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Investment Bankers Association of America Holds 33rd Annual Meeting in Chicago

John C. Folger Is Reelected President for 1944-1945—New Committee to Aid Small Business—Consider Shifting Office to Washington

The thirty-third Annual Meeting and War Finance Conference of the Investment Bankers Association was held in Chicago at the Edgewater Beach Hotel from Nov. 26 to Nov. 29.

Officers inducted at the meeting were: John C. Folger, Folger, Nolan & Co., Washington, D. C., President; Julien H. Collins, Harris, Hall & Co., Chicago; Hal H. Dewar, Dewar, Robertson & Pancoast, San Antonio, Tex.; Henry H. Egly, Dillon, Read & Co., New York; Charles S. Garland, Alex. Brown & Sons, Baltimore; and Edward Hopkins, Jr., Drexel & Co., Philadelphia, Vice-Presidents.

Among the principal speakers at the meeting were: James V. Forrestal, Secretary of the Navy; Alfred P. Sloan, Jr., Chairman of General Motors Corporation; The Earl of Halifax, British Ambassador to the United States; T. R. Gamble, National Director of the War Finance Division of the United States Treasury; Edward B. Hall, Assistant National Director, and Francis M. Knight, Chairman of the Sixth War Loan for Cook County.

John C. Folger

A committee was appointed by the Association to consider the problem of financing smaller corporations, the IBA thereby joining the growing number of big post-war helpers for little business. Head of the new committee is John Fennelly, formerly national executive director of the Committee for Economic Development, who was admitted to partnership in Glore, Forgan & Co. on Dec. 1.

Mr. Fennelly declared that he hoped to work through local groups in getting together funds for small companies and businesses in need of post-war backing, although he said that he was giving only his personal views on the matter since the new committee was yet to hold its first meeting. The committee, Mr. Fennelly

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Proceedings of IBA Meeting

Full texts of the addresses made at the meeting and of some of the committee reports, also a list of those who attended the conference will be found in this issue, starting on page 2473, with the exception of Alfred P. Sloan's talk, which begins in the next column. We regret that the paper situation prevented our giving at this time all of the committee reports and it is our hope that those necessarily omitted can be published in subsequent issues.

Index of Regular Features on page 2520.

Facts and Fallacies About Post-War Jobs

By ALFRED P. SLOAN, JR.*

Chairman of General Motors Corporation

Industrialist Warns We Are Gradually Losing Our Economic Freedom Which Threatens Loss of Political Freedom. Says Reconversion Problem Is Not a "One Term" Job, and If Not Solved It May Turn the Spiral of Business Downward. Stresses Importance of Providing Jobs by a Sound National Policy Based on Confidence in Enterprise and Not on Deficit Financing and Urges Tax Reform Aimed at Creating Rather Than Distributing Wealth. Favors Small Business Encouragement and Urges Greater Utilization of Our Resources and Removal of Obstacles Imposed by One Group or Another.

Mr. President, Our Distinguished Guests, Ladies and Gentlemen: It is really a privilege to be here in Chicago this evening and have an opportunity to tell you in an offhand manner — no finished address because I am a mechanic more than I am an operator—about the problems of industry; not only the problems of industry today, what we are confronted with, how the picture looks, but more particularly the problems as we pass from war to peace.

Alfred P. Sloan, Jr.

*An address made by Mr. Sloan at the Annual Meeting of the Investment Bankers Association, Edgewater Beach Hotel, Chicago, Nov. 28, 1944.

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Pricing for Future Prosperity

By DR. LEWIS H. HANEY*

Professor of Economics, New York University

Economist Predicts Higher Post-War Prices Because of (1) the Vast Sums People Have to Spend; (2) the Large Deferred Demands for Goods; (3) the Inability to Enforce Price Restrictions When the War Psychology Ends, and (4) the Encouragement to Exports Due to High Prices Abroad. Holds That Price Fixing Is Bad, That It Leads to Social Planning and Restricts Production and Advocates Peace Time Price Controls Only for Facilitating a Free Competitive System. Sees Need for Currency Reduction to Prevent Inflation and Maintain Prices That Reflect Competitive Values in Free and Fair Markets.

Lewis H. Haney

Post-war pricing, like post-war prosperity, must be conditioned by the war.

There are two main conditions which the war imposes upon prices: One is the condition of great unsatisfied consumer desires. The other is the condition of greatly inflated currency. It is my well-considered judgment that these conditions have caused price inflation after all great wars, and that they will do so after present war.

A third condition is one of mixed surpluses and shortages of

* A Speech made by Dr. Haney before the National Association of Manufacturers at the Waldorf-Astoria Hotel on Dec. 6, 1944.

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Some More Observations on the Peacetime Conscription Issue

Views of Representative Wadsworth of New York, Co-Author of Pending Training Bill, and Others Given in Today's Issue.

We are able to accommodate in this issue some more of the observations submitted in connection with our symposium on the proposal calling for a program of universal military conscription in peacetime. Other comments previously published appeared in our issues of Nov. 23, Nov. 30 and, as noted in the earlier issue, our sole objective in conducting this survey and in publishing the opinions thus obtained is for the purpose of helping to clarify public thinking on the question. Those desirous of making known their views and opinions should address their comments 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.

As already stated, we are reproducing herewith some of the unpublished remarks now in hand; others will be given in subsequent issues.

HON. JAMES W. WADSWORTH
Representative in Congress From New York

My views concerning compulsory military training in peacetime are as follows:

I believe it the duty of every young man, physically qualified, to undergo training which will enable him better to defend his country. An acceptance of this obligation, declared in a statute, is democracy at its best. I believe that such training, pursued upon a democratic basis, would make the country strong enough in a military sense to discourage aggression against us, and thus go far toward keeping us at peace. We should lead the world along the paths of peace and contribute everything we can toward the abolition of war. But we cannot lead and command respect for our righteousness unless we are strong.


Jas. W. Wadsworth

I believe that universal military training, bringing together as it would young men from every strata of life, would go far toward

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Free Markets and Venture Capital

By EMIL SCHRAM*
President, New York Stock Exchange

Emphasizing the Necessity of Free Markets and Venture Capital to the Continued Progress of the Nation, Mr. Schram Points Out That "Somebody Must Find the Money to Put Back of Every Job," and Only "Through the Constant Development of New Ventures Can Employment Be Sustained." He Enumerates the Defects of the Present Tax System, and Lists Nine Objectives of a Sound Tax Program, of Which the Reduction of the Burden on Corporate Enterprise and the Provision of Incentives for Investment Occupy First Place.

As I face this distinguished audience, I am impressed with the deep significance of the subject to which I am going to invite your thoughtful attention today. Do not misunderstand me—I am not impressed with what I am going to say, but with the problem itself. This problem is one that deserves the earnest consideration of all who have the welfare of their country at heart.


Emil Schram

That which we can talk about, can become that which we do. Action can follow thought and expression. Clear thought and free expression on our subject today are necessary if those programs which are necessary to our freedom are to be carried out.

There is nothing either good or bad, said Shakespeare, but thinking makes it so. In Europe, men thought themselves into the domination of the omnipotent State. There was nothing inevitable about it, but, like men who fix their eyes on an abyss and stand on its edge, at length they plunged into it.

I have the honor to represent the greatest free market in the world. It is a market open to all on perfect equality. Free markets are necessary companions to freedom of ownership, and both free markets, and freedom to own, are essential to the liberties which this nation cherishes.

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*An address made by Mr. Schram at a luncheon meeting of the Executive's Club of Chicago, Dec. 1, 1944.

Spencer Trask & Co. To Admit R. I. Clark

Spencer Trask & Co., 25 Broad Street, New York City, members of the New York and Boston Stock Exchanges, will admit R. Inslee Clark to partnership in the firm as of Jan. 1, 1945.

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Over-the-Counter Versus Listed or Auction Markets

By RAYMOND MURRAY

Writer Points Out the Limitations of the Auction Markets for All Securities and the Disastrous Effects of Destroying The Over-the-Counter Business.

Under the pretense of protecting the uninformed investor some well meaning people are again raising the much debated question of listed or auction markets for all securities sold to the public. This problem has been investigated and studied by experts in the past but the evidences are either forgotten or not understood by those who are now struggling with the situation.

Auction Markets

Auction markets for securities brings to mind the qualified and regulated New York Stock Exchange list. Each stock in the auction list of that market is represented by a specialist who is ready to buy or sell at a bid or asked price representing a spread which varies with very definite rules and conditions.

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The SEC Decision on the "5% Spread Yardstick"

Dealing with this same subject, we concluded last week's editorial by saying:

"Believing that the Commission erred in finding that the so-called interpretation is not a rule, and believing that permitting this to stand would constitute a dangerous precedent, we are hoping that an appeal will be taken."

Today we consider specifically some of the reasons back of this hope.

During the course of the proceedings the attorneys for the Securities Dealers Committee asked that a trial examiner be appointed to take testimony. The Commission denied this request.

The NASD, based upon a questionnaire addressed to its members, attempted to foist a "5% spread philosophy" on them, and hence ultimately on the industry generally, upon the alleged ground that the answers in 71% of the reported transactions justified such a course.

We believe the taking of testimony would have proved beyond any doubt that neither the NASD survey nor its interpretation, correctly established trade custom and usage in over-the-counter transactions.

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Compulsory Military Training

By HENRY I. HARRIMAN*
Vice-Chairman, New England Power Association

Prominent Industrialist Maintains That a Compulsory Military Training Law, Making Such Sweeping Changes in Our National Policy, Should Not Be Passed Under the Emotional Pressure of War and Should Be Delayed Until the Country Has Been Fully Convinced of Its Necessity. Stresses the Importance of Small and Highly Mechanized Military Forces in Modern War and Sees No Necessity for Disrupting Educational and Business Life by Universal Military Training and Doubts Whether Such Training Is the Best and Most Economical Means of Improving and Maintaining Health or Decreasing Illiteracy.


Henry I. Harriman

The High Command of both the Army and the Navy have recommended to Congress immediate action providing for one year of universal military training for the male youth of the land in times of peace. They are asking for immediate action on this matter without awaiting the end of the war and the return of our troops who are overseas, and without knowing the nature of the peace organization which will be set up by the United Nations to prevent future wars of aggression. In their statements they assume, without proof, that one year of universal military training is required for the national security, and if this point can be proved I should join with them in asking for immediate enactment of the law which they suggest. However, I submit (a)

*A statement made by Mr. Harriman before a group of college presidents and deans in Metropolitan New York on Dec. 4, 1944. Mr. Harriman is Chairman of a Committee of the American Council of Education to study compulsory military training.

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The Two-Price System

By DR. IVAN WRIGHT
Professor of Economics, Brooklyn College

Economist Points Out Defects of Selling for Export at Lower Than Domestic Price. Urges That Free Markets and Competitive Price Levels Be Maintained to Stimulate Volume Business Activity.


Dr. Ivan Wright

According to the news reports, serious consideration is being given to a two-price system to aid American export trade. What would be the problems in managing a two-price system? To sell goods abroad for less than the domestic prices means that the goods cannot be sold abroad at domestic prices or that we are willing to carry on a form of cut-throat competition in the markets of other people while we demand higher prices and more stable prices at home. In all such considerations it should be remembered that other countries can retaliate in this form of commercial warfare. Except in the cases of products which foreign countries wanted and in which competition with their own production was not a matter of consideration, it would be quite logical for foreign countries to protect their markets against the dumping of goods in their markets at prices below the costs of production, or below the selling prices in the producing countries. If there is any one justification for tariffs to protect civilian production, it is this condition where a country dumps its surplus on another country's home

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Bank of Manhattan Co. Estimated Operating Earnings for 1944 At $4,800,000: Baker

Referring in his annual report to the war, J. Stewart Baker, Chairman of the Board of the Bank of the Manhattan Co. of New York, observing that "victory over our enemies is the immediate goal for which our men are so valiantly fighting on battle fronts throughout the world," declared that "so, too, on the home front, this should be our goal to the exclusion of all else. Nothing must be allowed to interfere with the successful prosecution of the war, but this does not mean we should give no thought to the problems which will face us after victory has been attained." Continuing, Mr. Baker said, in part: "It is not enough that jobs are available. The youth of our country, throughout its whole history, has been fired with ambition and the desire to get ahead. Government cannot give these returning men the opportunities they want and business can do so only if it is allowed to function unhampered by oppressive laws and regulations and if it is not penalized for being successful."

Mr. Baker likewise pointed out that "after the war business men will not be interested in expanding their operations if the increased volume will produce an insignificant profit after taxes." He went on to say that "business, rather than being penalized for taking additional risks, should be encouraged and the rewards instead of being less should be more." Mr. Baker added:

"Would there be any greater incentive to a business to expand its activities than to have its excess profits taxed at a lower rate than its normal profits? Then, it would be the aim of every business to become subject to an excess profits tax and so reap the benefits of doing a larger and larger volume. The present excess profits tax, which might more properly be known as war profits tax, should be repealed immediately after hostilities cease, and in its place a tax levied which would be an incentive to businesses, small and large, to increase their activities. It is my belief that a tax, based on the principle that the greater the profits which a business can produce through expanding its volume the smaller the rate of taxation, would do more than anything else to stimulate our national economy, increase our national income, and provide jobs in the post-war period.

"Free enterprise and the profit system have marched down through the years shoulder to shoulder with the individual initiative, the self-reliance and the

(Continued on page 2514)

Daniel F. Rice Co. to Enlarge Facilities

CHICAGO, ILL.—The first major expansion in many months of facilities of a La Salle Street brokerage and investment house was revealed in the announcement that Daniel F. Rice and Company will move their offices to the third floor northeast corner space of the Board of Trade Building on or about Jan. 1. This space is one of the largest on La Salle Street adaptable for a brokerage or investment firm. According to Hogan & Farwell, managing agents of the building, the new quarters will be completely modernized, incorporating many new features not heretofore seen in investment office design.

Daniel F. Rice and Company, organized in 1923, have been tenants of the Board of Trade Building since construction. The firm are members of the New York and Chicago Stock Exchanges, Chicago Board of Trade, Winnipeg Grain Exchange and other stock and commodity exchanges. Partners include Daniel F. Rice, Joseph J. Rice, Walter T. Rice and Wm. F. Rowley. Offices are maintained in New York, Miami, Miami Beach, Champaign, Danville, Peoria, Rochelle, Illinois and Ft. Dodge, Ia.

Lazard Freres Admit Murnane as Partner

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announce that George Murnane has been admitted as a general partner in their firm. Mr. Murnane's admission to the firm was previously reported in the Financial Chronicle of Nov. 16.

Situations of Interest

Preferred and common stock of U. S. Finishing and United Piece Dye offer interesting situations, according to circulars just issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these circulars may be had from the firm upon request.

Morton Lachenbruch With Townsend, Graff

Morton Lachenbruch has become associated with Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Lachenbruch, a specialist in unlisted securities, is well known in Wall Street trading circles and by dealers throughout the country. For many years he conducted his own investment business in New York City and recently has been with Ward & Co., in charge of the wholesale, reorganization, and arbitrage departments.

Morton Lachenbruch

Clarence R. Hayes Is With Bacon, Stevenson

Bacon, Stevenson & Co., 39 Broadway, New York City, members of the New York Stock and Curb Exchanges, announce that Clarence R. Hayes is now associated with them.

Hayner & Hill With Slayton & Company, Inc.

(Special to The Financial Chronicle)

PONTIAC, MICH.—Charles W. Hayner and Lee Hill have become associated with Slayton & Co., Inc., 111 North Fourth Street, St. Louis, Mo. Mr. Hayner was formerly Michigan State agent for United Funds Management Corp. Mr. Hill was with Rathbun & Co.

Rosenbaum Adds Two

Wm. H. Rosenbaum & Co., 285 Madison Avenue, New York City, members of the New York Stock Exchange, announce that George Himme and Milton Kritzer are now associated with them.

Annual Meeting of Nat'l Ass'n of Mfrs.

Prominent marketing executives will conduct a "distribution clinic" on Dec. 8 as a feature of the War and Reconversion Congress of American Industry, at the Waldorf-Astoria Hotel in New York. The session will be a part of the 49th annual meeting of the National Association of Manufacturers, which opened a three-day session on Dec. 6. An opportunity is afforded at the meeting for top Army, Navy and Government procurement officers to sit down for man-to-man talks with the industrialists who produce the nine items most vital in the efforts toward victory. Addresses are scheduled by Lt.-Gen. Brehon Somervell, commanding the Army Service Forces, and J. A. Krug, Chairman of the War Production Board.

Norris of So. Rwy. to Address N. Y. Chamber

Ernest E. Norris, President of Southern Railway System, will address the Chamber of Commerce of the State of New York at the monthly meeting today, Dec. 7, at 65 Liberty St. His subject is "Don't Sell the Railroads Short." Leroy A. Lincoln, President of the Chamber, will preside at the meeting.

La Guardia Calls for Observance of Pearl Harbor Day

A proclamation calling for a one-minute observance in New York City of silence and prayer at 2:26 p. m. today (Dec. 7) was issued on Dec. 6 by Mayor La Guardia "in solemn tribute to the men and women of our armed forces who are giving their lives for their country." The New York "Times," in reporting this, said:

In a Pearl Harbor Day proclamation he also urged every citizen of New York City "to buy at least one extra war bond on that day, as a further pledge to our armed forces that we stand united behind them on the road to victory and to once again bring to the memory of all, the dastardly deed which the Japanese nation perpetrated three years ago at Pearl Harbor."

All New York is being asked to join in the ceremony marking the moment of attack, Dec. 7, 1941, and to take part in the purchase of $25,000,000 worth of Sixth War Loan bonds.

During the moment of silence the bells of 1,500 churches of every denomination will toll in recognition of the tragic anniversary.

