideposts, which might be emphasized here today.

It seemed very clear to us that the first test of any planning during war had to be this: we must first win the war, we must do everything we can to help win the war, and by no chance do a thing that might hinder the winning of the war. We can look first toward a smaller war, then to the period of no war.

We think only of business organizations and business people as standing on their own feet. I can assure you from my experience in Washington that you cannot hope, with confidence, to rely on government. So I suggest that you learn to stand on your own feet, because that is the best place, if not the only place to stand.

The other basic organization objective was that we had to plan on the long view, not the short-range view.

We saw, I would guess, a hundred thousand letters, expressing all the fears that all the world had about this post-war planning. We were fortunate to see them all, because I think we were able to avoid most of the pitfalls. Many of the situations that were bothering us a year ago are now forgotten about.

Another objective—we were determined to push it through—was this. We were not going to advocate any new machinery of government. We thought there was enough of it already. We didn't want to add a great governmental machine and we planned to use existing agencies.

Here was another keynote of our thinking. Let us plan in the national interest and not in the interest of any one group or any one territory. We were positively abusive in our report about pressure groups. Pressure groups have been bringing to the forefront their own selfish demands for some time now. Their activities are finding expression in some legislation recently passed. We have talked about groups of all kinds over the country seeking their own interests and not the good of the entire country.

We have tried to express the one point, as best any one can interpret it, that we must plan in the national interest, and not in the interests of any one territory. We have tried to develop the scope, a proper scope of government, in the field of national planning. The trend of thinking that government planning will be effective in all fields is a very dangerous one.

I think we have all gotten to look upon national planning as somewhat of a fetish. I am old enough to have seen other fetishes, and I might remind you of them. I came to the Boston Navy Yard 40 years ago. At that time, American business men were hot and bothered about the Taylor System of Industrial Management, time studies, industrial efficiency, and so forth. I came back to the Boston Navy Yard about 1909, and at that time the saving device for American business was modernized cost accounting. Then we went through the themes of organization planning and organization methods, and I think today we have gotten to the theme of national planning.

I don't know how many hundreds of organizations there are or how many thousand men there are who are troubling themselves about the problem. I have jokingly said to Mr. Baruch: "It is going to be the greatest indoor winter sport in America since the park bench has been closed up."

I can tell you my philosophy in a few words, regarding the matter of national planning. There is a field for national planning, of course, but let us get it down to essentials, if we can. I ask you this question: What good is a national plan if it cannot be made effective? I ask you, then—What choices have you to follow for making your plan effective?

I suggest that there are three and only three that I know of. There are variations, I suppose, and so I will not draw the lines too sharply at the moment on the three choices. I suppose the first way of making it effective would be to order it to be carried out. Well, that is Fascism, I suppose, regimentation, or whatever you want to call it.

Another plan is to have the state do it. But that is state socialism, and we are fighting wars about that idea. The only plan I know that is left is free enterprise. That lets the people do it, encourages them to do it, and free enterprise, I assure you, does not start with planning at the top; it starts at the grass roots, where you and I stand on our own feet, take care of our own problems, handle our own future. We can be helped by government planning, but we can be helped more by having to make our own way than by having them tell us where to go.

One difficulty that we seem not to think about in America, in the thinking of the last several years, is that we haven't yet found a way to compel consumers to do what we want them to do. We can't make consumers buy our goods at our prices. I don't know any way of doing it. Until we learn to do that, if we want to do it, we had better concern ourselves a lot more than we have about the form and scope of national planning.

We have been asked the question so often: What is going to happen to wage rates, high wage rates, after the war? I have answered frankly that I don't know, and of course, I don't know. But I said that the consumers of America are going to answer that question, and no one else is going to answer it for them.

I should like to have the man who starts planning for the future to think of his real boss, the consuming public of America, because they are going to answer these questions, and no one else is going to answer them.

In all the pressure groups in America we have been thinking about the men coming to Washington, and they have, unhappily, been of two types: territorial groups and producer groups. We don't see many people thinking about the whole national population. When we think of the whole people we think of them as consumers.

It is quite right that pressure groups should appear in Washington. I have only one objection to it. I don't want them made the judges. I don't mind their being advocates. I don't mind their being prosecutors. But I don't want them put in a position to decide.

Now, the immediate problems that have been in the foreground for the last six months in the proper field of governmental planning have been these:

Contract termination or Contract Settlement, so-called. The legislation is passed. So far as I am concerned I wouldn't change more than one word in it. I might change one word. If I could interpret that, and get Mr. Biddle to interpret it my way, I wouldn't change a word.

But let us go back a minute to the matter of contract terminations. There were only three or four important points about it. We all had ourselves concerned about detailed problems in connection with it. We had to establish the rights of the contractors versus the Government. Of course that means sub-contractors as well as contractors. We had to arrange to pay promptly. We feared we couldn't pay promptly, so we had to provide adequate, complete and quick action in the matter of loan procedure. We had to arrange to get the Government out of the contractor's plant as quickly as possible.

The policies are all set; the thinking is all done, and we have only operations to take care of now.

The reports I hear are all very encouraging. There will be faults, breakdowns, in lots of spots; but in looking at the breakdowns we must also look at the great number of successful operations.

The surplus property legislation is not in as happy a position as you will find from others who will be speaking to you today.

As to surplus property, I would like to stress one thought. I am sure others will, too. I would like to see this property sold and sold early and sold in the interests of the United States. I want to get the Government out of the position where State socialism will be a natural place to turn. I want to close the books on the war as soon as we can.

Many men will disagree with me. Many men will say that we ought to keep goods off the market—freeze them, if we will, and not sell them. But I say we have got to pay for this war, and let's get it paid for soon and get it off the books and forgotten about. It is perfectly easy to delay a decision, as we have in governmental affairs in years gone by, but I hope we are going to have the courage to take our licking and get the goods in the consumers' hands without ruining markets, and get back to a basis of stability as soon as we can decently do so.

Now, all of these plans were for one purpose: to arrange to get future jobs. It wasn't something planned for the contractors; it wasn't planned for business; it was planned for one objective alone, and that was to get an opening for jobs for people all over this country.

The War Production Board portion of the work in Washington, as we saw it and as it is now seen, is this: They had wound up this war effort. We proposed that they start unwinding it. We had to be definitive in our views, and we urged that every possible control necessary to war production be relaxed or cancelled at the earliest possible date. That earliest possible date seems now to be immediately upon the fall of Germany. I think we are all going to be surprised at how many controls business men have lived under. We have seen them grow a step at a time. I think we will see a slashing at one time of almost all of these controls.

The other important aspect of future planning that Government can carry out is in the field of corporate taxes. You will hear lots of plans about corporation taxes. Congress will labor with the problem. I am hopeful, and on only one simple ground. In

Stock Exchange Members Required to Submit Weekly Data on Round-Lot Transactions

Members and member firms of the New York Stock Exchange have been called upon by the Exchange to submit weekly information with respect to round-lot transactions for their own account or one in which they have a direct or indirect interest. In part, the Exchange advices, dated Nov. 3, issued by Louis Schade, Acting Director of the Department of Floor Procedure, follows:

To Members and Member Firms:

You are requested to submit weekly the information called for in the attached forms 81 or 82 with respect to all round-lot transactions in all listed stocks initiated on the Floor beginning Nov. 6, 1944, for your own account or for an account in which you have a direct or indirect interest.

Instructions for Filling Out Forms 81 and 82

Form 81 is to be used by specialists or relief specialists for reporting transactions in stocks in which they are registered. A separate form should be used for each stock involved.

Form 82 is to be used by other members for reporting transactions in any stock. Specialists who make transactions in stocks in which they are not registered are to use this form for reporting such transactions. A single form should be used for reporting all transactions in an account, regardless of the number of stocks involved.

Form 82 need not be filed with respect to the following exempted accounts:

Any account in which there were carried positions resulting only from transactions of any or all of the following types:

(a) Transactions of a member or firm acting as odd-lot dealer in securities in which such member or firm was registered.

(b) Transactions entered into for bona fide arbitrage.

(c) Transactions entered into in connection with a primary or secondary distribution.

(d) Transactions entered into in error.

(e) Transactions not effected on the Exchange.

Instructions for Recording and Reporting Transactions

With respect to each account for which a report is required, the price and the number of shares involved in each round-lot purchase and sale effected for such account as principal on the Exchange in any listed stock should be reported as nearly as practicable in the sequence in which the transactions occurred, including the time thereof.

All reports are to be based on **trade** (not blotter) **dates.**

In recording and reporting such transactions, if the transaction was effected at a price which was above the price at which the immediately preceding transaction in the stock took place on the Exchange, enter the designation + (plus); if the transaction was effected below the immediately preceding price, enter the designation — (minus); if the transaction was effected at the same price as the preceding transaction, enter the designation 0 (zero). These designations are to be entered in Column 8 on the forms.

The position at the opening in a stock is to be entered in Column 9 in connection with your first transaction in such stock that day. It will not be necessary to record changes in positions in that stock for the remainder of that day. Indicate "short" positions with the symbol "S." Indicate "even" positions with the symbol "O."

Odd lots are not to be included.

Only transactions INITIATED OR ORIGINATED on the Floor for own account or for an account in which you have a direct or indirect interest should be reported.

In the "Wall Street Journal" of Nov. 8 it was stated:

The questionnaire does not apply to trading by customers.

