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Haney Discusses The Election

By LEWIS HANEY

Professor of Economics, New York University

A new York City reader asks: "What does the big landslide for Roosevelt in the electoral college mean? How will this affect investments?"

ANSWER: What you call a "landslide" exists only in that out-of-date and unrepresentative institution known as the Electoral College. The important truth is that the POPULAR VOTE was nearly equally divided between the two candidates. Out of something like 50 million votes there was only about a three-million majority for Roosevelt.

Lewis H. Haney

Two points are impressive. (1) This is much the smallest majority Roosevelt has had in any of his four candidacies, and probably shows a tendency away from New Deal theories. (2) The vote is so evenly divided that we know the country to be fairly safe from any excessive radicalism. It wouldn't take much to swing the majority

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Outlook for Post-War Petroleum

By ALBERT J. McINTOSH*

Economist, Socony-Vacuum Oil Co., Inc.

Mr. McIntosh After Describing Forecasting Methods Predicts That Passenger Cars in 1948 Will Not Consume More Gasoline Than in 1941 Because of More Efficient Cars. Expects Motorists to Get 22 Miles on a Gallon on Cars Manufactured in 1947 and 25 Miles a Gallon on 1949 Product. He Expects, However, Increased Demand From Trucks, Buses And Tractors, and Civil Aviation. Sees Largest Expansion Coming From House Heating Fuel Oils Which He Predicts Will Exceed in Quantity Passenger Car Demand by 1946. Concludes Petroleum Future Is Bright But Always Changing.

My topic today is the post war demand for petroleum products in the United States after V-J day, i. e. in that happy period when both wars will be over and won. These demands do not include exports from the United States but refer only to consumption within continental United States about which, I believe, you are primarily interested. We have been using C. L. Burrill's figures on exports so that if you need total demand figures, they may be calculated rather easily. The assumptions about the war upon which all of my forecasts were made, are that Germany would be out of the war in 1944 and Japan would be overcome in 1945. If other assumptions were made, naturally they would affect

Albert J. McIntosh

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*An address made by Mr. McIntosh before the New York Society of Security Analysts in New York City, Oct. 25, 1944.

The "Key Nation" Approach to Problem of Currency Stabilization

By WINTHROP W. ALDRICH*

Chairman, Board of Directors, The Chase National Bank of the City of New York

Prominent Banker Outlines Plan for International Currency Stabilization Which Involves the Fixing of a Dollar-Pound Exchange Rate. Lists As Prerequisites: (1) Settlement of War Debt Problem Between U. S. and United Kingdom; (2) the Reduction of Their Trade Barriers; and (3) a Grant-in-Aid to Great Britain for Her Post-War Needs. Foresees Other Currencies Stabilized When Dollar-Pound Rate Is Established, and Says Bretton Woods Plan Means the "Automatic Granting of Credits With No Relation to Credit Needs."

The Chairman of our section reserved today's meeting for a consideration of the "key nation" approach to the problem of currency stabilization.

In order to answer the questions raised at the last session, I shall endeavor in a few words to indicate what is meant by this approach and what it attempts to accomplish.

W. W. Aldrich

Those of us who advocate the "key nation" approach believe that the stabilization of key currencies is the first and indispensable step in the stabilization of all currencies. Key currencies

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*A statement made by Mr. Aldrich before the Section on Currency of the International Business Conference at Rye, N. Y., Nov. 13, 1944.

Futility of "Inflation" Discussion

By DR. WALTER E. SPAHR

Professor of Economics, New York University

Secretary, Economists' National Committee on Monetary Policy

Because of the Many and Varying Concepts of the Term "Inflation," Professor Spahr Maintains That There Would Be a Real Gain to Knowledge If It Were Dropped From Our Economic Vocabulary.

Current discussions of "inflation" are in general futile because the term "inflation" has no exact meaning that is generally acceptable in economics. It has no scientific value. It means various things to various people. It is perhaps not too much to say that it has almost as many meanings as there are writers who use it. As a consequence, the conclusions reached or offered by authors and speakers who use the term differ widely. The result, in general, is little more than the utmost confusion both in analyses and in conclusions.

Dr. Walter E. Spahr

A descriptive term is valuable in science only when it classifies clearly, distinguishes unlike things, and leads to useful conclusions. The word "inflation," as generally used today, does not meet these requirements of science. Often the term is used without definition, or the definition is inadequate or marred by inconsistencies.

For these reasons, the current practice of using this poorly-defined term could hardly result otherwise than in the reaching of peculiar or worthless conclusions

(Continued on page 2143)

Peace By Force in An Uncivilized World

By ALEXANDER WILSON*

The Dumbarton Oaks Charter for a New League of Nations; Is Permanent Peace Attainable? Will the Dumbarton Charter Guarantee the Autonomy of Small Nations? A Plea for the Rights of Small Nations.

In a war-weary and war-torn world of 2,169,868,000 people, of 63 or more nationalities, speaking 2,796 languages, a plan was born at Dumbarton Oaks for a second League of Nations after 6 weeks conference of four Great Powers.

Alexander Wilson

In its general framework, the Dumbarton Oaks proposals are very much like the make-up of the first League of Nations. The governments which were represented in the discussions in Washington have agreed that after further study of these proposals they will, as soon as possible, take the necessary steps with a view to the preparation of complete proposals which could then serve as a basis for discussion at a full United Nations conference.

The plan in embryo includes a governing body or Security Council of eleven members and a lower house or deliberating body to be called the General Assembly, a Secretariat and an International Court of Justice fashioned on the lines of the present International Court.

(Continued on page 2150)

*Writer of "Why A New League of Nations Will Not Ensure Permanent Peace" in "The Chronicle," Mar. 9, 1944, p. 1017, and "Reply to Critics" of this article in "The Chronicle," Mar. 30, 1944, p. 1330.

Economic Effects of the Election

The reelection of President Roosevelt, while a natural disappointment to the millions who supported Governor Dewey, was far from unexpected. Most of the leading polls had favored the Democratic chances.

While from the viewpoint of business and industry and most investors a Republican victory would have been more acceptable, we can view with equanimity the continuance of the present Administration, to which in varying degrees of willingness we have become accustomed during its long tenure and under which, in recent years at least, business has been able to operate with profit.

L. H. Bradshaw
Editor
"Investment Timing"

The Independence of Congress

On the basis of the returns so far tabulated, the ratio of the political parties in the Senate is little changed, while the Democrats have gained some seats in the House. The absence of any Democratic "sweep" points to the maintenance of an independent spirit in Congress against further New Deal influence, based on a practical coalition of Republicans with conservative Democrats.

Anti-Business Trend Checked

Mr. Roosevelt's return to office will not necessarily, and probably will not actually, mean a return of radical anti-business legislation, even though part of his success at the polls may be ascribed to support by radical and socialistic elements. Any such attempts will undoubtedly be firmly checked by the conservative balance in Congress.

In an attempt to appraise the possible effects of the continuance of the Roosevelt Administration

(Continued on page 2148)

Cinti Municipal Bond Dealers Elect Officers

CINCINNATI, OHIO — Marion H. Woody, of Walter, Woody & Heimerdinger, was elected Chairman of Municipal Bond Dealers Group of Cincinnati at its annual meeting on Thursday, Nov. 9.

Marion H. Woody

Wm. Einhorn, of Einhorn & Co., was reelected Secretary and Treasurer.

The following were also elected to serve on the Board of Directors: J. Edward Sohn, Jr., Vice-President of Lincoln National Bank; Howard H. Banker, of C. J. Devine & Co., and Edward F. O'Connor, of Pohl & Co., Inc.

Howard S. Wheeler Now Back at Desk

ORLANDO, FLA.—Howard S. Wheeler, Vice-President of Leedy, Wheeler & Co., Florida Bank Building, has returned to his desk. He has been serving as a Major in the Army Air Forces in the Pacific Area during the last two and one-half years.

Security Adjustment Adds Eslick to Staff

BROOKLYN, N. Y. — Security Adjustment Corporation, 16 Court Street, announces the addition to its staff of Harl Eslick as Economist. He has taught investments at the American Institute of Finance, Buffalo, and economics at New York State Normal School. He was more recently associated with T. J. McCann Co. of Buffalo.

Furniture After Victory

Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill., members of the Chicago Stock Exchange, have prepared an interesting pamphlet discussing the outlook and future of the furniture industry. Copies of this interesting release may be had from the firm upon request.

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Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth. . $20 yr.

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

Where Angels Fear To Tread

It's Time for SEC Action to Dispel the Suspicion Conjured Up Against the Securities Business and to Remove The Strait-Jacket Threat of a Wholesale Price Disclosure Rule That Would in Effect Make It Economically Compulsory for Dealers to Sell the Securities of the Giant Corporations of the Country to the Detriment of Small Business. Would Also Wipe Out Small Dealers in Securities.

Here, in substance, we deal with some of the reported utterances of James A. Treanor, Jr., Director Trading and Research Division of the Securities and Exchange Commission, the gentleman who beats the drums for the Commission, a sort of unofficial public relations counsel, and proven firebrand.

These were made at a recent lecture at the New School for Social Research in New York City. Mr. Treanor said that he was speaking for himself and not as an SEC official.

Mr. Treanor's talk was a plea for "more regulation" of over-the-counter trading. (A report on his remarks appeared in our issue of Nov. 9, on page 2019.)

Amongst other choice errata he contended that investors, other than institutional buyers, are "laymen" and should come under the protective wing of the SEC. The entire assumption does violence to the facts. Institutional buyers act through individuals in charge of their portfolios whose trading acumen is **not only matched but frequently surpassed by a large portion of the investing public** to whom the security business is no stranger. This implied picture of the public as the victim, with the dealer and the broker ready to make the kill unless the "protective wing" of the Commission be availed of, is false and defamatory and a slander upon an industry which has played a major role in the progressive building of our country. Unless the flap of that "protective wing" is reduced to some degree of moderation, it may be killing off some of its offspring.

Here is another "gem." He maintained that whether they buy or sell for their own account or not, dealers in securities and brokers are in reality agents of their customers. This assertion involves not alone certain principles of customs and usage in securities trading but also questions of law. We would be interested to learn with particularity what specific trading experience Mr. Treanor has had which would qualify him to speak authoritatively on this subject. When, where, and for how long, was he a securities dealer or broker? Upon what precedent does he base his enunciation that the dealer who sells as principal is in reality an agent for the purchaser? Specifically in what volume of over-the-counter sales has he participated?

Another theory that he espoused was the so called "full disclosure" principle, long known to be **his particular pet,**

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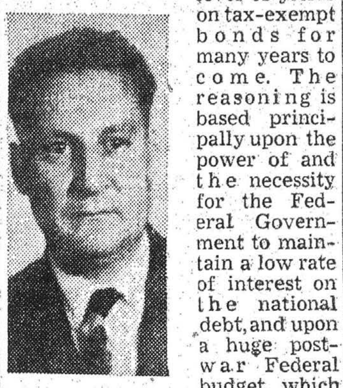
Post-War Municipal Bond Yields And the Future of Interest Rates

By CHARLES P. BURGESS*

Bond Analyst Predicts a General Post-War Rise in Interest Rates. Questions the Basis for the High Level of Municipal Bond Prices and Holds That There Are Cogent Reasons for Anticipating Higher Yield Levels in Post-War Period. Points to Probable Reduction in Income Tax Rates and a Larger Supply of New Municipal Obligations as Factors Which Will Bring Municipal Bond Yields Closer to the Yields on Corporate Issues.

There seems to be a preponderance of opinion among municipal bond buyers that little change may be expected in the present low level of yields on tax-exempt bonds for many years to come. The reasoning is based principally upon the power of and the necessity for the Federal Government to maintain a low rate of interest on the national debt, and upon a huge post-war Federal budget which would require continued high income tax rates for its support. We believe, however, that there are also cogent reasons for anticipating a return to somewhat higher yield levels and that investors should weigh these possibilities carefully instead of complacently accepting the market per se. These reasons include probable post-war reductions in personal income and corporation income and excess profits taxes, increased borrowings by States and municipalities, and a possible



Charles P. Burgess

*Mr. Burgess is associated with Kaiser & Co., members of the New York and San Francisco Stock Exchanges, as a municipal bond analyst.

(Continued on page 2140)

Proposes Plan to Aid Small Business Raise Venture Capital

Weissman of SEC Staff Would Have Commercial Banks Organize Regional Institutions, Supervised by Federal Reserve, to Buy Equity Securities.

Speaking at the New School for Social Research of New York on Nov. 10, Rudolph L. Weissman, member of the staff of the Securities and Exchange Commission, outlined a plan which he has devised to aid moderate sized business concerns to obtain "venture capital." His proposal, which will be described in detail in a book to be published shortly under his authorship, was not worked out under the auspices of the SEC and represents merely Mr. Weissman's personal views. Mr. Weissman, in addition to his connection with the SEC, is chairman of the current weekly series of lectures given at the New School under the caption "Ten Years of the SEC."

Rudolph L. Weissman

Mr. Weissman began his remarks by defining his conception of small business, which, he held, could be any concern with capital ranging from $50,000 to $5,000,000. He then discussed the handicaps of small business concerns in obtaining what he called "venture capital." He explained that "venture capital" meant "risk capital" and risk capital could claim no fixed payments in the way of in-

(Continued on page 2148)

How Smaller Business Can Finance Plant Expansion

By DR. IVAN WRIGHT

Professor of Economics, Brooklyn College

Record Demand for Manufacturing Machinery Looms for the Post-War Period, Dr. Wright Holds, but Warns Manufacturers Against Using Up Cash Resources and Liquid Reserves to Finance Such Purchases. Considers Government and Private Alternative Financing Methods. Discusses Use of Installment Financing Procedure for Equipment Purchases.

A record peacetime demand for machinery and machine tools is in prospect for the post-war years. Many influences will stimulate and swell this demand at that time.

Dr. Ivan Wright

Most manufacturers of civilian goods have not been able to make normal replacements of parts and machines during the war. At the same time, their machinery has been used longer hours and more intensively than ever before, and unskilled operators have added to the wear and tear upon many machines. Where manufacturers have stored equipment in warehouses or unused factories to make way for the machines required for war production, they may find that the machines have deteriorated or that large savings can be effected through the substitution of new and improved models.

In addition to the great backlog of demand arising from deferred replacements, there is also a large potential volume of machinery orders arising from the plans of many manufacturers to expand capacity far beyond pre-war levels, to turn out new or greatly changed products, and to utilize improved raw materials and productive processes. A leading contemporary scientist has said that some industries have compressed within two years the technological progress that would have taken half a century if the war had not intervened. Before these tech-

(Continued on page 2144)

Chas. Thomas With Kean, Taylor & Co.

Kean, Taylor & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Charles C. Thomas has become associated with the firm in its bond department. Mr. Thomas was formerly associated with H. L. Allen & Co.

Foote Appointed By J. P. Morgan & Co.

Alfred S. Foote was appointed an Assistant Vice-President of J. P. Morgan & Co. Incorporated, 23 Wall St., New York City, on Nov. 8.

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.

M. F. Leighton & Co. Again Active In St. Paul

(Special to The Financial Chronicle)

ST. PAUL, MINN. — M. F. Leighton & Co. is resuming activities in the investment business. Offices are located in the Pioneer Building.

Michael Heaney Named Director of STANY

Michael J. Heaney, of Joseph McManus & Co., has been elected a director of The Security Traders Association of New York, Inc., for the term ending Dec. 31, 1945, to fill a vacancy.

Attractive Possibilities

Crompton & Knowles Loom Works common and Foremost Dairies common offer attractive possibilities, according to memoranda issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York Stock Exchange and other national exchanges. Copies of these memoranda may be had from Buckley Brothers on request.

Airline With A Future

Chicago and Southern Airlines, "The Valley Level Route," which bisects every transcontinental air carrier, offers attractive possibilities, according to an analysis prepared by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this analysis may be had from Scherck, Richter Company upon request.

The Best Cure for Inflation Is Savings Says W. Randolph Burgess

ABA President Denies That Depression of the Thirties Was Caused by Over Savings. He Expresses Satisfaction That War Has Renewed Advocacy of Savings and Urges Banks to Foster The Savings Philosophy

W. Randolph Burgess, newly elected President of the American Bankers Association and Vice-Chairman of the Board of the National City Bank of New York, in speaking on Nov. 9 to the Savings and Real Estate Mortgage Conference of the Savings Division of the ABA at Atlanta, Ga., called attention to the changed attitude toward the economic effects of savings as opposed to spending, and he urged the banks of the country to encourage and foster this attitude by giving to the millions of their customers "the touch of the savings philosophy as well as the facilities for savings at this time when the tide runs with us."

W. R. Burgess

Pointing out that "most of us were brought up on the philosophy of savings of Benjamin Franklin and Puritan New England traditions 'A penny saved is a penny earned'," Mr. Burgess remarked, "we know that America was built up by her savings. Savings built our railroads, and our homes, and our great industries.

"Then a few years ago," he continued, "this whole philosophy was violently attacked by a school of economists who talked about over-saving.

"They told us that the depression of the 30's was caused by too much saving, and that we must teach the people to spend. There has, for example, just come out in England, published by Oxford University, a symposium on the economics of full employment by six British economists, who reach the conclusion that the post-war problem will be solved by 'maintaining effective demand for the products of industry at the required level.' They advocate three principal methods:

"1. Deficit spending by the State.

"2. Insuring a sufficient volume of expenditures by business men on plants, machinery, buildings, and so forth.

"3. Redistribution of income from the well-to-do, who are likely to save, to the poorer classes who are likely to spend.

"There are writers in this country with similar views. Their emphasis is on spending, and they think saving is dangerous.

"This is an attractive sort of philosophy for many people. The politician who finds it difficult to balance the budget finds justification in this very pleasant theory. It makes a plausible reason for the labor union seeking an increase in wages to believe that it is acting in the national good. It fits right in with the popular political theme of rapping business over the knuckles.

"Of course this philosophy has an elaborate theoretical explanation for its conclusions worked out by its high priests. It is all so elaborately worked out that the ordinary reader finds it quite impossible to follow the line of reasoning, and if you attack it, they tell you that you didn't understand what they meant. The general idea is that in the business process there is a flow of funds and of goods. A factory, for example, is producing goods and paying out funds to its workers. The workers must receive enough to buy the goods that are produced. The flow of funds from factory to worker and back to factory again through the purchase of goods, they say, is interrupted whenever anybody saves money. If the plant saves money then not enough money is distributed to buy the goods it produces. If the worker saves money that limits the market for the goods that the factory produces. This is oversimplifying the theory, and I am sure that all writers on the subject would say it is a totally unfair presentation. But it does give you the gist of the argument.

"Now you and I know by the testimony of our practical experience that this delightful theory of the virtue of spending and the vice of saving is bunk, because we know that you do have to have saving to build railroads, or to

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Investment of U. S. Capital Abroad

By DR. HERBERT FEIS*

Formerly Economic Adviser of the State Department

Contending There Is a Changed Attitude Toward Foreign Investments Due to Recognition That We Cannot Isolate Ourselves and That Financial Assistance Abroad Will Help Us Out of Our Difficulties, Dr. Feis Recommends That We Enter the Field With a Clear Understanding of Our Problems and Limitations. Foresees Direct American Investment Abroad and In View of Our Ample Capital, Holds It Our Duty to Grant Foreign Credits "Under Proper Guidance." Favors Both Governmental and International Credit Cooperation but Feels U. S. Should Have Veto Power When Its Dollars Are Used.

I.

Changed Attitude on Foreign Investments

We are today in the United States experiencing a great change of mood as regards foreign investment. Ten years ago opinion was impatient with any suggestion that we should ever again find it wise to invest abroad. Today it is impatient with any suggestion that there is need for reflection upon the outcome of such a course. The great reversal of attitude is an illustration of the way in which doctrine, not to say dogma, is born out of the latest—and hence, the most vivid—experience.

Dr. Herbert Feis

A decade or so ago the country appeared to have renounced permanently the financing of other countries. The Government had arrived at the end of the long and disappointing train of argument with its former Allies over the payment of World War debts. We passed the Johnson Act forbidding the making of new loans to the defaulting governments; this Act still stands upon our statute books—a troublesome memorial to our indignant innocence. The private purchasers of the bonds issued by many foreign governments and enterprises had suffered losses because of default. Simultaneously, the direct foreign investment undertakings of American business in many lands were confronted by currents of

(Continued on page 2146)

*An address made by Dr. Feis before the Institute of Post-War Reconstruction of New York University, New York City, Nov. 1, 1944.

Situations Interesting In Conn. Companies

Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange, have prepared memoranda on American Hardware Corp.; Scovill Mfg. Co.; United Illuminating Co.; Torrington Co.; Connecticut Light & Power Co.; Connecticut Power Co.; Connecticut situations which appear attractive at current levels. Copies of these memoranda may be had from Chas. W. Scranton & Co upon request.

Interstate Aircraft & Eng. Appears Attractive

Intersate Aircraft & Eng. Co. offers an interesting situation according to a circular being distributed by Hirsch, Lilienthal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges. Copies of this circular may be had from the firm upon request.

Situations Of Interest

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

Public Utility Securities

Consolidated Edison

For some time Consolidated Edison has been selling somewhat out of line on a yield basis with similar high-grade utility operating company stocks. Recently this spread has narrowed somewhat. Following is a comparison based on recent prices:

	Price About	Div. Rate	Yield About
Consolidated Edison	25	$1.60	6.4%
Philadelphia Electric	20	1.20	6.0
Pacific Gas & Electric	34	2.00	5.9
Southern Calif. Edison	26	1.50	5.8
Detroit Edison	21	1.20	5.7
Boston Edison	36	2.00	5.6
Cons. Gas of Baltimore	67	3.60	5.4
Commonwealth Edison	29	1.40	4.8

Consolidated Edison has been disbursing a liberal proportion of earnings in dividends, particularly if earnings are taken on a parent company rather than a consolidated basis. For the 12 months ended Sept. 30th, parent company earnings were $1.34, although on a consolidated basis they amounted to $1.84. The company maintains a strong cash position, and the capital structure is conservative.

Taxes have doubtless been an important market consideration. Edison thus far has avoided payment of excess profits taxes. Late in 1943 it was feared that, with "carryovers" largely exhausted, the company might fall into the EPT bracket sometime in 1944. But Edison has thus far apparently avoided this difficulty, either through charging off premiums on bonds it has been retiring out of cash, or by other means. There has, however, been a substantial increase in Federal income taxes—$17,583,500 in the latest period, compared with $13,523,500 in the corresponding previous period. While Consolidated revenues increased by over $23,000,000 the gain was more than absorbed by increased expenses and taxes, so that share earnings dropped to $1.84, compared with $1.91 previously.

Consolidated Edison has asked the Public Service Commission approval to merge with its subsidiaries—Brooklyn Edison, New York & Queens Electric Light & Power, New York Steam, Westchester Lighting and Yonkers Electric Light & Power—minority interests in which have been reduced to very small percentages. The system has, of course, already been largely unified from an operating viewpoint; centralized operations in 1943 represented about four-fifths of operating expenses, exclusive of depreciation and taxes. However, eventual savings in expenses, if the merger can be consummated, are estimated at between $650,000 and $1,000,000 a year, and in taxes (based on 1943 earnings without adjustment) the gross saving is figured at about $1,250,000. Any savings in expenses will be made available for rate reductions and revisions.

In connection with the merger application, the company has indicated that it hopes to refund most of its outstanding bonds and also the preferred stock. The present 20 bond issues and eight stock issues in the hands of the public would be reduced to three and two, respectively. Immediately after the merger, the company hopes to reduce long-term debt some $47,000,000 out of cash. 98% of the remaining $393,000,000 would either be callable, or would mature not later than 1950. Thus, the present debt ratio of 37% (low as compared with most utilities) would be further reduced, and the present average interest rate of 3.41% would also be substantially lowered by the refunding. A single type of mortgage bond on all merged properties would be issued, replacing the various mortgage and debenture issues now outstanding.

It is, of course, difficult to forecast potential savings for common stockholders in the refunding program. A rough estimate works out at some 30¢ a share. Completion of the program will be dependent, of course, on Commission approval of the merger and refunding, continuance of present favorable market conditions, etc.

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.

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.

Bernstein Commends Bretton Woods Plans

Treasury Technical Expert Tells Librarians World Peace And World Prosperity Can Be Assured Only by International Co-operation for Currency Stability.

In an address before the Financial Insurance on Social Science Group of the New York Chapter, Special Libraries Association at the Russell Sage Foundation Building in New York City on Nov. 13, Dr. Edward M. Bernstein, Assistant Director of Monetary Research of the United States Treasury Department, outlined the political, economic and social significance of the plans for an International Monetary Fund and an International Bank for Reconstruction and Development. He laid down, what he called, "three simple propositions" and discussed their significance. These are:

E. M. Bernstein

1. The establishment of international peace will be more difficult in a world of depression, economic aggression and financial disorder.

2. The attainment of high levels of employment and rising standards of living in this country will be less difficult in a world with prosperity, orderly, stable and free exchange arrangements, expanding international trade and adequate international investment.

3. International monetary and financial problems are an international responsibility and can be solved only by international co-operation.

Amplying these propositions Dr. Bernstein stated that:

"The post-war world is faced with some hard economic problems. The countries that have suffered from five years of enemy occupation and destruction must be rehabilitated and reconstructed. The countries whose international economic position has deteriorated as a result of six years of war must restore their position to a peace-time basis, and restore that position in a way that will

(Continued on page 2139)

Central Pacific Ry. Exch. Offer Operative

It was announced Nov. 15 that holders of $25,238,000 Central Pacific first refunding mortgage 4% gold bonds of 1949 have accepted the offer to exchange first and refunding series A new bonds due in 1974 for their holdings.

The exchange offer has been declared operative by the Central Pacific Board of Directors, subject to approval of the Interstate Commerce Commission.

The offer, A. C. Mercier, Southern Pacific Co. President, said, will be kept open to Dec. 15, or until $50,000,000 of the bonds have been offered for exchange, whichever is sooner.

The exchange offer is being made to holders of $88,211,000 first refunding bonds of 1949. The new bonds will bear interest at 4¼% annually until Aug. 1, 1949, maturity date of the presently outstanding bonds. From that date until 1974, they will carry interest at 3½%.

Rayon Outlook Attractive

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, have just issued two analytical reports on rayon, one of them on the rayon industry in general and the other on Burlington Mills Corporation, world's largest manufacturer of fabrics from man-made fibers. This company also expects to be a major factor in post-war production and sales of nylon hosiery.

The reports point out that consumption of rayon has exceeded that of silk in every year since 1927 and that of wool since 1938 with one exception. A chart on the earnings of Burlington Mills Corporation shows that the company has made a profit in every year since 1929, despite the depression, and that dividends have been paid at an increasing rate in every year since 1934.

Copies of these reports may be obtained from Kidder, Peabody & Co.

Tomorrow's Markets Walter Whyte Says—

Post-election rally hits old snag. Possibility of reaction now increased. Profit taking recommended.

By WALTER WHYTE

Something is going on that the market apparently doesn't like. Obviously it doesn't say so in just so many words (though that would be a help.) Its action in the past few days, however, leaves much to be desired.

* * *

In writing last week's column I commented on the elections and said the possibilities of a rally were much greater than that of a decline. The rally came alright, but by no stretch of the imagination could it be called anything distinctive. It was just a minor upsurge. But as before, the market hit up against the 150 tops in the industrials and showed no inclination to go through.

* * *

Now I'm as patient as the next man. If I think a previous obstacle will be negotiated within a reasonable time, I can wait. But if that same obstacle begins to take on the quality of armor plate, it seems to me the wisest thing is to withdraw and give the situation another once-over.

* * *

It isn't necessary to rehash past performances. Anybody who follows the market is quite aware that stocks have made a number of efforts to get through. Everybody also knows that none of these at-

(Continued on page 2159)

Post-War Labor Problems

By SAMUEL M. FISHER*
Counsel for Austin M. Fisher, Labor Relations Consultant

Predicting That Post-War Unemployment May Reach 20 Million, Mr. Fisher Contends That Neither Labor, Industry nor Government Have A Coherent Plan for Attacking the Problem. Foresees Labor's Attitude As Demanding Tightened Seniority Regulation, Opposition to Technological Changes, Severance Pay and Advance Notice of Layoffs Together with Union Hiring and Guaranteed Wages. Urges Bargaining With Labor on an Industry-Wide Basis.

As I see it, American enterprise is today entering its most crucial period, so I should like to explore with you three areas of major concern. They are the areas of unemployment, wages and hours, and Selective Service. The most important of these problems is, of course, the unemployment problem. What I have to say to you on that subject may to some extent reflect personal opinion, and while I have no desire to start political controversy, we must talk about politics and politicians when we talk about unemployment.


Samuel M. Fisher

To start with, as I see it, this problem during the next three years will probably result in unemployment of from 8,000,0000 to 20,000,000, nearer the 20,000,000 side if current estimates of our post-war national income are found to be correct.

It is tragic, but true, that organized labor has no coherent plan for attacking this problem. I have seen no evidence of any plan on the part of Mr. Roosevelt, except a resort to the historic custom of priming the pump; and now—hold your seats—I don't think Mr. Dewey had a plan, either.

We in business, too, must take our share of blame. I think the Committee for Economic Development has been over-publicized in its attacks on the problem. If you will go into your factories and talk to the people there and ask them whether or not they think business has a plan for overcoming unemployment, you will understand the weight of my reaction to the CED proposals; and I doubt whether these proposals carry much conviction to the American people.

Aside from the very tragic consequences to labor of this immoral, if you please, state of unpreparedness, I believe that you, in your plants, may expect certain reflections in labor's attitude towards you as its employer.

First of all, in the forthcoming bargaining negotiations for those of you who are organized, I would suggest that you anticipate tightened seniority regulations. The man in the shop knows of no greater security than the protection of his seniority clause, and you will find that he will endeavor to tighten rather than to

*An address made by Mr. Fisher before the American Trade Association Executives in New York City, Nov. 9, 1944.

(Continued on page 2155)

Railroad Securities

There has been a marked renewal of speculative and investment interest in New York Central securities following announcement at last week's directors' meeting of the call for redemption of the remaining balance ($24,337,800) of the Secured Convertible 3¼s, 1952 for Dec. 27. While redemption prior to maturity had generally been expected, it had been thought in many quarters that the call might be delayed until some time after the first quarter of 1945. This issue has been the focal point of the company's debt retirement program, in line with its policy of taking care of earlier maturities first regardless of price. The most recent report of open market purchases had shown an average cost to the company of over par.

Now that this issue will be out of the way there is considerable speculation in financial circles as to what course future debt retirement will follow. Heretofore longer term discount bonds have been virtually ignored in the retirement program even though purchase and retirement of such issues would have resulted in a more rapid reduction in interest costs than has been possible under the management policy. However, if any further material retirements are contemplated (there is every evidence that the management does desire to reduce debt considerably further) the nature of Central's remaining debt structure will make almost inevitable a change in procedure.

Taking the system as a whole, there is one nominal issue of $130,000 maturing next year (excluding equipments) and then nothing falls due until 1950. From 1950 to 1975, inclusive, there are aggregate non-equipment maturities of roundly $146,000,000. Theoretically this debt would afford wide scope for additional debt retirements. Most of the liens making up this total, however, are outstanding in small amounts—ranging from less than $500,000 to less than $5,000,000. Moreover, with the single exception of the $12,500,000 Toledo & Ohio Central 3¾s, 1960 not one of the non-equipment maturities between now and 1975 is callable for redemption prior to maturity. Finally, practically all of these liens are selling at, or above, par, and some at very substantial premiums. The only notable exception to this generalization is the Jamestown, Franklin & Clearfield 4s, 1959, which were outstanding as of the end of last year in the amount of less than $11,000,000. Considering call features, prevailing prices, and the size of most of the issues falling due between now and 1975, it is felt in many quarters that the company will soon have to stretch its buying program to the long maturities if any significant further progress is to be made.

If the company is going to alter the policy it has followed to date it is apt to go into the very long maturities. Allowing for retirement of the 3¼s, 1952, but not allowing for any open market purchases that may have been made in other issues this year, system non-equipment debt is indicated as $775,345,000. Of this, approximately two-thirds has more than 50 years to run to maturity. Much of this long-term debt is low-coupon (3½%) and by and large it is selling at relatively high prices. In some cases the low-coupon issues are selling at premiums. Obviously, then, there appears to be little incentive for broad debt reduction in this group.

On the basis of the above reasoning many rail men have come to the conclusion that the most logical step to look for is a start on the reduction of the Refunding & Improvement Mortgage series. Carrying coupons of 4½% and 5%, and maturing in 2013, these bonds are outstanding in the amount of more than $190,000,000. They have recently been selling in the neighborhood of 72 and 77, respectively. Another candidate might be the Consolidation 4s, 1998, outstanding in the amount of almost $69,000,000 and selling around 75. Rail men, visualizing the possibility of substantial company purchases of these bonds, have begun to think in terms of what similar activity has meant marketwise to such bonds as Northern Pacific 6s, Southern Railway Development & General 4s and Texas & Pacific junior mortgage 5s, all of which are classified as strictly second grade obligations.

Enhancement

Recent developments have enhanced in value Rock Island securities and the situation continues to offer attractive possibilities, according to a memorandum issued by Vilas & Hickey, 49 Wall St., New York City, members of the New York Stock Exchange. Copies of this circular and a calendar of the more important railroad events scheduled to come up in the next few weeks may be had from Vilas & Hickey upon request.

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.

The Serviceman's Readjustment Act

By J. ONLEY BROTT*

Asst. General Counsel, American Bankers Association

Attorney Explains Provisions of the "GI Bill of Rights" With Particular Reference to Rehabilitation Loans to Veterans. Points Out That Act Does Not in Any Way Supersede or Modify the National or State Banking Laws and Therefore the Legal Restrictions Placed Upon the Lending Powers of Banks, Particularly in Relation to Real Estate Loans, Remain In Effect, Though the Comptroller of the Currency and Several State Banking Authorities Have Issued Rulings or Adopted Provisions to Remove or Ease Some Legal Obstacles.

Although the major portion of this discussion will be devoted to the guaranteed loan provisions of the Servicemen's Readjustment Act of 1944, popularly known as the "GI Bill of Rights," let me first describe briefly the other benefits provided under this Act.

J. Onley Brott

In addition to the guaranteed loans the Act provides educational and training benefits and unemployment benefits.

The educational benefits make it possible for any veteran who was 25 years of age or younger at the time he entered the service to pursue a course of educational training at Government expense for a maximum of four years at any school or college of his choice and also to receive a subsistence allowance from the Government while pursuing such course. The maximum amount which may be provided by the Government for tuition, books, etc., is $500 a year and the subsistence alllowance is $50 a month or $75 if the veteran has dependents. Any veteran, regardless of age, is entitled to take a one year's refresher or retraining course.

The unemployment benefits entitle an unemployed veteran to receive $20 a week for a maximum of 52 weeks within two years after the discharge of the veteran, or two years after the termination of the war, whichever is later, and if the veteran is self-employed, he is entitled to receive the difference between his net earnings and $100 a month in any month in which his net earnings are less than that amount, the maximum

(Continued on page 2156)

*An address made by Mr. Brott before the Savings and Real Estate Mortgage Conference sponsored by the Savings Division of the American Bankers Association, Atlanta, Ga., on Nov. 10, 1944.