Frank Frederic With Equitable Securities

MEMPHIS, TENN.—Frank D. Frederic has become associated with Equitable Securities Corp., in charge of the Memphis office, in the Union Planters Building. Mr. Frederic for the last two years has been serving as a Captain in the U. S. Marine Corps. For 10 years prior thereto he was manager of the municipal department for L. K. Thompson & Co.

Rickenbacker Sees Returning Service Men Giving Nation More Isolationists Than Before

In Suggesting Debt Cancellation Declares They Should Not Be Saddled With Huge U. S. Obligations

Urging that the United States "work realistically with Russia, because these countries and Britain together will be able to preserve the peace for many years to come," Captain Edward V. Rickenbacker, President of Eastern Air Lines, at a luncheon meeting of the annual convention of the National Association of Insurance Commissioners in the Hotel Commodore, on Dec. 4 said he regretted to predict that returning service men "will give this country more super-duper isolationists than we've ever had at any time in our history."


Capt. Rickenbacker

In the view of Captain Rickenbacker "they should not be saddled with a huge national debt." "It might," he said, according to the New York "Times," "be better to cancel the debt and let them start from scratch, so that they may win for themselves the great opportunities earlier generations have enjoyed."

In his remarks Captain Rickenbacker called upon industrialists and financiers to "put their shoulders to the wheel" to get out the additional war production needed on every front. From the "Times" we also quote:

"He said at least one and a half years would be required to defeat Japan after Germany had been conquered, with three years a more likely figure, and with later guerilla warfare by Japanese contingents cut off in Malaya, China and many Southwest Pacific islands.

"'The next war, if it occurs, will not be conducted by fleets of ships and planes, but by long-range bombs and rockets, which are at the threshold of untold development and expansion. It will be a war of long-range artillery duels across the oceans.'

"Speaking of post-war aviation, Captain Rickenbacker declared that air transport was 'the foundation for every other economic development.' He ascribed the growth of the United States to the rapid development of railroad transportation and asserted that rapid communication and transportation would carry throughout the world the same homogeneous conditions prevailing in this country.

"As to the post-war aviation discussions in Chicago, Captain Rickenbacker said he disagreed with 'the British position that future air travel be shared 50-50 with the United States, when we produce 75% to 80% of the traveling public throughout the world.'

"'We should and will have the opportunity for using our know-how,' he declared.

"Five hundred persons attended the luncheon, at which Robert E. Dineen, New York State Superintendent of Insurance, presided."

Gardner, Sise Elected By Montreal Bank

B. C. Gardner, general manager of the Bank of Montreal, has been elected a director and he and Chas. F. Sise have been appointed Vice-Presidents, it has been announced. In appointing him to a vice-presidency, the bank conferred an unusual distinction on Mr. Gardner, as it has not been customary heretofore for one man to serve simultaneously as General Manager and Vice-President.


B. C. Gardner

Mr. Sise is President of the Bell Telephone Company of Canada and a director of the Bank of Montreal, the Consolidated Paper Corporation and the Liverpool & London & Globe Insurance Company, Ltd. He began his business career as engineer with the American Telephone & Telegraph Co. of New York.

Public Utility Securities

Huge Amount of Utility Refunding Anticipated After Bond Drive

October was a banner month for investment bankers handling utility issues. About $515,000,000 of securities were sold—almost as much as in the preceding nine months. Of the ten months' total of $1,081,564,982 utility financing, only $41,711,030 represented new capital financing; and only $104,227,982 represented preferred and common stocks. For the year to date the amount of utility refunding is the largest for any corresponding period since 1939 (which exceeded it by a few millions) and 1936. However, the amount of new capital financing continues at very low levels compared with periods prior to 1943.

November financing was curtailed by the War Bond Drive which lasts until mid-December, and with the holiday period coming shortly thereafter, only two or three small issues are expected during the balance of the year. However, January should again witness a flood-tide of offerings, judging from the preliminary plans under way, and the large number of banking groups formed. Plans appear currently under way for refunding of about $900,000,000 bonds, and $200,000,000 preferred stocks. Among companies which have indicated plans for refunding operations, or which may be expected to take some action during the first half of 1945, are the following (alphabetically arranged):

Carolina P. & L.
Central Maine Power
Community Public Service
Consumers Power
Dallas P. & L.
Duquesne Light
Florida Power Corp.
Indiana General Service
Indiana Service Corp.
Jersey Central P. & L.
Kansas Gas & Electric
Laclede Gas Light
Madison Gas & Electric
Milwaukee Gas Light
Minnesota P. & L.
Minneapolis Gas Light
Missouri P. & L.
Monongahela West Penn P. S.
Montana Power
Mountain States Power
New England Power Association
New York Power & Light
Northern Penn. Power
Northern States Power (Minn.)
Ohio Public Service
Oklahoma Gas & Electric G. & E.
Pacific G. & E.
Pennsylvania Edison
Pennsylvania P. & L.
Philadelphia Electric Power
Portland General Electric
Potomac Edison
Public Service of N. H.
Public Service of Oklahoma
Rochester G. & E.
St. Louis Public Service
Scranton Electric
South Carolina Power
Southwestern P. S.
Texas Electric Service
Texas Power & Light
Tidewater Power
Toledo Edison
Union Electric, Missouri
Wisconsin P. & L.

The number of common stock issues in 1944 has been disappointingly small. Virtually no new money has been raised by sale of common stocks. By common stock financing these days is meant, not the raising of new funds, but rather the sale of equity interests by holding companies which are in process of eliminating certain holdings—usually for the double purpose of (1) conforming to the geographical requirements of Section 11 of the Utility Act, and (2) raising cash to complete the retirement of senior securities.

The holding companies and the SEC, in framing integration plans, have to balance the advantages and disadvantages of cash sales versus distribution to senior security holders. Hence, until plans have finally "jelled" it is difficult for the bankers to make definite plans for the public offerings of these stocks. In the case of Standard Gas, public sales have narrowed down to one or two small lots of stock, though at one time several substantial offerings were expected.

Among the common stock issues which might be offered publicly in 1945 are two subsidiaries of National P. & L., Birmingham Electric and Carolina P. & L.; Columbia Gas might dispose of its big electric companies, Dayton P. & L. and Cincinnati G. & E.; Electric Power & Light might decide to dispose of its two Dallas properties. Middle West may have one or two properties for sale. North American Power & Light, controlled by North American Company but not considered an integral part of the North American system, might decide to liquidate two or three items in its portfolio. Commonwealth & Southern has expressed some doubt as to whether it will distribute or sell its smallest northern subsidiary, Southern Indiana G. & E.

It is very difficult to time any of these sales, but it looks as though some of them would be forthcoming in the next few months. Over-counter dealers will doubtless also be making "when issued" markets in newly distributed stocks of Standard Gas, if and when that company's plan is confirmed by a Federal Court.

Will We Have Another Depression?

Sylvia F. Porter, Financial Editor of New York "Post" Says Expansion of Foreign Trade Is Essential to Prevent Another Depression, and Advertising Must Play a Part to This End.

"A sharp increase in the world's and in particularly America's foreign trade is essential to prevent another depression, for if goods do not cross borders, armies will," Sylvia F. Porter, Financial Editor and columnist of "The New York Post," told the New York Financial Advertisers at a luncheon on last Thursday.

Sylvia F. Porter

Speaking on the topic, "Will We Have Another Depression?" Miss Porter, who is also a nationally-known magazine writer, author and radio commentator, declared, "there can be no permanent military peace in a world of economic conflict. There can be no permanent prosperity and high, stable level of employment either here or elsewhere unless world trade is restored and lifted to new heights.

"When goods do not cross borders, armies will. And goods can not cross borders unless the monetary situation in each land is pulled out of its present chaos and stabilized."

The danger of another severe depression will not show up immediately after the war, even though we may go through temporary dislocations, Miss Porter explained. "The pent-up demands for both old and new products, the carry-over of wartime controls and the surplus of money in the United States are sufficiently strong factors to hide fundamental ills," she said. "But the danger will be revealed with frightening brilliance unless we have achieved international economic understanding and an active world trade by the time these factors have lost their strength."

Miss Porter hailed the recent United Nations Monetary Conference at Bretton Woods and the International Business Conference at Rye as "steps in the right direction because they recognized the vital importance of planning to build post-war trade and thus peacetime prosperity." The very fact that Government representatives of 44 United Nations got together at Bretton Woods and agreed on two schemes to stabilize currencies and arrange post-war loans is of tremendous significance, she remarked, adding that the same importance may be attached to the 52-nation meeting of private businessmen at Rye.

"And those who want to let nature take its course and who still resent the fact that we are planning for prosperity are living in a philosophical vacuum," she said. "The concept of planning has been accepted throughout the world. The real debate centers around the sort of planning we do — whether we move along democratic or totalitarian lines."

Creators, buyers and sellers of advertising in America have a key part in this developing pattern, she continued. "Advertising will be of critical importance in building our markets for goods imported. And we must buy from other nations as well as sell to them if our own prosperity is to last.

"Advertising also will be important in building our exports, for through it, new American producers can be educated and encouraged to participate in the movement and the mediums for financing can be publicized.

"We have seen a dramatic illustration of the way advertising can inspire or dampen a public appetite for products during this war," she concluded. "The responsibility of advertising men to switch over their talents to molding our peacetime economy will be even greater."

Minton Warren With Van Alstyne, Noel Co.

Minton M. Warren has become associated with Van Alstyne, Noel & Co., 52 Wall Street, New York City, members New York Stock Exchange, as Director of Research. He was formerly director of research for Paine, Webber, Jackson & Curtis.

Minton M. Warren

Since his graduation from Harvard in 1910, Mr. Warren has had a varied business experience, embracing activities in engineering, aviation and finance. In the engineering field he was connected with Stone & Webster and worked on public utility design and construction. He was also chief engineer of Technicolor Motion Picture Corp. He has maintained a consulting engineering practice in New York and Boston since 1920. In 1925 he organized Aero Supply Mfg. Co., manufacturers of hardware and fittings for plane companies, and in 1928 arranged for the manufacture of the DeHaviland Moth plane in the United States and was appointed president of the American company. He was later vice-president, manager and director of the Curtiss-Wright Airplane Co. of St. Louis, and secretary of the Curtiss-Wright Corp. and Wright Aeronautical Corp.

Bowers & Co. Member Of Boston Exchange

PORTLAND, ME. — Bowers & Co., Bank of Commerce Building, has been elected to membership in the Boston Stock Exchange. Maurice A. Bowers is the Exchange member. He is the only member of the Boston Exchange residing in the State of Maine.

Interstate Aircraft & Eng. Appears Attractive

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

Situations Of Interest

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

Tomorrow's Markets Walter Whyte Says—

Market gives top signs and indicates resumption of move. At same time, individual stocks show latent possibilities which make buying advisable.

By WALTER WHYTE

A number of interesting signs are beginning to crop up in this market. I say interesting, because many of them indicate a topping out, while an equally respectable number seem to show new moves. So again it's a market of stocks and not a stock market. But that is as it should be. For you can't make a dime buying the market. You still have to narrow your choice down to specific stocks.

* * *

It is equally significant that even among the stocks that seem to have the most trouble with old highs there are some that show lots of signs that old tops aren't going to stop them for long. From a straight trading angle, which means a reservation to get out if certain levels are broken, some of the issues which are currently hugging old highs, wouldn't be a bad buy at present or approximate prices. For example such stocks as Allied Stores (buy between 19½ and 20; stop 18) Baldwin Locomotive (buy between 23 to 23½; stop 22); Crane (buy between 25 and 26; stop 24); St. Joseph Lead (buy between 35 and 36; stop 33½); Timken Detroit Axle (buy between 32½ and 33½; stop 32), and Transcontinental & Western Air (buy between 24 and 25; stop 22) are some of the better performers. It must be remembered, however, that because such stocks are close to new highs or through them, they can react faster than other stocks which are considerably under their so-called supply areas. Yet, they act good enough to attract better than casual buying. I suggest they be bought. But I also warn you that the stops are not to be considered frivolous. If the stops are broken,

(Continued on page 2516)

STANY Elects Officers, Nominating Committee

Richard F. Abbe, of Van Tuyl & Abbe, who has served for the past five years as director of The Security Traders Association of New York, Inc., has been elected President of the organization. He succeeds Willis M. Summers, of Troster, Currie & Summers.

Also elected were: First Vice-President, Chester E. de Willers, of C. E. de Willers & Co.; Second Vice-President, L. A. Gibbs, of Laird, Bissell & Meeds; Secretary, John S. French, of A. C. Allyn & Co.; Treasurer, George V. Leone, of Frank C. Masterson & Co.; Directors, George Geyer, of Huff, Geyer & Hecht; Harry J. Peiser, of Ira Haupt & Co.; Thomas A. Larkin, of Goodbody & Co. Trustees of


Richard F. Abbe


C. E. de Willers


Louis A. Gibbs


John S. French


George Leone

the Gratuity Fund, William K. Porter, of Hemphill, Noyes & Co., and Arthur B. Retallick, of Coffin & Burr.

Delegates, Thomas G. Horsfield, of Wm. J. Mericka & Co., Inc.; Michael J. Heaney, of Joseph McManus & Co., and D. F. Barton, of Eastman, Dillon & Co. Alternates: Allison W. Marsland, of Wood, Gundy & Co.; John F. Reilly, of J. F. Reilly & Co.; Otto A. Berwald, of Berwald & Co.; John D. Ohlandt, of J. Arthur Warner & Co., and Jules Bean, of Luckhurst & Co.

Members of the Nominating Committee elected this year for the first time (the committee was previously appointive): T. F. Mackessy, of Abbott, Proctor & Paine; Charles H. Jann, of Estabrook & Co.; Harry F. Reed, of Carl M. Loeb, Rhoades & Co.; Arthur W. Bertsch, of G. A. Saxton & Co., Inc. STANY is an affiliate of the National Security Traders Association, Inc.

Railroad Securities

A long war psychology has again gripped the market as particularly evidenced by the consistent strength in railroad stocks. In this period of strength there has been a pronounced quickening of buying interest in the securities of the transcontinental carriers, presumably on the theory that the course of the Pacific war assures them of an extended spell of capacity operations even after the European phase has been ended.

In this general background Great Northern has, or at least had until the beginning of this week, been somewhat backward. Quality and earning power considered, many rail men now look upon this stock as representing about the best value in this section, both from a long term investment standpoint and on the basis of possible near term market action.

It seems probable that the existence of the Series "G" General 4s, 1946 has been exerting some adverse market influence. These bonds are convertible into the stock at $40 a share up to and including the maturity or earlier redemption date. The bonds have been called for redemption on Jan. 1, 1945. At the time of the call there were $25,138,950 of the bonds outstanding, convertible into a total of 628,474 shares of the stock. This amounts to more than 25% of the total stock outstanding. So far it is indicated that a little more than $1,000,000 of the bonds have been converted. It is natural to expect that such a large potential increase in the floating supply of stock would have at least some market influence. This influence will be removed at the year-end, either through actual conversion of the bonds or through the lapse of the conversion privilege. When this influence is removed it is the opinion of many rail men that the stock will advance to more fully reflect its basic investment stature.

Great Northern has been one of the most successful of the solvent roads in its program of debt retirement and fixed charge reduction. With completion of the recent refunding operation fixed charges are indicated at an annual level of only about $10,500,000. Ten years ago the company was supporting charges of over $19,500,000. Without adjusting for taxes, this saving is alone equivalent to around $3.65 per share on the stock outstanding before any conversion and about $2.90 on the maximum amount of stock that would be outstanding if all of the Series "G" bonds were converted. In the latter event the company would have excess cash of some $25,000,000 from the recent refunding and this would presumably be utilized for additional debt retirement, with a further reduction in charges.

On the basis of current charges and the amount of stock outstanding, but again without adjustment for tax changes, earnings would have averaged better than $6.50 a share for the ten years through 1943 and approximately $5.25 a share in the 1936-1940 period which is considered as more normal. Even without the full benefits from the recent refunding it is estimated that earnings for 1944 will top $8.00 a share and they should hold at least to that level in 1945. In recent years the stock has been on a $2.00 annual dividend basis, as a substantial portion of earnings has been diverted to debt retirement. With the elimination now of the near term maturities, and with charges down to a level considered conservative under virtually any conceivable economic conditions, it is generally expected that a more liberal dividend policy will be adopted next year. In many quarters it is believed that the rate may even be doubled.

Aside from the immediate considerations, the long term outlook for the road is viewed as highly favorable. Traffic is well supported by heavy movement of such bulk items as iron ore and grain which are not vulnerable to highway competition. New traffic sources of considerable importance were opened up in the 30s through a connection with Western Pacific in northern California. Reflecting these factors the road enjoyed a materially better than average traffic trend in the years prior to the war. They are permanent factors to which will now be added the traffic accruing from greater industrialization of the service area. Finally, the property is inherently one of the most economical in the country with the exception of the coal roads and this efficiency should minimize the impact of increased wages.

Fashion Park Attractive

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

John E. Schramm With Sulzbacher, Granger

John Edward Schramm recently resigned from Curtiss-Wright Corp., to take a position as security analyst with the New York Stock Exchange firm of Sulzbacher, Granger & Co., 111 Broadway, New York City. Up to the time of his resignation Mr. Schramm was "current operations analyst" for the airplane division of Curtiss at Buffalo, N. Y. Prior to affiliation with Curtiss he engaged in analysis of aeronautical securities for a Wall street firm.

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.

The current situation in Central Iron and Steel also appears interesting, according to a bulletin just issued by Lerner & Co. Copies of this may be had for the asking.

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.

NASD District 13 Gets Nominations

The Nominating Committee of District No. 13 of the National Association of Securities Dealers, Inc. has nominated Irving D. Fish of Smith, Barney & Co., New York City to succeed James Coggeshall, Jr. of the First Boston Corporation as member of the Board of Governors. B. Winthrop Pizzini, B. W. Pizzini Co., New York City, has been nominated to succeed Clarence E. Unterberg, C. E. Unterberg & Co., New York.

