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Compulsory Military Training In Peacetime for America?

Here Are Some Opinions on the Subject

The issue of whether America should adopt a system of compulsory military training in peacetime promises to receive increased attention in public and official circles as the wars in Europe and Asia move closer to final victory. In the interest of clarifying public thinking on the question the "Chronicle" will publish, beginning with this issue, the views and opinions of those who desire to express themselves in the matter. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce St., New York 8, N. Y.

In connection with this symposium, we would call attention to several recent discussions of the subject which appeared in the "Chronicle" of Oct. 26, starting on the cover page. These reflected the opinions of, respectively, a prominent Catholic educator members of the New York Synod of the Presbyterian Church, and the President of a prominent educational institution. Herewith are some of the expressions regarding the subject now in hand. Others will appear in subsequent issues of the "Chronicle."

KELLEY GRAHAM
President, The First National Bank of Jersey City, N. J.

I am in favor of compulsory military training in peacetime. It is my opinion that this should be confined solely to military training and for as brief a period as is necessary. I am opposed to including in this training program for our youth any other activities such as the CCC, regardless of any past or future usefulness this latter might have. Compulsory military training, in my opinion, should not in any way infringe on or conflict with school or college training.

HON. CLAUDE PEPPER
U. S. Senator from Florida

I would not like to see us inaugurate compulsory military training after the war as a peace measure. Undoubtedly, our goal after the war is to set up the kind of an international organization which will eliminate the necessity of constantly preparing for war. That does not mean that we are not going to keep an adequate force to control our interests and do our part to restrain the "ganster" nations. But militarism breeds militarism, and I am sure that we can obtain, through volunteers, a force adequate to our needs. I do, however, believe that military training is excellent discipline and physical education for those who take it. It is our job to do what has never been done before — stop war — even preparation and training for war as we now think of it. While we shall always have boys who want to be policemen, we have our home



Hon. Claude Pepper

police forces for them to serve on. I do not believe it is necessary to take a year or two of each boy's (Continued on page 2262)

police forces for them to serve on. I do not believe it is necessary to take a year or two of each boy's (Continued on page 2262)

Leffingwell Says We Must Foster And Protect Foreign Investment

J. P. Morgan & Co. Executive Asks for Cancellation Of War Loans and Repeal of Johnson Act.

In his opening remarks as presiding officer of the Annual Meeting of the Academy of Political Science at the Hotel Astor in New York City on Nov. 15, R. C. Leffingwell, Chairman of the Executive Committee of J. P. Morgan & Co., Inc., and former Assistant Secretary of the Treasury, pointed to the need of further expansion of both imports and exports and a renewal of American investments abroad as factors in the readjustment of the economic framework for a prosperous and stable peace.



R. C. Leffingwell

The Post-War Price Problem — Inflation or Deflation?

By MARRINER S. ECCLES*

Chairman, Board of Governors of the Federal Reserve System

Reserve Board Head Asserts Business Must Disburse Funds Which It Receives and Wage Earners Must Spend or Invest Income Directly or Indirectly if Employment Is to Be Found for Substantially All Workers. Says Government Should Guarantee a National Minimum Income, Education, Health and Old-Age Security for All Citizens. Sees Federal Budget of Not Less Than \$25 Billion a Year After War or About Three Times 1939 Level but With Tax Rates Less Than Triple Before Because of Larger Income Base.

The question before this conference is, "Post-war Price Problem—Inflation or Deflation?" The question so stated implies that



Marriner S. Eccles

we have a choice between one or the other. But if we have inflation, we shall certainly have deflation following it. Thus we may be faced with having both. However, if we avoid inflation, we shall still face the danger of deflation. If, in the period of transition from war to peace, we fail to maintain war-time price controls and rationing until civilian goods become available in ade-

*An address by Mr. Eccles before the National Industrial Conference Board, New York City, Nov. 13, 1944.

(Continued on page 2264)

"After the war we want America to be again the land of enterprise and initiative and opportunity, the home of a happy, prosperous, busy people," Mr. Leffingwell said. "If this is to be," he continued, "we must find outlets, markets, for our surplus production. We are geared to produce far more than we can consume among ourselves. We produced more than we consumed before the First World War; then we were a debtor nation and the surplus went to pay the service of our debts. We produced more than we could consume ourselves during the First World War, and sales of British investments and war loans to the Allies covered (Continued on page 2254)

Index of Regular Features on page 2272.

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Aviation Can Meet the Market
By THOMAS A. BOAL

Suffens, Boal & Associates, Los Angeles

After Refuting the Fallacy That Airplane Producers Are Making Large Profits, Mr. Boal Discusses the Post-War Prospects of the Industry. Predicts That "A Good Family Aircar Is Still a Distant Prospect" and That Private Ownership of Planes Will Be Restricted by High Costs and Other Obstacles. Asserting That There Is no Threat to Market for Planes From the Government's Surplus, He Looks for Brighter Prospects For Manufacturers in More Efficient Production Methods and in Simplification of Airplane Design.

The past few weeks have seen a flurry of activity in aircraft shares on the market, giving evidence of renewed interest by investors.



Thomas A. Boal

Do you wish that you owned some shares of stock in one of the major aircraft companies, and that you had owned it for the past few years? Many people do. And why not? There must be a lot of profit in a business that has been operating at peak production, with the output bought up as fast as it can be turned out, and with unlimited financial resources.

That, at least, is the mental image that the average layman has of the industry. It is based on news reports of one-thousand-plane raids over enemy territory, and figures like 185,000 airplanes since Pearl Harbor, and so on.

Actually, the industry itself shows a different picture. Here it is in a few brief statements: "The average aircraft stockholder lost \$6.62 in market value, and gained only \$0.54 in dividends in four years." And: "...working capital is meager in relation to the obligations of the business. The entire net current assets of the industry would not equal one month's operating costs as present (Continued on page 2256)

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Nominations will be made to fill the terms of office expiring next Jan. 15th of the following members of the Board of Governors of the Association: James Coggeshall, Jr., First Boston Corp., New York, and Clarence E. Unterberg, C. E. Unterberg & Co., New York; and the following members of the District No. 13 Committee: Frank Dunne, Dunne & Co., New York; Irving D. Fish, Smith, Barney & Co., New York; Charles F. Hazelwood, E. H. Rolins & Sons, Inc., New York; David S. Rutty, Sage, Rutty & Co., Inc., Rochester, N. Y.

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**Roswell Magill Advocates Changed
Tax Structure**

Former Treasury Official Urges Repeal of Excess Profits Levy and End of Tax on Dividends

A tax structure that will promote business expansion after the war was advocated and outlined by Roswell Magill before the Academy of Political Science at the Hotel Astor in New York City on Nov. 15.



Roswell Magill

Mr. Magill is a member of the law firm of Cravath, Swaine & Moore, and was formerly Under-Secretary of the U. S. Treasury.

Prior to the war, he said, taxes were frequently used as preventive measures, entirely apart from revenue considerations. Since the war, he continued, taxes have been used not to stimulate business activity but to drain off all but a very moderate return, regardless of the impact on business. But with the end of the war, he emphasized, the need will exist for a tax structure that will not only produce substantial revenues, but at the same time encourage business expansion.

"If we have business expansion and full employment after the war," Mr. Magill stated, "we can raise the necessary revenue without disrupting our economy. Active business and moderate tax rates are a much better prescription than moderate business and high tax rates. Therefore, it (Continued on page 2270)

**Wilfred Conary With
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BOSTON, MASS.—J. Arthur Warner & Co., 89 Devonshire Street, announce that Wilfred G. Conary, formerly with the trading department of B. W. Pizzini & Co., Inc., in New York City, is now associated with their trading department in Boston.

**Andrew Mills to Be
Newhard Cook Partner**

ST. LOUIS, MO.—Andrew S. Mills will be admitted to partnership in Newhard, Cook & Co., Fourth & Olive Street, members of the New York and St. Louis Stock Exchanges, on November 30th. Mr. Mills who is in charge of the firm's municipal bond department, in the past was a partner in Francis, Bro. & Co.

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Simplification of Corporate Taxes

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

Treasury Expert Asserts That Best Method of Simplifying Excess Profit and Capital Stock Taxes Is By Repeal, but Simplification of Corporate Income Taxes, Though Requiring Few Changes, Cannot Be Accomplished Because of Policy Considerations. Maintains That Taxing Corporations as Partnerships by Allocating Income to Stockholders Would Complicate Rather Than Simplify the Problem. Looks for Favorable Progress Through the Joint Investigation of Tax Simplification by Congress and the Treasury.

To complain about the complexity of our tax laws has almost the standing of a natural right. Certainly it has long been one of our favorite indoor sports. The complaints have grown louder in recent years, but they are not a new story. Consider, for example, this statement:

"There is an imperative need for immediate simplification in the system of internal revenue taxes. The unvarnished truth is that the income and prof-



Roy Blough

its taxes are so heavy and so intricate that a sufficient number of auditors and experts cannot be secured by the Government to audit, assess, and settle old claims as fast as new claims are created."

Those words were spoken by Dr. T. S. Adams in 1918. Three years later Boies Penrose, Chairman of the Senate Finance Committee, expressed the ambition, reiterated by his successors, to write a tax bill that would be

*An address made by Dr. Blough before the Annual Symposium on Accounting and Taxation of the North Carolina Association of Certified Public Accountants at Chapel Hill, N. C., Nov. 17, 1944.

(Continued on page 2268)

The Survival of Small Business Is an Immediate Responsibility

SEC Fails to Move to Protect Right of Small Business to Raise Capital Through the Sale of Securities.

Winning the war does not imply only a military achievement. There are battles on the home front no less important than those abroad. One of the most important and well recognized of these is the battle of small business to survive.

Realizing this, many agencies are at work attempting to insure this result. Amongst these are various trade organizations, groups that have united for self-preservation, and more particularly our Congress, which through its Committee on Small Business, has made that aim its chosen work.

The reconstruction period, with the return of normal employment conditions, will present immediate, pressing problems.

Here the securities field has a major responsibility, for it must be plain that the flotation of small new capital issues, and the maintenance of a continuing market in those issues, is vital in the meeting of those problems. The maintenance of healthy, continuous markets is imperative because investors will be disposed to shun the securities of small business entirely if it develops that such securities can only be liquidated for a fraction of their initial cost and then possibly only after a period of time.

Let us reflect for a moment on how the Securities and Exchange Commission and the National Association of Securities Dealers*, two of our regulatory bodies, have been meeting that responsibility.

In its letters of Oct. 25, and Nov. 9, 1943, the NASD created a "5% spread principle," by the terms of which spreads taken by dealers in excess of 5% between their purchase and sales prices laid them open to disciplinary action by the Business Conduct Committees of that Association. No account was taken of whether such transactions resulted in a profit. Overhead formed no part of the calculation.

This principle was passed as an alleged yardstick or interpretation by the Board of Governors, when it was in fact a rule and, under the NASD's by-laws and the Maloney Act, it should have been submitted to the members of that association for their approval or disapproval.

When we consider that in a recent release of the SEC (Statistical Series—"Cost of Flotation of Equity Securities by Small Business"—Release No. 744, Oct.

*Constitutes a resuscitation of the NRA Code Authority in the investment field made possible through the Maloney Act.
(Continued on page 2267)

Post-War Labor Problems

Robert J. Watt, AFL Representative on National War Labor Board, Expresses Confidence That Labor and Management Can Help Restore Veterans to Jobs. Says Both Should Share Responsibility and Not "Let Uncle Sam Do It."

Robert J. Watt, International Representative of the American Federation of Labor and Labor member of the National War Labor Board, delivered an address at the regular monthly meeting of the New York City Control of the Congress Institute of America, held on Thursday evening, Nov. 9, 1944, in the Belmont Plaza Hotel. Mr. Watt devoted a large part of his address to the need of cooperation



Robert J. Watt

and joint responsibility of labor and management in establishing and maintaining normal and stable industrial relations in the post-war period.

"I strongly urge the application of the principles of democracy to the fabric of our economic system," Mr. Watt declared. "I urge that labor and management be freed of political interference as completely as possible. I urge that labor and management be encouraged to establish self-government in industry through accredited delegates, democratically chosen to represent their respective sides. I urge that economic self-government only through the maintenance of normal industrial relations in the post-war period."
(Continued on page 2247)

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Farmer and Banker In America's Democracy

By W. RANDOLPH BURGESS*

Vice-Chairman of Board, National City Bank of New York
President, American Bankers Association

Leading Banker Points Out That Both Bankers and Farmers Face Equally the Danger of a Government Controlled Economy Which Leads Away From Democracy and Private Enterprise.

It is appropriate that the first meeting this year of the Agricultural Commission of the American Bankers Association should be

held in Memphis as a great center of Southern agriculture, a center from which have come many leaders in the Association. Farmer and banker have many common interests. A very large proportion of the 15,000 banks which are members of the American Bankers Association are rural banks, serving agriculture, and many of their senior officers are also farmers.

But the point of kinship I want to suggest today is that both farmer and banker are vitally interested in the preservation of a true democracy in America which protects the freedom of the individual and the rights of private enterprise. The American democracy began in simple agricultural communities with the town meeting and common participation in the affairs of government. The farmer is the great exemplar of private enterprise in its purest form. The banker has kinship with the farmer in a vigorous adherence to the private enterprise system. From his familiarity with many kinds of business the banker

*An address made by Mr. Burgess before the Memphis Chamber of Commerce luncheon held in connection with the Agricultural Commission Conference of the American Bankers Association, Memphis, Tenn., Nov. 16, 1944.

(Continued on page 2248)

Glore Forgan to Admit Fennelly and Vogel

CHICAGO, ILL.—John F. Fennelly and Rudolph E. Vogel will become partners in Glore, Forgan & Co., members of the New York Stock Exchange, as of December 1st. Both will make their headquarters at the firm's Chicago office, 135 South La Salle Street. In the past Mr. Fennelly was a partner in Glore, Forgan & Co. Mr. Vogel has been with the company for a number of years; prior to his association with it he was a Vice-President of the Continental Illinois National Bank & Trust Co.

Jones Heads Dept. of Van Alstyne, Noel Co.

James B. Jones, Jr., recently retired from the Army Air Forces as a Major, has become associated with Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, as Manager of the Statistical Department. Prior to entering the armed services, Mr. Jones had more than 20 years experience in the financial district and was at one time a partner in Mackay & Co.

Rail Situation

Paine, Webber, Jackson & Curtis, 25 Broad St., New York City, members of the New York Stock Exchange and other leading exchanges, have issued a bulletin on the class I railroads discussing the present situation and outlook. Copies of this interesting release may be had from the firm upon request.

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L. L. Moorman Joins Nat'l Sec. & Research

Douglas Laird, Vice-President in charge of sales of National Securities & Research Corporation, 120 Broadway, New York City, announces that L. Lawrence Moorman has joined that organization as wholesale representative for the Southern Territory. Mr. Moorman was formerly associated with Standard & Poor's and has had 25 years' experience in the investment business.

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**Brook and Crabbs
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George C. Brainard, Chairman of the board of the Federal Reserve Bank of Cleveland, has an-



Frank F. Brooks George D. Crabbs

nounced the re-election to the board of Frank F. Brooks, President of the First National Bank at Pittsburgh, Pittsburgh, Pa., and George D. Crabbs, Board Chairman of the Philip Carey Manufacturing Co. of Cincinnati, Ohio.

Both Mr. Brooks, a class A director, and Mr. Crabbs, a class B director, were unopposed in the election, which was conducted among the larger member banks of the Fourth Federal Reserve District. Each was chosen for a term of three years, beginning Jan. 1, 1945.

Registration Postponed

The effective date of the registration of Charles A. Massie, doing business as D. J. McMillen & Co., a sole proprietorship of 32 Broadway, New York City, has been postponed until Nov. 26 by the Securities and Exchange Commission. Mr. Massie, in his application for broker-dealer registration, stated that from May, 1937, to December, 1943, he was employed as a trader, salesman and manager of Charles Hughes & Co., Inc., whose registration the SEC revoked on July 19, 1943.

Stoker for Post-War

Standard Stoker Co. common stock offers attractive post-war possibilities, according to a new memorandum issued by Otis & Co., Terminal Tower, Cleveland, Ohio. Copies of this memorandum may be had from the firm upon request.

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**George Searight With
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First of New York Corporation, 70 Pine St., New York City, announces that George A. Searight has been appointed manager of the trading department. Mr. Searight was formerly in charge of the industrials and tractions department for the New York office of T. J. Feibleman & Co. Prior thereto he was with Tellier & Co., and Kobbe, Gearhart & Co.

Mr. Searight's new telephone number is Hanover 2-7793.

**James W. Bounds Is
 Now With Courts Co.**

(Special to The Financial Chronicle)

ATLANTA, GA.—James W. Bounds has become associated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange. Mr. Bounds was formerly a partner in Bounds, Pool & Co. which was dissolved upon the death of Mr. Pool.

**G. F. Monahan Now Is
 With Joseph Faroll**

Gerald F. Monahan has become associated with Joseph Faroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange. Mr. Monahan was formerly in the trading department of the New York office of Mackubin, Leggett & Co.

**Robt. Cease Now With
 Cohu & Torrey in Newark**

NEWARK, N. J.—Cohu & Torrey, 24 Commerce St., members of the New York Stock Exchange, announce that Robert Cobb Cease has become associated with them. In the past Mr. Cease was with Buhr & Co.

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International Trade Restoration

By CHARLES P. TAFT*

Director, Wartime Economic Affairs, Dept. of State

Government Official Sees in Post-war Restoration of Normal International Commercial Relations the Most Difficult Business Problem in the World's History. Sees Need to Assist War-torn European Nations in Economic Rehabilitation and Particularly Urges That We Aid Great Britain in Financing Operations in the Period of Restoration Because Great Britain Is Our Best Customer and Unless Aid Is Given, It May Resort to "State Trading." Sees Concern of U. S. in Chinese Economic Development.

Today I want to tell you in detail something about the problems which face us, when the war stops, in the restoration of normal business and commercial relations East and West, with Europe and Great Britain, the great Pacific Dominions, and with India, China, Southeast Asia and the East Indies.



Charles P. Taft

To begin with I hardly think I need to argue with this group, or with the West Coast in general, about the importance of foreign trade in our economy. I cannot agree with those who think foreign trade is going to take up the entire slack left by the reconversion of busi-

*An address made by Mr. Taft before the Los Angeles Chamber of Commerce, Los Angeles, Cal., November 15, 1944.

ness and industry to peacetime operations. It certainly is not going to start off at three times prewar levels. But it is essential to our prosperity. Ten percent is only rough average of the relation of foreign trade to total trade and many items of importance run far higher. Pacific Northwestern wheat used to be 60% to 70% export, and prunes from here in California went abroad to the extent of 43% of the crop. I have noticed some attention paid, recently by Westerners to the retention of these great industrial plants that have been set up here in the West for war work. Clearly an export market is as good in securing that objective as one in the United States. So we start in agreement that foreign trade is important.

I don't like the emphasis on exports, however, in all our talk about foreign trade. It wasn't exports by themselves that built our foreign trade; it was imports we wanted so much that we went a long way to get them. The search (Continued on page 2250)

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Public Utility Securities

Brooklyn Union Gas

President Clifford E. Paige of the Brooklyn Union Gas Co. addressed the members of the New York Society of Security Analysts on Nov. 13, and the following is largely summarized from his interesting talk:

The gas business in Brooklyn is nearly 100 years old, and the fires that were lighted nearly a century ago have never been

extinguished—except for local interruptions, the company's service has been continuous during all that time. The company serves nearly 3,000,000 people, supplying 30 of the 32 wards in Brooklyn, as well as two in Queens. The number of meters now in service, over 782,000, is an all-time high. Gas is produced in two plants, the Citizens Works making water gas, and the Greenpoint Works producing both water gas and coke-oven gas; the latter is one of the most modern plants in the country. Coke, oil and coal are used as raw materials. The company produces coke as a by-product from coal-gas manufacture, a portion being used by the company and the balance (about 330,000 tons a year) being sold. The company uses about 350,000 tons of coal and 40,000,000 gallons of oil a year.

The question of the feasibility of bringing natural gas into Brooklyn is often raised. Mr. Paige stated: "We would have to buy the gas at a low enough rate to write down our existing equipment, besides we would have to keep this equipment as standby until there was more assurance of continuity of supply than we would dare assume on the basis of one pipeline furnishing our entire needs. Our distribution system, we believe, would be quite satisfactory. Our appliances would have to be adjusted. Probably here, as elsewhere, it would be found that a mixture of manufactured and natural gas would be better than sending out natural gas straight. A major consideration is whether or not the authorities would be willing to have such a wide national use of natural gas on the theory that to extend and expand its use might exhaust this natural resource prematurely."

In the early days of the gas



Clifford E. Paige

business it was used almost entirely for lighting, but with the advent of electricity this business largely disappeared, and the industry was only saved by transition to a cooking load. More recently large increases in gas sales have occurred for industrial purposes, for water heating and for refrigeration. House heating is also relatively new, but the recent heavy demand for house-heating equipment has of course been due largely to shortages of oil and coal. Out of the thousands of installations sold for heating in the past, rejections have been not over 1%, because the company's engineers and salesmen recommend gas-heating only where the place to be heated is reasonably insulated and where results are believed to be advantageous. Hence, the company's staff has built up a reputation for reliability.

Regarding industrial sales, the company's research men think that five years after the end of the war gas sales may increase from about 26,500,000,000 cubic feet per annum to around 30,000,000,000, which at present rates would produce increased revenues of about \$2,000,000 (present revenues are around \$25,500,000). This gain would depend largely on the prices of competing fuels. The company is continuously engaged in research to improve operating methods, cheapen the cost of gas, and develop new chemical uses for coal-tar and other by-products.

Extensive gas research is also being conducted by the American Gas Association, the Illinois Institute of Technology, and by makers of gas appliances. One of the outstanding developments of recent years has been the C/P (Certified Performance) range. The Servel Company, which developed the Electrolux gas refrigerator, has been experimenting extensively with year-round air-conditioning equipment for homes. Because Brooklyn is so largely a city of apartment houses (with home developments largely in the cheaper class) the prospects for installing expensive equipment of the Servel type may not offer great possibilities for increased gas sales.

Several other interesting in-

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Our clients who are well known bond brokers on the New York Stock Exchange seek the services of an outstanding bond man as manager of their listed bond department. An interesting and remunerative proposition is available to the applicant who can qualify. Apply in strict confidence; by letter only. The present staff is aware of this advertisement.

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Lee-Willen & Co. Is Formed in New York

Martin L. Levy and Michael J. Willen have formed Lee-Willen & Co., successors to Godfrey & Co. The firm will deal in over-the-counter securities, specializing in title company certificates, real estate bonds and whole mortgages. Offices are at 135 Broadway, New York City.

Murray Barysh Back From Southern Business Trip

Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other exchanges, announce that Murray Barysh has returned to his desk from a Southern business trip.

Booms & Depressions

A. W. Smith & Co., Inc., 111 Devonshire St., Boston 9, Mass., are distributing the 1945 edition "Business Booms and Depressions Since 1775." Copies of this interesting chart may be had upon request from A. W. Smith & Co.

ventions are promised for the post-war period, however. One is an arrangement for the operation of a laundry drier in connection with a gas range, which is so simple that it probably can be used with almost any range and will provide perhaps the greatest single addition to the convenience of the housewife since the oven temperature regulator. Another invention is a damper control on house-heating installations which will cut down heat losses when a furnace is out of operation, by closing the flue to the chimney.

Regarding the company's financial position, the recent bond refunding operations have improved the set-up and facilitated resumption of dividends on the common stock. The future trend of the company's earning power is difficult to predict. While the worst of the fuel shortage appears to be over, it remains possible of course that fuel prices may rise in future. The company's coal bill is around \$5,000,000 a year, oil costs about \$2,500,000, and wages and salaries approximate \$8,500,000. The company has nearly 800 former employees in the armed forces, and those who wish to return to the company will be reemployed. All employees taken on during the war have been on a temporary basis, and the sales and construction departments should absorb a good part of any post-war surplus.

Pres. Alan Lauckner Of Internal Auditors Announces New Book

Publication of a new book, "Internal Auditing—Philosophy and Practice", by The Institute of Internal Auditors, has just been announced by Alan Lauckner, President of the Institute and Assistant Vice-President of the Central Hanover Bank and Trust Co. of New York. A symposium of papers and addresses by authorities in this field, this volume gives an enlightening introduction to the philosophy of internal auditing, and graphically explains the functions of this increasingly important business aid.



Alan Lauckner

Edited by Charles J. Fue, General Auditor, of The Brooklyn Union Gas Company, the book is an informative, stimulating exposition of modern trends in an old profession which has now adapted itself to play a vital part in industrial organization and management. It is directed to executives, accountants, auditors, and others concerned with the practical application of internal auditing. Auditing techniques, relation of internal auditing to management and to public accounting, the viewpoint of the Securities and Exchange Commission, and internal auditing's war and post-war opportunities, are fully covered.

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:

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Post-War Labor Problems

(Continued from page 2243)

nance of basic standards and through the participation of public representatives to bring the consumers' voice to the conference table of labor and management."

Continuing Mr. Watt said: "We face the problem of establishing a basis for industrial relations which will enable America to establish and maintain a national income of at least 150 billion dollars. That would mean a degree of industrial production and distribution which will afford jobs for all who want to work, and goods and services for all who need them."

"Of course, it is not possible in a free system such as ours to provide completely full-time employment for all who seek work. Some in-between unemployment is necessary if we aim to preserve our full freedoms. Even during the peak demand for labor during this war, nearly a million people were registered as unemployed and seeking work. That is why a sound system of social insurance is needed to provide for those who cannot find work. But it does mean that we must utilize the services of all those now working for war, whether in the armed services or the factory, and who are available after the war for employment."

"I believe this involves the maintenance of wage rates and price values. We have had considerable inflation. If we are to carry our present debt burden, we must protect the values of goods and services from cut-throat competition. I believe collective bargaining and good labor-management relations will be as necessary to do this job for the welfare of decent business after the war as it is for labor."

"To preserve our consumer buying power, I suggest that there should be an adjustment in wage rates to sustain the purchasing power of the American worker. I believe the productivity of labor has increased enough to justify an increase during the reconversion period. We must also face the problem of jobs for all who want to work for wages."

"In the typical American community there will be one service man returning for every four or five workers employed. There will be one war worker for every four or five now employed who will get back to producing consumers' goods instead of instruments of war. Jobs or job changes will have to be found for two out of every four or five wage earners in every community."

"I am confident that labor and management can help to assure a fair deal for returning veterans with jobs at which they can earn a decent and constantly improving standard of living. It will take more than a G-I Bill of Rights to do that. We will need the simple democratic mechanism of labor and management cooperation if the reemployment rights of veterans are to be more than promises."

"Instead of the complicated legal procedures in the G-I Bill of Rights, and the almost daily interpretations by the boys who know all the prices and few of the values, labor-management machinery would be accessible and speedy, with simple procedures which would be understood by the ordinary veteran and war worker. We hope it is not too late to avoid the complicated and perhaps lengthy legal procedures and expensive dealings with lawyers which may result in discouraging veterans from efforts to obtain their rights."

"It is my sincere belief that the fundamental long-range interests of labor and industry are parallel and mutually dependent. Labor needs capital and capital needs labor, and free democratic America needs both. Together we must help our system keep the wheels moving and the gears meshed. Our whole future depends upon our ability to avert a post-war boom followed by a disastrous depression."

"We must share the responsibility, or be prepared to let Uncle Sam take over the job. If we let Uncle Sam do it, he will not be our uncle much longer, or even our cousin. He will then be known as Comrade Sammy or Fuehrer Sam."

"That is why it is time for us to get together and work out in our own nation a system of democratic controls which will keep our tremendous machinery under control. We must plan so that our huge dynamo will generate production power to sustain purchasing power, which in turn will keep the production power in operation. It may be the toughest job we have ever faced, because it is the job of freeing the spirit of enterprise to the highest level of activity — and yet remaining under the self-control of the people who are free to enterprise."

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Railroad Securities

One of the oldest of the railroad insolvencies took a step forward towards ultimate reorganization last week when an Interstate Commerce Commission examiner issued a proposal for Central of Georgia Railway. Nearly 12 years ago the road went into equity receivership and more than four years ago the proceedings were transferred to bankruptcy under Section 77. The time remaining before actual consummation of reorganization

must still be measured in years. Hearings must be held on this tentative proposal before a final Commission plan will be filed, and further hearings will have to be held on the final plan before the final modified plan is presented to the court. Thus, at best, many months must elapse before the proceedings will even move from the ICC to the District Court. Nevertheless, the proposal of the examiner may be accepted as a constructive sign and at least it is possible to formulate some opinion as to ultimate values and the respective positions of the various liens.

In substance, the examiner's proposal differs little from the capitalization contemplated in an earlier plan filed by the road's trustees early this year. Exclusive of equipments, there will be \$13,987,219 of fixed interest debt, represented by \$193,452 divisionals and \$13,793,767 of new 1st 4s. There will be two series of income 4½s in the aggregate amount of \$15,998,413, of which \$2,821,000 will be series "A." This split is apparently designed to facilitate recognition of strict priority of the old liens as required by Supreme Court decisions in other Section 77 proceedings. There will also be two series of 5% preferred stock, made up of \$940,049 series "A" and \$16,061,720 series "B." There will be 180,171 shares of common stock. The earlier trustees' plan had contemplated only one class of income bonds and one class of preferred stock.

The proposed capitalization, with five classes of bonds (including equipments) and three classes of stocks appears unduly complicated for a road of this size, and in this respect may be changed in the final Commission plan. Otherwise, the capitalization appears reasonable. The aggregate of preferred stocks and the amount of common stock have been cut from the original proposal of the trustees. Fixed charges under the plan will be held to \$639,000, compared with old fixed charges of close to \$3,200,000. Contingent interest and sinking funds will absorb \$834,000, bringing total charges ahead of the stocks to \$1,473,000. This is without considering the capital fund which should be covered by the new charge of depreciation of

road property. Preferred dividends will require \$850,000 a year. The income bond interest and the preferred dividends will be cumulative up to three years:

In appraising the potentialities of the new securities it is impossible to accept at face value the actual reported earnings of the properties during the depression decade. The property has suffered severely from undermaintenance, but it is expected that this condition will be corrected by the extensive five-year rehabilitation program instituted in 1943. Even with the inefficiency inherent in undermaintained properties, however, the new fixed requirements would have been earned in all years of the depression except 1932 and 1938. With properties restored there should be little question as to coverage of the proposed new obligatory requirements even under depression conditions.

Coverage of income bond interest during normal cycles of business will depend largely on expense savings and increased operating efficiency resulting from the rehabilitation program now under way. As earnings were reported, average income available for contingent charges for the 10 years 1932-1941 amounted to just about \$700,000. This would have to be reduced by roadway depreciation which is a new accounting charge—roadway depreciation last year amounted to \$385,380. Income bond interest will amount to \$720,000. To cover this contingent interest, as well as the new depreciation, the road would have to shave \$405,380 off expenses on the average for the 1932-1941 period. This would involve a reduction in the operating ratio of only about three points, which should be feasible. In reasonably prosperous periods, therefore, the company should have little difficulty in supporting the proposed contingent interest charges. The stocks, however, will apparently have worthwhile earning power only under boom conditions.

Under present conditions, with the prevailing speculative enthusiasm for even the stocks of reorganization rails, the new first mortgage bonds might sell around 90, the income 4½s around 45 and 55, respectively, the preferreds around 25 and 30, and the com-

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Fast Communications To Germany, Japan

A "fast communication service" to Japan and Germany has been established by R. H. Johnson & Co., 64 Wall Street, New York City, at the entrance of 63 Wall Street. In a booth operated by the staff of the firm, are displayed Army and Navy shells upon which one who purchases war bonds or stamps may write an appropriate message to the Nazis or the Nipponese on a sticker which is then attached to a shell. The message will be delivered with the utmost speed by the Army or Navy.

Baltimore Bond Club to Hold Annual Meeting

BALTIMORE, MD.—The annual business meeting and dinner of the Bond Club of Baltimore will be held on December 8 at the Merchants Club, it is announced.

James B. Downing, Baumgartner & Co., is Chairman of the committee on arrangements.

Charles H. Pinkerton, Vice-President of the Club, is serving as acting head as C. T. Williams, the President, is on duty with the United States Navy.

mon around 10. On the basis of such prices the first 5s, 1945, would have an indicated value of 108%, the consolidated 5s, 1945, around 57½ and the refunding and general 5s, 1959, around 9. Considering the time element, the consolidated 5s, 1945, do not look particularly attractive, while the junior refunding and general bonds look definitely unattractive.

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Andersen Is V.-P. of Blair & Co., Inc.

Blair & Co., Inc., 44 Wall Street, New York City, announce the election of Jonas C. Andersen as a Vice-President.

Harold MacDougall Is With Georgeson & Co.

Harold MacDougall, formerly Manager of the Syndicate and Dealers Department of Lazard Freres & Co. for the past ten years, has become associated with Georgeson & Co., 52 Wall Street, New York City.

Trundle Program for "Widow" Again Tops

The program offered by Henry C. Trundle of G. A. Saxton & Co., Inc., 70 Pine St., New York City, in Barron's 1939 contest for the best program of investment for a widow with \$100,000, has again achieved top rank in principal appreciation and annual income, in a tabulation in the Nov. 6 issue of "Barron's Weekly." Mr. Trundle's suggested portfolio has shown an increase of market value as of Aug. 25, 1944, of nearly 78% with an income yield of \$9,711.

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 Hoyt, Rose & Tröster, 74 Trinity Place, N. Y. City. Copies of these circulars may be had from the firm upon request.

Norman Barwise Rejoins Merrill Lynch In Denver

(Special to The Financial Chronicle)
DENVER, COL. — Norman C. Barwise has rejoined Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building, following his discharge from the armed services.

Investment Merit

Brailsford & Co., 208 South La Salle St., Chicago, Ill., members of the Chicago Stock Exchange, have prepared a comprehensive study of the current situation in Central Public Utility Corporation-Consolidated Electric & Gas Co. system, in which they state the belief that the investment merit has not been fully appreciated. Copies of the analysis may be had from the firm upon request.