Halsey, Stuart Group Offers $48,000,000 Central N. Y. Bonds

A nation-wide underwriting group headed by Halsey, Stuart & Co., Inc., is offering today $48,000,000 Central New York Power Corp. general mortgage bonds, 3% series due 1974, at 103% and accrued interest.

Net proceeds from the sale of the bonds, supplemented by other funds to be obtained from cash resources of the corporation or through borrowings, are proposed to be used toward the redemption of the following, on or about next Dec. 22: $43,000,000 general mortgage bonds, 3¾% series due 1962, at 104%, and $5,000,000 general mortgage bonds, 3½% series due 1965, at 104½%.

For the year ended June 30, 1944, operating revenues of the corporation were $33,794,063, and gross income, before interest and income deductions, was $5,355,744. Respective figures for the 1943 calendar year were $34,958,541 and $5,336,185, and for 1942 they were $30,964,297 and $5,557,696.

The outstanding funded debt of the Central New York Power Corp., as adjusted to reflect the present financing, consists of the 1974 bonds and five non-callable issues aggregating $11,918,400 of Northern New York Utilities, Inc., Syracuse Gas Co., Syracuse Lighting Co., and Utica Gas & Electric Co. Also outstanding are $25,158,400 of preferred stock, 5% series, and $33,283,950 of no par common stock. During the 1944 calendar year the company has already paid or called for redemption approximately $6,850,000 principal amount of its funded debt.

Central New York Power Corp. agrees that as long as any of the 1974 series bonds are outstanding it will pay, as a debt retirement fund, on or before each July 1 from 1945 through 1973, 1½% of the total principal amount of the 1974 bonds outstanding.

The bonds may be redeemed as a whole or in part, at prices ranging from 106% to par. The bonds are also subject to redemption in part through the operation of the debt retirement plan at prices ranging from 104½% to par. Accrued interest is to be added in each instance.

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.

Attractive Situations

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

Real Estate Securities

By JOHN WEST

Real Estate Board of New York Reports Increased Sales Activity

The November Bulletin of The Real Estate Board of New York, Inc., devotes a double page spread to charts, figures and text to show the comparative activity in the real estate field from 1939 through 1944. We have taken the high lights from this article as it confirms this column's previously expressed opinions as to the considerable uptrend. The following table is interesting:

September	No. of Sales	Total Considerations
1939	185	$7,342,809
1940	196	8,982,999
1941	209	9,659,459
1942	199	9,840,921
1943	364	20,729,361
1944	392	29,714,404
First Nine Months of	No. of Sales	Total Considerations
1939	1,994	$87,292,057
1940	1,984	98,920,230
1941	2,075	111,066,973
1942	1,835	105,868,847
1943	2,514	160,520,212
1944	3,626	284,009,824

September open-market sales of Manhattan real estate—392 for a total of $29,714,404—brought the aggregate number of sales and dollar volume of trading for the first three quarters of 1944 to levels approximately 50% above those for the same period of 1943. A general improvement in values is also indicated by the average percentage of assessed valuation reflected in prices.

In August, open market sales of Manhattan realty numbered 399 with prices totaling $32,655,574, and in July 392 Manhattan pieces were transferred by willing sellers to willing buyers for $34,649,526.

September sales average $75,800 each, as against an average of $81,800 for August, $88,400 for July, $78,300 for the year to date and $57,100 for all of 1943.

Private investors again predominated as vendors in September, disposing of 294 pieces for considerations that totaled $20,608,754.

During the ninth month the lending institutions divested themselves of 98 Manhattan pieces for considerations that totaled $9,105,650.

Inasmuch as the number of residential properties is far in excess of that of any other one type in the borough, the greatest number of sales were naturally found in that category, 289 residential pieces changing hands during September for prices that aggregated $19,644,058.

As in the previous month, the highest average percentage of assessed values was paid for loft properties. Forty-five loft buildings were sold during September for considerations that totaled $3,825,604.

In the office building field 20 pieces were sold for $3,639,017.

September's remaining 38 sales for prices totaling $2,605,725 were in the miscellaneous group—a category including garages, other specialties, vacant lots, or any property not in the three main types mentioned above.

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.

Gleaner Harvester Stk. Offered by Eberstadt

An underwriting group headed by F. Eberstadt & Co. on Nov. 10 offered 177,689 shares of common stock of Gleaner Harvester Corp. at a price of $18 a share. These shares do not represent new financing by Gleaner Harvester Corp. They were acquired from Commercial Credit Co., heretofore the largest stockholder of Gleaner Harvester, with 59% of the 300,000 shares of common stock outstanding. The company has no funded or bank debt or preferred stock authorized or outstanding.

The company, whose business was established in 1924, is an important manufacturer of combines used in the harvesting and threshing of wheat, rye, oats, barley, soy beans and certain other crops. The bulk of the company's products is sold through approximately 550 regular dealers.

According to the prospectus, net sales in the year ended Sept. 30, 1944, totaled $3,349,284 and net income, after provision for taxes on income, was $462,946. As of Sept. 30, 1944, current assets, including $2,018,308 cash and Government securities, aggregated $2,896,709, compared with total liabilities of $447,671.

Associated with F. Eberstadt & Co. in the offering are: E. H. Rollins & Sons; Central Republic Co., Inc.; Sutro & Co.; Bankamerica Co.; A. G. Edwards & Sons; Butcher & Sherrerd; 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.; Straus Securities Co.; 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, Moran & Co.; Bond & Goodwin Inc.; J. C. Bradford & Co.; Francis I. duPont & 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., and Nashville Securities Co.

Aircraft Stocks Undervalued?

Hare's Ltd., 19 Rector Street, New York City, in a brief survey of the industry, declares that aircraft stocks are presently undervalued. Copies of the survey, which indicates that the leading shares offer attractive speculative opportunities for post-war appreciation, may be had from Hare's Ltd. upon request.

Price Policies for Reconversion Period

By DANIEL P. WOOLLEY*

Regional OPA Director, New York City

OPA Official, After Urging Continuation of Cooperation Between Industry and Government, Lays Down Following Five Objectives of Reconversion Price Policies: (1) Must Hold the Line Against Inflation; (2) Must Not Interfere with Capacity Production; (3) Must Be Easy and Quick to Apply; (4) Must Not Force Down Wages; and (5) Must Protect Farmers Against the Squeeze Between Rising Costs and Declining Farm Prices.

I welcome this opportunity to speak before the American Trade Association Executives. I want to picture for you, as representatives of a broad cross-section of American industry and American business, some outstanding examples of how industry and the Office of Price Administration have been able to work out mutual problems in many fields.

Daniel P. Woolley

I would like to outline the policies that will guide us as we convert from war to peacetime production and the vital part that industry will have in this program.

Not only we in OPA, but practically every industry and every citizen owes a debt of gratitude to the trade associations. They have been of untold help to us as a liaison to the thousands of businesses they represent. Through the cooperation of trade associations our difficult job of preventing a disastrous inflation has been made easier during the past two and a half years when the upward pressures on prices have been the greatest in the history of the nation.

Because arguments between business and government agencies usually make better news stories than reports of progress, a casual reading of newspapers and trade journals would seem to indicate that industry and OPA are at times in disagreement. Nothing could be further from the truth. From my own experience, I want to say that business and the OPA have learned to work closely together. In traveling through the new and uncharted territory of price controls, we in the OPA had no signposts to guide us. It is little wonder, then, that in the early hectic days when we had to move fast we made mistakes—many of them. At other times, there were delays and irritations. But the further we progressed in our task of administering prices, rents and rationing, the more we came to appreciate the assistance given us by businessmen and industrialists with specialized knowledge and training in their highly technical fields.

We have set up 500 industry advisory committees to consult with and advise us about matters in practically every industry af-

(Continued on page 2157)

*An address made by Mr. Woolley before the American Trade Association Executives at the Hotel Pennsylvania, New York City, Nov. 9, 1944.

NOTICE

To the holders of

CENTRAL PACIFIC RAILWAY COMPANY

First Refunding Mortgage 4% Gold Bonds, due August 1, 1949

(Guaranteed by Southern Pacific Company)

The Offer of Exchange, dated October 24, 1944, addressed to the holders of the foregoing bonds, by the Central Pacific Railway Company, to exchange therefor, Central Pacific Railway Company First and Refunding Bonds, Series A (guaranteed by Southern Pacific Company), to be dated August 1, 1944, to mature August 1, 1974, to bear interest at the rate of 4¼% per annum from August 1, 1944, to August 1, 1949, and thereafter at the rate of 3½% per annum, was declared operative by the Board of Directors of the Central Pacific Railway Company on November 14, 1944, subject to the obtaining of necessary approvals by the Interstate Commerce Commission. The Offer of Exchange will be kept open to and including December 15, 1944, or to whenever $50,000,000 of First Refunding Mortgage 4% Gold Bonds, due August 1, 1949, shall be offered for exchange, whichever is earlier.

Notice will be given shortly to holders who have transmitted their bonds for exchange, under the Offer of Exchange, as to when temporary Bonds of Series A will be issued.

For terms of the new bonds and the provisions with respect to the exchange, reference is made to the Offer of Exchange, copies of which have been sent to all known bondholders. Additional copies may be obtained at the office of

KUHN, LOEB & CO.,
52 William Street, New York 5, N. Y.

and at the following offices of Southern Pacific Company:

Room 2210, 165 Broadway, New York 6, N. Y.

Room 662, 65 Market Street, San Francisco 5, Calif.

Room 1020, 310 South Michigan Avenue, Chicago 4, Ill.

SOUTHERN PACIFIC COMPANY
CENTRAL PACIFIC RAILWAY COMPANY

REDEMPTION NOTICE

L&N L&N

To the Holders of

LOUISVILLE AND NASHVILLE RAILROAD COMPANY

Unified Mortgage 4% Bonds with Extension Agreements of Series B due January 1, 1960 attached

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Supplemental Indenture dated January 1, 1940 between Louisville and Nashville Railroad Company and Central Hanover Bank and Trust Company, as Trustee, supplemental to Unified Mortgage dated June 2, 1890 from Louisville and Nashville Railroad Company to Central Trust Company of New York, as Trustee, the undersigned has elected to redeem out of unexpended Sinking Fund monies on deposit with the Sinking Fund Agent and does hereby call for redemption and payment on January 1, 1945, $165,000 principal amount of bonds as indicated below at 104% of the principal amount thereof and accrued interest on the principal amount to the date of redemption. The serial numbers of the bonds to be redeemed have been drawn by lot by Central Hanover Bank and Trust Company as Sinking Fund Agent, and are numbered as follows:

Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form in the denomination of $1,000 each, all prefixed with the letter B

163	2789	5478	6851	9342	10788	13112	14692	16442	19180	20418	22486	24547
268	2803	5690	7377	9489	11191	13594	14873	16513	19449	20787	22888	24661
446	2998	5854	7688	9589	11264	13601	14923	16554	19547	21353	23225	24695
515	3490	5917	8355	9694	11308	13928	14991	16596	19583	21397	23231	24768
833	4148	6148	8721	9788	11571	14021	15426	18200	19897	21398	23289	25161
1360	4196	6201	8749	10095	11796	14125	15482	18510	20026	21606	23300	
1487	4297	6220	9120	10477	12070	14140	15735	18563	20028	21776	23303	
1822	4561	6234	9173	10622	12558	14161	15780	18687	20035	21844	23370	
1880	4812	6484	9200	10624	12669	14197	15811	18774	20235	22085	23487	
2308	5087	6794	9241	10625	13037	14507	16005	18962	20366	22243	23713	
2776	5212	6796	9283	10626	13075	14655	16101	19123	20398	22327	23987	

Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form without coupons

BX 39	$10,000	BM 14	$1,000	BM 122	$1,000
BV 29	5,000	BM 15	1,000	BM 662	1,000
BM 11	1,000	BM 16	1,000	BM 681	1,000
BM 12	1,000	BM 17	1,000	BM 682	1,000
BM 13	1,000	BM 18	1,000	BM 683	1,000

On January 1, 1945 the above described Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form in the denomination of $1,000 each, and the Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form without coupons, will become due and payable at 104% of the principal amount thereof and accrued interest on such principal amount to the date of redemption at the office of the undersigned, Room 900, 71 Broadway, New York City 6, New York, and interest on said Bonds so called for redemption will cease to accrue from and after said date. Said Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in coupon form should be presented for redemption and payment at said office of the undersigned on January 1, 1945 accompanied by the interest coupons maturing July 1, 1945 and all subsequent coupons. The coupons due January 1, 1945 appurtenant to said Unified Mortgage 4% Bonds with Extension Agreements of Series B attached called for redemption should be presented for collection in the usual manner. The Unified Mortgage 4% Bonds with Extension Agreements of Series B attached in fully registered form which have been called for redemption should be presented in negotiable form.

On November 8, 1944 Bonds bearing the following distinctive numbers of the above issue previously called for redemption had not been presented for payment:

BOND NUMBERS

B3532, B3566, B3567, B4273, B9784, B19386, B19470, B20259, B20297, B25172, B25220

LOUISVILLE AND NASHVILLE RAILROAD COMPANY
By: W. J. McDonald, Vice-President

DATED: November 10, 1944.

The "Key Nation" Approach to Problem of Currency Stabilization

(Continued from first page)

are those in which international trade is commonly conducted and, at the present time, consist of the British pound sterling and the American dollar.

The problem then becomes that of setting forth the prerequisites of dollar - pound stabilization. These are three in number:

1. The elimination of the war debt problem between the United States and the United Kingdom.

This involves the cancellation of World War I debts, the repeal of the Johnson Act of 1934, and a generous settlement on the part of this country of the net amount due on Lend-Lease obligations.

2. The reduction of trade barriers between the United States, the United Kingdom and the other members of the British Commonwealth of Nations.

Immediate conversations between these nations should take place relative to such problems as tariff barriers, imperial preference, export subsidies, bulk purchasing and regional currency arrangements.

3. Following a successful conclusion of the proposed trade conference, the United States should be prepared to extend to the United Kingdom a grant in aid, as a form of retroactive Lend-Lease, to cover her immediate post-war import needs.

The amount involved may come to $3,000,000.

In these suggestions I have incorporated no plan for the conversion of blocked sterling balances into dollars. The reasons are twofold. First, British officials have stated that England can handle, and plans to handle, this problem itself. Second, I doubt whether, in view of the extent of the Lend-Lease contribution of the United States to the mutual war effort and in view of our own probable financial condition in the post-war period, the American people would be willing to assume the burden of the blocked balances.

If the three measures I have suggested are carried out and if England succeeds in funding the blocked accounts into long-term obligations, the dollar-pound rate can be stabilized successfully and England can avoid multiple and regional currency arrangements and exchange controls.

The determination of the precise rate to prevail between the dollar and the pound may require a period of experimentation. Once a rate has been agreed upon, American business men would view with misgivings any later change. They are convinced that, in the furtherance of world trade and commerce, it is extremely important that key exchange rates remain unaltered.

In these remarks I have assumed that the dollar is a fixed quantity to which other currencies can be related. The dollar, of course, will not be on a firm basis unless inflation is checked in the United States. This involves the balancing of the Federal budget, a refunding of the floating debt, an unpegging of interest rates and the severing of commercial banks from Federal debt financing. If inflation is checked, we can doubtless revert to gold redemption on the basis of the present mint price of gold.

In essence, the "key nation" approach involves the stabilization of the dollar-pound rate first. It is the *sine qua non* of world monetary stabilization. Once that rate has been stabilized, immediate attention can be given to the stabilization of other currencies. Many countries possess a sufficient supply of gold, or of dollar or sterling exchange, so that the stabilization of their exchange rates in terms of dollars or pounds will not prove a difficult problem. Other nations, less fortunately situated, may have to borrow abroad to obtain currency reserves.

The "key nation" approach is a specific approach to the problem of currency stabilization, as opposed to the global approach of the Bretton Woods plan for an International Monetary Fund. It recognizes the fact that the currency problems of nations differ from one another and that separate solutions are needed in each instance. The "key nation" approach maintains that loans should be granted for specific projects of economic merit. It is opposed to the automatic granting of credits provided for in the Bretton Woods proposal, in which credit quotas bear no relationship to credit needs.

Above all, the "key nation" approach gives emphasis to the fact that the basic requirement for currency stabilization is the removal of trade barriers. The United States must not repeat the mistake committed after the last war when tariff rates were not only not lowered but actually raised. We failed to realize that exports of capital and commodities can only be paid for in commodity imports. For a time, fundamental economic forces were held in abeyance. In the decade of the 'Twenties, we exported against private loans. In the decade of the 'Thirties, we exported against gold imports. This experience demonstrated that loans cannot be repaid unless debtors have access to our markets, and that gold imports, instead of increasing our real wealth and making for a higher standard of living, give rise to many difficult problems in the fields of monetary policy and credit control. Problems of commercial policy, therefore, demand immediate solution. The Bretton Woods proposal for an International Monetary Fund seems but an attempt to avoid or to postpone the solution of these basic problems.

The Boston Forum on Open-End Inv. Cos.

BOSTON, MASS.—On Dec. 7, 1944, Vance, Sanders & Co., 111 Devonshire Street is sponsoring the first of a series of annual Forums having to do with matters of general interest in the investment company business.

During the last 20 years, the "Boston-type" or "open-end" investment companies have achieved an important place in the financial community. At the present time, there are some 68 "open-end" investment companies with total assets amounting to over $770,000,000. Vance, Sanders & Co. believes that through a series of Forums many people who are not actively engaged in the investment company business may become better acquainted with the investment problems and objectives of the business, and, in turn, those in the investment company business may benefit by an exchange of ideas with others whose problems are also essentially the management of money.

The Forum to be held this year will deal with what seem to be two very timely subjects. Mr. Thomas H. Beacom, Jr., Vice-President of the First National Bank of Chicago, will speak on "The Problem of Supervising the Small Trust Account." Mr. Mayo Adams Shattuck of Boston, one of the recognized authorities in the country on trustee practice, formerly President of the Massachusetts Bar Association and author of "Loring a Trustee's Handbook, Shattuck Revision," will also speak on "The Legal Aspects of the Use by Fiduciaries of Shares of Investment Companies in Their Trust Accounts." A general discussion will follow Mr. Shattuck's speech.

The Hawthorne Room at the Parker House, Boston, has been reserved for the Forum for 2:30 p.m., on Thursday, Dec. 7.

AIB Alumni Group to Hold Annual Dinner

The Alumni Association of New York Chapter, American Institute of Banking, will hold its annual dinner-meeting on Friday evening, Nov. 17, at the Town Hall Club, New York City, it was announced by E. LeRoy Squire of the Williamsburg Savings Bank and President of the Association. William S. Vanek of the Manufacturers Trust Co. is Treasurer of the Dinner Committee.

N Y Analysts to Hear

At their luncheon meeting scheduled for Wednesday, Nov. 22, the New York Society of Security Analysts will hear Louis Ruthenburg, President of the Servel Corporation, discuss Servel and its participation in post-war refrigeration and air conditioning. The meeting will be held at 56 Broad Street at 12:30 p.m.

The Society also announces that those who missed the talk by Clifford E. Paige on Brooklyn Union Gas may secure copies while they last by writing to him at the company's office.

Michigan Brevities

Directors of the National Bank of Detroit have approved the transfer of $7,500,000 to surplus account, thus increasing the bank's loaning maximum to $3,750,000 to any one borrower. In announcing the action, Chairman Walter S. McLucas said:

"This places us in a position to make additional funds available to business and industry, not only for reconversion, but for peacetime business as an essential part of maintaining high levels of production and employment."

As a result of the transfer, the bank's setup will be as follows: $8,500,000 preferred stock; $10,000,000 common stock; surplus $19,000,000, and undivided profits of $4,227,979, all based on Oct. 31 figures when the bank's statement showed total capital, surplus and undivided profits of $41,727,979.

* * *

Denizens of Griswold—Detroit's counterpart of Wall Street—were shocked and not a little distressed when they accepted literature from pretty girls at building doorways, who proved to be representatives of the CIO's Political Action Committee.

Bankers here, who have feared an invasion by the CIO, were particularly upset, believing that an organizational drive was in the making. However, it was only election campaigning and there has been no sign of the union at work in this area since then.

* * *

Listing of the new Hurd Lock stock on the Detroit Exchange went into effect last week. The new stock, created as a result of stockholder approval of a recapitalization plan, is $5 par and there are 200,000 shares outstanding. Originally, there were 1,000,000 shares of $1 par.

* * *

In the banking scene, the retirement of B. C. Schram, for many years receiver of the defunct First National Bank of Detroit, was a highlight.

Mr. Schram, who did an outstanding job in handling the world's largest bank receivership by paying depositors 100 cents on the dollar, plus 7½ cents in interest, was honored at a testimonial dinner. Among those in attendance were prominent bankers and businessmen and representatives of the Comptroller's office in Washington.

* * *

G. H. Zimmerman, Chairman of the Board of Michigan Bank, announced that arrangements have been completed for occupancy of the first two floors of the building on the north east corner of Woodward and Congress St., one block south of City Hall. This building has been known for many years as the Guaranty Trust Building, but its name will now be changed to the Michigan Bank Building.

At present the executive offices and downtown branch of the Michigan Bank are maintained in the United Artists building. Further service is provided through three branch offices. Under present plans the Michigan Bank expects to occupy the new quarters about March 1, 1945.

* * *

H. V. Sattley & Co., Inc., in association with Crouse, Bennett, Smith & Co., and Miller, Kenower & Co., Inc., purchased the recent new issue of $190,500 City of Centerline, Mich., refunding bonds at an interest cost of 2.837%. The bonds, which are general obligations of the community and payable from unlimited taxes, are being reoffered by the group to yield from 1.25% to 2.75%.

* * *

Harold R. Chapel, of Crouse, Bennett, Smith & Co., was elected Chairman of the Michigan Group of the Investment Bankers Association of America at the unit's annual meeting in the Detroit Athletic Club.

Mr. Chapel, who has been active in the IBA for a number of years, is also Secretary of the Security Traders Association of Detroit and Michigan, and Past President of the Bond Club of Detroit and of the Michigan Municipal Advisory Council.

Other officers named by the IBA included William Moore of McDonald, Moore & Co., as Vice-Chairman; Harry E. Thurston of Watling, Lerchen & Co., Secretary and Treasurer, and Oscar L. Buhr, Vice-President of the Detroit Trust Co., Wm. C. Roney of W. C. Roney & Co., and Cyrus H. King of Merrill Lynch, Pierce, Fenner & Beane, Directors.

* * *

The Security Traders Association of Detroit and Michigan are holding their annual fall dinner meeting at the Penobscot Club on Nov. 17, 1944, with Edward E. Parsons, Jr., President of the National Security Traders Association, as principal speaker. Mr. Parsons is a partner of W. J. Mericka & Co. of Cleveland. R. C. O'Donnell is in charge of arrangements.

OUR REPORTER'S REPORT

The investment banking industry, clearing away the last of an amazing six weeks' total of new offerings, was rolling up its sleeves this week and preparing again to enlist in the Treasury's Army for the duration of the Sixth War Loan Drive, which opens next Monday.

Fourteen billions is the nationwide goal set, and these fellows who make a business of selling securities are more confident than ever that they will be able to ring the gong on the quota set for their contingent.

Coming down to the line for the new War Loan drive, the industry had behind it a remarkable inbetween job done in the marketing of new corporate and municipal securities.

And to add to their ardor for the huge task ahead, the last few days brought announcement of the winding up of several groups which had handled certain of the larger recent issues and the turning of these bonds loose on their own.

That a good job of placing such issues had been done was evident from the free market quotations prevailing after the closing of the syndicates.

Koppers Co. 3s, for example, which were offered at 102 were quoted at 101¾ bid, 101¾ offered, while the recent California-Oregon Power loan, brought out at 102.86, was quoted 102 bid and 102½ asked.

Burlingtons in Demand

Meanwhile some of those participating in the recent marketing of Chicago, Burlington & Quincy's $40,000,000 of first and refunding 3¾s reported a renewed burst of demand for that issue with indications that it was clearing up in good style.

But here again, as in other instances not too remote, it developed that the distributing dealers were doing a better job than the underwriters with estimates putting their sales ratio at about two-to-one.

Certain of the underwriters were quick to give credit where credit is due and to point out the advisability of maintaining good dealer relations. Given an adequate commission, they contended, the dealers could find the purchasers and deliver the goods.

Two Last Big Ones

This week brought to market the two last big deals in advance of Mr. Morgenthau's next drive for war funds. And in sale through competitive bidding both issues developed satisfactory competition.

Houston Lighting & Power Co.'s $30,000,000 first mortgage loan brought out three bids all of which were extremely close with high bid made at 101.76 for a 2⅞% coupon. The successful group brought the bonds to market yesterday at a price of 102½ and last accounts showed a brisk demand with several large insurance companies taking substantial blocks.

The larger undertaking, Central New York Power Corp.'s $48,000,000 of general mortgage 3%s, likewise brought out three bidding groups, and the spread among them was greater running to about ⅝ths of a point between the top bid of 102.30 and the next bid of 101.6567.

On the market today, priced at 103, this issue was looked upon as a bit of a selling proposition, although active inquiry was reported around in wake of the award by the company.

Groans and Moans

It will not detract from their efforts to help the Treasury place the 14 billions of new war bonds set as its next goal, but some of the boys left off their regular work with a full realization that during their absence new groups will be forming to go after prospective issues to follow the war loan.

This means, they observed, that they will come back to their tasks with a job already ahead of them of trying to catch up on the other fellow.

And already several sizeable undertakings are in prospect and groups forming. Several are ready to go after South Carolina Power Co.'s potential $9,000,000 of refunders. And others are prepared to bid for 2,154,400 shares of Northern Indiana Public Service Co. common shares which Midland Utilities Co. may sell toward the year-end.

A third prospect, already the center of bids from at least three groups, is Central Maine Power's probable refinancing of its $20,000,000 outstanding preferred through the medium of a new senior stock issue.

Connecticut Brevities

On January 1, 1945, the Trumbull Electric Manufacturing Co., of Plainville, manufacturers of electric control apparatus, will be taken over by General Electric Co. Owner of 75% of the Trumbull stock for the past 25 years, General Electric has now purchased entire stock interest. This $2,500,000 concern is an outgrowth of a business established in 1899 by John and Henry Trumbull, Frank T. Wheeler and Stanley S. Gwillim with pooled resources of $2,000.

* * *

Billings and Spencer reported net income of $157,391 for the 28 weeks ended July 15, 1944, against $200,146 for the corresponding period in 1943. On a per share basis, results were 85¢ and $1.08, respectively.

* * *

With the payment of a $2 dividend to stockholders on Dec. 15, arrears on the Hartman Tobacco $4 prior preference stock will be cleared up.

* * *

For the nine months ended Sept. 30, 1944, Bridgeport Brass Co. reports net income of $748,087 against $1,099,880 for the corresponding period in 1943. Earnings per common share were 70¢ and $1.06, while preferred earnings were $35.58 and $47.46, respectively.

These figures are based on 21,023 preferred shares outstanding in 1944 and 23,175 shares in 1943.

* * *

Total operating revenues of the New York, New Haven & Hartford Railroad were $137,932,762 for the nine months ended Sept. 30, 1944, as compared with $134,417,657 a year ago. Net income was $11,276,379 and $19,336,366, respectively. The lower net this year was due to considerably increased maintenance and transportation expenses.

* * *

The Connecticut General Life Insurance Co. of Hartford is the first to make available full life insurance coverage to passengers on this country's air transport lines anywhere in the world without extra premium. The excellent record of the airlines justifies this broadened coverage. Premiums will be liberalized for pilots and crew members of these lines and other commercial and private pilots will be eligible for life insurance.

* * *

After depreciation and Federal taxes, the Bigelow-Sanford Carpet Co. showed net profit of $713,118 for the first nine months of this year, which compares with $241,531 for the third quarter in 1943. After preferred dividends, earnings per share on the common stock were $1.89 against 39¢.

Sales for the period were $29,142,952, which represents an increase of 5.4% over the first nine months of last year. War orders continue to account for roughly 70% of the total production.

James DeCamp Wise of the law firm of Wright, Gordon, Zachry, Parlin and Cahill of New York, has been elected President of the company to succeed the late John A. Sweetser. Mr. Wise has been General Counsel for Bigelow-Sanford for the last 12 years, a member of the Board of Directors since 1939, a member of the Executive Committee since 1940, and is presently serving as its Chairman.

* * *

The following issues have been added to the List of Legal Investments for Connecticut Savings Banks:

Chesapeake & Ohio Railway Co., Fifth Equipment Trust 1¾s, due serially to Oct. 1, 1954; Metropolitan Edison Co. first mortgage 2⅞s, due Nov. 1, 1974; Narragansett Electric Co. first mortgage series A 3s, due Sept. 1, 1974; New Haven Water Co. general and refunding series D 2¾s, due Nov. 1, 1974; Pacific Gas & Electric Co. first and refunding series L 3s, due June 1, 1974, and Philadelphia Electric first and refunding 2¾s, due Nov. 1, 1967, and first and refunding 2¾s, due Nov. 1, 1974.

Six issues were removed from the list because of redemption.

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For the nine months ended Sept. 30, 1944, the Connecticut River Power Co. showed net profit of $932,306 after Federal taxes of $418,000. A year ago net was $955,029 after Federal taxes of $320,000.

Bernstein Commends Bretton Woods Plan

(Continued from page 2134)

safeguard their economic future and the standard of living of their people.

"This proces of post-war reconstruction," Dr. Bernstein continued, "is of the utmost importance. It can be made a long-drawn out process, each country struggling to lift itself by its bootstraps. It can be made with less difficulty—but not without some hardships — through cooperation among the United Nations.

"What I fear is that in the post-war period, the spirit of international cooperation may be lost, and countries will be forced to re-establish themselves in the post-war economy by whatever means they have at hand. Make no mistake, there are countries that will be in desperate need of finding foreign markets, countries that will be in desperate need of imports, countries that cannot recover unless capital is available from abroad for the process of reconstruction.

"If countries are forced to make their way out of the post-war difficulties without help and without encouragement they may have no other choice but to use what means they have at hand. They wil resort to every restrictive and discriminatory policy on trade and finance that offers them temporary relief. They will return to the bilateral clearing arrangements, the multiple currency practices, the competitive exchange depreciation, and the blocked currencies that characterized the pre-war decade.

"If this is what the world does, we shall have a world of economic depression. Such policies may bring temporary relief, but their ultimate effect is to spread depression from country to country. We shall have a world of economic aggression and economic disorder. Countries that are desperate will not trouble to pick and choose their economic policies to make sure that they conform to the principle of good neighbors. And if we have a world of economic aggression and disorder, patterned on the policies of the 1930's, it may end once again as it did before in war.

"Those who seek peace with the fervor of religious devotion, and that includes all of the United Nations, cannot permit this calamity to develop. Just as we must strive for a peaceful world, so we must strive for a prosperous world in which all countries can look forward with confidence to working out their economic destiny."

Dr. Bernstein next took up the question of this country's stake in preserving a peaceful world.

"I think," he rmearked, "quite apart from our determination to establish a peaceful world, that we have a great stake in the world economy from the point of view of our own people.

"Our primary economic objective in the post-war period will be to see that there are productive jobs for all—60,000,000 jobs. People who have fought and worked from democracy and freedom will want to know why we cannot produce for peace as we have for war, why we cannot divert our output of guns and planes to make goods for consumption, to raise the living standards of our people, and goods for investment to continue the industrial progress we made during the war.

"That is what we shall want, and it is what people will want in other countries. I think governments everywhere are going to see that they get it. I have every hope that we shall do this in this country by providing jobs in private industry, because those are the jobs that count, those are the jobs that people want.

"The measures we take to provide high levels of employment, rising standards of living, will have to be largely of a domestic character. But we shall have less difficulty in attaining this policy if we can maintain our exports, if we can provide ourselves with the imports we need for our industries, and if we can find productive outlets for investment abroad. Think what it would mean to this country if we could export $10 billion a year of industrial and agricultural products during the next decade. Directly, it would mean 3,000,000 jobs in industry and a foreign market for the output of 1,000,000 agricultural workers. But we can export so much only if we import about $8 billion a year in goods and services for our industries and for our consumers; and if we invest abroad about $2 billion a year in those countries in need of capital for reconstruction and development.

"I think we can say that if the world could maintain a level of trade of about $80 billion a year in the post-war decade, the chances for establishing a balanced world economy would be quite good. And we and all other countries would find that the measures they take for maintaining high levels of employment and rising standards of living are more likely to succeed, because we would be free of the danger of depression imposed upon us by other countries following restrictive measures and spreading depression from country to country.

"Can the world attain such levels of international trade and investment? I think it can. In the 1920's the average volume of merchandise trade was about $65 billion a year. In the 1930's the average volume was about $40 billion a year, although much of the decrease was due to price falls. After the war, the industrial capacity, or at least the industrial potential of the world will be far larger than it has ever been before. I cannot see why it should not be possible to reach $80 billion a year in trade, if countries pursue domestic policies for expansion, relax the barriers to trade, and maintain stable and orderly exchange arrangements.

"We cannot expect to see a balanced expansion of international trade or adequate international investment, if countries maintain fluctuating exchange rates, if they depreciate their exchanges to secure temporary competitive advantages, if they restrict exchange transactions for current trade, and if they block the proceeds of international investment. Given orderly, stable and free exchanges, other measures can be taken to assure a balanced expansion of trade and investment."

Referring to his third proposition, that the solving of monetary and financial problems are an international responsibility, Mr. Bernstein commented:

"International monetary and financial problems are an international responsibility and can be solved only by international cooperation. We have seen what happens when countries act by themselves at cross purposes. The result must be the disorder and the aggression of the 1930's. Are we ready now to act together? The United Nations have shown that they are.

"The Bretton Woods agreements are the result of three years of preparation and two years of discussion among the technical experts of 30 countries. They have been discussed at great length in every successive stage of their development."

Missouri Brevities

Sixth War Loan Drive

The Sixth War Loan Drive will get under way Nov. 20 in St. Louis with local securities dealers determined to quickly reach and surpass their goal of $15,608,100, which is 10% of the $156,081,000 total assigned to the metropolitan St. Louis area by the Treasury Department. In this drive every dealer will be free to solicit orders from all classes of buyers except large corporations, banks and trust companies. No cards or names will be assigned to individual salesmen unless requested. St. Louis dealers have already committed themselves for nearly the full amount. The program is in charge of the following who are designated as **"Syndicate Managers": Dumont G. Dempsey, E. Ken Hagemann, Louis J. Nicolaus, Joseph G. Petersen, Elvin K. Popper and Jerome F. Tegeler.**

Security Traders' Party

The annual election dinner and installation of officers of the Security Traders Club of St. Louis was held at the Coronado Hotel Nov. 9 at 7 p.m. The newly elected **President, Joseph G. Petersen of Eckhardt-Petersen & Co.,** addressed the members and introduced **Edward E. Parsons, Jr., of Wm. J. Mericka & Co., Cleveland, President of the National Security Traders Association.**

St. Louis Public Service Refunding

Plans for refunding the outstanding first mortgage 5s, due 1959, of the St. Louis Public Service Co., are understood to be proceeding rapidly. Details of the proposed new loan have not been made public but are expected to include a total of $6,000,000 bonds at an interest cost to the company of slightly less than 3%. Balance of the $7,637,200 of bonds outstanding would be retired from treasury cash. Reflecting these developments St. Louis Public Service incomes have moved up to a new high of 75 compared with a low this year of 60½.