The following were nominated as candidates for membership on District Committee No. 13:

Philip L. Carret, Carret, Gammons & Co., New York, to succeed Frank Dunne, Dunne & Co., New York; T. Jerrold Bryce, Clarke, Dodge & Co., New York, to succeed Irving D. Fish; George J. Leness, Merrill Lynch, Pierce, Fenner & Beane, New York, to succeed Charles F. Hazelwood, E. H. Rollins & Sons, Inc., New York; Roy W. Doolittle, Doolittle, Schoellkopf & Co., Buffalo, N. Y., to succeed David S. Rutty, Sage, Rutty & Co., Inc., Rochester.

Additional candidates may be nominated by members of the Association in the District as provided by the By-Laws. Names of such additional candidates must be received by the District Committee on or before Dec. 20, 1944, and should be addressed to Frank L. Scheffey, secretary of District No. 13, 111 Broadway, New York 6, N. Y.

Members of the Nominating Committee are: George W. Bovenizer, Kuhn, Loeb & Co.; Gail Golliday, Stone & Webster and Blodgett, Inc.; Lee M. Limbert, Blyth & Co., Inc.; Frederick J. Rabe, F. J. Rabe & Co.; Walter F. Saunders, Dominion Securities Corp.

Attractive Speculation

National Container Corporation common stock appears attractive for its speculative price appreciation possibilities based upon its excellent earnings and dividend record, and favorable post-war outlook as a "growth" stock, according to a detailed memorandum on the situation issued by H. Hentz & Co., Hanover Square, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this interesting memorandum may be obtained from H. Hentz & Co. upon request.

Cap. Change Possibilities

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have available an interesting circular on the capital change possibilities among the New York banks. Copies may be had from Laird, Bissell & Meeds upon request.

Tennessee Opportunities

Tennessee's abundant and varied resources offer opportunities for industry, according to an interesting and informative booklet issued by Commerce Union Bank of Nashville, Tenn. Copies may be had from the Commerce Union Bank upon request.

Real Estate Securities

By JOHN WEST

261 Fifth Avenue Corp. Earnings Indicate 6% Interest Payment and Sinking Fund Operation in February, 1945.

In February of this year we called attention to the First Mortgage Fee Income 6's with 100% of the equity stock. At that time the bonds were about 50 bid. The current bid is around 67 and in our opinion the issue is still underpriced.

The property securing the bonds is the 25-story office and loft structure erected in 1928 at the southeast corner of Fifth Avenue and 29th Street, New York City, which stands on a plot of 98.9 feet by 160.5 feet and contains approximately 265,700 square feet of rentable area.

Reorganized as of Dec. 19, 1941, the holders of predecessor company's first mortgage sinking fund 6's due 1948 received in exchange an equal principal amount of new income 6's due 1962 and 10 shares of common stock for each $1,000 bond held; thus, bondholders become the actual equity owners of the property.

Upon acquisition of the property by the new corporation, 189,356 square feet, or 71% of the space, was rented, leaving 76,344 square feet unoccupied. At the end of the first year (Dec. 31, 1942) of operation, occupancy had increased to 87%, leaving only 34,366 square feet vacant. The annual rent roll of space leased increased from $253,080 as at Jan. 1, 1942, to $342,960 as at Jan. 1, 1943. Actual rental income for the 1942 fiscal year was $284,000, which was sufficient to provide for an income interest distribution per $1,000 bond of $25 and to leave surplus funds of $4,353.19 above the total distribution for a carryover into the next income period.

At the end of the second reorganization year, Dec. 31, 1943, earnings were sufficient to pay $57.50 per $1,000 bond income interest. About the middle of March the property became 100% rented with a rent roll of approximately $397,000, which compared to total 1943 rents of about $339,000. It seems quite evident that earnings for the year to end Dec. 31, 1944, will exceed the 6% income interest and as any excess is used for operation of the sinking fund favorable market action should be in store for bonds of this issue. The bonds with stock trade flat until the ex-date Feb. 23, 1945, five days before the full annual income interest distribution.

NSTA Notes

The following affiliates of the National Security Traders Association, Inc., have announced the dates on which their forthcoming social activities will take place:

Cincinnati—Wednesday, Dec. 13, Dinner and Election of Directors
Baltimore—Friday, Jan. 26, Annual Winter Dinner
Philadelphia—Friday, Feb. 9, Annual Winter Dinner
Boston—Wednesday, Feb. 21, Annual Winter Dinner

Legal and Economic Relationships of Money To Be Discussed at Meetings in January

The Institute on Money and the Law, sponsored by New York University School of Law and the Economists' National Committee on Monetary Policy, will conduct a series of meetings at the Waldorf-Astoria Hotel, New York City, on Jan. 15-16, devoted to discussions, by prominent authorities in each field, of the legal and economic aspects, domestic and foreign, of money and monetary issues. Registration fee, covering the two-day sessions, is $10, and for the Institute banquet, to be held Jan. 16, the fee is $7.50.

The announcement concerning purposes of the Institute, together with the program listing the various speakers and the topics they will discuss, follows:

Purpose

Dean Arthur T. Vanderbilt of The School of Law of New York University, and the members of The Economists' National Committee on Monetary Policy have planned this Institute in an effort to provide competent discussions of some of the very important questions, now before the American people, which fall in the fields of both money and the law. To accomplish this purpose it was necessary to take new and unusual steps to bridge the gap which exists between these fields.

In general, monetary economists have relatively little training in and devote little attention to, the legal aspects of money and monetary issues, with the consequence that the literature of monetary economists is often marred by confusion and inadequacy of treatment of the legal issues involved. Similarly, the legal profession devotes too little attention to monetary history and the principles of money . . .

Today the United States is experiencing some genuine difficulties, both domestically and in foreign relations, because the legal profession and monetary economists have so largely gone their own way . . .

Plan

The matters with which the speakers are concerned fall into two rather clear-cut divisions — domestic and foreign. The issues involved, therefore, call for the joint efforts of international and constitutional lawyers and of monetary economists both in and outside government service. Such a group, composed of speakers competent in their respective

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The SEC Decision on the "5% Spread Yardstick"

(Continued from page 2459)

Such testimony would have been important also as indicating whether the NASD interpretation corresponded with the facts.

This is only one respect in which material testimony was important. There are many others.

An appeal would reveal whether the denial of so substantial a right was proper.

The Securities Dealers Committee, by its petition, tendered to the SEC many issues, amongst them, that the "interpretation" is a modification of trade custom and usage which NASD was powerless to change, and the attempt to effect a change constituted the illegal exercise of a legislative function.

Another of the many issues tendered was, that permitted to function, "such a yardstick" would tend to limit and destroy markets for securities of the smaller corporations of the country and is therefore, against public interest and against public policy.

In its Hearing Order of June 1, 1944, the Commission abstracted just one of these issues, i. e., whether the interpretation constituted a rule, and ignored the rest.

A decision on appeal would determine whether this can be done with impunity, or whether the Commission is bound to pass upon the issues as presented to it.

In other words, may the Commission duck issues raised before it, or must the Commission pass on each and every one of them, or else justify its failure to do so?

In all fairness it should be said that the Commission did explain its failure to pass upon the constitutional questions raised.

A third reason which urges itself forcefully, is the unanswered challenge to the deciding panel. The Commission has never explained what part, if any, it played in the promulgation of the "5% philosophy." This goes to the meat of the subject of fairness. Were the Commissioners, or any of them, sitting in review of their own covert actions?

The Commission, which is always so insistent upon complete disclosure, may be compelled, by the Appellate Court, to make such a disclosure with respect to the "5% principle." If, in the first instance, the Commission had nothing to do with the passage of this "interpretation," public confidence would be restored. If on the other hand, such interpretation was fostered by it, we would be, as we are entitled to be, in possession of the facts.

Finally, the most important, permitting the Commission's decision, holding that the 5% yardstick is a mere interpretation and not a rule, to stand, saddles our economy with a most dangerous precedent. Henceforth, under the guise of an "interpretation" there is very little that the NASD may not do. Its Board, merely upon its own judgment, without consulting the membership, may say that anything, and we mean anything, is contrary to "high standards of commercial honor and just and equitable principles of trade."

Hence, the vague and general language of Section 1 of Article III of the NASD by-laws, constituting part of the rules of fair practice, can be used as a shield to enable the Board of Governors to legislate to its heart's content, and at the same time, to emasculate the safeguard which requires that rules must be approved by the membership.

The Board may very well ask itself, why bother about a rule when an interpretation can serve the same purpose.

We may find ourselves heading definitely and directly along the path of spread limitations, and this in the securities field, would be a contagious forerunner of what is to come in the rest of our economy.

Bureaucratic controls are the bane of business existence. The hope is for an upsurge of returning freedoms, the American way of life, initiative unrestrained in its legitimate purposes.

INTELLIGENT FINANCE WILL APPLAUD THE FIGHTING SPIRIT WHICH IS ATTEMPTING TO BRING THIS ABOUT.

It is possible the securities field may have to wait for an appeal from a disciplinary proceeding before issues such as those raised by the petition of the Securities Dealers Committee are decided, and put at rest.

An Appellate Court may hold that on the current petition it will make no decision because the controversy is general, because no specific case is before it.

At all events, in our opinion, it is worth trying.

There are other errors which will present themselves on a close study of the Commission's decision. We have given some of the high-lights only.

IBA Holds 33rd Annual Meeting

(Continued from first page)

added, would work closely with the American Bankers Association and other private groups.

Other committee members are Charles S. Garland; Hal H. Dewar; William H. Brand, The Wisconsin Company, Milwaukee; and Edward J. Hilliard, J. J. B. Hilliard & Son, Louisville, Ky.

At the closing session of the meeting it was recommended that the activities of the Association be centered in Washington, a move advocated by the governors to provide closer contacts with various government agencies whose work is related to the securities business. Headquarters of the Association have been in Chicago since its formation in 1912. The members voted to place the question of a change up to the 18 regional groups for final decision by next May 1, in time for the spring meeting.

Should the Association move to Washington, there will be greater emphasis on the technical problems of the investment business, President Folger indicated.

NY Analysts to Hear

On Friday, Dec. 8, W. H. Duff, public utility specialist of Duff & Phelps, will address the New York Society of Security Analysts on "The Effect of Enforcement of the Holding Company Act in Public Utility Securities."

On Dec. 12, George Dolan, President of Mathieson Alkali Works, will speak on the outlook for AKL.

Meetings are held at 56 Broad Street, New York City, at 12:30 p. m.

Ins. & Bank Evaluator

Huff, Geyer & Hecht, 67 Wall Street, New York City, have issued an interesting comparative analysis of eighty-two insurance companies and thirty-eight banks. Copies of this "Insurance and Bank Stock Evaluator" may be had from the firm upon request.

Free Markets and Venture Capital

(Continued from page 2458)

It is particularly appropriate to speak of markets in Chicago, which is the great central market of the nation. No country on earth offers such markets as does the United States—one people, speaking one language, without barriers of tariff, desiring similar goods. When our boys return from war we shall be a nation of nearly one hundred and forty millions, in a land twenty-five hundred miles wide.

Mass markets make possible mass production and mass distribution. Free communication about goods reaches all the people, and all the people are within reach of outlets which supply those goods.

Through our mass production our industrial might has been thrown behind our sons and brothers who fight this war. We have out-produced the Axis, as we have out-fought it. The grim and bitter business of war has this consolation, that our production line can put on our firing line the materials for victory.

No man in this room, I believe, lacks faith that a limitless future lies before the nation which has developed the powerful wealth-creating instruments of mass production and mass distribution.

But there is a third factor which distinguishes this nation. America is likewise a land of mass savings. Without mass savings, neither mass production nor mass distribution would have been possible.

Venture capital has come out of the pockets of men of small means, as well as from those of large means. Men bred in the traditions of an ever-growing America, of taking risks, of pioneering, could understand the need and opportunity in building our vast industrial plant.

In two terrible world wars, mass savings have been mobilized for victory. Will they again be mobilized for peace?

We are well aware what the paramount problem of America will be in the post-war period. It is to provide jobs.

We know also that business, with the friendly encouragement of the Government, will be expected to provide jobs. Not manufacturers only, but all business. Those employed in manufacturing after the war may be only a tenth of all employed persons.

All forms of business, if they are to provide jobs, will need venture capital—risk capital. Business, then, must make clear to the nation the circumstances under which capital in the necessary amounts will flow to its use. Somebody must find the money to put back of every job.

I can speak with some knowledge on this subject of risk, because I am engaged in a risky business. I am a corn farmer. That looks like a good, secure business. Hogs like corn, and people like pork.

But the Department of Agriculture is writing to our fighting men who say that after the war they will want to go on the farm, and reminding them that there are such things as frost, floods, drought, weeds, pests, and diseases of plants and animals. It does not refer to Government price measures or foreign markets. It advises a man to try farming for somebody else before he buys a farm. This is sound advice.

I know about these risks. But in spite of them I have just bought another farm.

Sometimes it is said that venture capital is hard to define. It does not seem so hard to me. Venture capital is money you may lose. It is also money with which you may multiply your earnings and your capital. The degree of risk is the degree of the venture. But it may also be the degree of opportunity.

The essential needs for venture capital, in great amounts, are becoming clear to the nation. Expansion of our economy must take place on a scale without precedent in order to create employment at a high level. Thousands of merchandising units must be built or modernized, thousands of factories must be converted or enlarged, hundreds of thousands of homes must be built.

Under any circumstances, much of the capital for this expansion would be rightly classed as venture capital. But now we are in the midst of war. For a true perspective of the normal operations of business, we have to go back some years, to a time before the energy, the courage and the audacity of our people were channeled into the greatest risk this nation ever undertook. What will markets be like when peace comes? What will be the dimensions of demand? People in huge numbers have moved, have changed their way of living, have raised their standards of living, even under war conditions.

We know that many thousands of new enterprises will be born. Never has the inventive genius of the nation risen to such heights, under pressure of war demands, and this genius will find expression in directions that cannot be foretold, after the war has been won. The need of these new enterprises cannot be over-estimated because only through the constant development of new ventures can employment be sustained.

Any man who likes may estimate the amount of venture capital needed to provide enough jobs. I shall not undertake that form of risk. But we all know the amount of that capital will be gigantic.

As we all know, it will not flow freely unless we provide a favorable environment. The Government, that is to say Congress, holds the key in large measure to the solution of this problem of environment through its functions in fixing our tax policies. The most serious defect in the tax structure today is that it discourages the flow of venture capital. What we must have is a tax system that will stimulate this vital flow. This does not mean a tax structure that is inequitable or oppressive in other respects. It does mean a recognition of the necessity of an abundance of venture capital in our economy. It means the willingness to admit that in the urge to accomplish reforms hurriedly and to raise huge amounts of revenue, mistakes have been made. The gravity of the post-war situation and the unanimity of opinion that the flow of venture capital is obstructed by our present tax system make this an ideal time to act with the three ancient virtues of wisdom, tolerance and courage.

Both our political and economic systems will be on trial in the immediate period ahead as never before. We have corrected some of the most serious abuses of our economic system; and some of our fiscal problems arise from the crowding of these corrections into a comparatively brief period. We must now seek to remove impediments to the successful functioning of business, while retaining the social reforms that are accepted as desirable. But we must not continue to handicap business and then charge it with being unable to provide jobs.

The evolution of modern industry, in large part, is the story of venture capital. Venture capital is on the front line of the business world. To get it there in a free, competitive business society, profits—or at any rate the expectation of profits—are necessary.

Let us briefly examine the defects of the present tax system. As I see it, the system is defective in that:

1. It penalizes instead of encouraging venture capital.

2. It stifles initiative and the expansion and organization of enterprise.

3. It encourages the accumulation of dormant funds at the expense of dynamic savings.

4. It encourages "shelter" funds and thus debt creation instead of equity securities.

5. It protects large and established businesses and makes the establishment and growth of small enterprises more difficult.

6. It tends to penalize the great middle class and thus has evil social consequences.

7. It takes the return from venture capital twice, first as profits and again as dividend income.

8. The rates in the highest brackets have little or no revenue significance and are punitive in nature.

9. It makes no provision at present for the repeal of the excess profits tax which is justified only in a war economy.

A sound tax program, on the other hand, while recognizing the requirements of large revenue and the fundamental justice of progressive taxes according to ability to pay, should be directed toward the following objectives:

1. Reduce the burden on corporate enterprise and encourage the most dynamic and job-creating form of investment.

2. Provide incentives for investment on plant and equipment, the basic form of investment that creates jobs and, in turn, tax revenues.

3. Reduce taxes in the lowest income group so as to encourage consumption by the largest segment of spending, and thus maintain the necessary markets for business.

4. Give the middle class incentive to use its large savings to stimulate business activity and create more jobs, thus compensating to some degree for the heavy tax burden it will have to bear.

5. Give some relief from punitive taxation which now falls on the highest income brackets without important loss of revenue.

6. Encourage the organization of and investment in new enterprise, again stimulating job-creating activities.

7. Encourage the distribution of profits without injuring small business or retarding business expansion, and thus remove some of the inequalities of the present tax system.

8. Make a beginning in the direction of eliminating the advantages of debt as against equity financing.

9. Help create a nation of investors with a direct stake in business enterprise as proprietors. This would enlarge the understanding of how business enterprise operates. We need not fear the excesses of the twenties in the securities markets and the use of credit because of the broad and pervasive controls now exercised by Federal authorities.

Taxes, it has been stated, are a derivative problem. In other words, the tax problem cannot be considered as if it were in a vacuum. To understand the tax problem or to consider it thoroughly, it is necessary to deal with the economic background.

Appreciation of the interdependence of the economic world is the beginning of economic understanding. Business activity produces revenues as well as jobs and goods. No sound prosperity in this country has prevailed unless the farm community's income has been sufficient to buy the goods and services turned out in urban communities. The fluctuations of dividends and wages, with the exception of the war period, have been strikingly similar. A great creditor nation cannot lend wisely unless it is willing to take payment from its debtors in the form of merchandise and services. Monopolistic practices, whether in enterprise or in labor, may choke expansion in vital parts of the business economy.