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Real Estate Securities

By JOHN WEST

Lawyers Mortgage Corporation's Capital Stock Attractive

Corporation in Excellent Position for Post-War Real Estate Financing

The Lawyers Mortgage Corporation is incorporated under the Insurance Law of the State of New York. It is an outstanding mortgage company, ably managed, its business primarily being the financing of building loans and the placing of mortgages which in turn are resold to banks and institutions. Through two wholly owned subsidiary companies they perform management services of real estate and place and maintain in-

insurance to cover properties serviced. At the present time, approximately \$100 million of real estate is being serviced. It is a conceded fact that after the war many new buildings will be erected. To the best of our knowledge, this is one of the few corporations which can make construction loans and has an organization equipped to handle such financing. Upon completion of the buildings the proceeds from the sale of the then existing mortgage comes back to the corporation so that a revolving fund is available for construction.

The stock of this corporation was issued under a plan of reorganization of Lawyers Mortgage Company. At that time 840,000 shares of \$5.00 par value were authorized, 400,000 shares distributed to creditors of Lawyers Mortgage Company, 400,000 shares offered to stockholders of Lawyers Mortgage Company at \$5.50 per share and the remaining 40,000 shares (less directors' qualifying

shares) reserved for sale to officers and employees at not less than \$5.50 per share. The option for stockholders of Lawyers Mortgage Company to acquire shares has expired. As of Dec. 31, 1943, a total of 409,562 shares were outstanding and 430,438 shares remained unissued. These unissued shares can provide additional working capital should occasion arise.

An analysis of the Dec. 31, 1943, balance sheet shows cash assets (including \$1,300,000 mortgages which, we are informed, could be converted into cash within 30 days) of about \$2,330,000 and liabilities of about \$37,000. The net cash assets of about \$2,293,000 are equal to approximately \$5.60 per share.

In view of the asset value per share and the future possibilities of this company, the capital stock now quoted 4-4½ appears underpriced and worthy of consideration.

Farmer and Banker in America's Democracy

(Continued from page 2244)

knows that in the last analysis the progress of a country depends on freedom of the individual to start new undertakings, to plow new fields, to plant new crops, and to reap the rewards. He knows that in the long run a regimented or totalitarian society means stagnation and means that the individual becomes just a cog in a machine and eventually will lose real political freedom as well.

Second only to winning the war the greatest problem of the world today is what kind of governments we shall have, — those which move in the direction of socialism and communism or those which move in the direction of real democracy. We have been fighting totalitarian government in Germany, in Italy, and in Japan. That kind of government exists in many other parts of the world. In the war period even the democracies have been compelled to adopt totalitarian controls over prices and production, rents and wages, profits and almost every other aspect of human life. The problem is to what extent we shall continue this type of control and move further away from democracy.

For the moment, of course, our whole objective is to carry through and win the war, but we must give sober thought to the direction in which we shall be moving when the war closes. The

post-war problems will be complex and we are already committed in advance to many controls. Both parties in the recent election have committed themselves to a floor under agricultural prices. Certain of the inflation price controls, and certain types of rationing will continue at least for a time. National and international controls over the prices and production of some basic commodities are planned. We are pretty well committed to the control of interest rates at low levels. Rises in interest rates used to be one of the natural checks to over-expansion of credit. If rates are fixed by government, and that seems hard to avoid in view of the size of the debt, there are likely to be other controls such as the continuance of control over consumer credit, and over security and other loans. We shall thus have increased regimentation of credit.

Thus the fundamental problem which both farmer and banker face in the post-war period is the kind of government and country we want. The danger is that both farmers and bankers unconsciously and by the force of circumstances will be influenced to accept the kind of government we don't really want.

The banker is already to a considerable extent in the hands of the Government. More than half of his assets are in Government

securities. Other assets are guaranteed by the Government such as are V and VT loans, CCC loans, and FHA mortgages. Our deposits are guaranteed by a Government insurance corporation. Still more proposals are before us for a guarantee of commercial loans and for a guarantee of veterans' loans.

These forms of guaranteed credit are attractive because they remove the risk from banking and it would be easy for each of us to sit back and become a kind of glorified slot machine. This is well on the road to socialized credit. It moves in the opposite direction from democracy and enterprise. It is a kind of opiate that dulls initiative.

The farmer is in exactly the same fix. Guaranteed farm prices inevitably mean government control over production. If the Government is to guarantee the price, it will tell the farmer what and how much he may plant and how much he may harvest. Since this price and production will be determined by political rather than economic reasons, the long term results are usually unfortunate. I call to witness simply the loss of a large part of America's markets for export cotton.

So today the farmer is moving rapidly away from private enterprise into a controlled economy. Farmer and banker are in the same boat. What are we going to do about it? My belief is that we need to sit down together and do some straight and hard thinking about this question to see what we really want, and we need to take a long range point of view rather than the short range point of view of immediate profit.

There is no use fooling ourselves that we can turn the hands of the clock all the way back and restore the individualistic enterprise of earlier days. A certain amount of government participation is recognized as desirable by almost everybody. There is little argument today in agriculture about the need for some plans under government control for soil conservation. Similarly, in banking Federal insurance of deposits is now generally accepted and the insurance of mortgages under the FHA plan; though both of these programs have yet to be tested in the fire of real experience in time of trouble.

But there are other proposals before us open to serious question as to their long term results: in agriculture, price fixing; in banking, the guarantee of commercial loans, to give two illustrations.

With respect to questions of these sorts I have two suggestions. First, that we try to do our own jobs so well that there will be no serious pressure to bring government further into the picture. Second, that we do a lot of thinking about the long term consequences before we request or acquiesce in government interference. For we can't have our cake and eat it too. We can't reap profits from the use of taxpayers' money or government power without the penalty of loss of freedom.

Preferred Stock Guide

G. A. Saxton & Co., Inc., 70 Pine Street, New York City, have just issued their November "Preferred Stock Guide" containing quotations on preferred and common public utility stocks, and a brief analysis of the situation in preferred stocks of Jersey Central Power & Light Co. Copies of the "Guide" may be had from the firm upon request.

Also available for the asking are memoranda on Black Hills Power & Light Company, Missouri Utilities Company, and Standard Stocker, Inc.

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.

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Tomorrow's Markets Walter Whyte

Says

Last week's break brought stocks to support points. Long term trend unbroken but additional confirmation of strength resumption necessary before specific advice is given.

By WALTER WHYTE

When last week's column was typed the market gave certain signals which spelled danger. Unfortunately these signals really became evident Monday, Nov. 13. Still I hoped that the dangers I foresaw wouldn't materialize until the column was in your hands and you could act accordingly.

What actually happened was that stocks began fading Tuesday afternoon and by Wednesday most of them were in full retreat. Yet despite the fact that stocks were pretty well down by the time you got to read last week's column, I wouldn't have changed the advice one bit.

When markets indicate reaction they are seldom obliging enough to indicate the distance, or the time. Traders who are hep to technical signals are fully aware of this condition and seldom stay around to see how bad the storm will be or how long it will take before it blows over. They grab what they can and head for the nearest shelter.

So much for what has happened. Now what about the future?

Some time ago when I originally advised the buying of certain stocks I wrote that the market was still in its long term bull trend. Last week we saw what amounted to about a five point sell-off, but the trend is still up.

I realize that sounds paradoxical. For if that is the way I feel, why advise liquidation? The answer can be found above. When I think a reaction is coming I get out. I don't like to take losses any.

(Continued on page 2271)

Sloan's Job Formula

General Motors Executive Holds That Private Enterprise Must Be Encouraged and Stimulated. Government in Business, He Says, Means End of Free Enterprise.

Alfred P. Sloan, Jr., Chairman of General Motors Corporation, in addressing the Annual Dinner Meeting of the Academy of Political



Alfred P. Sloan, Jr.

Science at the Hotel Astor, in New York City, on Nov. 15, on "The Importance of Jobs" asserted that "political promises do not create jobs" and that the "catalyst of a protective profit" was essential for full employment in a free economy.

"We cannot meet this challenge," he said, "by adopting panaceas or through the use of mirrors. We have tried all that. It has failed! The problem can be solved permanently only within the structure of sound economic policy. We should profit by past experience. We must do those things that will serve to encourage and stimulate enterprise. We must build a foundation of confidence in its future opportunities. Men cannot plan ahead with confidence if uncertainty exists. Business cannot plan ahead with confidence if it is to be hamstrung by a political leadership which, although it may pay lip service to the cause of free enterprise, believes in something different and acts to prevent the system from effectively working."

Turning to the question of government competition with free enterprise in the production of goods and services, Mr. Sloan maintained that "this would mean a direct conflict between government and enterprise along a wide front" and that subsidies and similar economic policies would mark "the beginning of the end of the American enterprise system as we have known it in the past."

As an alternative to government in business for the purpose of creating job opportunities and an expanding economy, Mr. Sloan presented his own formula, which contains these three prime components:

"First, a national policy that contemplates two objectives—one, to create incentive and to re-establish the spirit of venture by making constructive effort worth while; the other, to do all things throughout the ramifications of the whole economy that will serve to broaden and strengthen the field of opportunity in which business must operate."

"Second, a business policy that recognizes a responsibility far beyond that within itself. One that contemplates the application of economic statesmanship, one that accepts the fact that it is no longer sufficient to limit the horizon of the management of enterprise to the mere production of goods and services. One that gives consideration in the policy phase of its operations to its relationships with the economy as a whole."

"Third, aggressive and imaginative leadership in both areas. In the national field a leadership that recognizes the fundamental fact that production is the source of all economic progress and is essential to higher living standards. That America is a nation of business and business people. That those who accomplish more serve the people best. A leadership that will exert its influence and prestige toward furthering such objectives. In the business area a leadership bold, aggressive and imaginative not only in discharging its duty to its individual interests but in doing so also recognizing its broader responsibilities in promoting progress and stability in the economy as a whole."

"The application of such a formula," he continued, "would inspire confidence in the long pull position of enterprise. It would expand enormously the future possibilities of American business. It would change the whole aspect of our problem of job opportunities."

In examining the possibilities for new reservoirs of job opportunities resulting from the political and economic developments of the war, Mr. Sloan remarked: "Most discussions relating to job opportunities by implication assume that a high proportion of total employment is in manufacturing. We visualize the worker as someone entering the factory gate with a 'full dinner pail,' as we used to say. It has been estimated that 55 million civilian jobs should be the objective of the post-war era. About 46 million people appear to have been employed gainfully in civilian occupations in 1940—the last year before the economy was greatly changed by the war."

"If this figure of 55 million is a reasonable objective, it would require about 8 million additional civilian jobs post-war if our concept of high employment is to be achieved. Only 24% of those employed in 1940 or about 11 million were engaged in manufacturing. About 23% or 10 million were in agriculture. A little less than 45% were in the services, such as distribution, transportation, communications, financing, public utilities and the like. And finally about 9% were in the employ of the Government as civilians. The distribution of jobs is in a constant state of flux. It is clear from this record that manufacturing alone can not possibly supply all the additional post-war jobs. Distribution, transportation, construction, communication, banking and all the service trades must contribute their share. It is important, therefore, that we stimulate the establishment of small enterprises not only in manufacturing but in all other lines of activity. That we encourage more people to become employers. That we develop employment opportunities wherever useful services can be performed. That we urge the doughboys coming home from war to seek such opportunities."

Holding that reconversion is not "a one-time problem" but one which, if not solved effectively and realistically, and promptly, may result in a long period of unemployment on a large scale, with lack of confidence in future opportunities, Mr. Sloan continued: "From what I have said as to these particular potential reservoirs of additional jobs post-war, it is not to be inferred that our capacity to produce and to employ has not been increased. It has. And in substantial degree. Likewise our know-how has been broadened by the engineering and production experience of the war. Also, technological progress has been stimulated. All makes possible greater opportunities for the future. But I do want to emphasize the fact that what has been accomplished in the expansion of production and national income, reflecting as it has full employment during the war, has far less bearing than generally appreciated on what will be possible in the peace. Entirely different circumstances will then prevail. Such comparisons are leading us into a false security and a far too optimistic appraisal of future probabilities. To avoid misunderstanding that might well lead to an undesirable reaction, we should encourage a more realistic appraisal of the future possibilities. We are overemphasizing the prospective glories of the post-war world. We are underemphasizing the price that must be paid for the losses of the war. We are discounting the necessity of hard work. We are too little concerned with the problems we face and the dangers and uncertainties that exist. We must get down out of the stratosphere. We must face the facts."

Mr. Sloan next gave his own estimates of future possibilities and "what is likely to be post-war as compared with pre-war." "My conclusion," he said, "is that, on an assumption of a high state of employment with all that objective demands for its accomplishment, we might obtain a gain of perhaps 25% in our living standards post-war over that of 1940. As a matter of fact, such an achievement would be real progress. It would represent a post-war net national income of about 100 billions in terms of 1935-1939 dollars as compared with 77 billion dollars of the same standard in 1940. Such a post-war national income would be equivalent to 125 billions expressed in 1943 dollars. This would be higher than our national income in 1941, which was by far the highest the country ever enjoyed up to that time. It would also represent less peacetime unemployment than we have had since 1929."

In criticizing the national tax policy, Mr. Sloan observed that "it has been concerned too much with the raising of money for relief and too little with the elimination of relief by encouraging business development and employment. What is needed is an entirely different concept. One that will reconstruct the spirit of enterprise."

Mr. Sloan also maintained that "the existing national policy regarding the relationship of labor and enterprise is manifestly unfair," though he upheld the principle of collective bargaining. He stressed the importance of "economic statesmanship" as an essential component in the operating philosophy of the management of American enterprise. "This statesmanship," he asserted, "recognizes the economic significance of wage rates as affecting both selling prices and purchasing power," but he added "business must have customers" and "it must search for progress in such areas as distribution, labor relations, organization and management technique. It must be directed to the creation of new and useful things. It must find ways to sell existing products at lower prices."

"History shows," said Mr. Sloan in his concluding remarks, "that after all wars there has followed a period of great industrial activity. The pattern varies only in magnitude and duration. The economic forces prevailing on this occasion are far-reaching and

more powerful than ever before existed. Industry is completely converted. The length of the war is a factor. Industrial capacity has been greatly expanded. But there are potential dangers. The forces leading to inflation cannot be ignored. The transition period from war to peace is highly critical. There are many other uncertainties.

"It must be recognized that the immediate post-war picture I have presented is synthetic in its origin. It is not based upon an economic balance of consumption with production. To formulate business policy upon such a set of circumstances would be far from realistic. The field of business opportunity must always be appraised for its long-term as well as its short-term possibilities. And likewise as to whether the underlying factors are sound and likely to be permanent or synthetic of political in character."

"Such is the picture of the economy after reconversion is completed in the early years of the post-war period, as I visualize it. Now, and finally, what should the management of American enterprise do? I believe there is both an opportunity and a responsibility."

Synthetic Rubber Pioneer Honored

Dr. Elmer K. Bolton of Wilmington, Del., Chemical Director of E. I. du Pont de Nemours & Company, has been awarded the 1944 Perkin Medal of the American Section of the Society of Chemical Industry.



Dr. Elmer K. Bolton, either in this country or abroad, and for his direction of nylon research.

New York Analysts to Hear

On Friday, Nov. 24, Frank Biggers, Vice-Consul of the Irish Free State, will address the luncheon meeting of the New York Society of Security Analysts on Ireland.

On Monday, Nov. 27, E. W. Williams, publisher of "Quick Frozen Foods," will discuss the subject of frozen foods and its future.

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NOTE—From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number sixty-two of a series. SCHENLEY DISTILLERS CORP., NEW YORK

Telling the World!

When this recorder learned that one of our affiliates, Schenley International Corporation, had just ordered special labels to be affixed to every bottle of our products going to foreign markets, it both intrigued and excited him. In the center of this red, white and blue label is the wording, "Made in the United States of America". This label was originated and designed by the Special Promotion Division, U. S. Office of War Information, Overseas Branch.

You too will be interested, as I was, to learn that OWI Overseas will furnish reproduction proofs of this "Made in the United States of America" label in fifteen foreign languages, free of charge, to any American manufacturer or processor that ships to foreign countries. Already several hundred American manufacturers are using this label on commercial shipments. It can be printed in any size desired, by any local printer. In fact, several large label houses already carry them in stock.

Mr. Harold D. Frazee, chief of this division of OWI, told this writer that all shipments of Lend-Lease material which are going all over the world, also bear either a label or sign, showing the American flag and the wording, "Made in the United States of America". Here is something really worth shouting about!

And certainly the idea is long overdue. Other nations have made it a practice for years to distinctively trade-mark and label products which they have exported. We, the largest producing nation in the world, have lagged far behind in this field. It took the war to awaken us to our opportunity and the OWI to arouse us to action.

We understand that this idea will not be shelved when the war ends, when millions of tons of materials and products for the rehabilitation of devastated countries will be shipped abroad by American manufacturers. But don't let's talk too much about the obvious.

May we humbly suggest to every American industry, that every package or crate or article shipped to a foreign country henceforth and forevermore, proudly bear this standard label, "Made in the United States of America".

And may we also suggest that every single article or product should reflect by its quality our sincere belief that —AMERICA

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For more information, address Harold D. Frazee, Chief, Special Promotion Division, U. S. Office of War Information, Overseas, 250 West 57th St., New York 19, N. Y.

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Bank and Insurance Stocks
This Week—Insurance Stocks

By E. A. VAN DEUSEN

In the current issue of the fire and casualty edition of "Best's Insurance News," some interesting operating expense ratios are shown for stock fire companies compared with stock casualty companies.

The expense ratio of fire companies has averaged 46% for the years shown, compared with 39.7% for casualty companies. However, an improvement in ratio since 1930 is more pronounced in the case of the fire companies than in the case of the casualty companies. Following are the figures:

OPERATING EXPENSES: 196 STOCK FIRE COMPANIES		1935		1940		1942		1943		Average	
To agents	25.7%	25.3%	26.8%	23.6%	25.2%	25.3%					
Field supervision	4.5	4.7	3.9	3.2	3.3	3.3					
Inspections, etc.	2.6	3.0	2.2	1.3	2.0	2.3					
Salaries and fees	6.7	7.1	6.4	5.7	6.5	6.5					
Taxes	3.6	5.0	3.3	3.4	4.2	4.0					
All other	4.9	3.5	5.0	2.8	2.7	3.9					
Total expenses	48.0%	48.6%	48.9%	40.6%	43.3%	46.0%					

OPERATING EXPENSES: 150 STOCK CASUALTIES COMPANIES		1935		1940		1942		1943		Average	
To agents	26.8%	20.3%	20.3%	19.0%	18.4%	19.3%					
Branch office salaries	5.9	5.0	5.4	4.9	5.0	5.2					
Home office salaries	5.7	4.8	4.9	4.5	4.6	4.3					
Inspection and audits	2.0	1.8	1.8	2.1	1.5	1.3					
Taxes	2.6	2.5	4.2	3.8	6.0	4.0					
All other	4.2	3.9	4.3	3.4	3.9	3.9					
Total expenses	41.2%	38.3%	40.9%	37.7%	40.3%	39.7%					

It will be noted that with the fire group there has been wide variation during the war years. This, however, has been due to large changes in volume of business, rather than to any considerable change in the total cost of doing business, for actually, according to "Best's," there has been remarkably little change in over-all expenses.

Variation of the expense ratio of the casualty companies has been more moderate, according to "Best's," having averaged just under 40% for the last 20 years.

Self-Insurance: Many large corporations, such as railroads, maintain self-insurance. That this practice has its dangers, whatever may be its advantages, is illustrated in the recent experience of the Ringling Circus, which has now entered winter quarters in Florida. According to Mr. Roland Butler, public relations director, it is now carrying the biggest mortgage in all circus history as a result of the Hartford fire catastrophe. He is quoted as saying "We'll be paying our profits to Hartford, Conn., for the next 15 years." Connecticut law requires the circus to pay \$15,000 to the families of each of the 168 persons killed.

Post-War Marine Insurance: Vice-Admiral Emory S. Land, Chairman of the United States Maritime Commission, strongly advocates coverage of foreign owned hulls by American insurers. At present, operations of American companies are confined to American hulls. His recent letter to the presidents of companies which are subscribers to the American Marine Hull Insurance Syndicate reads in part as follows:

"In connection with its plans for the post-war rehabilitation of the American Merchant Marine, and with a view to the development of our foreign commerce, the Maritime Commission believes that the existence of a strong American marine insurance market is of great importance.

A broader and consequently stronger base will obviously exist if the American

Bank and Insurance Stocks

Inquiries invited in all Unlisted Issues

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Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
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(L. A. Gibbs, Manager Trading Department)

marine underwriters take whatever action may be necessary to place themselves in a position to offer, on a competitive basis, coverage on foreign owned, as well as American, hulls. May I have assurance of your cooperation in this matter?"

It has been stated in the press that the Maritime Commission has announced that cooperation in this matter has been pledged by representative underwriters. Thus, in the post-war years, ocean marine writings should experience substantial expansion, and since this class of business is normally profitable, it may well be considered a bullish factor in the outlook for fire-marine companies.

Insurance as Interstate Commerce: The National Association of Insurance Agents recently endorsed the Bailey-Walter bill in a resolution which said in part as follows:

"We hereby declare our unanimous support of the now so-called Bailey-Walter bill as that bill was passed by the House of Representatives, without any attempt to amend the same except as such attempts, if any, shall be made from the floor of the Senate and except as such amendment, if any, shall seek further to eliminate the business of insurance from the application of the Federal Trade Commission Act, the Robinson-Patman Act or other Federal legislation, to the end that regul-

International Trade Restoration

(Continued from page 2245)

for a short route to the land of spices led to discovery of America and of the Straits of Magellan and of the Isthmus of Panama. It was the search for gold that opened up the West and Alaska. Salesmen went along on all those excursions who disposed of exports but it was always a two-way business, or maybe a three- or four-way business, especially out here in the wide Pacific. It is that spirit we need to get the world back on its feet. Let's spend just as much time finding out what these other nations beyond the setting sun have, that we want or would like to have, as we do in figuring out what they want. That goes even for makers of things we can export, for they will have a bad time for quite a number of years to come, figuring ways for their customers to pay them. We are a creditor nation now, and other people don't have much in the way of dollars to pay us with. If you want to be a good business man, and have all the sensation of a philanthropist at the same time, find

something in China or Italy or Greece or France or England that you can buy for dollars and import, and make a profit on. If you can buy it in China and sell it in Australia, and get something else there you can import, all the better. But look for things we need in the United States (and it is all the better if we don't have them now), bring them in and let them pay for our exports via the usual exchange mechanisms.

You see we are faced with the most difficult business problem in the world's history, because other countries of the world are in such a bad way. Their difficulties are quite different from each other, too, and I want to take three of them to illustrate what we are up against.

France was a country of agriculture and small and big business and industry. It was captured when it was increasing its industrialization, and then its whole production was redirected and geared to the German war economy. Then came liberation with the destruction of all rail bridges in the most important industrial areas, a loss of locomotives and cars, and a breakdown of most communications. In addition every decent port but one was destroyed or held by German remnant forces, and what trucks were available had to carry military supplies and the bare essentials of civilian life. With no raw materials and not nearly enough coal where it could be used, many workers were unemployed and things could be worse even than under the Germans so far as the operation of normal business and exchange was concerned. But that will be solved soon. Raw materials will come to the ports, the ports will be opened, the railroads will begin to go, and the wheels of industry and commerce will begin to turn.

But then comes the main problem. With tremendous reconstruction ahead, exports have to be limited until supplies are built up for domestic consumption and for rebuilding the wounded nation. Yet some necessities have to be imported and they have to be paid for. France has gold, but only so much. So she has to ration domestic consumption to permit reconstruction, and ration exports for both reasons. Exchange has to be rationed to be sure she gets the necessities of life. The necessities from outside cost more exchange than the exports bring in, so that the chances of our selling anything to France but necessities are pretty slim for a while. Slim unless you find ways to help the French to make and sell us things we want and are willing to pay for.

A few months ago I asked a Belgian how long it took them after the last war to get their exports up to the point where they took care of what they had to import. He told me they never reached that point. I asked what particular items which had made the balance before 1914, were less or missing in 1929. He said it was the income from foreign investments. France is likely to be in the same fix, and the best thing our foreign trades can do is to find things in France we can use or sell someplace else where there is something we want.

Incidentally, one of the easiest ways to help these foreign countries is to visit them on vacation. I don't mean now, obviously, for no one ought even to try to go to France unless he has business related to the war or to helping them get on their feet. If a lot of commercial travellers land on the French at this stage, the country from which they come is likely to be rather unpopular. On the other hand, the State Department is prepared to give a real hand to the business men whose legitimate business in France means

Four New Members of Chicago Stock Exch.

CHICAGO, ILL.—Lester B. Elwood of Minneapolis, Minnesota, President of Woodard-Elwood & Co.; William H. Flentye of Aurora, Illinois, President of William H. Flentye & Co., Inc.; James E. Hogle of Salt Lake City, Utah, partner of J. A. Hogle & Co.; and Louis Meyer, Jr., of Los Angeles, California, partner of Stern, Frank & Meyer, were elected to membership in the Chicago Stock Exchange by the Board of Governors. It is announced.

With the election of Mr. Elwood and Mr. Flentye to membership, Woodard-Elwood & Co. and William H. Flentye & Co., Inc., become the 17th and 18th member corporations of the Exchange respectively.

Barnes, Chinn With Sec. Adjustment Corp.

BROOKLYN, N. Y.—Security Adjustment Corporation, 16 Court Street, announces addition to its Sales Department of Harry J. Barnes, who was active in the financing of companies such as Celotex, Kraft Cheese, and also the Brotherhood of Locomotive Engineers; also, Norman Chinn, formerly of Charles King & Co.

lation and taxation of the insurance business should be done by the individual States as heretofore."

The NAIA executive committee was instructed to arrange for notifying the entire membership of the association and to take necessary steps to gain Congressional support.

Another move in the direction of clarifying the present ambiguous situation occasioned by the recent Supreme Court decision, is the action of the National Association of Insurance Commissioners. This association has now completed and released the final draft of a proposed bill designed to preserve existing State regulation.

Thus, the battle for clarification of the situation rages. Meanwhile, the insurance companies are "carrying on" as usual and are writing a large volume of business. And, even though fire losses are exceptionally heavy this year, other lines, such as ocean marine, inland navigation, motor vehicle and extended coverage are profitable, while investment results, particularly with large common stock holders, will undoubtedly compare favorably with 1943.

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The Bank conducts every description of banking and exchange business

Trusteeships and Executorships also undertaken

real assistance to the French and to the war effort. But after the war is over, travellers who spend abroad, or relatives who send back remittances, are national philanthropists.

France is a key to the stability and progress of Western Europe. We don't expect to mix into European internal affairs, but we are very much concerned that Europe should solve its problems. We believe strongly that the sources of our modern civilization should re-establish its unity. Europe brought the great heritage of Greece and Rome and of Christianity through the Middle Ages and down to our day. We in the United States are too much of her blood and bone to let that civilization die. France is at the heart of it.

The British situation is a somewhat different one. For three years, from 1939 to 1942, England, not the United States, was the arsenal of democracy. She has been converted to war work to an even greater degree than the United States. As a result, her productive capacity devoted to export trade has been reduced to a startling degree. Her exports for 1942 were only 57% of 1938, and in 1943 were 49%. But if you reduced these figures to 1935 prices, then 1942 was only 36% of 1938, and 1943 was only 29%.

To see what this means to our great ally, consider that England had great difficulty in balancing her exports and imports just before the war, and that she spent her balances abroad and much of her investment in paying for the early cost of the war. It was the exhaustion of her dollar balances that made lend lease necessary. The sterling balances in London of the Dominions (except Canada) and of the sterling area (like Egypt, the Middle East and India) have gone up, to nearly 12 billion dollars. This is really a debt.

That debt can only be paid by exports. So also the things that England has to have to live, in raw materials, in food, in oil, all these have to be paid for in exports to the extent that lend lease decreases next year, and in full when it stops at the end of the Japanese war. Part of those things were paid for by foreign investment income which is now gone.

Can you wonder the British are worried? Their best estimate is that their trade will have to be 50% higher than prewar in order to reach a balance of payments because of the loss of foreign in-

vestments, and that means just about five times the trade in 1943. If their emphasis on exports seems extreme, these figures which they published a few weeks ago will show you why.

What can England do in the period while they are getting on to a balanced basis? They have to find some way to even things up during that period by either a sale of assets, or a loan, or an outright sharing of war costs that put them in this state. With the end of the war a sharing of that kind is not likely, but it is certainly very much in the interest of the United States to help finance their operations in the period of restoration. In a sense, this is financing a competitor, but it is also financing our best customer, and financing the nation whose strength means much to our security.

If a nation should move over to state trading, and a managed foreign trade of exports and imports as a permanent policy, or should have to recognize our position, obviously while England is getting back in balance she must ration her dollars, and limit her imports to essentials until her exports catch up with them. Here again we can help most by looking for the things she makes that we want and can use.

One field of war costs where we might well make a substantial contribution is in helping our great ally to rebuild her houses that have fallen to bombs and robots and V-2's. Much of her effort that might otherwise go into export of goods to pay for her essential imports, will have to be diverted to the provision of permanent shelter for those grand workers, men and women, who held the fort when nobody else was on the job against Hitler.

But to come back again to our business with the area in which sterling is the basic international currency, we can't be enthusiastic about other kinds of trade restrictions there which are not related to the British or local financial position, but are straight discrimination against American trade. To fight those restrictions and talk governments out of them is one of the main businesses of the State Department and its Foreign Service. I am happy to say that the continuance of any such restriction is certainly not the official policy of the United Kingdom Government, when they bear no relation to the shortage of dollars, the blocked sterling balances in London or the limited operation of Empire preference.

Seaports like Los Angeles and San Francisco are of course interested in France and England, but you are obviously facing west here, and the lure of the far West is in your blood. China has always fascinated me, since my early days in Manila. In later days one of my classmates and fraternity brothers was Jimmy Yen, of the Chinese Mass Education Movement, of whom you may have read in the Reader's Digest a year ago. In spite of all the difficulties through which China is going, and which are daily becoming more serious, the Chinese are basically sound. Yen's citizenship education has taken hold, and with its spread develops the certainty of wide support of the kind of scientific agricultural improvement, industrialization, and commercial expansion that raises the true standards of living. Mr. Nelson's plans for an integration of the productive effort of China should produce real results even within the limitations of supply over the hump, and soon over the Ledo Road.

After the war there will be new problems. China's tendency is toward state control of new industry at least, and the problem of finance will be just as great as in all other parts of the world. Here again the task is to find things we want which can help to pay for the things China will need desperately for transportation and reconstruction. But that

cannot possibly do the whole immediate job, and we are up against our problem of the great creditor nation. What is the sound investment policy to finance the industrialization of an agricultural country? It is certain, if experience is any guide, that long term loans with low interest rates are the only ones that get paid in those circumstances. The United States is concerned that development in China by Americans shall not be foreign exploitation. That is also the interest of the Chinese Government.

For you on the West Coast, as for others to whom I have spoken in the East, it seems to me that we need a revival of the genius, enterprise and ingenuity in foreign trade associated with the term Yankee. You in southern California certainly should come by it honestly, for you stem from New England, via Ohio and Iowa. Your Government is there to help, through the agencies concerned with foreign trade, under the coordination of the State Department, and through the Foreign

Service of the United States. But it is not there to do the job for you. If private enterprise means anything, it means git up and git, without spoon feeding by a government agency. There were exchange difficulties in the days of the clippers, and state traders and exclusion from markets, and all the rest. Government helped in all that, but the Yankee got the most of it on his own. So it seems to me that the friendly trader with a missionary spirit is the answer to much of our problem. I am not one of those who interprets

history in terms of economics. In the crises of history it has been ideals of liberty and justice and democracy that have been decisive. But the way a man makes his living, and his chance to do it instead of standing in a bread line, or starving, is of the utmost importance. So this broad approach to our foreign trade problem as a chance to put more people to work here, and to benefit the fellow on the other end, too, just as much, is one of the essentials for a better and peaceful world.



Key-men—the power that makes profits possible—are the most valuable and most perishable asset in business. The devastating loss of this asset is an ever-present problem that far too many executives try to dodge—until

it is too late to do anything about it. The MASSACHUSETTS MUTUAL man has a big job to do—the important job of turning the searchlight of experience on the loss that organizations suffer when key-men die.

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**Philip Merkel Now With
Cunningham in Cleveland**
(Special to The Financial Chronicle)
CLEVELAND, OHIO—Philip S. Merkel has become associated with Cunningham & Co., Union Commerce Building, members of the Cleveland Stock Exchange. Mr. Merkel has recently been serving in the armed forces. In the past he was with H. L. Gassman & Co., and Gillis, Wood & Co.
Daniel V. Hall Dead
Daniel V. Hall, head of the bond department of Hornblower & Weeks, New York City, died of a heart attack on Nov. 15. Mr. Hall had been informed on the same day of the death of his brother, Thomas, in Washington, D. C.

Ohio Brevities

Francis H. Beam, Vice-President of National City Bank of Cleveland and a member of a nationwide bankers' committee working on conversion credit problems, declared Ohio banks are ready to advance credit for all sound demands of business, industry, agriculture and civilians, now and for peacetime changes.

Speaking to more than 600 northeastern Ohio bankers attending the annual meeting of Group Nine, Ohio Bankers Association, in Cleveland, Beam described the programs of bankers working on post-war credit for small business primarily.

"The public should be told of the advantages of local bank credit. The banks are the logical source of credit for all sound projects needed to bridge the gap between war and peace and during peace times. Small business will benefit chiefly from the reserves of credit built up by their communities in the banks," he said.

Also addressing the meeting were Paul M. Eliot, Farmers Savings & Trust Co., Mansfield, President of OBA; David M. Auch, association secretary; H. E. Cook, State Superintendent of Banks; Russell Weisman, associate editor of the Cleveland "Plain Dealer," and Dr. Alfred Haake, lecturer and economist. R. M. Gidney, new President of the Federal Reserve Bank, was introduced to the group.