Recent Underwriting Activities

Several Missouri dealers were members of the underwriting group headed by **W. C. Langley & Co.** of New York, offering $16,981,000 Potomac Edison first and collateral trust 3s, 1974, at 102½. Included were **Metropolitan St. Louis Company, I. M. Simon & Co. and Stifel, Nicolaus & Co., Inc.**

Mellon Securities Corp. of Pittsburgh headed an underwriting group offering $23,000,000 first mortgage 3s, 1964, and $11,400,000 serial notes of Koppers Company and 150,000 shares 4¾% cumulative preferred and 200,000 shares of common stock of Koppers Company, Inc. St. Louis dealers included **Reinholdt & Gardner** and **Stifel, Nicolaus & Co., Inc.**

Shields and Company of New York offered 120,000 shares of Wyandotte Worsted Company $5 par common at $11 per share. **Friedman, Brokaw and Samish** and **Reinholdt & Gardner** were among the underwriters.

F. Eberstadt & Co. of New York headed the underwriting group, including **A. G. Edwards and Sons** and **Metropolitan St. Louis Company,** which offered 177,689 shares of Gleaner Harvester Corp. common at $18 per share.

National Candy Earnings

National Candy Company had net income (exclusive of post-war credit) for the third quarter this year of $264,496, or $1.19 per share, compared with $273,807, or $1.25 per share, on the same basis a year ago.

Houston Lighting Bds. Offered by Dillon Read

An underwriting group headed by Dillon, Read & Co., offered Nov. 15 $30,000,000 first mortgage 2⅞% bonds, due 1974, of Houston Lighting & Power Co., at a price of 102½ plus accrued interest. The Dillon, Read group was awarded the issue at competitive sale Nov. 13 with a bid of 101.76.

Net proceeds of this financing will be applied to the redemption at 105 and accrued interest of $27,500,000 Houston Lighting & Power Co. first mortgage bonds 3½% series, due 1966. The remaining balance of the net proceeds from the sale of the new 1974 series bonds will be added to the working capital of the company.

Giving effect to the present financing, the company will have outstanding $30,000,000 first mortgage bonds 2⅞% series, due 1974, 97,397 shares of $4 cumulative preferred stock and 517,999 of common stock.

Associated with Dillon, Read & Co. in the offering are: A. C. Allyn & Co., Inc.; Baker, Weeks & Harden; Bear, Stearns & Co.; Dallas Union Trust Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Hemphill, Noyes & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; W. C. Langley & Co.; Laurence M. Marks & Co.; Paine, Webber, Jackson & Curtis; Rauscher, Pierce & Co., Inc.; Reynolds & Co.; Riter & Co.; E. H. Rollins & Sons Inc.; L. F. Rothschild & Co.; Salomon Bros. & Hutzler; Tucker, Anthony & Co., and White, Weld & Co.

Post-War Municipal Bond Yields And the Future of Interest Rates

(Continued from page 2131)

increase in the general level of interest rates.

Over the past 12 years yields on high-grade State and municipal bonds have dropped from rather generous levels almost to the vanishing point. More specifically the "Bond Buyer's Index" of yields on 11 high-grade municipals, recently at 1.30%, has traveled almost three-quarters of the way to zero from the 4.90% yield prevailing on May 1, 1933. The investment necessary to produce a $10,000 annual tax-exempt income in these 11 credits for many years was reasonably close to a quarter of a million dollars. Now three times this investment is required, as shown in the following table:

1895	*$271,000
1900	*308,000
1905	*287,000
1910	256,000
1915	233,000
1920	201,000
1925	244,000
1930	246,000
1935	333,000
1940	454,000
Nov. 1, 1944	752,000

*20 bond index.

The average prevailing in 1935 was the lowest on record up to that year, but investment of a given sum in the 11 municipals now will produce only 44% of the income obtainable at the 1935 level.

In 1929, an investor could have purchased at about par a high-grade 4¼% municipal bond due in 1964. After receiving 4¼% tax-exempt income for 15 years, the investor could today dispose of this investment with its 20 remaining years of life at a price some 40 or 50% in excess of its 1929 cost.

The tax-exempt market has reached these dazzling heights both through a decline in the general level of interest rates to an all-time low, and through a widening of the spread between the yields available on taxable and on tax-exempt bonds. The following tabulation is indicative. In order that the corporate average reflect uniformly high credit standing throughout, the yields are on Aaa railroad bonds through 1930, and thereafter on Aaa public utility bonds.

COMPARATIVE YIELDS OF CORPORATE AND MUNICIPAL BONDS

Average Yield	Moody's Aaa Corporate	Bond Buyer's 11 Municipals	Ratio of Municipal Yield to Corporate
1919	5.23%	4.48%	86%
1920	5.64	4.98	88
1921	5.42	5.03	93
1922	4.74	4.20	89
1923	4.86	4.23	87
1924	4.78	4.19	88
1925	4.70	4.10	87
1926	4.57	4.10	90
1927	4.36	3.98	91
1928	4.40	3.98	90
1929	4.64	4.28	92
1930	4.45	4.07	91
1931	4.36	3.87	89
1932	4.61	4.33	94
1933	4.29	4.29	100
1934	3.92	3.73	95
1935	3.52	3.00	85
1936	3.21	2.63	82
1937	3.21	2.67	83
1938	3.02	2.58	85
1939	2.89	2.43	84
1940	2.77	2.20	79
1941	2.69	1.79	67
1942	2.73	1.89	69
1943	2.65	1.59	60
Sept. 1, 1944	2.64	1.30	49
Nov. 1, 1944	2.70	1.33	49

The decrease of the above ratio since 1938 may be attributed primarily to steadily increasing Federal income tax rates during the period and to a shrinking supply of available tax-exempt bonds since 1941.

A downward revision of income tax rates after the war is inevitable, with a reduction in or elimination of the excess profits tax expected to be among the first items on the agenda. Maintenance of the present tax structure in peacetime would stifle the incentive to take business risks and defeat the very purpose of high tax rates: the raising of huge amounts of revenue. The argument that post-war Federal expenditures may run close to $25 billion dollars is no justification for income tax rates that exceed the point of diminishing returns.

Effect of Tax Revisions

Illustrative of the direction that public sentiment is taking is the widespread interest in post-war tax plans being advocated by responsible groups. Representative are the Committee for Economic Development, Ruml-Sonne, and Twin Cities proposals, which are compared below with 1937 and current tax rates. The percentages given are the rates of tax on income just in excess of the amount shown:

Income After Exemptions—	Middle Proposal C. E. D.	Ruml-Sonne	Twin Cities With Sales Tax	Twin Cities Without Sales Tax	Actual 1944	Actual 1937
$20,000	42%	38%	28%	34%	59%	19%
50,000	47	50	40	50	78	35
100,000	52	62	48	62	92	62
500,000	64	66	60	75	94	74
1,000,000	70	66	60	75	90	77
Corporations	*18	†5	‡40	‡40	§40	¶15

*Credit for 18% tax paid given stockholders on dividends. †Also a 16% tax on undistributed profits. ‡40% of dividends received by stockholders constitutes tax-exempt income. §Also an excess profits tax. ¶Also a surtax on undistributed profits.

In addition to proposing a cut in personal income tax rates (to a point below 1937 in the higher brackets), all three plans emphasize the necessity for the reduction or elimination of double taxation of corporate earnings in order to attract capital into corporation equities from its haven, tax-exempt bonds. It is believed that a strong case for this reform will be made to Congress at an early date.

Many present investors in municipals would prefer to own stocks holding possibilities of capital appreciation but consider the negligible dividend yield after existing taxes an effective bar to their purchase. It is interesting to observe how the yield after taxes on the average stock would be affected under these tax plans, assuming in the case of Committee for Economic Development and Ruml-Sonne that the dividend rate is increased by the corporation's normal and surtax saving thereon. All three plans propose abolition of the excess profits tax, but we have made no adjustment for the effect of its elimination. Such elimination not only would increase corporate earnings, but would diminish the demand for municipals from banks now finding them invaluable for reducing excess profits taxes.

The table below assumes a present dividend rate yielding 4.6% on the market value a representative figure:

DIVIDEND YIELD AFTER TAXES UNDER

Income After Exemptions—	Twin Cities With Sales Tax	Twin Cities Without Sales Tax	Middle C. E. D.	Ruml-Sonne	Present Law
$20,000	3.8%	3.7%	4.4%	4.5%	1.9%
50,000	3.5	3.2	4.1	3.6	1.0
100,000	3.3	2.9	3.7	2.8	.4
1,000,000	2.9	2.5	2.3	2.5	.5

Thus, even in relatively high income brackets, stock yields would offer considerable attraction in comparison with present municipal rates, and future adoption of the principles of these proposals would have the effect of reducing the demand for tax-exempt bonds, especially if the capital gains tax is further reduced. Moreover, municipal bonds in the hands of a corporation might carry little or no tax advantage under these plans (depending on the exact provisions of the laws), thereby eliminating an important group of buyers at present levels.

Post-War Municipal Bond Issues

Another reason to look for a lesser spread between municipal and corporate yields is the prospective flood of municipal offerings after the war. In the decade ending June 30, 1941, new issues of State and local government bonds approximated retirements, and maintained the net local debt at close to $16 billion dollars. After the war, we have not only this normal level of new issues to anticipate, but also a great accumulation of deferred maintenance and improvement projects to finance. (As an indication, it is estimated that the State of California is half a billion dollars behind on its highway program alone.) The measure of what will be done is not in the programs which have already been laid out, for numerous municipalities are only beginning to take stock of their post-war needs. Following is the United States Department of Commerce estimate of net State and local government debt outstanding on June 30 of each year in billions of dollars:

1919	$5.4	1932	$16.8
1920	6.1	1933	16.8
1921	6.8	1934	15.9
1922	8.0	1935	15.9
1923	8.5	1936	16.0
1924	9.4	1937	15.8
1925	10.4	1938	15.7
1926	11.1	1939	16.0
1927	12.0	1940	16.2
1928	12.8	1941	16.3
1929	13.7	1942	15.8
1930	14.7	1943	14.8
1931	15.9		

A reasonable estimate of the present total would be $13.8 billions.

Between 1919 and 1933 the supply of totally tax-exempt bonds more than tripled, then was held in a narrow range to 1942. But in the last two years, however, the supply has declined by about an eighth. With a large volume of municipal bonds available, the purchaser in the high-tax brackets competes with many in the low brackets and as a result pays only a moderate premium for his tax exemption. When the supply shrinks, however, the competition is with more necessitous bidders and the premium increases. During a long period of time the premium for the tax-exempt privilege was so moderate that portfolios with little or no tax problem purchased municipals for reasons of quality, diversification, availability, legal status, etc. In recent years, however, we have witnessed account after account drop from the ring of municipal buyers and of late some of these former purchasers have turned sellers.

A preceding table indicates that the spread between municipal and corporation bond yields until recent years usually was something less than an adjustment for the corporation income tax. Inasmuch as they paid no surtax until 1941, corporations received as much tax advantage by holding partially exempt U. S. Treasury bonds as from ownership of municipals. Since 1941, however, the corporate surtax has reached 16%, while the supply of partially and totally tax-exempt Treasuries has been cut down almost 40% (about $15.-000,000,000), with the probability that another 40% will be retired in the next seven years. In the future it seems likely, therefore, that the minimum rather than the maximum spread between corporate and tax-exempt yields will be established by the tax advantage accruing to a corporation through the holding of a municipal rather than a corporate bond.

Just what this tax advantage is depends, of course, on future adjustments of corporation tax rates. The standard tables showing equivalent yields of taxable and tax-exempt bonds are misleading in that they assume the going tax rates to continue without change over the life of the bond. The true equivalent yield of a 20-year tax-exempt bond can be figured only after ascertaining the tax bracket of the holder in each of the succeeding 20 years. Thus, present tables of equivalent yields may prove to overestimate considerably the value of tax-exemptions, just as tables of 10 or 15 years ago grossly underestimated it.

In resigning ourselves to a continuation of high income tax rates, we have perhaps given too little consideration to the potential national income from which the Federal budget is to be supported. In the decade following the last war, the national income averaged 220% of the pre-war. Such a gain this time would give us a post-war annual average of close to $150,-000,000,000. At this level, income tax rates could be lowered considerably and present tax-exempt yield equivalent tables would prove to be completely erroneous except with respect to very short maturities.

Perhaps more effective now as a price-making factor than the net total of municipal bonds outstanding is the volume of new issues coming on the market. This is because many present holders of municipals, having purchased their bonds at reasonable levels, continue to hold them, while at the same time refusing to replace maturing or called tax-exempts at these levels. Thus, if new issues were to equal retirements, preserving a constant amount of bonds outstanding, it would take enlargement in the municipal portfolios of present buyers to preserve present price levels. Otherwise prices would have to be reduced to interest more accounts than are now in the market.

Evidence of the ability of present buyers of municipals (including new purchasers forced into the market by high tax rates) to expand greatly their portfolios is still lacking. In an interesting tabulation, the "Bond Buyer" recently estimated the total amount of outstanding State and municipal bonds to have declined from $20 billion to $17.5 billion, or 12½%, between June 30, 1941 and Sept. 1, 1944. Holdings of insurance companies and other corporations (except commercial banks), mutual savings banks and other tax-exempt institutions, and Federal, State and local government trust funds, reflecting liquidation from these sources, were off 27%. To take up the slack, commercial bank holdings declined less than average, or by 8%, while individuals (including private estates and trusts) increased their holdings from $7.8 billions to $7.915 billions, or by a nominal 1½%. The test of the market will come when the volume of new issues exceeds the run-off in the portfolios of present buyers by a substantial margin.

State and municipal bond flotations, as reported by the "Commercial and Financial Chronicle," have run as follows:

(000 omitted)

Monthly Average—	New Money	Refunding	Total
1922-1926	$103,251	$1,101	$105,452
1927-1931	115,683	2.627	118,310
1932-1936	60,646	16,802	77,448
1937-1941	64,708	23,863	88,571
1942	28,537	15,105	43,642
1943	14,645	21,624	36,269
1944 (9 mos.)	18,002	29,280	47,282

Not included above are sales from their portfolios made by insurance companies, pension funds and other large holders who are reinvesting in taxable U. S. Government securities. If an estimate of this liquidation in the last 33 months of one billion dollars be added to total new issues, including refunding bonds, the average for the period would run about 81% of the 1937-1941 average. The total amount of net debt is about 85% of the 1941 figure. It seems reasonable to conclude that a sharp increase in both new issues and in the amount of outstanding municipals would reduce sharply the premium now being paid for tax exemption.

Future Interest Rates

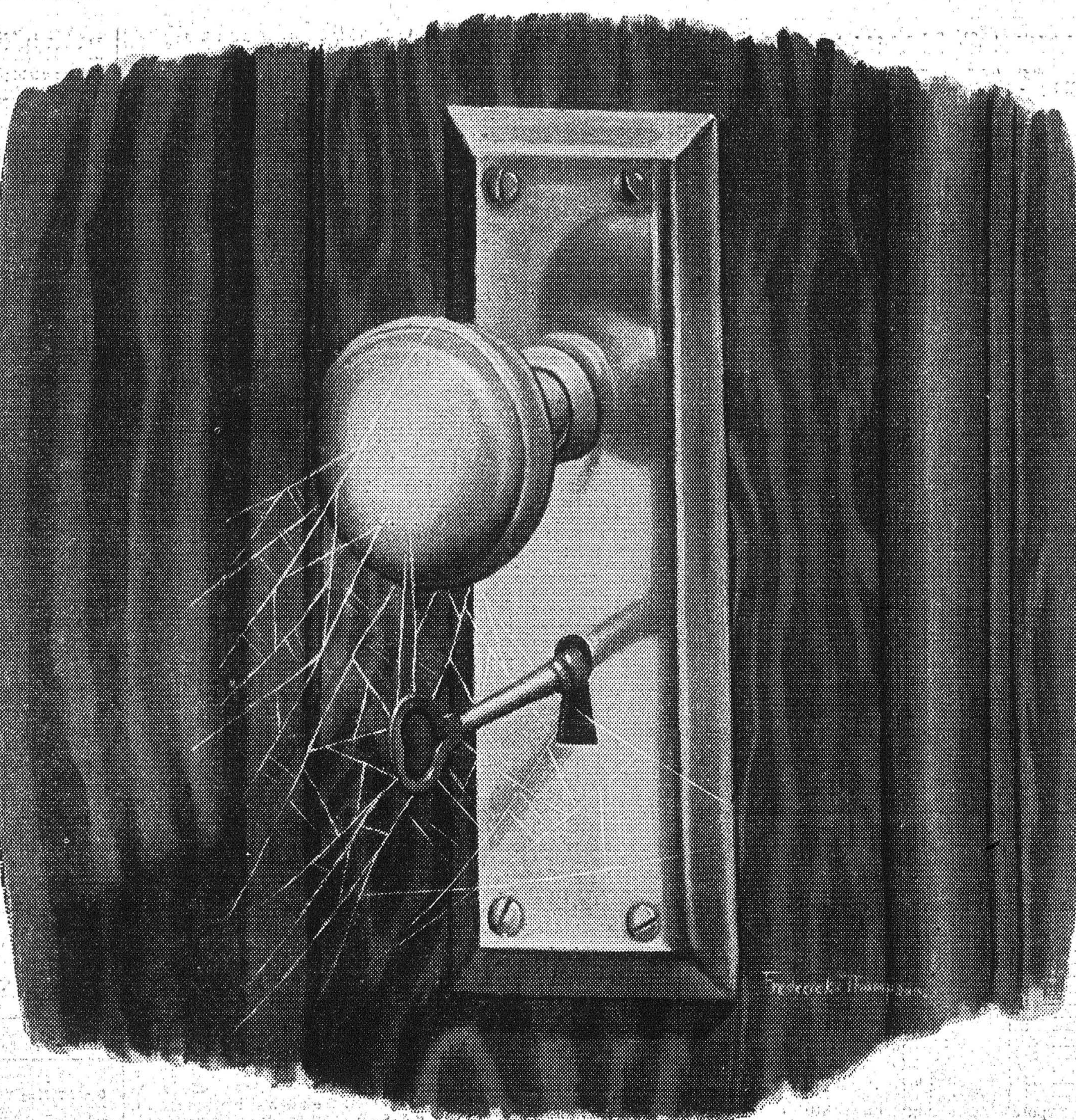
We feel also that there are grounds for anticipating a higher level of interest rates on taxable securities. The unparalleled drop in interest rates during the 1930's was primarily a result of the great gold inflow following the devaluation of the dollar, combined with a generally subnormal level of business activity. For two and a half years the monetary gold stock has been declining and post-war conditions may accelerate this trend.

Much stress has been laid upon the argument that the Federal Government must maintain an easy-money policy for many years to come because of the huge national debt. It should be noted, however, that an increase of 1% in the average rate of interest on refunding Treasury issues would amount to no more than 12% or 15% of the estimated post-war Federal budget. The maintenance of a sound and sustained high level of national income is a far more important and constructive objective in achieving a budget balance than the mere preservation of the present borrowing rate. A post-war revision of the tax laws which would encourage the taking of business risks may result in a stimulation of private enterprise which would have the not altogether undesirable effect of stiffening the interest rate.

Some protection against declining Treasury bond prices might have to be offered banks, insurance companies, and other investors in which the public has an interest. Freezing of portfolios, exchange for higher coupon issues, borrowing privileges at the Federal Reserve Bank, etc., may solve this problem. We are considering here, however, the non-Federal market where a sizable readjustment in prices could occur without necessarily involving rates on Treasury bonds. In 1928, for instance, the Treasury 4¼s, 1952/47 were selling at an average yield of 3.30% (corporation equivalent 3.83%), while Moody's Aaa rails yielded 4.40%. The fully taxable spread of .57% has now lessened to a spread of only about .22% between the fully taxable 2½s, 1972/67, and Moody's Aaa utilities. In the post-war period the spread could conceivably exceed that of 1928.

It is mathematically demonstrable that our credit base can be increased through reduction of reserve requirements of both Federal Reserve and member banks to accommodate the needs of a further vast credit expansion. From a practical standpoint, however, it seems likely that if money is cheap and the prospects for profits bright, a continuing demand for loans (whether for expansion of business plant or merely for speculation in inventories, real estate, security markets, etc.) will eventually strain the credit structure if allowed to run unchecked. Even under the aegis of the present money managers, the 1937 boomlet created a break in the bond market.

The proposition we advance is that an atmosphere conducive to the acceptance of business risks will be created after the war and that such atmosphere will certainly culminate in a speculative boom if unlimited low-rate credit is made available. (Witness the easy-money policy of the Federal Reserve System in the middle 1920's.) We believe the American people to be too restive under present economic controls to tolerate them long after the war. The logical method of controlling over-expansion is then through a tightening of the credit reins, with a consequent increase in the borrowing rate. To our mind, the permanence of the present low level of interest rates would connote a permanency of lack of speculative incentive, and we do not believe that the nation has reached so sorry a state as this.



Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

As was pointed out two weeks ago in this column, bank stocks have given a better performance thus far in 1944, than have leading industrial stocks. Despite, however, an appreciation of 11.6% since Dec. 31, 1943, as measured on the American Banker Index, they are still far below their 1937 highs. Currently (11-9-44), the American Banker Index is 42.4, while at its high on Feb. 10, 1937, it was 61.2. Thus, if bank stocks are to reach their 1937 highs, they will have to appreciate 44.5% from current levels.

Meanwhile the earning assets, earnings and book-values of leading New York City banks have moved in the opposite direction, having experienced substantial expansion. Consequently, market ratios today are very favorable to the investor, and his investment dollar currently will purchase substantially more assets, earnings and book-value than was possible during the 1937 market.

This fact is brought out in the accompanying tabulations. Table I shows the 1937 market high for 15 leading Wall Street banks in relation to 1937 earning assets, book-values and earnings, while Table II shows the current market in relation to current statistical data.

TABLE I

	Earning Assets Per Share 12-31-37	Book Value Per Share 12-31-37	Net Operating Earnings Per Share 1937	Market 1937 High
Bank of Manhattan	$173	$22.93	$1.78	41½
Bank of New York	2,186	322.88	20.33	550
Bankers Trust	256	40.77	2.95	86½
Central Hanover	558	87.12	7.50	153½
Chase	220	31.31	2.03	65½
Chemical	190	37.31	3.09	86
Corn Exchange	302	44.07	2.87	77¼
First National	4,233	1,182.08	106.78	2,710
Guaranty Trust	1,318	301.88	15.03	394
Irving Trust	85	22.35	0.73	20¾
Manufacturers Trust	297	38.79	4.45	71
National City	220	25.84	1.53	61½
New York Trust	556	80.60	6.12	164
Public	298	39.87	3.03	58
United States Trust	3,518	1,538.04	82.51	2,150
Average	$960.7	$254.39	$17.30	446

TABLE II

	Earning Assets Per Share 9-30-44	Book Value Per Share 9-30-44	Net Operating Earnings Per Share 1943	Market 11-9-44
Bank of Manhattan	$436	$25.83	$2.01	25⅞
Bank of New York	5,223	369.70	28.59	453
Bankers Trust	571	52.07	3.79	56¼
Central Hanover	1,289	100.45	6.54	108
Chase	514	38.33	2.33	42⅛
Chemical	530	42.17	3.42	51¾
Corn Exchange	688	50.45	3.56	55⅛
First National	9,812	1,270.43	106.16	1,740
Guaranty Trust	3,100	331.59	17.38	327
Irving Trust	205	21.48	1.00	15⅞
Manufacturers Trust	773	43.84	5.28	54
National City	560	40.47	2.44	40¼
New York Trust	1,079	87.95	6.51	105½
Public	798	50.49	3.30	46¾
United States Trust	6,569	1,522.11	87.07	1,485
Average	$2,120	$269.82	$18.63	$307

Market ratios are not shown, but may be easily computed for comparative purposes from the data given in the table. As a rough comparison between the two periods, however, unweighted averages of earning assets, book-values, earnings and market are given for both dates. Comparative ratios on this basis are as follows: Earning assets per dollar of market, $2.15 in 1937 vs. $6.97 now; book-value per dollar, $0.57 in 1937 vs. $0.88 now; earning yield, 3.9% in 1937 vs. 6.1% now. In other words, the investor's dollar today will purchase approximately 224% more earning assets, 55% more book-value and 56% more earnings. As mentioned before, this is a rough comparison because the averages are distorted by reason of such extremes in the list of stock prices, for instance, as Irving Trust and First National Bank.

As an example of an individual stock, let us consider Public National Bank, as follows:

	1937	1944	Betterment
Earning assets per $ of market	$5.15	$17.10	232.0%
Book value per $ of market	0.69	1.08	56.5
Earnings yield per $ of market	5.2%	7.1%	36.5

Another interesting comparison is Bank of Manhattan, which shows the following results:

	1937	1944	Betterment
Earnings assets per $ of Market	$4.08	$16.80	311.8%
Book value per $ of market	0.55	1.00	81.8
Earnings yield per $ of market	4.3%	7.8%	81.4

It will be noted that two banks show a decline in book-value, viz. Irving Trust and United States Trust. In the case of Irving Trust, the book-value was reduced in 1938 through a transfer of funds to a valuation reserve and for writing down the stated value of the bank building at No. 1 Wall Street. Since 1938 the book-value of the stock has been steadily rising. With regard to United States Trust, somewhat similar action was taken in 1942 when there was transferred from undivided profits, $828,000 to a valuation reserve and $100,000 for writing down the stated value of the banking premises. This resulted in a drop of $46.40 in the book-value of the stock.

Only one bank, Central Hanover, shows lower earnings in 1943 than in 1937, and this may be more apparent than real, because of the different method of reporting earnings today which renders strict comparison with the earlier period impracticable.

All in all, the banks are making a splendid showing, and since the evidence seems to point to a continuation of favorable operating results well into the post-war era, carefully selected and diversified holdings of stocks of leading New York City banks appear to offer attractive opportunities for steady income and long-term appreciation.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE JR.

The Government bond market took the election in stride with the only noticeable effect being a good demand for the partially exempt obligations on Wednesday, Nov. 8, thus extending the rise of the previous week. . . . There are indications that institutions in need of tax shelter still have a substantial interest in these securities, particularly in the last four maturities. . . . There seems to be a feeling in the market that, with the election out of the way, the Administration's views on taxes as expressed by War Mobilization Director Byrnes should be given full consideration, which means that excess profits taxes will probably be in effect until both phases of the world conflict have ended. . . . Likewise, it is realized that the tax rate, after the war, must be high enough not only to insure a balanced budget, but also to provide for debt retirement, since stability in our finances is one thing that must be beyond question. . . .

LONG-TERM TAXABLES SEEN FAVORED

This seems to indicate that with the elimination of excess profits taxes a corporate tax rate of at least 40% is to be expected, and this rate will probably be with us for a considerable period of time. . . .

This, together with the fact that the supply of partially exempt issues is rapidly declining, makes these obligations desirable holdings, particularly the longer term securities, since these bonds at present prices give a higher return after taxes than is available in comparable taxable issues. . . .

It was pointed out that almost 73% of the $22,170,743,500 of partially exempt issues to be outstanding at the end of the year will be retired by June 15, 1954. . . . The following table shows the amount of these securities that become callable or mature each year through 1954:

1945	$1,755,272,500	1950	$1,185,841,200
1946	2,343,580,500	1951	3,500,169,250
1947	1,460,018,700	1953	724,677,900
1948	2,245,905,400	1954	680,692,350
1949	2,277,502,050		

In less than 10 years the only partially exempt obligations outstanding will be the 2⅞% due 1955/60, the 2¾% due 1956/59, the 2¾% due 1958/63 and the 2¾% due 1960/65, the issues in which many institutions have been evidencing a real interest. . . . The insurance companies, according to the latest available data, are still fairly substantial holders of these long-term, partially exempts, but there has been no evidence yet that these institutions have decided to exchange them for other issues, although such a move may take place during the Sixth War Loan. . . .

"FREE RIDING" CURTAILED

The taxable issues were in demand in the past week, with a good tone being in evidence in the 2% due 9-15-51/53, the 2% due 6-15-52/54 and the 2¼% due 6-15-52/55. . . . The fact that the Treasury will strictly enforce regulations for subscriptions to the marketable issues to be offered in the Sixth War Loan may have been a contributing factor to the recent improvement in the taxable obligations. . . .

This will have a tendency to cut down the number of "free riders," particularly in the 2% bonds, which took place in a rather substantial way in the last War Loan Drive. . . .

After the ending of the Fifth War Loan, both the 2% bonds and the 1¼% notes went to premiums of 9/32 and 7/32, respectively, which meant that the temporary purchasers of these issues were able to get a quick profit while the institutions that were excluded from direct participation in the War Loan had to pay these premiums, while deposits were increased through these after drive purchases just as if the bonds had been bought directly from the Government during the drive. . . . Also, an important change has been made in the way in which commercial banks with savings deposits can make direct subscriptions to the 2% and 2½% bonds offered in the Sixth War Loan, and it was pointed out this may have an effect upon the 2% bonds to be offered in this drive, particularly from the standpoint of demand after the War Loan has ended. . . . During the coming drive commercial banks with savings accounts can subscribe directly to the 2% and 2½% bonds to the extent of 10% of their savings deposits, or $500,000, whichever is the smaller, and the amount of securities to be bought directly from the Government is not cumulative with reference to the amount of these obligations bought in any previous War Loan. . . . This means that many of the institutions with savings deposits are in a position to buy more

(Continued on page 2160)

Post-War Prospects

L. A. Darling Co. offers a situation with an excellent past record and exceptional post-war prospects, according to a circular being distributed by Allman, Moreland & Co., Penobscot Bldg., Detroit, Mich., members of the Detroit Stock Exchange. Copies of this interesting circular may be had from the firm upon request.

Attractive Situation

Mortgage bonds of Chicago North Shore & Milwaukee offer interesting possibilities, according to a report prepared by Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this report may be obtained from Reynolds & Co. upon request.

Futility of "Inflation" Discussion

(Continued from first page)

by those speakers and writers who seem to find it desirable to employ the word. For example, we find some users of the term contending that there is no "inflation" now, while others reach an opposite conclusion. Some of those who are predicting future economic conditions maintain that there will be no "inflation," while others insist that we will be faced with it.

There would probably be differences of opinion as to what the future will bring, even though the forecasters were dealing with the same evidence, for the reason that the forecasters might attach different importance to various parts of the evidence or interpret it differently. But that is not the point. Many of the differences of opinion as to what the future will bring in the way of "inflation" rest, essentially, upon the fact that the term means different things to different people. Predictions in the social sciences are difficult and sharply limited in value enough even when the scientists are classifying their evidence carefully and are using accurately-descriptive terms; but predictions based upon a word having a wide variety of meanings, or no worthwhile scientific meaning at all, are likely to be highly misleading, if not totally worthless. In any event, the confusion which now characterizes practically all discussions of "inflation" is unfortunate and apparently contributes nothing of value in so far as knowledge based upon scientific analysis is concerned.

If the term "inflation" had a specific, scientific meaning, economists should not disagree as to whether there was "inflation" in the 1920's, or the 1930's, or now. The fact is, however, that there is an endless amount of disagreement on these points and, to a large degree, it arises from the fact that the term "inflation" has no scientific meaning or value.

It is common to see the word "inflation" applied to a rising price level. Such use of the term cannot be defended in economic science because, for one thing, it would not distinguish a sound and desirable rise in the price level—as during a period of recovery from a depression—from a rise in the price level resulting from any number of undesirable and harmful factors such as the issuance of inconvertible paper money or the maladjustments caused by war. Furthermore, this use of the term reveals a thoroughly unscientific quality in the fact that it would compel one to insist that no "inflation" existed during the years 1923 to 1929 when the wholesale price level not only did not rise but was fairly steady and even sagged somewhat. The same would be true during the period of price controls of the present war. Still further, those who relate the term to the price level seem often, if not usually, to overlook the fact that the price level is nothing but a mathematical abstraction behind which lies all sorts of fluctuations in the prices of individual goods and services. They seem to forget that this mathematical abstraction, in the form of an index number of wholesale prices, can remain steady in the face of a multitude of instabilities and maladjustments among the various commodities and services which comprise it. For example, such maladjustments existed during the period of 1923 to 1929, during which the stability of the index of wholesale prices led so many people to infer that therefore all was well with the country, and that so long as the price level remained steady we would not be faced with a severe secondary postwar recession — a phenomenon which had occurred with a high degree of regularity after each of our major wars.

Today we seem to be repeating this same error in our thinking. One may read statements again and again to the effect that, since our index of wholesale prices is fairly steady, we have no "inflation" and we should therefore escape a postwar recession. We would do well to look back to the lessons flowing from the period of relatively stable prices from 1923 to 1929 and to remind ourselves, when we meet the assertion that there is now no "inflation" and therefore no cause for a business recession because the price level is fairly steady, that such a contention lacks validity under scientific analysis. In short, predictions of the type just mentioned have no scientific value.

There are those who use the term "inflation" to describe what they call a "sharply" rising price level. The difficulty here lies in the impossibility of drawing a line in any defensible way between a movement of prices that is "sharp" and a rise that is not sharp. Here, again, we have the question already mentioned: If "inflation" means only a "sharply" rising price level—whatever that may mean—the user of the term in this sense is compelled to admit that there was no "inflation" during the years 1923 to 1929 and that there is none during our present period of price control.

There are those who apply the term "inflation" to a depreciating currency. But a depreciating currency takes various forms; and it is thoroughly unscientific to attempt to lump this variety of forms into one category for the reason that such a classification fails to distinguish those depreciations that differ in their essential characteristics. For example, depreciation of a currency can refer to the declining purchasing power of all currency of a nation in terms of all goods and services in general—that is, it would mean nothing more in this sense than rising prices as revealed by some generalized index of prices. Depreciation of currency can refer to the declining value of all non-gold currency in terms of gold or in terms of some foreign currency or currencies without regard to the behavior of the domestic price level. Depreciation of a currency can refer to what is commonly called devaluation of a currency which may have no ascertainable effect on the behavior of domestic prices.

Sometimes the word "inflation" is applied to an expansion of a nation's currency—its money as distinguished from its bank deposits. Now, an expansion of a nation's money may take various forms, each differing from the others both in nature and in consequences. For example, an expansion of a nation's supply of gold and gold certificates is not the same in nature or in effect as the same amount of currency expansion in the form of inconvertible paper money.

Sometimes the word "inflation" is applied to a situation in which credit (for example, bank deposits) is extended or "greatly extended" against assets that are illiquid. Here the term may be used irrespective of the behavior of the price level, and, obviously, it is dealing with a phenomenon that may or may not have any ascertainable effect upon the price level at a given time or any predictable effect upon the price level of the future. It is quite probable that the essential characteristic of the term as used in this sense is that it is pointing to unpayable debts in a certain segment of the economic structure.