We have had stagnation and depression despite relatively low taxes, because of maladjustments in the economy, or policies that were hostile to risk-taking. Low interest rates have not tended to reduce savings. Alone they have not been sufficient to attract savings into job-producing ventures.

The continued growth of savings of individuals through financial institutions is significant. Little or none of the funds in the hands of these institutions may be used for equity investment because of legal barriers. Thus, a large part of the savings of individuals is shut off from investment in other than debt securities. During 1927-29 slightly less than half, and during 1936-39 slightly more than half of all individual savings flowed through life insurance companies, postal and mutual savings banks, governmental pension and trust funds, building and

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Pennsylvania Brevities

What Is Ahead for Pittsburgh Railways?

Two events last week refocused speculative attention on publicly held securities of the Pittsburgh Railways Company system, bringing strength throughout the list and giving indications that constructive developments may not be far off.

1. The Pennsylvania Supreme Court handed down a unanimous decision upholding the findings of the lower court in favor of Monongahela Street Railway Co. against Philadelphia Company. The lease of Monongahela's properties to Consolidated Traction Co. and assumed by Pittsburgh Railways Co., carries Philadelphia Company's guarantee of performance with its guarantees, as paid Co. entered receivership in 1938, all rental payments were deferred. Philadelphia Company, in accordance with its guarantees, has paid and continues to pay the specified rentals but denied liability for income taxes accruing since the date of receivership. The court ruling means that Philadelphia Company is likewise responsible for the disputed taxes. The suit, although brought only in the name of Monongahela Street Railway Co., is considered to cover similar situations in respect to Suburban Rapid Transit Street Railway Co., Pittsburgh & Birmingham Traction Co. and Pittsburgh Incline Plane Co.

None of the above four underliers has paid dividends during the approximately two years of litigation. It is expected that arrearages will be paid in full or in part on or about the first of the year.

2. Announcement was made of the formation of a new bondholders' committee headed by C. Shelby Carter, president of American Sealcone Corp. Other members of the committee are: Harry C. Thompson, vice president, Continental Bank & Trust Co., New York; Gerald V. Cruise, chief engineer, Power Authority of the State of New York; Earl R. French, national marketing director, Atlantic Commission Co. The committee intends to take necessary steps to secure authorizations to act on behalf of bondholders in negotiations with other interests in the Pittsburgh Railways Co. system and to appear in Federal Court and other proceedings which may take place.

Restive Atmosphere

The appointment of this committee reflects an increasing atmosphere of restiveness on the part of security owners. Last February, the Philadelphia Company, owner of approximately 64% of the aggregate capitalization, signified its willingness to enter discussions with representatives of approximately $12,000,000 face value of securities looking toward a termination of the reorganization proceedings, the return to Pittsburgh Railways Co. of all assets in the hands of the Trustees, the distribution of the cash so made available and the purchase by Philadelphia Company, upon terms to be agreed upon by negotiation, of publicly held securities. Edward G. Hopkinson, Jr., senior partner of Drexel & Co., Philadelphia, agreed to act as negotiator in the proceedings.

Approximately a year has passed since these overtures originated and about ten months since they appeared to take definite form. One reason for the disposition of the Philadelphia Company to move slowly may have been the highly important court decision in the matter of the Monongahela guarantee, now determined. Another may have been a reluctance to bring the Pittsburgh Railways situation into public prominence while the related plan of reorganization of Standard Gas & Electric Co., Philadelphia Company parent, was in process of crystalization. In any event, both of these factors have been eliminated.

Gross revenues of the system, which began to advance sharply in 1940, are reported at present to be continuing at or near levels represented a 16-year high. Estimation of cash to be available upon lifting of the receivership is subject to continuous upward revision. These funds, which have been accumulating in the hands of the Trustees since the inception of the receivership, are currently reported at about $16,000,000, and are increasing at the rate of approximately $400,000 per month.

Alternative Probabilities

Several alternative probabilities appear to be rather clearly indicated.

(Continued on page 2467)

Change Meeting Place Of Boston Trust Forum

BOSTON, MASS.—Vance, Sanders & Co., 111 Devonshire Street, sponsors of the Boston Forum on open-end investment companies to be held Dec. 7, 1944, announce that the place of the meeting has been changed from the Parker House to the Lecture Hall of the Boston University School of Law, 11 Ashburton Place, Beacon Hill, in order to accommodate the large number of trust officers, investment dealers, private trustees and other investors who plan to attend.

Governor Leverett Saltonstall, United States Senator-elect from Massachusetts, will open the Forum with an address of welcome to the first of the proposed series of annual meetings.

The sponsors report that acceptances of invitations to attend the Forum have been received from trust officers of prominent banking institutions in New York, Boston and other Eastern cities as well as from investment dealers throughout the country. Speakers at the meeting, which will deal primarily with trustee practice, are Thomas H. Beacom, Jr., vice president of The First National Bank of Chicago, and Mayo Adams Shattuck, Boston attorney and nationally-known authority on trusteeship.

Henry Vance, partner of Vance, Sanders & Co., underwriter for shares of a group of Boston-type investment companies, will be general chairman of the Forum.

Pennsylvania Municipals

By RUSSELL M. ERGOOD, JR.

Sixth War Loan Drive

Inactivity in Municipal securities in the Pennsylvania area in recent weeks has prevailed. The general feeling among the Municipal dealers is that the activity will increase when the War Bond Drive closes. Therefore, a firm undertone exists in the Municipal market.

This inactivity, however, does not mean that the Municipal dealers have an abundance of time on their hands. They are diligently and energetically working with the bankers on the Sixth War Loan Drive. In Philadelphia alone, 11 bank teams, composed of banks and investment house employees are working industriously handling orders for war bonds during this drive.


Russell M. Ergood

During the last War Loan Drive these 11 bank teams in Philadelphia handled sales of more than $365,000,000 of war bonds to corporations, individuals, estates and institutions. This is a vast volume of business and requires determined and energetic work to accomplish it.

War Bond Headquarters in Washington, D. C., announcing that seven metropolitan centers will compete in a race to sell the "E" bond quota first, said that latest reports in the Capital show Pittsburgh leading with 33.8%; Philadelphia, 30%; Washington, 26.4%; St. Louis, 26.3%; Los Angeles, 22.4%; Boston, 19.3%, and San Francisco, 17.3%.

Portfolio Liquidations

The business that has transpired recently has been mostly liquidation by large savings banks, estates and various municipal funds. The reason for the sale of municipal bonds by these accounts has been in most cases to make room for the new Government issues of the Sixth War Loan Drive. The volume has been somewhat greater than average with the majority of the bonds still remaining in dealers' hands. It appears that the bulk of this liquidation has now been completed and that the dealers will have to look elsewhere for their supply.

There has been very little new financing by Pennsylvania municipalities during this Sixth War Loan Drive and only a few small items appear on the calendar before the drive closes. However, after the drive ends there are several new issues coming along which will provide a reasonable supply of municipal items for retail distribution.

To further illustrate the interest and activity being set forth by the investment fraternity in Philadelphia in this Sixth War Loan Drive, this interesting incident occurred. One of the leading underwriting houses here, who publish each week a report on an outstanding railroad bond, dedicated the United States of America 2½% Treasury bonds, due March 15, 1971-1966, as their Bond of the Week.

Let us all dedicate ourselves to this Sixth War Loan Drive to make sure it is over the top, and make the United States of America 2½% Treasury bonds, due March 15, 1971-1966, our Bond of the Week.

Phila. Traders Name Committee Chairmen

PHILADELPHIA, PA. — The following committee chairmen have been announced by Russell M. Dotts, president Investment Traders Association of Philadelphia, to serve for the current fiscal year:

Membership Committee, Edmund J. Davis, Rambo, Keen, Close & Kerner; Arbitration Committee, Gorge J. Muller, Janney & Co.

Publicity Committee, Joseph A. Zeller, Bankers Securities Co.

Arrangements Committee, William McCullen, F. J. Morrissey & Co.

Attendance Committee, Wallace Runyon, Graham, Parson & Co., and Auditing Committee, Paul C. Fredericks, Jr., Warren York & Co.

Friday, Feb. 9, has been tentatively chosen for the date of the Association's annual winter party.

Allen D. Sapp Now With Schmidt, Poole

PHILADELPHIA, PA.—Allen D. Sapp has become associated with the municipal department of Schmidt, Poole & Co., 123 South Broad Street. Mr. Sapp was previously manager of the Municipal department of the Philadelphia office of Blair & Co., Inc. Prior thereto he served in a similar capacity with Cassatt & Co. and Graham, Parsons & Co.

Fred Hudson Is With Ball, Burge & Kraus

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Fred W. Hudson has become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Cleveland Stock Exchanges. Mr. Hudson in the past was manager of the stock trading department of Moore, Leonard & Lynch, Pittsburgh, and was president of the Crown Fuel Co. of Greensberg, Pa. He has recently been serving in the U. S. Army.

Henry K. Dalzell Dead

Henry K. L. Dalzell, Indianapolis investment dealer, died at the age of sixty-six. Burial was held in Crown Hill cemetery.

John T. Madden to Become President Emigrant Industrial Savings Bank

Robert L. Hoguet to Be Named Chairman of the Board Succeeding Walter H. Bennett Who Retires as Chairman To Become Chairman of Executive Committee.

Walter H. Bennett, Chairman of the Board of Trustees of the Emigrant Industrial Savings Bank, who has been prominently engaged in the banking business in New York City for 57 years, announced that as of Jan. 1, 1945, he will retire as Chairman but will remain as a trustee and officer of the bank as Chairman of the Executive Committee and ex officio Chairman of the Investment Committee.

John T. Madden

In connection with his retirement as Chairman of the Board, Mr. Bennett also announced the following changes in the executive personnel of the bank, effective Jan. 1, 1945.

Robert Louis Hoguet, who has been a trustee and officer of the bank for 21 years and President since 1936, will become Chairman of the Board of Trustees.

John T. Madden, who has been Administrative Vice President of the Manufacturers Trust Company for 15 years as well as organizer and chairman of the Manufacturers' Advisory Boards, will become President of the Emigrant Industrial Savings Bank. He will be elected a trustee of the bank at a meeting of the Board on Dec. 14, 1944.

Mr. Bennett has devoted practically all of his business life to banking. He was born in Brooklyn, July 27, 1869, and first engaged in the retail dry goods business. In 1887, he went to the then American Exchange National Bank, now Irving Trust Company, becoming Vice President in 1910 and later Vice Chairman of the Board of that bank. Mr. Bennett became Chairman of the Executive Committee of the Emigrant on Aug. 1, 1930, President on Jan. 5, 1931 and Chairman of the Board on Jan. 9, 1936. He is a director of the Bank of the Manhattan Company, National Cash Register Company, Grinnell Corporation, Hanover Fire Insurance Company and Fulton Fire Insurance Company; is a trustee of the Brooklyn Eye and Ear Hospital and the College of New Rochelle.

Mr. Hoguet is also a native New Yorker, born Dec. 5, 1878. After graduating from Harvard in 1899 and taking his law degree there in 1902, he was admitted to the New York Bar and practiced law until 1923 when he became First Vice President of the Emigrant Industrial Savings Bank, of which he has been President since Jan. 9, 1936. Mr. Hoguet is a director of Niagara Fire Insurance Company, Fidelity-Phoenix Fire Insurance Company, City Bank Farmers Trust Company, Chicago and Eastern Illinois Railroad, Savings Bank & Trust Company, Institutional Securities Corporation, and Arthur Seligman Company, Inc. He has been active for many years in Catholic affairs as Director of the St. Paul Guild, President of the Board of Managers of Lincoln Hall and Director of the Welfare Council of New York City.

Mr. Madden is 48 years of age, born in New York City, and began his banking career with the National City Bank, joined the Manufacturers Trust Company in 1921 and became a vice president in 1926 in charge of the West Side office. Subsequently, he became Senior Credit Vice President at the Bank's main office with complete supervision over the Bank's main branches in Manhattan and Bronx. In 1936, he was placed in charge of the Manufacturers' largest and most important office at Fifth Avenue and 43rd Street. In 1942, he served as Chairman of the Greater New York War Bond Campaign and is now a member of the New York State War Finance Executive Committee. He is a director of the Manufacturers Safe Deposit Company, the Austen Riggs Foundation of Stockbridge, Mass., and the Fifth Avenue Association.

Robinson Trustee of Central Hanover Bank

Lucius F. Robinson, Jr., partner of Robinson, Robinson & Cole, Hartford, Conn., and President of Hartford County Bar Association, was elected a member of the Board of Trustees of Central Hanover Bank & Trust Co. at a regular meeting of the board held on Dec. 5th.

L. F. Robinson, Jr.

Mr. Robinson, a graduate of Yale University and Harvard Law School, is counsel for many large companies. He is a director of: Colt's Patent Fire Arms Manufacturing Co., Connecticut General Life Insurance Co., Hartford Gas Co., Hartford Steam Boiler Insp. & Ins. Co., Holo-Krome Screw Corp. and Veeder-Root, Inc., and trustee of Institute of Living, Loomis Institute, Miss Porter's School, Inc., and Watkinson Library. Mr. Robinson is also President of the Hartford Board of Fire Commissioners and Vice-President of the Hartford Board of Park Commissioners.

Pennsylvania Brevities

(Continued from page 2466)

1. A program substantially along the lines suggested by Philadelphia Company may follow through to a conclusion.

2. In view of sustained earnings and mounting cash reserves, the court may accede to petitioning security holders and authorize partial distribution on account of back interest and dividends.

3. There may be evolved a new plan of voluntary reorganization whose terms may be found acceptable to the underliers and public holders.

4. If none of the foregoing transpires within reasonable time, Pittsburgh Railways Co. may emerge from receivership, unaltered, through the sheer buoyance of its improved financial condition.

Dec. 20 has been set as the date for hearings before the United States District Court, Wilmington, in reference to the amended plan of reorganization of Standard Gas & Electric Co., approved by the S.E.C. on Nov. 18. At present there are no indications that an appeal will be taken and it is expected that the plan will be confirmed by the court.

The expiration date of Philadelphia Rapid Transit Co. voting trust, embracing common and preferred shares, has been extended from Jan. 2, 1945 for five years to Jan. 2, 1950. Directors are reported to have taken this step in order to insure a continuation of prudent management policies.

Under the proposed plan, holders of United Corporation $3 cumulative preference stock will have the right to make tenders of stock on the basis of one share in exchange for 1.8 shares of Philadelphia Electric Co. common plus $6 in cash, within the initial tender period beginning Dec. 5 and ending Dec. 19. The offering will be limited inasmuch as there is only enough Philadelphia Electric common in the portfolio of United, under such an exchange basis, to accommodate 45% of United's preference stock.

Therefore holders of more than 100 shares of United may be subject to a pro rata distribution.

The management of Warner Company, Philadelphia producers and marketers of sand, gravel, central-mix concrete and limestone products, is engaged in working out tentative details of the company's plan of financial reclassification. According to an officer, steps involved are (1) to decide the form the plan should take in order wisely to balance the rights of stockholders, (2) to explore tax consequences and S. E. C. registration and (3) to make certain that whatever plan is designed satisfactorily meets the terms and conditions of the new bond indenture.

It is expected that a public announcement may be made in February or March.

Last week the Pennsylvania Supreme Court ruled that fractional shares of corporation stock cannot lawfully be used in elections for directors. The decision reverses a lower court ruling in litigation over the election of directors of Clawson Chemical Co.

"Happy Harry" Fahrig, Jr., Reynolds & Co., and Russell Ergood, Yarnall & Co., report the close of a "moderately successful" season as self-appointed football betting commissioners. Fairly close "point" markets were maintained on the big games and firm markets, of sorts, were quoted on the entire college list. The junior capitalists are looking forward to a bigger season next year.

With production running at near peak levels, Philco Corp. is expected to declare a year-end dividend of 30 cents, bringing payments for the year to $1, the same as 1943. Adjustments and renegotiation add uncertainty as to what the final figures will show.

Philip H. Cooney, vice president Insurance Company of North America, has been elected a director of Transportation Association of America.

Fred H. Emery With First Cleveland Corp.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Fred H. Emery and Edmund A. Orrell have become associated with Finley & Co., Union Commerce Bldg., members of the Cleveland Stock Exchange. Mr. Emery was recently with the First Cleveland Corporation and the Smaller War Plants Corporation in Cleveland. In the past he was with Prescott & Co. and was a partner in Pulliam, Emery & Co. Mr. Orrell in the past was with Paine, Webber & Co.

Liberty Aircraft Offers Attractive Situation

Liberty Aircraft Products offers attractive possibilities both during the war and after according to a memorandum on the situation prepared by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this interesting memorandum may be had from the firm upon request.

Mutual Funds

New Slants on War Bonds

Keystone Corp., in the current issue of **Keynotes**, makes a contribution to investment thinking regarding war bonds which we are happy to reprint herewith in full:

"I Just Want to Preserve the Value of My Capital"

"Many investors who are in the high-tax brackets are not interested in additional income because taxes take the bulk of it. Their main objective is to preserve the value of their capital—and that means more than merely conserving a number of dollars. It involves maintaining the purchasing power, the true value of the capital.

"Here is a suggestion:

"If we are interested in maintaining the value of $50,000, let's start with the purchase of U. S. Government bonds, Series F, with a maturity value 12 years from now of $50,000, at a current cost of $37,000. We then use the remaining $13,000 to purchase a well diversified position in corporate securities—bonds, preferred stocks, or common stocks—preferably a fast-moving class of securities.

"At the maturity date 12 years from now, the U. S. Government will pay back the original $50,000 and—

"If the corporate securities are worth nothing at that time, it will mean that we have been through the most drastic deflation imaginable, which means that the purchasing power of the dollar would be greater than it is at present. The value of the capital has been maintained.