The group elected Sidney B. Congdon, President of National City Bank, as Vice-Chairman, and Louis Wild, Assistant Cashier of Union Bank of Commerce, Secretary-Treasurer.

Looking to post-war, two large Cleveland industrial concerns announced changes in the top management during the past week.

Reliance & Electric Engineering Co. created the new post of Chairman of the Board and elected its veteran President, Clarence L. Collens, as Chairman. He has headed the company for 37 years.

The new President is James W. Corey, who started in the company's engineering department in 1911. He has been a director for nine years.

H. M. Hitchcock, son of the company's founder and with Reliance since 1905, resigns as senior Vice-President and Treasurer, a post which will go to A. M. MacCutcheon the first of the year. Because of ill health, C. V. Putnam, with the company 38 years, leaves the office of Secretary and will be succeeded immediately by Roscoe H. Smith, who will continue as head of sales promotion.

Collens stated: "These changes in top management are part of our planning for sustained tempo of business which we confidently anticipate for Reliance in the post-war period."

The other company is Harris-Seybold-Potter Co., one of the leading manufacturers of rotary offset, lithographic, and typographic printing presses and bindery equipment.

R. V. Mitchell, President for the last 22 years, was named Chairman of the Board and heads the Executive Committee. He is President of the National Printing Equipment Association and is a director of Copperweld Steel Co., Dubilier Electric Corp., Thompson Products, Inc., and General Printing Ink Corp.

A. Stull Harris, with the concern 31 years and a son of the late founder, A. F. Harris, moved into the presidency. He has a wide experience in the graphic arts industry.

The youthful looking George S. Dively, who has been Secretary and Treasurer, became Vice-President and General Manager.

The new Treasurer is R. L. Miller, formerly Assistant Treasurer, and the Secretary is Frank Szuter, formerly Auditor. N. O. Scourfield was made Manager of the Seybold division at Dayton, Ohio.

J. H. Coolidge, Vice-President and Treasurer of Thompson Products, Inc., who spent most of his

business life in the investment and underwriting field before going to Thompson, spoke on "Financing the Future" at a technical session of the Cleveland chapter of the National Association of Cost Accountants. His subject included industry's need of financing after the war; internal financing—steps individual companies can take through more rapid turnover of inventories and accounts receivable, and outside financing—available through stocks, bonds, mortgages or government loans.

Thomas H. Jones, senior member of the law firm of Jones, Day, Cockley & Reavis, of Cleveland, was elected a director of Cleveland-Cliffs Iron Co. to succeed the late Frederick E. Williamson.

Lake Carriers' Association announced that the Great Lakes vessel fleet, nearing the close of its 1944 season, moved a total of 146,540,964 net tons of war commodities through Nov. 1, or more than 7,500,000 tons above any similar period in its history.

L. C. Sabin, Vice-President of the Association, said "represented in this total is an assurance of an all-time record movement of coal plus the greatest volume in grain shipments since the year 1928."

Over 50,000,000 tons of coal were transported, setting a new record, and W. J. McGarry, Manager of the Ore & Coal Exchange, Cleveland, predicted full season coal shipments will amount to between 55,000,000 and 56,000,000 tons.

Up to Nov. 1, a total of 457,229,309 bushels of grain was brought down the lakes and the half-billion mark appears certain of being exceeded for the first time since 1928, Sabin stated.

Dresser Industries, Inc., a \$35,000,000 enterprise and one of the nation's largest manufacturers of equipment for the oil, gas and industrial field, will transfer its headquarters to Cleveland from Bradford, Pa., soon, President H. N. Mallon announced. Executive offices will be located in the Terminal Tower.

Theodore Bonnema has been appointed Production Manager of Oster Mfg. Co. of Cleveland, and Lester D. Martin was named Treasurer. Both have been with the company for over 20 years.

William H. Chamberlain is the new head of the legal department of Thompson Products, Inc., J. D. Wright, Vice-President and Secretary, announced.

Hayden, Miller & Co. head a Cleveland syndicate making public offering of 20,000 additional preferred shares of Halle Bros. Co., large department store. The offering represents unissued portion of the 80,000 shares of \$2.40 convertible \$50 par preferred authorized in 1936. Hayden, Miller & Co. and associates are offering the shares at \$50.50 and accrued dividends, making a yield of 4.75%.

Other members of the underwriting group are Hawley, Shepard & Co., McDonald-Moore & Co., Merrill, Turben & Co., Maynard H. Murch & Co., Curtiss, House & Co., Field, Richards & Co., and Fahey, Clark & Co.

Halle Bros. Co. has paid dividends on preferred stock for 30 years without interruption and now has 75,374 shares outstanding, a block of 4,126 having been retired through the sinking fund. Earnings of the company for the year ended Jan. 31, 1944, amounted to \$755,952.

Ohio Municipal Comment

Cleveland financial quarters revealed that only about \$85,000 bonds remain undistributed out of the original issue of \$656,000 Village of Wickliffe 2½s which was recently placed on the market. The bonds, dated Dec. 15, 1944, and due serially from 1946 to 1960, incl., had been awarded to a syndicate of Ohio firms headed by Fox, Reusch & Co. and reoffered by the account at prices to yield from 0.75% to 2.30%.

The favorable terms achieved by Wickliffe (a Cleveland suburb) for the issue illustrated the marked improvement in its credit position that has occurred in recent years.

Despite the 65% majority vote handicap, a considerable volume of bond issues met with the approval of Ohio electorates at the recent general election.

Overshadowing all of the results was the huge majorities accorded the \$41,000,000 in bond issues presented to the voters of Hamilton County, the City of Cincinnati and the latter's school district.

As a result of the voting, the three levels of government will be able to embark on a huge construction program in the post-war period. The bonds will be issued for the following purposes:

- County sanitary sewer, \$3,500,000.
- Library building, \$3,500,000.
- County roads, \$1,000,000.
- Courthouse annex, \$1,000,000.
- City street improvements, \$6,000,000.
- City sewer improvements, \$3,000,000.
- University of Cincinnati improvements, \$2,000,000.
- Grade crossing eliminations, \$2,000,000.
- Park improvements, \$1,000,000.
- Playgrounds, \$1,000,000.

General hospital improvements, \$1,000,000.
School construction, \$16,000,000.

Ohio municipal dealers and the market in general look forward to the projected sale on Nov. 30 of the City of Cleveland offering of \$2,000,000 1½% series B transportation system revenue refunding bonds. On the basis of previous experience, and in light of the exceptionally good operating record of the municipal transportation system, there is every reason to expect that the issue will attract strong competition.

Ohio Municipal Price Index

Date—	*	†	‡	§
Nov. 15, 1944	1.36%	1.53%	1.19%	.34%
Nov. 8	1.36	1.53	1.19	.34
Nov. 1	1.36	1.53	1.19	.34
Oct. 17	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.35
July 12	1.31	1.48	1.15	.33
Jun. 14	1.31	1.46	1.16	.30
May 17	1.31	1.46	1.16	.30
Apr. 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Jan. 1	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43

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

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

The Securities Salesman's Corner

By JOHN DUTTON

The Public Is Interested In Post-War Investment Situations

There is evidence that the best "lead producing" advertising at the present time consists of copy that is designed to attract inquiries regarding offerings pertaining to securities that will benefit from post-war consumer demands. This holds true especially when it applies to newspaper advertising.

An advertisement which offered a list of special post-war opportunities drew replies while other ads failed to bring a direct response. Direct mail campaigns which stress post-war opportunities also are timely and are producing direct leads where other campaigns are not doing so well.

The public seems to be interested in the companies engaged in industries about which they have been informed will supply the jobs and the new gadgets of tomorrow. Television seems to be number one in public interest, home appliance company security issues rank almost as high, automotive securities and companies engaged in the plastic industry also have taken a hold on the imagination of the public.

This definite interest which has asserted itself on the part of the general public in this class of security offers an opportunity for the opening of new accounts that we believe has had few counterparts since the days of the nineteen-twenties.

First, there is a great deal of idle money around—more than any previous time in our history. Second, there is a new crop of investors who have little remembrance of the fears and trepidations that were so much in evidence a score of years ago. Third, competition for investment accounts among security dealers is much less than ever before. There are only a few thousand security salesmen who are calling upon potential security buyers today, whereas a few years ago there were several times this number actively soliciting business. For this reason it is much easier to interview prospects and create interest in the purchase of securities.

One dealer who has done very well with a new account campaign has used a double return card which offered four attractive post-war securities selling under \$10.00 per share. Two of them were dividend payers which at current dividend rates offered a return of better than 5% on the four stocks, based upon a purchase of one hundred shares of each issue. One stock was a low priced automotive accessory, another a rail equipment, also a home appliance stock and a distributor of cotton textiles were included in the group. The cost of 100 share of each of the four stocks approximated \$2,500, which offered the average investor an attractive post-war package at a price that is within the range of most accounts that are worth cultivating.

This is the sort of merchandising that pays. There is no need to warn the public against becoming too over-optimistic regarding these post-war products and the companies engaged in their manufacture. On the contrary, good merchandising indicates that the investment dealer should go after this business. By selling the public the securities that are not over-priced, and are good values even as speculations, many a new account can be opened today that will lead to future business. Meanwhile the interest of the public is always better served when security dealers select offerings upon which they stake their reputation and their judgment, rather than when the public itself is left to its own amateur judgment and over-optimism in the making of its speculative and investment commitments.



Investors Mutual, Inc.

Prospectus on request from Principal Underwriter
INVESTORS SYNDICATE
 MINNEAPOLIS, MINNESOTA

REPRESENTATIVES IN THE PRINCIPAL CITIES OF THE UNITED STATES

Mutual Funds

"The Test of Results"

"In investing, as in anything," writes the Parker Corporation, "you judge by the results."

Applying this acid test to the performance of Incorporated Investors, the sponsor points out that, for the period from the start of the European War to Sept. 30, 1944, only 3 out of 15 standard investment stocks did as well as Incorporated Investors; for the period from Pearl Harbor to Sept. 30, 1944, only 4 did as well.

"The superior results of Incorporated Investors are a corollary of professional management. In a single share of Incorporated Investors you get careful initial selection, adequate diversification and continuous supervision."

Merger Up to Stockholders

The required examination period by the SEC for the proxies and proxy statements covering the merger of Quarterly Income Shares and Maryland Fund into American Business Shares has ended and all necessary material covering the merger has been sent to stockholders of the three funds. The special meetings are set for Dec. 5 and, assuming the required vote of the shareholders of each company, the merger will become effective as of that date.

As stated previously in this column, the proposed merger is viewed as a highly constructive operation for the stockholders of all three companies involved and for the investment company field generally. Strictly as a matter of selfish interest, the stockholders should be glad to welcome the opportunity to approve this merger.

Growth Record

Manhattan Bond Fund, which was initially offered in 1938, reports on its growth record in its current portfolio folder. The Fund has shown steady growth. Net assets were \$36,014 on July 1, 1938. On July 1, 1940, net assets stood at \$5,661,312; on July 1, 1943, net assets had increased to \$13,631,452; and on Nov. 1, 1944, net assets amounted to \$20,962,453.

Bonds in a Bull Market

In a letter devoted to the several National Series concentrated in income-producing securities,

Railroad (Bond) Shares

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS GROUP, INCORPORATED

63 WALL ST. · NEW YORK 5, N. Y.

National Securities & Research Corp. makes the important observation that bonds, too, have a place in investors' portfolios during a bull market.

"It is patently inconsistent for the bullish investor to contend that the common stock of a given company is going to double or triple in price and say in the same breath that the 5% bond of the company, selling in the 70's or 80's, is a poor holding."

The advantages to the investor of holding bonds of various grades during a bull market are listed as follows:

- (1) As a conservative backlog—for safety of capital
- (2) For dependable income with relative price stability.
- (3) As a cushion in intermediate reactions, providing borrowing power at such times for stock purchases.
- (4) For limited appreciation with liberal and dependable income.

Trading Up

Vance, Sanders & Co. devotes the current issue of Brevits to a plea for caution at this stage of the market cycle.

"Perhaps we have become steeped in too much Boston conservatism, but all too frequent association with the problems of

temporarily enthusiastic speculators has done much to reaffirm our faith in the hallmark of successful investment counselors which has always been, 'there is no substitute for quality.'

The sponsor suggests that investors follow "a process that has always proved sound—and particularly so in a confused market such as this—'trading up'." This process is described as "taking one's very welcome profits from fast-moving, second-grade securities and (with a bitter taste to be sure) accepting less yield and less 'charm' in a sound security in an attempt to hold fast to a strong investment position."

This process is compared to that which a nation must follow if it has the courage to adopt strong orthodox fiscal policies "when the electorate is clamoring for that easy path of sugared finance, that palliative called inflation—when all the financial facts call for a strong purge by means of sound money policies."

How Safe Is Cash?

Keystone Corp., in the current issue of Keynotes, shows the shrinkage which has taken place in the value of cash since the beginning of the war and poses the question: "How Safe Is a Cash Position?"

The memorandum points out that an investor with \$10,000 who decided to "play safe" in 1939 by keeping his money in cash would still have his \$10,000—but in the meantime he would have received

THE RIGHT OF REDEMPTION

¶ You can think of investing companies as employment agencies for idle money. They put dollars to work by using them to purchase a diversified list of stocks and bonds, and then keep them well employed through constant supervision.

¶ Sound investing requires a long-range point of view. But, after an investor has put his money out to work, unforeseen emergencies may make it necessary to call it back. The prudent man must be sure that each investment he selects can be turned readily into cash. For most investments, this depends upon finding a buyer promptly.

¶ One type of investing company—the "open-end company"—provides an additional answer. Its shareholders have the right to redeem their shares at any time at their full current value, calculated from the market value of all the securities held in the portfolio. This redemption right is backed by the diversified marketability of many securities.

¶ There is a benefit in keeping dollars busy. There is a need for readily available liquid resources. By combining supervised portfolios with the right of redemption, these investing companies enable the investor to attain both objectives.

¶ Through long years of seasoning and service, investing companies of all types have established themselves securely in the American financial structure. In the last decade particularly, the number of investors in "open-end" funds with the right of redemption, has steadily increased—in part because of the simple and practical way ready liquidity for unexpected needs is provided.

LORD, ABBETT & Co.

INCORPORATED

63 Wall Street, New York

CHICAGO

LOS ANGELES

ATLANTA

Common Stocks	88.60%
Preferred Stocks	7.35
Bonds	2.57
Cash	1.48

College Investments

A recent issue of Calvin Bullock's Bulletin summarizes a study prepared by J. Harvey Cain on "College Investments Under War Conditions." This study reveals the profound changes that have occurred in the distribution of college endowment funds in investments during the past 15 years.

Thirty-nine institutions, with endowments of over \$15,000,000 each, held 63.3% of their investments in bonds and 13.2% in common stocks on June 30, 1930. Thirteen years later, on June 30, 1943, bond investments of these institutions had been reduced to 43.9% and common stock investments had been increased to 31.3% of portfolios.

Another interesting aspect of this study is that the average rate of return earned by these institutions declined only slightly from 1938 (4.23%) to 1943 (4.02%). Portfolio changes during this period revealed that income was maintained largely by shifting from bonds to stocks. Bond investments were reduced from 51.1% to 43.9%, while the proportion of common stocks was increased from 23.3% to 31.3%.

Relativity

Lord. Abbett makes an interesting case for discount bonds in (Continued on page 2254)

no income and his \$10,000 will buy now only what \$7,200 would buy in 1939.

"In terms of purchasing power, each of his \$10,000 has actually shrunk to a 72¢ piece."

The memorandum discusses the increase in the effective supply of money during the past five years. "For every dollar which the American people had in 1939 for the purchase of goods, they now have \$2.40. This change in the money supply points to a permanently higher price level.

"In periods of rising prices, money should be invested—not only as a means of providing income to offset rising living costs—but also in such a way that capital has a chance to grow in order to maintain the purchasing power."

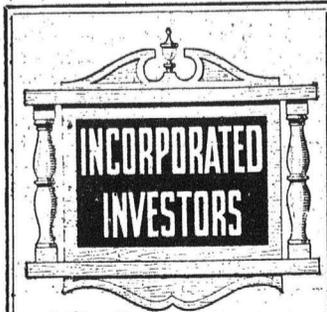
Railroad Equipment Stocks

Distributors Group, in the current issue of Railroad Equipment News, quotes recent authoritative reports of large European orders for railroad equipment in this country.

In the opinion of this sponsor, railroad equipment stocks appear undervalued in relation to present earnings and drastically undervalued in relation to their indicated post-war outlook.

Portfolio Breakdown

Selected American Shares on Oct. 31, 1944, held total net assets of \$10,329,040. These assets were divided among 109 companies as follows:



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Canadian Securities

By BRUCE WILLIAMS

It is generally realized that Canada will play an important role in the immediate post-war era in many fields of supply, but it is doubtful whether sufficient attention has been directed towards the tremendous contribution that the Dominion can make in the industry that will do most to solve the universal unemployment problem—housing and general reconstruction.

Already in the majority of homes and buildings all over this country, Canadian asbestos and gypsum appear in some shape or form. In addition to supplying the needs of this Continent in this direction, Canada can be of invaluable assistance in the European home building program. Emphasis will be placed on speed, and the traditional building methods in Europe, which are based on bricks, mortar, tiles and plaster, can very well be changed by the substitution to a great degree of asbestos shingles and tiles, and wall-board ceilings and partitions.

This does not take into consideration the enormous quantities of soft-woods that will be necessary in any building construction, and Canada has the largest timber reserves in the world. Furthermore, the Dominion is one of the lowest-cost producers of other building essentials—zinc, lead and copper.

When it is also realized that manufacturing costs in Canada are low, due principally to low-cost factory sites and low-cost unlimited hydro-electric and water supplies, it can readily be appreciated that Canadian scope for development in this direction is truly enormous.

This week will be marked by two important events—the Alberta Social Credit Party caucus, presumably for the study of a debt reorganization plan, and the precipitated re-assembly of the House of Commons to consider the army reinforcement question.

The Alberta Government meeting is likely to result at long last in a definite proposal for the refunding of the provincial debt. Should this materialize, a very grave responsibility will be placed on the Bondholders' Committee, if that body after a series of deadlocks over such a long period is still competent to negotiate with the Province. It seems clear that with the passing of Mr. Aberhart, his successor, Premier Manning, has indicated his forthright desire to settle this unfortunate issue in a business-like manner. This is not the time to keep alive the results of mistakes of the past.

If the Bondholders' Committee is reluctant to forego the satisfaction of punishment for past misdeeds and fails to realize that an early settlement is in the general interest, not only of

BUY and HOLD

Sixth War Loan Bonds

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OUR REPORTER'S REPORT

Officials of underwriting firms who are not aggressively engaged in the Treasury's Sixth War Loan Drive, and to reverse the old saying "they are not legion," are destined to spend the next few weeks engaged primarily in the task of surveying the corporate field for future prospects.

Ostensibly the securities industry, which includes the banks, underwriters, dealers and brokers, is engaged in the job of raising a sum sufficient to give the United States Navy another full battle fleet, to the tune of 600 millions of dollars.

But actually, from office boy to top man, this segment of the nation is in there pitching to provide Gen. Eisenhower's vast armies with the sinews needed to finish off the Nazis in the briefest possible time. And they hope that perhaps some will be left over to speed up the task of hastening the setting of the Rising Sun.

The underwriting fraternity has just finished a rush of new financing and refunding operations which taxed it to the utmost. But that part of the job is done.

And now the aim is to put the Banking and Investment Division's contribution to the current war loan far above the quota set for it. Talking to some of those who are helping to do the job is reassuring since they have no doubt of their ability to top their set figure generously.

It Should Be Settled

The question of whether or not interest paid to holders of bonds of the Port of New York Authority is taxable by the Federal Government appears to be headed for final showdown.

A bone of much contention and several court rulings in recent years, this matter is now destined for airing by the Supreme Court of the United States, if the Solicitor General of the Department of Justice is successful in his plans.

He proposes to urge the highest court, probably within the week, to set aside the decision of the Second Circuit Court of Appeals which held that the bonds are tax exempt. Although the High Court has never had occasion to rule in the matter, it has already held that wages and salaries of Port Authority employees are taxable by the Federal Government.

100 Millions, So What?

It's one of the biggest transactions ever to go through, yet it holds little or no interest for those whose business it is to distribute securities. That's hard to comprehend.

But in the case of the United Gas Corp. securities growing out of its reorganization are already assured of placement. So there is no sustenance in that.

With its reorganization plan approved this week by the Federal Court at Wilmington, the company will dispose of the new securities, first mortgage 3% bonds, next Tuesday. They will go to a group of 50 institutions.

Nickel Plate A Prospect

Several banking groups are in process of formation to participate

of support in connection with Seventh Victory Loan subscriptions.

Turning to possible future developments, there is reason to anticipate a continuance of the present firm market tone with higher prices, especially bearing in mind possible constructive action in respect to the Alberta and Abitibi debt situations, and the probable happy denouement of current political problems.

Leffingwell Says We Must Foster And Protect Foreign Investment

(Continued from first page)

the difference. These Government loans are in default. We became a creditor nation. We produced more than we could consume in the 1920s, and we lent the money to pay for the surplus to foreign governments, municipalities and corporations. Many of the loans are in default. We were capable of producing more than we could consume in the 1930s, but the outer world, though it needed our goods, could not find the means of payment for them, and our exports fell off. For this reason among others, we bogged down into a depression which lasted until the Second World War. Then war demand for our surplus production arose, and was financed first by British sales of capital investments and later by lend-lease.

"We cannot have prosperity and reasonably full employment after this war unless our vastly war-stimulated capacity for production finds an outlet. We must be able to sell goods abroad in greater quantity than ever before in peace—in spite of being a creditor nation. To do so we must buy as well as sell goods and services; and make foreign loans and investments.

"Between the fall of Napoleon and the First World War, England, a creditor nation then as we are now, accepted goods and services and made foreign investments in payment for her exports. The British Navy maintained the peace; and there was no general war in a hundred years. The British policy of free trade facilitated payment in goods for British exports. Foreign exchanges were stable, based upon the gold standard and the London money market. British Government policy advanced and protected the interests and investments of British subjects everywhere in the world. For lack of these four things, assured peace, free trade, stable exchanges, and government protection, American foreign investments between the World Wars did not fare well.

"The first condition of foreign trade and investment is the establishment of law and order in the world and the creation of a peaceful world to trade in. Another is the cancellation of war loans, new

in open bidding for new securities which will arise from a large-scale refunding operation contemplated by the New York, Chicago & St. Louis Railroad (Nickel Plate).

Expected to materialize soon after the closing of the current Treasury Loan Drive, this undertaking probably will involve the sale of \$42,000,000 of new bonds expected to reach market late next month or early in the new year.

Proceeds will be used to retire \$26,000,000 of 5½% refunders; \$6,500,000 of Toledo, St. Louis & Western 4s and \$10,000,000 of collateral loans.

Utility Financing

All signs now point to Pacific Gas & Electric Co. as likely to be among the first of the utility companies to come into the market next year.

Plans are believed to be afoot looking toward the replacement of some \$88,500,000 of outstanding first and refunding 4s, series G, due 1964.

The price at which these bonds may be redeemed will drop shortly to 105 from 110, and since 60 days' notice to holders is required, it would appear the company's plans will be in the open well before the end of March since the next interest date would be June 1.

and old, and the repeal of the Johnson Act. Another is the making of Government loans and grants in aid of rehabilitation. Another is the lowering or removal of tariffs and subsidies. Still another is the establishment of stable exchanges, reflecting a measure of equilibrium in international balances of payment. Last, but not least, is a United States Government policy to advance and protect American interests and investments everywhere.

"We cannot get equilibrium in the exchanges alone. There is no amount of money that will buy foreign currencies as fast as printing presses will print them if political conditions are unsafe and budgets and trade are unbalanced, and old unproductive war debts are kept alive as a threat to credit. Foreign investment will not flow, and goods cannot be exported in the necessary volume to foreign countries, if political conditions are unsafe, if buyers cannot sell and if exchanges are disorderly.

"There is no use trying to decide which of these reforms has to come first. They all have to come along together. Without them we shall, after the first fine flush of post-war inflation, bog down in another long, sad period of unemployment, unemployed capacity at home, pensions, doles and economic restrictions on production and labor; while the world outside will be eager to buy our goods—in dire need of them—and will be unable to pay for them. There is no possible use of making any post-war plan for domestic prosperity and employment that does not face and solve these problems. The readjustment of the economic framework must include laws and policies which will encourage expansion of our trade both ways, in and out, and stimulate and protect foreign investment."

Mutual Funds

(Continued from page 2253)
the current issue of Abstracts. Using the analogy of a house which rises in value because the property around it is increasing in value, the bulletin points out that high-grade bonds are now selling at peak prices, and adds: "It may be expected that this factor will continue to have a constructive influence on bond prices in general."

Mutual Fund Literature

Distributors Group—The current, monthly *Investment Report on Group Securities, Inc.*; revised folders on "Low Priced Shares vs. High Priced Stocks" and "The Advantages of Profits Over Income." **Keystone Corp.**—Supplementary Prospectuses on *Keystone B-1, B-3, K-1 and S-4* revised to Nov. 13, 1944. . . . **Hare's Ltd.**—A revised issue of the folder "Are Aircraft Stocks Undervalued?" . . . **Calvin Bullock**—The November issue of *Perspective*, discussing "Retail Trade—Post-War Outlook."

Dividends

George Putnam Fund—A dividend of 30¢ a share payable Dec. 15, 1944, to shareholders of record Dec. 5.

Swarts Cited at Saipan

John L. Swarts, formerly associated with E. Henry Sondheimer Co. is now a corporal in the U. S. Marine Armored Amphibian Corps and has been awarded the Presidential Unit Citation for the Saipan and Tinian Campaigns.



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Municipal News & Notes

Announcement last week of the decision of the Solicitor General on recommendation of the Bureau of Internal Revenue, to ask the United States Supreme Court to review lower court decisions in the Port of New York Authority-Triborough Bridge Authority tax-exempt cases was taken by the market in stride. The immediate effect was limited to some easing in prices of Port Authority bonds, while the Triboroughs were unaffected. Incidentally, the possibility of a refunding of the latter's debt has been discussed in some quarters.

The market's indifference to the latest development in the year-old litigation stemmed from the fact that the decision to appeal was not unexpected. Then, too, as the Government has already been twice beaten on the issue in the lower courts, the market is naturally confident that the opposition will be no less successful before the Supreme Court, in the event that they are again required to defend their position.

As a practical matter, incidentally, it is not unlikely that the market would welcome the opportunity for the Supreme Court to pass on the immediate issue, also the over-all position of State and municipal bonds with respect to tax-exemption. The uncertainty created by the Federal Government's periodic assaults in Congress and the courts has been a source of constant irritation and annoyance to both dealers and investors in local Government obligations.

Time and again the market has suffered from the psychological reaction occasioned by these attacks from Administration sources against the validity of the immunity of local Government issues from Federal taxation. These forays have undoubtedly occasioned losses to both dealers and investors.

Local taxing units have also been adversely affected as a result of the temporary unsettled market conditions, having been obliged to dispose of issues at somewhat lower prices than would ordinarily have been the case. Nor has the Administration achieved any benefits as a result of the interminable squabble that has enveloped the issue during the past several years.

In view of these circumstances, it would appear that the possibility of a review of the entire question by the Supreme Court is definitely warranted and desirable. Certainly all factions involved will agree on the need for disposing of the question with finality.

The case which the Government is asking the Supreme Court to review, deals primarily with the tax-free standing of bonds of the Port of New York Authority and the Triborough Bridge Authority. It was brought officially by the Bureau of Internal Revenue and is based on the failure of several creditors of the bridge agencies to include in their return for tax purposes interest received on their bond holdings.

In instituting the action, the Government contended that such income was subject to taxation on

the ground that neither agency is a political subdivision within the meaning of the language of the 1936 Revenue Act, which grants immunity from Federal taxation of income on State and municipal bonds. In arguing that the New York agencies were not political subdivisions and their bonds were therefore not tax-exempt, the Government based its contention largely on the fact that neither unit enjoyed police powers of the State such as the right to levy and collect taxes, etc.

The Port of New York Authority which, in the interest of all its creditors, assumed the burden of defense, successfully disputed the Government's position on two occasions.

Its original success was achieved before the Tax Court of the United States which, in a 10 to 5 decision on Jan. 28 last, ruled that the authority "is a political subdivision of a State—the State of New York—and also the political subdivision of another State—the State of New Jersey."

The court further stated that the bridge agency "in its relationship to those States lacks none of the attributes" of a political subdivision as set forth in the Revenue Act. The court found similarly in the case of the Triborough Bridge Authority. The Government subsequently appealed this decision to the Federal Circuit Court of Appeals for New York and this tribunal, on Aug 24, fully affirmed the tax court's findings.

The decisions in both instances, it may be noted, were limited to the statutory question alone, both courts having refrained from passing judgment on the constitutional aspect of the litigation. This latter point is of fundamental importance and its adjudication by the Supreme Court would resolve finally the basis of the Government's long drawn-out campaign to have all State and municipal bonds (or at least future issues) declared subject to Federal taxation.

President Roosevelt has repeatedly declared that tax-exemption of State and municipal bonds is not based on immunity granted by the Constitution.

In line with this belief he has contended that a change in their status can be achieved by Congressional enactment of a "short and simple statute." Efforts to have Congress pass legislation of this character have been unsuccessful, the most recent setback having been administered by the Senate in Sept., 1942.

The record of the Administration on this issue, whether in Congress or in the courts, has been one of failure, thus furnishing added interest to the possibility that the Supreme Court may lay the matter to rest permanently.

Atlantic City to Call All Unexchanged Bonds

Atlantic City, N. J., announced yesterday that it will call for payment on Jan. 1, 1945, at par and accrued interest, all of the unexchanged general and water bonds of the 1936 issues.

Calling of the old bonds not exchanged for the new bonds

Aviation Can Meet the Market

(Continued from page 2242)

production rates." (Both statements are from the publication of the Aeronautical Chamber of Commerce, September, 1944.)

At this our average layman will look aghast, and incredulous. He has seen, on the one hand, the Government pouring hundreds of millions of dollars into these plants. On the other hand, the industry says that no dividends have been declared, and yet it has no money. What, then, has become of the money? If the aircraft industry can't show profits in the years 1940 to 1944, can it ever make money?

Well, that depends. You can bet your bottom dollar that at least a part of it will! Some of the airframe manufacturers will start now to plan the solutions to their problems, and these will be ready when the time comes. There are certain aspects of the business that will have to be dealt with, and the companies which begin to deal with them capably and astutely will operate in the black, and make money when peace-time production takes over.

Meeting the Market Directly

The average man likes to dream about owning an airplane. Yet it will pay the manufacturer to look at this fact practically. A good family aircar is still a distant prospect. Its economical use is limited to long trips. Its initial cost is high. Safety regulations require constant and costly maintenance. Even expensive and extensive advertisements showing happy couples on fishing trips will not do the job in the face of figures.

Recently the CAA made an extensive survey of former owners of private planes concerning their reasons for disposing of their craft. The results show that 55% sold them because of the high costs involved, while 18% disposed of them because of lack of utility. At the time of purchase, the figures show, 50% bought their planes for local pleasure flying, 40% for cross-country flying, and the remaining 10% for business. Of those who planned to do cross-country flying, a large percentage were building up their logged flying time in order to qualify for commercial pilots' licenses.

These reasons for selling must be kept in mind for the correct evaluation of some of the surveys made of prospective purchasers!

Results of the survey made by the Crowell-Collier Publishing Co. have just been announced. Of the 2,000 queried in the 50% upper income bracket, 10% stated that they intended to buy private airplanes. One percent of the total would buy a plane before any other major purchase, while it would be the second major purchase for 2%.

In a sampling by Aircooled Motors results show that 65% desire an airplane in the \$1,500-\$3,500 class, with 26% in the \$2,000-\$2,500 range.

Such surveys are valuable as indicators. But it is necessary, from a financial point of view, to

issued under the 1944 Refunding Plan will thus complete the refunding operation which was worked out for the city, jointly, by Stifel, Nicolaus & Co., Inc., of St. Louis and Chicago, and Wainwright, Ramsey & Lancaster, municipal consultants of New York.

Under the terms of the refunding agreement between the banking group and the city, the bankers have underwritten all new bonds not taken in exchange for the old securities. The refunding operation will save Atlantic City a minimum of \$3,350,000, in interest charges, over the life of the new bonds,

differentiate correctly between desire and effective demand. Without question, some of the optimistic answers are influenced by high war incomes, concentrated publicity releases, and wishful thinking. It is true that the number of people who can fly has increased so much since 1940 that a ready market appears to be available. Whether or not that market can be fully utilized depends partly on costs. Charles Evans, writing in "Air Trails," states that unless the price of a good plane is closer to \$1,000 than \$1,500 the ratio of 26,000,000 automobiles to 23,000 airplanes will remain unchanged. The figures on the sale of new automobiles in 1939 and 1940 seem to bear him out:

Year—	1939	1940
\$500 and under—	265,341	125,198
\$501-\$750—	2,328,184	3,017,536
\$751-\$1,000—	218,986	478,258
\$1,001-\$1,500—	47,849	61,362
\$1,501-\$2,000—	4,222	7,547
\$2,001-\$3,000—	1,870	2,306

*Source: "Statistical Abstract."

Year—	1939	1940
Total sales—	2,866,796	3,692,326
Total registrations—	26,201,000	27,435,000

The figures shown are wholesale prices. The \$1,500-\$3,500 airplane desired by 65% of the prospective purchasers in the survey by Aircooled Motors, therefore, would be no cheaper than the \$1,001 wholesale price. The automobile figures seem to indicate that actual demand for aircraft at this price would be small. Even with augmented incomes in 1940, the largest increase is shown in vehicles which would retail at a price between \$900 and \$1,200.