It was said to represent "the wish of the management of the Exchange to cooperate fully with the Securities and Exchange Commission" in obtaining data on member and member firm transactions and to eliminate the need for special questionnaires which have been requested from time to time by the SEC.

In making public on Nov. 6 the Nov. 3 questionnaire the Stock Exchange said:

At a meeting of members of the New York Stock Exchange, held in the Board of Governors' room this afternoon, the accompanying questionnaire and previous questionnaires which had been sent out were discussed and explained by the Chairman of the Board of Governors, John A. Coleman, and the President, Emil Schram.

This questionnaire is the third issued by the Exchange recently, relating to trading by members and member firms for their own account.

Stating that the membership pledged its full support to the measures, the New York "Herald Tribune" of Nov. 7 said:

While it has been the practice of some brokerage houses to keep a record of the approximate time of each transaction, the new rule by the Board of Governors now requires that all members and member firms "must place upon the sequence record the approximate time of each trade made by or for them."

This particular requirement was also part of the questionnaire [Oct. 3] for reporting transactions on Oct. 23 and Oct. 24, requested last week. The market took a sharp dip on those days and both the Exchange and the SEC asked for member trading records for a possible clue to the decline of quotations.

Such special requests for information will become superfluous with institution of the new rule promulgated yesterday. A running record of member trading will now be kept by the entire community. It will be compiled for every calendar week and it is requested that reports be turned in not later than Wednesday of the following week.

The new practice, it was said yesterday, will be continued until further notice to permit the New York Stock Exchange and the SEC to make a more coherent study of market activity than was possible heretofore, with particular reference to underlying orders by the membership. Reportable information includes the number of shares bought, also "long and short sales" as well as the position at the opening each day.

There are several notable exceptions. No report need be filed, for example, "for transaction entered into for bona fide arbitrage," in connection with a primary or secondary distribution, odd-lot deals, erroneous transactions and all trades not effected on the Exchange.

When, as a matter of practice or policy a member or firm does not "initiate or originate transactions on the floor," they may be exempted from filing of reports upon application in writing to the department of floor procedure.

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no other way can employment be increased. If you want to ask any Congressman one question that will put him on the spot, I suggest you ask him this:

"Would you put your money into a new business or expanding an existing business under present tax laws?"

I think there isn't a man in America who wouldn't recognize that he would not put his money into expansion of business if he had a certainty of the present corporate tax law to live under.

There are many other things beyond those I have hastily sketched here, some of which are in the way of being solved or clarified, at least. You have all heard about international currency from the neighboring conference at Bretton Woods. Then there are international loans, international air transportation, international communications, mercantile marine, also international police power. They will all come under the Treaty of Peace.

Outside of that list I have only one to suggest. I know that I am a radical in the matter, but I grew up in the Navy, and when we come to the synthetic rubber program I want to advocate one idea only: That we never again expose this country to the risk of a Japanese invasion in Malaya. I don't care what the cost is to world trade or any other aspect. If we don't maintain those synthetic rubber plants in production to protect war-time needs, we are more stupid than America will be ready to admit she is.

Now, just one note here: After seeing all the fears of the world and all that the American people could write, Mr. Baruch has signed his name to a statement that if we will do these things right we will have an adventure in prosperity.

I believe that it is in the cards.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2022)

made a high of 150.50, prices have done comparatively little. There have been about four attempts to break through that upper figure. Each effort was attended by considerable wishful thinking and hoop-la. Bullishness, always latent, came to the surface and it looked as if they were really getting somewhere. But each rally died a-borning. Stocks, taken as a whole, got just so far and then faded away. It was natural that subsequent declines would increase bearishness.

* * *

But at the same time that the market constantly backed away from previous highs it was evident that a respectable number of stocks managed to stay close enough to their old tops. With the Presidential race decided it is quite likely that the next attempt to go through the July highs will meet with much better success.

* * *

As a barometer to point the way I suggest you watch the following stocks to see which way the market will move. Anaconda at 28½, General Electric at 40 and Southern Railway at 29¼. These are not recommended as buys. They are given as individual yardsticks for you to watch. On the downside there are a few stocks which should hold certain levels if a decline is not to be signalled. These are: Chrysler at 89, General Motors at 60 and N. Y. Central at 17.

* * *

Meanwhile readers of this column still have their own stocks to worry about. With actual profits accepted in half positions at much more favorable levels, there is really nothing to concern you. For even if these stocks were to violate their critical points the profits already accepted would act as a comfortable backlog.

* * *

This column's stocks and current position is as follows: Allied Mills, bought at 28, half sold at 32½; current price about 30½; stop rest at 28. Bendix, bought at 38, half sold at 45½; current price about 45; stop rest at 42 (old stop 38). Crown Zellerbach, bought at 18; current price about 20; hold full position with stop at 18. Lockheed bought at 17, currently about 21; hold full position with stop at 18. U. S. Steel, bought at 58½, is about the only issue in the list which is more or less in the red; stock has tremendous potentials. As a matter of fact, there is hardly a general market move that can get anywhere without big steel acting as a bellwether. Yet the stock has been a disappointment. However, stock is advised to be held. Current price about 58; stop at 54.

* * *

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.]

Municipal News & Notes

According to present indications, the municipal fraternity is in for a not entirely unwelcome breathing spell insofar as the volume of pending offerings is concerned. Compared to preceding weeks the present calendar of prospective awards is relatively small, the largest offering consisting of the $13,894,000 New York City deal, for which bids will be opened on Nov. 14. This will not represent new financing by the city, as the sale consists of various obligations held by the municipal pension funds. The city will undoubtedly employ proceeds of the offering in the purchase of Treasury securities included in the Sixth War Loan Drive.

Among other sizeable municipal awards presently scheduled to materialize during the remainder of November are $2,800,000 by Fort Meyers, Fla., and $6,000,000 by Seattle, Wash., both on Nov. 16; $1,000,000 Savannah, Ga., on the following day, and $2,000,000 Cleveland, Ohio, transportation system revenue refundings on Nov. 30.

It will be seen from the foregoing that there will not be any spectacular addition to the supply of bonds in the market over the next few weeks. This does not allow, of course, for any unexpected business that may develop in consequence of Tuesday's voting on bond issue proposals. In this connection, it should be noted that the electorates were asked to pass on proposals involving well over $250,000,000 in bond issues.

Some of the larger propositions included $30,000,000 each by the States of California and Oregon; $26,250,000 by Houston, Texas; $22,300,000 Baltimore, Md., $22,000,000 for Harris County, Tex., and Navigation District; $16,000,000 Cincinnati, Ohio; $14,000,000 Cincinnati School District; $13,250,000 City and County of San Francisco; $12,360,000 State of North Dakota; $9,000,000 Hamilton County, Ohio; $7,500,000 Houston School District, Texas, and $7,000,000 Wayne County, Mich.

Although only a handful of reports on outcome of the voting were available at this writing, there is good reason to believe that a substantial volume of the issues will be approved by the voters. A primary incentive for authorizations rests in the fact that many of the proposed issues are intended to finance necessary municipal plant improvements which could be undertaken during the war years. Moreover, some of the contemplated work dates back to earlier depression years, when voters displayed a marked disinclination to authorize new debt additions despite the desirability or need of the proposed projects.

However, municipal indebtedness has been sharply reduced the past several years and this fact will undoubtedly favorably influence voters' judgment on a majority of the issues up for consideration on Tuesday.

Getting back to market conditions, the relatively small volume of new business now in sight will afford underwriting firms and dealers an opportunity to concentrate on distribution of bonds now in hand. The aggregate amount has been estimated at about $100,000,000 and, with the Sixth War Loan Drive scheduled to open on Nov. 20, dealers will lose little time in seeking to distribute a material portion of the available supply in advance of that date.

International Trade and Bretton Woods

(Continued from page 2021)

pacity for making war. These achievements did not just happen. Rather, they are a credit to our daring conception of what America could do when the pressure was really on. They are a credit to the boldness, courage and determination with which we have met the war time problems of production, shipping and military operations.

The question naturally arises therefore as to whether this country is prepared to meet the challenge of total peace in the same way that it has met the challenge of total war. Will we approach the problems of peace with the same boldness of conception, the same courage and determination as we have approached the problems of war?

Nor are we in this country alone in mulling over this question today. Thinking people, hoping people all over the world, are desperately interested in whether the end of this war will mean only a cessation of armed conflict by a crippled and exhausted world—a world too weak and too spent to care for its own wounds, its own hunger and its own freedom. Or will the world call upon its latent reserves of strength and courage to build for world peace on solid foundations? Will America serve in peace as she has in war as a powerful inspiration to the old world? Will she put her broad shoulder to the wheel of world peace?

An Economic Peace Essential

For the attainment of world peace and world prosperity is not the automatic by-product of winning this war. All history and our own experience point to the fact that peace and prosperity have never come to those who merely sit and wait for such blessings. Instead, we all know now that we must wage peace as we have waged war—it must be an all out effort, we must attack on all fronts and we must be ever vigilant.

And when we speak of "peace," I find that I have a natural tendency to focus on its obvious and passive features and ignore its more subtle and positive phases. I think this may be a habit of thought which others too, have experienced. Thus, I find that my dictionary defines "peace" as "the absence or cessation of war, strife or discord." Our literature, histories, newspapers and our conversation almost universally emphasize the passive and negative features of the word "peace." It has the same lack of dynamic qualities that we ascribe to the word "darkness" in defining it as the "absence of light."