"If the corporate securities are selling at present prices, we have $13,000 in addition to the $50,000, or a total of $63,000 to offset any rise in costs.

"If inflation has driven prices upward, the value of the corporate securities will have increased and may, in fact, be worth several times their present cost.

"In short, the investment in Government bonds returns every dollar of the original capital and —from an out-of-pocket point of view—the future value of the corporate securities and any income that they may produce represents a profit.

"The investor buys a degree of 'inflation insurance' for 12 years at no cost—and at the worst possible outcome he cannot lose a dollar."

War Bonds for Retirement

Vance, Sanders & Co., in the current issue of **Brevits**, publicizes another timely and highly constructive idea with respect to War Bonds. This idea, which originated with Miss Sylvia Porter, financial editor of the New York "Post," uses a combination of War Bonds and Social Security credits as a means of establishing a retirement benefit plan.

The idea is based on the decision of the Government to continue issuing discount bonds indefinitely. Miss Porter points out that regular monthly purchases of the 10-year Series E bonds made now and reinvested in new Series E bonds at maturity will result in a startling accrual of retirement funds.

The following table shows how money invested and reinvested will grow:

Purchase Price:	$18.75	$37.50	$75.00
Value After:			
10 years	25.00	50.00	100.00
20 years	58.33	116.66	233.33
30 years	102.77	205.55	411.10
40 years	162.03	324.07	648.14

December-January Stock Markets

National Securities & Research Corp. devotes the current issue of **Investment Timing** to a thoroughgoing analysis of the December-January seasonal stock tendency. According to this analysis, the statistical probabilities favor a rise from Christmas to about the middle of January. However, the point is made that, despite the recurrence of December-January seasonal stock price trends, investors should not rely upon them in their security transactions.

A new folder by this sponsor highlights the fact that dividends paid on investment company shares are drawn from the earnings of the largest and most successful corporations in the country. "You never saw a dividend check like this," reads the caption, referring to a check on which the payees listed include 37 large corporations. However, a dividend check that is virtually the same thing is available through ownership of National Securities Stock Series which provides a "quarterly return from many sources."

In a news release, **National Securities & Research Corp.** announces that assets of the **National Securities Series** increased 147% in the year ended Oct. 31, 1944, amounting to $15,380,616 on that date.

Steel Shares for Value

"On average, leading Steel Stocks are currently selling at only 10 times current earnings and at less than 5 times estimated post-war earnings," writes **Distributors Group** in its covering letter for a new folder on **Steel Shares**. The folder tells why **peace** should result in higher earnings for leading steel companies, higher prices for their stocks.

Dilemma

Lord, Abbett's current issue of **Abstracts** makes an interesting point of the conflicting recommendations which various well-known investment advisory organizations are sending to clients. Abstracts asks: "If the experts disagree so widely, how can the layman be expected to find his way?"

"A reasonable answer is to be found in the shares of a good general management mutual fund."

Hats Off to Arthur Wiesenberger

The New York Stock Exchange firm of **Arthur Wiesenberger & Co.**, which has done such a grand job of educating the investing public on the merits of investment company shares, has now inaugurated a monthly publication entitled **Investment Company News**. While most of the space features news of the closed-end investment companies, a section of this publication is devoted to the Mutual Funds.

The Mutual Fund field needs more of this type of "objective" publicity.

Mutual Fund Literature

National Securities & Research Corp.—A two-page memorandum. "Some Highlights on **Preferred Stock Series**." . . . **Distributors Group**—A notice to dealers, "No Federal Stock Transfer Tax Payable on Liquidation of Shares of **Group Securities, Inc.**," and a revised Distributing Arrangement. . . . **Selected Investments Co.**—The current issue of "These Things Seemed Important."

Dividends

Affiliated Fund, Inc.—An extra dividend of 10¢ per share payable Dec. 20, 1944, to stock of record Dec. 11.

Group Securities, Inc.—The following dividends payable Dec. 23, 1944, to shareholders of record Dec. 11:

Class—	—For Fourth Quarter— Regular	Extra	Total
Agricultural	.105	.065	.17
Automobile	.085	.095	.18
Aviation	.30	.10	.40
Building	.11	.08	.19
Chemical	.045	.045	.09
Electrical equip.	.11	.05	.16
Food	.04	.19	.23
Fully administered	.08	.12	.20
General bond shs.	.11	.16	.27
Industrial mach.	.105	.075	.18
Institutional bond	.11	.04	.15
Investing Company	.07	.18	.25
Low priced	.09	.05	.14
Merchandising	.075	.175	.25
Mining	.04	.07	.11
Petroleum	.11	.14	.25
Railroad (bond)	.05	.17	.22
Railroad equip.	.065	.005	.07
Railroad stock	.10	--	.10
Steel	.09	.01	.10
Tobacco	.045	.025	.07
Utilities	.035	.095	.13

Keystone Custodian Funds Inc.—A dividend of $1.00 per share

The Two-Price System

(Continued from page 2459)

markets. Such dumping is destructive of stability. It seems certain that any attempt on the part of United States, England, or Russia to dump their surpluses on the markets of foreign countries while protecting their home markets by tariffs and price subsidies will meet quick retaliation.

The two-price system has much in common with a two-currency system. The experience of bankers and merchants will testify to the deplorable system of a currency of one value in the home market and another value in foreign markets. The dual currency system, however, is less unethical than the dual price system. If a country sells its currency abroad at a reduced price, with full purchasing powers in its home market, a foreigner has the privilege of buying such cheapened currency and spending it in the protected market if he wants to buy on that market. But in the case of the two-price system, when goods are deliberately dumped at a low price in an unprotected foreign market, the disturbing effects are forced upon such a market without its consent.

In general, the system of two currencies, or a currency at two prices, one for domestic trade and the other for foreign trade, has been condemned, and we have felt fully justified in raising tariffs to protect our markets against this unfair and dishonest practice. The two-price system is more unfair and seems downright immoral in comparison with the dual-priced currencies. Any attempt on the part of the leading commercial nations to maintain two-price systems will justifiably merit the same kind of retaliation as dual currency values.

What Are We to Do With Our Surpluses?

The necessities of war have stimulated production and increased the means of peace-time production until in reasonable time after the war is over the world will be luxuriously supplied as never before, and at low costs, provided sound and stable currencies are established. Almost every country will have surpluses for sale. The United States will have surpluses of great variety. These will include both raw materials and manufactured goods. If prices and production are permitted to take their course, large volume will bring low costs and low prices. The inefficient who cannot stand competition will be compelled to find new occupations. Surpluses which cannot be sold in the home markets can be sold to foreigners who wish to buy, but should these surpluses be dumped abroad at prices below domestic markets, and domestic prices maintained above the world prices by subsidies charged to the taxpayer and consumer? If every country in the world will adopt these pernicious policies and protect their markets by tariffs, then no country can carry out successfully such practices.

It may be that many countries are unable to buy our goods because they have little to sell to us. This does not seem possible. With free markets Americans will be buyers in every part of the world. Before the war Americans spent more than a billion dollars a year as sight-seers and tourists in European countries. This will be repeated on perhaps a larger scale than ever before, after this war, and it seems that the poorest country will be provided with funds as usual to buy American goods at market prices.

Prices are the great leveler of both production and consumption, with free markets and free prices. The world could have an equitable distribution of goods and services and a standard of living higher than ever before known. Restricted markets, price regulation and subsidies, together with tariff warfare, will perhaps create greater confusion than in pre-war days because of the concentrated surpluses.

Stock Piles, Ever-Normal Granaries and Other Fallacies

There is a well-known economic law which works about as perfectly as any, and stated in simple language is to the effect that a small surplus depresses prices wholly out of proportion to that surplus, and likewise a small deficit raises prices out of proportion to the decreased supply. It is not as simple as this when fully analyzed, but stock piles are clearly a menace to stability and employment. Perhaps nothing is more calculated to create unemployment than a surplus of goods for which there is not a ready market. A surplus being held by the Government which may be dumped on the market has the same effect of depressing prices and creating unemployment. Instead of stock piles, the ideal condition is cleared markets with no surpluses, but with full production and new supplies moving daily from producer to consumer. These are the conditions for full employment and stable prices.

A surplus with no definite market is the first step to unemployment in any line of business. Producers fear a surplus of unsold goods. Price declines resulting from a small surplus hanging over the market may quickly wipe out the profits from several years of hard work, thrift, and good management.

A Sound Policy

Market surpluses of civilian goods and supplies as quickly as possible. Take some losses if necessary. Do not destroy anything. Give unmarketable surpluses to the needy who can use them, but who are unable to buy. This surplus may enable them to become buyers. Maintain free markets and let prices find their competitive level in all markets alike. These policies will reduce the costs of management and do away with the need for a costly bureaucracy to supervise markets and prices. This will reduce the costs of government, save the taxpayer money, and stimulate volume business activity.

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on Series B-1 and $3.00 per share on Series K-2 payable Dec. 15, 1944, to shareholders of record Nov. 30.

Massachusetts Investors Trust—A dividend of 33¢ a share payable Dec. 23, 1944, to shareholders of record Dec. 7.

Union Trusteed Funds, Inc.—The following dividends payable Dec. 20, 1944, to stock of record Dec. 11.

	Regular	Extra	Total
UBA	$.48	$.80	$1.28
UBB	.45	.75	1.20
UBC	.18	.40	.58
UPS	.36	.50	.86
UCSA	.25	.10	.35
UCSB	.17	.50	.67

Growth Probabilities

Capital stock of Tybor Stores which operates 31 retail stores, offers attractive yield and good growth probabilities, according to a descriptive letter prepared by Raymond & Co., 148 State Street, Boston, Mass. Copies of this interesting letter may be had from Raymond & Co. upon request.

The Business Man's Bookshelf

Electronic Industry, The, Volume VI of "An Engineering Interpretation of the Economic and Financial Aspects of American Industry," George S. Armstrong & Co., Inc., 52 Wall Street, New York City—Paper.

Readjustment of Manpower in Industry During the Transition From War to Peace—Correction: Price of this publication, issued by the Industrial Relations Section of Princeton University, Princeton, N. J., should be $1.50, instead of $1.25.

Social Security in the United States—Chamber of Commerce of the United States of America, Washington, D. C.—Paper—Single copies, free; additional copies, 5¢ each.

Greenwich Savings Bank To Issue Life Insurance

Earl Harkness, president of the Greenwich Savings Bank of New York City, announces that the bank will open a life insurance department on Jan. 2. "The bank has received approval from the State Banking Department to issue Savings Bank Life Insurance policies as one of our many services to the public," Mr. Harkness said. "As a public institution, our purpose is to provide services which have proven sound and which fulfill a public need. Savings Bank Life Insurance surely meets these qualifications in every respect," he added.

The 111-year-old bank serves 154,000 depositors and has resources in excess of $180,000,000. It has two offices, one at Broadway, Sixth Avenue and 36th Street, and the other at Sixth Avenue and 16th Street.

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The Country's Financial Outlook

By JOHN CLIFFORD FOLGER*
President, Investment Bankers Association of America
Partner, Folger, Nolan & Co., Washington, D. C.

Reviewing the Financial Outlook, Mr. Folger in His Opening Convention Address Stresses the Need for Encouraging Idle Capital to Get to Work. He Points Out That the Banks Are Chock-full of Nervous Money, and to Get It Out of Hiding, He Recommends (1) Tax Relief; (2) The Streamlining and Simplification of the Securities Acts; (3) Aiding Small Business by Lifting the Registration Exemption on Capital Issues Under $1,000,000; and (4) Affording Decent Trading Opportunities. Urges Special Training for Men in the Investment Business.

This being a non-partisan organization, it is the custom in election years to hold our Annual Meeting after the votes have been counted. This applies equally whether it's time for a change or more of the same. Now that the returns are known, the tumult has subsided, we can again go about our business. We have an important job to do and a living to make. We have an obligation towards the war. We must see our responsibilities clearly in the times ahead.

John C. Folger

Outlook

Let's examine the country's financial outlook in the cold gray dawn of the morning after. Both sides made glowing campaign promises. No matter which side won, some realistic thinking would be timely. Are we exhib-

(Text of Mr. Folger's speech incident to his re-election as President of IBA appears on the next page.)

iting the hectic flush of inflation? Are people throwing money around in a final big fling of a wartime boom? Is there such a thing as a permanent boom?

A man from Mars might say and, indeed, some foreign economists insist, there is similarity between our present business pattern and that of 1929. They think our popular post-war business outlook is all mixed up with patriotism, mass wishful thinking and unwarranted optimism. They inquire why we should expect a higher business level than in 1939. They ask if it makes sense to say to business men—"Things are going to be fine after the war. You will, of course, lose your war customer, the Government, which buys half your output, but you will pick up new customers and everything will be rosy." In normal times, business men would turn rather a mistrustful ear towards such prophecy.

Now bankers have a streak of pessimism or they would always be bankrupt. As long as we live, we'll always have one eye on 1929. The big difference between then and now is that 14 years ago everyone owed for everything and had little or no money. Now, private bills are paid, and some say we have too much money. We certainly have too much idle money.

Capital to Work

Getting idle capital back to work is generally conceded to be "Job Number One in the post-war period." Everyone is shouting our story from the housetops. Can it be that investment banking, the ugly duckling, stoned so long, may possibly become a swan?

What is the story now? We want dynamic growth without the headaches. Private business financed by private capital raised through normal investment channels. That's the platform. Can private capital do it? That's the question.

Now, capital is like a nervous patient in the doctor's office. If the patient has had a complete nervous collapse, all his thinking goes into reverse. Well, capital went into reverse in 1929. Once happy, it became morose. Once optimistic, it saw nothing but gloom. Once pleasant, it became sullen and profane. All doctors know the pattern and realize that most patients snap out of it and, after recovering, are really sounder, wiser and more philosophical than ever.

Needs Encouragement

We all know the banks are chock-full of nervous money. What can be done to get it out of hiding? First of all, we must remember that capital likes to be encouraged, not frightened. For the past 15 years, every emphasis has been placed upon the protection of capital. One trouble is that we have told Little Red Riding Hood so much about the big, bad wolf, have warned her and scared her to the point where she won't visit her grandmother on any occasion—not even over the high road.

Taxes

The best encouragement for venture capital will come with tax relief. Based on present tax laws, no banker can conscientiously put his clients in anything but more or less riskless investments. Security offerings in the last 10 years tell the story. 95% are of senior securities, mostly bonds. The flow of real venture capital has slowed down to a trickle. What we need is a real stream. It is alleged there are over 3,000 separate recognized tax plans in existence, each outbidding the other with respect to tax reduction. All this in the face of a $300 billion debt, a need for at least $25 billions of annual tax revenue and a sentiment for a balanced budget. Someone recently remarked this war would cost half a trillion dollars. There is no painless road after a half trillion dollar war.

Some things can be done taxwise to help business. Averaging losses and gains backwards and forwards over a period, say of five years, would be most beneficial.

The capital gains tax should be lowered or eliminated. No satisfactory basis for its collection has been evolved. Rich people are facing the probability that the days of very large income are over. They will, however, take chances in the hope of increasing capital. That is a human tendency. Give the large investor his chance at capital gains, avoid soaking corporations confiscating taxes before the money ever gets to the stockholders, help new and little business tax-wise and we'll do more than anything else to get venture capital out into the open.

SEC

What is to be expected from the SEC? Sooner or later, conversation in our fraternity gets around to that agency, so we might as well take up the topic now. No

(Continued on page 2492)

*An address made by Mr. Folger at the 33rd Annual Meeting of the Investment Bankers Association of America, Edgewater Beach Hotel, Chicago, Ill., Nov. 27, 1944.

Folger in Acceptance Speech Urges More Aggressiveness

Re-elected as President of IBA, He Advises Members Not to Be "Plaintive and Defensive" but to Put More Emphasis on Salesmanship Principles. Urges Industry to Take Advantage of Great Opportunity Now Beckoning and Says Country Needs Services of Investment Bankers and Can Use Capital "We Bring Out of Hiding."

Mr. Folger, when re-elected President of the Investment Bankers Association of America, made a short acceptance speech in which he urged a more aggressive role for the investment banker in the post-war period. His remarks were as follows:

In looking ahead, every business man is, of course, concerned with the problem of making a living. In our case, however, making a living is not enough. We must serve the public interest to justify our existence. The public will continually be asking: "What useful function do investment bankers perform? How necessary is the function to our system?" It is up to us to have the right answers in which event we can be more aggressive, less plaitive, more insistent, less suppliant.

Business Prior to 1929

As one who was not in the investment business prior to 1929, I think I might be permitted the observation that the great industrial plant designed and financed in the 'twenties, some say greatly over built, badly financed and inflated, is the self-same plant which has enabled us to reach great heights of war production. There is no doubt about it, investment bankers cranked up the machine, then got in the car and rode hell bent for election down the road to 1929 like everyone else. Progress was made, but we rode too fast and stopped too quickly. Unfortunately for us, we got the lion's share of the blame for the joy ride which everyone took.

I would point out, however, that someone always has to crank up the business car. It's no good breaking the arm of the car-cranker just before it's time for a business jaunt.

No Charter From Heaven

Investment bankers have no Charter from Heaven. Except for ourselves, no one cares very much whether we make a living or not. As a matter of fact, probably not one person in a hundred knows just what an investment banker does for a living. If, during the next year, anyone asks us who we are, or even if they don't ask us who we are, we can justifiably say: "Have you heard all this talk about private venture capital? Well, we are fellows who are supposed to induce people to take their money out of the bank and buy bonds and stocks so that after the war private business can pick up where government leaves off in this job making business. We are the car-crankers and this country will desperately need to take a good business trip after the war."