Lack of utility is the other factor which will cut into the effectiveness of the market. To combat this, the aircraft manufacturers will have to go sociological, and sell the public some new and advanced ideas on living conditions. The makers of small craft have made some good beginnings along this line. They have been proposing for some months that local communities plan to build airparks or landing fields, or enlarge existing facilities. They must go farther; the idea of the broader metropolitan area must be strongly advanced. The general public must have pictured for them the advantages to be gained by living away from the normal business area, as much as 75 or 100 miles, and this must be made practical.

By increasing usefulness, the manufacturers will find their production increased, and their costs reduced. When one million private planes are flown at least one hour per day, 300 days a year, the Air Age will begin, and the small-plane industry will become a real threat to the automobile business.

Surplus Government Aircraft

The industry is faced, also, by a strange problem: the peculiar danger of having its biggest customer become its strongest competitor. The Army Air Forces alone own and operate at least 10,000 airplanes which can be easily, cheaply and quickly converted to commercial service. Almost all of them are two- or four-engine ships, which precludes their sale to the general public, so that the airlines are the logical buyers. We may assume from the recently announced sales of Douglas four-engine transports that the Army intends to keep what they have of this type, but what of the thousands of twin-engine transports?

Quantity alone is an undependable index of availability. It is quite probable that a good many of these airplanes are useless for airline operation, either because of hard usage, or because of drastic modifications for specific military tasks. But there should be available, let us say, 2,500 commercially adaptable aircraft. Will the airlines pass up the opportunity to purchase these planes at a small

price and convert them at a reasonable one? Would you?

Airlines are in business to make money, and they can make money operating these older types, even showing a larger percentage return because of the low investment. Each major airline, of course, flies routes that will support four-engine craft, and for this reason Douglas holds contracts for DC-4's and Lockheed for Constellations. But, until competition and traffic requirements demand larger and newer equipment, the older types will do the job.

Basically, our problem is to keep going at a profitable rate an industry which must be kept going. It must, for one thing, be ready to defend us again, if occasion arises. Technological research must be continued to keep us ahead of any potential enemy force. So surplus airplanes must be made usable and profitable to their manufacturers, if possible.

The greatest profit-producers of any industry are service and spare parts sales. These we can preserve; indeed, these we can develop into industries by themselves.

An efficiently operated, well-developed service division could make an opportunity out of the conversion of transport planes. Production facilities could be making spare parts to maintain the airplane during its average life of five years in airline service, at the same time that new types are being developed and built.

We can take up here, too, the surplus military airplanes, fighters, bombers, etc. Conservative estimates would place their total at 100,000. In a commercial light their value is just about nil. Many will not be worth the cost of their transportation to the United States. Conversion to commercial use would be out of the question, they are built too heavily and powered too highly for economical operation.

What shall we do with them, assuming that there will be at least a 25,000 surplus in flyable shape? Put them in a scrap heap? That's a solution, but who benefits?

There is no use keeping them as a stockpile; obsolescence will set in before they can be used. So they must be disposed of. The exhaustive report on this subject recently submitted to Congress by Harvard University's Graduate School of Business Administration offers some interesting and logical suggestions. It recommends, for example, that surplus fighters and bombers might be given to friendly nations in exchange for needed bases, landing rights, strategic materials, or other considerations. To Brazil, and Mexico, say, who cast their lot with us in this war without being threatened or attacked. Spare parts in Army warehouses could then be sold back to the manufacturers for resale to the new owners as needed. The picture wouldn't look so bad! Brazil or Mexico couldn't have afforded very many of these airplanes originally, but they will need and will buy a lot of spare parts to keep them going.

Further, these countries will need technical guidance on the handling and maintenance of these airplanes. Foresighted manufacturers will seize the opportunity of instructing them; at the same time opening for themselves the contacts which will lead to later aircraft sales! Instead of destroying airplanes, we can make them profitable to their manufacturers, and promote international good will. Surplus aircraft can provide for world-wide sales and service; they need not bring disaster!

Simplification of Design

One of the reasons for the high cost of airplanes is the complexity of their structural design. Engineers disagree somewhat as to the source of this trouble. But we can

attribute it in part at least to the system of dividing the engineering department into groups for the design of the detail components.

The aero-dynamic engineer's job is ended with the final determination of the basic configurations. When this is done it is necessary only that the completed product meet the set weight and balance requirements, and for the structural members to pass stress and flight-loading tests. These structural members must be exactly and specifically drawn, but among the smaller parts, the gussets, brackets, doublers, angles, etc., simplification could be practiced to advantage.

Under the present common practice a separate group of engineers is assigned to each of the component assemblies, i. e., to the wing, fuselage, empennage, power plant, landing gear, and the systems. As a result the finished airplane has many detail parts which are similar though each group has drawn them slightly different. In a large percentage of instances these small parts could have been identical. For example, in one assembly on one of our well-known fighter planes there are two flat gussets made of the same material but of different shapes. Their extreme lengths vary by 3/16ths of an inch and their width by 3/8ths of an inch. Two other gussets vary by 5/32nds of an inch in length and 3/8ths of an inch in width. On another airplane one assembly had 11 stiffeners so similar that one die could have produced all of them with a saw operation to cut them to size. Each of the small parts above requires the same paper-work as a large assembly; each requires a blueprint, a tool blueprint, a die, listing on the bill of material, listing in the catalogue, a shop fabrication order, cost-accounting records, etc. Had this work been properly coordinated at the time of design, four-fifths of the time and expense actually incurred would have been eliminated. This ratio undoubtedly would not hold true over the entire airplane, but in view of the fact that the number of separate parts in some airplanes runs into five figures, a considerable saving can be effected.

Further, engineering departments will have to cooperate with tooling and production departments at the time the components are drawn instead of using the system of trial and error that is now widely practiced. In this manner designs for which tooling cannot be made or for which the shop has no fabrication facilities can be changed at once, before a piece of metal has been cut. Proof that this can be done is shown by the fact that one of our major airframe manufacturers produced a prototype of a new model from the first line on the drawing board to a flying airplane in approximately four months by just such a practice.

By such methods of time and labor saving the cost of private planes can be cut to a marketable figure. The automobile companies simplified design, and increased sales at lower costs spiraled their industry into one of the nation's greatest.

In addition to cheaper initial costs, simpler design will produce more economical service. This is an item to be considered, when applied to aircraft. At present most companies charge exorbitant prices for repair work. In an actual case a small airplane which cost \$58,000 in 1938 has had \$90,000 worth of service up to June of 1944. With the exception of one small accident repair, this amount was spent for routine maintenance and overhauling. Such high costs can be traced to the complexity of the airplane requiring special equipment and highly skilled and trained personnel for even minor repairs. The buyer of a \$2,000 automobile will hesitate to buy if he sees the prospect of spending \$3,000 in normal maintenance over a few years. Similarly, the sale of airplanes will expand when ser-

vice problems are simplified and service costs cut.

Man-Power — War and Post-War

This section and the one following treat with the necessary strengthening of the inner structure of the companies themselves. This is one more step and possibly the most important in getting the industry back on a sound commercial, competitive basis.

The aircraft industry must begin at once to make a qualitative survey of its man-power situation. The companies that first make such surveys and begin to sift and sort personnel will have the best post-war prospects.

During the war emergency the problem of personnel was almost entirely one of quantity. Hence, the continuous cries of "crucial man-power shortage" and the "earn-while-you-learn" programs for the utilization of unskilled labor to fill empty spots on the assembly lines. The post-war problem on the other hand is for the most part qualitative; the forward-looking manufacturers will remember that retained manpower must be capable, as well as numerically sufficient. Since most of the mass-producers have long since lost sight of this fact, the problem is greater than it appears.

A part of the mix-up came about through circumstances attached to overnight expansion. The first group to take the jobs offered were comprised of men to whom it offered the first steady job in some years. The men best equipped for executive and supervisory spots stayed away; because they had good jobs, or businesses of their own and the rewards offered were not large enough. When, finally, they did turn to the aircraft plants for one reason or another, they found, in most cases, that their jobs were subordinate to those held by the early-comers, by reason of that not-measurable qualification known as "seniority."

Along with these, are the vocational misfits; top-flight engineers who are executives in charge of interoffice communications, first-rate mechanics who are supervisory paper-shufflers, etc. In short, men who moved away from the jobs in which they were best qualified because more advanced positions in the organization were available at larger salaries.

In the ordinary course of events the industry will lose these men first unless something is done about it. Lay-offs on a seniority basis will hit them first and they will be the first to leave voluntarily because they will have first call on other opportunities and because their stake is least valuable where they are. For this reason management will have to take a positive view of the personnel-reduction problem. The most capable men, more than any others, have no confidence in existing management policies; this is proven by the number now seeking other jobs, or establishing side-line businesses to be developed after the war. They see a woeful lack of intelligent planning and a riotous confusion caused by over-expansion.

The few companies which have invested in costly programs of management control have done little more so far than cause worse confusion by adding unrest to the troubled thoughts of the workers. Intelligent management counsel has been blocked furthermore by the sort of industrial nepotism fostered under loose economy. Efficiency has been put aside in favor of production for so long that it is almost impossible to find a place to begin. To every problem for the past four years the industry has had but one answer: "hire more help." The point has been reached at which reductions for the sake of efficiency will bring forth the panicky cries of "cut-back" "lay-off," "cancellation" and "chaos."

But the fact remains that layoffs can be made without reducing productive capacity. It will not be

an easy job. But it can be done, providing that the steps taken are decisive, forthright, and definite. Much care will have to be taken; the general direction must be toward a great reduction in the staff organization with a shifting of personnel to strengthen the line throughout. Only by such handling can adequate precautions be taken to lock the barn before the best draft-horses have been stolen.

Administrative Efficiency

The complicated corporate structures and the non-productive luxury appendages fostered under cost-plus contracts will have to be lopped off. Widely scattered plants, with resultant communication and transportation systems will have to go. Expensive research departments not directly connected with the product, interesting though their findings, will be a heavy burden on the normal sales return.

The first warnings of this have already made their appearance, despite the fact that hostilities have not ceased. The complaint has been made by the comptroller of one of the airplane manufacturers that costs of most programs of advertising, public relations, and employee - morale - building have been declared by the Government's General Accounting Office to be not allowable under cost-plus contracts. This is an indication that the time is past for large proportions of indirect workers. Post-war organizations will have to be almost strictly utilitarian. All employees will have to be directly connected with (1) building airplanes, (2) selling airplanes or parts, or (3) handling money.

Exception must be made, of course, for design and structural research. These are the heart-beat of the industry, and no one questions the legitimacy of their costs. But minor monarchies engaged in the building of voluminous files of interesting statistical material will go as soon as the manufacturer himself starts to pay the bills. This is not to say that there will be no more research on industrial relations, markets, etc. But it will have to be done much more economically than at present. The sketchier surveys made by advertising agencies, public relations counsel, and other service organizations will suffice.

The ruthless destruction of complicated departmental structure must proceed without regard to personalities involved; in most cases they were built by personalities without regard to their usefulness. Unbelievable extremes have been reached. For example, the following list of departments, divisions and offices is one major division of the Finance branch of one of our largest airframe companies:

Accounting

- Accounting office.
- Accounts payable department.
- Auditing department.
- C. P. F. F. department.
- C. P. F. F. accounting department.
- Comptroller's office.
- Consignment accounting department.
- Cost accounting division.
- Cost control department.
- Cost planning department.
- Cost records department.
- Disbursements, accounting division.
- Disbursements, audit department.
- Disbursements, documentation and claims department.
- General accounting division.
- General accounting, records and reports department.
- Inventory accounting division.
- Inventory audit department.
- Inventory control department.
- Key-punch department.
- Machine accounting division.
- Payroll accounting department.
- Payroll auditing department.
- Property accounting department.
- Reports and statistics department.

- Systems department.
- Tax department.
- Timekeeping department.
- Timekeeping general department.
- Timekeeping office.

Such a corporate structure is not a breakdown of functions; it is a complete collapse! Interdepartmental communications alone use enough paperwork to overload any single airplane built as a result. Whole empires are built around filing systems. But this article is not meant to be merely a denunciation. Therefore, let us say only that the deeds of the aircraft industry in the war effort may go unheralded, but they certainly will never be unrecorded.

The fact remains that all of the overstaffing has not turned out more airplanes. The industry blossomed in a rush, and hiring three new men for every new job was not the answer. Best records of production have been made by the old-line production heads who knew how to make every minute and every hand count most effectively. Henry Ford's Willow Run plant has exceeded production records of plants that were "in production" when Willow Run was a swamp!

The companies that start now to practice efficiency and sound business are the companies that will continue to operate in the black when the going gets tough and the competition keen. It is not too early—indeed, it is almost too late.

Aviation can meet the market but it must meet itself first. When its decks are cleared of war-time extravagances, aviation will have just prepared for battle. Its program must be long range in planning and execution. Overnight acceptance of the airplane for mass transportation is not practical thinking. The automobile and the

railroad did not become big until they gained utility. The motorboat is essential to perhaps 25,000 people and a luxury item to the remaining 325,000 owners. The next few years will see a parallel in private airplane registration.

The airplane will possess utility when these are available: many thousands of conveniently located airports, cheap initial cost and service, all-weather flight aids, and daily necessity.

Until then there will be no spectacular profits.

Ambrose R. Clark Dead

Ambrose R. Clark, bond investment broker and economist of 71 Broadway, N. Y., head of the firm of Ambrose R. Clark & Co., died on his farm at Fayetteville, N. Y., aged 64, where he had gone to vote at the last Presidential election. Mr. Clark was dean of the board of ushers of the Riverside Church, 122nd St. and Riverside Drive, New York. He devised and developed a model system of church usher service from six men in 1897 to nearly a hundred ushers as at present, which is unique for its precision and expeditious efficiency. In the same interval the congregation of this church increased from 300 in 1897 to over 3,000 in 1944. Dr. Harry Emerson Fosdick is the head of Riverside Church, of which John D. Rockefeller, Jr., is a member.

At a dinner given in his honor at the completion of his 40 years of service Mr. Clark defined his duties as Chairman of the board of ushers in these words: "Ushering is the science of making the church member and the visitor feel comfortably at home and lending spiritual dignity to the whole church service."

This Announcement is not an Offer

Municipality of Bogota

(Municipalidad de Bogotá)

City of Bogota

(Republic of Colombia)

8% External Sinking Fund Gold Bonds of 1924
Dated October 1, 1924, Due October 1, 1945

Municipality of Bogota

(Republic of Colombia)

Power and Light Consolidation Loan of 1927
Twenty-Year External 6 1/2% Secured
Sinking Fund Gold Bonds
Dated April 1st, 1927—Due April 1st, 1947

The Municipality of Bogota (hereinafter referred to as the "Municipality") announces that, under the terms of an Offer to become effective November 15, 1944, it has arranged for the delivery of the Republic of Colombia 3% External Sinking Fund Dollar Bonds, dated as of October 1, 1940, due October 1, 1970, with coupons maturing on and after April 1, 1945 attached (hereinafter referred to as the "Government Bonds") in exchange for equal principal amounts of bonds of either of the aforementioned issues, with coupons maturing on and after April 1, 1932 attached (hereinafter referred to as the "Municipal Bonds").

The Government Bonds to be delivered in exchange under the Offer do not represent an original or additional issue, but consist of bonds heretofore issued by the Republic of Colombia and listed on the New York Stock Exchange.

This Announcement is not the Offer of the Municipality. Copies of the Offer may be obtained from The National City Bank of New York, Corporate Agency Department, 20 Exchange Place, New York, N. Y., which has been designated by the Municipality as the Exchange Agent to effect the exchange specified in the Offer. Copies of the Exchange Agency Agreement are available for inspection at the above-mentioned office of The National City Bank of New York.

The Offer will remain open for acceptance until the close of business on October 1, 1946, or such later date as the Municipality may designate.

Holders of Municipal Bonds who desire to exchange the same for Government Bonds in accordance with the Offer should deliver such Municipal Bonds to The National City Bank of New York, Corporate Agency Department, 20 Exchange Place, New York, N. Y., as Exchange Agent, with properly executed letter of transmittal in accordance with the terms of the Offer. Copies of the form of letter of transmittal may be obtained from the Corporate Agency Department of The National City Bank of New York.

JORGE SOTO DEL CORRAL
Mayor of Municipality of Bogota
(Republic of Colombia)

Dated November 15, 1944.

Haney Discusses Old Age Tax

By LEWIS H. HANEY
Professor of Economics,
New York University

The "social security" issue is up again. It has bobbed up at this time largely because the tax that is levied on the people is supposed to increase next year. Also there are those in the government who want more revenue to spend, and would welcome an increase in any taxes that would give them more funds.



Lewis H. Haney

Incidentally, the trend is toward broadening the application of social security so as to cover more people. Presumably, therefore, a government that wants to buy votes would favor raising more revenue to spend, if the taxes would not antagonize most voters.

The law provides for an automatic increase next year from a 1% to a 2% tax to provide a social security "reserve."

But the law also provides for a maximum limit on the "reserve," this being three times the greatest annual expenditure contemplated. And this maximum limit has already been exceeded. The "reserve" as now figured is probably at least eight times the greatest annual expenditure in sight.

Thus even from the legalistic standpoint there is no need to increase our social security taxes.

But even more fundamental is the fact that the provisions of the law concerning reserves are bad—very bad. For example, the taxes collected are not kept as a true reserve, but are put into government obligations, which increase the public debt without providing any proportionate revenues. (Much of the "reserve" is, in my opinion, wasted.) The benefits paid are not in proportion to contributions made. No "social security" is provided for people who work for themselves, or are self-employed.

Other criticisms might be made, but even if the law is bad, that is no reason for abusing it. The figures at the end of 1943 showed a so-called reserve of 4.8 billion dollars for old age security, and 5.1 billion dollars for unemployment. These "reserves" are growing rapidly. Tax receipts have been larger than estimated, and payments less. But the highest annual expenditures contemplated in any of the next few years do not exceed 700 million dollars. Thus the "reserves" are excessive. And they exist only on paper.

Either the Treasury would have to do new borrowing, or it would have to sell the various obligations into which it has put the social security funds, if it were to realize on the so-called reserves.

One of the worst features of the social security taxes is that many regard them as a means of fighting inflation. There is no excuse for taking our money under the guise of providing reserves for our old age and unemployment, and throwing it into the OPA and WLB experiments.

Furthermore, the move is futile, because the funds are merely

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE JR.

The outstanding feature of the Government bond market in the past week was the continued strength in the last four maturities of the partially exempt obligations, with the 2% due 1955/60 in particularly good demand. . . . The statement of Chairman George of the Senate Finance Committee, that the prospects that individuals and corporations will be given any substantial income tax relief in 1945 are very remote, as well as the statement of Chairman Eccles of the Federal Reserve Board, that much of the current discussion in favor of reducing corporate taxes after the war, is in the realm of wishful thinking, because the revenue objective is set entirely too low, undoubtedly had an effect on the partially exempt section of the Government bond market. . . .

TAX TRENDS DISCOUNTED

It seems to be pretty generally felt now in Government bond market circles that the long-term partially exempt issues have quite fully discounted probable future tax trends, and at present prices they are being recommended for income as well as appreciation. The 2% due March 15, 1955/60, made substantial gains during the week, and it was pointed out that on March 15, 1945, these bonds will be within the 10-year maturity range, which is considered desirable for banks by the Government. . . .

It is reported that some institutions have been anticipating this feature and were substantial buyers of this security in the past week. . . . At present prices of 112 6/32, the yield to the call date is 1.59 with the tax-free yield at 1.34%. . . .

There is no exactly comparable maturity in the taxable issues to the 2%, but some idea of the attractiveness of the latter security, from a tax-free yield basis, is shown by the fact that the taxable 2 1/2% due March 15, 1956/58, a year longer to the call date than the partially exempt 2% issue, gives a tax-free yield of 1.27%. . . . The taxable 2 1/4% due Sept. 15, 1956/59, gives a tax-free yield of 1.31% with this issue one year and six months longer to the optional call date than the partially exempt obligation. . . . According to the latest available Treasury figures there are \$2,611,000,000 of the 2% due March 15, 1955/60 outstanding, with the ownership of this obligation as follows:

Commercial Banks	\$949,000,000
Stock Savings Banks	31,000,000
Mutual Savings Banks	61,000,000
Life Insurance Companies	165,000,000
Fire and Casualty Companies	133,000,000
Government Agencies and Trust Funds	365,000,000
All Other Investors	907,000,000

It was reported that recommendations are still being made to institutions paying excess-profits taxes and holding the high premium medium-term partially exempt securities, that these issues be exchanged for the long-term partially exempt obligations. . . .

The following changes have been suggested:

Sell—	Recent Price	Yield to Call Date	Tax Free Yield
3 1/8% due 12-15-49/52	109 28/32	1.11%	0.93%
2 3/4% due 6-15-51/54	108 26/32	1.34	1.13
3% due 9-15-51/55	110 13/32	1.39	1.17
BUY—			
2 7/8% due 3-15-55/60	112 6/32	1.59	1.34
2 3/4% due 9-15-56/59	111 22/32	1.65	1.39
2 3/4% due 6-15-58/63	111 21/32	1.78	1.50
2 3/4% due 12-15-60/65	111 28/32	1.89	1.59

TAXABLES STEADY

The taxable issues were steady last week, with considerable interest being evidenced by commercial banks in the 2s due 6-15-52/54 at prices of about 100 13/32. . . . It was pointed out that at this level the bonds are just about in line with the interest run-off to the date of purchase, Dec. 18, by the banks of the 2% due 12-15-52/54, together with the indicated premium that the new 2% bonds will sell at, when they become available in the open market, at the conclusion of the Sixth War Loan. . . . If the presently outstanding 2% due 6-15-52/54 were to be sold now at 100 13/32 and the proceeds kept available for the purchase of the new 2% due 12-15-52/54, on Dec. 18, the interest that would be lost during this period would be equivalent to a decrease in price of 5/32 for the 2% issue disposed of. . . .

Based upon presently prevailing prices for the called 4%, which may be exchanged for the new 2%, it is indicated that the 2% due 12-15-52/54 will command a premium of about 7/32 when they become available on Dec. 18, so that commercial bank purchasers of this issue would have to pay 100 7/32 for these bonds. . . .

The loss of interest during this period of 5/32 in price for the 2% due 6-15-52/54, if they were sold now, together with the indicated premium to be paid for the new 2% bond of 7/32, means that the commercial bank holders of the 2% due 6-15-52/54, presently selling at 100 13/32, have practically nothing to gain from the sale of these bonds now, with the proceeds idle until the new 2% due 12-15-52/54 are available for purchase by them on Dec. 18. . . . Also, the difference in maturity between the 2% due 6-15-52/54 and the new 2% due 12-15-52/54 of six months should favor the shorter maturity to the extent of at least 2/32 in price. . . .

NOT APPLICABLE TO OTHER BUYERS

This condition does not apply to savings banks, insurance companies and other investors since they are eligible to purchase the new 2% due 12-15-52/54 at 100 right up until the end of the drive,

spent by the government, and thus add to the general inflation of bank credit and deposit currency.

Anyhow, if we were to mix our social security taxes up with this hold-the-line stuff, the next thing we would see would be a proposal to reduce the tax in order to fight deflation! If we raise it, we can lower it. Manipulation would result.

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.

Dec. 16, and it is believed in some quarters that these participants in the War Loan may take advantage of the premiums prevailing for the 2% due 6-15-52/54 to obtain funds that can be put to work immediately in the 2% due 12-15-52/54 at the issue price. . . .

Holders of the maturing certificates of indebtedness, the Series G 7/8% due Dec. 1, 1944, have been given the right to exchange these securities par for par for the Series C 0.90% Treasury notes which mature Jan. 1, 1946. . . . It is indicated from present quotations for the maturing certificates of indebtedness that the new 0.90% notes will go to a premium when they become available in the market. . . .

A recent bid for the maturing certificates of a no-yield basis plus 25¢ per certificate, would be equivalent to a yield for the new notes of about 0.84% compared with the return of 0.90% available to the holders of the maturing certificates, who obtained these new notes at par through the exchange offer. . . .

The large New York City commercial banks, it was reported, are very much interested in the new notes, with demand also appearing from out-of-town institutions. . . .

WAR LOAN SUCCESS ASSURED

The Sixth War Loan got under way last Monday, and indications already point to another substantial over-subscription of the quota set by the Treasury of \$14,000,000,000, of which \$5,000,000,000 will be sales to individuals and \$9,000,000,000 to non-bank investors. The securities offered in the drive are:

Savings Bonds—Series E, due 10 years from date of issue, and for individuals only.

Series F and G, due 12 years from date of issue. For all non-bank investors, up to a limit of \$100,000, with commercial banks permitted to subscribe for only a limited portion of their savings and time deposits.

Savings Notes—Series C, due three years from date of issue, open to everyone.

Certificates of Indebtedness—7/8%, due Dec. 1, 1945; available to all, except commercial banks, who may not purchase them for their own account prior to Dec. 18, 1944.

Treasury Notes—1 1/4%, due Sept. 15, 1947. Available to all non-bank investors, with commercial banks not allowed to purchase them for their own account prior to Dec. 18, 1944. The commercial banks may acquire these notes for own account in exchange for called 4% due 1944/54.

Treasury Bonds—2%, due Dec. 15, 1952/54. Available to all non-bank investors, with the commercial banks permitted to subscribe for only a limited amount of savings and time deposits, until Dec. 18, 1944. May be acquired by commercial banks in exchange for called 4% due 1944/54.

2 1/4%, due March 15, 1966/71—Available to all non-bank investors, with the commercial banks allowed to subscribe for only a limited part of their savings and time deposits. Additional amounts of these bonds cannot be purchased by commercial banks until Dec. 1, 1954. . . .

MARKETABLE ISSUES

Trading in the marketable issues, consisting of the 7/8% Certificates of Indebtedness due 12-1-45, the 1 1/4% notes due 9-15-47, the 2% bonds due 12-15-52/54 and the 2 1/2% bonds due March 15, 1966/71 will not be allowed until Dec. 18, 1944. . . .

The data that has been given out by the Sixth War Loan Committees is very complete, easy to understand, with the issues to be offered in the drive described, in such a way as to point out the fact that there is a security to fit the need of every buyer. . . . The data will be very helpful in selling these securities to individual investors, who again must do their usually important part in making this War Loan a success. . . . In this drive the goal will be the sale of \$2,500,000,000 of Series E Savings Bonds, which is somewhat lower than the amount sold in the Fifth War Loan. . . .

ANTI-INFLATION FORCE

It is again rightly emphasized that earnings placed in war bonds and held there are a potent anti-inflation force, particularly against the cost of living which has been slowly but surely rising. . . .

In order to prevent a further rise, it is essential that the volume of spending be curtailed, and the way to do this is for present holders of savings bonds to not only keep those they already own but to put every available dollar into the new securities now being offered. . . .

The reasons for a war bond campaign are to finance the war and reduce the inflationary pressure which develops when individuals do not do their part in buying the securities being offered in the drive, and the Government, in order to get the money to carry on the war, must sell these obligations to the commercial banks, which results in new deposits and new purchasing power being created, which is something that is most certainly not needed at this time. . . . A similar situation prevails when the individual holders of savings bonds turn them in for redemption. . . . The Government pays off these bonds upon presentation, but the money that is used to pay off these securities must be obtained somewhere by the Treasury. . . .

BUYING POWER REDUCED

Because individuals are cashing in their savings bonds it is necessary for the Government to sell its own securities to the banks in order to get the necessary funds to meet these redemptions. . . . Sale of Government bonds to the banks for bond repayment purposes results in new deposits as well as new purchasing power being created, which eventually becomes evident in rising prices. . . . Effect of higher prices is to curtail the purchasing power of the dollars received in exchange for the bonds turned in for payment. . . .

Individual purchases of war bonds that are held and not turned in for redemption are not only a powerful weapon against inflation but also are a storehouse for future purchasing power that should be used only as additional supplies of goods and services are made available when the war is over. . . .

Therefore, it was pointed out, that the "Buy for Keeps" slogan of the Sixth War Loan Drive has a very significant meaning in the light of these facts. . . . And each individual must do his or her very best to not only purchase more savings bonds during the drive but also to hold on to the certified checks, that bear interest, which is what the presently outstanding savings bonds really are, since it is the duty of every one of us to bear our share of the responsibility of financing this war until it has been completely fought to a successful ending.

U. S. Savings and Loan League 52nd Conference Studies Veterans' Loans and Home Ownership

W. M. Brock Elected President at Annual Meeting Savings and Loan Institutions And Veterans' Loans

W. M. Brock, Dayton, Ohio, President of the \$30,000,000 Gem City Building and Loan Association, was elected President of the United States Savings and Loan League Nov. 14 at the League's national conference on veterans' loans and home ownership, which was its 52nd annual meeting. Mr. Brock was First Vice-President this past year and he succeeds John F. Scott, St. Paul, Minn., as head of the organized savings and loan and cooperative bank business.

For Vice-President the League elected Henry P. Irr, of Baltimore, President of the Baltimore Fed-

President



W. M. Brock

eral Savings and Loan Association, and active in post-war planning activities in the State of Maryland.

Mr. Brock is also a member of the council of the international organization of the thrift and home financing business, having been elected at the last international congress of the business held in Zurich in 1939. He has been chairman of the United States League's important Committee on Economic Policies and has also served on its Committee on Trends and its Constitution Committee. He has had a lifelong affiliation with the Gem City Association in Dayton, having started 40 years ago and being the manager for the past 20 years. H. F. Cellarius, Cincinnati, O.,

was elected Secretary of the League for his 49th term.

Morton Bodfish continues as Executive Vice-President of the United States Savings and Loan League.

The new directors elected for the twelve districts of the League are:

District one, Henry H. Pierce, President of the Merchants Co-operative Bank of Boston; district two, Fred G. Stickel, Jr., Newark, N. J., attorney; district three, Norman E. Clark, Executive Vice-President of the First Federal Savings and Loan Association of New Castle, Pa.; district four, J. F. Stevens, Secretary-Treasurer of the Gate City Building and Loan Association of Greensboro, N. C.; district five, E. J. Rupert, Vice-President of the Broadview Savings and Loan Co. of Cleveland; district six, John C. Mindermann, Secretary of the General Building Association, Covington, Ky.; district seven, Walter J. L. Ray, Vice-President of the Standard Savings and Loan Association of Detroit; district eight, Charles M. Pors, Secretary-Treasurer of the Marshfield (Wis.) Building and Loan Association; district nine, L. W. Grant, President of the Home Federal Savings and Loan Association, Tulsa, Okla.; district ten, A. C. Bigger, President of the Metropolitan Building and Loan Association of Dallas; district eleven, F. S. McWilliams, President of the Fidelity Savings and Loan Association of Spokane, Wash., and district twelve, George B. Campbell, President of the Independent Building-Loan Association of San Jose, Calif.

The geographical grouping of the districts is as follows: district one, the New England States; district two, New York, New Jersey, Puerto Rico and the Virgin Islands; district three, Pennsylvania, Delaware, Maryland and West Virginia; district four, Virginia, North Carolina, South Carolina and District of Columbia; district five, the State of Ohio; district six, Kentucky, Tennessee, Mississippi, Alabama, Georgia and Florida; district seven, Illinois, Indiana and Michigan; district eight, Iowa, Nebraska, Minnesota, North Dakota, South Dakota and Wisconsin; district nine, Colorado, Kansas, Missouri and Oklahoma; district ten, Arkansas, Louisiana, New Mexico and Texas; district eleven, Idaho, Montana, Oregon, Utah, Washington, Wyoming and Alaska; district twelve, Arizona, California, Nevada and Hawaii.

Representatives of the American Legion, the Treasury Department, the CIO, the real estate fraternity, the Veterans' Administration, and government instrumentalities in the housing field were speakers, including Harry W. Colmery, Topeka, Kansas, Past National Commander of the American Legion; Charles M. Potter, Chief of the Home Loan Section of the Veterans' Administration; John F. Scott, retiring President of the United States Savings and Loan League, and Horace Russell, General Counsel of the League. Mr. Scott, as spokesman for the league at its opening session, on Nov. 13 told its members that "it is up to us to see to it that no one rightfully entitled to receive

United States Savings and Loan League Conference at Chicago Hears Addresses on Veterans' Loans and Home Ownership. Pledges Support in Making Effective Home Loan Provisions of the Veterans' Readjustment Act.

The United States Savings and Loan League held a special Conference on veterans' loans and home ownership along with its 52nd Annual Meeting in the Palmer House at Chicago on Nov. 13 to 15 inclusive.



John F. Scott

Among the speakers who devoted their remarks to veteran loans as provided for in the Servicemen's Readjustment Act of 1944, (the so-called "G.I. Bill of Rights") were H. W. Colmery, Topeka, Kans., Past National Commander of the American Legion; Charles M. Potter, Chief of the Home Loan Section of the Veterans' Administration; John F. Scott, retiring President of the United States Savings and Loan League, and Horace Russell, General Counsel of the League.

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estate analyst; John F. Scott, St. Paul, President of the United States Savings and Loan League; Morton Bodfish, Chicago, Executive Vice-President of the League; H. F. Cellarius, Cincinnati, Secretary-Treasurer; Horace Russell, Chicago, General Counsel for the League, and A. R. Gardner, Chicago, President of the Federal Home Loan Bank of Chicago; Allen G. Pflugrath, Milwaukee, Wis.; Hugh E. Rosson, Portland, Oregon; Hugh H. Evans, Los Angeles, and A. C. Steinhauer, Madison, Wis.

benefits under Title III of the Servicemen's Readjustment Act is denied, for want of our ability and willingness to serve him.

"I am certain that our associations, after fully considering all the factors involved, will realize and accept this challenge to private enterprise to prove itself capable of this financing," he continued. "It will be an opportunity to invest in 'G.I. Joe'—a fellow who was willing to invest his life for us. It will be a distinct and definite contribution toward later security and stability of the nation by enabling returning servicemen to find security and stability in their own lives.

"This operation has to be just as complete in its territorial coverage as was the HOLC. The veteran who returns to the smallest hamlet in the nation is as much entitled to complete financial assistance in acquiring a home as is the veteran who desires to locate in our largest metropolis. It appears to me most clear that if private enterprise on the home loan front doesn't do this 'G. I.' financing and do it well, an aroused nation will properly demand that somebody do something about it. In that eventuality, somebody will do something about it and that somebody will be Uncle Sam himself."