In my mind this negative and passive concept of "peace" is unfortunate. I think most people would agree that "peace" can no longer have the connotation of "inaction" or of "rest." Instead, we need to think in terms of a new definition—a new concept that will more vividly portray the dynamic qualities of "peace"; one that will drive home the fact that "peace" does not mean "inaction" but rather "action"; and that it does not mean "rest" but rather "work."

To me, the true concept of "peace" is more nearly defined by a coined phrase, namely, we must "wage a total peace" just as we have come to "wage a total war."

Most of us, this time, are going to keep in mind that in waging this "total peace" it is essential to recognize that like "total war," "total peace" has many fronts. We all know today that total war is not merely the armed conflict of two nations or two military forces. To us, total war means conflict at every level. It means a war fought between forces on a national political plane—which we call the "diplomatic front." It means a war fought on the economic front — which we call "economic warfare." It means a war fought on the propaganda front—which we call "psychological warfare." It means a war fought out in the production lines—which we call the "home front." No one today doubts but that it means war on every front known to man—that is precisely why we call it "total war."

"Total peace" must be achieved on these same fronts lest we awaken one day to find, for example, that although we made elaborate plans for a world political organization to maintain the peace—we permitted within our walls the Trojan Horse of economic warfare which has so undermined the economic foundations of the world that new Hitlers and new Mussolinis have arisen to lead their countries to prosperity through aggression. None of us should forget the fact that armed conflict in this war followed—not preceded—the Axis dictators' attacks on the economic front and on the home front. Thus, while we tend to associate the beginning of the war with Hitler's invasion of Poland, this was really only the final phase of a war commenced years earlier.

Hitler was at war on the political and economic front as early as 1938 when he forced the anchluss with Austria, so that Germany and Austria might function as one political and economic unit. In fact Hitler was at war against the democracies throughout the 1930's when he conquered market after market in Europe, in South America—yes, even here in the United States through economic penetration. He mobilized the economic might of Germany in the early thirties and by means of ruthless foreign exchange and currency practices, by means of trade restrictions and cartels, he sapped the economic power of the democracies so that one after another they toppled before him when he set out to make the "kill" in September of 1939. And what Hitler did, is also the story of what Hirohito and Mussolini did.

What these Axis leaders did spells exactly the scope of what the democracies failed to do in waging peace, and graphically illustrates what we now must do in waging total peace. And it is in terms of these fundamentals that representatives of 44 nations worked together at the Bretton Woods Conference to solve some of the basic international economic problems which must be dealt with if we are to wage total peace.

I now want to discuss those phases of the economic front which were dealt with at the United Nations Monetary and Financial Conference at Bretton Woods last July. But I want you to see them in their true perspective against a background of plans for a "total peace" and not as isolated measures. And to appreciate the role these programs will play also requires an appreciation of the economic problems with which they must cope.

Only in a prosperous world, free from the ravages of economic warfare, can we have the conditions necessary for permanent world peace. We have learned that just as the United States cannot afford to be isolationist in its political philosophy, neither can it stand the malignant effects of economic isolationism.

I know it is not news to you that many nations whose industries have been devastated by the war will be unable to reconstruct their economies without the aid of foreign capital. Heavy amounts of capital must be provided to make possible the additional purchases which will be necessary to restore the industries and farms in these war-torn countries. Only with substantial aid from the other countries of the world can these countries reconstruct their economies. The peace and prosperity of the post-war period will depend in large measure on a rapid return of these countries to full production and a high level of real income.

Economic Aggression to Be Outlawed

But providing capital with which to aid in the reconstruction of war torn areas and the development of resources in backward countries is not enough. Prosperity in this country and throughout the world also depends upon the channels of trade and commerce being open—upon a high level of profitable foreign trade. We must provide the basis for stable and orderly economic relations just as we must provide the basis for political peace. We must eliminate economic aggression just as we must outlaw war. Certainly economic warfare is no foundation upon which to erect a structure of lasting peace. Rather our goal—and the goal of every country—must be a genuine increase in the total amount of foreign trade so that the expansion of one nation's exports is not at the expense of its neighbor.

But how do we go about this clearing of the channels of foreign trade? How do we uproot this persistent tendency for cut-throat competition for foreign markets?

Currency Wars vs. Economic Cooperation

There are some who tell us that except possibly for the provision of capital for the reconstruction of the war-torn areas, each nation should work out its own foreign trade and foreign exchange problems. In the United States there are those who say that all we need to do is to maintain complete freedom of exchange dealings and the convertibility of our currency to gold and we will encourage other countries to do likewise by our example. In this way, it is said, the level of international trade and the balance of international payments will be automatically adjusted. I fear, however, that the people who advocate this kind of a do-nothing policy have forgotten the lessons of recent history. They are still afflicted by a passive and negative concept of "peace." They have not conceived the essential nature of waging "total peace."

During the 1920's most nations returned to the gold standard and earnestly tried to maintain the convertibility of their currencies into gold without exchange restrictions. But in the period of financial strain after 1929 the system broke down. During the 1930's nearly every nation of the world went off the gold standard, and with its break-down surged the flood tide of economic war.

This is not a criticism of the gold standard as such. Nations need a common measure of the value of their currencies, and gold has proved itself to be an excellent instrument for this purpose. But the basic reason for the monetary difficulties which the nations of the world have experienced in recent decades lies in their attempt to work out by themselves problems which can only be tackled through international cooperation.

Foreign trade is carried on by means of a complicated monetary mechanism. We have all seen what happens when this mechanism suddenly breaks down. Foreign trade declines, and in their efforts to protect their domestic economies nations turn to all kinds of restrictive measures which involve economic rivalries and spread unemployment from country to country. Thus, countries used the method of deliberately cheapening their currencies as a means of capturing a larger share of the international trade from other countries. Through such methods countries attempt to gain some advantage for their own exporters at the expense of exporters in other countries.

But any advantage which countries may gain in this manner is bound to be short-lived. Sooner or later other countries will voluntarily or involuntarily retaliate by the same or even a greater amount of depreciation of their own currencies. And, currency manipulation as an economic warfare measure was not confined to mere depreciation. It also took the form of using multiple currencies, blocking trade balances, discriminatory foreign exchange controls and clearing "agreements"—in fact it assumed the form of every financial and monetary device used by Hitler to break the economic backs of his enemies.

What were the results of this attempt by nations to work out their international economic problems by means of discriminatory practices and without adherence to any common rules or standards of fair international trade dealings? It has become only too clear that when nations try to solve their foreign trade problems by adopting a policy of economic warfare, the result is individual and collective failure.

No nation has been able to profit in the long run from a policy of restricting trade or of increasing its own trade at the expense of its neighbor. No nation can insulate its economy from economic forces in other countries through a policy of economic isolation. The lesson of the decade immediately before the war is that nations can only expect to solve their common economic problems through international cooperation.

Need of International Trade Standards

What we need if we are to re-establish international trade on a sound basis after the war is a set of standards to which all of the United Nations can undertake to adhere without endangering their domestic economic welfare. Only in this way can we plan for an expansion and balanced growth of international trade and for the elimination of those trade practices which inevitably involve serious economic rivalries and are a factor in making for wars.

Then, too, quite apart from its relation to world peace, we in this country have an immediate and vital economic interest in a high level of foreign trade and investment as a means of providing jobs for American labor and as a condition necessary for prosperity at home. Our productive capacity and our ability to produce goods have increased enormously since the beginning of the war. If we are to maintain a high level of employment in the post-war period we will have to sell from 12 to 15% of our manufactures and agricultural products abroad.

In a word, a high volume of foreign trade means all the difference between American industry running at high capacity and getting a reasonable return on its investment, and American industry running at low capacity and with a low total volume of profits. You know better than I what that difference signifies for you and the American people, how it achieves practical expression in management being prepared—being eager—to make new investments and to place venture capital freely, as distinguished from a harassed management holding on and merely trying to minimize losses.

Thus we see the major significance of a balanced growth in world trade toward establishing a permanent basis for world peace and prosperity. We also see two major avenues of approach to the problem of developing healthy world trade. First we must restore stability to the currencies of the world and free the channels of trade. Second, we must insure the war-torn areas and underdeveloped nations with adequate facilities for obtaining capital to establish their economies on sound foundations. These are "musts" in any realistic program for world peace and prosperity.

The Bretton Woods Agreements

These were the problems which 44 countries tackled at the Bretton Woods Conference last July. But while the agreements dealing with these problems emerged from the Bretton Woods Conference, it should be remembered that the forging of such agreements is the product of years of work—work not only in this country but abroad as well.

Two years ago the technical experts of the Treasury Department, the State Department, the Federal Reserve Board and several other governmental agencies began discussions with the technical experts of some 30 countries for the purpose of exploring means by which all nations could cooperate in the elimination of destructive exchange practices and the promotion of exchange stability. These discussions disclosed universal agreement by the experts in all countries that international cooperation was essential for the reconstruction of world trade and the promotion of a high level of world prosperity after the war.