Sometimes the word "inflation" is applied to the behavior of prices of individual commodities and services regardless of the behavior of the price level. Such use of the term at least escapes the difficulties that often confront those who attempt to relate it to a rising price level. Those who employ the term in this sense seem, at least, to have an appreciation of the difficulties involved in attempting to build any scientific definition of "inflation" around such a mathematical abstraction as an index number of prices in general.

Perhaps the idea most common to all users of the term is that "inflation" is a bad thing; but just why it is bad is not always made clear. Indeed, it is here that some of the major inconsistencies appear in some of the popular concepts of "inflation." A rise in the price level which accompanies a recovery from a depression is not necessarily a bad thing; in fact, it can be thoroughly wholesome and proper. When, therefore, those who think "inflation" is an undesirable thing nevertheless relate it to a rising price level, they find themselves, or at least should find themselves, caught in a major inconsistency of concept.

It is not easy to generalize as to why so many people — even economists—seem to think it necessary or desirable to employ the word "inflation" considering its lack of scientific value. Even though an economist should take the time to build a definition of "inflation" that would meet all the requirements of science, the question would still arise as to the value of his definition in the face of the fact that the term is now used in so many ways, most of which are vague, thoroughly unscientific, and generally useless. Any economist employing the word in a carefully-conceived and scientific sense would find himself confronted with the necessity of explaining the nature and implications of his particular definition. This might be worth while if the particular phenomenon to which he is applying the term could not be described accurately in other words that would be free from confusion. But it is doubtful whether there are any economic phenomena to which the word "inflation" is now applied that cannot be described accurately and precisely in words which the general public could clearly understand with little difficulty. For example, if one is referring to the price level, why should he not speak of the price level? If he is referring to the prices of individual commodities or services, why should he not say so? If he is speaking of a depreciating currency, why should he not state specifically the particular brand of currency depreciation to which he is referring, and is there any reason why this could not be done in understandable terms?*

It seems quite clear that if the discussions of such things as the price level, or currency depreciation, or the extension of credit against illiquid assets, and the other phenomena of the type mentioned were carried on by the use of precise and accurately-descriptive terms, knowledge of these things would be advanced much more rapidly. It also seems safe to say that the use of the unscientific word "inflation" contributes nothing toward the advancement of understanding of the economic phenomena or forces to which the term is in various ways applied, and that there would be a real gain to knowledge if it were dropped from our economic vocabulary.

*After several years of study of the various uses of the word "inflation," this author built a definition of it which he believed to be scientifically defensible, and that definition has appeared in economics textbooks, pamphlets, and elsewhere. But the fact seems to be that the word so defined has no particular virtues beyond pointing out several of the weaknesses and inconsistencies in more popular definitions. It describes nothing that cannot be described in other precise and understandable terms.

Mutual Funds

Measures of Undervaluation

Accent on **value** is the predominant theme of investment company literature these days. The most recent publications of at least four leading investment company sponsors stress the values available in their offerings.

Distributors Group, in a letter entitled "A Visual Measure of Undervaluation," introduces new folders on **Railroad Equipment Shares, Railroad Stock Shares** and **Steel Shares,** which enable the reader to see at a glance the present degree of undervaluation in these groups.

Large charts showing the average price and average earnings of each group are scaled on a 10-to-1 ratio so that present price-earnings relationships can be compared with past periods and also with estimated post-war earnings.

For example, the chart on railroad equipment stocks shows that, on average, these stocks sold at

—almost 20 times earnings in 1929

—more than 20 times earnings in 1937

—approximately 10 times earnings in 1940

and are selling at less than 10 times earnings today!

The letter concludes: "Extreme undervaluation is also apparent in the railroad stocks and the steel stocks. In fact, all three groups are now selling at less than 10 times current earnings and at less than 5 times their estimated average post-war earnings!"

* * *

Hugh W. Long and Co., in a memorandum on **Railroad Series of New York Stocks, Inc.,** shows the values available in railroad stocks by comparing estimated post-war earnings with those of the peacetime and wartime years from 1936 through 1943. Moody's estimates of railroad post-war earnings form the basis of the study.

"In 1937—during peace—the average price of shares in Railroad Series was 68% higher than current quotations. In the same year, earnings were only 38% of the post-war estimate."

* * *

Lord, Abbett's current issue of **Abstracts** discusses the values available in utility holding company preferred stocks of the type which comprise a large percentage of the portfolio of **Union Preferred Stock Fund.** The "break-up" values on eight utility holding company preferreds which were covered in a recent article in Barron's are tabulated against their current market prices.

"A little arithmetic," comments the memorandum, "brings out the fact that on the basis of this author's minimum estimates these eight preferreds are selling at an average discount of 35%. On the basis of his maximum estimates, they are selling at a discount of over 51%!"

From these figures, **Lord, Abbett** derives the striking caption, "A Dollar of Value for Forty-Nine Cents."

* * *

National Securities & Research Corp., in Letter No. 10 on **National Stock Series,** emphasizes the values in this fund in a somewhat different way. The letter is entitled, "A $2,000,000,000 Bonus for Investors." This figure is derived from the fact that the total market value of the 38 issues now held by National Stock Series is estimated at $2,000,000,000, while the total net assets applicable to the common stocks of all these companies is estimated at about $4,000,000,000. Thus, it is pointed out, the investor in this fund purchases almost $2 in assets for each $1 laid out by him.

Seventh Anniversary

The George Putnam Fund was seven years old on Nov. 1, 1944. Total assets now exceed $10,300,000 and the current worth of the fund exceeds by a sizable figure the net amount paid in by investors. In addition, shareholders have had a return on their money averaging something better than 5%.

This record and the next seven years are discussed by the Trustees in the November **Portfolio Review.** And what about the next seven years? The Trustees state that, "The broad goal of the **Putnam Fund** will remain unchanged. . . .

"The person who is seeking to achieve a measure of financial independence and security for himself and his family needs help these days. The old avenues for the employment of his savings—such as the savings bank and high-grade bonds—are no longer as attractive as they used to be due to the very low rates of return. Investment t r u s t s, with their greater flexibility and wider diversification, are in a position to provide a place for careful money if managements have the courage and the foresight to think more largely in terms of investment rather than speculation."

Tax Exemption

Keystone Corp., in the current issue of **Keynotes,** draws attention to the annual gift-tax exemption which, for the year 1944, will expire next Dec. 31.

"Every investor has the right to make an annual gift up to $3,000 each without gift tax—to any desired number of beneficiaries. So far as the 1944 exemption is concerned, this opportunity is available only until Dec. 31. These gifts of $3,000 each are in addition to the basic exemption of $30,000, which can be made only once."

Keynotes then lists the advantages to both the investor and to the recipients of making such gifts in the form of securities. A $3,000 program divided among 3 of the 10 **Keystone Custodian Funds** is suggested.

"The investor who makes a gift of a $3,000 program such as this not only reduces his income and estate tax liabilities but also contributes to the financial independence and investment education of the recipients. He provides them with a solid foundation upon which to build financial security by careful saving and intelligent investing."

Story of UPS

A detailed discussion of the management policies and results of **Union Preferred Stock Fund** has been issued by **Lord, Abbett** in an attractive "legal-type" memorandum. "In uncertain times," states the memorandum, "protection of capital in this field would call for a portfolio consisting only of the very highest grade preferreds. . . .

"It is the conviction of the **Lord-Abbett management,** however, that present and prospective conditions do not call for investment in this storm-cellar class of preferreds. Rather, their studies indicate that present and post-war conditions strongly justify a portfolio offering a higher return, and outstanding possibilities for capital gains."

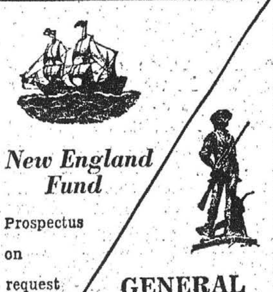
Growth of National Securities Series

In the current issue of **National Notes** the g r o w t h record of **National Securities Series** from April 30, 1941 to Oct. 31, 1944, is given. On the beginning date, combined net assets amounted to $1,078,354. By April 30, 1944, combined net assets had climbed to $9,802,026.

In the past six months an even more rapid rate of growth has occurred with the result that combined net assets on Oct. 31, 1944, stood at $15,382,040.

Mutual Fund Literature

Lord, Abbett—A recent issue of **Abstracts** entitled, "Tidal Wave," comparing "liquid assets" in the United States with stock prices over the past 28 years; a revised Composite Summary folder for November; revised portfolio folders on **Affiliated Fund** and **Union Bond Fund A. . . . Distributors Group**—A special month-end price comparison on all classes of **Group Securities, Inc.;** revised portfolio folders on **Railroad (Bond) Shares, General Bond Shares** and **Low-Priced Shares. . . . National Securities & Research Corp.**—Revised Current Information folder for November. . . . **Selected Investments Co.**—Current issue of **Selections** showing the effects of excess profits taxes on earnings of selected companies; the current issue of "These Things Seemed Important."



How Smaller Business Can Finance Plant Expansion

(Continued from page 2132)

nological advances can be translated into new and improved products for the public, however, huge purchases of machinery and equipment must be made by manufacturers to create the necessary productive capacity.

Should Cash Resources Be Used?

American business today possesses far larger amounts of cash and Government securities than ever before in history. Heavy depreciation reserves, the reinvestment of earnings, and the liquidation of inventories and receivables have added billions to the cash resources of business during each war year.

Will these cash resources provide the funds needed to pay for large scale machinery purchases when the war is over? This question has been asked repeatedly. No simple and uniform answer can be given today. All past experience tells us, however, that it will be short-sighted and can be disastrous for businessmen to pay out cash resources too freely for the purchase of machinery and other fixed assets, for they may then find that their working capital to finance current operations has been impaired.

A very important reason for the great wartime expansion of cash reserves of business enterprise was the liquidation of peacetime inventories and receivables with the shift to war production. When peace returns, inventories of civilian goods and receivables will again be built up. If the expected boom in civilian industries occurs, inventory and working capital needs will become far larger than ever before. Working capital requirements will be swelled also by the prospect of deficit operations for a time during the reconversion transition, since many concerns will be operating at a low rate of capacity and outgo may exceed income for a number of months at least.

As reconversion proceeds, competition in industry will become intensified and profit margins will be narrowed. It is not safe, therefore, to rely upon current earnings of the post-war years to help finance working capital requirements at that time.

It is imperative, therefore, to maintain a strong working capital position after the war. True, deferred maintenance of equipment and some purchases of new machinery can be paid for out of cash or the sale of Government securities now on hand. By and large, however, the more conservative course of action would be to retain cash resources intact for working capital needs, immediate and eventual, and to turn to other means of financing purchases of new plant and equipment, which are fixed assets.

Available Alternatives: Bank Loans

The manufacturer who has decided upon a program for equipment purchases and who does not want to use his liquid resources for this purpose faces several alternatives in the financing of the equipment he requires. He can seek a bank loan for the purpose. He may be able to float a bond or stock issue. He may turn to the Reconstruction Finance Corp., the Smaller War Plants Corp., or some other Government agency. Finally, financing arrangements can be made with a sales finance company for the purchase of instalment notes to spread payment for the machinery over a period of time, so that the maturities may be met partially or substantially out of depreciation deductions.

We shall consider each of these alternatives in turn.

The use of bank loans for this purpose has been facilitated to some extent by the policy of bank supervisory authorities in the examination of loans since 1938. Loans are no longer criticized merely because they are "slow." The basis for the appraisal of loans is now the prospect of ultimate repayments. As a result, many commercial banks are theoretically freer to make intermediate term loans of the type required to finance the purchase of productive machinery.

However, many manufacturers wish to utilize their bank credit loans fully to finance inventories and receivables, particularly since they look forward to a much larger volume of business after the war than before. When a substantial loan of longer term is secured from the bank to pay for machinery purchases, other credit relations between the customer and the lending institution are necessarily affected. If the result is to reduce the line of credit available for working capital, even moderately, the question arises whether this method of financing machinery buying is desirable.

The chief difficulty about the use of longer-term bank loans to finance equipment purchases is that such advances are available as a rule only to concerns with exceptionally strong credit standing. The rank and file of smaller and medium-sized enterprises cannot count upon bank loans running longer than six months. In many medium-sized cities and smaller towns such loans are not available at all through local channels, and manufacturers there are not in position to travel to Chicago or New York to obtain longer-term credits from banks there. For numerous manufacturers of smaller size the use of bank loans to finance equipment purchases is not a practical alternative.

Where a manufacturer wishes to reserve his bank credit for working capital purposes, which is the traditional policy, other methods must be favored for the financing of equipment purchases. For very many smaller manufacturers this method is not available at all.

Security Issues

Manufacturers can resort to the sale of security issues to finance the machinery they require.

In the case of a very large corporation that wants to raise many millions of dollars, the security markets provide a preferred means of financing. However, it may not prove to be good business for many of the thousands of manufacturers who want to raise from a few thousand to a few hundred thousand dollars for this purpose to resort to the security markets.

In the first place, the type of securities that can be sold may have to remain outstanding long after the equipment bought with the proceeds has been retired from use. Then, too, the cost of financing through security flotations may be too high. The average cost of flotation of stock offerings of smaller corporations between Jan. 1, 1938 and June 30, 1944, was revealed in a study just issued by the Securities and Exchange Commission. This study shows that 21.6% of the gross proceeds of the sale of stock issues by companies with assets of less than $1,000,000 was absorbed by the cost of issuance.

In the case of larger corporations with assets of $1,000,000 to $5,000,000 the average cost of flotation was 15.8%.

The study also revealed that 50% of the issues sold through investment bankers did not provide for a firm commitment by the bankers to purchase the securities from the issuers. In cases where no firm commitment was obtained, the issuing corporations, of course, could not ascertain whether the actual money sought through the sale of securities was available until the bankers actually attempted to find investors willing to buy them.

Government Agencies

It cannot be known at this time to what extent and under what conditions business enterprises of small and medium size will be able to borrow from Government agencies or Government-financed lending institutions after the war. Many proposals for such loans have been advanced. Some of these would develop existing institutions like the Smaller War Plants Corporation for this purpose. Others contemplate the creation of new agencies to facilitate the financing of smaller business enterprises.

The very uncertainty concerning the Government's plans for providing the new capital financing facilities for business militates against reliance upon this source of capital. Furthermore, enterprises that have relied on Government financing in the past have encountered on occasion undesirable features, such as salary limitations and other restrictions that are not imposed by private agencies advancing credit on similar terms. Generally speaking, managements of many enterprises prefer to raise capital through private sources so long as this is possible on a reasonable basis.

Sales Finance Companies

Manufacturers can finance their purchases of machinery and equipment through the use of sales finance companies. This plan provides for a cash down payment, and instalment or term payments for the balance of the purchase price due, spread over periods running up to several years. In this way, the earnings derived from the equipment automatically provide funds for the payment of the instalment notes due.

Discussing this method of financing equipment purchases by manufacturers of small and medium size, Arthur O. Dietz, President of Commercial Investment Trust, Inc., who has himself played a leading role in the development of term financing of machinery purchases, stated to the author: "Term financing enables a manufacturer to pay for the equipment he needs out of earnings, instead of depleting his cash resources or incurring a debt in connection with the equipment purchase that would extend beyond its useful life.

"In general, the cost of instalment financing of purchased machinery to the manufacturer is reasonable as compared with other types of intermediate financing. This is particularly true if comparison is made with the cost of selling a security issue in an amount of, say, $250,000. C. I. T., in the light of its experience in the financing of millions of dollars of machinery, has found that its credit experience is good and its loss ratio small. As a result, the rates charged do not provide for a substantial loss reserve.

"From the standpoint of the manufacturer who buys the machinery, the use of the term financing device holds out additional advantages. As a result, its bank credit position is improved because the purchase of income producing equipment strengthens his earning power, which will make banks the more ready to lend funds of short term to meet payrolls, to carry short term receivables and to purchase inventories. Where a manufacturer prefers to factor his accounts receivable, as is so commonly the case today, the use of term financing for machinery purposes does not effect his ability to do so. The two types of credit are used for entirely separate purposes. The factoring concern is interested solely in the quality and value of the receivables themselves when providing a line of credit against them, and is not directly interested in the way in which machinery purchases are financed."

Term financing of machnery purchases is arranged by sales finance companies in two ways. First, the manufacturer who wishes to pay for machinery on the instalment plan can apply directly to the sales finance company for terms. Secondly, the purchaser can request the seller of the equipment to make the requisite arrangements so that payments can be made on the instalment plan. As a practical matter, some sellers of equipment are not acquainted with instalment sales procedure or the advantages inherent in this method of financing. For this reason, where a manufacturer finds that the seller of the equipment does not customarily offer instalment credit terms, it is preferable to apply directly to the sales finance company for the financing. The manufacturer then pays cash in full for the equipment, after having made arrangements to secure the funds desired from the finance company.

Term financing of equipment is a well established practice today in some industries, but not yet in others. For example, textile, printing and construction machinery is sold in large quantities on an instalment basis, and the practice is becoming as well established in these fields as in the sale of consumer durable goods. In fact, wherever standardized machinery is being sold to a large number of smaller and medium-size manufacturers this type of financing can be applied on a mass basis. On the other hand, equipment of a more specialized character that is sold to a relatively small number of buyers is less suited to such financing and a much smaller volume of machinery is sold in this way.

Conclusion

The financing on reasonable terms of large-scale purchases of machinery and machine tools is a fundamental prerequisite for a period of business prosperity and widespread employment after the war.

Manufacturers have a choice of several methods of financing such purchases. For medium and smaller-sized concerns, the use of term financing arranged through a sales finance company possesses a number of advantages and avoids several disadvantages that attach to the use of alternative financing methods in many instances.

John A. Beaman Now Is With Stone & Webster

BOSTON, MASS. — John A. Beaman has become associated with Stone & Webster and Blodget, Inc., 49 Federal St. In the past Mr. Beaman was in charge of the Boston office of Blyth & Co., Incorporated.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS. — **Henry S. Overlock** has been added to the staff of **Paine, Webber, Jackson & Curtis**, 24 Federal St.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Walter J. McCorkle** is with **Shea & Co.**, 31 State St. In the past Mr. McCorkle was an officer of Suffolk Securities Co.

(Special to The Financial Chronicle)

BOSTON, MASS. — **James R. Sullivan** has become connected with **Trusteed Funds, Inc.**, 33 State St.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Donald B. Mead** has become associated with **Eastman, Dillon & Co.**, 135 South La Salle St. Mr. Mead in the past was with Fahnestock & Co., Merrill Lynch, E. A. Pierce & Cassatt, and Paine, Webber & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **William M. Galloway** is with **Philip D. Stokes**, 105 South La Salle St.

(Special to The Financial Chronicle)

CLEVELAND, O. — **Ray L. Poland** has become affiliated with **Hawley, Shepard & Co.**, Union Commerce Building.

(Special to The Financial Chronicle)

COLUMBUS, O. — **Stanley W. Strong** has been added to the staff of **Lowry Sweney, Inc.**, Huntington Bank Building.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND. — **Glenn B. Hines** is now connected with **Straus Securities Company**, Circle Tower.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — **Robert C. Lewis, Jr.**, has become associated with **Allison - Williams Co.**, Northwestern Bank Building.

Lazard Freres to Admit Geo. Murnane

Lazard Freres & Co., 44 Wall St., New York City, members of the New York Stock Exchange, has advised the Exchange of its intention to include George Murnane as a general partner as of Dec. 1, 1944. Mr. Murnane was at one time Vice-President of The New York Trust Co., and was a partner in the firm of Lee, Higginson & Co. from 1928 to 1935. Since that time he has been active in matters of corporate management and reorganizations.

Mr. Murnane is Chairman of the board of directors of National Department Stores Corp., Consolidated Railroads of Cuba, and American Bosch Corp., and President of Solvay American Corp. He is a director of Allied Chemical & Dye Corp., American Steel Foundries, The North American Co., and other corporations, and is a trustee of the Rockefeller Institute for Medical Research.

Donald MacArthur Now With F. S. Moseley & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Donald MacArthur has become associated with F. S. Moseley & Co., Field Building. Mr. MacArthur was formerly with Doyle, O'Connor & Co., Inc., and in the past was an officer of Birger Osland & Co., Incorporated.

Canadian Securities

By BRUCE WILLIAMS

The subject of a possible early announcement of an Alberta debt reorganization plan continues to intrigue Canadian financial circles. The veil of secrecy has now been lifted to some extent and it is understood that the Alberta Government will shortly consider this important problem, taking into consideration the results of the conversations Premier Manning has already had with members of the bondholders' committee in Toronto.

It is to be hoped that the Social Credit Government will take the constructive view that the issues at stake are the rehabilitation of the provincial credit and the removal of the last remaining blot on the Canadian financial record. It should ignore the petty aim of driving a hard bargain with the bondholders. On the other hand, it is likewise to be desired that the bondholders' committee conduct any future negotiations with an open mind, free from preconceived punitive thoughts and reluctance to deal with the Social Credit Government.

Another issue in another field which unfortunately continues to occupy public attention is the Canadian Army reinforcement controversy. Statements by Prime Minister King and the new Defense Minister McNaughton having failed to allay the popular concern, Mr. King has just announced that the House of Commons would assemble on Nov. 22 instead of Jan. 31, and the matter will now be fought out on the floor of the House in accordance with the best democratic procedure.

It is to be deplored that this matter has been raised at this late stage of the war in view of the following facts:

(a) The issue has been forced for political reasons to embarrass the Administration on the eve of a Federal election.

(b) Canadian arms have distinguished themselves wherever engaged, and if General McNaughton's views had been followed with regard to maintaining one army instead of splitting the Canadian forces into smaller units serving in separate theaters of war, the reinforcement problem would not have become acute.

(c) This issue serves only to promote national disunity, and the problem of French-speaking Canada, which requires and has received kid-glove handling on the part of Prime Minister King, is now the principal debating point in the heated atmosphere of an election campaign.

However, it is to be hoped that Parliament will raise the issue above the plane of partisan politics. At this stage, certainly, Canada should present to the world a united front and continue to play the role in world affairs that has been so justly earned by her magnificent wartime achievements, both in the field of production as well as on the field of battle.

Turning to market developments of the past week, there was little to record as far as activity in external bonds was concerned; turnover was limited and prices mostly unchanged. There was, however, considerable activity in internal issues, mostly in the shape of Seventh Victory Loan subscriptions and the free Canadian dollar strengthened to 9¾% discount.

The mystery of the firmness of free Canadian funds in the face of exceptional offerings resulting from currency sales by holders of internal issues called and maturing on Oct. 15 last is now explained. Usually large institutional purchases during loan drives are covered at the official rate. During the loan just completed, for the first time in the case of an important amount, the funds were secured on the free market. When it is realized that one such order ran into eight figures it can readily be imagined what would have transpired in the absence of support of this kind.

Although the Seventh Victory Loan has been triumphantly concluded with a record subscription which will probably total a little short of $1½ billion, political controversies which might precipitate a Federal election are likely to constitute a factor that will tend to offset the resumption of activity and market strength that normally follows the termination of a successful loan drive.

Investment of U. S. Capital Abroad

(Continued from page 2133)

local hostility and beset by depression.

The years of difficulty showed up the carelessness with which we had conducted foreign investment operations; they exposed the inadequacy of some of the governments to whom we accorded financial support and the evil intentions of others; they revealed the instability of the flow of world trade on which foreign investment is dependent; and, they demonstrated that the role of creditor is not a painless or beloved one and that if we wish to derive direct and sustained national benefit from foreign investment we must accept the products of foreign countries on an increasing scale.

The shock was so unpleasant that it dimmed appreciation of the fact that a large part of the investment, despite all the turmoil of the years, eventually proved advantageous to both the recipient countries and the United States. We gave ourselves over whole-heartedly to disillusionment. Economists concluded that we were unfit for foreign investment activity since we were unwilling to behave as a creditor country; bankers repented and investors lamented; and advocates of political isolation in public office undertook to underline a moral—that we must in no way entangle our affairs with those of the outside world.

The mood today appears completely changed. We are witnessing an enormous, if somewhat bewildered, upsurge of new interest in the possibilities of resuming American foreign investment on a great scale. Few are the proposals that do not contemplate substantial American investment abroad, whether designed to guide the readjustment of American economy to a satisfactory peace-time basis, to restore trade relations between countries, or to provide a firm basis for our international peace plans.

The change in our attitude has emerged, in part from the growth of our understanding of our international political position, in part from a sense of economic need.

We now come to a recognition that we cannot isolate ourselves from the outside world. We have been forced to reach the conclusion that it will be possible to live in peace and order only if the whole world is peaceful and orderly. We admit the necessity of playing a full part in a concerted effort to prevent future wars. We perceive that we must support this effort by our conduct in economic affairs; and that we cannot entirely refuse aid to other countries seeking to improve their economic life — provided they are trustworthy partners in our aspirations.

Our response to this perception of our political position is stimulated by the hope that the extension of financial assistance to others may relieve our own economic difficulties. We have greatly enlarged our productive capacity. The outflow of goods that many branches of American production, as now organized and equipped, are prepared to offer will be in excess of American demand. We are receptive to any possibility that may soften or graduate the necessity of making great shifts in the distribution of our productive activity—involving much, if only temporary, unemployment. The renewal of foreign investment as a means of maintaining exports appears to provide an attractive escape. In other words, there is a strong element of half helpless compulsion in our return towards a program of foreign investment.

The change in our own mood and sense of need corresponds to a reciprocal change of desire and need in foreign lands. During the period of default and dispute, many foreign countries gave themselves over to the opinion that they had received little or no benefit from the employment of our capital, that our loan terms had been excessive, that we were a rigid and unsatisfactory banker, and that the obligations they had assumed were an unbearable burden on their production and trade. But now again, the plans and hopes of many of them are centered on the possibility of procuring capital from us.

During this war the United States has served as the indispensable source of supply of ships, tanks, planes, guns, machines, foodstuffs, and raw materials for all countries fighting by our side. The continuance of the flow of products from the United States in the post-war period seems to many of them equally indispensable to their recovery and progress.

Such is the magnetic field of attraction for our capital. Its force is so compelling, and the moving aim so desirable that the mind almost rebukes itself for having any reservations as regards the easy and complete consummation, through the investment process, of the marriage between surplus and need.

However, we cannot afford to risk a second failure of our hopes and expectations. It is essential that this time we enter upon our foreign investment activity with a clear understanding of its problems and limitations, and of what will be required of us and other countries if the investment is to have a healthy maturity and serve the cause of peace.

II.

Post-War Demand for American Capital

The examination may begin by closer scrutiny of the prospective demand for American capital. It will in the main represent the wish of foreign countries to secure for immediate use a greater supply of American goods than they can pay for immediately in dollars.

There will be a need, particularly in countries fighting the Axis, for the primary means of living—food, clothing, drugs, tools, household furnishings, seeds, fertilizers, petroleum and the like. In these same countries and others there will be need for raw materials in order to resume production; there will be a great lack of textiles, fibres, hides, the heavy chemicals, fuels and metals, rubber and the like.

Simultaneously, there will be a great unsatisfied demand throughout the world for the apparatus of convenient living and quick travel—for products such as automobiles, plumbing and lighting fixtures, refrigerators and radios.

Products of these varieties pass quickly into use and consumption. Therefore, it has in the past been judged unwise practice to grant or incur long-term debts to finance their procurement. However, since some countries will not be able to finance their purchases on any other basis, justification exists for disregarding the traditional test—as regards minimum requirements of essentials.

A more usual basis of long-term credit will be the demand for capital equipment. This will arise in part from the need to repair the damages of war. But even in the undamaged countries it will be strong; the wish for industrial expansion or diversification is universal. Wherever, as in India, millions of people are living in miserable poverty; wherever, as in China, a suffering nation is chewing at the bitter cud of weakness; wherever, as in much of Latin America, sparsely settled peoples find themselves poor, despite possession of broad lands; wherever vigorous peoples, such as those of the British Dominions, control the necessary raw materials and have grown certain of their ability to operate large-scale machine industry with competence, hope and purpose are concentrated upon the acquisition of capital equipment.

There may be, alas, one other prompting source of demand for American products and American capital—the wish of nations to sustain or increase their military strength. This is a gravely disconcerting thought. But it cannot be banished until and unless nations create a truly effective system of international order and cooperation.

Such will be the various currents of need behind the efforts of foreign governments and enterprises to secure dollar loans.

Simultaneously, American business enterprises will be exploring the world for new investment opportunity—in the operation of public utilities, the exploitation of natural resources, the establishment of factories, and the conduct of trade. This type of investment, commonly known as "Direct Investment," made up almost half of our foreign investment during the 20's; and it is the half that has, in the main, survived and prospered.

But whether American business enterprise will find in the future many good new opportunities—wherein it would have sufficient freedom of action and safety—is one of the great uncertainties. For the right to engage in the more basic and stable branches of production, and to own or develop natural resources is in many countries being increasingly reserved for the Government itself or for domestic capital; and in various others where no exclusion exists, the regulations, controls, and burdens discourage hope of large and assured returns. Few countries are in fact free of a wish, open or furtive, to keep the direct activities of private foreign capital well curbed; it has been made increasingly to feel like a stranger and vulnerable to assault.

Many countries will be in a position during the immediate post-war years to satisfy their needs for American products and to finance their economic development out of their own accumulations of gold and dollar funds.

The outside world, taken as a whole, holds a greater total of gold and dollar exchange than ever before. By the end of 1944 it is reckoned that it will possess fifteen billions of gold (which is greater than the total gold supply of the world in 1929); dollar balances and dollar securities of at least six billions each. This, added to the flow of dollars that will currently accrue to foreign countries as a result of American purchases and later war expenditure, will constitute a total volume of external purchasing power for American products of unprecedented dimensions.

The ownership of these gold and dollar resources, however, is most unevenly distributed. Of the total, three billions or more belong to the small European neutrals—Sweden, Switzerland, Spain, Portugal, Turkey, Eire. These countries will obviously be in a position to dispense with the new American investment. Another great part of the total has accumulated to the credit of the countries of the Middle East and of India, although their balances have largely been transmuted into sterling balances; provided these balances can gradually be liquidated, they, too, would appear to be far less dependent on outside sources of capital than before the war. The British Dominions—Canada, Australia, New Zealand and South Africa—have similarly improved the state of their external accounts and added to their external assets; it would appear that they would have little need of resorting to borrowing or courting foreign capital in the near future.

The gold and dollar assets of the Latin American Republics, taken as a whole, have grown tremendously. They approximate four billions. The possession of these assets should make it possible for many of them to carry out with their own resources many types of undertakings for which in the past they have had to resort to foreign financing. However, most of the gold and dollar balances belong not to the governments of the Latin American Republics, but to central banks and private interests; their owners must be induced to invest them within their own countries if they are to do the work hitherto carried out by foreign capital. Further, the great bulk of the external assets belong to a few of the larger Latin American Republics. Some of the poorer countries will soon exhaust their resources if their exports decline; and the zest and zeal of even the larger ones for internal industrial development will outstrip their enlarged resources.

A substantial part of the world, it would appear, will be amply supplied with dollar assets. The war will have endowed them with savings that will enable them to draw upon the production of the United States to satisfy their wants and substantially to enlarge their physical productive plant without incurring debt.

In contrast, there will stand the countries that the war has impoverished. Various countries of Western Europe—France, Belgium, Holland, Denmark, Norway—still possess substantial holdings of gold, dollars, and American securities; but these will be required to repair the ravages of war and may prove far from sufficient even for that purpose. These countries in all probability will turn to the United States for the means of reconstruction and of development, both in their home territories and possibly also in their empire. Various countries of Eastern Europe—Poland, Czechoslovakia, Jugoslavia, Greece, and others will be in a still more desperate plight.

Great Britain and the Empire will present to us for decision a most crucial series of questions. Its stock of long-term foreign investments has declined from about sixteen billions to not much more than half that amount. It has incurred a debt in the form of frozen sterling balances belonging to other countries of ten billions or more, against which its own holdings of gold and foreign balances probably will not exceed three billions. Its receipts of investment income from abroad will be reduced; prospects of earnings from its shipping industry will be uncertain; its import needs, save as regards foodstuffs, will be greater than before the war.

In order to be able to secure necessary imports and meet its external obligations, Great Britain will have to be assured of sufficient receipts from exports, have recourse to foreign financial aid, or some combination of these two sources of external purchasing power. If Great Britain undertakes to solve the problem primarily by enforcing a strict balance of income and outlay in its trade with each foreign country or group of countries many disputes with American export interests may be provoked. The question that will come before us is whether we can work out with Great Britain some financial or investment basis that will make possible a concert of economic policy. One of the obstacles to such an arrangement may be the probable disinclination of Great Britain to contract a new long-term debt of traditional form; it will seek ways of acquiring dollars that will not represent a dead-weight of rigid obligation, as through a continuation of Lend-Lease Aid or some arrangement whereby we accept what may be termed "delayed-use" sterling for dollars.

The USSR and China both will require large amounts of foreign capital to restore and advance their economic life. The USSR will emerge from the war with great proven productive capacities, and domains possessing large supplies of almost all important raw materials. It will have a substantial gold supply and gold production. Its credit will be acceptable to many American enterprises, and its powers of repayment of Government obligations will be impressive. A firm economic basis exists for long-term advances to the USSR, either by private capital or the Government, or both. But this will become fully effective only if our political relations are tranquil; the necessary arrangements would be spurred on by the achievement of clear and affirmed understanding regarding international political issues; it would be cooled or deferred if a basis of mutual trust is not firmly established.

China's need will be more desperate and its economic outlook more helpless. Currently, China may accumulate sizable foreign balances out of American and British war expenditures—which balances she is unable to convert into goods during the war; but the resources thus derived will be insufficient for her needs. Almost fifteen years of struggle against Japan has not only impoverished the land and the people but shaken the orderly and progressive governmental program that was in the making before the Japanese aggression. Its powers of repayment of great sums in the near future would be extremely uncertain. Any large-scale investment in that land must be a humane investment in a friendly and gifted people, rather than a strict financial venture.

So much by way of panoramic summary of the prospective main demands for American investment abroad.

III.
Reasons for Post-War Foreign Investment

There is no doubt as to our ability to respond to these demands without depriving ourselves in any significant way of needed financial resources or of goods. But will it be our duty and to our economic advantage to do so?

I think it will be our **duty** to respond to the more urgent needs of foreign countries for capital, provided their friendliness to us is plain and their devotion to peace evident. Such action is an essential counterpart of our effort to create a firm basis for peace. Our power to provide capital **could** provide a basis for economic improvement everywhere in which the more reasonable and constructive impulses of man could flourish; it **could** serve to lessen internal disputes, soften trade rivalries, reduce the need for exclusive economic bargains, and foster friendship among nations. It **could** act as a favorable wind behind the sails of belief, where they have been hoisted in the value of international friendship and decent behavior.

It follows that we should make no loans or investments to countries that seem bent on a course inimical to us, or menacing to peace. We should not be seduced by the thought that if we make the lot of a dangerous government easy, it will reform and become a good political associate. The record of the loans extended to Germany, Italy, and Japan serve as a reminder of that fact. We should not gamble upon the reforming magic of capital.

The investment we make partly out of a sense of duty **could**—if we guide the investment wisely and shape our economic policies correctly—also bring us substantial economic advantage. If our capital brings about a significant increase in the productive income of other countries, a permanently enlarged basis of trade between these countries and ourselves may be created. If our capital develops new and efficient sources of supply for products we need, especially raw materials, our own real income could be increased by drawing upon them—if we chose to do so. Our receipts in the way of interest could provide us with an inflow of foreign goods without further effort on our part—again, if we chose to receive them. Such are the possible economic advantages to be gained from a resumption of foreign investment; they reinforce the claim of our duty to cooperate in international finance.