Salesmanship Lost Art

We must continue to tell our story. We must continue to jutify our existence as we go along. Fortunately, right at the moment we have plenty of pegs on which to hang our hat. There is a peg called salesmanship, the least used peg in America today. We all know that getting a hotel room is more difficult than being admitted to an exclusive club. In these days when trading in a store is a lesson in humility—where the buyer first asks, then begs and finally implores, the knack of salesmanship is as forgotten as the art of making Egyptian pottery. The whole business world is turned upside down except for politics and the investment business. Politicians on both sides go out and sell their wares in the same old fashioned way and that is what we still do. The only difference is that the SEC examines our promises. Sooner or later there will be more sellers than buyers. There always are. That goes for both goods and services. The rest of the folks will have to get back in line with the politicians and the bond salesmen.

Rcconversion

The first step in reconversion will be to put away that book on cost-plus accounting and look up the one on low-cost production. The next book to read will be that old dust covered book entitled "Principles of Salesmanship." Investment Bankers know that book and it is exceedingly important to dynamic business. In that book there is nothing about the overly used statement—"Don't worry about expenses — just charge it up to the government."

No Fat Cats

In telling our story, we can say we are not glamorous tycoons or fat cats. Anyone with those aspirations had better look elsewhere, but we're salesmen and technicians in an important field, one which needs a lot of cultivation these days. Let's tell that story fairly every day, in and out of school, to potential investors, to government officials and the public generally. Let's be aggressive and insistent, but let's not be plaintive and defensive. It's no good saying "You can't do that to us" or "We are unalterably opposed to this or that." The parade might go off and leave us. Let's seize the really great opportunity which is ours in the next ten years. The country will need our services and can use the capital we bring out of hiding. Labor will want to work. Capital ought to work. We shall have a great idea to sell. Like the Ancient Mariner, we shall have a great story to tell.

Post-War Anglo-American Cooperation

By the EARL OF HALIFAX*
British Ambassador to the United States

British Diplomat Pleads for a Continuation of Mutual Trust and Cooperation by Great Britain and the United States as of World-Wide Interest and Essential to World Peace. Deprecates the Criticism and Innuendo Directed Against the Motives of Both Nations and Points to the Disruption of British Foreign Trade, the Sacrifices and the Sufferings of the British People Because of the War, and the Achievements of British Industry in Supplying War Equipment, as Ground for Cooperation in the Restoration of National Economy and the Expansion of British Post-War Exports.

It is with grateful pleasure that I find myself your guest; but with pleasures goes some element of misgiving. For a certain amount of courage is required from anyone unversed in the mysteries of your craft to appear before a gathering of this kind. It is as though Daniel, instead of entering the lion's den as a reluctant intruder, impelled by superior authority, had light-heartedly accepted an invitation from the lions themselves, with no positive assurance on who was to do the dining and what was to be the dinner!


Lord Halifax

Seriously, however, I am very glad to be here tonight and to meet so many distinguished members of your Association; even though I cannot believe that in the matters that specially concern you—matters with which you are far more familiar than I—there is anything I can tell you which you do not already know.

Yet there are two things that have burnt deep into my thought as we have lived through those scorching times. The first, is that peace is not merely a matter of a few people sitting round a table and signing peace terms. Nor is it enough to erect international machinery to deal with disputes and to stop physical aggression. No machinery, however perfectly designed, will run without power; and no international machinery can be expected to work without due regard for the motive force of finance and economics. Your problems, therefore, are everybody's problems. Your business is everybody's business. And that must be one justification for my presuming to address you this evening.

The other thought constantly in my mind is this. If we are really determined to rally the forces of peace in self-defense against a recurrence of this tragedy, there is no one thing more essential than that your country and mine should continue to work together. I know that to be a British interest; I believe it is also an American interest; I have no doubt it is also in the largest sense a world interest.

*An address made by the Earl of Halifax before the Investment Bankers Association in Chicago, Nov. 28, 1944.

During these war years your country and mine, with others, have been in close partnership. Its results are plain for all to see—on every battle front of sea and land and air. It has been a partnership born of common danger and of the plain necessities of the struggle for survival. And the question for the next 20, 30 or 50 years is whether we can find a motive force as strong as immediate danger to hold that partnership together. I believe we shall; for though it is true that mankind learns more from experience than from imagination, the lesson of both experience and imagination is here the same. Both teach how destructive it must be to all our future hopes if we allow the dissolution of this great partnership between all nations who want a peaceful order.

I spoke just now of the part that our two countries might play in this structure. But if that is to be a real thing, it must and can only come from larger understanding and mutual respect. Each one of us as individuals and as a nation must contribute to it. And that means that we must do our best to understand the mainsprings of each other's policy, and to think the best and not the worst of one another's purpose.

That is easy enough to say, and most people would agree with it as a general proposition. And yet there are always plenty of people on each side of the Atlantic who don't always think and speak that way in practice, and who can do a lot of mischief.

Some Americans would almost appear to think that the British were a crowd of smart crooks, compared with whom they themselves were a bunch of simple Simons, lucky to get out of any British party without leaving more than they liked behind. And I have no doubt there are plenty of British who think that Americans are out to grab the world, and run it on lines that will bring fat profits to big business, with the Devil taking the hindmost who can't keep up.

Now that sort of thing is no more use in public than in private partnership. We would not think much of the chances of a business partnership if we heard one partner say of another, "Smith is a useful fellow; I couldn't get along very well without him. Of course, I don't like him. I don't respect him. I don't really trust him. I have to watch him all the time, in case he should outsmart me. I fancy he has done me down once or twice lately. But I have got my eyes open and one of these days he will have a surprise." Well, if that was the point of view, we would hardly expect those two men to get along very well or for very long.

But there is too much of that kind of talk going on all the time; not, thank God, in the places that matter most, among those who are directing or fighting the war, but in places that matter quite a bit, in newspapers, on the radio and just in ordinary conversation. Let me give you a sample or two of what I have in mind.

I hear Americans speak of the British Empire as if it were some huge racket, based on naked force, living by exploitation, and existing only to bring money into Britain that Britain has no moral right to touch. And that picture lives, regardless of the fact that from no part of the British Commonwealth or Empire does the British Treasury draw a fraction of a cent, and that for at least the last 50 years the whole direction of British policy as regards the Commonwealth and Empire has been that which most of our critics, if they were better informed about it, would themselves approve.

Or catch up with some of the stories that circulate about the working of Lend-Lease.

There is a favorite tale about lipstick. The wicked British have been getting lipstick under Lend-Lease. That sounds very shocking. It also happens to be absolutely true. We have been getting lipstick under Lend-Lease. What the story does not go on to say is that lipstick has been found to be the best method of marking on the foreheads of battle casualties the nature of their wounds. And I have yet to meet the American woman who would grudge it for that purpose.

It was recently whispered that British automobile manufacturers were expecting an early authorization from their Government to resume the manufacture of automobiles for export and that a new model was to go into production very shortly. This time the story is quite untrue. Our automobile manufacturers are fully engaged in war production and no labor is available for other purposes. It

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Sees Prospects For Post-War Industrial Financing

IBA Industrial Securities Committee, Commenting on the Wartime Relative Small Volume of New Industrial Public Financing, Foresees Probability of Increased Resort to New Security Issues if Expected High Levels of Production and Employment Are Maintained. Warns Investment Bankers Against Financing for Inventories Speculation, and Points Out Need for Greater Volume of Equity Issues. Sees Need for Financing Small Concerns And Urges Appointment of Committee to Study the Problem.

The Industrial Securities Committee, under Chairmanship of Perry E. Hall of Morgan, Stanley & Co. of the Investment Bankers Association reviewed the post-war prospects for new financing by industrial companies following the war, and warned the members of the organization against a renewal of "inventory financing" brought about by increasing price levels, such as occurred after the last war.


Perry E. Hall

"This period," said the Committee, "was a bad one in our business economy and should not be repeated." The Committee also stressed the importance of encouraging more investment of "risk capital" and of aiding the financing of small business concerns.

The following is the full text of the Committee's report:

As we meet again, the nation has been engaged in war for nearly three years. What a striking contrast there is in the military situation, both in Europe and in the Pacific, as compared with a year ago. Recent military successes by the United Nations have been amazing and most heartening. None of us fails to give full credit to the men of our Armed Forces, but we should not forget the great credit which should be given to American industry. We are waging a mechanized war, and the war materials needed have called into play the greatest of ingenuity on the part of American business management and have resulted in amazing scientific developments by American technicians. American industry has produced the weapons for our armies, fleets and air forces and through lend-lease and other channels, has supplied great quantities of material for our Allies. In the last war our Allies had to supply our soldiers in France with some weapons, such as guns, ammunition and aeroplanes, partly because of shipping difficulties and partly because production of some items had not yet been fully developed by American industry. This time American industry has furnished, with minor exceptions, everything our armed forces have needed.

American business leadership, management, and labor have accepted the full responsibility for this job and have performed with distinction. Most of the money for the tremendous expansion and conversion of industry to war production has come either directly from the Government or indirectly through the commercial banking system in the form of credits guaranteed fully or in part by our Government. In some cases, notably the automobile companies and the heavy industries such as steel, the companies themselves have drawn heavily on their own resources for necessary funds. Recourse to the public market for new money, except in isolated instances, has been of relatively small volume.

A large part of the industrial financing undertaken during 1944 falls into the category of refunding—a natural result of the all-time low costs for borrowed funds and senior capital. Particularly in recent months, there has been a degree of activity in a type of financing which, it seems, may well continue to increase greatly in the near future. We refer not only to the redistribution of large blocks of listed stocks but also to the recapitalization and refinancing of industrial companies whose securities have been closely held and are now being offered to the general public for the first time. The high levels of corporate and personal income taxes of those who previously had funds for investment; as well as large increases in inheritance and gift taxes have been strong influences in this development. Competition and reconversion problems also have caused the owners of many closely held companies to consider mergers or the sale of equity securities to the public so that there will be an established market on which further new capital can be raised, if advisable, in the years ahead. This trend, it is logical to assume, will continue even if there is some reduction in corporate taxation and even if the double tax on dividends is removed.

As the termination of hostilities approaches, the period of reconversion to peacetime production will more and more demand the attention of a sizable portion of our economy. It is vital that there be a realistic and reassuring approach to this problem by both Government and business so that American industry may prepare for peace as promptly and effectively as it organized for war.

There is much debate as to whether industry can finance within itself the costs of the return to peacetime pursuits. Statistics have been prepared by the Securities and Exchange Commission and others as to net quick assets of industry available for reconversion. After the last war, a large volume of public financing through investment bankers proved to be necessary. A considerable part of this was inventory financing brought on by an increasing price level. This financing first took the form of bank credits for legitimate inventory purposes and later inventory speculation, with public issues of securities floated to replace a number of bank loans with permanent capital. This period was a bad one in our business economy and should not be repeated. Perhaps, after this war, price and monetary controls will have proved effi-

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Secretary Forrestal For a Formidable Sea and Air Force, With Universal Military Training

He Tells Investment Bankers That We Must Be Ready to Thwart Future Ambitions to Conquer the World and Contends That Enforced Military Training For Nation's Youth Will Protect, Rather than Destroy Democracy. Views Powerful Navy as Cornerstone of Hope for World Peace.

Secretary of the Navy James Forrestal, in a brief address at the luncheon meeting of the Investment Bankers Association convention, held at the Edgewater Beach Hotel, Chicago, on November 28, advocated both the maintenance of a large navy and universal military service. "Two subjects that I would discuss with you," Mr. Forrestal remarked, "can be bracketed together—universal military service and maintenance of a large Navy.


James Forrestal

"I don't believe," he continued, "I would find much dissent among this audience from an affirmative view on both questions. I believe you share the feeling that I have myself; while the steps we are now taking will build a structure of world peace, it will be slow business, and, while the structure is being built, the nations who hate war will have to remain strong enough to wage one if necessary.

"At the risk of boredom, I take my favorite quotation from that grand old statesman of South Africa, General Jan Smuts: 'Peace without power remains an empty dream.'

"Twice in our generation the manpower and productive genius of America have helped prevent conquest of the world by men with Napoleonic ambitions. Such men have run through the pages of history as far back as you can read it, although we conveniently forget the fact. It is certainly not impossible that there may be such manner of men in the future, and, if there are, you can rest assured that the United States will be No. 1 and not No. 2 or No. 3 or No. 4 on his list to be knocked off. Robot bombs will be over New York and not London.

"To be insured against that eventuality we must keep in being the force necessary to prevent it. Two components of that force are the formidable if not invincible sea and air power which the Navy will have acquired by the end of the war and a systematic plan for a year's military training for all the young men of our population.

"I am not going to tax your patience with a restatement of the obvious by enumerating the arguments for both of these principles because I am confident that you are in agreement. I merely want to urge that it is not too early for you to begin doing your share to see that they become part of our national policy.

"Already there are rumblings of protests against the concept of universal military training. You will hear it said that it is against democracy, that it is the beginning of a totalitarian system, that it gives the State and not the parent control over children. On the contrary, I believe that only by such preparation can we retain democracy to prevent the spread of totalitarianism and to guarantee the secure freedom for which we are now fighting.

"The final idea I want to sell you is something I know I don't need to spend much time on now, and that is the Navy. As Admiral Moreell has said, the best propaganda of the Armed Services is success in battle, and I say in all humility, without smugness, that, in the light of that, we have had pretty good propaganda for the Navy in recent weeks. But we are a volatile and forgetful nation, and I am asking you to join with me in the pledge that we lay aside some of our current enthusiasm about the Navy and put it, so to speak, in a savings account to be drawn against in the future when possibly the Navy will not be quite so much in the public eye. We have built a great force in the American Navy during this war, a force which has lifted us to the top of naval power. I know it is the national will that this power shall be used not for conquest but for security. Regardless of whatever organization finally emerges for the maintenance and insuring of world peace it will need as one of its cornerstones the power which now rests in the Navy of the United States. That power must be maintained, strong, efficient and competent, as a guaranty not only of our own security but of the security of the world."

IBA PAST PRESIDENTS

1942-43


Jay N. Whipple

1941-42


John S. Fleek

1939-40-41


E. F. Connely

IBA Committee Stresses Improved Railroad Credit

Forecasts Improvement Expenditures Reaching $10 Billions in Post-War Decade. Bulk of Funds to Come From Equipment Obligations, With Small Proportion From Equity Securities

The Railroad Securities Committee of the Investment Bankers Association, headed by Fairman R. Dick as Chairman, reported to the 33rd annual meeting at Chicago on railroad developments and prospects in the post-war period. The report stresses the improved credit of the railroads, which is ascribed largely to the renewed confidence in the immediate outlook of the railroads, and the prospects for a continuation of earnings largely in excess of fixed charges following the war. The Committee noted that because of refundings and reorganizations, there is no serious problem arising from early maturities, while the financing of improvements and betterments to a large extent can be arranged from surplus earnings and low interest equipment obligations, with little prospect of resort to issue of equity securities.

Fairman R. Dick

The text of the Committee's report follows:

The preparation of the report of the Railroad Securities Committee this year has been considerably simplified due to the unusually comprehensive and complete report of last year's Committee under the Chairmanship of John S. Loomis. That report analyzed and discussed practically every phase of railroad operation, traffic, and finance. In addition, Mr. Loomis made a canvass of many outside authorities and incorporated in the report an appendix containing their views. These authorities included not only many railroad Presidents but many other thoroughly qualified experts.

While the 1943 report was the most comprehensive ever submitted by this Committee it was specifically directed at the prospects for post-war railroad financing. In view of the fact that the war is one year nearer its end, post-war problems are becoming increasingly important. For that reason the report this year is again specifically directed at railroad credit conditions, with special emphasis on the prospects for financing a broad modernization program after the war.

During the past 12 months the improvement in railroad credit, as measured by the price of railroad securities, has been impressive. The following list of bonds shows the change in prices and yields during the year of certain selected issues where yields have declined to less than 4%:

	Nov. 1, 1943		Nov. 15, 1944	
	Price	Yield	Price	Yield
Atlantic Coast Line cons. 4s, 1952	92⅛	5.15%	105½	3.18%
Central Pacific 4s, 1949	96½	4.70	106⅜	2.55
Chicago, Burlington & Quincy Gen'l. 4s, 1958	97½	4.23	110⅝	3.03
Chicago, Burlington & Quincy ref. 4½s, 1977	83⅝	5.59	110¼	3.93
Cleveland Short Line 4½s, 1961	94⅞	4.94	109	3.76
Erie First Consolidated 4s, 1995	100	4.00	105¼	3.77
Great Northern 5½s, 1952	111½	3.80	119¾	2.42
Great Northern 3¾s, 1967	91¼	4.37	105¾	3.37
Lake Shore & Michigan Southern 3½s, 1997	91	3.90	104	3.34
Louisville & Nashville 3¾s, 2003	93¼	4.05	105¾	3.52
Pennsylvania General 3¾s, 1970	99⅛	3.80	105¾	3.42
Pennsylvania General 4½s, 1965	109¼	3.85	117¼	3.32
Southern Pacific Refunding 4s, 1955	86⅝	5.63	104	3.53

The improvement in railroad credit in the last 12 months is not only evidenced by the rise in the prices of bonds but by the sale of large issues of bonds by roads which a year ago could not finance in important amounts at reasonable rates. Within less than a year after the Great Northern 3¾s were selling at 92, the road was able to market $100,000,000 bonds at an average interest cost of less than 3⅜%. And within less than a year after Burlington refunding 4½s sold at 83, the road was able to market $40,000,000 bonds with a 3¾% coupon. If the current trend of improvement in railroad credit continues for another 12 months, the list of roads able to refinance at comparatively low rates of interest will broaden appreciably.

The principal causes of the improvement in railroad credit in the past year have been:

(a) A level of net earnings that permits the building up of safety cushions in current assets and makes possible important reductions in debt and fixed charges.

(b) The removal of maturity dangers by anticipatory payments or refunding operations.