Mr. Scott suggested that despite whatever plans are made by others for celebration of V-E day in each particular community, the savings and loan managers announce to the world that their institutions will remain open for business "to serve those fellow Americans who desire to purchase additional war bonds on that day as an expression of Thanksgiving for European Victory and as a sacred pledge of unceasing sup-

(Continued on page 2267)

Atlanta Federal In New Quarters

ATLANTA, GA. — The Atlanta Federal Savings and Loan Association has removed its offices to new quarters in the main banking room on the first floor at 22 Marietta Street. It is felt that the improved facilities at this convenient location will insure better service to the savings and loan members of the Association.

The Atlanta Federal Savings and Loan Association was first chartered by the State of Georgia in 1928, converted into a Federal Savings and Loan Association under a Federal Charter on Aug. 26, 1935, thereby securing insurance of accounts up to \$5,000.

From its beginning the main purpose of the Association has been to encourage savings and home owning by making long term loans on a simple and convenient monthly repayment plan.

During its existence the Atlanta Federal has consistently paid liberal dividends to its savings and investment members, has accumulated substantial reserves, and has made more than 10,000 loans, all on local properties.

Officers and directors are: Walter McElreath, President; R. W. Davis, Vice-President and Treasurer; W. L. Blackett, Vice-President; W. O. DuVall, Secretary and Attorney; C. A. Adair; A. C. Ayers; Allen W. Clapp; E. H. Ginn; Dr. Harry B. Johnston; R. S. King; Dr. G. Grady Poole; Ward Wight.

Executive Vice-President



Morton Bodfish

1st Vice-President



Henry P. Irr

Secretary



H. F. Cellarius

CONDENSED FINANCIAL STATEMENT AS OF SEPT. 30, 1944 ATLANTA FEDERAL SAVINGS & LOAN ASSOCIATION 22 Marietta Street Building — Ground Floor — Atlanta 3, Georgia Organized 1928

ASSETS		LIABILITIES	
First Mortgage Loans	\$5,228,158.70	Savings and Investments	\$8,163,202.03
First Mortgage Loans, FHA Insured (Quickly convertible into cash at par)	2,259,855.96	Advances, Federal Home Loan Bank	None
Loans on Association's Shares	4,624.61	Borrowed money	200,000.00
Federal Home Loan Bank Stock	66,000.00	Home Loans in Process	438,703.77
U. S. Government War Bonds	2,000,000.00	Other Liabilities	18,508.40
Accrued interest on War Bonds	5,186.75	Reserves and Undivided Profits	877,827.90
Cash on Hand and in Banks	120,421.05		
Furniture and Equipment (written off as purchased)	1.00		
	\$9,718,242.10		\$9,718,242.10

Latest Semi-Annual Dividend at Rate of 3% per Annum

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We Invite Investments of Individuals and Corporation Trust Funds
GEORGIA'S LARGEST FEDERAL
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Federal Savings & Loan Insurance Corporation

Growth of the Perpetual

Year	Resources	Amount
1st year	1882	\$27,843.28
11th "	1892	900,822.64
21st "	1902	2,353,359.39
31st "	1912	3,428,144.88
41st "	1922	8,447,613.08
50th "	1931	26,749,387.06
51st "	1932	30,598,813.40
52nd "	1933	32,046,298.20
53rd "	1934	35,989,219.58
54th "	1935	39,834,747.90
55th "	1936	43,399,131.66
56th "	1937	46,784,020.67
57th "	1938	48,413,076.24
58th "	1939	50,253,515.75
59th "	1940	51,792,313.18
60th "	1941	54,216,152.33
61st "	1942	56,734,244.06
62nd "	1943	60,093,956.07
63rd "	1944	65,268,009.06

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EDWARD C. BALTZ, Secretary

Post-War Role of Savings and Loan Associations

By JOHN H. FAHEY*
Commissioner, Federal Home Loan Board Administration

Among the Factors Which Indicate a Large Increase in Home Building, Mr. Fahey Lists the Nation's "Housing Conscious" Sentiment; the Housing Shortage; and The Large Volume of Private Savings, Now Exceeding \$100 Billions. Stresses the Need for Low Cost Homes to Sell Under \$5,000, and Predicts Greater Responsibilities of Lending Institutions in Influencing Investments in This Class of Homes and In Promoting Home Ownership, Security And Community Welfare.

The combined forces of thrift and home finance in the United States face the challenge of a great opportunity. Our present array



John H. Fahey

of favorable factors is without precedent and their possibilities of public benefit are enormous. I suppose no one is completely blind to them. Every one must be at least vaguely conscious that we are living in an atmosphere of unusual possibilities. The stirrings and murmurings of impending change are everywhere manifest, and those of us whose business it is to deal with thrift and home finance are deeply aware of such challenges as define opportunity and make clear our duty. In this company of specialists I need only remind you of their character and of what they mean to us as we face the future.

First of all, what are the favor-

*An Address made by Mr. Fahey before the United States Savings and Loan League, Chicago, Ill., Nov. 13, 1944.

able factors? You know them and your list would be long. Let us consider seven only. At the top of the list I would place the fact that today practically the entire country is housing conscious and demands a quality of housing for all of our people better than we have ever had.

Some communities in the United States became housing conscious earlier than others and some of these communities promptly took action. The results are apparent to any traveler. Those who by any of our means of transportation move from one community to another have observed the striking differences, not alone in architectural design but also in the general cleanliness and attractiveness of the structures and their upkeep. When we come upon such places our very thoughts are elevated and we think of the citizens of such communities as living and acting on a higher plane of human endeavor than their less enterprising neighbors. The slovenly, unkempt, bedraggled communities that pull down the mental as well as the physical state of the area leave their stamp upon the entire population. In retrospect we think of the citizens of such communities as partly besmirched or tainted by their environment. Who cannot name towns and cities that by their physical attractiveness lift their inhabitants above what I am ashamed to call our normal level? Who cannot name

some that unhappily are far below that level? How fortunate are they who can truthfully say they are citizens of no mean city. While it took more than housing consciousness in these improved areas to make them physically attractive, the consciousness was certainly an important factor in bringing about a change. It is an augury of great value that America has become housing conscious.

My second item on the list of favorable features is planning. Today the air is full of planning—not in Government circles only but what is more significant—at the creative and working level of everyday American business. Everybody is doing it, and much now in process is being done with realism and intelligence. Clearly there is widespread determination that we shall have a better world for ourselves and our children. All are ready to give lip service. A large number are doing more. Business men of practical bent are conscious of the steps that must be taken to achieve substantial improvement. With the engineering and management skill that they apply to their own personal and business problems, they are preparing patterns and blueprints which call for wiping out our slums of blight and degradation and substituting communities of beauty and health-giving comfort and convenience.

We all know that we have adequate resources—resources which we have never fully put to use. We know that by organizing these resources we can have attractive communities as well as unattractive. In the final analysis we shall have what we genuinely and adequately desire. Many planners are doing careful, creative work. They have a right to expect intelligent study and use of their plans and our full cooperation in adapting them and making them serve our aroused and more enlightened purposes.

Third on the list is the accumulated housing need. That need is large for reasons which are obvious to all of us. It grew during the depression and has never been met. New housing that should have been produced and would have been produced had we not entered upon a world war is larger in volume than many have realized. In addition to new housing we have had large items of maintenance and repair which constitute such serious neglect as to require more than ordinary investment. When the requirements of new housing and of maintenance and repair are combined, the sum total is greater than any we have known. The demand is not only potential, it is actual, and we shall have a convincing demonstration of it as soon as the war ends and well-balanced construction can begin.

A fourth and clearly favorable factor is the accumulated savings of the American people. These have reached an unprecedented height and, at our current level of income, will continue to grow in enormous volume. At the end of 1939, shortly after war started in Europe, individual savings in savings and loan associations, banks, insurance companies, savings bonds, and similar forms totaled approximately \$54,000,000,000. By the middle of this year these savings had grown to an estimated total of \$95,000,000,000. This large figure does not represent the full total, for people can save money without putting it in the bank. They can and do buy houses, repay debts, and save money in other ways. If allowance is made for total individual savings in all forms, this total in the last four and one-half years has exceeded the staggering figure of \$100,000,000,000.

In the prosperous year of 1929, when our national income reached its then all-time high of \$82,000,000,000 we save almost \$9,000,000,000. In that year we built 509,000 family dwelling units. Last year, our income reached the much higher level of \$148,000,000,000 and our savings for that one year alone attained the unprecedented total of \$33,000,000,000. However, because of war-time limitations on building materials we built in both public and private housing only 350,000 family units.

Obviously, with \$100,000,000,000, together with additional billions that will be saved before labor and building materials are freely available, the American people will build the houses which they have been unable to build during the war and during the years of depression which preceded.

Accumulated savings were fourth on my list of favorable factors. My fifth is one that must have been in your minds at the outset. I refer to improved methods of thrift and home mortgage finance. In the past decade we have gone a long way from old procedures. Instead of serial, terminating and variety of special, almost unintelligible plans for the encouragement of thrift with their fees, fines and forfeitures, we have simple share accounts that everyone can understand. Instead of the old drop-share, cancel and endorse, sinking fund plans of loans, we have the simple, direct reduction plans which is easily understood and followed. We have improved methods of accounting, lowered rates of interest to borrowers, reduced dividends and developed more effective procedures for building up and protecting reserves. In the process of dealing with borrowers our experience in the past few years has taught us an important lesson, namely, that borrowers who are poor risks at high rates of interest and on short term repayment schedules become better risks when interest requirements and the amount and period of amortization are adjusted to the borrowers' capacity to repay.

Not only have we made improvements in thrift and mortgage lending practices which equip us to deal more effectively with future needs, but we have, as a result of Federal and State legislation over the past decade, produced improved Federal and State

machinery for the encouragement of thrift and home ownership so that both now enjoy a degree of protection and security hitherto unknown.

I need not trace here the history and development of the Federal Home Loan Bank System or the Federal Savings and Loan Insurance Corporation. You are intimately familiar with both—with their facilities, benefits and uses, as well as their great potentialities. No one of us, I am sure, is satisfied that these modern instruments are by any means as serviceable and truly effective as we can and must make them. Even today, however, they together constitute a bulwark which, in a very real sense, has revolutionized this business.

As a sixth factor I propose that we list improved housing techniques. These, if put to use, will enable us to produce better houses at lower cost. They hold the promise of new and improved achievements in building construction and of new comforts and personal convenience. They include better heating and plumbing, further reductions of waste in the use of building materials, more prefabrication and standardization of parts, better lighting and ventilation, more reliable air conditioning and refrigeration, a larger variety and greater efficiency of household appliances, and withal greater adaptation to family needs and community standards.

While our country has waged a war of vast proportions, we have found time to develop and test new techniques of home construction and maintenance which add materially to our resources and the prospect of better housing. Most of them are now ready for immediate use and an increasingly large supply, both in kind and quantity, will be available as rapidly as demand requires.

Seventh on the list is our new, or perhaps I should say our proven, capacity to produce. This capacity, supported by a large supply of labor which, after the victory of our armed forces will seek employment, confronts us not only as an opportunity but as a very acute responsibility. If, through neglect or lack of courage we fail to maintain our productive capacity, we may have to pay in penalty more than is required for efficient use. I doubt if anyone has adequately measured the cost to our country of our most recent depression. None of the figures I have seen take account of the spiritual and human costs, and few take into account the general capital costs. It is clear that the measurable costs exceeded \$200 billion and if fully measured it is apparent the real figure would be \$100 billion more. We must be prepared to make such use of our capacity to produce that we shall not slip backward but shall, instead, go forward to far higher standards.

Now these seven items which I have enumerated and briefly described as favorable factors, in creating unusual opportunity are but a few of those we have as our current and immediate assets. You can name more, and more not only should be named but frequently emphasized lest the weak in heart lose zest and courage for the work ahead. For this occasion I am sure enough have been named to make clear that the stage is set for higher endeavor.

Opportunities of Home Financing

With these items in mind, let us examine a few specific opportunities that are before us. I shall deal only with three. First, financing, so far as practicable, new construction for the big market of lower income families; second, wisely extending credit for the protection of the home purchasing or home financing borrower; and third, taking a fuller part in neighborhood activities as a means of aiding in community development. (Continued on page 2265)

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The Housing Industry's Post-War Job

By JOHN B. BLANDFORD, JR.*
Administrator, National Housing Agency

Asserting That There Is an Estimated Demand for 12,600,000 New Houses in the First Decade of Peace, Representing a New Investment of More Than \$50 Billions, Mr. Blandford Stresses the Need for Broadening the Housing Market to Serve the Requirements of White Collar Workers and Wage Earners. The Extension of Mortgage Credit to These Classes Will Therefore Have a Broad Influence on the Housing Industry. Lending Institutions, He States, Can, With Federal Research Assistance, Foster Sound Construction, Good Planning and Neighborhood Development. Sees Government's Role as Supplementary to Private Enterprise in Planning and Providing Homes and Giving Aid Where Assistance Is Needed.

The housing industry,—the home financing industry and home construction industry—in all its branches, is on the threshold of one of the decisive eras in its long development.

The industry faces a production challenge of unprecedented dimensions in the years after final victory. It faces a huge potential market built up from deferred construction during the war, from long delayed replacement of slums and other substandard housing, and from a sheer numerical deficiency in the supply of housing as compared with present and prospective family needs.

In the National Housing Agency we have recently estimated—and I think conservatively—that all these factors add up to a potential demand for 12,600,000 new houses in the first peacetime decade, assuming reasonably full employment throughout the economy. This would represent perhaps \$50 to \$60 billion of new housing investment, and would leave a sizable proportion of the job still to be done. But these are all potentials. The actions to be taken and the decisions to be made on the housing front during the next few years will determine whether or not these potentials will become reality, whether or not housing will be a leader in the drive for a full economy and a better America after the war.

In emphasizing the broad dimensions of the post-war housing challenge, I am not for one moment forgetting that we are still a nation at war and that our obligations to the war effort must have unquestioned priority on our energies and resources until we have won through to victory in Europe and the Pacific.

The housing industry, like all other basic industries, has been deep in this war effort. It has carried out a \$6 billion war housing construction job, which has been indispensable to the manpower mobilization required to reach our present huge levels of war production. Performed under difficult conditions, this has been the war job of the builders, contractors and workers who produced the housing; of the public officials who planned it and where necessary managed it, and of the private lending institutions which financed two-thirds of the program, acting wherever the risks appear feasible for private investment.

This construction job is now substantially completed, although we all have the continuing obligation to see to it that our stock of war housing is used to the best interests of the war effort, and to meet any further needs for war housing as they may develop.

*An address made by Mr. Blandford before the United States Savings and Loan League, Chicago, Ill., Nov. 15, 1944.



John B. Blandford Jr.

However, the main focus of new wartime housing construction is now shifting to building as much standard housing for general use in crowded areas as the materials and manpower supply permits. This will also help ease the inflationary pressure on prices of existing housing, and will permit a start on meeting the housing needs of returning veterans.

These objectives are all close to the war effort, but they are also closely tied in with the first steps toward post-war housing. We are getting nearer and nearer to the stage of concrete, large-scale action.

Post-War Housing Job

I would like to explore with you the broad outlines of the post-war housing job and present for your consideration some of the steps which we consider essential for an effective, concerted approach to that job. But before moving into these matters I think it would be profitable to take a fresh look at the housing industry itself, using that term in its broadest and most significant sense. Because many of us are preoccupied with the specialized problems of various parts of the industry, there is sometimes lacking a full perspective on its tremendous size and scope, on the complexity of its organization, and on the interrelationship and inter-action among all its parts.

What is the Housing Industry?

The housing industry is built around the production, financing, maintenance and replacement of the nation's supply of shelter, which exceeded 37,000,000 dwelling units at the last count in 1940. It involves the ownership and operation of almost 20,000,000 rental housing units of all types, of which over 16,000,000 are located in non-farm areas. It includes the maintenance and repair of our housing supply; expenditures for these purposes are estimated to have averaged over \$700,000,000 a year during the past 15 years.

The financing of housing is one of the nation's major financial enterprises and one of the major outlets for the investment of savings. The currently outstanding mortgage debt of \$24,000,000,000 on non-farm housing represents more than three-tenths of the total private debt in the United States. Next to food, housing takes the largest share of the consumer's dollar; expenditures for rent or its equivalent have averaged 15% of all consumer expenditures, while household operation has absorbed

another 13%. The taxes paid by residential property are one of the principal financial supports of our municipal services; cities secure from 20 to 60% of their total revenues from taxes on housing.

The production of new housing is one of the nation's major industrial enterprises, even though it has never reached the level called for by full development of our housing potentials. In 1941, a total of 715,000 new housing units were built, less than three-fifths of what we consider to be an average yearly requirement for a full housing program after the war. But this output produced an estimated total of 1,900,000 jobs, both on and off the site. Its estimated construction cost of \$2,850,000,000, excluding land, was more than one-fourth as great as all other consumer durable goods combined; it exceeded expenditures for new passenger automobiles in that large production year for the auto industry and was as large as the combined expenditures for household furniture, heating and cooking apparatus, refrigerators, washing machines, sewing machines, radios and phonographs.

The Complexity of the Housing Industry

So much for the magnitude of the housing industry. Let's look at the complexity of its organization. House building is probably the largest industrial field for American small business. In 1938, it was estimated that there were 75,000 builders in this country who produced one or more houses in that year; two-thirds of these produced only one house apiece but ac-

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Bodfish Favors Government Credit Aid in Rebuilding Slums

Executive Vice-President of the United States Savings and Loan League Holds That With Government Insurance of Loans, Private Capital Could Finance Slum Clearance at Less Cost Than by Use of Public Funds.

Use of Government insurance of credit in the place where there is a real social need, in the rebuilding of the slums, was suggested by



Morton Bodfish

Morton Bodfish, Executive Vice-President of the United States Savings and Loan League at the League's national conference at the Palmer House last week. He said that private capital might have a part in redeveloping slum areas with the aid of government guarantees which

just as we had a railroad era, an automobile era, a good roads era, and various other ways by which the chief industry of a particular period has been designated. Furthermore the small homes that will be constructed and the existing small homes that will be bought will be acquired with a nominal down payment. I expect to see 80 to 90% of the small homes in the post-war period built and sold on a 10% down payment basis over a period of years. We should be able to devise some plan and arrangement with our strong reserve position to do this business and open up an area for home ownership that is not now being served."

would be much less costly to the taxpayer than direct building with public funds.

He said that in the next 10 years 2 or 3 billions of government money will probably be devoted to slum clearance in some way.

"The next five years are going to be years of more general business activity than we have ever seen in this country with the exception of the pressures of war time," he said. "This coming year the world is going to move back into a more nearly normal economy; with more civilian materials, more labor available to make possible a resumption of civilian home construction.

"The next 10 years are going to be known as the housing era,

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Compulsory Military Training in Peacetime for America?

(Continued from first page)
life and put him in the army to give him military training. Let's hope we do our job so well when we win the war that we can make ours a peaceful world without constantly preparing for war.

IRVIN L. STONE

Partner, Newburger & Hano, President of the Young Men's and Young Women's Hebrew Ass'n of Philadelphia



Irvin L. Stone

I am absolutely convinced of the need for general military training in peace years.

CARLTON A. SHIVELY

Financial Editor, New York "Sun"

Compulsory military training for the United States should be opposed, I believe, for two main reasons: (1) It would not prevent war; (2) it would be of little use to us in winning a war.

Training of the youth of this country would not restrain a nation from attacking us, unless the service applied to perhaps five or six million young men for periods of one to two years. Such widespread military training would seriously upset our economic and social life and doubtless would be politically impossible to bring about. It is absurd to suppose that the only way, or even the best way, to secure peace for this country would be the maintenance of so large an army. Burdened with the debts of the last two wars, our citizens would not meet the tremendous expense involved, unless convinced that the safety of the land were at stake.

Not a Pressing Problem

Surely no one in the United States believes that, after the complete subjugation of Germany and Japan, this country will be in jeopardy for a good many years to come. Compulsory military training, assuming that we will, as we should do, retain a large army, navy and air force, fully equipped and trained, is not a pressing question. It is made to appear so merely because its advocates wish to take advantage of the country's present temper.

So far as now can be foreseen, if the nation's safety again should be threatened, the aggressors could come from only one group: Russia, Germany, Japan. It is silly to think of our needing any special defense against any other nation or group of nations.

A Russian war of aggression against the United States is improbable, so long as we are careful to avoid entanglements in what the Russians traditionally

have regarded as their proper spheres of influence; namely, Eastern Europe; lands bordering on India, Persia and Turkey; the Balkans. We never have felt that we had any business to meddle in the politics of those portions of Europe and the Orient, and now only the most radical "internationalist" would have us do so.

Friendly relations with Russia and Great Britain should enable us to maintain peace in other parts of the world and at the same time to avoid placing our proper interests in dispute with Russia. It seems to me that if we have to fight Russia, during the next generation at least, the war will come within the next few years, as a result of settlements connected with the present war. In that case we already will have a huge trained force sufficient for our needs.

As for Germany and Japan, we are bound to keep in force compulsory training until both nations are helpless. After that, the task of keeping them impotent surely could be accomplished with no greater requirements in men and material than we could meet without compulsory training for young men for a year or so. Surely no one suggests disarmament for the United States right after the war. All, I believe, favor a large standing army, a powerful air force and a huge navy for many years thereafter. Surely those forces could be kept on a voluntary basis.

No Peace Guarantee

Compulsory military training of young men in rotation has not been a preventive of war in Europe, nor has it been particularly effective for waging war. In our time the aggressor always has planned war long in advance, and in so doing has gone much beyond any training system now proposed for us.

Even Russia, which to accept the Russian viewpoint, was merely preparing a defense against what its leaders deemed an inevitable conflict, devoted much of the past 20 years to intensive military preparations, equipped the world's largest standing army, and taught the remainder of the population to work rather than to fight.

When the present army is demobilized we will have sufficient trained men, assuming that we keep a large standing army also, as undoubtedly we will do, to meet any military situation that is likely to arise for the next several years. In any event, therefore, there is no need for rushing through a compulsory service act, under the hysteria of the present war.

Suppose that, say by 1948, we do have such a law. If war should break out that year or in two or three years thereafter, the training of the classes of 1948-49 and 1950 would have had would be useful, but the training and physical upbuilding given young men in 1945-46-47 hardly would matter. Not only would the changes in military science render their training obsolete, but the good effects, if any, of the camp exercises would have disappeared.

From my talks with many persons on the subject I find a tendency for them to say: "Oh, well, it wouldn't prevent a war, of course, and it might not be much help in preparing us for one should it come, but the training would do the boys good."

Congress, hearing the same thing, is likely to pass a compulsory act, spurred by the President, on just such grounds. If so, another broad running jump into the area of State control and socialization of the individual will have been made. No one questions the need for subordination of the individual to the needs of the State in war time, but the transformation of the nation into that sort of thing in peacetime

surely will do much to implant into our soil the concept of totalitarianism, the great breeder of war.

The idea that military training of a few months to a year, or even longer, will be good for young men is of doubtful soundness. If the youth intends to go to college he will thus have his career as a student interrupted in a manner that for many would mean permanent stoppage, just as the lure of good wages for a boy of 18 makes it difficult for him to see the advantages of further education. The boy who does not intend to study further at least will get a later start in life than otherwise would be the case, and he will have been thrown into an environment where, in spite of himself, he will be contaminated with the prevailing army notion that the smart boy is the one who can avoid unpleasant tasks.

Physical Training Aspect

If it is not possible for every boy to secure a year's physical exercise that the army might provide, the Government could better spend the money for that purpose alone to facilities to be used at the convenience of the boys than to force them to take it. Men now in uniform set no great example and moral uplift for those unfit for or otherwise exempt from service, nor could the army make a man out of a weakling. The strong don't need compulsory service, and the good effects, if any, on the weak would be transitory.

The examinations for the service have revealed shortcomings in the physical condition of our youth, but those defects were established before the age of military training as proposed. It were better, it seems to me, to do some missionary work in the homes and in the schools and churches long before the boys reach military age.

DR. CLYDE WILLIAM PHELPS

Head of Department of Economics, University of Chattanooga, Chattanooga, Tenn.

The compulsory military training proposal is merely another grandiose New Deal scheme for accomplishing objectives which could be attained by simpler and more straightforward measures and without regimentation. I refer to admitted or claimed objectives.

Of course, there are other possible objectives as yet unadmitted, and which would undoubtedly be heatedly denied (the past 12 years have paraded before us a long series of heated denials which were soon proved to be insincere).

For example, if it were desired to indoctrinate all the young men and women of America (i.e., all the coming generations of our citizens) upon attainment of age 18 with a good, thorough, one-year course in the proper and patriotic attitude toward New Dealism and whomever happens to be currently Commander-in-Chief of the Army and Navy and in the proper hatred and distrust of business men and investors, the scheme would be far more efficient than the more clumsy method of subsidization or Federalization of education.

I do not say that any one has so far admitted such a desire. I only say that, given such a desire,

the scheme seems to possess advantages over alternative methods which we should frankly concede. Also, we should agree that it would be impossible for Congress to phrase the law so as to prevent an Administration from using the scheme for indoctrination purposes if it so desired.

BERKELEY WILLIAMS

Richmond 19, Va.

Pious pacifists who oppose compulsory military training, and that includes the Federal Council of Churches of Christ in America, who claim to represent 26,000,000 Protestants, and has declared we should not pass a law now for compulsory military training, will do well to take counsel with realities.

No. 1 reality is the attitude of the three world leaders—Churchill, Stalin and Roosevelt—towards war. Churchill has been declared to be "fascinated" by war. Apparently he has been so throughout his long and distinguished career, and skeptics have only to examine his military record from Khartoum to date, read his many books that are mainly on military subjects and draw their own conclusions: Next, there is no greater fanatic on the subject of military power than Field Marshal Stalin, and, finally, Roosevelt is never happier than when wrapped up in the cloak of Commander-in-Chief. All three are now engaged in a war to end all wars and preparing blueprints for an everlasting peace, but each of them has thrown his weight around before and no one knows when they will do it again. There are situations in Iran, China and the Balkans right now explosive enough to "let go" at any minute. Furthermore, history and human nature are against any "permanent peace." A recent letter in the New York "Times" said that in the past 3,000 years there has been a war in progress somewhere in the world in 12 out of every 13 years and there have been 8,000 peace treaties executed with an average life of 2½ years. Our salvation, therefore, lies in the maintenance of a huge armed force plus larger reserves, and how can they be secured without compulsory military training?

No. 2 reality is that as much as people have discussed the subject, no moral equivalent for war has been discovered. Young men will go for it in spite of the fact that when they get into it they agree with the doughboy in a fox-hole who said, "This is a hell of a way to make a living."

Then there is No. 3. Enemy aliens with their Europeanisms have marched in on us and already taken command of one political party. Every one should read "As We Go Marching," by John T. Flynn. "My only purpose," he says, "is to sound a warning against the dark road upon which we have set our feet as we go marching to the salvation of the world and along which every step we now take leads us farther and farther from the things we want and the things that we cherish."

A great deal more might be said on the subject, but what's the use?

Militarism as an economic institution may be had, but the lack of militarism is more than likely to be far worse—who will deny that if Great Britain, Russia and

America had been prepared Hitler would never have gone marching or would have been stopped dead in his tracks?

U. S. SENATOR-ELECT LEVERETT SALTONSTALL

Governor, Commonwealth of Massachusetts

The question of compulsory military training is just one phase of the vast problem of world peace and security. Of course, I hope



Gov. L. Saltonstall

and pray that the will and the machinery will be quickly developed to prevent the recurrence of another war. In the Senate I shall devote myself to that end.

Conditions throughout the earth will require that our nation be strong. What form this strength should take in military and naval terms can only be decided when the factors become more clarified and the recommendations of the military and naval authorities be placed before Congress. Until those and that of the Chief Executive are made, I do not wish to make a definite commitment that may lead to later misunderstandings.

MAX WINKLER

Bernard, Winkler & Co., New York City

Regarding the question of compulsory military training in peacetime for America: "Si vis pacem para bellum" was valid 2,000

years ago when it was first enunciated, and it is equally valid today. Despite the numerous agencies which have been and are going to be created to preserve peace, there will always be those who will plan for war. Hitlers and Hirohitos will arise and menace mankind, and it is against these that America must be prepared because she will, in all likelihood, be the principal target of the Hitlers of the future.

It would therefore seem desirable, nay, necessary, to have at all times a large army, well trained, well equipped and ready to meet any emergency. Men who reach their 20th birthday and who are physically fit and in all other respects acceptable to serve in the armed forces of the country should be required to enlist for one to two years of active service. Those who are in the midst of their academic or professional training and who have been graduated from a college or educational institution of equal rank and standing should serve for a period of not exceeding one year. All others should be required to serve two years. Upon the expiration of this period the men should be placed in the Reserve and be subject to call. They should also be required to report for periodic maneuvers of from two to four weeks at least once a year.

The knowledge that this country would at all times be in a position to command a well-trained army (and navy) is bound to



Berkeley Williams



Carlton A. Shively



Dr. C. Wm. Phelps



Dr. Max Winkler

impress the aggressors of the future sufficiently to warrant the belief and hope that the ghastly spectacle of 1914-18 and of 1939 may be avoided.

FRANK CIST
Delray Beach, Fla.

"The Commercial and Financial Chronicle," in its issue of Oct. 26, asked for opinions on the proposal made Sept. 2 by Gen. George C. Marshall for universal post-war military training. Under present conditions I heartily urge as much post-war preparedness as we can reasonably afford.



Frank Cist

I would not so strongly favor preparedness if I thought the world could rely on a police force to protect it. The sensible thing then would be to cut down national armaments, just as we neglect individual arms in reliance on our local police. But we can place our entire reliance on police protection only as the police themselves can secure popular support for their policing, and such support for a world police force will, in my opinion, be forthcoming only if that force is unequivocally known to be devoted to the impartial enforcement of justice. Such spiritual foundation seems indispensable to the effective functioning of any permanent world peace organization.

Impartiality Discarded

Unfortunately, the Dumbarton Oaks Conference has already discarded impartiality. The "Big Three" or the "Big Four" have bound each other to gang up on any lesser power that ventures to start anything but have left their own hands fully free. Poland seems destined for partition. Messrs. Roosevelt, Churchill and Stalin seem spiritually more nearly akin to the "practical realism" of men like Lloyd George and Clemenceau than to the idealism of a man like Wilson. Accordingly, instead of security based on popular conviction that justice will be made to prevail, and on popular determination all over the world that it shall be made to prevail, this leadership seems to me to promise only a world where every nation must shift for itself, a world of strategic frontiers and alliances and power politics, a world where competitive arming is the order of the day and where security depends on a strong right arm, and a quick one, and preparedness.

The worst possible preparedness will be national bankruptcy. What can we afford? I believe that our national means are limited by our bond-absorbing and our taxing power, and that any attempt to spend beyond those limits will ultimately trip itself on inflationary price rises.

There is also the question of how we can get the most preparedness for the least money. The (London) "Economist" of last April 1 said: "The best insurance, of course, is ships, both fighting ships and carrying ships." It also advocated a storehouse of wartime raw materials and a nucleus of wartime factories kept in partial operation. As to ships, Secretary Forrestal, as quoted in the New York "Times" of Sept. 12, argued that transport of men and supplies had laid the foundation for General Eisenhower's successes and he appealed for extension of the training program to the Navy. He also made the excellent point, "that between the two World Wars the United Nations failed to spend enough money on scien-

tific research for military purposes and that it could not afford to repeat that error." There will thus be a number of competing post-war military uses for our money besides the training of personnel.

There seems also to be a question of when this program is to take effect. The New York "Times" of Sept. 6 argues editorially that adoption is urgent. "Our soldiers already in the field are entitled to have positive assurance that new and younger men will be prepared to take their places in such post-war duties as the occupation of enemy countries and the maintenance of strategic outposts."

Lower Draft Age?

But why not get these "new and younger men" by simply lowering the draft age? The men taken would be the same under one program as under the other, they would be taken for the same period of training; but, if drafted, they would probably train under a greater sense of urgency, and if needed for emergency use they would be more instantly available. That program would also meet the objection of the Rev. C. F. Meyer in your issue of Oct. 26, that the men now in our army and navy should have an opportunity to vote on any measure designed to conscript their sons and daughters after the war.

Effective Date Uncertain

Furthermore, General Marshall himself, if I understand him, does not favor the inauguration of our permanent conscription program now. In his proposal, already referred to, which started this debate, he says: "The plans for a permanent peace establishment referred to in this circular relate to a later period, when the future world order can be envisaged." That seems common sense. We can then form a better idea of how much the war has cost, how much inflation we are likely to have to deal with, how much New Deal social services are going to cost, how much taxing power we have left, how much and what kind of equipment we still have on hand, how much and what kind we are likely to need most in the future, what kind of peace protection we are going to be able to depend on from whatever international organization is set up, and where our limited funds can be used to best advantage.

These at the moment are the ideas which occur to me on this important subject. I believe that emergency need of manpower can and should be taken care of by lowering the draft age; as to post-war planning, that we can see our way more clearly when the war is over; but that then, in default of a moral peace such as the world is going to be enthusiastic about and glad to fight to enforce, we had better set about preparing ourselves as fully as our means permit.

ROGER W. STRAUS

President, American Smelting and Refining Co., New York City

I am in favor of compulsory



Roger W. Straus

military training in peacetime for America.

W. C. MacFARLANE
President and General Manager, Minneapolis-Moline Power Implement Co., Minneapolis 1, Minn.

Twice in my lifetime the United States of America has been caught unprepared and involved in the two largest wars known to history. It is about time we learn a lesson and are not lulled to sleep by pacifists who howl about war mongers and advocate brotherly love.



W. C. MacFarlane

Our nation has done a wonderful job both in its manpower and in its industries—but had we been better prepared earlier so many human lives would not have had to be sacrificed.