But—and this must be repeated—they are only conjectural possibilities. We could garner them only if three conditions are fulfilled. First, if we are ready and able to receive and make use of a growing volume of foreign goods and services, or in the event we are not ready and able to permit payment in this form, to curtail formal investment operations and resort instead to gifts or subsidies where the need is imperative and the national and international advantage clear; second, if other countries also follow the path of economic cooperation; third, if in the years ahead a genuine sense of security comes to prevail in the world, so that countries do not feel compelled to divert their economic growth into more powerful armaments. Otherwise, our investment would eventually turn out to have been a war subsidy to friends or enemies.

Unless these conditions are satisfactorily realized both the direct and ultimate **economic** benefit to the United States of a resumption of foreign investment must remain in doubt. Our foreign investment program will inevitably be in part a venture in faith in ourselves and in others.

IV.
Effects of Foreign Investment

Let me at this point take heed of one particular ground of doubt and objection to a renewal of American foreign investment that is in many minds. It is feared that if the United States makes capital available to foreign countries for the opening up of new lands, for the development of natural resources and, above all else, for the construction of factories, American export trade and production will suffer injurious displacement and new competition.

This would occur to some extent, as it has in connection with the large capital movements of the past. To take a few instances, the wheat fields of England were displaced by the product of the new lands that were made accessible by the railroads financed in Great Britain; American cotton now competes in world markets with Brazilian production that American capital helped to finance; the oil fields which our capital opened in the Caribbean provides the world with a source of supply competitive with our Gulf Coast fields. Other instances of the same type will no doubt recur if, in the future, American capital opens up new foreign sources of supply of raw materials and foodstuffs competitive with American production.

But the possible adverse effect of such developments upon our economic welfare would be short-lived and out-weighed by the benefits put within our grasp if our economic system is flexible and adaptable. If the production and national income of other countries are enlarged along lines that provide them with greater external buying power, they are likely to become better customers **in total** for American products. The export trade that we lose in some directions would be offset, or more than offset, by trade we gained in others. And if American capital enlarges the total world supply of raw materials and foodstuffs available to all nations at a low price because of low real production cost, we also could, if we so chose, derive advantage therefrom.

In the rare cases where well-established and efficient branches of American production were seriously threatened in the American market by new foreign sources of supply developed by American capital, the record shows we have not been slow to protect them; and I do not anticipate that we will be in the near future.

The same general reasoning regarding probabilities, applies, though somewhat less certainly, to developments in the field of manufacturing. All countries are now eager to extend and diversify their manufacturing activity within their borders. This wish attaches particularly to those branches of manufacture which have become highly simplified and standardized — such as the production of prepared foodstuffs, soap and drugs, clothing, house-building materials, and the simpler chemicals, brewing and distilling, tire and leather manufacture, and automobile assemblage; but it stretches also into fields where the required capital equipment is more expensive and the technique more complex, as in steel and iron manufacture, metal and petroleum refining.

The range of ambition is in many countries indiscriminate and inclined to ignore questions of relative cost and efficiency. It, therefore, is questionable whether some of the new undertakings would add to the real national income and trade of the country in which they were established, and whether we should find indirect economic compensation for the loss of trade that we incurred.

But in the main we probably would. And denial of American capital to countries deeply bent on achieving industrial diversification would only defer, rather than prevent, the process. It would stimulate other countries to reserve the dollars that came into their possession exclusively for the purchase of capital goods. We cannot wisely strive to maintain our industrial supremacy by withholding aid solely on the

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Economic Effects of the Election

(Continued from page 2130)

for another four years, we venture to indicate briefly what in our view may be expected in various aspects of our present economy.

The Potent Factors

The war, its probable termination, and the problems of the transition to peacetime conditions remain as far more potent factors than politics and the election.

That we have been able to hold an election at all under present war-time conditions is a source of gratification and a tribute to the practical working of our democracy. We are the only major belligerent in which national elections have been held during the war.

The War

Vigorous prosecution of the war is, of course, in no way retarded by the election outcome. Optimism regarding the termination of the German conflict has lately become more restrained since the stiffening resistance displayed by the Germans on their own soil. Mr. Churchill intimated recently that the European war might last until spring or even early summer, although he mentioned military opinion that it still could end this year. Despite the naval victory over Japan, estimates of the length of the Pacific war run from several months to two years after the collapse of Germany.

Reconversion

While the "spot" authorization of resumption of civilian production has been mildly effective, no great volume of such production is anticipated as long as the war with Germany continues. With its termination, cut-backs of probably 40% of war production are likely, with steadily mounting civilian production in substitution. This was anticipated prior to the election, which will cause no change in the schedule.

International Conferences

In view of Mr. Roosevelt's familiarity with international matters, progress may be expected in movements already initiated. The international monetary fund to stabilize currencies and the world bank, proposed at Bretton Woods, should receive attention from the new Congress, and when approved in final form they should be constructive factors in the post-war expansion of our foreign trade.

The international organization to perpetuate peace, outlined at Dumbarton Oaks, has received more favorable attention by both political parties, but before it is ratified by Congress considerable discussion and disagreement may revolve around the extent of the authority to be given to the United States delegate.

Taxes

Before the election the present Administration had already evinced a not unfriendly attitude towards tax reduction, and Congress is expected to begin discussions of tax revision in the near future. A favorable factor is an apparent realization that present taxes are obtaining practically all the revenue possible, and no increases are contemplated or even discussed. On the contrary, some reduction, if not elimination, of the excess profits tax is expected, if not at the end of the European war certainly with the termination of the war with Japan, at which time the normal and surtax rate may be cut from 40% perhaps to 35% or even 30%. There is strong support for the elimination of the capital stock and declared value taxes and of the double taxation of corporate dividends. Change in personal income taxes will probably be confined to the lowest brackets until after total peace arrives.

Money Rates

Prior to the election the Government's attitude towards money rates was well established. In view of the need to refund war loans and Government control of the money market generally, no advance in present low interest rates is anticipated in the foreseeable future.

National Income

The election has no direct bearing on national income, which was $147.9 billions in 1943, is at the rate of approximately $155 billions this year, and is expected to decline with the cessation of war production. Economists estimate a range from $100 billions to $140 billions. Our estimate is that it may be $105 billions in the first year following the end of the Japanese war, rising to $135 billions in the subsequent year.

Unemployment

Unemployment has begun to increase with cutbacks of war contracts, and it is estimated that after the end of the war with Germany the temporary peak will be in the neighborhood of 4 millions, increasing to possibly 8 millions after Japan is defeated. In the campaign just closed Mr. Roosevelt promised that jobs for 60 million workers would be found, which in the light of past experience may foreshadow expansion of public works and more "pump priming."

Wages

There is little doubt that an important factor in the election was the labor support of the Democratic Party. A general expectation exists that the "Little Steel" formula will be breached in the near future, when the application of the steel workers, pending for about a year, will finally be acted upon. Labor will demand higher wage rates to offset loss of overtime pay and reduction in hours of work, and, even although an unemployment problem will arise, the unions probably will succeed in at least part of their demands. Another of labor's goals is the establishment of annual wages instead of hourly wages subject to lay-offs already adopted by some corporations. Increases in strikes appear inevitable.

Industrial Production

An economic barometer unaffected by the election is industrial production as measured by the Federal Reserve Board Index. This Index reached a high of 247 a year ago and for several months has shown a gradual decline to the present level of 229. It is likely to recede to the 225 level around the end of the year and to reach 160-175 by the time reconversion is completed.

Cost of Living

It is not believed that the trend of the cost of living is in any way influenced by the outcome of the election. The Department of Commerce index has passed its peak, about 26% above the pre-war level, and shows a slightly declining tendency likely to be maintained next year.

Social Security

An expected result of the continuance of the Democratic Administration is maintenance and expansion of social security. It is already on record as favoring wider coverage of old-age and unemployment insurance, and, while the present rate of tax for these purposes may be "frozen" by Congress for another year, the Administration is likely to advocate the broadening of social security by the addition of disability insurance and a plan of insured hospitalization.

OPA

The election has increased the chances of continuing the OPA beyond June 30, 1945, the expiration date prescribed by the present law. The OPA has indicated price ceilings for manufacturers producing civilian items after reconversion based on 1942 prices plus a small percentage to cover increased costs of materials and labor, estimated at not more than 10-15%, at the same time proclaiming that its intention is not to restrict production. If production should be restricted as a result of the OPA's policy, undoubtedly increasing unemployment would cause pressure for changing the ceilings.

Commodity Prices

A feature of this Administration has been its generous support of farm prices, a policy which undoubtedly will be continued especially if, as anticipated, the end of the European war is indicative of lower commodity prices as a result of accumulated surpluses.

Investments

High-grade bonds and preferred stocks will be unaffected by the election, their yields remaining under the influence of low interest rates. As the continuance of the present Administration does not provide the incentive for speculation that a Republican victory probably would have encouraged, discount bonds and preferred stocks with their more liberal yields and potentialities for appreciation and the good income type of common stock with a steady dividend record should continue in favor with investors in preference to the speculative type of security.

The Stock Market

Without considering what might have occurred if the Republican Party had won the election, a realistic view of the market is that, since the war-stimulated rise in industrial production was not accompanied by a commensurate rise in stock prices, the present declining production tendency need not be reflected in lower stock prices. We should not be surprised to see the Dow-Jones Industrial Stock Average exceed last July's high of 150.50 during the next three months, with a range of 142-155. While a reaction is probable during the most upsetting phase of reconversion, that period should be succeeded by an era of great post-war prosperity, accompanied by stock prices at a new high level.

Conclusion

The re-election of President Roosevelt, while not as pleasing to business and industry and investors generally as a Dewey victory would have been, provides no grounds for discouragement. It seems clear that the people have endorsed Mr. Roosevelt's foreign policy rather than his domestic management. His expressed concern over employment and other problems, his reiteration of belief in the free enterprise system, combined with the presence of an independent faction in the new Congress, give promise of an effective brake on any further radical anti-business legislation. This, while unlikely to encourage the use of venture capital to the same degree as would have been seen under Republican auspices, on the whole is reassuring to business. For its part, industry will adjust itself and proceed with progressive expansion plans, anticipating a period of sound and abundant prosperity after reconversion is completed. Regardless of the outcome of the election, the backlog of goods to be supplied and the initiative of business men warrant the anticipation of reasonable profits.

Discount bonds and preferred stocks and good dividend-paying common stocks should continue to appeal to investors more than speculative securities.—*Reprinted from "Investment Timing" of Nov. 9, 1944, published by the Economics & Investment Department of the National Securities & Research Corporation of New York City.*

Proposes Plan to Aid Small Business Raise Venture Capital

(Continued from page 2131)

terest or dividends or a return of the principal. From this it may be construed that venture capital and equity securities such as represented by preferred and common stocks are synonymous.

Turning to the handicaps of small business, Mr. Weissman referred to the various investigations which have been made into the relative profitableness of small and large sized concerns, and from the data furnished by these studies, he concluded that the difficulties in obtaining capital of small and medium sized corporations was not due to higher operating costs or lower rates of profit, but rather might be ascribed to investment banking conditions which make it difficult and expensive to float small issues of securities.

"It has been evident, for some years," Mr. Weissman stated, "that the investment banking mechanism does not function properly insofar as small and medium sized business is concerned."

"While the various Congressional committees have collected a great amount of valuable data," he continued, "the plans that have emerged thus far have been confined to methods of obtaining loans rather than equity funds. A small trickle of funds has been obtained from the capital markets through the sale of securities to the public, but the cost of flotation has been high. The Government and quasi-public agencies have been limited to the making of loans, and the few local private organizations now in operation cannot take care of the requirements on a nation-wide scale."

Accordingly, Mr. Weissman maintains that there is "a gap" in what the Government should do in the way of assisting the financing of small business. This gap can be closed only by facilitating the acquisition of venture or equity capital. He pointed out that the SEC studies indicate that small as well as large businesses are well supplied with working capital, but the great need is for permanent capital which cannot be obtained by short-term commercial loans.

To supply this need Mr. Weissman proposed a method for institutionalizing investment in small and medium sized business, including the purchase of equity securities.

His plan involves the creation of a Federal Reserve Investment Corporation, to be organized along regional lines within the Federal Reserve System. The capital would be provided by the commercial banks, which would own the stock of the regional investment institutions in the way that they own the stock of the Federal Reserve Banks. There would be no mixture of deposit and investment banking similar to the practices of the twenties, which resulted in abuses. Although the commercial banks have been willing to extend credit to sound businesses, they are restricted by law in their lending activities. Provision would be made for supervision by the Board of Governors of the Federal Reserve System. The Federal Reserve Investment Corporation would have broad authority in the choice of its investments. Business could continue to obtain capital by any other means.

Mr. Weissman stated: "In this way a skilled group of investment organizations would develop, enabling small enterprise to obtain funds independently of the vagaries of the market. These organizations could also provide engineering, marketing and management service on an inexpensive basis." Legislation would be necessary to establish such organizations.

As a means of governing the regional investment institutions, which would be under the general supervision of the Board of Governors of the Federal Reserve System, Mr. Weissman proposed that each should have nine directors, three to be appointed by the stockholding commercial banks, three by the District Federal Reserve Bank and three by the Federal Reserve Board. One of the latter should be "an investment banker" and represent investment banking interests.

In addition to the capital furnished by the participating banks (and Mr. Weissman stated such participation should be "voluntary") the regional investment institutions would issue debentures, similar to those of the Agriculture Intermediate Credit Banks.

"The great advantage of such an institution as I propose," said Mr. Weissman, "is that capital could be furnished to small business without regard to investment market conditions." He maintained, also, that each regional bank would build up a staff of investment experts, business engineers, and the like.

Mr. Weissman concluded his talk by proposing tax relief as a further small business aid. "Tax legislation," Mr. Weissman said, "should approach the question in two ways: lightening the burden on small business and new enterprise, and making investment by individuals more attractive. Moderate exemptions from capital-gains taxation and income from investment in new enterprise would be constructive."

"Graduated corporate taxes should be maintained, not to place undue burdens on large enterprises, but to help stimulate competition, and reduce to some extent the advantages of established, big corporations," Mr. Weissman added.

Kidder, Peabody Offers Maine Central Bonds

Kidder, Peabody & Co. and associates on Nov. 15 offered $4,500,000 of Maine Central RR. first mortgage and collateral series B 4% bonds, due on Dec. 1, 1954, at par and accrued interest. These bonds are part of a total issue of $9,000,000, of which the balance will be sold to two insurance companies.

Proceeds from the sale of the issue, together with treasury funds, will be used to redeem all of the road's presently outstanding $9,878,000 of first mortgage and collateral series A 4% bonds, due on Dec. 1, 1945, by call at par.

Other members of the offering group are H. M. Payson & Co.; Coffin & Burr, Inc.; Estabrook & Co.; Stone & Webster and Blodget, Inc.; Whiting, Weeks & Stubbs; R. L. Day & Co.; Hornblower & Weeks; Maine Securities Co.; Bond & Goodwin, Inc., and Townsend, Dabney & Tyson.

Municipal News & Notes

We have previously noted in this space the existence of divergent views within the municipal fraternity as to the probable course of municipal bond prices with the return of more normal conditions in the nation's economy. On the one hand, there is a group that holds to the opinion that, generally speaking, the existing high levels will prevail for some time after the initial readjustment to a peacetime basis has been completed.

The other segment takes the position that the present record low yields are purely the product of war conditions and that, more or less simultaneously with the cessation of hostilities in Europe, for example, a trend toward sharply lower levels is inevitable.

Like all discussions hinging on probable post-war conditions, the opposing camps on the question of potential municipal bond prices are able to present seemingly effective arguments in support of their respective positions.

We mention all of the foregoing primarily by way of making reference to a recent contribution on the subject by Charles P. Burgess, municipal bond analyst of Kaiser & Co., San Francisco and New York. Mr. Burgess, whose article, captioned "Post-War Municipal Bond Yields and the Future of Interest Rates," is given in full in today's issue starting on page 2131, presents an elaborate case history of the reduction that has occurred in yields on high-grade municipals during the past 12 years. The change, as he illustrates, has been from "rather generous levels almost to the vanishing point."

In light of a rather painstaking analysis of the various factors bearing on the question of municipal prices, with particular reference to the question of Federal taxes, it is Mr. Burgess' opinion that "there are cogent reasons for anticipating a return to somewhat higher yield levels." He urges that "investors weigh these possibilities carefully instead of complacently accepting the market per se."

Nov. 7 Bond Issue Approvals Heavy

Not the least of the several factors seen as having an important bearing on the future level of municipal prices concerns the probable volume of new financing likely to be negotiated by the States and their local subdivisions when present war-induced deterrents to new capital projects and improvements have been largely removed. Some indication of the scope of this potential supply of new issues is available in the results of Nov. 7 voting in various States and lower levels of government on bond issue proposals.

As indicated in this space last week, the returns thus far show that the bulk of the approximately $250,000,000 in bond proposals up for consideration were approved by the electorates.

It must be remembered, of course, that many public bodies have developed plans for a variety of post-war projects and improvements and are empowered to undertake the financing incident thereto without obtaining sanction of the voters. Thus, as previously noted, the volume of bonds authorized at the recent general election conceivably constitutes only a relatively small percentage of the potential amount of State and municipal borrowing likely to ensue on the basis of continuing reports of projects and improvements now being contemplated. Actually, it is extremely difficult to forecast with any degree of accuracy what the future portends with respect to the volume of municipal borrowing.

Past Borrowings

It may be, however, that some idea of the potential may be obtained on the basis of the past record of State and municipal borrowings. In this regard, it may be observed that, according to our compilations, the yearly output of municipals during the years 1923-1941, excluding refunding issues, was approximately $1,400,000,000.

In subsequent years up to and including 1941, the annual average was about $1,000,000,000, but this figure included the heavy borrowing for refunding purposes which characterized municipal market operations throughout that period.

The impact of such borrowing on the over-all output in those years is illustrated in the following tabular record:

Year—	New Capital Issues	Refundings	Grand Total
1932	$762,479,650	$87,000,429	$849,480,079
1933	483,397,974	37,080,049	520,478,023
1934	802,978,254	136,475,679	939,453,933
1935	854,999,793	365,150,304	1,220,150,097
1936	734,908,886	382,442,632	1,117,351,518
1937	711,628,367	190,678,795	902,307,162
1938	970,613,500	129,144,000	1,099,757,500
1939	930,822,000	195,079,000	1,125,901,000
1940	751,323,509	482,383,465	1,233,706,974
1941	518,105,273	434,509,900	952,615,173

As for municipal financing in the years beginning with 1942, the diminutive totals reflect the war conditions which made it impossible for States and municipalities to undertake new construction projects or even to make other than nominal improvements and repairs. Thus, in 1942, the grand aggregate of State and municipal sales was only $523,704,607, and this figure included $181,264,294 for refunding, leaving strictly new capital borrowings of no more than $342,440,313. For 1943 the total was $435,223,191, of which $259,481,836 was for refunding and $175,741,355 for new capital indebtedness. During the first 10 months of 1944 borrowings have amounted to $533,668,942, with refunding accounting for $324,672,975, the balance of $208,995,967 representing new evidences of debt.

It will be seen from the foregoing figures, particularly those covering the non-war but depression years of 1932-1941, that the annual volume of State and municipal financing in the post-war years would attain vast proportions if measured only against the annual average output of $1,400,000,000 of new issues floated during the "normal" years of 1923-1931.

The decline from that point to the average levels of new capital borrowings that prevailed throughout 1932-1941 obviously was the result of depression difficulties which forced States and municipalities to exercise caution in the matter of creating new debts. Another factor, of course, was the ability of local governments to shoulder on the Federal Government, via PWA grants, a substantial part of the cost of municipal government, including, of course, the relief burden.

Current Awards and Financing in Prospect

The City of St. Petersburg, Fla., unexpectedly effected sale on Tuesday of the $18,000,000 refunding bonds which the Sunshine City had unsuccessfully offered on two occasions earlier in the year. The city disposed of the obligations to a syndicate headed by Allen & Co., New York City, on a bid of 98 for 2¾s. This compares with terms of 98.02 for 3s offered by a syndicate at the second abortive competitive offering on July 27.

Associated with Allen & Co. in the purchase are Florida National Bank of Jacksonville, Commerce Union Bank of Nashville, Leedy, Wheeler & Co., Orlando, Robert Hawkins & Co., Boston, Clyde C. Pierce Corp., Jacksonville, and Sullivan, Nelson & Goss of West Palm Beach.

* * *

The City of New York accepted bids Nov. 14 on $13,894,000 principal amount of corporate stock and serial bonds for the account of various municipal pension funds. C. J. Devine & Co. of New York obtained award of $6,994,000 of the offering at a price of 113.45, and the balance of $6,900,000 went to the Chase National Bank of New York and associates at a price of 120.67. The entire sale consisted of relatively short-dated obligations, the longest maturity being in 1954.

* * *

Recent additions to the calendar of pending sales included an offering of $1,115,000 New York City Housing Authority refundings for which sealed bids will be received on Nov. 20.

Known as Vladeck City Houses Refunding bonds of 1944, the obligations are unconditionally guaranteed by the City of New York.

* * *

Other large-scale awards currently scheduled to develop as of this date include the following: $6,000,000 Seattle, Wash., and $2,800,000 Fort Myers, Fla., both slated for today; $1,000,000 Savannah, Ga., on Nov. 18; $2,000,000 Cleveland, Ohio, on Nov. 30, and $3,000,000 by East Baton Rouge Parish, La., on Dec. 15.

New York State Legal List May be Broadened

Prospects of a broadening of the New York State legal investment list to include various municipal and corporate securities presently forbidden from the portfolios of the State's savings banks is seen in a recent ruling handed down by State Attorney General Nathaniel L. Goldstein at the request of Elliott V. Bell, State Superintendent of Banks.

In brief, the Attorney General held that under Section 14-1-F of the 1938 Banking Law, the Banking Board is empowered, by a three-fifths vote, to permit savings banks to invest in municipals and/or corporates "for which specific tests as to eligibility are provided, but which do not fully meet such tests."

This, in effect, is in line with the principle of the so-called "prudent man" investment rule which judges the desirability of investments on the basis of present and future prospects, rather than with reference to previous history. There are in the municipal field, for example, a number of highly-rated credits which do not qualify for the New York legal list solely because of a default dating back many years, a recurrence of which is not likely in view of the elimination of the factors which caused the original difficulty and in light of the excellent record achieved by the credit since that time.

Autocar Interesting

Common stock of Autocar Co. offers interesting possibilities, according to a memorandum issued by Cohu & Torrey, One Wall St., New York City, members of the New York Stock Exchange. Copies may be had from Cohu & Torrey upon request.

Post-War Appraisal of Railroad Securities

Approximately two-thirds of the present record-breaking traffic handled by the railroads originates in the production of materials and supplies for the armed forces or lend-lease according to a survey of the railroad industry just completed by E. F. Hutton & Company and summarized in a booklet called "Post-War Appraisal of Railroad Securities." This study concludes that even though the decline in rail tonnage from present levels will be greatly cushioned by the accumulated deficiencies of consumer goods, nevertheless, high costs of labor, supplies and fuel will bring rail earnings to around the 1940 level at an early stage of the post-war conversion period.

Notwithstanding the conservative basis for post-war earnings projection, the survey states that many individual railroad securities are currently priced lower than their normal intrinsic value based on estimated post-war earnings. A large number of such issues are found among the new fixed mortgage issues and the better grade of income bonds in the reorganization rail group. On the other hand, junior rail securities are selling at values more in line with present war-time earnings. The survey, therefore, concludes that the market for railroad securities generally must be expected to undergo considerable adjustment to the expected post-war operating conditions and earnings for the industry.

NY Attorneys To Speak At New School For Social Research

Percival A. Jackson, New York attorney, will speak on "Protecting the Minority Security Holder" at the New School for Social Research, 66 West 12th St., on Nov. 17, at 8:30 p. m., in the series "Ten Years of the SEC," under the chairmanship of Rudolph L. Weissman.

I. Bendiner will speak on "Taxation of Life Insurance and Pension Trusts" on Tuesday, Nov. 21, at 8:30 p. m., in the weekly symposium on war-time taxes, of which Alex M. Hamburg is Chairman. Mr. Bendiner is an attorney and insurance consultant.

Peace By Force in An Uncivilized World

(Continued from page 2130)

The permanent members of the Security Council will include: the United States, Britain, Russia, China and in due course, France. In addition, the General Assembly is to elect six smaller powers to membership in the Security Council for a term of two years, three retiring each year who will not be immediately eligible for reelection.

The important question of voting parity in the Security Council is still under consideration. The voting parity of the eleven powers is, in the opinion of most analysts, the heart of the whole matter. This upper body shall be organized so as to be able to function continuously and will be permanently located at the headquarters of the organization.

Membership in the proposed organization shall be open to "all peace loving nations." The organization is to be called "The United Nations." All the Powers connected with the organization shall be members of the General Assembly. The numerical representation of each Power in the General Assembly is to be specified in the charter after a later conference, but each member Power shall have only one vote.

The Purposes of "The United Nations" League

The main purpose of the organization is "to maintain international peace and security; and to that end to take effective collective measures for the prevention and removal of threats to the peace and the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means adjustment or settlement of international disputes which may lead to a breach of the peace." A second purpose is "to develop friendly relations among nations and to take other appropriate measures to strengthen universal peace." This is followed by a third declaration "to achieve international cooperation in the solution of international economic, social and other humanitarian problems," and a fourth declaration "to afford a center for harmonizing the actions of nations in the achievement of these common ends."

How Will the Small Powers Regard Their Functions?

It is a safe prediction to say that the Dumbarton plan will not be received with unalloyed joy by the small nations, for it offers little more than the right of representation in the General Assembly, which is to meet in regular annual sessions and in such special sessions as occasion may require. Without question, the smaller nations, unless they are to be wax figures in the Dumbarton plan, will demand that more power be conferred upon the General Assembly.

The functions and powers of the General Assembly are much like that of a debating society privileged to debate a limited range of questions subject to the control of the Security Council. The General Assembly will not be permitted to make any recommendations, in many particulars, without an invitation from the Security Council to do so.

The League of Nations vs. The United Nations League

The new United Nations League differs from the League of Nations inasmuch as the latter organization: (1) could not enforce its decisions (its chief defect); (2) a unanimous vote was required in both the Assembly and the Council on all important questions; (3) members were not obligated to submit disputes to the League of Nations, and (4) no machinery existed for the creation of new law or "peaceful changes." The United Nations League, however, has made provisions for the first three of these defects and provides for Regional agencies to deal with matters relating to the preservation of peace suitable for regional action. There are also procedures for a military staff committee as well as auxiliary organizations: labor, economics, finance, health, intellectual cooperation and other similar bodies.

So much for the principal formulas. Let us put on our spectacles and carefully examine the fundamental principles of the Dumbarton Plan as they would affect our country.

World Police Force

First and foremost is the question of this country's participation in an international police force. Will the American people willingly leave it to the Security Council to send American troops into battle on the authority and initiative of the Security Council?

Will U. S. Depend on Its Representative's Sole Judgment to Declare War?

Will the one member representing the United States on the Security Council be empowered to decide on his sole judgment for 136 million Americans whether the armed strength of this country should be used to suppress aggression anywhere in the world and thus plunge us into another war?

Will Congress by Constitutional amendment abdicate its exclusive right to declare war or to decide whether or not American armed strength should be used at all to a solitary representative? Under our representative and democratic form of Government it is almost useless to suppose that we would place the power of determining war in the hands of any one individual appointee of the President.

Will the American people run the risk of having a representative on the Security Council who may be a personal appointee of a self-willed President who may have little respect for Constitutional processes, and less for our cherished traditions, and who may labor under an obsession that he is justified in perpetuating himself in office for four or more terms, or that he is indispensable in handling our country's international affairs?

Do not forget that the Security Council (Chapter 8, Section A) is "empowered to investigate any dispute or **any situation** which may lead to international friction . . . in order to determine whether its continuance is likely to endanger the maintenance of international peace and security." The words "any situation" are open to wide interpretation and application.

Chiang Kai-shek and Communist Faction in China

Now suppose, after World War II is concluded, that the Communist faction in China will again resume their civil war against Gen. Chiang Kai-shek, would the Security Council intervene to police China with the international armed forces? Would Communist Russia, one of the Big Five, be agreeable to the suppression of the Communist faction in China?

Or would Provision 7 of Chapter 8, referring to "situations or disputes arising out of matters which by international law are solely within the **'domestic'** jurisdiction of the state concerned," apply to a civil war in China which would lead to serious consequences in Asia? The writer does not think so because Britain and France and Russia have too much at stake in the Far East to consider a civil war in China to be a **"domestic"** matter.

If India and Egypt Rebel Against British Control

Or let us presuppose that the people of India rise up in rebellion against the British Government, or say the natives of Egypt rebel against Great Britain's control, would the new League then proceed to investigate these disputes? Would the Security Council send its international police force into those countries to suppress the rebellious armies of India and Egypt? Or what is more likely to happen, would not Britain invoke the "domestic" clause and tell the new League to lay off and mind its own business?

These hypothetical questions are posed here to help appraise the workability of any world peace organization.

Veto on Decisions of Security Council

Again it has been stated that Russia (the conqueror of Finland, Estonia, Lithuania, Latvia, Poland and Romania) held out during the Dumbarton Oaks conference for the right to exercise a veto on the decisions of the Security Council, a question full of TNT which has been left open for future settlement.

If anyone of the Big Powers has the right to exercise a free veto on the Security Council's decisions, the new League of Nations will become in fact a **negative affirmation** and an **empty shell** as far as its main peace objectives are concerned. In other words, the veto would conveniently enable Russia, Britain, and France to draw a circle around any political or diplomatic question affecting their conquered possessions or their own national interests.

Public Should Demand Verbatim Report of Conference Proceedings

It is high time that the people of the various Powers represented at the Dumbarton Conference should be permitted to read a verbatim report of the discussions both in the main meetings and the committees. This "white paper" should be made public at once.

Super-Force Organization Needed to Control Great Powers

Perhaps it is almost axiomatic to say that it is not the small nations that need a world peace organization to keep them from starting World Wars, for it was the Big Powers which fell out with each other and have been directly responsible for the World Wars.

With all respect to the mechanics which the Dumbarton Oaks Conference proposes for an international organization to prevent war, it is too bad that there is not a Super-Force organization in this world to prevent the Imperialistic Powers (Germany, Italy, Japan, Britain, France and Russia) from committing acts of aggression against each other, because it has been the Big Powers, not the small powers, which have been the guilty parties.

In the writer's opinion, a dozen peace leagues would not have kept those nations from warring against each other as might have been proven in 1914-18 and 1939-1944 and on other occasions, for there can be no guarantee of peace with such warlike nations as Germany and Japan, either in or out of any proposed peace organization.

Major George Fielding Eliot in referring to the three great military and industrial powers in the Dumbarton Conference (Britain, Russia and the United States) recently made this interesting observation:

"We should get out of our minds the idea that the international security organization considered at Dumbarton Oaks was intended to restrain any one of these powers (Britain, Russia and the United States) by the concerted force of the other two. If these powers cannot agree, then there will be no organization—or, if one is formed, it will break up. If it comes to a point where one of these powers has to be restrained by the force of others, then we have another World War, and that is that."

The Consent of the Governed

The father of the first League of Nations, Woodrow Wilson, in an address to the Senate Jan. 22, 1917, stated: "And there is a deeper thing involved than even equality of right among organized nations. No peace can last or ought to last which does not recognize and accept the principle that governments **derive all their just powers from the consent of the governed,** and that **no right anywhere exists to hand people about from sovereignty to sovereignty as if they were property."**

President Wilson continued: "I take it for granted for instance, if I may venture upon a single example, that statesmen everywhere are agreed that there should be a united, independent and autonomous Poland, and that henceforth inviolable security of life, of worship, and of industrial and social development should be guaranteed to all peoples who have lived hitherto under the power of governments devoted to a faith and purpose hostile to their own."

Peace by Force

If one analyzes the world situation correctly, the conclusion is evident that the imperialistic nations of the world, judged by their past history, are sorely lacking in moral principle to provide the character necessary for a League of Nations that would strive to maintain permanent peace.

Under the aegis of the Dumbarton Plan it does not require much prescience to see that the three Big Powers (Britain, Russia and France) our partners in the Security Council, are likely to **boss** the small nations and the whole of creation for their own selfish aggrandisement every time they get the chance.

Will Dumbarton Plan Succeed?

In the final analysis the Dumbarton plan for a new League of Nations can best be compared to a world in which an international organization of the three strongest military and industrial powers plan to enforce "Peace by Force." People who are familiar with the historic record of the past century know unequivocally that "Peace by Force" in an uncivilized world, lacking in moral and spiritual values, can not succeed whether it is administered by a League of Nations or any other international agency.

Raymond L. Wise, publicist and attorney, has succinctly stated that "if the new organization (United Nations League) is to play power politics as a vigilante committee rather than act under a rule of world law which it is trusted to create, amplify and enforce,—World War III is in the making." In his opinion, "Dumbarton Oaks has fallen short of the creation of a world state, but is one step on that path."

"The Tablet," influential Catholic weekly, in its editorial comments on President Roosevelt's estimate of the Dumbarton Oaks plan as the "very practical expression of a common purpose on the part of four great nations" and President Roosevelt's earlier statement in which he referred to it as "the keystone of the 'arch' of security and peace," advanced the following conclusions: "A study of the Dumbarton Oaks plan reveals no basis for such praise. . . . Granting whatever good points the Dumbarton Oaks proposals may be credited with, it must be conceded that even as machinery the entire program, as it stands here and now, is useless. . . . It is the duty of the Administration, as the servant of the people, to preserve the nation from a false peace which bears promise of nothing but more and more worse wars."

Atlantic Charter and Kellogg-Briand Pact

If the words in international agreements mean anything to Russia, Britain, Germany, Italy and Japan (ultimate members of the new League), the Kellogg-Briand pact of 1928 renouncing war "as an instrument of national policy" and also the tenets of the Atlantic Charter should be incorporated in the Constitution of the new United Nations League.

A Plea for the Rights of Small Nations

The United States has not forgotten that it was a small, weak nation in early Colonial times, nor has the United States forgotten 1776 and 1812 when we had to fight for our independence and freedom against the strongest power in the world.

For this and other reasons, the United States is and will always be "committed to the rights of peoples of the world, both small and great, to determine their own form of government and their own action."*

In what manner, may we ask, will the Dumbarton Plan benefit the small independent nations and the nations which are the conquered possessions of Britain, France, Russia, Netherlands, Portugal and Belgium?

Will the Dumbarton Plan guarantee the autonomy of the small nations when the Big Powers **boss** the Universe through the Security Council?

Referendums and Self-Determination

Would these Big Powers permit the nations subject to their control to hold national referendums to determine whether they wish to continue or withdraw from the jurisdiction of these Powers?

In the peace settlements at the end of the war, the small nations in Europe and other parts of the world should certainly be given the right of self-determination, they should be free to exist alone or to join with other countries if they so desire.