From these discussions emerged the United Nations Monetary and Financial Conference at Bretton Woods, N. H., last July. At this conference the representatives of 44 nations met together in a spirit of cooperation and mutual understanding to work out their common monetary and financial problems. Articles of Agreement were prepared for the establishment of an International Monetary Fund and an International Bank for Reconstruction and Development. These agreements do not bind any of the nations represented in the conference. Instead, they will be submitted to the Governments of each of the 44 nations for approval or rejection.

The Bretton Woods Agreements deal with monetary and financial relations among nations and do not deal with trade agreements as such. But I need not tell you that monetary and financial difficulties have in the past represented the greatest barrier to international trade. Of what use would a trade agreement be with a country pursuing the monetary policy Germany was pushing in the 1930's?

The fundamental purpose of the International Monetary Fund is to promote an expansion and balanced growth of international trade through the maintenance of exchange stability and the elimination of restrictive and discriminatory exchange practices which destroy world trade.

It is therefore the objective of the International Monetary Fund to establish rules of fair conduct for international transactions, and to eliminate discriminatory and restrictive currency practices which limit the making of payments between importers and exporters in different countries.

The Fund also seeks to stabilize the values of the currencies of its members. This objective ties in with the principle of removing barriers to foreign trade since rapidly fluctuating exchange rates and chaotic exchange markets have been in fact an important barrier to trade.

How will the International Stabilization Fund carry out these purposes? Under the Fund Agreement, each member nation would obligate itself not to engage in harmful exchange practices. Specifically, nations agree not to engage in competitive exchange depreciation. They agree not to change the value of their currencies, which would be expressed in terms of gold, except under conditions defined by the Fund Agreement. Member countries also agree not to impose restrictions on importers who want to make payments for commodities and services which they want to purchase from other countries and not to engage in other types of restrictive and discriminatory exchange practices.

But countries cannot undertake the obligation to adopt such policies unless they are assured of access to financial aid in time of emergency. In order to give assurance to countries in meeting their needs, the Fund is provided with resources amounting to $8,800,000,000. This amount, of which the shares of the United States is approximately $2,800,000,000, is subscribed by the member countries in the form of gold and local currencies. When member countries need help in maintaining their exchange rates they will be permitted to buy limited amounts of foreign exchange from the Fund in order to give them time to restore a proper balance in their international accounts.

How much more sensible it is to have international facilities to facilitate the adoption and application of such remedies than to let an adverse balance due to temporary causes generate a whole cycle of cut-throat competition, competitive currency depreciation, restriction, etc., all of which directly contribute to depression at home and abroad and to the poisoning of the whole atmosphere of international political as well as economic relations.

Where, however, the short-term adverse balance of payments is due to more basic causes, some slight readjustment in exchange rates may be necessary. Stability does not mean rigidity. The international economic position of each country is not static. It cannot be in a world of change. Therefore it may be desirable and necessary to attack a deep-seated maladjustment by some modification of the exchange rate. The Fund's machinery provides for this contingency too; its specific contribution here is to insure that such readjustments are made in an orderly manner, and with due provision for consultation with the Fund.

Here again the whole emphasis of the philosophy behind the Fund is to put a maximum of obstacles in the way of indiscriminate resort to currency depreciation. We all know from past experience how different pressure groups in various countries have advocated modification of the exchange rate when sufficient justification for a change did not exist when they were merely seeking an easy way out of their own immediate problems. And we also know that it is not always easy to resist such demands. But membership in the Fund, with its responsibilities as well as privileges, will heighten each country's awareness of the need for avoiding changing exchange rates except if absolutely essential and except as an orderly process carried through in close consultation with the Fund.

While the International Monetary Fund would in itself tend to stimulate foreign investment by providing orderly exchange markets and by removing restrictions on the making of foreign payments, the International Bank for Reconstruction and Development is designed specifically to promote international investment. The Bank would encourage private investors to undertake international investment by guaranteeing loans made through the usual investment channels. In exceptional cases, where private capital is not available, the Bank would make loans out of its own resources.

It is important to have a substantial volume of foreign investment after the war, but we do not want to repeat the mistakes of the 1920's during which a large volume of improvident loans were made. Unsound loans made at high interest rates inevitably lead to losses which are harmful to economic and political relationships. No loans would be guaranteed or made by the Bank unless a competent committee, after studying the proposed project, reports that it would increase the productivity of the borrowing country, and that the prospective balance of payments of the borrowing country is favorable to the servicing of the loan. In this way the Bank would encourage private investors to provide funds for sound and productive international investment that would contribute to the reconstruction and development of the world's resources and to the expansion of world trade.

Merits of the World Bank

In evaluating the merits of the World Bank it is important to keep in mind these two principles:

First: Not all countries will be in a position to lend money to other countries. In fact, it is only realistic to assume that in the early post-war period the great bulk of capital needed to reconstruct the war-torn areas must be raised in the United States or it may not be raised at all. As a result of the war this country is in a better position than any other to furnish the major portion of the machinery and equipment which will be needed for speedy reconstruction.

Second: While the United States may have to furnish much of the capital initially for this reconstruction, we alone should not bear the risk of repayment. It is true that the export of billions of dollars' worth of machinery and equipment from this country after the war will contribute enormously to full employment here. Nevertheless, the whole world also benefits by getting these war-torn and underdeveloped countries back on their feet.

The World Bank operates on these two principles. Thus it recognizes that the United States will have to provide much of the capital and the goods. But in turn all countries agree to share with us any losses through default. They in fact agree to make good on such losses in gold or dollars. The net result is that although we get the benefits of sound investments and increased employment from making the loans, we only have to bear approximately one-third of any losses. This is certainly a vast improvement over some of the so-called counter plans that envisage the United States alone as putting up all the money loaned and also bearing 100% of any losses. The World Bank is just plain Yankee common sense when evaluated in these terms.

I should not want for a minute to leave with you the impression that the establishment of the Monetary Fund and World Bank are all that is needed to insure world peace. On the contrary, they are but two of the pillars in a structure requiring many pillars. That the Government recognizes this fact is evident from the recent release of the Dumbarton Oaks plan for a United Nations security organization, from the establishment of UNRRA, from the World Food Organization and the pending plans for discussion of the problems of world tariffs and commercial policy.

And let's not overlook one further aspect of this problem of reconstruction. These people in Europe who have been ground under Hitler's heel for years have stood an awful lot. But there are growing signs—signs that the wise will take as warning signals—that these people have just about reached the end of their capacity to take it. They are in no mood to be merely apathetic if after liberation they find themselves saddled with the prospects of unemployment, hunger and makeshift homes put together out of rubble.

They are going to expect action on the part of their governments; quick and decisive action to meet these most fundamental of all needs. And they are either going to get that kind of action or we are likely to witness an explosion—an explosion of civil strife and political upheaval that may shake Europe to her very foundations.

I am not trying to be an alarmist, and I certainly do not believe in brooding over the dark side of these problems. But I do believe in being a hard-headed realist. I do believe that all of us have got to face these facts with our eyes wide open.

This much I do know; the representatives of these nations at Bretton Woods were facing up to these facts in their own thinking and in their fervent efforts to work out in advance concrete plans for dealing with these problems. They were far past the stage of academic and theoretical discussion of the pros and cons of every plan in search for an ideal or perfect plan. What they wanted was a practical plan—one that would work—a plan that would hold out to their people genuine promise that in its realization rested their hopes for a new Europe—a democratic Europe.

But I know, and you know, and the people of Europe know, that their attainment of these goals depends today upon the United States. Whether you put the issue on the high and noble plane of acting from motives of generosity and love for fellow man, or on the narrow plane of looking after our own self interest, the answer must be the same. America cannot afford economic isolationism. We in this country have got to do our part in getting these war-torn countries back on their economic feet. We must show these countries—and show them soon—that just as the United States is ready to do her part now in establishing international machinery for preserving world security, so is the United States ready now to join with them in international economic cooperation.

We are at the crossroads. Either the economic problems of the world are going to be solved through international cooperation or nations will again turn to economic isolationism or the formation of rival economic blocs. In the field of international monetary relationships the latter way means a return to the restrictive and discriminatory currency practices which characterized international dealings in the 1930's. It means a return to economic aggression of the sort which preceded this war. On the other hand, international cooperation points the way to an expanding world trade for the benefit of all nations and assures the economic conditions for a durable peace.

There can be but one choice for us. The United States, as the greatest political and economic power on earth, must assume the leadership in developing a workable program of international economic cooperation. I believe that the Bretton Woods proposals for the establishment of a Fund and a Bank are a necessary part of such a program.

Financing Foreign Trade

(Continued from page 2020)

place only if the Bank for International Reconstruction and Development is established. But even in this case it will take time before the securities guaranteed by the Bank become popular among investors.

"The greatest role in the financing of foreign trade, notably capital goods, will be played by private corporations. Not only is there a strong possibility that large American corporations producing capital goods will be willing to accept trade acceptances of foreign governments or their trading agencies, as was the case with Russia during the '20s and '30s, but also the volume of direct investments abroad, if economic and political conditions are sound, is bound to be very large. The productive capacity of the country has increased materially. This was accompanied, however, by an increase in the cost of production and many plants will be unproductive and will be replaced by new machinery and equipment. The older plants, however, could operate profitably abroad where costs of production are, and will continue to be, lower.

"Direct investments have a number of advantages over loans publicly offered in the foreign market. In the first place, the transfer problem is greatly minimized since foreign subsidiaries do not immediately reach the break-even point and the initial profits are generally plowed back into the business. If direct investments should assume the mixed form, i.e., should attract local capital, the transfer problem will be further eased. Direct investments also lead to better management as well as to the greater utilization of foreign experts."