I think all youth, both boys and girls, should receive compulsory military training somewhere between the ages of say, 17 and 22, to be so worked out as to not interfere with receiving their higher education. In the case of the boys, it should be at least the equivalent of a year of intensive military training, and in the case of the girls it should be about three or four months, to fit them for such duties as WACs, WAVES, SPARS, etc. In their case, this could be done in vacation time, something like the Girl Scout's camps, etc.

I think this training should be undertaken by the Government but not intermingled with the educational program of the schools and colleges. It should be synchronized so the youth of our country could get the kind of higher education they want and at the same time be fit for national emergencies.

I believe preparedness is the best way to keep out of trouble.

NORMAN THOMAS
Socialist Party Leader

In theory, the war was to conquer militarism along with the Germans and Japanese. Now it is proposed even before this war

is over to copy in post-war America the military system which we have always reprobated in Europe.

Of course, the main argument is that such conscription is necessary to our national defense. I have done my best, unsuccessfully, to force such advocates of it as Congressman Wadsworth to tell us against



Norman Thomas

which of our present Allies we must have it since our present enemies are to be permanently disarmed. They always avoid the question. Always they assume what no foreigners of any nation will admit, namely, that we Americans would only use conscription and its attendant armaments for the defense of our country and the right, while other nations are likely to use it for aggression. None of the advocates of post-war military conscription—except possibly Mrs. Roosevelt—tries to deny that of itself in modern warfare conscription is useless without the most up-to-date and powerful armaments.

France found that out in 1940. When General Marshall speaks of a small professional army plus this conscription he is using words in a very relative sense.

Actually, the professional army, including the officer caste, the drill masters for the conscripts, and the indispensable technical experts, will be very large.

Not Peace Guarantee

The strongest pressure behind the demand for conscription is that by it and the permanent officer caste and the production of great armaments, unemployment will be relieved. This has been the historic role of militarism in Europe for the last hundred years. The result has been that men have never got their minds down to conquering poverty. Meanwhile, no nation by conscription has averted war or even guaranteed victory in war, and all nations by this device have helped to prepare the way for the coming of Fascism and the totalitarian state. America will be no exception.

Indeed a well informed Army officer a short while back in a burst of candor admitted that the chief use of conscription was to discipline the people. Perhaps he had in mind the way the French Government used it to break strikes by calling the workers, who were in the reserve army, to the colors and then ordering them to do the work they had refused to do as civilians.

Danger From Abroad

For America to adopt post-war military conscription for all its ablebodied youth now, before this war is ended, is a confession that we have lost the peace, an invitation to the nations of the world to indulge in that rivalry of armies and armaments which eventually we shall lose since other virile nations entirely capable of copying our technology have greater populations and higher birthrates.

Conscription is inconsistent with true liberty and today invites the coming of totalitarianism. The notion that the best way to improve the national health is to train all ablebodied youth for war will not bear analysis.

WILLIAM A. ROBERTSON
The National Board of Fire Underwriters, New York City

I cannot sufficiently praise the splendid article by the Reverend Cyril F. Meyer against compulsory military training, appearing in your issue of October 26, 1944. It covers the subject completely, and there is no adequate reply that can be made. It is with much diffidence that I venture to add anything to what Father Meyer has said. I refrain from covering any of the points which he has asserted so forcibly, but would emphasize the following:



Wm. A. Robertson

(1) Such enforced military service is destructive of the best in American life. From earliest days, America's strength has come through the freedom of individual action, freedom of opportunity, freedom from burdensome taxation, and through love of home. It is a commonplace to say that the first settlers fled from the cramping and hateful restrictions of the Old World, both political, religious, economic, and social. From the day when Captain Smith and his company landed at Jamestown, Va., America became to the people of the Old World an ideal of what life ought to be. Feudal privileges, feudal land tenure, compulsory military service, compulsory religious observances—these were things that weighed on humanity like mountains of lead. They were all to be found on the other side of the

ocean, but in the New World they were mere names, or would soon become so. What a glorious relief! In England, a few great thinkers had dared to dream of such a new life; on the continent of Europe, still fewer had so dreamed.

A Compliment to Germany?

Are we now to turn our backs on all these, and adopt the teachings of Frederick the Great and Napoleon? Shall we admit that our past has proceeded on wrong principles, and that the cornerstone of American national life has been resting on a false bottom? Already things are bad enough; we have copied Germany and France quite enough, and more than enough. We have crushing taxes, meddlesome Governmental interference such as would have been worthy of Colbert in the time of Louis XIV, a huge list of Government employees and retainers; an unhealthy wish on the part of the Government to plan our lives for us; and a most suspicious desire to cuddle us from the cradle to the grave. Are we to pay one more compliment to Germany by introducing enforced military service upon the growing boyhood and youth of our beloved land? Must every lad in his teens endure the exasperating discipline of a camp, with its ever-present tendency to coarseness, vulgarity and loose living? I have heard of one youth who was unfortunate enough to have such an unbearably coarse lot of camp associates that he was actually contemplating something desperate to rid himself of such conditions. His patriotism and sound judgment prevailed in the end, and he continued to endure the life forced upon him.

(2) Such a measure as enforced military service would mean a tremendous additional expense to taxpayers, just at a time when Governmental economy ought to cry out louder than ever in the past. Billions of dollars will have to be raised in the future, simply to pay the interest on the bonds of the Government.

(3) The plan calls for a terrific and shameful interruption in the studies and career of our youths, at a time in their lives when a year lost is of such infinite value that the damage can never be made up. A year taken from the life of a man in his 40's (harmful as it is) is less ruinous than when snatched from those glorious days of boyhood and youth which are unlike anything that comes afterward.

(4) While it may be true that for certain boys the discipline of the army is good, it is more than true, on the other hand, that thousands of boys are so unsettled and unhinged from the ordinary routine of life that they can never again anchor themselves to anything sober, quiet or useful. A life of adventure and irregularity is the only thing that can make any appeal. Moreover, military life often inculcates arbitrariness, callousness and harshness skirting close up to cruelty.

(5) While so large a part of the world is on the move toward socialism or communism, do not let us give one scintilla of encouragement in that direction. Let us look into "the perfect law of liberty," to which America has always been dedicated; and—to quote the words of James Russell Lowell—let us not "keep glancing aside into Europe's cracked glass."

Attractive Speculation

Sioux City Gas & Electric Company and its principal subsidiary, Iowa Public Service, offer reasonably safe but none-the-less attractive speculative investment opportunities in anticipation of peace, according to a study of the situation prepared by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this interesting study may be had from the firm upon request.

The Post-War Price Problem —Inflation or Deflation?

(Continued from first page)

quate quantities, an inflationary situation may well develop. If, later on, we fail to raise the flow of consumers' expenditures greatly above pre-war levels, deflation will be inevitable. The danger of inflation in the transition period can surely be met. The danger of deflation presents a vastly more difficult problem. To solve it, will be the main challenge to our post-war economy.

Nobody can foretell how strong inflationary pressures will be during the transition from war to peace. Inflation pressures include the pent-up demand for consumers' durable goods and housing; continued shortages of certain food and clothing items; the huge volume of liquid assets in the hands of the public; a potentially large foreign demand; finally, the people's desire to return to normal and to get rid of wartime controls once victory is won. The longer the war lasts, the greater the danger of inflation will be because of the cumulative increase in pent-up demand for civilian goods and in liquid assets in the hands of the public.

However, at the same time there will be deflationary pressures working in the opposite direction. There will be large reductions in war expenditures creating unemployment in war industries. Demobilized war veterans will be added to the civilian labor force. There will be large stock piles of many raw materials. Uncertainty about future employment will deter many people from drawing on their savings or spending as much as they otherwise would out of their current income. Similar uncertainty will delay business expenditures. Many other factors in the situation, as the war ends, will add to the mixture of inflationary and deflationary forces.

Because of the uncertainties of the transition period, price and fiscal controls should be kept intact until industry has resumed civilian production on a scale adequate to meet demand. Only thereby can the consumer be assured that he will not lose by postponing purchases and that the purchasing value of his savings will be protected. This is vital because of the huge volume of liquid savings accumulated in the hands of the public as a result of war financing. If these savings are used prematurely through fear of impending price increases, they would be a destructive inflationary force.

Unless the program for the transition period is carefully planned and carried out, the long-run economic problems of the country will be vastly more difficult to meet. Just as the difficulties of the 1930's were due to the failure of the policies of the 1920's, so will our post-war situation be determined largely by the job we do in the transition period.

For example, we may expand our industrial plant too greatly and in the wrong directions in an effort to satisfy too quickly the huge backlog of demands. These demands will include not only the large pent-up need for consumers' durable goods, capital goods and public works, but also for large foreign demands. Instead of meeting these demands at once, prudent policy calls for satisfying them in a more gradual and orderly manner so that when these accumulated forces are expended, there will not be a sharp and sudden drop with serious deflationary consequences. It is better to ration, control prices, restrain credit expansion, and delay deferrable public works or foreign loans in this period than to have an unsustainable over-extension. It is most important during this trans-

ition period, while we have the sustaining power of backlog demands, to adopt policies designed to lay the groundwork for the higher standards of living we must have later on. These policies should include, among other things, a Social Security program covering all of our people and providing adequate benefits; a modified tax structure; maintenance of low rates of interest to encourage new investment, including housing; and the planning of Federal, State and local public works to be undertaken when the need to provide additional employment develops. It is at this time, when the backlog of deferred need has been largely met and we must rely upon current demand, that we shall face the most difficult test of our ability to prevent deflation and mass unemployment.

On the average this year about 52 million civilians are employed. In addition, more than 11 millions are in the armed forces, making a total of more than 63 millions, or nearly one-half of our total population. After the war, a substantial number of people attracted to the labor force during the war will retire or return to school or housework. A rich country such as ours can afford to give its young people adequate education and to provide retirement for its older people. But even after making full allowance for probable withdrawals from the labor force, it is evident that more people will be available for work in peacetime activities than are now employed.

What does this mean in terms of production in the post-war years? It has been conservatively estimated that in order to have reasonably full employment in the second year after victory, we will need to produce goods and services amounting to 170 billion dollars at 1943 prices. As the labor force and efficiency increase, this figure will have to be revised upward.

Yet, even a 170-billion-dollar total reflects a volume of output vastly above that of 1939. In order to visualize what 170 billion dollars of expenditures means, let's divide as follows: 110 billion dollars in consumers goods and services, 25 billion dollars in plant, equipment, housing and other new investments, and 35 billion dollars in goods and services supplied by Federal, State and local governments.

Allowing for price advances since 1939, these figures mean, for example, that as compared with 1939 we will need to have 40% more in consumers goods and services, nearly twice as much in plant, equipment, housing and other new investment, and double the total of public expenditures.

These are challenging figures. They are significant not because they are in any sense a forecast. They are significant because they indicate the general magnitude of the job that lies ahead of us. It is apparent that we must aim high; that we can never go back. If we were to return to 1939 levels of production, from 15 to 20 millions of our post-war labor force would be without jobs, an intolerable situation. Many of those without jobs would be veterans of this war.

We should be able to agree in substantial measure on a relatively simple statement of what our post-war economic problem will be once we are beyond the difficult period of reconversion and the backlog of needs accumulated during the war has been satisfied. The over-all economic problem may be defined in this way: In order for 56 million workers to have jobs, enough money must be

spent to buy the output of 56 million workers. Production large enough to employ substantially all workers is possible only if the total income which is received is either spent on consumers goods and services or is saved and goes into new investment directly or indirectly. Savings which are invested are returned to the stream of expenditures and thus continue to give employment. Savings that are held idle or used to bid up prices of existing assets do not. If the flow of income back into the expenditure stream is interrupted, demand becomes insufficient to take off the market what is produced at full employment. As a result, production, income and employment inevitably decline. To assure a sufficient flow of expenditures is, first of all, the responsibility of the people and businesses who receive income and who decide how to use it. But there are millions of income recipients and millions of businesses in our country, and there is no assurance that a sufficient amount of expenditures will come forth in a steady stream. If the purchases and investments of the people are not sufficient to buy the goods and services provided by full employment, then cumulative deflation and unemployment will develop unless the Government steps in and provides a sufficient volume of total expenditures.

The larger the unused savings, the larger must Government expenditures be to overcome the deficiency in private spending and investment. The Government has two ways of channeling idle savings back into the income stream, that is, either through taxation or through borrowing. As between the two, I believe that taxation must carry the main burden. I would be most hesitant to see further additions to the public debt after the war. In this respect, the post-war picture will differ greatly from that in the early 1930's when the economy had undergone a drastic deflation and large Government deficits were not only unavoidable, but it was desirable to replenish a contracted money supply. An entirely different situation will exist after this war. Upon the termination of the war, the total volume of currency, bank deposits and Government securities, which are the equivalent of cash, will be far more than adequate as a basis for the purchasing power needed to provide full employment.

A more direct approach than deficit financing should be found in order to maintain necessary expenditures. Since we cannot afford, in the post-war economy, to have widespread unemployment, it will be essential, if all other methods of providing employment fail, to have the Government underwrite employment through borrowing the unspent savings of the people and returning them to the income stream. However, this should be a last recourse. A much more satisfactory approach would be to bring about the necessary increase in the flow of expenditures by other means, for example, by an extension of the Social Security program and by appropriate tax policies that would induce more spending and reduce idle savings.

A high level of consumers' expenditures is the basic requirement for post-war prosperity. The consumer is the real employer. If he receives adequate income, business has a buyer for its products, and having a buyer for its products, it has jobs for the workers. If the consumer does not buy, the markets for the output of business shrink and total income and employment fall off.

Much can be done to increase consumption through a much broader Social Security system. The Government should underwrite and guarantee a national minimum of income, education, health and old-age security for all

citizens. By so doing, the Government can place a floor of purchasing power under the economy. This in turn will place a floor under the market for the goods and services of business, industry, and agriculture. Decent minimum levels of income will themselves help to achieve and maintain full employment. Our productive capacity is so great that such minimum standards will not be a strain nor will they impose a dead level of uniformity. Ample room will be left for most people to raise their incomes far above these minimum levels. Post-war social security benefits should not be based upon further additions to the payroll tax, but should be paid for out of the general budget, because a tax on payrolls is a tax on consumption and, therefore, undesirable when more consumption is needed.

The Federal budget is not likely to be less than 25 billion dollars a year after the war, or about three times the prewar level of 1939. If we succeed in maintaining full employment, however, a budget of this size, in order to be balanced, will not require tax rates to be three times as high as before the war because the income base will be far larger. The higher the national income, the easier it will be to pay for the costs of Government. It is doubly important, therefore, to recognize the close relationship between the way in which our taxes are collected and the flow of income from which they are drawn. Our post-war tax system should be designed to induce a high level of consumers' expenditures. Accordingly, the first requirement should be a drastic reduction in excise taxes because they tax consumption and thus undermine the markets for business. Secondly, personal income taxes upon the lower income group should be reduced by increasing exemptions.

There is no lack of need for everything that we can produce. There are still a great many people in this country whose standard of living is shamefully inadequate. The basic problem is to see that the necessary purchasing power flows into the hands of those who will use it to increase their standard of living. An adequate Social Security program as well as assured employment will do much to induce the spending of current income and thus increase the standard of living.

A high level of consumers' expenditures is not possible without a large volume of wage and salary income. If our economy is to operate at full capacity, average wage and salary incomes must be high enough at normal hours of work to give the people sufficient purchasing power to take the product off the market. Again the significance of this for the post-war adjustment is evident. When, after the war, hours return to normal and overtime pay is discontinued, total wage and salary income will decline sharply. If we are to avoid sharply declining prices and loss of markets which discourage production and business expansion, a gradual upward adjustment will be necessary in the wages and salaries of the great mass of comparatively lower paid workers.

Increases in productivity should be passed on to the public largely in the form of higher wages and salaries and should not be added to profits. In those industries in which productivity is increasing much faster than average, prices should be reduced in order to reach larger mass markets. Throughout, prices should be set on the basis of narrow margins per unit of output.

Once a high level of consumer expenditure is assured, the foundation for investment expenditures of business will be laid. Investment expenditures are made in anticipation of consumer demands and are not likely to be made unless business is assured

in advance of an adequate market. We hear much about the reluctance of business men to take risks and engage in new ventures because of lack of confidence. However, business confidence is an effect and not a cause. It will exist if there are markets to look forward to; it will not exist if markets are lacking.

To assure adequate total purchasing power, it is necessary for business to disburse the funds which it receives from the buyers of its product. Corporate profits that are not used for capital expansion should be passed on to the workers or the owners, and thus returned to the expenditure stream. Depreciation and depletion reserves which accumulate, as idle balances similarly constitute a drain on the expenditure stream. Currency, deposits and Government securities held by businesses other than banks and insurance companies have increased from about 24 billions in 1941 to the unprecedented total of 66 billion dollars. They should not continue to increase after the war because, as I have emphasized, business receipts must be spent currently to help sustain full production and employment.

There is much discussion today in favor of reducing corporate taxation after the war. To the extent that this reflects a recognition that taxes are an instrument of economic control, I welcome the discussion because I have long contended that fiscal policy is the most important single instrument through which the Government may influence economic conditions. I believe, however, that much of the current discussion is in the realm of wishful thinking because the revenue objective is set entirely too low. Also, I believe that removal of various excise taxes and a reduction of income taxes on the lower income groups should come first. Once this has been done and revenue needs permit, I would favor a reduction in the corporation income tax. The rate might be lowered to 25 or 30% and the corporation permitted to take out of its taxable income that part of its profits which it distributes as dividends. This would remove double taxation of dividends and be an inducement for corporations to distribute their earnings. Some provision could be made to allow small corporations to retain needed funds without tax penalty. The excess profits tax with its carry-over and carry-back provisions should be retained for some time after the war at a reduced rate of around 65%. High profits that will be earned in that period are traceable to backlog demands and are thus in the nature of war profits.

As a further encouragement to small business enterprise, provision should also be made for substantial tax benefits. This would stimulate investment in small and independent enterprises. It would be the most effective way to make equity capital available to them and be of far greater help than to provide too much easy credit. Encouragement of small enterprise is essential not only for economic reasons, but to vitalize our democratic institutions and help keep alive the spirit of American enterprise.

Our economic problems must be worked out at home. There has been, in recent discussion, too much reliance on the stimulus to our domestic prosperity which may result from world trade. International cooperation is essential and international agreements, such as those planned at Bretton Woods, are desirable. Yet, we must not forget that the level of post-war employment in the United States will depend primarily upon the existence of domestic markets for our products. Our first responsibility is full employment at home and achieving it is the most powerful contribution we

can make to a prosperous world economy.

In the period ahead, we should keep constantly in mind that this is a 200-billion-dollar a year country. We all know by now that we cannot gain by fighting over shares of a small total output. In 1932 when many millions were unemployed, corporations as a whole lost nearly 3½ billions and net current income of farm operators amounted to less than 2 billions. In 1943 with full employment, corporations, after tax liabilities of about 15 billions, had net incomes of nearly 9 billion dollars, an all-time high. Similarly, net current income of farm operators amounted to more than 12 billions, likewise an all-time high. There is no profit in goods that are not produced. On the other hand, we all gain from a larger total output.

I have sought to outline the principal economic factors in prospect and the approach to the solution of our post-war problems which I believe promises the best hope of success. Such suggestions as I have made are, of course, only a part of a comprehensive long-run program for full employment. The objectives of such a program may be summed up as follows:

To maintain full and stable national production, income and employment to the maximum possible extent through encouraging the expansion of private enterprise.

To guarantee minimum standards of health, education, and personal security for all members of the community.

To provide for a steadily rising standard of living for the Nation as a whole by development of our economic resources and by improving the efficiency with which they are used.

To promote a high level of world prosperity and world trade in cooperation with other nations.

There will not be much disagreement today among thoughtful people, regardless of political faith, or economic background, on these goals of national economic policy. Modern governments, including our own, have long since assumed a primary responsibility for the economic guidance and progress of their peoples. A highly developed nation like our own, with demonstrated capacity for providing a standard of living for all of the people far higher than anything we have ever known, can well afford to provide a national minimum of income, education, health and old-age security for all of the population. It cannot afford to do less.

Such a guarantee is not the impractical dream of the social reformer. It is essential for our national economic security and for protection of what we call our free enterprise system. It will go far to protect our economy against slumps. It will stimulate mass consumption, widen the markets for private enterprise, and thus open the way for new investment. It is absolutely necessary for the preservation of this democracy and this economic system of ours. Only defeatists today in the face of the war record will say that the goals of full employment are impossible of attainment under our economic system and form of government.

Eleven millions of the youth of this Nation now serving in the armed forces are not likely to believe that we cannot afford jobs in peace as in war to provide jobs for able and willing workers. They are well aware of all of the talk about post-war planning, and if they are impatient with it now because they think it shows an unawareness of all of the bitter fighting that remains to be done, they will be far less tolerant if, when they come home, they find the planning and the talk about free enterprise and full employment are only a mirage.

How many will, never, come

Post-War Role of Savings and Loan Associations

(Continued from page 2260)

ment and influencing higher standards of community service. Each of these must receive major attention if we are to meet the challenge of the times.

In the realm of new construction we must think more in terms of families of medium and low income. There can be no doubt that serious mistakes in home financing over the past were made because of our failure to produce a larger supply of moderately low-priced houses. Our sights were set so high that too many expensive house were produced and sold to large numbers who could not afford to own them. In a country that has produced and rewarded Henry Fords and F. W. Woolworths the building industry and our savings and loan institutions too, have failed to recognize the importance of concentrating on low income families and bidding for their business.

For such families new houses beginning at a price of \$2,500 and running for the vast majority not over \$6,000 with a median well under \$5,000 is required.

That savings and loan associations have not wholly neglected the low cost field as the big market is evident by the size of its recent mortgage recordings. In

home, how many will return maimed for life—we do not yet know. We do know that it is these 11 millions who are risking and losing everything to save this system of ours. We do know that the good intentions of a few years ago about taking the profit out of war look rather like a mockery today. We do know that these 11 millions have not shared in the veritable war boom which has enriched the homefront. They have given up home, jobs, businesses, and life itself. Those who have stayed at home, safe and protected, have been provided with a higher overall standard of living than the Nation has ever before enjoyed. They have accumulated the greatest volume of savings in our history. Farmers, workers, corporations, business men have on the whole higher salaries and wages, more profits, more savings and fewer debts than ever before. Most of this has come out of an expanding, already mountainous, national debt.

The stay-at-home—you and I—own the shares in that debt. We will get the interest and be paid the principal on that debt when we want it. The 11 millions—those who survive—will have to help shoulder that mountain of debt of which we stay-at-homes are the principal owners. They may be quite willing to do so if they have adequate jobs and economic security. You and I should have imagination enough to realize what would happen if we, on the home-front, who have profited so much and risked so little—while they have risked so much and profited so little—if those who have the economic power or the political power in this country accept the defeatism still expressed by some to the effect that the country cannot afford the goal of full employment because the dictates of so-called "sound finance" stand in the way. I cannot imagine more unsound finance or a plainer proof that we do not at heart believe in our system or in our democracy.

Those who have overcome the most terrible of obstacles to win this war are not defeatists. If we at home fail them, they will rightly take command and throw the defeatists out of public and private places of power and responsibility—and I, for one, would be all for helping them to do it. It need not happen that way.

1939 these averaged \$2,467. Although they have increased in size each year since then they averaged only \$2,807 in 1943. New loans by all other types of lenders, except individuals were substantially higher.

These figures nevertheless help to emphasize the fact that our home financing institutions have a responsibility for restudying this vast market and for influencing the investments to be made in low priced homes.

New Responsibilities

This responsibility also extends to the management of credit as a protection to the individual borrower so that in each instance he is assured of value received for value given. In its passage of the Servicemen's Readjustment Act of 1944 (the so-called G. I. Bill of Rights) Congress expressed what we should all regard as a minimum obligation in our dealings with every borrower, namely:

1. "that the proceeds of (the) loans will be used for the payment of — property to be purchased or constructed...
2. "that the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the (investor's) present and anticipated income and expenses; and that the nature and condition of the property is such as to be suitable for dwelling purposes; and
3. "that the purchase price paid or to be paid by the (purchaser) for such property or the construction cost, including value of the unimproved lot, does not exceed the reasonable normal value thereof as determined by proper appraisal."

Now these requirements are not new. They have been similarly stated and have been observed by many of our savings and loan associations for many decades. However respect for them and observance of them by lending institutions generally have not been uniform. If they had been faithfully observed, there would have been little need for the Home Owners' Loan Corporation.

I refer to them as minimum requirements because they serve as a convenient starting point calling attention to other services that should be included in the catalogue of every conscientious, well-managed home financing institution. Among those that should be named as companion services are: (a) favorable lending terms and interest rates on long period direct reduction loans; (b) supervision of construction and inspection during construction on all new building, and careful inspection and report on old construction; (c) provision whenever desired for keeping records of insurance and taxes and arranging to collect for and make payments on the borrower's account; (d) periodic adjustments of interest in favor of borrower because of declining risks to be offset by increased payments of principal; (e) provision for loans and service charges on maintenance and repair to include, when desired, care of property and management services; and (f) periodic appraisal and report of neighborhood trends and values with special reference to the interest and security of home owners.

These items, supplemented by internal controls of credit and ratio of loans to appraised value will give both greater institutional security and personal security to savers and borrowers. They

service in top management of savings and loan associations for expansion in the years ahead. They will help to meet the challenges of opportunity to which I have referred.

But to them I would add the general requirement I spoke of earlier in connection with serving the mass market and the individual needs of borrowers. This requirement or responsibility applies directly to management itself. It is the requirement which calls for taking fuller part in community affairs as a means of siding in community development.

Our business neither locally nor nationally can be limited to the custody of savings and their safe investment in home mortgages without some loss to our individual institutions. Our activity must extend to a variety of services in home planning, home ownership, home security and community welfare. Homes are elements in a community of many and complex interests involving human beings of diverse purposes and habits. In a progressing society not only are all called upon to live together agreeably without destroying the property values of the other but each is expected to take some responsibility for advancing the cultural, business and social interests of the community.

No manager of our savings and loan institution can consider himself a full-sized executive until he becomes an active contributing factor in the whole business that makes home ownership attractive and secure and that business today includes community service at least to the extent of being fully informed of current developments and their effects on property values and home ownership.

There should be no place in our business for the comfortable stodgy person who waits in his office for saver or borrower to come his way and leaves them to go theirs when the transaction is complete. The character of our human needs and the response already in the making will relegate such apathy to rapid extinction and only those will count who take the larger mantle of responsibility.

Momentarily the war has altered and restricted our services. Normal functions have been limited or given new direction, and we shall continue to discharge them until the war ends. When victory is achieved we must be ready for a larger role.

In my analysis of the challenge of impending opportunities I have not dealt with the details of our important and thriving business. I have not spoken of the prospective volume of G. I. loans which in their ultimate total may exceed the present volume of all outstanding home mortgages. I have not dealt with the stock and loans of the Bank System, of current suggestions for expanding them, or of the problems of economic adjustment and full employment, each of which are proper concerns of ours. These and similar problems and possibilities will inevitably occupy our attention for some time.

Post-War Goals

As long as we are at war you will continue, as a matter of course and of public necessity, to purchase and aid in the sale of Government bonds; you will continue to put your house in order for future business by increasing your assets, your earnings and your reserves, and by keeping down the ratio of your expense to income and maintaining your services to savers and borrowers.

I am confident that you and all of us associated in promoting and protecting thrift and home ownership are eager to see growth and to participate in achieving it. In this city in which Daniel H. Burnham worked and strove valiantly for architectural and structural progress let me remind you of his counsel. It was he who said, "make no little plans. They have

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.

Interstate Aircraft & Eng. Appears Attractive

Interstate 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., 113 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede's 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.

Fashion Park Attractive

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

Garrett Corp. Interesting

Fred W. Fairman & Co., 206 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, who have a continued interest in Garrett Corp., have available for distribution the latest annual report. Copies of this material may be had from Fred W. Fairman & Co. upon request.

Sept. Rail Results

Vilas & Hickey, 49 Wall St., New York City, members of the New York Stock Exchange, are distributing an interesting memorandum of ICC comment on September rail results. Copies of this memorandum may be had upon request.

no magic to stir men's blood. Make big plans . . ." In the turbulent, titanic days of war we have become accustomed to planning in the large and executing in finished detail. With the opportunities that will be ours after this war, let us in our special field of endeavor make such use of our resources and opportunities as will prove that we are worthy of our generation.

Unless we are to suffer the pangs of disillusionment, we must set for ourselves clear goals of possible accomplishment, work together for their attainment, hold steadfast to the principles of proven worth and press forward to higher levels of economic and social progress. The final measure of our advance will not be our aspirations or any form of organization or machinery which we create to achieve them but the extent to which the common man and our neighbors are fundamentally enriched.

The Housing Industry's Post-War Job

(Continued from page 2261)
counted collectively for 19% of total construction. There were probably well over 20,000 full-time building organizations active in the housing industry before wartime curtailments set in. It is estimated that there are about 175,000 building subcontractors in the entire construction industry, most of whom handle housing contracts. The 1940 Census listed 142,754 real estate agents and proprietors, and 20,869 architects.

The housing industry in its broad sense also includes the wide range of industries and manufacturers producing the materials and equipment which are fabricated and assembled into completed houses. It includes the complex network of distributors, wholesalers, jobbers and retailers which get those materials and equipment into channels of housing production. It includes the workers and the labor organizations in the building trades and in the factories.

It includes the wide variety of lenders who finance the construction and purchase of housing. There are over 6,000 savings and loan associations, with combined resources of about \$7 billion, whose primary investment activity is home financing. There are the other basic depositories of the public's savings which invest part of their funds in housing: about 14,000 commercial banks with time deposits of over \$21 billion, over 500 mutual savings banks with deposits of about \$12½ billion and over 300 life insurance companies with combined resources of about \$38 billion. There are thousands of individual investors who hold all told over one-fourth of the outstanding mortgage debt on non-farm housing. And, finally, there are the mortgage bankers who are part of the operating system for home financing.

To round out the picture, governmental functions also figure importantly in the housing industry. The majority of cities have building codes, zoning ordinances and subdivision controls. Several hundred cities have local housing authorities established to help meet the housing needs of families of low income. Many States have supplemented local housing controls by Statewide controls. And the Federal Government through its established programs of credit reserves for home financing institutions, mortgage insurance and assistance to municipalities for low-rent housing also performs an important supplementary function in the industry.

Housing Is One Big Industry

We are all members of an industry which is vast in scope and complex in organization. But the clearest indication that this is in fact one broad industry and not a series of unrelated industries comes from the chain of impact that action and policies in any one segment of the field can have throughout the entire housing industry.

If building material costs are too high, the entire market for new housing suffers: builders get less business, lenders get fewer investments, and labor gets fewer jobs. As we learned from bitter experience in the early 30's, unsound mortgage lending practices based on excessive interest rates, short-term mortgages and inflated appraisals bring in their train mass foreclosures, serious investment losses, prostrated markets for builders and the materials industry, and breadlines for building workers.

If builders produce jerry-built houses or badly planned neighborhoods, or overbuild one section of the market, the results are losses for home-owners, insecurity for investors, instability for adjacent housing values, and a further spread of the housing blight which

is threatening the solvency of municipal finances. Unreasonable taxing policies by cities or outmoded, badly conceived building codes or zoning ordinances in cities can also work against the interests of the builder, the materials producer, the worker and the lender. The results of discordant or ineffective housing policies within the Federal Government can likewise spread throughout the industry. And let us not forget that the ultimate impact of all our policies is on the public which the housing industry must serve—the 130,000,000 American citizens who require shelter.

The Unity of the Housing Supply

This interdependence of all branches of the housing industry is in essence simply another expression of the fact that the industry is built around one single, over-all housing supply. I do not see how there can be any obscurity or confusion on this point. When we speak of the national supply of automobiles, for example, we do not break it into unrelated compartments composed of expensive limousines, Fords or Chevrolets, and used cars. We think of it rather as one aggregate supply, and we judge its adequacy by its condition and by how well it matches up with the needs and wants of the American public for modern individual transportation.

If this is true of automobiles, certainly it is true of housing, which is an indispensable requirement for every American family.

Because housing is a local product, fixed to one particular area and to one particular site, the basic measure of our housing supply is the community housing supply. But here again we are dealing with one broad entity, not with unrelated groups of housing. The housing supply of every community serves the housing needs of the entire community—either well, badly, or a mixture of both. It is not a static housing supply, either in quantity or quality. Looked at over any significant period of time, part of that supply is always deteriorating from depreciation and wear and tear; part is constantly disappearing from demolition and fires or other hazards; part is being constantly replenished by new construction.

The needs served by the community housing supply also are constantly changing. The time is long past, particularly in our cities, when any large proportion of the American people live out their lifetime in one dwelling. People's housing needs and their housing demands change in step with their changing family size; they change as developing job opportunities lead to migration between cities, or between cities and farms, or between the various regions of the country; they change in pace with the changing economic position of the individual American citizen.

It follows that the objective clearly should be to match up as closely as possible the changing housing supply in every community with the changing needs of that community's population. In purely business terms, this means that the supply of housing should be kept in balance with the demand. In broader terms, recognizing the profound public interest attached to the conditions under which Americans live and raise their families, this means that the supply and adequacy of housing should be in balance with the needs of all families. From any angle, it calls for a continuous flow of facts on the supply, on the market, and on housing needs, and for action predicated on those facts.

What conclusion can we draw from the essential unity of housing, on the one hand, and the manifold forces and interests that

go to make up the housing industry, on the other hand? Certainly the answer is not centralized control over housing, either by industry, by finance or by government. Let's keep housing democratic and grassroots.

Against this background, I think it is appropriate on this occasion to discuss the role of the lending institution and the role of government in the over-all functioning of the housing industry.

The Responsibilities of Lending Institutions

Lending institutions occupy one of the decisive areas in the housing process. Most housing construction and most initial housing ownership, whether for investment or for occupancy, requires mortgage financing. The power to grant or withhold mortgage credit has therefore a broad influence on the entire operations of the housing industry. It can be used to support better planning, better values and broader development of the housing market. Or it can be used to reap an immediate profit at the risk of future losses or to resist progress in housing techniques and planning.