It is almost a self-evident truth that Great Britain, France, Germany, Italy, Russia, Belgium, Portugal, The Netherlands, etc., will not of themselves free their possessions as we have in the case of Cuba (a liberation) and the Philippines, and as we may in the course of time, grant independence to Hawaii and Puerto Rico if those countries choose to go it alone.

The Case of Poland

Mark Sullivan, eminent student and writer of political history, in his "Herald Tribune" article of Oct. 6, correctly summarizes one detail of many disturbing elements in the European situation: "Russia's course toward Poland gives rise to the feeling that she intends to do with Poland what she wishes, to take as much of Poland's territory as she wants, to impose upon Poland such boundaries as she determines, to let Poland have as much independence as suits Russia, to let Poland have such government as Russia considers satisfactory. If this is Russia's intention, it is contrary to what President Roosevelt and Prime Minister Churchill laid down in the Atlantic Charter as their policy about small nations. And if Russia is following this course, or any other, of its own choice without regard to any different course that may be wished by the United States and Britain, then Russia is not abiding by the cooperation supposed to exist for

*"Fighting for Peace," by the late Dr. Henry Van Dyke, Ambassador to the Netherlands in the first World War.

the conduct of the war and for the peace settlement following."

The reason for citing Poland at such length is because Britain and the United States are not likely to willingly sanction the partitioning of Poland as suits Russia's sweet will. That Russia will also "dish up" the other countries on her western border is well known and illustrates how difficult it will be for our country at least, to support a world peace organization which countenances the self-aggrandizement of the Big Powers.

Great Britain Consents to Japan's War of Conquest in China

What faith can we have in the morality of these powers when we see Great Britain in the very year (1939) that Germany plunged the world into another senseless struggle, giving Japan carte blanche to pursue her war of conquest in China as follows: "The Japanese forces in China have special requirements for the purpose of safeguarding their own security and His Brittanic Majesty's government have no intention of countenancing any act prejudicial to the attainment of that object."

Germany and Russia Sign Non-Aggression Pact

Again, after hostilities commenced in Europe, Germany signed a solemn pact with Russia, August, 1939, agreeing not to war upon each other, yet after an interval of two years (summer of 1941) Germany attacked Russia. These things do not exaggerate the moral depths to which these nations have fallen.

The Curse of Secret Diplomacy, —Can We Trust the Big Powers?

George E. Sokolsky, gifted writer of "These Days" in the New York "Sun," has brought to light the following astounding international incident:

"Let us take a leaf out of the past. In 1917, before this country entered World War I—precisely on Feb. 16, 1917—the British Government addressed a note to the Japanese Government which contained the following paragraph:

"'His Majesty's Government accedes with pleasure to the request of the Japanese Government for an assurance that they will support Japan's claims in regard to the disposal of Germany's rights in Shantung and possessions in islands north of the equator on the occasion of the peace conference, it being understood that the Japanese Government will, in the eventual peace settlement, treat in the same spirit Great Britain's claims to German islands south of the equator.'

"This is the formula of the secret treaty by which China, soon to be an ally in the war, was to be robbed of essential territory. The Japanese, of course, agreed to support 'in the same spirit the claims' which the British would put forward at the Peace Conference. The French and Russians concurred in this proposal, each stipulating schemes of their own and the Italians said that they 'had no objection regarding the matter.'

"The people of the United States knew nothing about these secret treaties when this country entered the war. The people of the United States knew nothing about this when they fought and won that war. President Wilson knew nothing about them. Secretary of State Robert Lansing knew nothing about them. Let me quote from the Senate hearings:

"'Senator Borah: When did you first learn of that agreement?

"'Secretary Lansing: Early in February, 1919.'

"And this:

"'I desire to read a statement which appeared in the Parliamentary debates in the House of Commons on March 4, 1918. (Reading):

"'Mr. King asked the Secretary of Foreign Affairs whether there had been communicated to President Wilson copies of all treaties, whether secret or public, and memoranda of all other agreements and undertakings to which this country has become a party since Aug. 4, 1914; and if not, whether copies of all such documents will be handed to the American Ambassador in London.'

"'Mr. Balfour: The honorable member may rest assured that President Wilson is kept fully informed by the Allies.'

"That statement was made on March 4, 1918, and was then untrue, as Senator Borah brought out in questioning Secretary of State Lansing."

A Bloodless Revolution

Dispatches from Moscow to the New York newspapers report the Russian Vice-Commissar of Foreign Affairs accusing Premier Said of Iran of being disloyal and unfriendly to the Soviet Union for blocking oil concessions to Russia in Northern Iran (formerly Persia). The London "Observer" on Oct. 28 stated that "the present government of Iran was in danger of being overrun under pressure of Moscow because of its refusal to grant oil concessions to Russia, Great Britain and the United States for the duration of the war." The opposition inside of Iran was being conducted by a "freedom front" which "The Observer" declared has been formed largely under Russian auspices.

It is said that demonstrations demanding reinstatement of Premier Said's government and a change of Iranian policy brought out 20,000 marchers at Teheran. In his defense Premier Said, in a statement issued Oct. 19, announced his Government's decision to postpone granting the oil concessions to the three powers until after the war, adding that the action was taken because of the objection of the Iranian Parliament and that "the petroleum question had been the cause of the downfall of the preceding government." On Nov. 9, the fall of Premier Said's government was announced by Teheran radio.

This deplorable incident, if true in any or all particulars, is another case of the Big Powers' treatment of the smaller powers in bringing about the downfall of a government through a "bloodless revolution" which will not create a favorable world opinion for the new United Nations League. The incident, if true, is a violation of the sovereign rights of a small nation. No big power would for a moment tolerate such interference with the acts of its government by any other power, big or small. In the course of its history, Persia (now Iran) has fought three wars with Russia and one with Great Britain.

The Cold Facts Regarding Europe's Future

Looking at world events objectively during the past half century, it is the belief of the writer that our country's interests will best be served by leaving the settlement of European problems to Europe or we will become enmeshed in future wars. That **does not mean** that we should not collaborate in a sensible world movement to formulate practical ways and means to preserve peace. It **does not mean** that we should yield any of our sovereign powers or Constitutional rights. It **does mean**, however, that we must **not** enter into any world commitments that do not leave our country free to determine future international relations with each country on its merits by and with the concurrence of our Congress. In a word, it **does mean** that we should not "gang up" with the Big Powers in power politics and balance-of-power movements.

The world is in a state of evolution and is undergoing a social revolution. It is possible, too, that Germany, prolific and virile, may fight in the future to dominate Continental Europe against the coming menace of Russian communism. We may even see Britain, France and the United States fighting on Germany's side against Soviet Russia in the next quarter of a century. Strange things are happening. We must be prepared, and it is quite apropos to repeat the Latin quotation, "Si vis pacem, para bellum" (If you wish peace, prepare for war), as good, solid American policy to follow in our future international relations.

It goes without saying, that Britain will not sit idly by if Germany threatens again to dominate Europe, nor will she let her ally of other days, France, run the show, and Russia—never. And Russia would contest Germany's or Britain's claims to dominate Europe and the Far East.

Walter Lippmann, in his recently published book, "United States War Aims," advances the opinion that "the way to lasting peace is not through a League of Nations, a World Court, or any such attempt at global federation with or without an international police." Mr. Lippman believes that only through Regional Associations of Nations is there any hope. He regards Woodrow Wilson's former attempt to form a real "League of Nations" as a childish idea of America's naive era.

Roosevelt's Pronouncements Regarding Participation in League

As a further elucidation of the subject, it is interesting to study the isolation pronouncements which President Franklin D. Roosevelt has made in the course of his administration, viz:

On Dec. 28, 1933, President Roosevelt said of the League of Nations: "We are not members and we do not contemplate membership." (1933 Public Papers 547.)

On Jan. 3, 1934, he said: "I have made it clear that the United States cannot take part in the political arrangements in Europe. . . ." (1934 Public Papers 8.)

On Oct. 2, 1935, he said: ". . . Despite what happens to continents overseas, the United States of America shall and must . . . . remain unentangled and free." (1935 Public Papers 410.)

On Aug. 14, 1933, he said: "Both sides agree that this nation should at all times avoid entangling alliances or involvements with other nations . . . ."

The Long Term Prospect for Peace

The writer is for any world organization which will promote peace or peaceful conditions for one year, ten years, one hundred years or 1,000 years, but, taking a long-term view, it is impossible to see permanent peace or the end of wars in this uncivilized world, in prospect. War is as stupid and savage as any punishment, curse or instrument that Man could devise or impose upon humanity and its suspension for even a decade or for a few succeeding decades is a blessing which all mankind should strive for.

In the light of history, present conditions and future possibilities and the low state of international morality, it is almost childish to believe that the great imperialistic powers either possess a sincerity to fulfill their treaty obligations or that they have the moral character "to do unto others as they would we should do unto them." The day for illusions and fables is past.

President Woodrow Wilson expressed our peace purposes with prophetic understanding to the people of the United States in a note to His Holiness the Pope, on Aug. 27, 1917:

"Punitive damages, the dismemberment of empires, the establishment of selfish and exclusive economic leagues, we deem inexpedient, and in the end worse than futile, no proper base for a peace of any kind, least of all for an enduring peace that must be based upon justice and fairness and the common rights of mankind."

Kind of Peace to Offer Germany and Japan

To obtain a desirable, lasting peace we believe the statesmanship of this country, Britain and Russia must be farsighted and catholic minded enough to offer the world a magnanimous and pacific peace, for the greatest good and for the greatest number of nations—a generous peace that will remove the causes that have led the great powers of Europe to propagate wars for ruthless national, territorial and racial aggrandisement.

In the Name of Humanity and Good Sportsmanship

Americans hate war with every fibre of their being, and if the forthcoming peace with Germany, Japan and Italy is to mean anything to humanity, we should lift heaven and earth to get our Allies and the Axis countries to solemnly pledge themselves to absolutely outlaw robots, submarines, indiscriminate airplane bombing of cities and other populated centers, poisonous gas and chemicals, and also the coming use of germs in warfare. Airplanes should properly be permitted for army and naval scouting but not for bombing of noncombatant men, women and children in civilian centers of population.

If such humane reforms are instituted and kept by the 63 or more sovereign nations, this old world of ours will have indeed moved a little nearer to the Christ-like ideal of **"Peace on Earth, Good Will Toward All Mankind."**

With millions of our fellow men and women throughout the world, the writer prays to God that we may soon see the end of Man's inhumanity to Man.

[The CHRONICLE invites comments on the views expressed by Mr. Wilson, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York.]

Note—The writer is especially indebted to the publishers of The Commercial and Financial Chronicle for the use of the back volumes of the paper and its records for confirmation of many of the factual details used in the above article.

Final Sessions of 78th Congress Resumed; President Asks For $400,000,000 Funds

Congress, which had adjourned on Sept. 14, reassembled on Nov. 14 for its final six weeks' session prior to the new session, which will convene in January. Fewer than half the members were on hand, however, said the Associated Press, when Speaker Rayburn and Vice-President Wallace banged their gavels at noon. Leaders leaned to the view that it was useless to undertake more than a brief legislative program in the dying days of this Congress. According to the same advices Republicans in Congress voiced support for the No. 1 goal set by President Roosevelt—to win the war quickly and get the boys back home.

Senator Kenneth S. Wherry, Republican party's Senate whip, told reporters that "if there is any mandate in the election it is that President Roosevelt get this war over quickly and bring the boys back."

"I feel that that is a non-partisan objective," he added. "I, for one, will continue to support the President on all military measures.

"The next mandate is one on domestic policy. The President talked of gearing private enterprise to provide 60,000,000 post-war jobs. I'm certainly for private enterprise accomplishing this task. The country doesn't want a dole or a WPA."

Senator George D. Aiken, back from his own reelection victory in Vermont, told reporters that he thought Republican defeats elsewhere emphasized the need for a more liberal Republican congressional policy.

"I think that the best thing the Republicans can do is get behind proposals for the development of natural resources, and the maintenance of the earning power of the workers and the purchasing power of the country," he said.

"We must have an expanding world trade and reasonable agreements between nations, and avoid drastic tax reductions that would leave nothing to apply on the outstanding national debt."

From Nov. 13 Washington advices (Associated Press) we take the following:

Joseph Martin Jr. of Massachusetts, House Republican leader, told newspaper men he knew of no planned opposition to prolongation of the powers—including the authority for priorities—which under present legislation expire Dec. 31.

It will clear the stage for momentous war and peace debates in the new Congress, with a stronger Democratic flavor, which meets Jan. 3. In this Congress the Democrats will have a plurality of at least 50 members in the House.

However, in addition to extension of the war powers, these important questions confront the old Congress:

1. A decision whether to "freeze" the social security tax at its present 1% rate. Unless stopped by Congress, the payroll tax automatically rises to 2% each on employer and employee Jan. 1. A sizzling fight is expected on this "freeze."

2. Whether to extend the statute of limitations governing prosecutions or courts martial that may grow out of the Japanese attack on Pearl Harbor. This might afford opportunity for some blasts at the Administration—an aftermath of the political campaigns.

3. Bills providing for a post-war highway program involving expenditure of around $1,500,000,000 of Federal funds.

4. Resurrection of the Federal crop insurance program, funds for which Congress has refused. Both major parties sanctioned crop insurance in their platforms.

5. Disposition of the House-approved flood control and rivers and harbors improvements measure.

6. Action on a proposal to revive the bituminous coal law, which Congress refused to extend earlier this year. This Act sets up machinery intended to prevent ruinous competition in the soft coal industry.

Mr. Martin said he believed the old Congress could complete its labors by Dec. 10.

With the reopening of Congress President Roosevelt asked it to add approximately $400,000,000 to funds previously appropriated for more than a score of Federal agencies.

The total includes $339,112,455 for the Navy Department, the bulk of which was for the Bureau of Yards and Docks. There was no detail on how the funds would be used.

Other items included $13,990,000 for the Treasury Department; $10,010,000 for the Army; $15,000,000 for the Federal Works Agency; $11,036,682 for the Interior Department, and $7,401,000 for the National Advisory Committee for Aeronautics.

Investment of U. S. Capital Abroad

(Continued from page 2147)
ground that we may be creating commercial rivals.

This is not in fact the significant question that we face in aiding industrial diversification abroad. This is the question of what type of world we should be helping to bring into existence.

On that great subject I can venture only a few unanswered, and perhaps unanswerable queries. Would a world in which many or most countries have a wide range of manufactures be one in which the goal of national self-sufficiency be even more ardently pursued? Would it be one in which export competition became more universal and bitter? Would it be one in which aggression became easier—or harder—to control through concerted international action? Would it be one in which competitive armament became more widespread? Would, in short, the world-wide spread of industrialization made possible by our capital prove in the end to be a unifying tie or a divisive force between nations?

Traditionally, foreign investment has been regarded as a unifying tie, and it has so proven itself in many instances. For example, the movement of capital played a most important part in holding together the economic and political destinies of the elements of the British Commonwealth. It nurtured significant relationships between the United States and Great Britain during the 19th century which helped to dim out memories of earlier battles. During the past few decades it has created close new ties between the United States and Canada which, I believe, have strengthened the impulse towards economic and poltical cooperation. Despite the criticism and controversy that have marred certain of our foreign investments in Latin America, they have on the whole contributed towards the creation of a sense of common interest between ourselves and the other American Republics.

These instances indicate that foreign investment **can** enlarge international trade and stimulate international political cooperation when these are the firm wish and intention of the participants.

But will it prove itself true in a world where the lending and borrowing may be conducted mainly by governments, where many nations already have a strong inner impulse towards self-sufficiency, and where calculations of military power may be restlessly active? The answer will only be gradually revealed by experience.

V.

Limitations on Foreign Investment

Are there any simple rules by which we may determine the amounts of capital we might wisely send abroad?

Our willingness to supply capital to other countries cannot be, without limit, governed by their needs. These will be far beyond our power to satisfy. We cannot, even from the full flow of our own working effort, permanently undertake to supply the means of decently feeding, clothing, or housing the hundreds of millions in the world that live in misery; we cannot provide the instruments to repair quickly all the damage the war has done; we cannot stake all countries in the world with the instruments of machine production. In short, we cannot be a visionary God.

But even the amounts we could provide without serious deprivation may far exceed the ability particularly of the needier recipients to make any ordinary financial compensation. It is impossible to forecast what amount of dollar indebtedness any individual country, or the world taken together, may in the post-war future be able to carry and discharge without excessive strain. That will be decisively affected by many matters, some of which will be within our control and some outside of it.

Some broad indications may be given as to the dimensions of the problem. Suppose, as a consequence of the renewed movement of American capital abroad, the sum total of American investment of a type on which ordinary terms of repayment applied should be built up from its present net of 10 billions on long-term to, say, 25 billions. This would require in interest and earnings remittances to us of, say, a billion dollars, and the annual repayment or amortization of, say, half that amount. Foreign countries would in some way or other have to acquire each year a billion and a half dollars beyond what they needed to meet other needs. In contrast there stands the annual average excess of American merchandise exports for the years 1935-38 of nearly half a billion dollars; and this would have been much greater if foreign countries had not repressed purchases from the United States by every known restrictive device. The amounts of dollars required would represent about 20% of the total flow of dollars that the United States made available to foreigners in all forms (including loans) in 1929.

But computations such as this, in terms of grand totals, obscure the fact that there will be great differences in the relative power of individual countries to repay. Were we to limit our investment by calculations of an assured repayment it would fail to respond to some of the needs that should, in the interest of both economic and political order, command attention, or to grasp some of the situations in which the provision of capital promises the greatest ultimate benefit. Calculations of repayment, while important, therefore cannot be conclusive in determining the amount we might wisely lend abroad; and it seems clear that we must be prepared to stretch the terms of some of our investment outside of ordinary financial schedules, to extend aid in some directions without requiring usual terms of compensation. Peace will need some form of generosity as well as war; but it can only justify itself if nations remain as firmly linked in their peace-time purposes as they are in the conduct of the war.

It is sometimes suggested that our foreign investment program should be guided by computations of the volume of trade that will be required to maintain a satisfactory rate of employment of productive resources within the United States. In technical circles, this proposal is usually esteemed as a means of putting to use idle savings which bring unemployment in their trail; while in business circles it usually emerges as a means for maintaining exports at high levels, thereby avoiding serious dislocations of economic activity, unemployment, and any necessity of realigning our productive activity. In both forms it involves the conclusion that we **must** transfer to foreign countries—more or less regardless of their deserts and power of repayment—a fraction of our national productivity because we cannot find a satisfactory way of turning it to our own use.

A policy primarily governed by our own failure properly to adjust our own economy would run amuck, and result in recrimination between ourselves and other countries. We would deceive ourselves for a short period that our advances were loans or investments; but in foreign eyes they would resemble those loans which financial salesmen pressed upon them in the twenties. The basis of international obligation would be debauched. The policy would be apt to end in failure and force difficult adjustments upon us that it would have been wiser to attempt earlier. Our productive activity should be so aligned as to bring it into conformity with whatever measure of trade interchange proves possible without permanent great subsidies.

This judgment should be softened and qualified in its application during the next few years—because of the immense size of the adjustments we face, particularly in certain export industries. During that period we would be justified to extend our foreign investment somewhat further than other grounds would justify.

But any program for doing so encounters a difficult timing problem. Effective foreign demand (supported by accumulations of gold and dollars) will sustain American export trade during the first two post-war years at an extremely high level, which, in the absence of continued great subsidy is certain to decline later. Such was the train of events at the end of the last war. It would be wise to avoid accentuation of the decline by our investment policy. This will be difficult because the most urgent foreign demands for aid will concentrate in the first post-war years. However, we should try to defer long-term investment operations inspired by the wish for economic development until the period of flush export demand has passed.

Thus, it does not seem possible to formulate any inflexible and unvarying rule as regards the dimensions of American foreign investment. Judgment will have to travel with events. The moving mind will have simultaneously to appraise the external need for our capital, our own economic condition, the prospects of repayment, the state of trade, and above all else, the international political behavior of nations. And in this task, alas, the indications given by statistics will often resemble glints in the interior of a crystal ball.

VI.

Government Regulation of Foreign Investment

The foregoing analysis implicitly suggests that any adequate foreign investment program would largely draw upon public funds or be aided by government subsidy or guarantee. That is correct.

There will be some governments, such as those of Western Europe, the British Commonwealth and the stronger Latin American republics, whose bonds private American investment may again be ready to purchase. There will be some other foreign governments, such as that of the USSR, whose basic economic strength will also attract large-scale credits from American manufacturers; and some private foreign borrowers will be in the same position.

American business enterprise will on its own undertake further extensions of their activity in foreign lands. They will create new branch factories, and pioneer abroad in fields in which they hold a large measure of clear mastery — as in airplane manufacture, electronics, certain branches of chemistry and electrical equipment. There will also be further extensions of American company investment in the natural resources of other countries for which demand is growing, such as petroleum.

Taken together, these types of investment may reach a considerable total over the next few years. But they will be highly selective, avoiding the more disturbed countries and those inclined to the socialization or nationalization of economic life. The task of providing capital to those countries most destroyed by war—countries whose budget situation may be in disorder and economic prospects dubious, or those inclined extensively to regulate or burden private economic enterprise and ownership—cannot and will not be assumed by private capital. If it is confronted at all it will be out of the public purse.

Furthermore, many foreign governments are formulating their plans for the procurement of dollars either by borrowing from some agency of the American Government or securing its guarantee for repayment of the notes and securities they issue. They will seek, as far as they can, to avoid the acceptance of any financial obligation of an ordinary or fixed character towards American private investors. They hope thereby, first, to secure less onerous terms; second, to maintain direction or control of significant economic developments within their territories by acting as the funnel through which foreign capital will pass; third, to maintain more efficient barriers against the independent undertakings of private foreign capital.

These trends will circumscribe the field wherein private capital will find it possible to operate satisfactorily without some form of support, insurance or guarantee by the American Government.

Several new and difficult problems of relationship between private and public investment activity will arise out of this situation.

It would be desirable that the Government abstain from making loans or advances that private interests are prepared to make on reasonable terms. But how far and how rigidly in practice can this principle be pursued? Should all financial aid be refused foreign borrowers who refuse to accept the reasonable offers of private lenders? Should a foreign government, for example, be denied financial aid because it desires to reserve all opportunity in, say, its public utilities, petroleum and aviation and the like, to its own nation even though American interests are eager to participate therein?

The question in its broadest sense is whether or to what extent our investment operations should be restrained by the fact that the capital provided may enable a foreign country to carry out more effectively a policy of economic exclusionism, or nationalization or both.

I do not pretend to have any simple or conclusive answer to that question; I do not believe there is one. We will not find it wise to withhold all American capital resources from a foreign land on the ground that it chooses to restrict, totally or in a large part, economic enterprise within its country to its own nationals, or extend the realm of government ownership and operation. The reasons for the contrary course will often be too influential. On the other hand, it will reduce both our satisfaction with our foreign investment activity and the benefit we derive therefrom if one of its consequences is to facilitate the construction of a comprehensive barrier against American private enterprise.

I turn to a related question. Should the American Government control or regulate private foreign investment undertakings? I believe an informal, but thorough system of advance consultation, such as has almost become current practice, will suffice. Such consultation should assure full disclosure of all investment programs, and an understanding that agreements of unusual significance between the American investors and foreign interests should be submitted for discussion. The Government should participate in these consultations with a view of encouraging and supporting all well-advised private investments in peacefully disposed foreign countries.

When the American Government insures or guarantees a private loan or investment, it will have to pass upon the terms of the venture and retain a right to watch over the policies pursued by the private investor. This practice has already been successfully developed by the Export-Import Bank; sometimes private interests have negotiated the business and the Export-Import Bank merely provided a guarantee for compensation; in other instances the Export-Import Bank itself developed the investment operation and called upon private capital to provide the funds.

VII.

Internationalism of Foreign Investment

There is an emergent view that countries should join together in their foreign financial ventures and convert them into an international activity. It is pointed out that all nations have a tie of common interest in the relief of economic distress, the expansion of trade, and the development of production everywhere; that they would all suffer in some measure in failure in these matters and all gain in some measure by progress. Therefore, it is argued with considerable point, that the provision of the necessary capital to serve these ends is an international responsibility, and that each nation should contribute according to its means.

Various other persuasive reasons may be adduced for giving sympathetic consideration to proposals looking toward the internationalization of investment activity abroad. I will cite a few of the more tangible ones; even these, however, are quite untested.

Were nations to combine their activity, it is reasoned that a larger pool of resources could be made available and the financial risk would be widely diffused. Borrowers would ordinarily make a more conscientious effort to fulfill an international obligation than one of any other type; and, in the event that the borrower faced genuine difficulty in repayment the international organization could effectively explore the possibility of obtaining economic concessions to lessen the drain. All these factors in combination, it is concluded, should enable an international investment organization safely to provide capital on cheaper terms and to finance undertakings of dubious financial prospects but evident international advantage. It could thus employ its resources where they might best serve to prevent difficulties and disorders that might threaten the peace between nations.

In another sphere it is contended that an international organization could proceed with the task of accelerating the world's economic business less hindered by political complications than any single lending country could. Borrowers might be less afraid that the loan or investment might be used to extract political advantage, and so, it is said, would be willing to grant opportunities for supervision that they would refuse to any single lender. Each country, it is suggested, would thereby be relieved of anxiety over the thought that the investments of others might have an adverse effect upon its political or strategic situation. The reasoning even runs as far as to suggest that by internationalizing investment it would cease to be a counter in the game of power politics; this seems to me, I confess, a distant prospect.

Lastly, it is conceived that the joint participation of nations in the economic task carried out by their joint capital contributions would create a strong sense of international unity between them.

These possibilities are genuine enough to command our sympathy if the political omens are favorable. We should be prepared to join in an international organization *provided* its constitution seems sound and its mode of operation affords the necessary minimum protection to our national interests. The United States in all probability will be by far the largest single contributor of resources to such an organization. We would not wish to see our resources used to support governments or countries repugnant or unfriendly towards us. We would not wish to see them used directly to impair or retard the growth of our economic activities abroad. We would not wish to facilitate competitive armament. For these reasons it would appear that in the event of the creation of an international investment organization the rule should be established that all important decisions should require the unanimous consent of the larger contributors; or at the minimum that the United States should retain a veto right over the operations that draw upon the fund of dollars. Either of these arrangements might hinder the operations of the organization. It would be restricted to ventures that encountered no serious objection on the part of any important participant. But when and as the future international political situation becomes reassuringly settled, and the terms of international economic cooperation become more fully defined it might prove possible to relax the rule.

Were an international investment organization created, the claims of the countries most stricken by war might well be given prior consideration. The peace settlements will probably involve some important boundary changes and transfers of population; the international organization might make such settlements more acceptable to all by providing new productive occupations. Certain territories may be held permanently under United Nations' jurisdiction; the financing of their development would be a natural assignment for the bank. It would be by the performance of such tasks as these in a way that gained the confidence of all countries that the international organization could best establish itself in the world's economic life.

Time does not afford the opportunity to consider adequately whether the proposal that emerged from the conference at Bretton Wood is a satisfactory basis for international investment cooperation, and I prefer not to deal hastily with that important question. Let me express in passing, however, my impression that in general conception the proposal represents a good beginning which should be improved, not discarded.

The creation of an international investment organization would not relieve the United States of many of the serious problems that it faces in the investment field, nor would it end that subtle but incessant struggle for national advantage that accompanies the use of each country's financial resources; nor would it resolve those difficult problems of relationship between private capital and government which I have reviewed earlier this evening. But it might, if harmoniously directed by its chief participants, contribute to health and growth in many places. The capital resources of the United States should in due measure be available to promote health and growth wherever the soil is promising. It is one of the great instruments we possess for advancing our national welfare and sustaining our leadership in the search for peace and order. However, it is not a magic wand. It is an instrument which must be carefully directed by a blend of justice and generosity, sobriety and caring, watchfulness and faith.

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.

Where Angels Fear to Tread

(Continued from page 2131)

and further his opinion that dealers should make only an amount commensurate with a commission charge.

Apparently Mr. Treanor chooses to treat all transactions as riskless. If he doesn't he made no exception in his talk which would indicate that.

As a final piece of temerity, Mr. Treanor said that opposition to his theories arises from "the fears of some dealers that they cannot justify their profits." Nothing could be farther from the truth. The fact of the matter is what they are afraid of is the "cut throat" competition that would inevitably ensue if they were obliged to reveal to their customers the wholesale or inside market price before consummating a transaction—a proposal which is wholly alien to our system of free enterprise which calls for free markets. Free, too, in the full sense of the word including freedom from compulsion to reveal wholesale or cost prices. And free to permit the varying cost of doing business under varying conditions to be reflected in mark-ups, and being restrained from indulging in exorbitant mark-ups by the knowledge that such a practice would mean the loss of their customers and their livelihood to their competitors.

Leaving aside the unwarranted and untrue imputation that his opposition is composed of those accepting unconscionable mark-ups, he fails completely to appreciate that the apprehension concerning the disclosure rule is not limited to the securities field. The forcing of a disclosure rule upon the securities business would only be a forerunner of the same possibility with respect to all other industries. That is why in this country, there is cause for universal alarm.

The evil of such a rule becomes at once apparent. Since wholesale price disclosure would make investors conscious of the profit a dealer was making, dealers would naturally concentrate on selling securities that could be sold on the smallest profit margin possible. That means a disclosure rule would be decidedly advantageous to the giant, well known corporations of America seeking capital but by the same token it would close our capital markets to small business—to corporations whose securities can be sold only by intensive effort, statistical research expense and what not. Wholesale price disclosure would systematically destroy the small dealer in securities too, until such time when a complete monopoly would prevail amongst a few mammoth houses. It is clear that the little man doing a small volume, or the dealers in outlying areas cannot operate with the same mark-up margin. Nor is the principle involved peculiar to the securities industry. Indeed it is accepted and recognized at a natural element in all lines of business. The plan marks a vicious trend on the part of some crack-pot theorists to create a profit limitation rule and veer from the constitutional form which has been the American way all these decades.

The cloud of suspicion with which Mr. Treanor attempts to envelop securities dealers and brokers when he strives to force public acceptance of the wholly unwarranted assumption that the dealer in securities is, per se, a larcenous, if not a downright crooked individual, and therefore must be constantly harassed and treated as a potential enemy of the public, stamps his activities dangerous to our national welfare. We have said it before and will repeat it again, again and again: The securities industry, as a unit, is composed of men and women who are no less honest, fair and righteous than is true of the personnel in other lines of business activity. The securities industry, and this we have said before, too, has its unfortunate small element of undesirables, just as is the case of other segments of trade and finance. In short, we are neither a nation of saints or sinners and, human nature being what it is, the division will very likely prevail until the end of time. Successful reconstruction, the creation of jobs by means of new capital issues depend upon those dealers and brokers who alone can make possible open, active, and liquid markets, and who have been doing a splendid job in a war economy.

Mr. Treanor's disservice is to the public as a whole. The unwarranted distrust and suspicion he has been and is creating by the promulgation of unsound theories has ceased being a minor ailment. It has become a malignancy calling for operative treatment.

The SEC should do the surgery and cut out the indiscriminate branding of a legitimate and authorized business activity as fundamentally disreputable by discountenancing these far fetched and unwarranted legal theories regarding dealer and customer relationship and by straightway declaring its policy regarding the destruction or survival of the over-the-counter securities market.

AND GANSON PURCELL, CHAIRMAN OF THE SEC, SHOULD ANNOUNCE THAT THE COMMISSION DEFINITELY WILL NO LONGER TOLERATE ANY THREATS TO PROMULGATE A "FULL DISCLOSURE" RULE FROM ANY MEMBER OF ITS STAFF.

The Best Cure for Inflation Is Savings Says W. Randolph Burgess

(Continued from page 2133)

build factories, or to build homes. Of course the larger fallacy about the whole theory lies in the assumption that money saved is inactive money. We know that money saved is some of the most active money in the world, and active in a long term, ambitious way. It is money saved which starts new businesses and builds new houses, and so employs labor and leads to still further increased spending. There is another fallacy also in assuming that it is the mere possession of money that makes an individual or a business spend. We know that at any given time the people of this country, and particularly the businesses, plan their spending in relation to many factors besides their actual amount of money. Their confidence in the future is an enormous factor. If they are doubtful they tend to stop using their money. The possibility of making a profit without undue interference or losing the results of one's venture through heavy taxation is a heavy factor in whether business goes forward and spends money and employs people.

"Another fatal weakness of this theory is its interpretation of history. The extraordinary notion that the depression of the 30's was caused by over-savings is certainly far away from the facts. The best test is what you and I know about what happened in 1928 and '29 and '30. For we know that you and I and our friends and businesses in which we were engaged were mostly over-spending at that time. We were building houses that were too big and too expensive for our incomes. We were building apartment houses, and office buildings that over-estimated future requirements. Business was over-expanding in many directions, so that it took a number of years just to catch up. To say that it was over-saving is contrary to the facts. The only way I can explain the belief in the theory is that it is put forward by people who have led such cloistered lives that they did not know what was going on at that time, and were reading back into that earlier period something that really happened later.

"When we got into the depression of the 30's business and individuals really did stop spending and Government and everybody else became concerned as to how to start the wheels moving again. It was out of this that the over-saving theory grew up. But of course the thing that was really the matter in the 30's was, first, that all of us had over-spent so violently in the late 20's that we had to make up for it in the 30's. It is the old adage of paying in times of depression the debts we accumulate in times of prosperity. It is amazing how long it takes to clear up the debris of an over-spending and over-borrowing period like the late 20's. You and I know that it is true in the assets of many banks. It has taken many individuals a long time to save themselves out of the holes into which they spent themselves in the '20s. A second factor in the 30's was of course that we all got frightened, partly by the depression itself and partly by the strange political things that were done about it.

"I have labored over the theory of over-spending because it is important for us who are interested in the long-term well being of our country to understand some of these theories that are put forward, even though we may know in our bones that they are false. We must recognize also—all of us—that the period of the 30's was a disastrous one in American economic history which we must not repeat, and we need to examine every possible explanation for it. The outstanding lesson to my mind is that if we are to avoid these great depressions we must avoid the periods of over-spending and spurious prosperity.

"The final point I want to make on this subject is that in our conflict with false theories so vital to the prosperity of our country, the tide is now running very strongly in our favor. The war has changed the whole picture. For suddenly we have been plunged into a situation where savings are obviously essential to the nation's well-being. Wars usually mean inflation, and the best cure for inflation is savings. So our Government and our people have gone into a great campaign to encourage savings, a campaign which has been brilliantly successful. There are now 80,000,000 holders of war bonds, millions of whom have never before owned a bond or had any savings. These millions have learned the satisfaction and comfort of having money saved. The stresses of the great depression have proved a stimulant to this savings program. Since the beginning of the war individuals in this country have saved something like $100,000,000,000. The money is pouring into the savings departments of our banks despite very low rates of interest. The tide is running our way. The nation is becoming savings conscious as seldom before. This is a tide of human reaction, of human understanding, which may well carry out to sea the little academic theory which has worried us. The important thing for us now is to move with the tide in our own operations; to encourage this swing toward savings; to get people to think about it and make the habit permanent. For it would be easy to give way to another period of spending. It is our chance to strike while the iron is hot.