(c) Increasing recognition of the importance of our railroads

A study of the railroad bonds which have not as yet risen to the point where they yield less than 4% nevertheless shows increases in price and declines in yield even more dramatic, as illustrated by the following:

	Nov. 1, 1943		Nov. 15, 1944	
	Price	Yield	Price	Yield
Atlantic Coast Line Unif. 4½s, 1964	72⅛	7.10%	90¾	5.25%
Baltimore & Ohio 1st 5s	72¾	6.87*	97½	5.13*
Cleveland Union Terminal 4½s, 1977	77½	6.07	100	4.50
Central Pacific Guaranteed 5s, 1960	67¾	8.60	95	5.47
Eric Inc. 4½s, 2015	62	7.29	83½	5.41
Illinois Central ref. 4s, 1955	60⅜	9.60	83⅝	6.07
Morris & Essex 4½s,1955	44⅝	10.09*	60	7.50*
New York, Chicago & St. Louis 4½s, 1978	85⅞	5.40	102	4.38
Northern Pacific 6s, 2047	78⅞	7.60	99¼	6.05
Pere Marquette 4½s, 1980	73¾	6.36	101	4.44
Reading General 4½s, 1997	92	4.93	106	4.22
Southern Pacific 4½s, 1969	60⅞	8.17	85	5.63
Southern Railway, dev. and gen. 4s, 1956	75½	6.98	93	4.80
Texas & Pacific, ref. 5s, 1980	80½	6.39	99½	5.02
Wabash Income 4¼s, 1991	52	8.26	77½	5.62

*Annual return.

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IBA Education Committee Plans A Training Program

Is Seeking a Qualified Educational Director and Preparing a Vocational Booklet. Sees Need for Up-to-Date Text Books on Investment Banking and Urges Cooperation With Local Educational Institutions.

In a brief report to the 33rd Annual Meeting, the Educational Committee of the Investment Banking Association outlined its plans and recommendations for improving investment education and recruiting personnel. The text of the report of the Committee of which Julien H. Collins is Chairman, follows:

Julien H. Collins

Since the last meeting of the Board of Governors in June at which time the Board gave enthusiastic approval to our recommendations, efforts have been made to put your Committee's plans into operation. It will be recalled that at the time we made two distinct recommendations. The first was that we engage the services of a well qualified Educational Director, who would give his full time to the development and administration of training courses to be conducted by the Association in the various financial centers of the country. These courses are to be given in cooperation with local educational institutions, and are to be offered principally for the benefit of new men entering the business.

Second, it was decided that we prepare and give wide distribution to a vocational booklet which would outline the functions and purposes of investment banking, with emphasis on the broad opportunities which our business offers to young men for individual growth and development.

Our efforts to secure an Educational Director have not met with success, although we have considered more than twenty-five possibilities, none of whom seemed to meet all of the specifications which we consider important. You may feel assured that our efforts to fill this important post will be carried forward diligently. At frequent intervals, the President of the Association and the Executive Committee have been kept informed of our activities and have agreed that this selection is of the utmost importance, because it has been felt that the success or failure of the whole training program would depend largely upon the ability of the man selected to organize and direct it.

We are pleased to be able to report that we have gone forward with the preparation of the vocational booklet.

Careful thought has been given to the form and content of this booklet. It will contain many illustrations of subjects closely related to our business, and will be written in an easy and interesting style, giving proper emphasis to the importance of investment banking in the national economy. It is our plan to make copies available to members of the Association in quantities, and to arrange for wide circulation among colleges and universities as well as vocational bureaus. We believe that the booklet will be helpful to our members in recruiting personnel, and should have public relations values as well.

The work of this Committee has been stimulated and aided by the numerous expressions of enthusiastic support which have come to us from members since the announcement of our plan appeared in the June issue of "Investment Banking." It has also received some publicity in the press, and not only has it brought approval from our group, but of even greater importance, it has brought forth a considerable number of letters from service men who are inquiring about our business as a vocation.

In the course of our work in planning a training program, we have come to realize that text books on investment banking subjects have not kept pace with the numerous legislative and economic changes which have taken place in recent years. In most instances, the better text books and references have not been revised for eight years or more.

We believe that it may be the responsibility of our Committee to sponsor or encourage the preparation of a new or revised text book on investment banking, and we will do so if the Board wishes to provide us with this authority. If our present plans for vocational promotion and training meet our expectations, every possible facility must be made available to the new men who come into this business.

The activities which have been outlined appear to offer benefits to all members of our Association. With your encouragement and support, they will be carried forward with all possible speed.

Respectfully submitted,

Education Committee

Julien H. Collins
Andrew M. Baird
Howard M. Biscoe, Jr.
William H. Blakely
Merle Bowyer
T. Jerrold Bryce
Dwight W. Chapman
W. T. K. Collier
Paul J. Eakin
Reamy E. Field
Clarence L. Finger
Jo Gibson, Jr.
Edward D. Jones
Owen T. Kraft
Edson B. Olds
John W. Pancoast
Clyde L. Paul
Burdick Simons
Adolph E. Weltner

IBA Municipal Securities Committee Report

Notes Slight Increase in Municipal Financing and Slow Decline in Bond Yields. Sees Stronger Interest in Boren Bill and Calls Attention to Recent Court Decisions Relating to Municipal Bonds

Hazen S. Arnold

The Municipal Securities Committee of the Investment Bankers Association, of which Hazen S. Arnold, Executive Vice-President of Braun, Bosworth & Co., Toledo, O., is Chairman, released its annual report at the 33rd Annual Meeting in Chicago, on November 28. Although the Committee reported that municipal financing, particularly that represented by long term bonds, has, as yet, shown only slight increase during the last year, there are indications of "an upward trend in the volume of numerous post-war plans awaiting development." The report also makes note of the greater interest in the Boren Bill (H. R. 1502), sponsored by Congressman Boren of Oklahoma, which would dispose of the ambiguities in the Securities and Exchange Act relating to "exempted securities," in which are comprised municipal bonds. The draft of the committee's report which was submitted to the convention follows:

Of general interest for the purpose of comparison, sales of new issues of state and municipal bonds, including those of U. S. territories and insular possessions and their municipalities, as reported by "The Bond Buyer," are shown below for the twelve-month period ending October 31, during the past two years.

	1943	1944
Long-term financing	$512,699,412	$616,828,587
Short-term financing	677,975,149	597,561,841
Total	$1,190,674,561	$1,214,390,428

It will be noted from the above that while the amount of short-term issues during the period mentioned decreased approximately $80,000,000, long-term financing increased about $104,000,000. The amount of both long and short-term bond financing had previously declined each year since 1940. During that year (1940), there was a total of over $3,100,000,000 of new municipal issues divided approximately $1,500,000,000 long-term and $1,600,000,000 short-term.

At a general election in November, 1943, there were only about $20,000,000 of municipal bonds submitted to the voters. Of these over 75% were rejected. At the election November 7th this year over $250,000,000 of municipal bonds were voted upon by the people. It is reported that of these approximately 90% were approved. The substantial increase in the amount of issues submitted and the very marked increase in the percentage approved appear to indicate an upward trend in the volume of municipal financing, particularly in the light of the numerous post-war plans awaiting development.

As was the case in 1943, municipal bond prices again set a new record high during 1944. In our reports from time to time, we have included for comparison and later reference the monthly index of the average yield of twenty representative long-term municipals, which index is continuously maintained by "The Bond Buyer."

The monthly index for the past seven years is shown below:

	1944	1943	1942	1941	1940	1939	1938
January 1	1.77%	2.17%	2.24%	2.14%	2.59%	2.78%	3.16%
February 1	1.70	2.12	2.36	2.29	2.36	2.76	3.07
March 1	1.65	2.08	2.51	2.43	2.70	2.80	3.05
April 1	1.65	2.08	2.38	2.33	2.62	2.72	3.19
May 1	1.69	2.01	2.33	2.26	2.59	2.78	3.08
June 1	1.65	1.93	2.33	2.14	3.00	2.66	3.05
July 1	1.64	1.86	2.21	2.07	2.67	2.66	3.00
August 1	1.59	1.83	2.15	2.07	2.53	2.67	3.01
September 1	1.59	1.81	2.15	2.08	2.52	3.21	2.88
October 1	1.66	1.79	2.16	2.02	2.39	3.30	2.98
November 1	1.64	1.69	2.13	1.90	2.32	2.93	2.90
December 1	---	1.82	2.16	1.93	2.18	2.72	2.83

Lowest yield----1.59%, Aug. 1, 1944   Highest Yield----5.69%, May 1, 1933

The Boren Bill

More and more officials are evidencing strong interest in the amendment to the Securities Exchange Act of 1934 as proposed by the Boren Bill, H. R. 1502, and are looking forward to hearings on the measure by the Subcommittee of the Interstate and Foreign Commerce Committee of the House.

As is generally well known, the purpose of the Bill is to clarify the Securities Exchange Act and dispose of existing ambiguities in it thereby clearly evidencing what provisions of the law are applicable to "exempted securities" and the extend of their application; also what provisions are not applicable to such securities. Enactment of the amendment would assure a free and unhampered market for state and municipal securities and remove the overhanging danger of possible Federal regulatory directives and control of the markets and marketing of such securities.

Various state and municipal bodies, also leagues and associations of municipalities, as well as other bodies interested in the financing and welfare of local governments have expressed their views by resolution. Among them are bodies of nation wide representation:

The Municipal Finance Officers' Association of the United States and Canada adopted an endorsing resolution at its annual conference on June 9, 1944. The membership of this Association represents about 2,000 municipalities—1,700 in this country and 300 in Canada.

At the annual meeting of the American Bar Association in September, the Municipal Law Section and the House of Delegates of that Association both unanimously adopted endorsing resolu-

(Continued on page 2482)

IBA Administrative Committees Reports

Membership on August 31, Has Risen From 578 to 628. Finances of the Association Reported as Satisfactory With Surplus of $6,200 Compared With A 1943 Deficit of $1,700. State Legislation Committee Reports Progress of Cooperation With State Commissions Relative to Eliminating Obstacles To Flow of Funds Into Legitimate Enterprises and Protection of the Public Against Fraud in Sale of Securities.

The membership Committee of the Investment Bankers Association, with D. Dean McCormick of Kebbon, McCormick & Co., Chicago, as Chairman, reported to the 33rd annual meeting at Chicago that there was a net gain of 50 members during the fiscal year, which compares with a net loss of 24 during 1943, and a net loss of 51 in 1942.


D. Dean McCormick

"Twenty years ago, at the end of the 1924 fiscal year," the report continues, "the Association had 617 members. This rose to a peak of 702 on June 20, 1928. The curve then dipped to 361 on Feb. 9, 1934. Then under the stimulus of reduced dues and greatly reduced initiation fees, the membership rose to 812 on June 8, 1937, an all time high. This was followed by a drop to 576 on Oct. 9, 1943. These are interesting figures which speak for themselves, as they reflect quite accurately the favorable and unfavorable periods in our business.

The Finance Committee, headed by John E. Blunt, 3d, of Lee, Higginson Corporation, as Chairman, reported that the Association's normal operations for the fiscal year ended Aug. 31, 1944, showed a surplus of $6,200, compared with a deficit figure of $1,700 in the 1943 fiscal year. This does not take into consideration an outlay of about $6,000 on account of Maricopa County, Arizona, litigation expense and a net expense of $6,700 on the hearings before the Interstate Commerce Commission on compulsory competitive bidding on railroad securities, which were direct charges to the net worth account. This account, as shown in the audited balance sheet, amounted on Aug. 31, 1944 to $158,444.13.


John E. Blunt, 3rd

In the report of the State Legislation Committee, of which George F. Noyes, Vice-President of the Illinois Company of Chicago, is Chairman, no further progress is reported for uniformity in registration and financial accounting forms, but Kentucky during the year adopted the Uniform Stock Transfer Law, leaving only nine States which have not yet adopted this law.


George F. Noyes

"As to uniformity of State securities laws," the Committee remarks, "your Committee feels that at present there is not sufficient uniformity of opinion among the various interests involved, as to the principles on which the regulation of the sale of securities should be based, to advocate any specific action along these lines. The original 'Uniform Act' was drawn a number of years ago, under circumstances much different than those under which we now do business. Also it seems probable that the transition from war to peace will bring further changes, including whatever may be the effect of the large public holding of war bonds. It hardly seems an opportune time to recommend any set pattern for State securities acts—rather a time in which to urge the adoption, wherever possible, of individual measures designed to remedy troublesome situations and to modernize existing laws."

"Uniformity as to the principles of regulation should be a constant objective," it is added. "In this respect your Committee recommends that:

"1. The old concept of regulation of the securities themselves should be replaced by regulation of the acts involved in their sale;

"2. Where registration of securities is required, it should be on the principle of full disclosure and not that of passing judgment as to quality;

"3. Regulation should be directed toward the prevention of fraud and dishonesty, and not toward determining what types of securities the public should or should not buy;

"4. State regulation should be coordinated with Federal regulation, to avoid lost motion and duplication of effort."

With a view to formulating ideas as to legislative matters in the coming year, the Committee reported that "Arthur Davis wrote, just after the national election, to each of the State Securities Commissioners asking for their thoughts and comments. His letter so well summarizes certain aspects of the situation that a copy is attached and made part of this report. Replies thus far received show widespread agreement with the views set forth and give promise of close cooperation where any new legislation may be contemplated. Some of the replies enclosed copies of published warnings to holders of war bonds against high pressure salesmen. All of these include the emphasis on dealing only with reputable firms."

"A handicap under which the State Legislation Committee works," says the report, "is the question as to whether it is fully informed of the blue sky problems encountered from time to time by members, and therefore whether its views accurately reflect those of the various types of firms which make up the membership of the Investment Bankers Association. Legislative matters are dry and unglamorous at best and it is natural that they should be passed over by most of us except when they interfere with business. Then it is usually impossible to do anything to remedy the situation, at least to be of any benefit at the time."

The Committee further pointed out that "in connection with the interference to legitimate business by what seem to be legal technicalities, it must be remembered that the blue sky laws and the work of the securities commissioners are very largely directed at a segment of 'business' which only occasionally comes to our attention, namely, the fly-by-night, the swindler, and the crook. A legislative proposal designed to facilitate the business of the honest investment dealer must necessarily be considered by the securities commissioner on the basis of whether it also opens a door to the dishonest dealer. An understanding of this goes a long way in promoting the cooperative spirit between our business and the State officials charged with its regulation."

IBA PAST PRESIDENTS

1938-39


Jean C. Witter

1937-38


F. E. Frothingham

1936-37


Edward B. Hall

IBA Municipal Securities Committee Report

(Continued from page 2480)

tions. We understand the House of Delegates of the American Bar Association represents practically all of the Bar Associations in this country.

The American Municipal Association, representing about 8,800 municipalities throughout the country, at its annual meeting on October 27, 1944 "Resolved, that the American Municipal Association re-affirm its unqualified opposition to any proposal leading to federal taxation of the income of municipal securities and oppose any regulation of municipal securities by the Securities and Exchange Commission."

A list of resolutions which we have received to date is appended to this report.

Court Decisions

During the year, there have been several court actions of particular interest to the municipal field. Among them were:

Decisions in the Port of New York Authority and Triborough Bridge Authority Cases.

On January 28, 1944, the Tax Court of the United States in a ten to five decision (one judge not sitting) held that the interest received from bonds of the above Authorities is exempt under the provision of the Revenue Act excluding from gross income interest on obligations of "a State, Territory or any political subdivision thereof." As pointed out in our Interim Report of last June, the decision was based upon this statutory provision. Also that the Court found no occasion to go into the constitutional phase of the subject.

The Treasury Department appealed the cases to the U. S. Court of Appeals. That Court, in its decision handed down on August 24 last, upheld the decision of the U. S. Tax Court. Judge Augustus N. Hand wrote the Opinion of the U. S. Circuit Court of Appeals and Judge Harrie Brigham Chase concurred. After reviewing the situation, the Court said:

"For the foregoing reasons we hold the income derived from the taxpayer's bonds tax-free because it was interest upon obligations of a political subdivision of a state within the meaning of Section 22 (b) (4) of the Revenue Acts of 1936 and 1938 and upon obligations issued 'on behalf of' a state within the meaning of Article 22 (b) (4)-1 of the Treasury Regulations."

Judge Jerome N. Frank, one of the three judges sitting, did not concur in this decision. He wrote a lengthy dissenting opinion.

We understand that the Treasury Department has petitioned the United States Supreme Court to review these cases.

Maricopa County, Arizona

The appeal from the decision of the U. S. District Court for the District of Arizona in the case of the State of Washington et al vs. Maricopa County, Arizona et al was argued on February 7th at San Francisco before the U. S. Circuit Court of Appeals, Ninth District.

It will be recalled that this suit was the outgrowth of Maricopa County's action to call its outstanding Highway Bonds prior to maturity. These bonds had always been considered non-callable. In its decision the U. S. District Court had upheld the County's position and had issued a summary judgment in favor of the County. That decision was appealed to the U. S. Circuit Court of Appeals.

On June 30, 1944, the U. S. Circuit Court of Appeals handed down its decision. It did not pass upon the merits of the case but held that the motion which had been made in the District Court by the County for a summary judgment was not well founded and should have been denied because the pleadings showed that there were genuine issues of material fact involved in the case which should have been decided by the District Court. The decision of the U. S. Circuit Court of Appeals assures a trial of the case upon the merits. A copy of the full text of the decision was sent to all of the main and branch offices of our members on July 11 last.

The necessary legal steps were taken to again bring the case before the the U. S. District Court

IBA GROUP CHAIRMEN

CENTRAL STATES

Newton P. Frye

NORTHERN OHIO

Melville J. M. Cox

OHIO VALLEY

Thomas Graham

for the District of Arizona. Arguments and testimony were heard by that Court on November 14. Mr. David Wood of Wood, Hoffman, King & Dawson of New York and Mr. J. L. Gust of Gust, Rosenfeld, Divelbess, Robinette & Coolidge of Phoenix, Arizona, with associate counsel presented the case on behalf of the State of Washington and the Equitable Life Insurance Company of Iowa. At the time of writing this report, no decision had been handed down by the District Court.