One of the most gratifying developments in the recent history of the housing industry has been the increasing recognition by lending institutions of the breadth of their responsibilities. This is an important trend, and it is even more important that it be continued and extended in the post-war years. For that reason it is worthwhile to identify just where the broad responsibilities of the lending institution lie.

The lender's primary responsibility, of course, is to the depositor, investor or policy-holder who supplies the funds for mortgage financing. A large and steady flow of savings and investment funds, based on full public confidence, is essential to the future operations of lending institutions and to the full operation of the housing industry. This responsibility calls for security of principle based on sound lending practices and for an adequate return commensurate with safety and with prevailing investment rates.

The lender has a responsibility to its borrowers, to see to it that the home for which they are obligating themselves is worth the price they are paying, to protect them against over-borrowing, and to assist them in orderly liquidation of their debt. Such service protects both the lender and the borrowers. It is due all homebuyers but especially the returning veterans who will undertake to buy their own homes under the provisions of the GI Bill of Rights.

The lender has a responsibility to the building industry. Lenders can help broaden and strengthen the market for both themselves and for builders by encouraging sound construction, good planning, and constantly improving values in new housing.

Lenders have a responsibility to the communities in which they make their loans. The stability of mortgage investments and the continued availability of healthy outlets for investment funds are closely bound up with community policies fostering sound construction and sound planning of subdivisions, neighborhoods and the community as a whole. Lending institutions are as deeply involved as cities themselves in the problem of spreading urban blight and the encroachment of slums. This problem, if left unsolved, is not only a threat to the solvency of city treasuries; it is no less a threat to the stability of mortgages on existing housing, which always represent the great bulk of outstanding mortgage investments. In this whole field of community housing policies, it is to the definite self-interest of lend-

ers to extend their influence, support and encouragement in behalf of effective, well-planned and far-sighted community controls.

In all these matters, it is clear that the long-range interests of lenders are best served by policies that advance rather than retard the sound development and growth of the housing industry as a whole. This is another reflection of the mutuality of interest and the basic unity of interest which cuts across all minor subsidiary issues in housing.

We need competition in mortgage lending—competition between individual institutions and between types of institutions. But that competition should be in terms of service and of responsible participation in an expanding housing industry—not competition for a monetary competitive advantage secured through unsound, shortsighted practices that will backfire on the entire industry in the long run. This is increasingly the point of view of responsible lending institutions, and it is a point of view which must be broadened and strengthened.

The Role of Government in Housing

What is the role of government in the housing industry? This question calls first for some basic definitions of the lines of responsibility in housing.

There is clearly a broad public interest attached to housing and the housing industry. There is a public interest, both locally and nationally, in the conditions under which the American people live and raise their families and in the adequacy of the housing supply as judged from the standpoint of the public welfare. There is a public interest in how well the product of the housing industry leads to sound well-planned neighborhoods and communities. There is an increasing public interest in a healthy and expanding housing industry that will play a full role in the drive for maximum employment and maximum production after the war. There is public interest in the soundness and solvency of mortgage investments, which absorb such a large proportion of the savings of the American people.

In expressing this public interest in housing, our legislative bodies in the cities, in the states and in the Federal Government have a primary obligation, it seems to me, of defining clearly and specifically just what the governmental housing policies are. Acting through our democratic processes, they should state clearly and specifically what the government proposes to do and what it does not propose to do in regard to housing controls and housing assistance. There should be no doubt, obscurity or confusion as to the government's role.

My own profound belief is that the government's housing role in our cities, in our states and in our Federal Government should be solely supplementary to the operations of private enterprise. I believe that government should step in only to the extent necessary to assist private enterprise in doing a fully adequate job, as measured by the housing needs of all the people. As between the housing responsibilities of local governments and the Federal Government, I believe that the primary initiative and the primary decisions must rest with the communities where housing is built and lived in. I believe the Federal role is exclusively to assist communities, to do a truly effective job, where such assistance is needed and desired.

On the basis of these principles, I would like to present you with my views of the broad lines of governmental responsibility in housing:

1. Local governments should modernize their housing tools. This is an essential preparation for effective post-war development. Many building codes are obsolete

and would act as a deadweight on post-war home building. They should be brought into balance with the best building practice and should not act as a barrier to new materials and new construction methods. Zoning ordinances and subdivision controls should be reexamined to make sure that they are in harmony with the city's over-all plans for future growth and will lead to well-balanced neighborhoods, with assurance of lasting values for home-owners and investors. Cities can also make a far-reaching contribution to housing progress by developing housing codes that call for the condemnation and elimination of substandard structures, for the proper maintenance and repair of existing houses, and for guidance in the development of new ones.

In all its housing operations, the Federal Government should support and cooperate with the efforts of communities to develop sound practice along these lines.

2. Local communities and the Federal Government should assemble the facts required for effective housing action. The lack of an adequate groundwork of factual knowledge on housing needs and the housing supply has hampered the housing industry's past operations. We need complete housing inventories and intelligent housing market analysis in our communities. The primary responsibility for this work rests with the local communities and the local housing industry. But the Federal Government can help them set up the machinery and techniques needed for continuing fact-finding and analysis. It can act as clearing house for this type of information and can supply communities and industry with all the information on the national economic environment in which they are working to provide the basis for intelligent planning and intelligent business decisions. No big industry can operate with full effectiveness without knowing where it stands and where it is going.

3. The Federal Government should contribute to the production of better housing at lower costs through a program of technical research. Much valuable housing research is proceeding in private industry, in private research organizations and in universities. In no event should this be duplicated by Federal activities. However, because no private organizations cover the entire scope of the housing industry, there are gaps in the scope of private research activities. Here is where the Federal Government can make an important contribution—by stimulating full utilization of the technical resources of industry, by correlating technical advances and by filling in the gaps in research in the interests of raising the housing industry as a whole to the highest possible plane of technical progress.

4. The Federal Government should encourage and support an effective system of home financing institutions. The availability of adequate sources of financing offered at reasonable terms and on a basis of sound practice, is fundamental to a successful attack on national housing needs. Through educational efforts and appropriate supervision, the Federal Government should help build up a strong system of such institutions. It should support the operation of those institutions by making secondary credit available through regional banks. It should assure a steady flow of new savings into those institutions through sound systems of deposit and investment insurance.

The local home financing institution, operating on sound, progressive principles, is the foundation for all broad-scale efforts to meet housing needs and should be able to meet the large proportion of those needs.

5. The Federal Government

should assist the efforts of home financing institutions with a sound system of mortgage insurance. The broad objectives of such a system should be to encourage private capital to meet housing needs which it otherwise would be reluctant to finance on reasonable terms, to tap national sources of mortgage funds for local markets where required, and to provide support and reserve strength for home financing at times of unusual economic strains on the home financing market. The system should also operate always to stimulate and support good practice in home financing, in housing construction and design, and in site planning and subdivision planning.

6. The Federal Government, working with industry, should search for means of producing good housing for white collar workers and wage earners not now adequately served. There are millions of self-supporting families who want new houses but can't afford them at present or past prices or under existing financing arrangements. This is the big potential new housing market for private enterprise, representing a large untapped outlet for production, investments and jobs. It is also the big challenge in post-war housing, since it is doubtful that a construction rate of a million and a quarter houses a year could be sustained for very long without decisive broadening of the market served by private enterprise. Undoubtedly the search for the proper tools to reach this broader market must encompass technical progress, improved production methods, the economies made possible by large-scale operations, and possibly additional methods of properly controlled financial assistance.

7. The Federal Government, working with state and local governments, should explore the need for financial assistance in local acquisition of land in blighted housing areas for private and public redevelopment. In 1940, the estimated market price of slums and blighted housing areas urgently in need of replacement was around \$12,000,000,000. This was clearly far in excess of the use value of those areas, which threaten the solvency of city treasuries and of neighboring investment values. There should be full study of ways and means of breaking the bottleneck of the high land costs which are now blocking the redevelopment of those areas.

8. The Federal Government and local governments should perfect procedures for loans and grants for low-rent subsidized housing for families of very low income. Local governments and the Federal Government, as representatives of all the people, cannot neglect in their housing functions the needs of any section of the people. Nor can the problems of the slums and of full development and full stability in the housing industry, be wholly mastered without mastering the housing problems of families who can't pay more than slum rents for privately-owned quarters. In approaching this residual segment of the total housing need, its area should be clearly identified—not only below the present bottom limit for privately financed operations but also below any conceivable near-term extension of the private market that may be attained through improved production and financing methods, and lower costs. This area should be entirely non-competitive, and kept so. It should be approached on a basis of maximum local responsibility and maximum participation by private enterprise in the construction and financing of low-rent subsidized housing.

These are eight fields for governmental assistance in housing, as I see them. I think they illustrate that the best way that government—whether local, State or

Federal—can serve the public interest in housing is by helping private enterprise and by supplementing it where necessary towards an over-all goal of decent housing for all American families. The participation of private enterprise is basic throughout the housing process; completely so in the great bulk of housing production but large and important also even in that residual segment of the total need which requires public assistance.

The Need for an Over-All Approach to Housing

We need a full and free contribution from all branches of the housing industry. But we need contributions based on recognition of the aggregate, over-all job we're tackling. We must all learn to think and act as members of one big industry, not as members of isolated segments of that industry. We need competition, initiative and enterprise in the housing industry. But let us exert those essential qualities in behalf of the over-all objectives and progress of the industry.

We need community action in housing, but we need it in the framework of the community conference table on which are laid the full facts on the total housing needs of the community population.

We need unity and integration in Federal housing policies and Federal housing functions in order to supplement effectively the primary housing responsibilities of communities and private enterprise without confusion or overlapping. While the specific activities of the Federal Government inevitably reflect the diversity of functions that exist within the housing industry itself, the industry has the right to expect unity, continuity and stability in the Federal Government's basic housing approach.

We will also need a higher standard of housing for the American people as a whole if we are to reach and sustain average housing production of a million and a quarter houses a year. I have full confidence that this nation has the capacity for higher housing standards—in terms of our resources in materials and manpower and of the American standard of living as a whole. I have full confidence that American resourcefulness and ingenuity can master the technical and financial problems of full housing production.

The big remaining question is whether we can develop the teamwork, the leadership, and the housing statesmanship to carry through the whole job. I believe we have today the core of that leadership in every branch of the industry—among builders, lenders, materials producers, labor, technicians, real estate interests, communities and the Federal Government. This trend needs to be strengthened and broadened. Without in any way diminishing their contribution in their specialized fields, I hope the leaders of the housing industry will develop the capacity for working together on the broad housing front and reach for broad goals.

I have a hunch that if we set our goals high enough, unsound competition, narrow partisanship will disappear as each sector of the industry finds itself fully occupied with a challenging job.

Because the interest in housing is so profound, because the need for housing is so great, and because the potentials of the housing industry are so vast, I am confident that the industry's leadership will match up to the big challenge that lies ahead.

I pledge every effort to help the savings and loan industry play a proud and constructive role in this job.

Savings and Loan Institutions And Veterans' Loans

(Continued from page 2259)

port to our fighting men in the Pacific theater."

He made this suggestion against the background of the savings and loan associations' participation in the war financing to date, which his address had reviewed.

"The total bonds purchased by our associations now exceed \$1,500,000,000, which figure is approaching 25% of total assets," he pointed out. "Bond investments have expanded more than ten times in the aggregate in the course of the first five war loan drives over our position when the Japanese made their sneak attack on Pearl Harbor. You are now preparing to do your utmost in the Sixth War Loan which begins on the 20th of this month."

The purpose of the Servicemen's Readjustment Act of 1944, Mr. Colmery told the Conference, is to give the veteran a chance to overcome the handicap which is his in proportion to the civilian population because of the years he spent in the service, and the law was not meant to be a complete charter of veterans' rights and benefits. He said that the bill had been criticized because it does not cover such fields as medical and surgical care, treatment and hospitalization of the wounded and disabled, and death compensation for the veteran and his dependents, but emphasized that existing laws cover those fields and they have been amended to cover those that served in World War II.

"It is not and was not intended to be a 'bonus' bill or legislation of that character, nor was it intended to take care of the indigent or gold-bricker. The contrast to be drawn is not between the lazy man and the self-reliant man. It is between the person who has not gone into the armed services and the one who has. The former has increased his skill, his earnings, his savings, his security, his unemployment compensation credits, two, three, four, or five years. In contrast the veteran who has been in active service in these respects comes back to the same level from which he went. This bill does not propose to compensate him for that service. It proposes only to give him a chance to catch up. In a true sense we are not giving anything to the veteran. We are making a token payment on a debt we owe him."

"To those who mourn about the cost I suggest two things. First, if we can spend approximately \$300 billion to teach our men and women to kill, why quibble over a billion or so to help them have the opportunity to earn economic independence and enjoy the fruits of freedom and the things for which they fought. And, second, should we not recognize that we can do no less for these youngsters who are the victims of an earlier day and that we, the people, must share the responsibility—people who did not have what it took to meet the issues of the hours, when year after year we failed to fight the battle of freedom because we were unwilling to take the risk which we have now sent them forth to assume for us."

"The veteran is a connoisseur of war, but an illiterate of peace. His re-assimilation is the gravest social problem which confronts us. He can either make the country or break it; save democracy or scrap it; promote world order or World War III."

Charles M. Potter, who has been placed at the head of the Home Loan Section of the Veterans' Administration, reminded the conference that under the Servicemen's Readjustment Act the Federal guarantee of home loans is intended to apply only in cases

where loans have the ordinary prospects of being sound credit transactions, and he stressed the extremely unstable effect on the economy which would result from improper handling of the loans or from the veterans becoming victims of high pressure selling campaigns.

Horace Russell of Chicago, general counsel of the United States Savings and Loan League, pointed out that the legal provisions make it clear that the veteran will owe the money he borrows until it is paid.

"The program is so set up that the veteran may acquire a home without immediate cash investment on his part," said Mr. Potter. "Insofar as possible the lending operations are to follow established sound mortgage practice. It is intended to encourage the making of only such loans as will stand up."

Mr. Russell emphasized that the program under the Servicemen's Readjustment Act is going to be the greatest home loan program the country has ever known, and that the operation will go on for at least five or six years, since the law provides that loans can be obtained up to two years after the peace treaty. He expressed belief that it will be extended even beyond this.

"The lending institution is to be the big brother to the veteran, counseling with him so that the transaction into which he enters is practical and the monthly payments are consistent with his income and expenses."

"All types of mortgage institu-

tions, as I have observed them, are willing and anxious to lend their money to veterans at 4% under the provisions of this Act," Mr. Russell said. "There are to be no penalties for pre-payment of the loan at any time in the course of the maximum 20 years which they may take to pay off."

As evincing its willingness and desire to cooperate in the execution of the purposes of the Veterans' Readjustment Act, the United States Savings and Loan League at the conference pledged by resolution that savings and loan associations would undertake to safeguard the veteran borrowers from abnormal prices for homes, unsound house construction, and uneconomical schedules of payments on homes.

Meeting of N. Y. Group Of Am. Stat. Ass'n

The Taxation and Price Division of the N. Y. Chapter of the American Statistical Association will hold a dinner meeting Tuesday, November 28 at the Hotel Sheraton at which Randolph Paul, of Lord, Day & Lord, formerly General Counsel of the United States Treasury, will speak. The subject of the meeting is "Post-War Taxation and Its Effects." Other speakers include G. Sidney Houston of St. Paul, member of the Advisory Committee of the group which prepared the Twin Cities tax plan; Rufus Tucker, economist of the General Motors Corporation; and Clinton Davidson of Management Planning, Inc. Alan H. Temple, Vice-President of The National City Bank, will preside. Helen Slade of the N. Y. Chapter of the American Statistical Association is in charge of arrangements.

The Survival of Small Business Is an Immediate Responsibility

(Continued from page 2243)

22, 1944) it was shown that on common stock issues floated by companies with assets of under a million dollars the Investment Bankers' Compensation was 20.9% of which the selling group got 10.1% of expected gross proceeds, we can understand the effect that a 5% spread yardstick would have upon the future market with respect to those same securities.

In a poll we conducted, a large number of those questioned were of the opinion that the result would be disastrous to small capital issues.

Both the New York Security Dealers Association and the Securities Dealers Committee petitioned the SEC for an order declaring the "5% spread philosophy" to be a rule.

Hearings on these petitions were held before the Commission in Philadelphia on June 13, 1944. All briefs were in by July 5, 1944, and the matter was then fully submitted for its decision.

Almost four and a half months have passed and still there is no decision on the simple question of whether this interpretation is a rule, and if it is, what the Commission ought to do about it.

While the Commission delays unreasonably in its plain duty to render an immediate decision, the future of small business and the small dealer in securities is in jeopardy.

All sound thinking dealers in securities, both large and small, realize that the existence of a competitive market is of the very life-blood of the business, that small dealer survival is essential to large dealer progress.

Whilst the "5% spread philosophy" takes no account of the profit motif, we believe it is aimed ultimately at the creation of a profit limitation rule entirely divorced from the war effort. If this is done, what starts with securities may, and will, pass on to other fields, and our American system of free enterprise will be gone.

Congress now has a splendid opportunity to act as a bulwark of our way of life by pressing remedial action for the preservation of small business, an opportunity, the grasping of which will be well rewarded.

In the meantime, the people of our nation are watching.

Simplification of Corporate Taxes

(Continued from page 2243)

understood by every taxpayer so it would be unnecessary to hire a lawyer to find out what it means.

This desire for simplicity has yet to be fulfilled, but the desire has survived and grown. Today everyone wants tax simplification. Taxpayers want a system they can understand. Tax administrators want simple laws in order to ease their task. To their great credit tax practitioners—the men who make their livings or at least better living, because of tax complications—want simplification and have presented many constructive suggestions to that end.

The chorus of complaint over present complexities has risen to a crescendo. While much of the grumbling has served to let off steam generated by the tax burden itself, much of it is truly merited. For despite the complaints our tax system, generally speaking, has grown more rather than less complicated with the passing years.

Basically, most tax complexity derives from the necessity of applying an equitable form of taxation to a complicated situation in which many specific refinements are necessary to meet charges of unfairness. The fact that the income tax law of 1913 covered but 19 pages, while the Revenue Act of 1942 added 157 pages of amendments to already lengthy statutes applying to income and profits taxes, does not reflect sadism on the part of Congress. It indicates rather a prodigious effort to be fair. Many complications are unnecessary, to be sure, but others—most of them—are the price we pay for equity or to avoid undesirable economic consequences.

Concern with complexity has intensified in recent years because of the great increase in revenue required to finance the war. On the one hand, expanding revenue requirements have necessitated broadening the individual income tax base. In 1940, four million taxable individual income returns were filed; in the fiscal year 1944 the figure had grown to forty million. This tenfold increase has brought into contact with the income tax many persons who faced the new task of filling out returns with little experience or training in the concepts or computations required. They have demanded and they have received a simple income tax.

On the other hand, rates have been greatly increased and new taxes have been added. These factors have magnified hardships and intensified the search for loopholes. Both conditions have required complicating remedial provisions. Moreover, public determination to permit no excessive war profits gave rise to an excess profits tax. Such a tax is inevitably complicated and when the tax is imposed at high rates—as in the case of our wartime excess profits tax—careful and complicated adjustment is required to prevent serious hardships upon taxpayers and harm to our economic structure.

Simplification is a broad concept. It means different things to different people. For the great mass of taxpayers it means a return which is easy to fill out. Tax computations are often troublesome for people who are out of practice in arithmetic. Moreover, a multiplicity of income concepts, credits and deductions makes for confusion. Returns under a given law can often be simplified but, for the most part, the difficulty of the return stems from the policy laid down by the law.

Then, too, what some people look upon as difficulty with the return is often in fact difficulty with the accounting and record-keeping which are necessary be-

fore the return can be prepared. In grappling with the problem of simplifying the individual income tax, the Treasury found that the recording and listing of deductions constituted the greatest complication for many, perhaps most, taxpayers.

To other people simplification means simpler language in the law and regulations. Newspapers and magazines rely on quotations from the Internal Revenue Code to supply their publications with humorous "filler". Many of these quotations are highly amusing and I should be the last to deny anyone any amusement he can get from taxation. In truth, however, the kind of detailed provisions which the periodicals waggishly quote reduce rather than increase tax complications. They add precision and thereby reduce litigation.

Yet I am inclined to agree that in many instances the same exactness of statement could be achieved with easier understanding, if more words and less involved sentence structure were used. To use more words, however, would run counter to another meaning of simplification, namely, brevity. The idea is sometimes expressed that taxes are complicated because the statutes are too long; simplification, according to this view, would be achieved by drastic curtailment. An example of this emphasis on brevity is seen in a recent proposal to rewrite the Internal Revenue Code in 5,000 words. I shall have something to say on this point a little later.

Any broad view of tax simplification must distinguish between the complications which affect the many and those which affect the few. Many of the specialized technical provisions of the law which cause the loudest complaints apply to a limited number of taxpayers. Simplification of our corporate tax structure must take into account both those complexities which affect all corporate taxpayers and those which affect the relatively few.

Simplifying the Mechanics of the Structure

The relative importance of various simplification proposals is determined in part by the number of taxpayers involved and in part by the amount of benefit which would accrue to an affected taxpayer. How these proposals affect general public understanding of the tax system is an additional factor of significance. Corporate tax simplification involves state and local taxes as well as Federal taxes. I shall consider here only the Federal side.

Four major Federal taxes are levied upon corporations at the present time—the income tax (both normal tax and surtax), the capital-stock tax, its companion tax the declared-value excess-profits tax, and the true excess-profits tax. It is within this framework that we must approach the problem of corporate tax simplification.

The Excess-Profits Tax

Let us consider first the excess-profits tax. In the fiscal year 1944, 140,000 corporations filed excess-profits tax returns, on 70,000 of which taxable excess profits were shown.

No one will deny that the excess-profits tax is complex; in fact, the major complexities of corporation taxation at the present time can be laid at its door. Even if all the data needed to make a return were easily available, the mere computation of the tax is no small job. First, the choice of credit—average-earnings and invested-capital—introduces a complication into the law. Second,

the mathematical computations are numerous and appear involved to many small taxpayers. Third, further complications are introduced by the host of relief adjustments which were insisted upon by one group of taxpayers or another for reasons of equity or incentive. You are all familiar with the formula for increased earnings in the last half of the base period, the 75% rule, the 80% limit, the carry-overs and carry-backs, Section 722, abnormal deductions in the base period and abnormal income in the current year, accelerated production of natural resources, installment sales and long-term contracts, the domestic corporation doing business abroad, capital-gains treatment for timber operations, and special treatment of bonus income for excess mining and timber output. The list is by no means exhausted. I merely want to point out that these special adjustments all make for complication and they have generally been inserted at taxpayers' urging.

Much could be said about simplification of the excess-profits tax. But postwar tax planners appear to be unanimous on one point. No plan thus far observed calls for retention of the wartime excess-profits tax in our permanent peacetime tax structure. It appears that simplification of the excess-profits tax will come by erasure rather than by erosion. Unless the basic provisions were to be modified or eliminated, the possible simplification is perhaps more superficial than real. Changes in the interest of simplicity at this stage would probably augment rather than reduce the total complications of a tax with a short life expectancy. Little would be gained from a discussion here of the particular features of the excess-profits tax which could be altered to reduce complexity.

The Capital-Stock and Declared-Value Excess Profits Tax

Next on the list of corporation taxes are the capital-stock tax and the declared-value excess-profits tax. Some 510,000 capital stock tax returns were filed during the fiscal year 1944; of this number 377,000 showed a tax. In addition, a separate computation for the declared-value excess-profits tax is required on the income tax return.

The capital-stock and declared-value excess-profits taxes are a prime example of the close relation between simplicity and certainty. If income could be forecast accurately, these taxes, although superfluous, would give rise to few complaints. They would represent roughly an additional levy on profits of $\frac{1}{4}$ of 1% for corporations with excess-profits, and of $\frac{3}{4}$ of 1% for corporations with no excess profits. Corporations with deficits would pay no tax. But profits commonly cannot be forecast accurately. These taxes are a capricious penalty on inability to forecast income. They impose the burden of preparing one additional return and, much more importantly, the torment of searching the crystal ball for figures that can be defended to boards of directors and stockholders.

If income could be accurately forecast, these taxes, although superfluous, probably would give rise to few complaints. Since the declared-value excess-profits tax is imposed on income in excess of 10% of the declared value of the capital stock, the total of the two taxes is minimized if capital stock is declared at a figure ten times expected income. To achieve this minimum consistently, calendar year corporations would have to be able to estimate in the middle of the year their exact income as of the end of the year. It is to the necessity for guessing and the difficulty of guessing accurately that the unpopularity of these taxes can be attributed.

These complications and difficulties would be more acceptable if the declared-value capital-stock and declared-value excess-profits taxes achieved a rational distribution of tax burdens. Actually, they have no relation to any accepted principle of tax distribution. They bear more heavily on small than on big business. They favor those firms with relatively stable earnings and penalize those with fluctuating income.

One of the arguments for a capital-stock tax is that corporations which use the services of the Government should pay taxes regardless of whether they are in the black or red. Since, as we have already seen, only three-fourths of the capital-stock tax returns are taxable returns, the capital-stock tax in its present form clearly fails to achieve this end. True, there are some payments by corporations with deficits. But these payments are from corporations which did not anticipate deficits. Had the deficits been anticipated, it would have been unnecessary to declare any substantial amount of capital-stock value and, accordingly, the capital-stock tax would have been nominal. In practice, the only deficit corporations which are really hit by the capital-stock tax are those which could not forecast the deficit.

Having once more lashed this oft-whipped horse, which somehow is still in the running, I suggest that the capital-stock and declared-value excess-profits taxes be simplified in the manner urged by the Treasury for some years and unanimously concurred in by business—namely, repeal. The Senate voted to repeal the capital-stock and declared-value excess-profits taxes in 1942. The conferees did not sustain the Senate action. But Congress might act differently when circumstances are such as to permit tax reduction rather than to require tax increases.

The Corporation Income Tax

The major taxes in the corporation tax structure remaining for discussion are the corporation normal and surtax. In the fiscal year 1944, 476,000 corporation income tax returns were filed. Of this number 264,000 were subject to income tax. Probably the most conspicuous complication on the present corporation income tax return is the number of concepts of net income employed: net income, adjusted net income, surtax net income, normal tax net income, and net income for declared-value excess-profits tax computation. In addition, there are capital gains, which stand in a category by themselves. These different concepts of net income result from the special tax treatment accorded partially tax-exempt securities, the 85% credit for dividends received, the special allowances for dividends on certain preferred stock of public utilities, and the declared-value excess-profits tax.

These five concepts of net income could be reduced to one if the declared-value excess-profits tax were repealed, if the contractual exemption from normal tax of partially exempt securities were given in the form of a tax credit, if dividends received by corporations were fully taxable or fully tax-exempt, and if the public-utility preferred dividend deduction were revealed. While all of these possibilities present issues broader than simplification, it is not unlikely that Congress in resolving those other issues may advance the cause of simplification in at least some cases. Thus, for example, the right of partial tax exemption has already been denied to Federal securities issued since March 1, 1941, so, except for a few special classes of securities such as shares in Federal Savings and Loan Associations, partially tax-exempt securities will all have been retired by 1965.

Even though the income con-

cepts dealt with on the return could be reduced from five to one, many of the complications surrounding the computation of the tax would still remain. Elimination of graduated rates would help simplify tax computation for corporate taxpayers with incomes of under \$25,000, comprising 86% of taxable returns in 1942, and for taxpayers with incomes between \$25,000 and \$50,000, comprising 5% of taxable returns in the same year. A flat rate tax on all taxable income would reduce the mechanical operations for the latter group of taxpayers from five to one. It is unlikely, however, that Congress would consider the removal of graduated rates solely from the viewpoint of simplification. It has long been a policy of Congress that small corporate enterprise should bear a lower-than-standard corporate tax load either through a specific exemption or through rate graduation. Most proposals for permanent post-war taxation have indicated a desire to retain graduated rates within the present limited range. Perhaps a method involving a single computation might be worked out using, for example, bracket rates.

Some people have gone so far as to recommend as a simplification measure the abolition of the 2% tax on consolidated returns. This is a case where simplicity would seem to be a minor consideration. In 1942 only about 900 corporations filed taxable and non-taxable consolidated returns. Since these corporations reported an average of \$3 million net income, we may assume that making this additional computation did not appreciably add to the burden of making out their tax returns. Some of the 900 and others that do not file consolidated returns must, of course, consider the benefits of consolidated returns compared to the higher tax rate. But the decision to retain, repeal, or modify this tax will undoubtedly be decided on grounds other than simplification.

The tax on undue accumulations of surplus also contributes to the structural complexity of the tax law. To the corporate taxpayer the complication lies in deciding what investment and dividend policies to follow to avoid the tax. There can be no denying that Section 102 is very difficult to administer, since no definite general rules have been found as to what is and what is not an unreasonable accumulation of earnings. This is one of the so-called "penalty" taxes; yet its purpose is not to penalize, but rather to encourage corporations to adopt dividend policies that will result in a fair distribution of the tax burden. Some proposals for the post-war tax structure call for strengthening this tax; others would retain it as at present; few, if any, would repeal it.

From the preceding discussion it seems clear that a good deal of simplification of the present corporation tax structure could be accomplished by a few changes in the tax law, but that most of these changes involve policy issues far transcending simplification.

During recent months a number of proposals have been advanced which would modify the tax structure to give greater coordination of corporation and individual income taxes. How these proposals, if adopted, would affect tax simplification is a factor in testing their merits.

Perhaps the most far-reaching suggestion is that we should give up taxing corporations as such and treat them as we now do partnerships and proprietorships. No tax would be levied on the corporation, but the stockholder would include his allocable portion of corporate income in his individual income tax return. Whatever its merits on other grounds, this method of taxing corporate income would not be a step in the direction of tax simplification. Although by the partnership method we would escape

many complications—for example, those arising from the taxation of undue accumulations of surplus—we would become involved in the enormously greater complexities of income allocation to individual shareholders.

Other suggestions for the coordination of individual and corporate levies do not go quite so far. Some would treat a flat-rate corporation tax as a source collection on dividends, ultimately to be credited against the personal taxes of the dividend recipients. Although total income would not need to be allocated currently as under the partnership method, such a system would present the additional complication of allocating to the individual shareholder the tax paid by the corporation. Other proposals would allow a credit for dividend payments at the corporation level. This method would not necessitate allocation of either taxes or income to individual shareholders, but it would raise some difficult problems related to the definition of distributed and retained earnings. It seems clear, therefore, that the net result of complete coordination of corporation and individual income taxes would be a tax structure more complicated than the present law would be after the streamlining that is possible.

Difference Between Simplification For Individuals and Corporations

Some people have reasoned that since individual income tax simplification was readily achieved, corporate tax simplification could be realized with equal ease and should be accomplished now. Certain things could be done, as we have seen. If we could reduce the corporation income tax structure to a single income concept and to a single tax rate, the task of filing a tax return would be simpler, especially for small corporations. But whereas the basic requirement of simplicity for most individual taxpayers could be met by simplifying the structure and the return, for the corporation complicated computations and returns are only a part of tax complexities. For many corporations, especially the larger ones, they are a very small part.

The difference between simplification of individual and corporation taxes can be seen from an examination of the changes made by the Individual Income Tax Act of 1944. This Act reduced the deduction problem—a major one because most individual taxpayers keep inadequate records—by permitting a presumptive deduction of 10% of income with a limit of \$500. It simplified tax computation by reducing the number of taxes. It adopted a basic exemption of \$500 per person and omitted the earned income credit which had complicated the task of filling out the return. These changes made possible a simple tax table for use up to \$5,000 of income.

However, relatively little was done to simplify the returns of taxpayers with large income or taxpayers reporting business income or capital gains and losses. These forms of income continue to be computed as they were before. Although they constitute minor components of individual income, they are the bulk of corporation income. Thus individual tax simplification accomplished least in the area from which corporation tax complexity largely stems, namely, from the problems surrounding the determination of business income.

Income Determination

Accountants need not be told that the determination of business income is a complicated process and will remain so, regardless of tax simplification measures. Differences of opinion on

questions of accounting are bound to arise in many situations. They are not limited to the Government and a taxpayer. They are, of course, found among private accountants as well. They cannot be eliminated by statute, regulations, or court interpretation.

A basic accounting problem is determination of income year by year. Either the taxpayer or the Government (which in the end means the other taxpayers) may find itself discriminated against, if income is not properly apportioned among the years. You are well aware of the difficulties and weaknesses of allocation, which make it impossible to determine with assurance the income of a particular year.

The provisions in the tax law for allocating charges for depreciation, depletion, changing inventory value, determination of bad debts, and so on, were introduced for the purpose of achieving as correct an annual statement of income as possible. The importance of accuracy and with it to a great extent, the complications of applying these provisions would diminish, if we had a real averaging system which made the allocation of income and deductions to specific years less of a factor in determining tax liability. Of course, complete averaging, of itself, would involve substantial changes in the policy of taxation, and would considerably complicate the law.

The techniques for averaging income are not as simple as they might seem; in fact, no really satisfactory method has yet been found. The benefits of averaging are partially achieved at present through the carry-over and carry-back of losses. Carry-backs involve fairly serious complications. An extension of the carry-over of losses, however, would not seriously complicate the law, and would considerably reduce the importance of allocating certain items to particular years. Under fairly stable tax rates, a long carry-over period would achieve most of what could be achieved through complete averaging.

Complexity of the Law

Much corporate tax complexity arises from the attempt to spell out rules covering the taxability of a great variety of complex business transactions. For example, consider the law dealing with the determination of gain and loss from sale or other disposition of property. The general rule for these transactions is that every sale or exchange of property gives rise to a gain or loss which should be recognized for income tax purposes. However, in a great many transactions, such as the exchange of like property for like property, certain transfers or exchanges in connection with a reorganization, or transfers on liquidation of a subsidiary, the general rule is modified to disregard certain transactions otherwise affecting taxable income. The necessity of valuing certain property as of the date the income tax first went into effect—March 1, 1913—introduces further complications. Difficult problems are also posed by segregating dividends paid to shareholders into taxable and non-taxable categories. A long story could be made of various provisions of the law where similar complications appear, but time does not permit its telling.