However, Dr. Nadler admitted that "Government agencies will continue to play an important role in financing foreign trade in the immediate post-war period, at least until the balances of payments of the various countries are better adjusted," and added that, "One may, therefore, expect that the Export-Import Bank will continue to finance medium-term transactions."

Referring to the International Monetary Conference's plans, Dr. Nadler said: "Initially the Monetary Fund as well the Bank for International Reconstruction and Development, if established, will also play an important role in financing the trade of the world. However, as the economies of the various countries are gradually readjusted, as the various foreign exchange controls are removed and currencies are stabilized, one may expect that private institutions will play the dominating role in the financing of the international trade of the world. Commercial banks will finance the self-liquidating transactions while direct investments and a moderate amount of long-term loans will finance the exportation of capital goods. Sound foreign trade relations would not merely aid in the rapid reconstruction of the world but could also play a very important role in the creation of satisfactory employment conditions in the United States."

Dividend By Ore.-Wash. Joint Stock Land Bank

A further dividend of 10% of the outstanding principal of farm loan bonds issued by the Oregon-Washington Joint Stock Land Bank of Portland, Portland, Oregon, and unmatured interest accrued thereon up to and including April 30, 1936, has been declared as of the close of busines October 20, it was announced on Oct. 15 by Geo. B. Guthrie, receiver.

The Securities Salesman's Corner

By JOHN DUTTON

Practically Every Industry Is Represented by Attractive Over-the-Counter Securities

The claim is often made by exponents of the theory that "the best stocks are listed," that the over-the-counter markets are too limited in scope. They admit that there are some securities, of course, that lend themselves to over-the-counter trading and represent attractive investment opportunities but say that too many times purchasers of over-the-counter securities cannot find the diversification and the type of securities they require.

An investigation of the true facts INDICATES THAT JUST THE OPPOSITE IS THE CASE. There is hardly an industry that you can mention that is not represented by securities of progressive companies which are traded in the over-the-counter market. Time and again stocks have been taken off the over-the-counter market and listed on some national exchange ONLY TO GO DEAD MARKET-WISE. Other stocks have been delisted and traded in the over-the-counter market and as soon as they had dealer sponsorship, and it was profitable for some investment house to maintain a good market, over-the-counter **activity increased.**

The REAL OPPORTUNITIES WHICH ARE AVAILABLE IN BUYING STOCKS IN THE OVER-THE-COUNTER MARKET, HOWEVER, ARE IN THE FIELD OF UNDERVALUED SECURITIES. Time and again the writer has investigated over-the-counter securities of every type and description, from rails to public utilities, and has uncovered situations that have had no counterpart, and could not be duplicated for value, price appreciation possibilities and future outlook. Other dealers in securities have had similar experiences—exceptional opportunities for profit through the purchase of UNDERVALUED OVER-THE-COUNTER SECURITIES have presented themselves. If you know how to judge values — if you have the patience to get behind the figures AND IF YOU LOOK FOR THEM, SOME OF THE VERY BEST BUYS ARE OVER-THE-COUNTER.

For instance, people have been saying that the railroad equipment industry outlook is favorable. We believe that this is so. Stocks such as American Locomotive, Baldwin, Pressed Steel Car have been active and higher on the New York Stock Exchange. The other day we were voicing our opinion that the over-the-counter market is the place to find the real bargains in securities and we were challenged to the effect that the market was too narrow—in fact we were asked, "How about a cheap rail equipment, what are you going to do there—where can you find an over-the-counter rail equipment that is as attractive from a price and future outlook standpoint as such stocks as Locomotive, Baldwin, and Pressed Steel Car?"

Sometimes it's easy to talk and difficult to perform—offhand we were stumped for an answer but such a challenge was not to be ignored. In a few days we found several over-the-counter rail equipments and as a result of our search dug this one up—WHAT DO YOU THINK OF IT?

Thirty-nine-year-old company. Output comprises all types of railroad freight cars, miscellaneous car parts, steel car frames and gray iron castings. Capitalization: No funded debt, small amount preferred stock, 128,301 shares of common. Dividends paid in 1943, $1.00; 1942, 75 cents (now 40 cents regular, plus extra). Earnings likely to be augmented substantially over present indicated $1.00 per share upon repeal of excess profits tax. **Present market price under $8 per share.** COMPARE THIS WITH SOME OF THE PRICES, EARNINGS, DIVIDENDS, CAPITALIZATION, OUTLOOK FOR MANY OF THE LISTED LEADERS IN THE RAIL EQUIPMENT FIELD.

Many of the outstanding "buys" are to be found in the over-the-counter markets. Successful securities dealers are daily proving that this is true — their customers have become educated — they too know that "is it listed?" is no longer a query that is posed by an astute investor.

FDR Elected to Fourth Term

(Continued from first page)

trasted with the 37 they now occupy. The Senate's lone minor party member was not up for election this time.

"In the House, forenoon totals showed 187 Democrats elected, 104 Republicans."

With returns still incomplete, latest reports last night (Nov. 8) gave the President 34 States with 407 votes in the Electoral College and Gov. Dewey 14 States and 124 electoral votes.

The record of the popular vote showed that with 97,297 of the country's 130,810 voting units reported, the vote stood: Roosevelt, 19,721,303, and Dewey 17,299,523, a total of 37,031,826.

Reporting on the situation, so far as it was known late yesterday, George Van Slyke in the New York "Sun," said in part:

"New Jersey, after shifting to the Dewey column at mid-day, teetered back toward President Roosevelt, with the results so close that it appeared that a complete canvass of the soldier vote would be necessary definitely to settle the issue. . . .

"The President was gaining in Ohio and Michigan and he threatened to capture both these States from Gov. Dewey. In that event, providing he retained his lead in the other States in his column, President Roosevelt would run his electoral vote up to 451 against 80 for Gov. Dewey. In his third-term election, the President received 449 electoral votes to 82 for Wendell L. Willkie.

"Although Gov. Dewey was ahead in Michigan, the Detroit 'News' predicted today that final returns would give the State to Mr. Roosevelt by a plurality of 50,000. The President whittled steadily at Gov. Dewey's lead in Michigan as the overwhelmingly Democratic Detroit vote began to roll in. The big CIO vote in the Detroit-Willow Run area was the greatest venture of Sidney Hillman's campaign, because of the 250,000 migrant workers on the CIO voters' lists there.

"One 11th-hour surprise was the belated swing of Ohio toward the Roosevelt banner. Another surprise was the failure of the rural Republican districts in Minnesota to reduce Mr. Roosevelt's lead in that State as effectively as Republican leaders had predicted they would.

"The Republican candidate cut materially Mr. Roosevelt's 1940 plurality of 177,000 in Philadelphia, but Pennsylvania definitely was in the Democratic column. The State had been viewed as doubtful, with many forecasters giving Gov. Dewey the edge.

"Gov. Dewey's failure to carry his home State came as a bitter disappointment to him and to the Republicans. His nomination was dictated by the conviction that he was the only Republican who could win New York State's 47 electoral votes, which he lost by 251,838 ballots. With 9,086 of the State's 9,121 election districts reported, the New York State count showed: Roosevelt, 3,278,640; Dewey, 3,026,802.

"Representative Clare Booth Luce of Connecticut and Representative Clare Hoffman of Michigan, both outspoken critics of the New Deal Administration, withstood the Democratic sweep and were re-elected. Representative Hamilton Fish of New York, who had been assailed as an isolationist, was defeated.

"Senator Robert F. Wagner was re-elected, defeating Thomas J. Curran of New York decisively. . . .

"Mr. Dewey made the best run for the Republicans of the four Roosevelt campaigns. While the President's victory is tremendous in electoral votes, the popular vote for the Republicans showed a strong upward trend from the depths of the last three elections and the minority which supported Mr. Dewey exceeds the party vote since 1932. In many of the big northern States, the popular vote was surprisingly close in view of the total result nationally.

International Monetary Fund Backed By Brown

Edward E. Brown, President of the First National Bank of Chicago and sole representative of private finance in the American delegation to Bretton Woods, said on Nov. 5 that the "only alternative" to the international monetary fund is to "no dothing," or attempt to make temporary and bilateral agreements. United Press advices from Chicago on Nov. 6, which indicated this, also further quoted Mr. Brown as follows:

Admitting that the fund is "not a panacea," and that it cannot alone "solve the economic problems of the world," Mr. Brown declared that some form and degree of stabilization is "indispensable," and that no plan involving less risk to America has been suggested.

In answer to the "most popular" criticism, that the United States will be the only country to put up currency in demand and that she will be left "holding the bag" when her gold and currency is gone, he said:

"The fund will have a considerable amount of gold from other countries which the Germans did not get, and any gold holdings or holdings of American dollars by any country must, as they increase, be used to repurchase part of its currency held by the fund over its quota."

Mr. Brown said the technique of borrowing provided by the fund is the normal technique of stabilization operating between the central banks of various nations.

Summarized, other criticisms and Mr. Brown's answers are:

1. Criticism: The plan is premature. Answer: Unless the liberated European nations are to fall into chaos they must have currencies with some degree of stability to use as a basis for international trade. If economic reconstruction and balanced budgets must precede currency stabilization it must be put off for a generation.