"The little theories about over-spending were the product of a sick country at a sick period. Basically, the American people are blessed with a great common sense to recognize the true from the false. We can rely on their response if we, who should be the leaders in this field, give to the millions of customers of our banks the touch of savings philosophy as well as the facilities for savings at this time when the tide runs with us."

Funds Available for Payment on Panama Bds.

The National City Bank of New York, as fiscal agent, is notifying holders of Republic of Panama 35-year 5% external secured sinking fund gold bonds, series A, due May 15, 1963, that there is now available for distribution as an additional payment on account of the interest represented by the May 15, 1941, coupons, the sum of $4.48 with respect to each $25 coupon and the sum of $2.24 for each $12.50 coupon. Payment will be made upon presentation of the coupons at the office of the bank, 22 William Street, New York.

Outlook for Post-War Petroleum

(Continued from first page)

these forecasts. I will try to be short but I may not always tell you things which are sweet. I don't pretend to have any crystal ball in which the future is made plain although many of my friends accuse me of using that classical sphere. The best that any of us can do is to determine, after careful study, what are the probabilities. I will dwell on this point more fully later.

In Socony-Vacuum, as in other large companies, we are continually engaged in a study of probable future conditions. We do this so that we can be prepared to give our customers what they want in the quantities they want them, whatever the conditions may be. We also want to determine where we can best spend our stockholders' money or where we must spend it and where we can save it.

In our company the problems encompass all phases of the industry. Our executives must meet these problems and answer them and in many cases, counsel with government and other agencies on general industry matters.

We believe that industry must try as never before to plan its future course rather than await events as they unfold.

We are trying to look ahead and plan, and I am going to give you the results of one phase of post-war planning dealing with our studies respecting probable future demands. These have been under preparation and review by us for over a year.

Forecasting Methods

Some of you who do not become involved in forecasting may wonder about it. There is no hokus pokus about it. This is how we go about forecasting in Socony-Vacuum. We simply break down the problem into small items and study the past history of each and its relations with other factors you may find exist. As an example, truck use has a close relationship to the index of industrial production. Then you talk with everyone you can who is an expert on each part. When you have all the ideas you can get, you finally make a forecast. Each step is taken in its logical order and all the pieces are supposed to tie in. Most of you would be amazed at the amount of information you can accumulate on any subject if you put enough manpower on it and keep at it. So much for that.

First we studied general economic factors such as the size of the national labor force, unemployed labor, wage rates, hours of work, national income, disposable income, prices, etc. Each of these items was forecast as a preliminary to making petroleum demand forecasts.

The total demand for petroleum products in the United States in 1941 averaged about 4,066,000 barrels a day. Our forecast indicates that this former consumption may be considerably exceeded by 1946. A fairly large part of this expansion takes place in heavy fuel oils for the navies and commercial vessels. It might very well be that the United States companies may not be able to supply this entire national demand at competitive prices. If so, a portion of this demand must necessarily be taken care of by imports or by ships bunkering in foreign ports. If the product is available at competitive prices, we estimate that the quantities shown could be sold.

Some of the general assumptions I made may interest you. Before the war the civilians working in industry and on the farms reached almost 49 million in 1941, which was higher than the figure for 1929. I expect more people to be so employed after the war in addition to a fairly large military force. Such an employment will not eliminate all unemployment. During the reconversion period, I think unemployment might average eight million. This, of course, would be much higher than the rest of the post-war period.

The Federal Reserve Bank Production Index in 1941 reached 162. I expect the years 1946 through 1949 to average almost as high. This is also true for disposable income, i. e., that income paid to individuals less personal taxes paid out. The total for 1941 was $83.7 billions while my forecasts for the four post-war years average almost as high.

Passenger Car and Truck Demands

From all of this, you see, I expect good conditions of employment, production and income for several years following the end of the war. The pent-up unsatisfied demands of our 135,000,000 people and the demands of war-torn and war-starved countries abroad should provide the outlet for these products.

Gasoline demands in the United States are based upon several considerations. The most obvious is the number of cars in use. This involves the number of cars to be manufactured, cars to be scrapped, the efficiency of new engines, the number of cars to be brought out of storage, average mileage used, prices of gasoline, disposable income, population shifts and, of course, tires.

In our studies, tractors, trucks, buses, aviation and miscellaneous uses were each dealt with separately and in detail.

It is interesting to note that passenger car gasoline reached a peak of 1,146,000 barrels a day in 1941 and I expect that in the post-war period passenger cars will consume only about this same quantity in 1948 and then again it may drop off if better, more efficient cars come on the market in 1947. We all hope for larger consumption but I choose to be conservative.

We expect trucks, buses and tractors to use more and more gasoline as these markets continue to expand as in the past.

The aviation demand contains two contrasting components. Military — a most difficult item to guess — showing a sharp drop and a turn-up later because of larger sized planes, and commercial and passenger plane uses which are forecast to increase fairly rapidly. Nevertheless we look for a demand by 1950 of only about 30% of the present total production of aviation fuels.

All in all, the gasoline market will expand, I believe, but the nature of this expansion will not be by passenger cars as in the past.

Our low forecast for gasoline consumption may be disappointing to some of you but you must remember that in 1941 we were using about 27,400,000 passenger cars on an average and during next year we may use only around 22,000,000. In New York State alone passenger cars in use before the war were about 2,350,000 and last year they decreased to 1,900,000 with a further decline in prospect for 1944 and 1945. It will require a couple of years to make up this shortage of vehicles. Some auto manufacturers may get back into production within three months after V-E day but others may require much longer. Peak production may be delayed for over a year.

The availability of tires has limited the use of passenger cars but the principal shortage has been in heavy duty truck and bus tires. Synthetic tires for passenger cars are good. Some of those made so far will not stand high speeds for long runs. Tires may still be a limiting factor on consumption for some time but improvements in them undoubtedly will be made.

The unused facilities for producing aviation gasoline will be employed to make better motor gasoline. This will make for better engines and somewhat better efficiency.

Based upon reports from our engineers and Research Department, I have assumed that some of the new passenger cars manufactured in 1947 will obtain 22 miles from a gallon of gasoline. By 1949 I have used a performance of 25 miles to the gallon for all of the cars manufactured during that year, and by that year 25% of the cars in use would be of these new, more efficient designs. Offsetting these better performances, I have given a lesser efficiency to older cars so that on an average for all cars in use in 1949, I have assumed a performance of 17 miles to the gallon as compared with the present 15 miles to the gallon under normal conditions. Restricted consumption tends to decrease the present performance as most of the travel is of short distances with much stopping and starting. I doubt that the average mileage per gallon today is as high as 14 miles.

Other products have been forecast in about the same fashion. These results are shown in the accompanying tables:

(Continued on following page)

TOTAL UNITED STATES DOMESTIC DEMAND

Thousands 42 Gallon Barrels

	1938	1939	1940	1941	1946	1947	1948	1949
Motor Fuel:								
Passenger cars	330,406	347,757	372,347	418,243	356,969	407,505	422,786	411,321
Trucks	114,531	122,035	129,598	143,070	138,129	154,132	166,517	169,631
Busses	16,000	16,845	17,256	19,038	19,632	21,662	22,681	22,751
Total automotive	460,937	486,637	519,201	580,351	514,930	583,299	611,984	603,703
Tractors	24,410	25,583	27,195	26,104	35,009	36,425	37,842	39,258
Aviation	2,403	3,740	5,475	10,950	50,400	37,200	31,400	35,400
Miscellaneous	35,253	36,597	37,553	49,998	46,965	51,123	51,123	47,376
Total motor fuel	523,003	552,557	589,424	667,403	647,304	708,047	732,349	725,737
Kerosene:								
Range oil	33,707	37,061	44,692	46,110	49,600	50,800	51,800	49,000
Tractors	3,955	4,346	4,683	4,467	4,700	5,200	5,300	5,200
All other	20,810	21,580	22,264	22,868	23,600	24,600	25,000	23,400
Total kerosene	58,472	62,987	71,639	73,445	77,900	80,600	82,100	77,600
Distillate Fuel Oils								
Heating	82,388	97,131	115,533	120,908	134,193	148,937	161,472	170,479
Diesel:								
Vessels	13,088	14,108	12,979	10,571	12,958	14,382	15,665	17,375
Army-Navy	643	1,078	1,115	3,537	5,877	5,001	5,041	5,001
All other	7,473	8,681	10,575	13,243	20,331	22,083	23,937	24,674
Total Diesel	21,204	23,867	24,669	27,351	39,166	41,466	44,616	47,050
All other	10,947	14,527	16,473	20,631	23,500	26,290	27,170	22,880
Total distillates	114,539	135,525	156,675	168,890	196,859	216,693	233,258	240,209
Residual Fuel Oils:								
Heating	35,935	39,101	44,846	46,606	55,520	61,143	65,453	69,718
Vessels	61,178	65,146	61,554	56,678	103,676	96,085	93,023	92,500
Army-Navy	10,974	11,159	15,781	25,938	40,515	30,845	30,928	30,845
Gas & electric plants	27,733	27,908	28,234	38,774	35,691	38,179	39,750	41,286
All other	154,589	175,289	187,691	212,994	210,028	225,394	228,564	210,149
Total residual	290,409	318,603	338,106	380,990	445,430	451,646	457,718	444,498
Lubricants and Wax:								
Automotive, aviation, etc.	12,089	12,263	12,886	14,110	14,813	15,951	16,292	16,212
Industrial	10,811	13,340	13,661	18,607	17,420	19,099	19,602	17,001
Marine	215	274	325	476	377	357	337	337
*Total lubricants and wax	23,115	25,877	26,892	33,193	32,610	35,407	36,231	33,550
Asphalt and Road Oils:								
Paving	23,769	24,626	26,467	31,825	38,904	41,179	37,659	30,157
Roofing	6,509	7,447	6,886	9,844	9,000	9,500	10,000	10,000
All other	1,979	2,463	2,156	2,796	2,540	2,840	2,920	2,460
Total asphalt and road oils	32,257	34,536	35,509	44,465	50,444	53,519	50,579	42,617
Miscellaneous products	72,600	77,380	84,715	102,679	125,819	134,607	131,122	124,058
Crude and refinery loss, etc.	23,061	23,983	24,046	12,600	22,500	22,500	22,500	22,500
*Total domestic demand	1,137,456	1,231,448	1,327,006	1,483,865	1,598,866	1,703,019	1,745,857	1,710,764

*Includes non-petroleum additives used in compounding lubricants.

ANALYSIS OF ESTIMATES

	1938	1939	1940	1941	1946	1947	1948	1949
Passenger Cars—(Thousands):								
Vehicles car. over fr. prev. yr.	24,427	24,650	25,499	26,960	22,355	25,683	28,060	30,440
New cars registered	1,874	2,636	3,399	3,714	5,188	5,188	5,188	3,981
Cars scrapped or laid up	1,651	1,787	1,938	2,757	2,810	2,811	2,808	2,805
Vehicles car. over to next year	24,650	25,499	26,960	27,917	*25,683	28,060	30,440	31,616
Average vehicles in use	24,657	25,036	26,073	27,382	24,260	27,167	29,595	31,410
Consumption per vehicle—Barrels 42's	13.40	13.88	14.29	15.26	14.71	15.00	14.29	13.10
Consumption per vehicle—gals.	563	583	600	641	618	630	600	550
Consumption for year thousand barrels 42's	330,406	347,757	372,347	418,243	356,969	407,505	422,786	411,321
Memo:								
Cars registered (thousands)	25,405	26,342	27,598	29,657	26,801	29,307	31,816	33,056
Population—Civilian (thous.)	129,807	130,722	131,669	130,550	135,786	137,808	139,256	140,145
Average persons per car	5.11	4.96	4.77	4.40	5.07	4.73	4.37	4.23
Trucks—(thousands):								
Vehicles car. over fr. prev. yr.	4,331	4,379	4,522	4,751	4,305	4,719	5,133	5,547
New cars registered	365	487	576	641	792	792	792	608
Cars scrapped	317	344	347	566	378	378	378	378
Vehicles car. over to next year	4,379	4,522	4,751	4,826	4,719	5,133	5,547	5,777
Average vehicles in use	4,273	4,421	4,575	4,727	4,630	5,030	5,430	5,741
Consumption per vehicle—Barrels 42's	26.81	27.60	28.33	30.29	29.83	30.64	30.67	29.55
Consumption per vehicle—gals.	1,126	1,159	1,190	1,272	1,253	1,287	1,288	1,241
Consumption for year thousand barrels 42's	114,531	122,035	129,598	143,070	138,129	154,132	166,517	169,631
Tractors:								
Average Tractors in use (thous.)	1,577	1,653	1,763	1,693	2,262	2,354	2,445	2,537
Gasoline:								
Consumption per vehicle—Barrels 42's	15.48	15.48	15.43	15.43	15.48	15.48	15.48	15.48
Consumption per vehicle—gals.	650	650	648	648	650	650	650	650
Consumption for year thousand barrels 42's	24,410	25,583	27,195	26,104	35,009	36,425	37,842	39,258
Kerosene & distillate consump.:								
Consumption per vehicle—Barrels 42's	8.33	8.29	8.29	8.33	8.33	8.33	8.33	8.33
Consumption per vehicle—gals.	350	348	348	350	350	350	350	350
Consumption for year thousand barrels 42's	13,144	13,705	14,605	14,118	18,851	19,614	20,376	21,139
Distillate Heating Oils:								
Burners:								
Burners car. over fr. prev. yr.	1,510,733	1,658,103	1,856,233	2,113,433	2,439,335	2,768,233	3,077,608	3,396,170
New burners sold	179,360	236,140	302,210	333,250	312,668	364,745	380,092	311,690
Burners scrapped or converted	31,990	38,010	45,010	50,080	†**16,230**	55,370	61,530	67,900
Burners car. over to next year	1,658,103	1,856,233	2,113,433	2,396,603	2,768,233	3,077,608	3,396,170	3,639,960
Average burners in use	1,578,108	1,748,944	1,974,232	2,243,352	2,592,845	2,910,159	3,223,581	3,507,161
Consumption per burner—Barrels 42's	56.70	57.77	56.43	56.76	51.76	51.18	50.09	48.61
Consumption per burner—gals.	2,381	2,426	2,370	2,384	2,174	2,150	2,104	2,042
Consumption for year thousand barrels 42's	89,471	101,034	111,406	127,340	134,193	148,937	161,472	170,479
Average No. non-farm structures occupied	20,531,950	21,186,900	21,774,000	22,287,250	23,848,100	24,465,200	25,274,750	26,179,150
Average No. non-farm structures built	391,000	474,900	532,300	602,200	580,300	773,900	967,200	967,600
Burners sold to structures occup.	146,360	192,737	243,151	252,270	238,655	251,048	234,486	186,101
Burners sold to structures built	33,000	43,403	59,059	80,980	74,013	113,697	145,606	125,589

*1946 includes 950 (000) reregistered laid-up cars. The cars carried over from 1945 also includes reregistration of laid-up cars.
†Due to conversion back to oil. Bold type represents red figures.

Forecasts for New York State

Some of you gentlemen may be interested in a forecast for New York State. I had occasion to make such a forecast for the Empire State Petroleum Association which was given to them on Sept. 21 at the Commodore Hotel here in New York City. Time did not permit refining these results and therefore, they must be viewed as reflecting the general influences in the eastern United States applied to New York State.

As far as gasoline goes, I am not quite as optimistic for New York State as I am for the United States. Part of this feeling is based upon the Department of Census survey of population trends after the war which lists a number of localities in New York State and other eastern areas as less favorable to future growth.

The other most important market in which you will be interested will be house heating fuel oils. A detailed study on this subject had to be made covering number of occupied homes, sizes and location, probable future construction, relation of sales of new burners to new homes and conversion of old burners, kind of new burners and probable consumption per burner, reconversion of burners, permanent improvements to homes made during war and changes in heating habits. All of these are reflected in the forecasts for home heating oils.

A few of the actual figures I am using may be interesting. In the United States in 1941 there were in use an average of 2,243,000 home burners. By 1949 I forecast this market will increase to 3,500,000 homes having distillate oil burners. New homes to be built in non-farm areas should reach almost 1,000,000 a year by 1948 and 1949 as compared with 600,000 in 1941 and an average of only 465,000 for the five year period before the war. This means then that in the post war period there will be about twice as many new homes built and I forecast the burner industry will sell about one out of every seven an oil burner. In addition of course, conversions of coal furnaces should continue but at a slower rate than before the war. Some of the areas in the United States have been fairly well converted to oil use and it will become increasingly more difficult to obtain conversions. The results of these forecasts show that by 1949 we should enjoy twice as large a market for distillate heating oils as we did in 1938 whereas the passenger car gasoline market may increase only 25% and all gasolines less than 40%. The use of light fuels for diesels and for miscellaneous industrial uses are forecast to increase very rapidly.

For New York State I had to apply general averages developed for the eastern area but the results should be interesting. These figures illustrate the greater importance of heating oils for this northern state as compared to the general average of the United States. I expect the demand to increase rapidly by 1946 to equal 1941 and then continue to grow. It will be noted on graph No. 2 how much more rapidly the home heating distillate fuels have grown than gasoline. The forecasts of each give my ideas of the future course. By 1949 if the forecasts are realized, home heating distillate fuel oils should surpass passenber car gasoline and amount to 33,400,000 barrels a year as compared to 31,400,000 barrels of gasoline for passenger cars. This is quite a contrast to the figures for 1935 when home heating fuel oil amounted to only 11,600,000 barrels and passenger car gasoline was over twice as much, amounting to 25,425,000 barrels. In all of these figures I have tried to be conservative.

Conclusion

The future for petroleum is encouraging. For the 15 years from 1935 to 1949 we show a growth of 74% in domestic demand for all products. Such a growth should bring great benefits to the industry. Whether the industry does benefit or not depends upon how sound the policies are which are followed and how much careful attention is given to the basic economics of petroleum.

I think the future for petroleum is bright, but it is always changing. I hope you may find these forecasts helpful and also that the actual happenings may be somewhat along the lines I have anticipated.

Post-War Labor Problems

(Continued from page 2135)

relax protections which he now has.

Concurrently with this approach, you will probably find an increasing resistance to technological change in your plants. Machinery changes, technical changes, engender in man a fear. They create a sense of insecurity which, when compounded with a sense of national insecurity, is apt to have rather disastrous consequences when you attempt to introduce machinery improvements.

I think you will find, concomitantly with these two developments, an increased insistence on promotional opportunities based on that seniority, not only to the higher-paying craft jobs in your plants, but also even to the second and third levels of supervisory positions.

I am quite sure, because we are already experiencing it in many industries, that you will be confronted before long with severance pay demands, which, unfortunately, cannot be recalculated over your past cost of production.

I also believe that you are going to get an increased insistence on advance notices of lay-offs. Most of you have been accustomed, I assume, to making your lay-offs on fairly short notice. The direction, it seems to me, is very clearly in the way of insisting on greater periods of advance notice in the event a lay-off becomes necessary.

By the same token, you are going to find an increased insistence by the unions on union hiring. It becomes in a way their only political salvation. If they cannot control jobs for their unemployed m e m b e r s—God help them!

I also expect that we shall see—as we already have in the pending Little Steel case—modified demands for guaranteed employment of some sort. Labor is clearly tryng to get off the hourly pay basis. Whether the attempt will be made in graduated stages, such as a transition from an hourly to a weekly, from a weekly to a monthly, and monthly to a quarterly basis, remains to be seen, but there are many indications that you will experience during the next two years, some sort of demand for greater increases in guaranteed employment.

Of only secondary importance to the consequences of the unemployment problem in your plants, is the picture of wage and hours. We all know, of course, that the present labor take-home is anywhere from 45 to 55% greater than it was in January of 1941. I suggest to you, however, today, that labor is considerably more worried over the potential loss in future take-home than they are with a modification of the Little Steel formula.

It seems to me, therefore, that we should look rather sharply for the introduction of what will promise to be a new theory, a theory that will involve placing some sort of a floor on present take-home earnings. In other words, as the hours of work are reduced from their current 48 or 52-hour levels down toward 40 and less, you may expect increasing demands from labor for corresponding increases in basic hourly pay, so that the total take-home will not be seriously cut.

This demand, I anticipate, will become even more insistent if our price structure does not drop concurrently with the liquidation of our wage structure.

I look also for tremendous increases in strikes as the loss of overtime places a large segment of American labor on what will be pretty close to a subsistence basis. If you have any doubts about this, sharpen your pencils and figure out how you would budget an annual income of 17 to 18-hundred dollars, dividing it among the necessary expenditures for you and your family. You will unquestionably find great difficulty in figuring how you can live on that amount of money, at least in any of the metropolitan centers.

You will then understand more clearly that a wage of less than 85 to 95 cents an hour for common labor is bound in the post-war period to produce serious repercussions in the event that our price structure does not drop.

That fact, I think, can act as a compass for you in charting the most probable areas in which strike activity is likely to be greatest.

Of third and of tremendous importance, is the developing problem of Selective Service and the reinduction of returning veterans. There is, as many of you know, a very serious conflict between organized labor and Selective Service Headquarters over the seniority r u l i n g s of Selective Service.

The lines are being drawn—even some of the slogans are prepared. Folks are now talking in labor circles about the "veterans in overalls" as compared to the veterans in uniform, to which Colonel Griffin, General Hershey's deputy, replied "Hogwash!"

But the slogans are there, and they indicate a major dispute in the development. What is this problem? It revolves once again about the seniority issue.

Selective Service has ruled that the returning veteran has an absolute priority in his old job for a period of one year after his reinduction on the job. That means that a veteran who had only two years of service in your plant before he went to war, and three years of war service, will come back to you with but five years' seniority. But under that Selective Service ruling, if you must reduce your force, that five-year man has precedence over a non-veteran with 15 years of seniority.

You will appreciate the potential wedge that this type of ruling can develop between the employees who saw service and the employees who did not. It is a wedge of tragic consequences because it may split our laboring force into two parts.

Gentlemen, having painted a rather depressing picture, you are more than justified in demanding that I abandon destructive comments and set forth a constructive approach to the solution of impending difficulties. Unfortunately, I haven't the ability to write a prescription that will cure your present and future ailments, but as I view the situation, there seem to be only three avenues of approach to the problem.

Avenue 1—Let us dump our cares into the lap of Congress and tell our Government to take on our headaches. At this point, gentlemen, I expected boos from the audience—so I hope we'll try to throw that avenue permanently into the discard;

Avenue 2—Continue with the present course wherein each business now tries to adopt whatever expedient appears to promise temporary relief for his individual enterprise. That road, gentlemen, not only invites but promises chaos, for individually you are going to be pretty helpless to hold back the revolutionary tides that even now are beginning to come in; and, finally,

Avenue 3—Organization, solidarity and more organization. This avenue, I think, is your only hope of solving the forthcoming issues of transcending national importance, of which only a few of the major problems have been given a cursory headlighting this morning. Through such organization and solidarity the best brains may be picked for the formulation of universal basic principles—fair both to capital and labor; by it there could be established a machinery, adequately conceived and administered, to carry out those principles; and there could likewise be inaugurated the highly necessary training programs designed to teach all of us how best to handle our individual difficulties in conformity with those general principles.

Possibly a concrete beginning for such organizational activity might be bargaining on an industry-wide basis, with an association of employers on the one hand and representatives of labor on the other, instead of the individual catch-as-catch-can method we are now pursuing.

We have seen small beginnings of industry-wide negotiations in this country. England has practiced it on an almost universal scale. A country-wide extension of that practice here at home seems to me to hold forth considerable promise.

We already have the basic foundation for it in our various trade associations, but your good will and cooperation is vitally necessary for the erection of the superstructure.

I fully realize that today's comments have not been comforting, but I believe we have too many false prophets with their religion of muddling through.

We may think our way out of this situation, gentlemen, but sure as shooting, we will never muddle our way out of it.

Let us not overlook the fact that great civilizations before us have withered on the vine because they had apathetic statesmen who neglected to cultivate those civilizations with prudence and foresight.

In conclusion, gentlemen, let me say that I believe we are exceedingly fortunate in that we have been permitted to live in a period of world history unequalled for the opportunities it affords for constructive and personal contributions. With those privileges, however, we are presented with a challenge of similar proportions, and it is up to us whether that challenge is to be met or not.

Inflationary Trends Decline

The efforts to curb the war-time rise in prices are steadily gaining in effect throughout the world, to judge by the index numbers available. The trends are clearly illustrated in a series of special graphs appearing together with the regular set of economic and financial data in the September issue of the Monthly Bulletin of Statistics, just published by the League of Nations' Economic and Financial Department at Princeton, N. J.

Wholesale Prices and Cost of Living

While the national price levels were still generally higher by the middle of this year than 12 months earlier, the rate of increase had not been nearly so rapid as previously. In about two-thirds of the countries for which indices are available, the rise in both wholesale prices and cost of living was brought to a halt in the course of 1943 or early in 1944 and has for some countries given way to a decline.

The summary table below shows the percentage increase or decrease (—) in wholesale prices and cost of living by 12-month periods ending in the month indicated. The countries are arranged in order of the greatest percentage decrease or the smallest percentage increase in wholesale prices during the past year.

League of Nations Issues Bulletin Which Shows Reduced Rates of Increase in Wholesale Prices and Living Costs

	WHOLESALE PRICES						COST OF LIVING					
Country—	Month	1940	1941	1942	1943	1944	Month	1940	1941	1942	1943	1944
Turkey	Mar.	--	32	69	158	—32	May	—	16	59	72	19
India	July	14	32	21	83	—10	Mar.	7	8	16	52	9
*Palestine	June	27	39	38	37	— 1	†May	19	35	64	*38	— 4
							‡May	11	27	70	*38	— 2
Sweden	June	31	21	8	1	— 1	July	16	16	10	2	— 1
Peru	Aug.	16	18	25	15	0	Aug.	9	6	14	12	15
Chile	June	12	11	41	12	1	June	14	12	26	21	7
Australia	July	13	5	16	3	1	June	4	5	8	6	— 2
Norway	July	35	26	4	2	1	June	15	21	6	2	1
United States	Aug.	3	16	10	4	1	Aug.	0	5	11	5	2
Germany	July	3	1	3	2	1	July	4	3	2	2	3
Canada	Aug.	11	12	3	5	2	July	5	8	4	1	0
Denmark	July	49	24	4	1	2	June	27	19	3	— 1	2
United Kingdom	§July	42	9	4	3	2	July	20	7	2	—2	2
	¶July	38	12	3	4	3						
**New Zealand	July	13	11	10	5	3	June	4	5	2	--	**0
Switzerland	July	32	33	13	3	3	July	11	17	10	4	3
Argentina	June	21	12	36	9	4	June	4	0	8	4	— 6
Union of South Africa	May	12	7	13	10	5	May	4	4	8	7	3
Costa-Rica	Aug.	— 4	9	27	23	6	Aug.	— 2	4	19	31	5
Venezuela	Mar.	— 7	77	— 5	17	8	††Mar.	— 4	0	4	11	5
Spain	June	19	19	8	12	9	May	‡‡14	35	8	— 2	5
Japan	Mar.	8	3	10	4	9	May	20	0	2	6	11
Manchuria	Jan.	26	21	7	10	9	Jan.	36	31	12	13	16
Portugal	May	29	18	14	30	13	§§June	10	7	17	10	15
Finland	April	34	26	21	15	14	July	22	16	16	14	7
Egypt	May	13	21	44	31	17	May	7	21	32	40	11
Iran	June	9	30	70	76	22	June	13	27	77	147	35
Bulgaria	Aug.	18	28	23	26	--	Aug.	--	¶¶6	30	30	--
Mexico	Aug.	1	7	11	23	32	***July	5	1	18	38	26
Hungary	Oct.	23	25	15	57	--	Dec.	15	21	9	31	--

*Palestine: cost of living, since 1943, new index; prior to 1943, excluding clothing and rent. †Arab markets. ‡Jewish markets. §Board of Trade. ¶Economist. **New Zealand: cost of living, since 1943, new wartime index. ††Foodstuffs only. ‡‡Since July, 1939. §§Excluding clothing and rent. ¶¶Since January, 1941. ***Excluding rent.

No recent data are available for China; however, the cost of living in Chung-King in July, 1943, was 5074% above the 1939 level.

A number of European countries, some of them but recently liberated, have had to be omitted for lack of adequate data. For France, however, data are available which suggest, as shown below, that the rate of increase both in officially quoted wholesale prices and in cost of living had begun to slow down prior to the liberation:

Percentage increase in France during—	1942	1943	1944 (Jan.-April)
Wholesale prices	20%	15%	3%
Cost of living	20	29	8

The Serviceman's Readjustment Act

(Continued from page 2136)

number of months being any 12 in such period.

The Act also provides for additional hospital facilities for disabled veterans and for an employment placement board to establish policies for and coordinate the veterans' employment placement services of the Federal Government.

Before discussing the technical aspects of the GI loans let me point out that only the regulations covering the guaranty of home loans have so far been issued. These, however, lay down the pattern for the other regulations.

A veteran to be eligible to apply for a guaranteed loan must have served in the Army, Navy, Marine Corps, or Coast Guard since Sept. 16, 1940, and prior to the termination of the present war, and must have been discharged or released from service under conditions other than dishonorable after a period of active service of 90 days or more, or because of service connected injuries or disabilities regardless of the period of service. The application must be made either within two years after discharge or release from service or two years after the termination of the war, whichever is later, but an application may not be made in any event more than five years after the termination of the war.

The purposes for which a guaranteed loan maye be made are threefold:

First, the purchase or construction of a home, which is defined in the regulations as a "dwelling consisting of not more than four family units, or any combination dwelling or business property, the primary use of which is occupation by the veteran as his home."

Second, the purchase of a farm, including land, buildings, livestock, equipment, machinery, or implements.

Third, the purchase of a business, including land, buildings, equipment, machinery, supplies, or tools.

Also a guaranteed loan may be made for repairs, alterations and improvements in, or for payment of delinquent indebtedness, taxes or special assessments on a dwelling (including a farm dwelling), owned and used by a veteran as his home.

Guaranteed loans may not be made, however, for crop production on a farm or for working capital for a business.

There are two types of guaranteed loans; one, partially guaranteed, the other, fully guaranteed.

Under section 500 of the Act, the Administrator of Veterans Affairs is authorized to guarantee up to 50% of a loan or loans to an eligible veteran but in no event may the aggregate amount guaranteed exceed $2,000.

Under section 505, the Administrator is authorized to guarantee fully a second loan if a primary loan is to be made, guaranteed or insured by a Federal agency to cover part of the purchase price of the property which the veteran proposes to acquire and he is in need of such second loan to cover the remainder, or a part of, such purchase price. Such fully guaranteed second loan may not exceed 20% of the purchase price and the amount of such loan together with the guaranteed amounts of all other loans to such veteran may not exceed $2,000.

In other words, a veteran may split the guarantee among loans for several of the specified purposes but the aggregate amount guaranteed on all loans to the same veteran may not exceed $2,000. For example, a veteran could use part of the guaranty on a loan for the purchase of a home and the balance on a loan for the purchase of equipment to set himself up in business, or part on a loan for the purchase of a farm and the balance on a loan for farm machinery or livestock.

A "Federal agency" which will make, guarantee or insure the primary loans is defined in the regulations as "any Executive Department, or administrative agency or unit of the United States Government (including a corporation essentially a part of the Executive Branch) at any time authorized by law to make, guarantee or insure such loans."

The Federal Housing Administration, the Federal Farm Mortgage Corporation, the Reconstruction Finance Corporation and the Smaller War Plants Corporation are examples of the agencies qualified to make, guarantee or insure loans under this definition. However, the Federal Reserve Banks, the Federal Land Banks and Production Credit Associations could not qualify under this definition.

The law did not make it entirely clear whether, in the case of a partially guaranteed loan, the Administrator was liable under the guaranty to pay only a proportionate part of the ultimate loss or whether he was liable to the full extent of the guaranty for any amount of the loan remaining unpaid. The regulations remove this uncertainty.

The law provides that the liability under the guaranty shall decrease or increase pro rata with any decrease or increase in the unpaid portion of the obligation. Under the regulations, however, such pro rata decrease in the guaranty takes place only in respect to decreases in the unpaid principal of the loan prior to making claim under the guaranty. Thus the liability of the Administrator under the guaranty becomes fixed as of the time claim is filed when a default occurs, and any amount applied to the reduction of the unpaid principal after filing of the claim will not cause a further reduction of the guaranty.

Also the regulations make the Administrator's legal right of subrogation to the lien rights of the holder of the guaranteed obligation, junior to the rights of the lender as against the debtor or the mortgaged property until the lender shall have received the full amount of the loan. The lender thus may reduce the debt to judgment or foreclose the mortgage securing the loan and apply any recovery to the unguaranteed portion of the loan, the Administrator continuing liable to make good the extent of the amount guaranteed. Take this illustration: A bank makes a loan of $8,000 to a veteran of which $2,000 is guaranteed by the Administrator. The loan is secured by a first mortgage. It is subsequently paid down to $6,000. The reduction in the principal results in a reduction of the guaranty to $1,000. If the loan then becomes in default, claim may be made under the guaranty and the Administrator becomes liable to pay the full $1,500. The bank also may recover the $4,500 balance of the loan from the borrower or from a foreclosure sale of the property mortgaged to secure the loan.

To be eligible for guaranty, loans for the purchase of homes or farms must be secured by real estate mortgages; loans for the purchase of livestock or farm or business equipment must be secured by chattel mortgages, conditional bills of sale, or other security instruments creating a lien on such personal property, unless the loan is $500 or less, in which case it may be unsecured.

If the loan is for the purchase of a home or farm, the mortgage must be a first mortgage unless it is a fully guaranteed second loan under section 505, in which case the mortgage may be a second mortgage.

A loan for repairs, alterations, or improvements, or payment of delinquent indebtedness, taxes, or special assessments also may be secured by a second mortgage if the property with respect to which the loan is made is already encumbered by a first mortgage.

A term loan may be eligible for guaranty if the amount thereof plus all superior obligations does not exceed two-thirds of the value of the property and the maturity is not longer than five years.

Otherwise the loan must be amortized by periodical payments, not less frequently than annually, sufficient to pay the loan in full within not more than 20 years.

The periodical payments may include amounts to cover taxes, insurance premiums, ground rents and special assessments. Unless otherwise provided, all periodical payments are to be applied first, to taxes, etc.; next, to interest, and last to principal.

The interest rate may not exceed 4%, whether the loan is partially guaranteed or is a fully guaranteed second loan, even though the primary loan bears a higher interest rate.

The Administrator is obligated to pay the first year's interest on the guaranteed portion of the loan for the veteran, but the lender will have to make claim therefor to the Administrator under the terms of the guaranty.

Prepayment of all or any part of a loan must be permitted at any time if the loan is amortized, or on one month's notice if the loan is a term loan. No premium may be charged for any prepayment.

Any customary charges such as appraisal fees, credit report fees, etc., actually paid or incurred by the lender may either be included in the note or withheld from the proceeds of the loan.

The lender may make advances to pay taxes, assessments, insurance premiums, or the cost of emergency repairs and may apply all payments made by the borrower for a period of 12 months against such advances.

Minimum insurance coverage against fire and other hazards is required to be obtained and maintained in force. Failure to do so may result in a reduction of the guaranty and any uninsured loss resulting from such failure will not be covered by the guaranty.