Uncertainty of the Law

Perhaps the major cause of complaints, however, is not so much one of complexity as it is one of perplexity. A common complaint is that the operation of the law is uncertain in too many cases. Although uncertainties have long been present in the law, they have become particularly important in recent years because, with increased rates, taxes exercise a greater influence on general business decisions. Thus uncertainties with respect to a 10% tax liability do not seriously affect business

decisions. But if tax rates are high, vagueness in the law will expand the area of uncertainty within which managerial decisions must be made.

The uncertainties of tax law arise largely because among the numerous possible transactions are some regarding which the tax law makes no specific provision. Taxpayers are not sure how such transactions will be treated. In some cases the law attempts to remedy the situation through specific language reducing the fringes of uncertainty surrounding the general rules. The regulations further attempt to reduce these areas of doubt in the taxpayer's mind. Both steps create more certainty, and therefore basically simplify the tax structure, although they also complicate the language of the law and regulations. But if the law and regulations fail to remove doubt, certainty can be reached only by one or a series of judicial decisions and opinions. I think you will agree that in practice this is getting certainty the hard way.

Attempts in the law or regulations to close up loopholes may also create uncertainty in the minds of those engaged in bona fide business transactions. Although some people believe that too much attention has been paid to tax loopholes, we must recognize that the willingness of taxpayers generally to comply with the tax law rests on their belief in its fairness and equity. Attempts to achieve a high degree of equity frequently have been misconstrued as attempts to reform or penalize business. For example, Section 102 may appear to be unduly harsh to the few corporations caught in its meshes, but without such a provision the great majority of taxpayers would have a legitimate grievance against a tax law which permitted a minority to take advantage of the corporate form of organization to avoid individual taxes.

The suggestion has been made in some quarters that the taxpayers' task would be simplified if the Government should accept the ordinary accounting definition of income as the definition for tax purposes. In considering this suggestion it must be borne in mind that income for tax purposes takes into consideration factors which would be inappropriate in defining income for certain other purposes. Policy considerations may dictate the exemption or partial taxation of some income. Moreover, the amount of income which a company makes during the year is not an invariable concept. The concept and, hence, the amount of income depends in part on the purpose for which the determination of income is being made. Time does not permit a lengthy discussion of the point, but it would appear that the requirements of taxation make it neither feasible nor desirable to use, without change for tax purposes, income as determined for ordinary accounting purposes.

Shortening the Internal Revenue Code

This brings me back to an idea I mentioned earlier, namely, that simplification would be advanced by drastically shortening the Internal Revenue Code. Let's consider the ramifications of any extreme economy of words.

I have not heard of anyone who either for monetary gain or amusement has counted the exact number of words in the Internal Revenue Code. A rough computation indicates that the figure is about 385,000 words.

The income and excess profits taxes use about 140,000 words. Section 22, which states what is included in and what excluded from gross income runs to about 5,000 words. Section 23, which provides deductions from gross income, consists of about 6,000 words. Section 112, which defines the recognition of gains and losses, and Section 113, which defines

the adjusted basis for determining gain or loss, each cover nearly 4,000 words. More than 5,000 words are given over to special provisions for taxing insurance companies. In a sharply curtailed Code what would become of these sections? Would there be a place for a special income tax deduction for the blind, for unusual medical expenses, for a carry-over of net operating losses, for an installment basis of accounting, for tax-free reorganization or tax-free liquidation provisions, for five-year amortization of wartime facilities, for a foreign tax credit, for consolidated returns?

Estate and gift taxes use about 25,000 words in the present Code.

Miscellaneous internal revenue taxes use about 180,000 words, of which almost 60,000 are for liquor taxes alone.

The remaining 40,000 words are devoted to general administrative provisions, such as collection procedure, provisions for internal revenue collectors and the Tax Court, and other miscellaneous matters. Should the statutes of limitations, the release of tax liens or other provisions protecting the rights of taxpayers be scrapped for the sake of being laconic?

I do not want to labor the point. I think you will agree that while something called an Internal Revenue Code could be written in a radically abridged style, it clearly would have to be couched in very general language indeed.

If taxes are to be fair and reasonable, there must be many fine adjustments to the multitude of highly varied and complicated situations in which different taxpayers find themselves. If the statute were brief and therefore general, who would make these fine adjustments? Presumably the Commissioner of Internal Revenue acting under broad discretionary powers. Now permission to use discretion in applying specific rules is a helpful and time-saving device, but a grant of authority not only to apply rules but also to determine what the rules shall be is carrying discretion very far. And that is the situation in which tax administrative authorities would find themselves, if they were forced to act under a vague, general directive. I do not think American taxpayers want that and I do know that the tax administrative authorities would be strongly opposed to having such mighty discretion and the power over taxpayers that would go with it.

It might be urged that another possibility of applying a short code would be to direct tax practitioners, for example accountants, to draw up income tax returns in such a manner as fairly to reflect income. If accountants were to determine for tax purposes what is income in each of the numerous and varied situations which they constantly meet, they would either act without provision for uniformity, which would be intolerable and produce instant and profound chaos, or they would act uniformly under a system of policing by the accounting profession or the Government or both. But such a method would solve nothing and reduce no complexity. It would merely shift the complexity, and I think it is an understatement to say that no one would be satisfied with the results.

The superficial appeal of brevity does not stand up under scrutiny. Simplification does not lie in that direction.

Conclusion

Simplification of the corporate tax structure is one of the objectives of the studies of post-war taxation now going on in Washington. The Treasury Department some time ago began an examination of the problems of Federal tax revision in the transition and post-war years. Last June the Congressional Joint Committee on Internal Revenue Taxation, consisting of ranking members of the

House Committee on Ways and Means and the Senate Finance Committee from both parties, asked its staff and the Treasury staff to work together on a study of post-war taxation and report to the Joint Committee. This study has been in progress since that time and we hope that preliminary reports can be made to the Joint Committee soon. At the present stage less attention is being given to technical matters than to the basic structure of the system. We recently had the pleasure of hearing from a committee of this association as well as from numerous other organizations and persons.

In the past few weeks an advisory group of accountants and lawyers has been formed to assist the Treasury staff in preparing suggestions for technical modifications of the law. Not all of the technical problems under consideration involve simplification but probably most of them do. This work is highly technical and too much should not be expected too soon.

But it should be understood that the technical problems are not the hardest problems of tax simplification. The really hard problem is that almost every simplifying change adversely affects someone's interest and will be resisted.

Meantime, groups of taxpayers continue to press Congress for special provisions to ease real or allegedly excessive burdens in the tax structure. A large proportion of the technical complications of the law have stemmed from efforts of these groups in the past. As long as pressures for changes of this sort persist, we can hope for little more progress toward simplification than two steps forward for every one we slip back. Indeed, there is the possibility that our progress in this field may be in reverse, and that for every step forward we may go two steps back.

The next few years promise to be an auspicious time to promote simplification in the corporate tax structure. As revenue requirements recede, it will be possible to make some tax reductions. The task of reducing the number of taxes and eliminating provisions which cause major difficulties will be easier after the war when reductions are being made than during the war when revenue requirements are so high.

Tax simplification is a laudable goal for tax policy when it is placed in its proper perspective among other objectives. Gains from simplification must always be balanced against any resulting sacrifices of equity or of desirable economic effects. As accountants, you are familiar with the difficulties encountered under present tax laws. You also know that simplicity is a derivative problem—one that cannot be discussed in isolation. You are well aware that problems of tax policy, of eliminating hardships, and of plugging up loopholes are responsible for many of the complexities in our tax laws. Your sense of values does not permit you to place simplicity above everything else.

More than perhaps any other group faced with handling the tax law and applying it to the individual taxpayer, you are in a position to know what simplification is feasible and possible. Many of your recommendations have been helpful in the past. We in the Treasury, along with other groups interested in post-war tax revision, are relying upon you to help resolve the complexities in our Federal corporate tax structure.

Utilities Brochure

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, have issued a brochure on Midland Utilities Co.'s plan of reorganization, recently approved by the SEC. Copies may be had from the firm upon request.

1. Repeal of the earned income credit took place in the Revenue Act of 1943, but did not affect any tax payments prior to passage of the Individual Income Tax Act of 1944.

DIVIDEND NOTICES


AMERICAN CAR AND FOUNDRY COMPANY
 30 CHURCH STREET NEW YORK 8, N. Y.

There has been declared, out of the earnings of the fiscal year now current, a dividend of one and three-quarters per cent (1 3/4%) on the preferred capital stock of this Company, payable December 21, 1944 to the holders of record of said stock at the close of business November 30, 1944.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

CHARLES J. HARDY, *Chairman*
HOWARD C. WICK, *Secretary*

November 16, 1944

ANACONDA COPPER MINING CO.

 25 Broadway
 New York 4, N. Y. November 22, 1944.

DIVIDEND NO. 146

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of One Dollar (\$1.00) per share upon its Capital Stock of the par value of \$50, per share, payable December 20, 1944, to holders of record at the close of business at the close of business at 3 o'clock P. M., on December 5, 1944.

JAS. DICKSON, *Secretary & Treasurer.*

INTERNATIONAL SALT COMPANY

475 Fifth Avenue, New York 17, N. Y.

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable December 15, 1944, to stockholders of record at the close of business on December 1, 1944. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary.*

KANSAS CITY POWER & LIGHT COMPANY

First Preferred, Series B. Dividend No. 72.

Kansas City, Missouri. November 15, 1944.

The regular quarterly dividend of \$1.50 per share on the First Preferred, Series B, Stock of the Kansas City Power & Light Company has been declared payable January 1, 1945, to stockholders of record at the close of business December 14, 1944.

All persons holding stock of the company are requested to transfer on or before December 14, 1944, such stock to the persons who are entitled to receive the dividends.

H. C. DAVIS, *Assistant Secretary.*

KENNECOTT COPPER CORPORATION

120 Broadway, New York 5, N. Y.

November 17, 1944.

A cash distribution of twenty-five cents (25¢) a share and a special cash distribution of seventy-five cents (75¢) a share have today been declared by Kennecott Copper Corporation, payable on December 22, 1944 to stockholders of record at the close of business on November 29, 1944.

A. S. CHEROUNY, *Secretary.*

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)

The board of directors of Northern States Power Company (Wisconsin), at a meeting held

on November 15, 1944, declared a dividend of one and one-quarter per cent (1 1/4%) per share on the Preferred Stock of the Company, payable by check December 1, 1944, to stockholders of record as of the close of business November 20, 1944, for the quarter ending November 30, 1944.

N. H. BUCKSTAFF, *Treasurer.*

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 108

A QUARTERLY DIVIDEND of Seventy-five Cents (\$0.75) per share on the Common Stock

of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Tuesday, December 19, 1944, to stockholders of record at three o'clock P. M., on Monday, November 27, 1944. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, *Treasurer.*
New York, N. Y., November 16, 1944.


DIVIDEND NOTICE

Dividend of 25¢ a share and an extra dividend of 25¢ a share on the Common Stock have been declared, both payable December 20, 1944, to stockholders of record on December 9, 1944.

M. F. BALCOM, *Treasurer.*

SYLVANIA ELECTRIC PRODUCTS INC.

Salem, Massachusetts Nov. 21, 1944

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share and an additional dividend of 25 cents per share on the Company's capital stock, payable December 15, 1944, to stockholders of record at the close of business November 27, 1944.

H. F. J. KNOBLOCH, *Treasurer*

The Western Union
Telegraph Co.
DIVIDEND NO. 271

A dividend of 50 cents a share on the Class A stock of this company has been declared, payable December 15, 1944, to stockholders of record at the close of business on November 24, 1944.

G. K. HUNTINGTON, *Treasurer.*
November 14, 1944.



The Board of Directors of Bayuk Cigars Incorporated at a meeting held today has declared a dividend of 37 1/2¢ per share on the Common stock of the Company, payable December 15, 1944 to stockholders of record November 30, 1944, and an extra dividend of 50¢ per share on the Common stock of the Company, payable December 15, 1944 to stockholders of record November 30, 1944.

Checks will be mailed.

John A. Snyder
TREASURER

 Philadelphia, Pa.
November 17, 1944

MAKERS OF PHILLIES
INTERNATIONAL HARVESTER CORPORATION

The Directors of International Harvester Company declared a final dividend on the common stock of the Company for the fiscal year ended October 31, 1944, of fifty-five cents (55¢) per share, payable December 15, 1944, to stockholders of record on November 27, 1944. At the same time, the Directors declared a quarterly dividend of sixty-five cents (65¢) per share on the common stock payable January 5, 1945, to all holders of record at the close of business on December 20, 1944.

SANFORD B. WHITE
Secretary


Johns-Manville
Corporation
DIVIDEND

The Board of Directors declared a dividend of \$1.25 per share on the Common Stock payable December 8, 1944, to holders of record November 25, 1944.

ROGER HACKNEY, *Treasurer*


TENNESSEE CORPORATION
DIVIDEND

A dividend of 25¢ per share has been declared, payable December 15, 1944, to stockholders of record at the close of business November 27, 1944.

61 Broadway, New York 6, N. Y.
November 14, 1944.

J. B. McGEE
Treasurer.

THE YALE & TOWNE MFG. CO.

On November 21, 1944, a special dividend No. 219 of forty cents (40¢) per share was declared by the Board of Directors out of past earnings, payable December 18, 1944, to stockholders of record at the close of business December 4, 1944.

F. DUNNING, *Secretary.*

THE YALE & TOWNE MFG. CO.

On November 21, 1944, a dividend No. 220 of fifteen cents (15¢) per share was declared by the Board of Directors out of past earnings, payable January 2, 1945, to stockholders of record at the close of business December 4, 1944.

F. DUNNING, *Secretary.*

Roswell Magill Advocates Changed Tax Structure

(Continued from page 2242)

would seem wiser to use the tax system primarily for the purpose of raising revenue, and to accomplish other desired results through legislation framed for the specific purposes."

He recommended repeal of the excess profits tax immediately after the war, saying its continuance would hobble business expansion because it operates to discourage young and growing enterprise. In this connection, as an assurance to business, he suggested the possibility of the advance adoption of such a repealer, effective at some designated future date.

Mr. Magill also recommended the elimination of the present double tax on corporate dividends, which he said encourages the issuance of bonds and debentures, and discourages equity financing. An era of business expansion, he pointed out, requires that stock financing be made at least as practicable as bond financing.

As a solution to this problem, he suggested that corporate incomes be subjected only to normal tax at a rate as close as possible to the individual rate, and that dividends received by individuals be exempt from the normal personal tax, but subject to surtaxes which would vary with the stockholder's individual income. Under such a plan, he pointed out, stock issues would be encouraged and corporate income would continue to bear a fair share of the tax burden, but the total tax would completely accord with capacity to pay.

Warning that revenue needs will be high in comparison with pre-war days, Mr. Magill said that

it nevertheless should be possible to reduce tax rates if Federal expenditures are restricted to essentials. He suggested that the corporate rate might be reduced from 40% to 30% during a transition period, and later lowered to 25%. The individual rate, he said, might be lowered from 23% to 20%. He recommended that surtaxes be reduced to encourage the accumulation and use of venture capital in the post-war period.

"It would also be simpler," he said, "and quite as equitable, to raise the income tax exemption somewhat, and to collect a general sales tax at 5%, rather than retain the present meager exemptions. Moreover, the sales tax would bring a needed element of stability to the revenue system."

"There is much need," he stated, "for greater simplicity and fairness in the tax structure, and more efficient administration of the law. Moreover," he continued, "the tax structure should be stable, so that a business man and a citizen can depend with some certainty, year after year, on this major item of his costs. We have so fully experimented with opposing theories of taxation in the last 20 years that we should certainly be able now to select and adopt with some assurance not only a settled tax policy, but even a set of tax provisions to express it, designed to remain in effect at least a decade. Business expansion would surely be greatly aided by stability and certainty in fiscal affairs. There is no apparent reason why such a simple assurance could not be provided by Congress and the Treasury."

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)

BEVERLY HILLS, CALIF.—Floyd K. Sullivan has become connected with Atlas Securities, Inc., 9494 Wilshire Boulevard. Mr. Sullivan was formerly with Nelson Douglass & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—Winslow C. Webber is now with Schirmer, Atherton & Co., 50 Congress St.

(Special to The Financial Chronicle)

BOSTON, MASS.—Bruno Coppola has been added to the staff of Trusteed Funds, Inc., 33 State Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—George E. Wright has become associated with Dempsey & Co., 135 South La Salle Street. Mr. Wright was previously with Link, Gorman & Co., Inc., and Thompson Ross Securities Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Leroy L. Hoyt has become associated with Quail & Co., Davenport Bank Building, Davenport, Iowa. Mr. Hoyt has recently been with the State of Illinois Auditor's Office. In the past he was with Paine, Webber & Co. and Priestler, Quail & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—John D. Fox, Walter Fruehling and Henry K. Orman have joined the staff of H. R. Baker & Co., Bank of America Building. Mr. Orman was previously with Bankamerica Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Dave Greenberg is with G. Brashears & Co., 510 South Spring Street.

Battle Fleet Is Goal Of Investment Dealers In 6th War Bond Drive

A new \$600,000,000 battle fleet for the United States Navy has been adopted by investment bankers, brokers and securities dealers affiliated with the Banking and Investment Division of the War Finance Committee, as their goal in the Sixth War Loan, it is announced by Richard M. Newell, Dillon, Read & Co., Chairman of the Group Committee.

Posters displaying the 40-ship fleet will be placed in the office of every affiliated firm on which will be marked the firm's progress in achieving its quota. A twenty foot reproduction of the poster has been erected on the Sub-Treasury Building steps where it was unveiled at a rally celebrating the opening of the drive on November 22.

"The financing of a complete fleet to be built around two battleships, four carriers and four cruisers," said Mr. Newell, "should be a spur to every one of our participating firms in the Sixth War Loan. This gives them something definite to shoot at that can be visualized much better than a figure following a dollar sign."

"A quota has been fixed for each of the firms and weekly reports will be made showing the percentage of quota achieved in the drive, both in number of sales and dollar amounts."

The Dealers and Brokers Committee which is directing "Launch the Wall Street Fleet" drive includes W. Manning Barr, Barr Brothers & Co., Inc., John A. Coleman, Chairman, Board of Governors, New York Stock Exchange, Richard de La Chapelle, Shields & Company, Wickliffe Shreve, Lehman Brothers, Frank M. Stanton, The First Boston Corporation and Walter W. Wilson, Morgan Stanley & Co.

Securities dealers and brokers are members of the fifteen commercial bank teams and participation in the competition among these fifteen teams will be directed by the following Managers who will serve under various Bank Team Executive Officers: Francis A. Cannon, The First Boston Corporation, Orlando S. Brewer, Phelps, Fenn & Co., W. W. Woods, Merrill Lynch, Pierce, Fenner & Beane, David L. Skinner, Harriman, Ripley & Co., Inc., Walter F. Blaine, Goldman, Sachs & Co., Herbert F. Boynton, F. S. Moseley & Co., Schuyler Van Vechten, Lee Higginson Corporation, T. Henry Boyd, Blyth & Co., Inc., Richard L. Kennedy, Jr., Harris, Upham & Co., John F. Power, Eastman, Dillon & Co., Bertram F. Brummer, Salomon Bros. & Hutzler, Harold H. Cook, Spencer Trask & Co., J. Emerson Thors, Kuhn, Loeb & Co., J. C. Ransom, White, Weld & Co., Edward E. Anderson, Discount Corporation of New York, William M. Rex, Clark, Dodge & Co. and William R. Rovensky, Hornblower & Weeks.

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.

The Business Man's Bookshelf

Fifty Years of Remedial Lending—The Provident Loan Society of New York, 346 Fourth Avenue, New York 10, N. Y.—Board.

International Conciliation for November 1944—Section I: Universities Committee on Post-War International Problems. Section II: Dumbarton Oaks Agreements—Carnegie Endowment for International Peace, 405 West 117th Street, New York 27, N. Y.—Paper—5¢.

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.

Calendar Of New Security Flotations

OFFERINGS

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. Filed Oct. 30, 1944. Details in "Chronicle," Nov. 2, 1944.

Offered Nov. 17 at \$7.75 per share by Dempsey & Co., Ames, Emerich & Co., Inc., Courts & Co., Doyle, O'Connor & Co., Inc., First Securities Co. of Chicago, Sills, Min-ton & Co., Inc., and F. S. Yantis & Co., Inc.

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. Filed Oct. 9, 1944. Details in "Chronicle," Oct. 12, 1944.

Offered Nov. 16 at 100 and interest by Central Republic Co. (Inc.), Peltason, Tenenbaum & Co., E. W. Lucas & Co. and Paine, Webber, Jackson & Curtis.

GENERAL TIME INSTRUMENTS CORP. has filed a registration statement for 38,380 shares of 4 1/4% 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 4 1/4% 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 Blodgett, Inc., Glor, Forgan & Co., and Hornblower & Weeks. Filed Oct. 17, 1944. Details in "Chronicle," Oct. 24, 1944.

An aggregate of 35,898 shares of 4 1/4% preferred stock was issued in exchange for the 6% preferred stock. None of the 4 1/4% preferred stock was sold to underwriters and the corporation de-registered the 2,482 shares of 4 1/4% preferred stock not issued in accordance with the exchange offer.

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. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

Offered Nov. 17 at 100 and interest by Paul H. Davis & Co., Dempsey & Co., A. C. Allyn & Co., Inc., Ames, Emerich & Co., Kalman & Co., Inc., Sidlo, Simons, Roberts & Co., and Glover & MacGregor, Inc.

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.

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. 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. Bonds are to be offered for sale at competitive bidding. Filed Nov. 16, 1944. Details in "Chronicle," Nov. 16, 1944.

MOORE WINDSOR CORP. has filed a registration statement for 100,000 shares of 12 1/2% cumulative dividend and participating preferred stock, par \$1 per share. The net proceeds of approximately \$200,000 will be used for working capital and expansion of the company's business. W. H. Cobb & Co., Inc., New York, is named principal underwriter. Offering price to the public \$2.50 per share. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

THURSDAY, DEC. 7

GENERAL AMERICAN INVESTORS CO., INC. has filed a registration statement for 491,000 shares of common stock, without par value.

Address—44 Wall Street, New York City. Business—Investment company. Underwriting—None named.

Offering—The shares of common stock registered are to be issued by the company upon exercise of outstanding common stock purchase warrants, which expire on Oct. 15, 1953. Such warrants are exercisable as to 91,000 shares at \$10 per share, 100,000 shares at \$12.50 per share, 100,000 shares at \$15 per share, 100,000 shares at \$17.50 per share and 100,000 shares at \$20 per share. The maximum proceeds to the company will be \$7,410,000 if all outstanding warrants are exercised. The company says it is advised that shares issued upon exercise of the warrants, may be sold by the holders on the New York Stock Exchange at market prices prevailing from time to time on the Exchange.

Registration Statement No. 2-5533, Form S-4. (11-18-44).

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.

Registration statement withdrawn Nov. 15, 1944.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par \$5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at \$8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

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 proceeds 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 successful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, \$20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at \$20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HANCHETT MANUFACTURING CO. has filed a registration statement for \$450,000 first mortgage convertible 5 1/2% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock (par \$1). The shares are reserved for issue upon conversion of \$450,000 first mortgage convertible bonds. Underwriters are 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.

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. Proceeds 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 3 1/2% 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.

UNIVERSAL CAMERA CORP. has filed a registration statement for 50,000 shares of 80-cent cumulative dividend preferred stock, par \$5 per share. As to 25,000 shares being offered the public the offering price is \$10 per share, and as to 25,000 shares being offered New York Merchandise Co., Inc., the price is \$8.75 per share. In each case proceeds will be used after underwriting discounts will be \$8.50 per share before expenses. Proceeds will be used for general corporate purposes. Floyd D. Cerf Co., Chicago, is named underwriter. Filed Oct. 24, 1944. Details in "Chronicle," Nov. 2, 1944.

VERTIENTES-CAMAGUEY SUGAR CO OF CUBA.—696,702 shares of common stock (\$6.50 par), U. S. currency. Of shrs registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase \$1,663,500 of first mortgage (col laterals) 5% convertible bonds of company due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs previously mentioned, will make up the total stock to be offered. Harriman Riple & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

WESTERN UNION TELEGRAPH CO. has filed a registration statement for \$24,603,000 convertible debentures and an indeterminate number of shares of class A stock to be available for conversion. Subscription warrants will be issued to present holders of company's class A and class B stock entitling them to purchase \$100 principal amount of the new debentures for each 5 shares of class A stock or each 8 1/2 shares of class B stock held on a record date to be supplied by amendment. Proceeds plus whatever general funds are necessary will be applied to the redemption on Dec. 1, 1944 of \$25,000,000 25-year 5% bonds at 105% plus accrued interest. Names of underwriters and interest rate to be supplied by amendments. Filed Aug. 18, 1944. Details in "Chronicle," Aug. 24, 1944.

The directors Sept. 5 voted to direct the officers to formulate plans to invite competitive bids for the new bond issue. Due to a decision of the N. Y. Public Service Commission that it has jurisdiction over the proposed issue, the company has decided to defer the issue temporarily.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2248)

more than the next man. Nor, for that matter do I care to hold on indefinitely with stocks looking like they're going into the red, particularly if I've already seen them in the black. If at some later time other indications appear I'm willing to re-enter the long side, if the long term picture hasn't changed. It looks as if that were the situation today.

Stocks have bent over. But in bending over they seem to have stopped just short of a point where a serious break has been averted. Whether or not this condition is only a temporary one it is too early to tell. We will have to see another few days of market action before any definite conclusions can be made.

During last week's break the market has accomplished a number of things. It has pointed to the stocks which possess better than average market strength and it has also highlighted other stocks which don't show much get up and go. Oddly enough the latter are among the ones which have recently reported the best earnings. And con-

versely among the former there are a number which don't show up particularly well when earnings and dividends are considered. There is no point in mentioning specific stocks as I have no intentions of recommending new buys or repeating advice to sell at this time. I prefer to see how certain stocks act for at least another week before I become specific.

On the news front there are a number of events that have important market significance. The Kilgore report is one; the International Business Conference meeting in Rye is another. Both have considerable market implications which are bound to affect industry for years to come. Up to this writing the market hasn't weighed the news from either source. One reason may be that it hasn't made up its mind what the decisions will be. The other is that no actual decision has been made. Both bodies, the Senate committee, and the delegates at Rye, have made certain suggestions and recommendations and nobody knows if these will be carried out, or in what manner, if at all.

Meanwhile it is wise to hold your money liquid to see which way the cat will jump. I'll admit that at this writing the odds are strongly in favor of a renewal of strength. Yet a few more days of waiting and watching isn't going to hurt. It might even help. There's nothing so sickening as to step in and go long of stocks just as they're ready to hit the skids.

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.]

Philadelphia Banks Form Credit Group

Twenty Philadelphia banks have formed the Bank Credit Group of Philadelphia, according to announcement today by Evan Randolph, President of The Philadelphia National Bank, and Chairman of the organization committee. The Philadelphia group will set up a fund of \$10,000,000 to provide an additional source of credit for small and medium-sized businesses in the reconversion and post-war periods. The group will lend every possible financial assistance to businessmen during the days when enterprises must be reconverted from a wartime to a peacetime basis. Mr. Randolph said. Officials of the banks which are members of the group will serve jointly on a loan committee which will consider the merits of each loan application and every effort will be made to provide ways and means to facilitate loans.

Members of the Bank Credit Group of Philadelphia, which will serve the entire Third Federal Reserve District, are: The Philadelphia National Bank; The Pennsylvania Company for Insurance on Lives and Granting Annuities; Corn Exchange National Bank and Trust Company; Girard Trust Company; The First National Bank; Fidelity-Philadelphia Trust Co.; Central-Penn Nat'l. Bank; Trademans National Bank & Trust Co.; Land Title Bank & Trust Co.; Market Street National Bank of Philadelphia; Ninth Bank & Trust Co.; Germantown Trust Company; National Bank of Germantown & Trust Co.; Kensington National Bank; Liberty Title & Trust Co.; Real Estate Trust Company; City National Bank; Second National Bank; Erie National Bank, and Broad Street Trust Co.

The plans for the formation of the bank credit fund were referred to in our issue of Oct. 19, page 1691.

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Security Traders Association of N. Y. to Hold Election Meeting December 1st

The annual meeting of the Security Traders Association of New York will be held on Friday, Dec. 1, at the Produce Exchange Luncheon Club, at 5:00 p. m., for the election of officers for 1945 and such other business as shall properly come before the meeting.



Richard F. Abbe



C. E. de Willers



Louis A. Gibbs



John S. French



George Leone

Dickson Foresees Great Future Growth In South Sharp & Atkins Now V.-Ps.

A story of the growth of the Southeast, particularly the Piedmont area of the Carolinas, was reflected in the report given by R. S. Dickson, President, at the annual meeting of stockholders of the investment firm of R. S. Dickson & Company, at its home office in Charlotte, on the twenty-fifth anniversary of the company. From a small beginning in Gastonia, N. C., in a business confined to dealing in textile shares, the company has become a firm of real consequence in the investment field. Offices are maintained in New York and Chicago, and in several other Southern cities besides the home office in Charlotte in the Wilder Building. Mr. Dickson attributed its growth to the fact that it has operated principally in a section that has shown outstanding growth and prosperity since the last war. Likewise, he predicted that the greatest growth of the South is still in the future, and declared that the Southeast had reached a point in financial development where it now could finance its own ventures. He called upon Southern investors to take advantage of the opportunities for building and financing successful enterprises in their own territory. The company has been one of the strongest advocates of pub-

licity for financial statements by investment houses, and its own statement, as of Sept. 30, 1944, the end of its twenty-fifth year, shows total assets of \$2,637,749 and total invested capital of \$1,883,460, including preferred and common stock of \$786,700, capital surplus of \$75,542, and earned surplus of \$1,021,218.

N. S. Sharp of the Chicago office, 135 South La Salle Street, and J. Murrey Atkins of the Charlotte office of the firm have been appointed Vice-Presidents.

Five "Streeters" Over Seas Have New Addresses

New APO addresses have been assigned to the following "Wall Streeters" now serving in the armed forces:

Captain Bertram M. Goldsmith, 0523731, APO 464, c/o Postmaster, New York, N. Y.

Captain Leon Lees Jr., 0569032, APO 565, c/o Postmaster, San Francisco, Calif.

Lt. Irving H. Isaac, 0650235, APO 719, c/o Postmaster, San Francisco, Calif.

Sgt. Martin Scherk, 32218090, APO 17381, c/o Postmaster, San Francisco, Calif.

Lt. Thomas F. Doyle, 0-1647920, APO 655, c/o Postmaster, New York, N. Y.

With the exception of Lt. Doyle, who was formerly with Hornblower & Weeks in New York, all were associated with Ira Haupt & Co., New York City.

The polls will open at 4:30 p. m. and will close promptly at 6:00 p. m. The final slate of candidates for the various offices, as submitted by the Nominating Committee, is as follows:

- President—Richard F. Abbe, Van Tuyl & Abbe.
 - First Vice-President—Chester E. de Willers, C. E. de Willers & Co.
 - Second Vice-President—L. A. Gibbs, Laird, Bissell & Meeds.
 - Secretary—John S. French, A. C. Allyn & Co., Inc.
 - Treasurer—George V. Leone, Frank C. Masterson & Co.
 - Directors—George Geyer, Huff, Geyer & Hecht; Harry J. Peiser, Ira Haupt & Co.; Thomas A. Larkin, Goodbody & Co.
 - Trustees of Gratuity Fund—Arthur B. Retallick, Coffin & Burr; William K. Porter, Hemphill, Noyes & Co.
 - Delegates—Thomas G. Horsfield, Wm. J. Mericka & Co., Inc.; Michael J. Heaney, Joseph McManus & Co.; D. Frederick Barton, Eastman, Dillon & Co.
 - Alternates—Allison W. Marsland, Wood, Gundy & Co.; John F. Reilly, J. F. Reilly & Co.; Otto A. Berwald, Berwald & Co.; John D. Ohlandt, J. Arthur Warner & Co.; Jules Bean, Luckhurst & Co.
 - Nominating Committee (four to be selected)—Richard M. Barnes, A. M. Kidder & Co.; Arthur W. Bertsch, G. A. Saxton & Co., Inc.; Henry G. Bruns, H. G. Bruns & Co.; Charles H. Jann, Estabrook & Co.; T. F. Mackessy, Abbott, Proctor & Paine; Harry F. Reed, Carl M. Loeb, Rhoades & Co.; E. K. Sheppard, Henry S. Robinson & Co., Inc.; Lee Sherman, L. D. Sherman & Co.
- For the first time in a number of years there were no nomina-

tions by petition. However, it is important that a ballot be cast by each eligible voter, because under the By-Laws, as amended, four members of next year's Nominating Committee are to be elected from a slate of eight candidates submitted by the Nominating Committee.

Attention is called to Article IV, Section 6, of the By-Laws, which reads, in part, as follows:

" . . . All the members who are members or employees of the same organization shall vote as a unit and shall collectively be entitled to only one vote. Such members shall designate one of their number to cast such vote and if a majority thereof cannot agree upon such designation, such members shall not be eligible to vote. . . ."

Unless notified in writing as to who will cast the ballot for any firm, the Tellers will issue it to the first eligible voter making request.

Despite the exigencies of rationing, Chairman Heaney and the Arrangements Committee promise that the buffet dinner to be served following the meeting will be up to its usual high pre-war standard. In addition, the committee has provided an interesting program of entertainment, so that it should be worth while for every member to attend. Beer free, as usual. It is hoped that eight or ten turkeys will be given out as door prizes, but if this is not possible, there will be some other desirable items.

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Attractive Markets Mean Higher Yields

Fire and casualty insurance stocks offer an attractive situation, according to a memorandum issued by White & Co., Mississippi Valley Trust Building, St. Louis, Mo. Copies of this memorandum and an interesting tabulation of insurance and bank stocks may be had from White & Co. upon request. The firm also announces that copies of their "Fire and Casualty Insurance Stocks Manual" may be had for the asking.

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