2. Criticism: The fund is too large and would encourage countries to delay balancing their budgets. Answer: War-caused dislocations in trade will lead to larger fluctuations in exports and imports in the first few years after the war than normally, thus requiring larger funds.

3. Criticism: The fund will be controlled by borrowers. Answer: The majority of control will be in the hands of the United States and other nations.

4. Criticism: The fund is not a stabilization fund. Answer: The fund is "not intended to tie any country's currency to the gold standard," but is designed to "make changes more difficult" and to end "the nuisance of multiple currencies, competitive exchange depreciation and prevent currency manipulation."

5. Criticism: The fund does not eliminate exchange controls or solve the problem of blocked balances. Answer: Because the post-war period will be "one of difficulty and transition," exchange controls should not be eliminated at once. Blocked balances must be worked out between the United Kingdom and the countries concerned, as the Bretton Woods conference could not undertake adjustment of defaulted international debts.

NHA Estimates Housing Needs

(Continued from page 2019)

duction—about 300,000 units above any year in the past—would wipe out half of the substandard dwellings now standing, eliminate a number of units equal to the number that will become substandard by the end of 1955 and replace losses by fire, storm, flood and other hazards. It also would allow for a margin of 5% vacancies in the total housing supply at the end of the period.

For the purposes of the survey, NHA had to select an arbitrary 10-year period, so assumed that it would extend from Jan. 1, 1946, to Dec. 31, 1955. It stressed the tentative nature of the conclusions reached, declared that "all estimates about future housing needs are subject to very widely differing opinions and assumptions," and added:

"By their very nature, such estimates have to be based upon assumptions about the present and probable future course of the national economy—the size of the national income, its distribution, the increase in number of families, the future distribution of families between farm and non-farm areas.

"Within the narrow field of housing, equally important assumptions have to be made and usually on even less factual bases. They have to do with the proportion of income that families will pay for housing, the amount of undoubling that may be expected under reasonably favorable economic conditions, the best available indexes of substandard housing, and the rate or rates at which the existing supply of housing will decline in price in the face of a given volume of new construction.

"Relatively slight differences in any of these assumptions will result in very considerable differences in the final estimates of housing need."

With these qualifications, NHA estimated, in terms of 1944 prices and assuming an average post-war annual income of about $125,000,000,000, that one-third of the required units should be of a type to rent for less than $30 a month in order to meet the requirements of lower-income families. Another one-third would be needed at rentals ranging from $30 to $50 a month with a sale price of from $3,000 to $5,000. The remaining one-third, it was estimated, should rent for $50 a month and up or sell for $5,000 or more.

Half of the total estimated need, the study showed, should represent additional housing to take care of the increase in the number of households. The other half is replacement need.

Estimates of the new need fell into four general categories: (1) normal increase in families and migration from farms, 4,100,000 (2) married servicemen's households to be established or re-established, 1,400,000; (3) undoubling of married couples living with another head of a household, 700,000, and (4) 100,000 units to bring vacancies up to 5% of the total housing supply in 1955—a total of 6,300,000 units.

Largest single category in the 10-year estimate of need is 6,100,000 units to replace substandard structures. Also included in the estimate are 200,000 units to replace those destroyed by fire, storm or flood during the 10-year period—adding up to 6,300,000 units.

The report explained that about 7,000,000 units were substandard in 1940 and that it is expected that about 2,600,000 will become definitely substandard between 1940 and the end of 1955. Replacement of half the 1940 substandard units, or 3,500,000 units, and the 2,600,000 units would represent a total job of 6,100,000 units—and still leave 3,500,000 substandard units to be replaced in the 10 years after 1955.

The size of the estimated annual post-war production need can be judged from the fact that the nation's biggest residential building year (1925) produced about 930,000 new units and an annual average of 700,000 was recorded from 1920 to 1929.

Non-farm home construction then fell to a low level of 93,000 in 1933 and slowly rose to about the 1920-1929 average by 1941, when 715,000 homes were built.

Discussing the replacement of substandard units, the NHA report said that the need for major repairs and the absence of a private bath or toilet in dwelling units in metropolitan districts were used as measures of the number of units in 1940 that were substandard and needed replacement. These statistics were derived from the 1940 census of housing.

"It is recognized," the report said, "that a unit does not need to be demolished merely because it lacks a private bath or because it is in need of major repairs. However, these conditions are closely correlated with the need for demolition resulting from other factors, such as lack of light and air, which make dwelling units unhealthful places of habitation."

It was assumed in the study, however, that the number of units substandard through need of major repairs or the lack of private bath or toilet is a "reasonable, although rough" measure of the number of units that should be demolished.

"Some of the units needing major repairs or lacking private baths and toilets may be renovated," the report set forth, "but, on the other hand, some units may be in good repair and have private baths, but may be seriously substandard for other reasons. Also, some physically standard units may have to be demolished because they are situated in substandard areas which require clearance as a whole."

In setting forth the field covered in making the estimate of need, NHA said:

"It is not a prediction of how much or what kinds of housing actually will be built in the decade after the war. It is not an inflexible schedule that must be met for the decade or any part of it. It does not deal with methods of financing, producing or owning the housing units that will be needed.

"Predictions, schedules, housing machinery and methods all have their important places, but they are properly separated from the preparation as objective and dispassionate estimates of over-all need as can possibly be made."

NHA added that the national estimates and percentages in its report could not be applied "to any particular city or locality."

Calendar Of New Security Flotations

OFFERINGS

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. Filed Sept. 30, 1944. Details in "Chronicle," Oct. 5, 1944.

Offered—13,000 shares 6% preferred and 75,000 shares of common offered Nov. 6, the preferred at $50 per share and the common at $7 per share, by Allen & Co., Kirchofer & Arnold, Inc., Courts & Co. and Johnston, Lemon & Co.

GOODALL - SANFORD, INC. (name changed from Goodall Worsted Co.) has filed a registration statement for $2,800,-360 3½% sinking fund debentures and 246,566 shares of common stock (par $10). The debentures and common stock are outstanding securities of the company which are being sold by stockholders of the company to the underwriters. Underwriters are Union Securities Corp., W. C. Langley & Co., Blyth & Co., Inc., First Boston Corp., Harriman Ripley & Co., Inc., Smith, Barney & Co., Stone & Webster and Blodget, Inc., A. C. Allyn & Co., Inc., Hemphill, Noyes & Co., Paul H. Davis & Co., F. S. Moseley & Co. and E. H. Rollins & Sons, Inc. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 6, 1944, the bonds at 103 and interest and the stock at $22.75 per share.

KIMBERLY-CLARK CORP. has filed a registration statement covering 102,424 shares of 4½% cumulative preferred stock, par $100. Holders of the 6% preferred stock were entitled to exchange their holdings on the basis of one old share for 1 and 3-107 shares of new preferred with adjustment for dividends. The exchange offer expired Oct. 30. Proceeds from sale of any unexchanged stock will be used for the redemption of all shares of 6% preferred stock not exchanged. Lehman Brothers, Wisconsin Co. and Hallgarten & Co. are underwriters. Filed Oct. 6, 1944. Details in "Chronicle," Oct. 12, 1944.

Unexchanged shares (4,820) offered Nov. 3 by above named underwriters at $107 per share.

KIMBERLY-CLARK CORP. has filed a registration statement for 99,960 shares of common stock (no par). The shares were offered for subscription at $32 per share to the holders of common stock of record Oct. 20 at rate of one share for each five shares of common held. Rights expired Nov. 1. Proceeds will be added to the general funds of the company. Lehman Brothers, the Wisconsin Co. and Hallgarten & Co. are underwriters. Filed Oct. 6, 1944. Details in "Chronicle," Oct. 12, 1944.

Unsubscribed portion (2,737 shares) offered Nov. 3 by above named underwriters at $35⅞ per share.

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. 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. 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. Filed Oct. 4, 1944. Details in "Chronicle," Oct. 12, 1944.

The bonds were awarded Nov. 1 to the Massachusetts Mutual Life Ins. Co. on a bid of 100.2598, carrying a 3% coupon.

The preferred stock was awarded to The First Boston Corp. on a bid of 100.516, carrying a dividend rate of 4.90%.

The preferred stock was offered Nov. 3 at $104 per share and dividend by The First Boston Corp. and associates.

THE MUTUAL TELEPHONE CO., HONOLULU, HAWAII, has filed a registration statement for 100,000 shares ($10 par) capital stock. Stock was offered to holders of outstanding 500,000 shares of capital stock of record Sept. 1, 1944 at par on basis of one share for each five held. Rights expired Nov. 1. 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.

TRAILMOBILE CO. (formerly Trailer Co. of America) has filed a registration statement with the Securities and Exchange Commission, for 80,000 shares of common stock, par $5. Of the total 46,000 shares of common are being offered pro rata to preferred and common stockholders at $7 per share, with provision for all stockholders except the Columbia Terminals Co., the largest individual stockholder, to subscribe for additional shares which may remain unsubscribed. Columbia Terminals will purchase the remainder of the 40,000 shares which are not subscribed for by other stockholders. The remaining 40,000 shares will be offered to the public at $7 per share. Proceeds will be used for additional working capital. Underwriters are Paul H. Davis & Co., and Bacon, Whipple & Co., both of Chicago, and W. E. Hutton & Co., Cincinnati. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 26, 1944.