The guaranty also does not cover losses resulting from failure to obtain a merchantable title of the mortgage property, failure to obtain a lien of the required priority, and a tax sale.

When a veteran applies to your bank for a guaranteed loan the first step is to ascertain whether he is eligible. This information can be obtained from the nearest office of the Veterans Administration which will furnish the bank with a certificate of eligibility. This certificate will also show the amount of the guaranty available to the veteran. Thus the bank is relieved of the responsibility of determining whether the veteran meets the eligibility requirements of the Act and whether any part of the guaranty available to him has been used for other loans.

The bank then has the veteran fill out the application for guaranty which has to be signed both by the veteran and the bank.

If the loan is to be secured by a real estate mortgage, the bank has the property appraised by an appraiser designated by the Veterans Administration whose name and address will be furnished with the certificate of the veteran's eligibility.

The bank must also obtain a credit report on the veteran from a recognized credit reporting agency.

The expense of the appraisal and credit report is borne by the veteran unless the bank is willing to assume it.

After these steps are taken and the bank determines it is willing to make the loan if it is guaranteed, it submits to the agency designated by the Administrator the following papers:

(1) Certificate of Eligibility
(2) Loan Guaranty Certificate
(3) Application for Guaranty
(4) Credit Report
(5) Appraisal Report, if any
(6) Proposed loan closing statement of the estimated amounts to be disbursed by the bank for the account of the veteran
(7) Statement of the kinds and amount of insurance to be required and estimated premium cost, unless this information is contained in some of the other papers submitted
(8) Copy of the "conditional sales agreement" if the loan is to be predicated on such an instrument.

The Act authorizes the Administrator to designate such agency or agencies as he finds equipped to determine whether the guaranty of loan should be approved.

The regulations define such "designated agency" as "any Federal instrumentality designated by the Administrator (including the Veterans Administration if so designated) to certify whether an application meets the requirements of the Act and regulations and to recommend whether the application should be approved if the applicant is found eligible."

No agency has as yet been designated by the Administrator to process the guaranty of any of the three classes of loans.

When the designated agency receives the application and other papers from the bank it reviews them to determine whether the conditions precedent to an approval of the guaranty have been met.

In the case of home loans, the agency must determine whether the present and anticipated income and expenses of the veteran are such that he may reasonably be expected to be able to repay the loan according to its terms and that the property to be purchased is suitable for dwelling purposes. In the case of farm and business loans it must determine whether the ability and experience of the veteran is such that there is a reasonable likelihood that he will be successful and that the property to be purchased will be reasonably necessary for efficiently conducting such farming or business operations.

In the case of any loan for which a guaranty is sought, the agency must ascertain that the purchase price of the property does not exceed the "reasonable normal value" thereof as determined by proper appraisal.

After reviewing the papers, the agency forwards them to the Administrator with its recommendations for approval or disapproval of the guaranty. If it recommends disapproval it must give reasons.

The Administrator makes the final determination whether the guaranty shall be approved or disapproved. If disapproved, he notifies the bank by letter of the denial of the guaranty and states the reasons therefor. He sends a copy of this letter to the veteran. If approved, he notifies the veteran and forwards the executed Loan Guaranty Certificate with all other papers to the bank with instructions as to closing the loan in a manner to make the guaranty effective.

After receiving the certificate of guaranty the bank has a title examination made of the property which is to be mortgaged to secure the loan, completes the execution of the note and mortgage, has the latter recorded, and disburses the loan proceeds. Within two months thereafter the bank must submit a detailed report to the Administrator showing that his instructions for closing the loan have been complied with.

In the case of construction loans the guaranty does not become effective until completion of construction.

Claim under the guaranty may be filed with the Administrator at any time after a default has continued for three months, in the case of an amortized loan, or one month in the case of a term loan.

If a default continues for six months, even though no claim is filed, the bank must give notice to the Administrator of the default within the following month.

Upon the filing of a claim the Administrator has three optional methods of settlement.

(1) He may pay the amount in default. Such payment will cure the default and prevent any acceleration provisions from taking effect; but the guaranty will be reduced by the amount of such payment. Therefore the Administrator is permitted to exercise this option only once, and then in an amount not exceeding the aggregate amount of principal or interest payable in one year, or not exceeding 10% of the original amount of the guaranty, whichever is the lesser. Thus the amount could never exceed $200.

(2) He may pay the full amount of the guaranty without requiring the bank to foreclose, or take personal action against the veteran.

(3) He may pay any amount agreed upon not exceeding the amount of the guaranty and notify the bank to institute foreclosure proceedings with, or without, legal action to reduce the debt to judgment.

A bank, apparently without making a claim under the guaranty, may give notice to the Administrator of intention to foreclose the mortgage. It may not begin action in court, or give notice of sale under a power of sale until the expiration of 30 days after receipt by the Administrator of the notice of intention to foreclose.

Immediate action, however, may be taken by the bank without prior notice to the Administrator if conditions exist justifying the appointment of a receiver for the property.

The Administrator may bid at the foreclosure sale, or he may obtain a refinancing of the indebtedness which will prevent a consummation of the foreclosure sale. He may also exercise any redemption rights.

So far in this discussion I have not touched upon one very important element affecting the extent to which banks may be able to participate in this guaranteed loan program for veterans. This is the legal restrictions placed upon the lending powers of banks, particularly in relation to real estate loans. The GI Act does not in any way supersede or modify the banking laws, national or State.

The Comptroller of the Currency has ruled that the second loans fully guaranteed by the Administrator under section 505 of the GI Act are not to be considered real estate loans subject to section 24 of the Federal Reserve Act, even though mortgage security is required for such loans, the theory being that the bank's security is the Administrator's guaranty and the mortgage is taken as additional security for the protection of the Administrator. This ruling will enable national banks to make these fully guaranteed second loans where the FHA insures the primary loan.

Although this is a partial solution to the problem for national banks, there are many which do not make FHA insured loans. Also this ruling is of very limited benefit except in the case of home loans. About the only opportunity for a bank to make one of these fully guaranteed second loans to a veteran for the purchase of a farm would be where the primary loan is made by the Land Bank Commissioner.

The only alternative to the fully guaranteed second loan is for a bank to make a partially guaranteed loan under section 500 of the GI Act and the bank will run smack up against the restrictions of the banking laws in making these loans, unless the banking supervisory authorities can find some way of exempting them from these restrictions or the banking laws are amended.

In some States this has already been done. In Maine a law was enacted last September which completely exempts any loan guaranteed under the GI Act from any restrictions in the banking laws of that State. The Banking Board in New York and the Governors of Massachusetts and Connecticut, under war powers given them by their State Legislatures, have also acted to modify the application of the banking laws of their States in the case of these guaranteed loans, by increasing the limit on real estate loans by the amount of the Administrator's guaranty. Thus, if the banking law of the State limits banks in making real estate loans to an amount not exceeding two-thirds of the value of the property, a bank, instead of being limited to a loan of $4,000 on a property having a value of $6,000, could make a $6,000 loan on such property if the Administrator guarantees $2,000.

There appears to be no particular problem from the standpoint of the banking laws in the case of guaranteed loans for the purchase of farm or business equipment. Also the Board of Governors of the Federal Reserve System have amended Regulation W to exempt any loan guaranteed by the Administrator under the GI Act.

One thing is clear. Banks will be confronted with many problems as the result of the enactment of this Act. Not the least of these will be the attitude of veterans if many applications for guaranteed loans are turned down by banks. This presents a real public relations problem.

There is no question but many loans will be sought by veterans which in their own interests should not be made. It will be a disservice rather than a service to a veteran to make him a loan in order that he may engage in a business or farming venture as to which there is every indication of eventual failure, or to enable him to acquire a home which may not meet proper housing standards, or for many other reasons. Yet many veterans believe that all they have to do is apply for a guaranteed loan and it will be forthcoming.

It should be a vital concern of every bank to see that each veteran who applies for a loan receives tactful and sympathetic consideration. A bank should not turn down a veteran's application without first endeavoring to satisfy him that it is to his own interest not to assume the obligation, or to make him understand why the bank is unable to make the loan. Also every bank should keep a record of all loan applications which are refused and the reasons for the refusal to make the loan.

It was recognized from the start that the law was by no means perfect and that experience would probably demonstrate the need for corrective amendments. In the meantime banks should make every possible effort to meet all reasonable requests of veterans for banking services.

Aircraft Situation Appears Interesting

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared an interesting memorandum discussing recent developments affecting aircraft manufacturers and also the present general market situation. Copies may be had from the firm upon request.

Price Policies for Reconversion Period

(Continued from page 2136)

fected by price controls. In the past year, our experience in consulting closely with industry has been helpful. We in OPA are relying more and more on these committees for advice in working out new price regulations or changes in old ones. OPA has benefited vastly in thus being able to key its specific regulations closely to actual industry practices. And industry has come to have a better understanding of the problems of price control as a result of these consultations. Industry has also benefited when our wartime regulations have been so developed as to allow business to operate without substantial hardship.

In OPA itself, we have been steadily strengthening our staffs during the past year or so by bringing in successful and experienced businessmen. Many of them left jobs paying considerably more than their government salaries, in order to help with the price control program.

Dozens of other businessmen have spent their time without compensation as consultants to OPA. Some of them have worked with us for several months at a time, giving generously of their experience and time, helping us to work out the tough technical details of pricing problems in their specialized fields.

Furthermore, I have seen a great strengthening in compliance with OPA regulations through the cooperation of industry. This reflects the patriotic desire of businessmen to prevent a costly and disastrous inflation and their basic honesty in refusing to have a part in black market operations.

Trade associations have been of assistance to the price control and rationing programs in many ways.

The present Grocer-Consumer Anti-Inflation Campaign is an outstanding current example of active cooperation. Trade associations in all branches of the food trade from coast to coast have joined with leading consumer groups and the Government, to make a success of this most important campaign.

I feel this represents an awakening of all the people to the fact, first that we want to protect the American consumer and American business from inflationary rises in an important cost of living field that represents 40% of the average household budget, and second, that all groups must get together and do the job democratically.

That is the way the job has to be done—on a frank and friendly basis. It reflects a realization that Government cannot do it alone. It can never be done by consumer action nor by trade action alone.

When you hear a commercial radio program on a nation-wide hookup giving over part of its broadcasting time to a government wartime message—such as car pooling or the Grocer-Consumer Campaign—you know that industry is cooperating with government.

Many times when we have had to make quick contacts with an industry, the trade associations have been the means of reaching the people we need to talk with. Trade groups have also helped us time and again by publishing in their association bulletins pertinent and detailed information about OPA activities and regulations in their particular fields. They have been generous with their time and their data.

Since May, 1942, just after passage of the Emergency Price Control Act, industrial prices have risen by less than 3% and the cost of living by about 9%. The fact that this job has been accomplished—and without hardship to any major economic group—makes us confident that the job ahead can also be successfully carried through when the time comes to convert from war production to an increased production of peacetime goods. The record shows that as a people, we have what it takes to manage our economic affairs in times of stress.

In preparing for the day when the war in Europe will be brought to a close and we can convert our economy partially to peacetime production, we must make intelligent plans to meet the rapidly changing economic conditions that will take place. OPA and industry must work closely together to avoid the dangers that lie ahead. We in OPA must use to the best possible advantage, the close contacts we have made with every business group in the country. Already, we are consulting with businessmen and industry groups in some of the fields that will be among the first to be affected by reconversion.

You, as representatives of American industry, are vitally interested in the policies that OPA will follow after V-E Day, and the part you can play in helping to prevent the twin dangers of inflation and deflation from taking their toll in the days ahead. Your desire to cooperate has already been demonstrated tangibly. Many of you association managers have written to Chester Bowles for copies of his memorandum to all OPA Advisory Committees on OPA'S Pricing Objectives in the reconversion period for distribution to your members.

Reconversion is a program that challenges the ingenuity of all of us—Government, industry, labor, farmers—to guide ourselves successfully through this difficult transition period. It calls for close cooperation, courage, good sense and a common understanding of the problems that we face. Trade association executives can assist greatly in getting information about reconversion objectives to their membership and in preparing them for the problems that will have to be faced—and solved.

A look at the last war and the months of wild inflation and sharp deflation that followed the armistice in November, 1918, provides us with some examples of the problems we may face. The pressures at that time were on a greatly reduced scale, but there is enough similarity between conditions then and now to warrant a study of what happened in 1919 and 1920.

Many of you remember how during the first phase, immediately after the armistice, there was a lull and prices went down a little until March, 1919. Chances are that there will be some similar softening of prices in some fields after V-E Day.

Many workers, now in war plants, will be temporarily out of work while the plants are reconverted. Strong demands for raw materials will probably not develop at once, as manufacturers set up production lines for civilian items that have been off the market. After the last armistice, this lull period lasted about four months, before prices started their sharp post-war increase. This time it could be somewhat longer—by several months let us say. The reason is that we shall have a greater plant volume to reconvert. War production in the last war was running at the peak rate of 20 billions per year at the end of the war. In this war, our peak has been 90 billions. Within three months after the defeat of Germany, it is estimated that this will be cut to about 40 billions. Cutbacks in war contracts will make available more than four million workers for the production of peacetime goods.

This will be a period—as prices ease away from ceilings — when many persons will rise to say controls are no longer necessary.

This will be a period when you who are vitally interested in preventing inflation must seriously consider the dangers of removing controls too soon. You will want to avoid a hasty action that might result in losing the battle against inflation — a battle that has been waged so successfully during the war thus far. I am sure you will agree that we dare not make the mistake again of supposing that the economic impact of war ends when the shooting stops in Europe. The time will come when the OPA regulations eventually can be torn up. But we mustn't tear them up for confetti the minute the whistles and sirens start to blow and we all get into the streets to celebrate the German collapse.

For we cannot forget that a second phase of economic stresses and strains will develop. This is the dangerous phase. Four months after the last war, the price levels again started upward as a wild scramble for inventories and new goods developed. Almost half of the first World War inflation was experienced after November, 1918. By June, 1920, living costs had risen to 108% above the 1914 level. In the inevitable collapse that followed, corporation profits after taxes dropped from six and a half billions to a net loss of 55 millions in 1921. Inventory losses, amounting to 11 billions, wiped out practically all the reserves accumulated out of wartime profits. And factory payrolls dropped 44% to bring misery and privation to millions of our workers. The drop in net farm income was even more severe with the result that almost half a million farms were foreclosed in the next four years.

Strong pressures against ceiling prices could develop in the second —or inflationary—phase of the reconversion period. By the end of 1944, individuals will have saved up over 100 billion dollars and they will be waiting to spend it for the things they could not buy during the war. This contrasts with 1915-1918 wartime savings of around 25 billions of dollars.

Manufacturers and merchants also have billions of dollars of wartime reserves. Manufacturers in their desire to be among the first to produce consumer goods may want to compete for raw materials or component parts. Retailers will want to build up quickly a good inventory of new goods to capture the business from those who are waiting to buy.

The inventory boom that could develop as a result of these pressures might have disastrous consequences. All of those who remember the evils that came from speculation in inventories after the last war—when many companies overbought by double or treble their actual needs and then suffered severe losses as prices collapsed — are agreed that they don't want it to happen again.

I want to suggest to you that this affords the trade associations an opportunity to render a second service to their member firms. You trade association managers can caution your members against attempts at overbuying. You will probably want to remind them that as long as OPA continues its price controls during this period of inflationary threats, there is no financial advantage to be gained through gambling in inventories in the anticipation of reselling at a higher price. Price controls at such a time offer a real protection not only against rising prices but also against the incentive for competitive bidding for inventories.

The third and final phase comes when supply and demand get back into balance and price controls no longer will be needed. As soon as there is no further danger of price increases in a particular field, OPA will promptly drop its controls in that field. The exact timing will vary widely from item to item. But working with Industry Advisory Committees we will watch each field closely. We will rely heavily on their recommendations as to when controls can be safely removed.

All industry people are anxious to know when we are going to decontrol. They want to be assured that we are not planning to perpetuate a bureaucracy in this field. Let me repeat what Chester Bowles has said many times. No one is more anxious to end price controls and get back to private business than I, and many other businessmen in the OPA.

But before we leave, we want to be sure that there is no danger of a repetition of the follies of 1919-20.

You of course want to know the pricing policy through which OPA proposes to meet the difficult conditions that lie ahead.

First, we must continue to hold the line against inflation.

Second, our pricing policies must not stand in the way of the manufacturer's desire to produce to the limit of his capacity. This means prices that yield good profits for business, large or small, on the basis of high volume production.

Third, our pricing policy must be easy to apply. Decisions must be made rapidly. Manufacturers have a right to expect from us the quickest possible answers on requests for prices on new items.

Fourth, through our pricing policies, we must be careful not to force down high levels of wage rates. Good wages and full employment provide the only sound basis for good markets for business and the farmer.

Fifth, recognizing that the prosperity of our farmers will furnish one of the largest and most profitable markets for industrial products, we must do everything we can in our power to protect farmers from the squeeze between rising costs of the things they buy and declining prices for the things they sell.

If we hold controls in effect after they are no longer needed, it will tend to discourage production and initiative on the part of industry. And full production furnishes the answer to post-war prosperity and should be the objective of every thinking American in farming, labor, industry, and government.

These are the objectives of our pricing policy for the reconversion period.

Now let us look at some of the specific problems that will confront OPA and the businessmen in working out the price levels that will be set for the civilian items coming back into production after V-E Day. These products will be largely in the consumer durable goods' field, ranging from automobiles to egg beaters. They will be made by some 25,000 companies which have been devoting their production to war goods for the past two years or more. There are about two dozen major items accounting for about 85% of the total dollar volume in this field. These include, in addition to automobiles, such products as refrigerators, washing machines, vacuum cleaners, electric fans, toasters, and other appliances, radios, clocks, and watches.

OPA is now actively consulting with these manufacturers, industry by industry, to discuss the volume they plan to achieve; what they are going to pay for labor and materials; the savings they expect to make through increased plant efficiency, and lower sales costs. We also are being guided by prices which they feel, on the basis of their own experience, are most likely to assure the wide-scale consumer buying necessary to maintain volume production.

We are at the same time working on pricing methods to be used by all the manufacturers of miscellaneous products who will apply to our 93 OPA district offices, located in all parts of the country

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The Securities Salesman's Corner

By JOHN DUTTON

Progressive Southern Dealers Build Good-Will By Tendering Banquet to Their Clients

There is no substitute for the confidence that clientele of satisfied customers automatically gives to a dealer who has served them well. It is sometimes erroneously assumed by those who do not know what goes on in a representative security dealer's organization, that the only reason a dealer cultivates the confidence of his clients is to make as large a profit for himself as is possible, and whatever happens to his client's investments afterwards is of no further importance to the dealer. This opinion is more widely held than you would ordinarily think possible. It even shows evidence of existing in the thinking and the actions of certain members of the personnel of the SEC.

Now confidence of one customer leads to the confidence of another—it takes more than a pleasant smile and a winning way to gain confidence in the securities business—IT TAKES PERFORMANCE to hold accounts and keep them. No dealer who has brains enough to run his business successfully under present conditions is deliberately going to go out and work his head off to build a clientele, and then turn right around and take advantage of the good-will he has worked so hard to establish by losing these accounts through overcharging, indifference, or ill-considered policies of any nature.

No one wishes to imply that security dealers are in business for their health any more so than individuals engaged in every other type of effort you can name from politics to personal service. But one thing is certain, once you gain the confidence of your customers so that you can get them to act WHEN YOU THINK THEY SHOULD ACT, you can render a better investment service which **will redound to their benefit.** No other type of business requires that the buyer should place as much confidence in the seller as does the securities business. UNLESS A DEALER CAN OBTAIN COMMITMENTS FROM HIS CUSTOMERS WHEN HE BELIEVES THAT THEY SHOULD BE MADE, THE ALL IMPORTANT ELEMENT OF TIMING CANNOT BE CONTROLLED. Without proper timing successful investment results are seriously impaired. The most successful security dealers — THOSE WHO HAVE DONE THE BEST JOB FOR THEIR CLIENTS — ARE THE DEALERS WHO HAVE TOLD THEIR CUSTOMERS THAT THEY SHOULD BUY WHEN THEY TELL THEM TO BUY, SELL WHEN THEY ARE TOLD TO SELL, AND STAY OUT WHEN THEY ARE ADVISED TO HOLD THEIR CASH. This is the way to build accounts and if you know your business it's the only way to keep accounts and help THEM TO HELP THEMSELVES.

So much for confidence and what it really means in the securities business. Many dealers who operate their business along progressive lines will be interested to know that one southern firm has been holding a banquet once a year for their clients. The costs can be CHARGED TO ADVERTISING for tax purposes (it's a perfectly proper business expense). A leading hotel or country club is engaged and the dinner is held around the latter part of the year — usually in November or December — the holiday spirit and times add to the occasion. This year the firm is having a guest speaker who is associated with one of the companies whose stock many of their customers now own. Other speakers and entertainment are provided and every attempt is made to see to it that a good time is enjoyed by all. As a result much free advertising is gained by the firm — customers are invited to bring a guest if they so desire — the whole affair is informal — no attempt is made in any way to bring in the commercial angle but the business that follows and the new accounts that can be opened make such a venture well worth the expense.

It is ideas such as this that are putting some dealers way ahead of the crowd — THERE IS PLENTY OF BUSINESS AROUND IF YOU WILL GO AFTER IT.

Price Policies for Reconversion Period

(Continued from page 2157)

to obtain their ceiling prices. Every effort will be made to see that these producers get a decision quickly. Present plans call for filing of a price with the OPA district offices, which if not disapproved within a short period will be the manufacturer's price. We are well aware that any delay on our part in setting prices would be a great hardship for small manufacturers.

But, before we can establish new prices intelligently — either for the large industry or the individual manufacturer—it will be necessary to have certain cost data.

I want to impress as strongly as I can the absolute necessity for accurate data in setting prices and in considering the justness of a request for a price adjustment.

You therefore can do us and your industry a service by emphasizing again and again the need for filing promptly requests for financial information. Industry can help speed the process of working out actual prices by being prompt in delivering information which is so vital to an intelligent pricing job.

From time to time, trade associations which have research and statistical departments may be of great help to OPA by supplying us with data from studies made by them. For instance, they may have on hand list prices of manufacturers in their field for base pricing periods in October, 1941, and March, 1942, together with methods of handling freight charges and discounts by classes of customers and commodity groups. For work on reconversion pricing, it will be helpful for us to know, for instance, how manufacturers distributed their sales in typical pre-war years as well as the operating results of manufacturers in prescribed years. Data on wholesalers and retailers such as typical mark-ups, discounts, distribution of sales volume and operating results by years will aid us in pricing reconversion goods intelligently. We may be calling upon your various associations for information of this type.

Business has a big investment in the future of the country. I want to say that if business wants to realize a return on this investment, it is up to business to work with all other groups to get through the difficult reconversion period in a strong financial position.

Industry's capacity to produce and the knowledge that business can prosper with mass production at prices that tap mass markets furnishes the key that will lead us with greatest speed through the inflationary period. Mass production furnishes the key to the creation of new jobs to employ those released from war production and from the armed services It points the way to the day when price controls can be dropped and the responsibility of pricing can be turned back to American industry.

It will then be up to businessmen to gear the prices they charge, the wages they pay, to the requirements of our full-production economy. American businessmen have demonstrated that they can measure up to that responsibility. The lessons of the war period, reenforced by those to be drawn from pricing during reconversion should be so persuasive that no important sector of business opinion will want to revert to a system of high prices and limited markets that results in unemployment and small national income and small business earnings. With courage, good sense and an understanding of the responsibility that rests in their hands, I am sure that American businessmen will be ready to meet the test.

Haney Discusses The Election

(Continued from first page)

the other way. (Nobody knows that better than Mr. Roosevelt.)

This is why, in the latter part of his campaign, the President himself stated specifically that he believes in free private enterprise and in the profits system. Moreover, he put such men as Jesse Jones on the air to assure us as to his attitude toward business.

So I do not think that the election is unfavorable for investments in the sense of making things worse than they have been It probably shows conditions to be somewhat better than many feared.

Roosevelt had the big advantage of the vote of the Solid South to start with. In addition, he had the war background with much sentiment against changing leadership at this time. Without these two conditions he would certainly have lost. But note well that neither of these two conditions stands for any radicalism. The "Solid South" is actually conservative in tendency.

Development Possibilities

Securities of Atlantic Coast Line RR. offers attractive possibilities for the future, the territory which it serves showing every indication of large economic development, according to a brochure on the company prepared by Allen C. Ewing & Co., Murchison Building, Wilmington, N. C. Copies of this brochure, which contains a detailed discussion of the situation, may be had upon request from Allen C. Ewing & Co.

Calendar Of New Security Flotations

OFFERINGS

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.
Offered Nov. 14, 1944 at $21⅜ per share.

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.
Bonds awarded Nov. 14 to Halsey, Stuart & Co., Inc. on bid of 102.30 as 3s.
Offered Nov. 16 by Halsey, Stuart & Co. and associates at 103.

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.
Offered Nov. 15, 1944 the preferred stock at $50 per share and the common stock at $17 per share.

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.
Offered Nov. 10, 1944 at $8 per share.

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 Co. 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 & Sherrerd, 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. DuPont & 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.
Offered Nov. 10 at $18 per share.

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.
Bonds awarded Nov. 13 to Dillon, Read & Co. and associates on bid of 101.76 as 2⅞s.
Offered Nov. 15, 1944 by Dillon, Read & Co. and associates at 102½ and interest.

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.
Offered Nov. 10, 1944 at 102½ and interest.

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.
Offered Nov. 9 at 99½ and interest.

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.
Offered Nov. 8 at $6.75 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

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.

WEDNESDAY, NOV. 29

CAPITAL TRANSIT CO. has filed a registration statement for $12,500,000 first and refunding mortgage bonds, series A, 4% due Dec. 1, 1964.
Address—36th Street and M. Streets, N. W., Washington, D. C.
Business—Street railway and motor bus transportation in the District of Columbia and adjacent areas.
Proceeds—The net proceeds from the sale of the bonds and from a $2,500,000 bank loan with treasury cash will be used for refunding purposes and to make payments on account of equipment purchases, etc.
Underwriting—The bonds are to be offered for sale at competitive bidding. Names of the underwriters will be filed by amendment.
Offering—Price to the public will be filed by amendment.
Registration Statement No. 2-5531. Form S-1. (11-10-44).

MOORE WINDSOR CORP. has filed a registration statement for 100,000 shares of 12½ cent cumulative dividend and participating preferred stock, par $1 per share.
Address—347 Madison Avenue, New York City.
Business—Commercial finance business, buying accounts and notes receivable, inventories, warehouse receipts, etc. of small and medium size manufacturers, finance companies, wholesalers and distributors.
Proceeds—The net proceeds of approximately $200,000 from the sale of the preferred stock will be used for working capital and expansion of the company's business.
Underwriting—W. H. Cobb & Co., Inc., New York, is named principal underwriter.
Offering—The offering price to the public is $2.50 per share.
Registration Statement No. 2-5532. Form S-1. (11-10-44).

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.

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.

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.

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.

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.

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.
Request filed Nov. 13 to withdraw registration statement.

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.

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.

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.

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.

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.

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.
(This list is incomplete this week)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2134)

tempts were successful. At this point the danger arises of falling into the pit of unanimity. For the possibility of a reaction has by far the greater following. Under ordinary conditions the fact that many people expect a sell-off would be almost sufficient reason for this column to keep long positions. In fact there is nothing certain about this reaction in spite of the indications given by the market. However, it would be ostrich-like to refuse to recognize them.

* * *

In the past when I felt this way I found it wisest to bail out. And once having reached solid ground, look around and see what was what. I think the time to do this has arrived. There are too many stocks that show offerings ahead, and not enough desire seems to be around to take these offerings.

* * *

Specifically advice to readers about their stocks is as follows: Allied Mills was bought at 28. Current price about 31; half sold at 32½. Suggest you get out of the other half at market. Average profit about 3½ points.

* * *

Bendix, bought at 38, half sold at 45½, is now about 46½, back to the high of last August. Sell remainder at market. Average profit about 8 points.

* * *

Crown Zellerback was bought at 18. Stock is now about 20½. Getting out now will give you about 2 points profit. Take it.

* * *

Lockheed was bought at 17. Stock is now about 23. This gives you about 6 points profit. Take it.

* * *

U. S. Steel is one of the bad actors in our list. Since we bought it stock has seldom been in the black more than two points or so, and never long enough to make a weekly trade possible. Steel was bought at 58½. At this writing it is 57. I see no point in holding on to it much longer. So I advise selling it at the market. Assuming the 57 figure is still in effect by the time you read this, your loss will be 1½ points. But against the profits in the others the loss is unimportant.

* * *

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.]

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.

J. R. Dillon Retires

John R. Dillon retired from partnership in Hayden, Stone & Co., New York City, on Nov. 3.

"Our Reporter On Governments"

(Continued from page 2142)

of the 2% and 2½% bonds directly in this drive than they did in the Fifth War Loan, when the amount of their subscriptions was cumulative with, and contingent upon, the amount purchased during the Fourth War Loan. . . .

This should result in the commercial banks with savings deposits having a much larger amount of their potential demand for these securities satisfied at the issue price, although this does not mean that these institutions will not be in the market for bonds after the drive is over. . . .

EXCHANGE OFFER ADVANTAGEOUS

Savings deposits have been increasing sharply in the last three months, and in order to fully cover these deposits the commercial banks with savings accounts will no doubt be interested in buying more of the new issues, particularly the 2% bonds, when they become available on Dec. 18. . . . Nevertheless, these institutions probably will not be as important as they were in the past, in pushing the drive issues to premiums when the War Loan is ended, because of the larger participation that they get directly in the Sixth War Loan. . . . On the other hand, the strictly commercial banks, without savings deposits, which institutions are completely shut out from direct participation in the drive, will do the bulk of the indirect supporting of the market as they have done in the past, and likewise they are expected to be substantial purchasers of the new 1¼% notes and the 2% bonds when they become available at the end of the Sixth War Loan. . . . It is indicated that these institutions are ready to make purchases of selected outstanding issues as they are available for sale, with particular interest being evidenced in the 2% taxable issues. . . . The exchange offer for the 4% partially exempt bonds, which have been called for payment on Dec. 15, consisting of the 1¼% notes and the 2% bonds to the commercial bank holders of this issue, gives these institutions an opportunity to obtain a position in these securities through the purchase of the called 4s, and from present indications many of these institutions are taking advantage of this situation. . . .

The called 4% bonds are presently quoted at minus 6/32 from a no-yield basis, which means that the securities that will be obtained in place of the called issues should have a premium of at least 6/32 when they are "traded in" at the end of the Sixth War Loan. . . .

It is believed in the financial district that the greater part of the called 4s will be turned in for the new 2% bonds, since more institutions appeared to be interested in them than in the 1¼% notes. Because the commercial banks with savings accounts will be able to buy larger amounts of the 2% bonds directly during the drive and the fact that through the purchase of the called 4s these institutions can also obtain these bonds, and with "free riding" cut down, the market for this security at the end of the Sixth War Loan should be much more orderly than it was at the culmination of the previous drive. . . .

There is presently considerable interest in the outstanding 2% due 6-15-52/54 at prices of about 100 14/32. . . . The point, however, has been raised among dealers as to whether or not these 2s offered in the Fifth War Loan Drive have not about reached their top level until the bond drive has been concluded. . . . It was pointed out that the savings banks can subscribe to the new 2% bonds right up to the last day of the drive, Dec. 16, and that these institutions may be sellers of the 2% bonds due 6-15-52/54 at a premium, with the proceeds from the sale of these obligations used to buy an equivalent amount of the 2% due 12-15-52/54 at 100. . . . The six months longer maturity is not considered to be important enough to stand in the way of the sale of the shorter 2% issue. . . .

It was reported that certain institutions using the "roll-over" idea in the 2% issues have been filling in their maturity schedules with the outstanding 2% tax bonds, but the completion of this plan will not take place until the 2% due 12-15-52/54 become available in the latter part of December. . . .

"ROLL-OVER" PRACTICE

It was pointed out that the "roll-over" idea involves the selling of a 2% issue when it has about three years to run, at levels of about 102, and the replacing of it with other 2% bonds, of note maturity length, which is four and one-half to five years to the optional date. . . . The taxable 2% due 3-15-48/50 leveled out at 102, when they reached a note length of four and one-half to five years, and that level will be maintained until they have about three years to go, when they begin to adjust their yield to the shorter term notes, and they will begin to run off their premium. . . . The advance in price in the other 2% bonds up to 102 becomes automatic as the shortening of the maturity results in advancing prices until the top level is reached. . . . The 2%'s due 1949/51 will all reach a price level of 102 during the next 12 months in adjusting their yield to that of the shorter term notes. . . . After reaching the price level of about 102, it will be maintained for about two years. . . . By selling these issues at 102, when they still have about three years to run, and replacing them with other 2% bonds due in four and one-half to five years, based on the option date, the "roll-over" operation is carried out. . . . Profits realized from this procedure can be used to write down the cost of the newly acquired 2% bonds. . . . There is no change in the income rate, since the operation is centered around the 2% obligations. . . . The life insurance companies have again been sellers of municipal obligations, and many of these institutions have replaced only a part of their corporate bonds that have been recently refunded, which indicates that they will be in a position to play their usual important role in the Sixth War Loan. . . . It is indicated that these companies will again be interested largely in the long-term 2½% bonds, and under the deferred subscription plan, which is again in operation, they have until Feb. 28, 1945, to make final payments for the securities subscribed for during the drive. . . . It was reported that because of the delayed payment for issues committed to during the drive these institutions have not been sellers of certain Government issues that they intend to liquidate. . . .

It seems as though the insurance companies, with experience gained during the previous War Loans, have decided to pick their spots in disposing of these issues, and it may be that the heavy investment demand that appears around the first of the year will give them an opportunity to take advantage of market strength for such operations. . . .

MARKET FAVORED

It is indicated in the financial district that the lack of selling pressure at this time from these institutions has had a very beneficial effect on the Government bond market. . . . By spreading the selling out over a longer period of time better prices no doubt will be obtained for the securities that are to be switched, to make room for those acquired during the coming War Loan. . . .

A check recently made with the smaller out-of-town commercial banks, which have substantial savings accounts, indicates that these institutions are very much interested in the 2½% due 1966/71, and will make fairly large commitments in these bonds. . . .

It was pointed out that these obligations can be acquired only during the drive, and they feel that a position in these bonds, giving them a 2½% return, fits well into their situation. . . .

With a well-balanced maturity schedule these banks, in order not to be too heavy in the long-term issues, have indicated that they will dispose of some of their holdings of the 2½% due 1967/72 after the drive is over, since these bonds generally advance 5/32 to 6/32 with the lifting of the selling pressure.

The Business Man's Bookshelf

Effect of Federal Taxes on Growing Enterprises—Study No. 2, The Polaroid Corporation—J. Keith Butters and John Lintner—Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Massachusetts—paper—50c.

R. J. Crampton Opens

BEREA, OHIO—Robert J. Crampton is engaging in an investment business from offices at 345 Runn Street.

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Special material bearing on dealer activities in various States as follows: Michigan and Connecticut on page 2138; Missouri on page 2139.