Offered Nov. 6, 1944 at $7 per share.

VAN RAALTE COMPANY, INC., has filed a registration statement for 129,281 shares of common stock (par $10). Holders of common stock of record Oct. 16, 1944 are given the right to subscribe to the 129,281 shares of common stock at $10 per share, in the ratio of one additional share for each share held. Subscription rights exercisable on and after Oct. 17, 1944, 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.

WYANDOTTE WORSTED CO. has filed a registration statement for 120,000 shares of common stock (par $5). The shares are issued and outstanding and do not represent new financing. Shields & Co. heads the group of underwriters. Filed Oct. 11, 1944. Details in "Chronicle," Oct. 19, 1944.

Offered Nov. 2, 1944 at $11 per share by Shields & Co., Hemphill, Noyes & Co., Smith, Barney & Co., Kidder, Peabody & Co. and Lee Higginson Corp.

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, NOV. 9

AERONCA AIRCRAFT CORP. has filed a registration statement for 75,000 shares of 55-cent cumulative convertible preferred stock (par $1), and 33,600 shares of common (par $1). Of the common stock to be offered, 25,000 shares are for account of the company and 8,600 shares for the account of a stockholder. Proceeds will be used to increase company's working capital. The 8,600 shares being sold by a stockholder are owned by Carl I. Friedlander who will receive the proceeds. F. Eberstadt & Co., New York, is principal underwriter. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

FRANKLIN STORES CORP. has filed a registration statement for 200,000 shares of capital stock of which 114,000 are being sold by the company and 86,000 shares by Frank Rubenstein, President and director. Company will use proceeds for general corporate purposes. Van Alstyne, Noel & Co. heads the group of underwriters, with others to be named by amendment. Filed Oct. 21, 1944. Details in "Chronicle," Oct. 26, 1944.

SATURDAY, NOV. 11

KEYES FIBRE CO. has filed a registration statement for $1,800,000 first mortgage sinking fund 4% bonds, series A, due Oct. 1, 1959. Proceeds will be used to provide funds for the redemption of $1,137,500 first mortgage sinking fund 4½% bonds and for additions to manufacturing facilities of the company. Coffin & Burr, Inc., is named principal underwriter. Filed Oct. 23, 1944. Details in "Chronicle," Oct. 26, 1944.

SUNDAY, NOV. 12

COLLINS RADIO CO. has filed a registration statement for 20,000 shares of $2.75 cumulative preferred stock, $47.50 par value, with warrants attached to purchase 20,000 shares of common stock, and 160,000 shares of common stock, par $5, of which 140,000 shares are to be publicly offered and 20,000 are to be reserved for issuance upon exercise of warrants. The warrants expire Dec. 1, 1949. Proceeds from the sale of the preferred and common stocks will be added to the general funds of the company and used to augment working capital and in connection with transition from wartime to peacetime operation and reestablishment and expansion of peacetime business. Lee Higginson Corp., Chicago, is named principal underwriter. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

JESSOP STEEL CO. has filed a registration statement for $1,000,000 first mortgage 5% sinking fund bonds due Nov. 1, 1954. Proceeds will be used for general corporate purposes. Paul H. Davis & Co., and Dempsey & Co., are named underwriters. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

UNIVERSAL CAMERA CORP. has filed a registration statement for 50,000 shares of 80-cent cumulative dividend preferred stock, par $5 per share. As to 25,000 shares being offered the public the offering price is $10 per share, and as to 25,000 shares being offered New York Merchandise Co., Inc., the price is $8.75 per share. In each case proceeds to company after underwriting discounts will be $8.50 per share before expenses. Proceeds will be used for general corporate purposes. Floyd D. Cerf Co., Chicago is named underwriter. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

WEDNESDAY, NOV. 15

CURLEE CLOTHING CO. has filed a registration statement for 52,290 shares of class A common and 22,410 shares of class B common. The shares are issued and outstanding and do not represent new financing by the company. Stifel, Nicolaus & Co., Inc., St. Louis, is named principal underwriter. Filed Oct. 27, 1944. Details in "Chronicle," Nov. 2, 1944.

SATURDAY, NOV. 18

ADMIRAL CORP. has filed a registration statement for 216,000 shares of capital stock, par $1. Of the total 150,000 shares are being sold by the company and 66,000 shares by certain stockholders. Proceeds to company will be used for additional working capital. Dempsey & Co., Chicago, is named principal underwriter. Filed Oct. 30, 1944. Details in "Chronicle," Nov. 2, 1944.

SUNDAY, NOV. 19

COMPOSITE BOND FUND, INC., has filed a registration statement for 40,000 shares of common capital stock.

Address—601 Riverside Avenue, Spokane, Wash.

Business—Investment company of the open-end type.

Underwriting—Murphey, Favre & Co., Spokane, is named underwriter.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5530. Form A-1. (10-31-44).

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.

BASSETT FURNITURE INDUSTRIES, INC., has filed a registration statement for 12,000 shares of common stock (par $10). The shares are issued and outstanding and do not represent new financing. Price to the public is $26.50 per share. Scott, Horner & Mason, Inc., Lynchburg, Va., is principal underwriter. Filed Oct. 11, 1944. Details in "Chronicle," Oct. 19, 1944.

Registration statement withdrawn Oct. 30, 1944.

BRUNSWICK-BALKE-COLLENDER CO. has filed a registration statement for 30,-000 shares of common stock (no par value). The shares are issued and outstanding and are being sold by two stockholders, R. F. Bensinger and B. E. Bensinger, 15,000 shares each. Underwriters are Lehman Brothers and Goldman, Sachs & Co., each underwriting 7,500 shares for each account. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

CENTRAL NEW YORK POWER CORP. has filed a registration statement for $48,-000,000 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.

Bids for purchase of bonds will be received by corporation at room 1822, 15 Broad St., New York 5, N. Y., up to 12 noon EWT on Nov. 14.

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.

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.

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.

FEDERAL MACHINE & WELDER CO. has filed a registration statement for $2,-000,000 15-year 5% sinking fund debentures due Sept. 1, 1959. Proceeds for working capital. Central Republic Co., Inc. and Peltason, Tenenbaum Co. are principal underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 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.

GENERAL TIME INSTRUMENTS CORP. has filed a registration statement for 38,380 shares of 4¼% cumulative preferred stock (par $100). Corporation in offering to holders of outstanding 38,380 shares of 6% preferred stock the right to exchange such shares on basis of one share of 6% preferred for one share of new 4¼% preferred, plus $7, together with a cash dividend adjustment on the 6% preferred to date fixed for exchange. If all the 6% stock is not exchanged the corporation will retire as of Jan. 1, 1945, or as soon thereafter as possible between 4,000 and 5,000 shares of the unexchanged 6% preferred with funds it has available. Shares of new preferred not issued in exchange will be sold to underwriters and proceeds with other funds of the company used to retire balance of outstanding 6% preferred stock at the redemption price of $110 per share. Underwriters are Kidder, Peabody & Co., W. E. Hutton & Co., Lee Higginson Corp., Stone & Webster and Blodget, Inc., Glore, Forgan & Co., and Hornblower & Weeks. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 24, 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.

GLEANER HARVESTER CORP. has filed a registration statement for 177,689 shares of common stock, $2.50 par. The stock is issued and outstanding and does not represent new financing. Of the 300,000 shares of common outstanding as of Sept. 11, 1944, Commercial Credit Corp. owned 177,689 or 59.22%, which shares are being sold by Commercial to underwriters. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

In an amendment filed the following investment dealers will be associated with F. Eberstadt & Co. in the public offering of the common stock, E. H. Rollins & Sons, Inc., Central Republic Co., Inc., Sutro & Co., Bankamerica Co., A. G. Edwards & Sons, Butcher & Sherrard, Otis & Co., the Ohio Co., Reynolds & Co., H. R. Baker & Co., Alfred L. Baker & Co., Cruttenden & Co., Farwell Chapman & Co., First Securities Co. of Chicago, Hirsch, Lilienthal & Co., Johnson, Lane, Space & Co., Inc., Straus Securities Corp., Auchincloss, Parker & Redpath, Bingham Walter & Hurry, Buckley Brothers, Coburn & Middlebrook, Courts & Co., Johnston, Lemon & Co., Metropolitan St. Louis Co., Pacific Co. of California, Shuman, Agnew & Co., Mason & Co., Bond & Goodwin, Inc., J. C. Bradford & Co., Francis I. Du-Pont & Co., Kay, Richards & Co., A. M. Kidder & Co., Clement A. Evans & Co., Inc., Ferris, Exnicios & Co., Inc., Mohawk Valley Investing Co., Inc., Murphey, Favre & Co., Nashville Securities Corp.

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.

HARRIS MANUFACTURING CO. has filed a registration statement for 60,000 shares of 7% cumulative convertible class A stock (par $5) and 120,000 shares of class B (par $2) reserved for conversion. The 7% cumulative convertible class A stock will be offered at $5 per share. Proceeds will be used for working capital. Nelson Douglass & Co. heads the list of underwriters. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 19, 1944.

HOUSTON LIGHTING & POWER CO. has filed a registration statement for $30,-000,000 first mortgage bonds due 1974. Company will offer the bonds for sale under the Commission's competitive bidding rule with the successful bidder naming the interest rate. Offering price to the public will be filed by amendment. Net proceeds will be used to redeem at 105, together with accrued interest, the outstanding $27,500,000 first mortgage bonds 3½% series due 1966. Any balance of net proceeds will be added to working capital. Filed Oct. 18, 1944. Details in "Chronicle," Oct. 26, 1944.

Bids for the purchase of the issue will be received by the company up to 12 noon EWT on Nov. 13 at Guaranty Trust Co., New York, 35 Nassau St., New York, the successful bidder to specify the coupon rate.

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.

MAJESTIC RADIO & TELEVISION CORP. has filed a registration statement for 297,500 shares of common stock (par one cent). Of the total 200,000 shares will be sold by the company, 95,000 shares will be issued to stockholders upon exercise of options and 2,500 shares will be sold by another stockholder. Proceeds from sale by Majestic will be used not in excess of $170,000 for the purpose of calling at $10 per share all of the outstanding 26,016 shares (no par) preferred stock. Holders of more than 9,000 shares of preferred, including British Type Investors, Inc., and Empire American Securities Corp. have stated that such stock will be converted into common stock and not presented for redemption, and company's statement said it is probable that other holders of preferred will take similar action. Balance will be used to record, manufacture and sell phonographic records and working capital. Proceeds to Majestic on sale of the 95,000 shares upon exercise of options amounting to $112,499 will be added to working capital. Kobbe, Gearhart & Co., Inc. is principal underwriter. Filed Oct. 12, 1944. Details in "Chronicle," Oct. 19, 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.

PITTSBURGH COKE & CHEMICAL CO. has filed a registration for $3,400,000 first mortgage bonds, 3½% series, due Nov. 1, 1964. Net proceeds together with such additional funds as may be necessary will be applied to the redemption of $3,455,000 first mortgage bonds, 4½% series A, due March 1, 1952, at 103 and accrued interest. Hemphill, Noyes & Co. head the group of underwriters, with names of others to be filed by amendment. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 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.

SHAMROCK OIL & GAS CORP. has filed a registration statement for 101,593 shares of common stock (par $1). The shares are issued and outstanding. Kidder, Peabody & Co. is named principal underwriter. Filed Oct. 20, 1944. Details in "Chronicle," Oct. 26, 1944.

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. Bonds and preferred stock are to be offered for sale at competitive bidding. 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 $6,065,500 first mortgage 5% series A bonds due Feb. 1, 1979. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

WESTERN UNION TELEGRAPH CO. has filed a registration statement for $24,603,-000 convertible debentures and an indeterminate number of shares of class A stock to be available for conversion. Subscription warrants will be issued to present holders of company's class A and class B stock entitling them to purchase $100 principal amount of the new debentures for each 5 shares of class A stock or each 8⅓ shares of class B stock held on a record date to be supplied by amendment. Proceeds plus whatever general funds are necessary will be applied to the redemption on Dec. 1, 1944 of $25,000,000 25-year 5% bonds at 105% plus accrued interest. Names of underwriters and interest rate to be supplied by amendments. Filed Ang. 18, 1944. Details in "Chronicle," Aug. 24.

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.

"Our Reporter On Governments"

(Continued from page 2034)

(a) The British are determined that interest rates will be kept low, so that the debt burden will be bearable.

(b) The English appear to be certain that there will be no difficulty in refunding these bonds, at no increased cost, when they come due in 1950.

(c) The English intend to adhere to low interest rates, and will take the necessary measures to keep them low. . . .

It was indicated that the English as well as the rest of the world, with sharply increased debts and debt service, due to the war, are fully aware that the burden of meeting these charges must not be increased, and accordingly it is believed that when the opportunity presents itself they will make use of favorable money market conditions, to lighten the cost of carrying the greatly increased debt. . . . It was pointed out that what the English have done in lowering the cost of financing the war was to take advantage of a favorable money market to bring rates in line with existing conditions. . . .

The new British 1¾% bonds due Feb. 15, 1950, at the offering price of 100 give a return of 1.75%, where the U. S. Government 2% bonds due 3-15-50/52 at 101 16/32 give a return of 1.71%, or slightly under that obtainable in the English obligation. . . .

CURRENCY VOLUME MOUNTING

The Federal Reserve statement for the period ended Nov. 1 showed that currency in circulation went up by $193,000,000 to another all-time high of $24,409,000,000, and this figure is expected to increase from now until the early part of 1945, since we are coming into the holiday season, which always results in a sharp demand for currency. . . . Also for the period ended Nov. 1, holdings of gold certificates by the Federal Reserve Banks decreased by $10,000,000 while Federal Reserve notes outstanding increased by $188,680,000 with deposits up by $157,130,000, which caused the reserve ratio to decline to a new low of 51.2%. . . . It is evident that so long as the volume of currency in circulation continues to increase and gold holdings decreases, the ratio will continue to decline, and this trend has raised the question as of what were the conditions in May, 1920, when the reserve ratio reached 42% and the Federal authorities adopted restrictive measures, accompanied by a sharp increase in the discount rate which was followed by a material decline in prices of Government bonds. . . .

It was pointed out by one of the studies on this situation that the conditions which prompted the action of the Reserve authorities in 1920 were materially different from those that prevail at present and will continue to the end of the war. . . .

In 1920 speculation in the United States was rampant and prices of commodities rose sharply. . . . The Bureau of Labor Statistics index of wholesale prices rose from 201 in March, 1919, to 272 in May, 1920. . . . The volume of bills discounted by member banks with the Reserve Banks was very high and amounted to $2,551,290,000 on May 14, 1920. . . . Hence it was obvious at that time that a tightening of bank credit and a material increase in interest rates could be effective in breaking the speculative and inflationary forces. . . . The reason for the measures taken by the Reserve authorities, therefore, was primarily to curb the excessive use of bank credit for speculative purposes which contributed to the sharp increase in prices of commodities. . . . The measures instituted by the Reserve authorities in the early part of 1920 were on the whole successful. . . . The speculative boom as well as the sharp increase in commodity prices came to a sudden end. . . .

1920 AND NOW

Money market conditions today are entirely different from those which prevailed in 1920. . . . The decline in the reserve ratio at present is due primarily to the increase in the volume of currency in circulation and to a moderate reduction in the monetary gold stock. . . .

Credit restrictive measures such as those taken by the Federal Reserve authorities in 1920 could have no effect on the demand for currency at home or the conversion of dollar balances into gold by foreign central banks or governments. . . .

Furthermore, the volume of borrowings of the member banks with the Reserve Banks is exceedingly small, while the amount of deposits at the disposal of industry and trade is greater than needed for business purposes. . . . Under these circumstances, therefore, to adopt the same measures as were taken in 1920, when the ratio reached 42%, would not improve the ratio or have any effect on the volume of currency in circulation, on gold, or on demand for credit on the part of industry or trade. . . . It would merely cause an increase in interest rates and thus raise the cost of borrowing by the Government. . . .

It is therefore quite evident that since the measures adopted in 1920 could not rectify the present causes for the decline in the ratio, it would be useless to adopt them under present conditions. . . .

In conclusion, it was pointed out that to consider the decline in the reserve ratio as a serious development in a country which still holds almost $21 billions of gold, an amount far greater than that owned by the rest of the world, is to overlook the realities completely. . . . It is therefore not likely that the decline in the reserve ratio will in no way interfere with the credit policies of the Reserve authorities. . . . (The various measures at the disposal of the monetary authorities to cope with the declining reserve ratio were discussed in this column on Oct. 19, 1944.)

Not All Fear Regarding Uptrend In Farm Values Justified: Bailey

Some "view with alarm" this creeping upward tendency of farm land values; and there is merit in some of their concern, but not all of that fear is justified. There have been a lot of good reasons for an increase in farm land values, and this movement has not been at all on a par with those inflationary events which had their culmination in the economic tragedy of the thirties. Now, many purchasers of farms are paying cash; some of them as a hedge against future economic trends. Farmers are buying additional lands, for cash, as they have not forgotten the foreclosures of 10 and 15 years ago; they are not buying on credit and pledging the farm which is already paid for. There is some credit buying taking place, some of it by former tenants who are purchasing insurance company farms, and these insurance companies are reporting a most satisfactory prepayment on these purchases. In the final analysis the value of farm land is determined by its revenue producing capacity. If the income goes down, the price will go down.

C. W. Bailey

The task of the country banker is to be watchful of purchases made on credit at high figures. That trend must not get out of control. There is every reason why many individuals, not heretofore owners or operators of farm lands, shall want to own a farm unit for which they can and will pay cash. Experience has demonstrated that the person who owns a productive farm, free of debt, with habitable housing and useful improvements, with equipment to operate and ability to manage, who can earn enough thereon to pay taxes and insurance, maintain repairs, and buy sugar and salt and coffee, can face the possibility of economic storms with full assurance of security. Many people are thinking about that.—C. W. Bailey, President of the First National Bank, Clarksville, Tenn., before the New England Council of the Bank Management Conference, Boston, Mass., on Oct. 11.

Results of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 7 that the tenders of $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated Nov. 9 and to mature Feb. 8, 1945, which were offered on Nov. 3, were opened at the Federal Reserve Banks on Nov. 6.

The details of this issue are as follows:

Total applied for, $2,264,423,000.

Total accepted, $1,314,251,000 (includes $52,576,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.913, equivalent rate of discount approximately 0.344% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(52% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Nov. 9 in the amount of $1,210,910,000.

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