There was a companion case, E. J. Jones vs. Jim Brush, State Treasurer, Maricopa County and others. This case was also the outgrowth of the County's action to call its outstanding bonds. It was originally entered in the U. S. District Court for the District of Arizona by Mr. Jones, a citizen and taxpayer of Arizona. The case was predicated upon the fact that a State Trust Fund, created by the Enabling Act of Arizona (a Federal statute), was the owner of some of the Maricopa County bonds and that the State Treasurer, Mr. Brush, one of the defendants, was about to surrender those bonds for redemption, thereby causing a loss to the Trust Fund of the premium which had been paid for the bonds. Federal court jurisdiction was claimed by Mr. Jones on the ground that the statute creating the Trust Fund was a Federal statute and, therefore, the question arose under the Constitution and laws of the United States.

The U. S. District Court granted a summary judgment in favor of the State Treasurer and Maricopa County. An appeal from this decision was made to the U. S. Circuit Court of Appeals, Ninth District. It was argued in that Court at the same time the State of Washington case was argued i.e., February 7, 1944. On July 6, 1944, the U. S. Circuit Court of Appeals reversed the summary judgment granted and directed the lower court to enter judgment dismissing the action brought by Mr. Jones for want of jurisdiction.

Michigan

We previously reported that the Supreme Court of Michigan on December 29, 1943 handed down an important decision in the Callahan vs. City of Berkley case as to certain special assessment bonds and tax anticipation notes. The effect of the decision, counsel pointed out, is to sustain the rights claimed by the bondholders that the special assessment bonds and tax anticipation notes under consideration are valid general obligations of the city and are not subject to debt limitations.

On September 11, 1944, the Supreme Court of Michigan ruled on another case involving so-called special assessment bonds—Leinbach et al (as Council of the Village of Allen Park, Michigan) vs. Burbank (Clerk of the Village). The Village prepared to refund certain of its special assessment bonds. The bonds to be refunded pledged the full faith and credit of the Village. The Charter of the Village requires that the bonds be countersigned by the Village Clerk. The Clerk refused to countersign the bonds claiming such refunding special assessment bonds may not be issued unless authorized by vote of the Village electorate. The Supreme Court in its decision, directed the Village Clerk to countersign the refunding bonds as issued by the Village Council.

Counsel points out that the Supreme Court in this decision finds that so-called special assessment general obligation bonds do not require an electoral vote under the provisions of the Home Rule Act of Michigan in order to make such bonds full faith and credit obligations payable from general ad valoren taxes of the issuing municipality.

Texas Counties

The decision of the District Court of Texas (51st Judicial District) in the case of Annie Norton, Trustee vs. Tom Green County, reported fully in our Interim Report of last June, was appealed to the Civil Court of Appeals at Austin, Texas. That court in a decision handed down on October 4 this year concurred with the conclusion of the District Court, i.e., "That this court is without any authority to grant Plaintiff any relief, although she will be greatly damaged by the action of the Defendant County in calling said bonds."

This case, like a number of other comparatively recent cases in Texas, involved the right of counties to redeem certain of their outstanding bonds prior to the maturity dates.

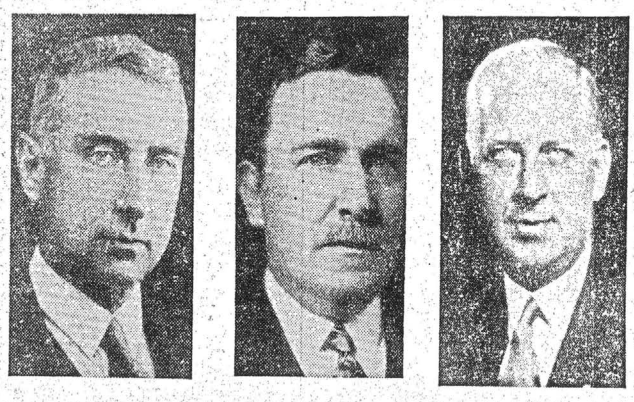
We understand that two other suits have been filed affecting Texas county bonds. One was entered in the District Court of the United States for the Northern District of Texas, Lubbock Division. This case—St. Paul Fire and Marine Insurance Company vs. Garza County, Texas—involves the refunding of Court House and Jail bonds of the County dated February 15, 1927. The other case, Gavin et al vs. Potter County, Texas, was filed in the District Court of Potter County, Texas, 108th Judicial District. This case involves the refunding of Hospital 5% bonds of the County dated April 10, 1927.

Respectfully submitted,
MUNICIPAL SECURITIES COMMITTEE
Hazen S. Arnold, Chairman
Clifford S. Ashmun
Carl F. Bargmann
George K. Baum
Edward Boyd, Jr.
Douglas H. Campbell
Walter W. Craigie
George J. Gillies
H. Fred Hagemann, Jr.
John J. Hasfurther
John G. Heimerdinger
W. E. Knickerbocker
C. W. Laing, Jr.
J. C. Lancaster
Walter E. Lang
Ed S. Lewis, Jr.
John S. Linen
Kevin T. Lyons
George L. Martin
Joseph L. Morris
A. B. Morrison
Francis Moulton
D. K. Pfeffer
Robert O. Shepard
Fred C. Ulrich
F. W. Willey

Note: In an appendix to its report, the Committee listed names of the government bodies and various organizations that have adopted resolutions endorsing the Boren Bill.

IBA PAST PRESIDENTS

1935-36 1934 1932-33



Orrin G. Wood G. W. Bovenizer Frank M. Gordon

A Slash of Income Tax Rates Proposed

IBA Tax Committee Declares Present Taxes Have Depressing Effect on the Free Enterprise System. Recommends Elimination of Capital Stock and Intercompany Dividend Taxes

The Federal Taxation Committee of the Investment Bankers Association, of which Richard P. Dunn of Auchincloss, Parker & Redpath, Washington, is Chairman, in its report to the 33rd meeting of the Association at Chicago, made at the closing session, advocated a thorough overhauling of the existing tax code, a simplification of tax structure and regulations, and a reduction of the maximum income tax rate on both persons and corporations to 25%. It also recommended that corporations, like individuals, be subject to a single tax, and that such additional levies as the excess profits, the capital stock and the intercompany dividend taxes be repealed.

The full text of the Committee's report follows:

The war production record has clearly demonstrated the soundness of our present business system. A great deal of this production for peacetime purposes can be maintained and increased with common benefit to all by an intelligent tax program designed to provide sufficient Government revenue, high employment and an adequate return for investment in business enterprise. At the present time, we feel that much of our tax structure is punitive in character, and that certain rates, even prior to the war, were too high to insure the free flow of capital necessary for full production and employment. The time seems ripe to this Association for a completely new approach to our whole method of taxation in order to permit and encourage the full play of both individual and corporate capital and labor and industry with the view of demonstrating what this country can do in peacetime when the "wraps" are removed.

The existing tax Code and Regulations should be thoroughly overhauled with the view of setting up a simple and relatively permanent statute which would permit intelligent understanding and efficient operation by both the Government and the taxpayer. Retirement of the Government debt should be undertaken at the earliest possible moment in order to assure the continuance of its present high credit standing. However, until our peacetime economy has become somewhat more clear, it would appear to us that no formula for debt retirement can be fixed.

Until our economy has a chance to stabilize in the early post-war period, it is suggested that individual graduated tax rates from a minimum of 15% to 20% to a maximum of 40% to 50% be considered. A single tax rate on corporate income of 25% is recommended for consideration on incomes above $100,000 with lower rates to a minimum of 15% on incomes of less than $100,000. The capital stock tax and the taxability of 15% of dividends received by corporations should be eliminated. If possible, rates should be equalized between corporations and individuals to prevent relative tax advantages. An effort should be made to eliminate, or reduce the double taxation on corporate income distributed to stockholders. A step in this direction can be made by having lower rates apply to individual dividend income. The ultimate goal should be an effective maximum peacetime tax rate of 25% on both individual and corporate incomes.

In our opinion, the present method of taxing capital gains and the treatment of capital losses is unsound in principle, and has had an extremely repressing effect on

(Continued on page 2486)

In Attendance At IBA Meeting

Aagaard, Walter S.	Fahnestock & Co.	Chicago
*Abrams, James S.	Allen & Co.	New York
Adams, William M.	Braun, Bosworth & Co.	Detroit
Agee, Rucker	Sterne, Agee & Leach	Birmingham
Ainsworth, Walter W.	Metropolitan St. Louis Co.	St. Louis
Alleman, F. Monroe	Leedy, Wheeler & Co.	Orlando
Allen, E. Ray	Stranahan, Harris & Co.	Chicago
Allen, Herbert	Allen & Co.	New York
Altgelt, E. J., Jr.	Harris Trust & Savings Bank	New York
Anderson, Edward C.	Scott & Stringfellow	Richmond
Anderson, Herbert R.	Distributors Group	New York
Andrews, Rollin G.	J. M. Dain & Co.	Minneapolis
Applegate, George G.	Geo. G. Applegate	Pittsburgh
*Armitage, Albert T.	Coffin & Burr	Boston
Arnold, H. Wilson	Weil & Arnold	New Orleans
Arnold, Hazen S.	Braun, Bosworth & Co.	Toledo
*Arthur, J. Howard	First National Bank	Pittsburgh
Asche, Sherman	Hill Richards & Co.	Los Angeles
Ashmun, Clifford S.	C. S. Ashmun Company	Minneapolis
Ashplant, Frederick B.	F. B. Ashplant & Co.	New York
Atkins, J. Murrey	R. S. Dickson & Co.	Charlotte
Atwill, William, Jr.	Atwill & Co.	Miami Beach
*Augustine, Floyd	C. J. Devine & Co.	New York
Austin, Kenneth L.	New York Times	New York
Ayers, William L.	612 N. Michigan Ave.	Chicago
Bacon, William T.	Bacon, Whipple & Co.	Chicago
*Baird, Andrew M.	A. G. Becker & Co.	Chicago
*Baker, Dudley F.	Bosworth, Chanute, Loughridge & Co.	Denver
Ball, Gordon R.	Bank of Montreal	New York
Ball, Peter	Ball, Burge & Kraus	Cleveland
Ballman, John P.	Ballman & Main	Chicago
Barbour, Phillips T.	First Boston Corporation	New York
Barclay, George A.	Kean, Taylor & Co.	New York
*Barclay, Wm. K., Jr.	Stein Bros. & Boyce	Philadelphia
Bargmann, Carl F.	Braun, Bosworth & Co.	Toledo
*Barr, W. Manning	Barr Brothers & Co.	New York
*Barrow, Wm. Russell	Barrow, Leary & Co.	Shreveport
Bass, Jack M.	Jack M. Bass & Co.	Nashville
Battin, Edward M.	Ohio Company	Columbus
Baxter, Mark	Parker Corporation	Chicago
Beaver, George W.	F. S. Moseley & Co.	New York
*Bender, Frank J.	Wachob-Bender Corp.	Omaha
Bennett, Wayne R.	Continental Illinois Bank	Chicago
Bent, Maurice H.	Merrill Lynch, Pierce, Fenner & Beane	New York
Berblinger, Henry T.	Sills, Minton & Co.	Chicago
Bickmore, J. Franklin	Boettcher & Co.	Chicago
Bigger, Richard A.	R. S. Dickson & Co.	New York
Billett, L. Raymond	Kebbon, McCormick & Co.	Chicago
Bishop, Harold H.	J. M. Dain & Co.	Minneapolis
Bivins, Robert A.	Chase National Bank	New York
Blaine, Walter F.	Goldman, Sachs & Co.	New York
Blair, W. McCormick	William Blair & Co.	Chicago
Blake, Fred D.	Cruttenden & Co.	Chicago
*Blanchett, Frederic J.	Conrad, Bruce & Co.	Seattle
Blankenship, Fred M.	Blankenship, Gould & Blakely	Portland
Blewer, Clarence F.	Dempsey-Tegeler & Co.	St. Louis
Blodgett, F. Malbone	Spencer Trask & Co.	New York
Blosser, Joseph D.	Straus Securities Co.	Chicago
*Blunt, John E. 3d	Lee Higginson Corp.	Chicago
Blyth, Robert B.	National City Bank	Cleveland
Boles, Ewing T.	Ohio Company	Columbus
Bonner, Francis A.		Washington
Booker, Y. E.	Alex. Brown & Sons	Baltimore
Booth, Howard F.	Paine, Webber, Jackson & Curtis	Minneapolis
Bosson, F. Edward	Putnam & Co.	Hartford
Boyce, C. Prevost	Stein Bros. & Boyce	Baltimore
Bradford, H. A.	Calvin Bullock	New York
Bradley, Mahlon O.	Paine, Webber, Jackson & Curtis	Chicago
Bradley, S. Whitney	Eaton & Howard, Inc.	Boston
Brand, William H.	Wisconsin Company	Milwaukee
Brayshaw, D. B.	Distributors Group	Atlanta
Brent, W. Rufus	Eastman, Dillon & Co.	New York

* Denotes Mr. and Mrs.

(Continued on page 2486)

Post-War Anglo-American Cooperation

(Continued from page 2475)
is the fact that some light cars are still being produced on government contract for essential civilian uses, such as for doctors, farmers, and so on. Some of these have been exported to the Dominions; but otherwise no new cars have been available for anybody since January, 1940.

Let me give you one more. It was recently alleged that every American soldier in the near East knew how King Ibn Saud of Arabia asked your Government for new pipes and bathroom fixtures for his palace, and was refused them because they were luxuries and a war scarcity. Whereupon the British Government, in order, I suppose, to win favor with King Ibn Saud, is alleged to have supplied the fixtures through Lend-Lease. This again is entirely false. Section IV of the Lend-Lease Act specifically lays down that no foreign government may transfer any Lend-Lease goods without the President's consent. We have honored that condition both in spirit and in letter.

I could give you plenty more examples, but perhaps these are enough. I do not for a moment suggest that it is only Americans who go in for this romantic mischief-making. No doubt there are some of my people who are not unready to take a hand in the game.

Shortly after the liberation of France, a rumor went around the United Kingdom that American business men, who had got commissions in the Army of the United States, were flocking over to Paris in military uniforms, to reopen their offices and start booking orders before anyone else could get there. The story was quite unfounded. It was denied by Mr. Eden in the House of Commons, and finally scotched by General Eisenhower's statement that there was nothing in the report and that any American officer who tried to use his official duties as a cover for his private business would be severely disciplined.

Then it has been whispered in Britain that your traders have not been slow to take full advantage of the Export White Paper in order to get a flying start of British competitors. Latin America, for example, so the suggestion goes, is advised to look to the United States for goods formerly supplied from the United Kingdom. They are recommended to do this because the British are prohibited by the terms of the White Paper from exporting anything containing Lend-Lease materials, or materials similar to them, and because, even if the White Paper should lapse after the conclusion of hostilities, it will be a long time before Britain is able to satisfy Latin American demands.

Now the way in which we deal with these charges and counter-charges will depend upon how we judge of that partnership to which I referred a moment or two ago. If we feel that it is something of over-all importance, the answer in all these cases is very simple, and that is to ascertain the facts. Often we shall find they are wrong; where they are right, we can talk them over frankly as friends. And that is much better than nursing grievances or letting suspicions get set hard and queer the general approach on both sides. I do not mean by all this that we shall not have our rough places and our differences in the years ahead. Of course we shall; though I see no reason why with good will on both sides we should not be able to iron them out smoothly. I have never thought it ought to be too difficult for us to keep together in the political field. Trade and industry are likely to be much harder, partly because they touch people's pockets directly, and partly because they are both governed by many complex factors on which not everybody is well informed.

Take what is, I suppose, the most vexed question of all: foreign trade. I know your point of view on this, and it is a perfectly reasonable one. But let me say something about what foreign trade has meant to the British economy in the past and what it will mean to us in the future, in the light of the way we have had to play the hand during the war.

The economic and financial effect upon our post-war economy of what has been happening to us for the last five years must be profound. We have spared nothing in order to produce the weapons and supplies of war. Without stint we have thrown all we had into the fray. Fully two-thirds of our available man-power, male and female, is now in the armed services or is working for the Government. As a result, civilian life is austere and hard; our standard of living has been cut to the bone by the

(Continued on page 2487)

IBA PAST PRESIDENTS

1924-25

Thomas N. Dysart

1922-23

John A. Prescott

1920-21

Roy C. Osgood

A Slash of Income Tax Rates Proposed

(Continued from page 2484)
the free operation of the private enterprise system. In the 1942 Revenue Act, changes were made in this tax which we believe have proved of great benefit to the whole country—to labor, agriculture, industry, property owners, and to all taxpayers. We strongly urge that this tax be simplified in its calculation; that the holding period be reduced to three months; and that the *effective* tax on long-term gains be reduced from 25% to 10%. If this is done, we sincerely believe that the amount of revenue derived from such a tax will be greatly increased and that through the years it will be a substantial revenue producer.

A longer term of net operating loss carryover of three to five years, instead of two years, is suggested for all taxpayers. We feel this would be especially helpful to new business enterprises and would provide an incentive for expansion of existing business enterprises in order to insure high employment and productivity in the post-war period.

Excise taxes should be imposed on liquor, tobacco, certain luxury items and, possibly, on gasoline. We say "possibly on gasoline," because it is the belief of many that this commodity is now taxed widely by the States and that it probably should be left to the States as a further inducement for the maintenance and new construction of roads and highways.

A consumers' sales tax, or a manufacturers' sales tax, might be considered with consequent relief to taxpayers in the low individual income tax brackets, but here again this field (especially a consumers' sales tax) might well be left to the States, many of which already have such taxes. Taxes on gifts, estates, customs and various miscellaneous revenue should be continued, but the law and regulations should be simplified. We believe a maximum tax rate of 25%, especially on gifts and estates, will eventually produce more revenue than is received by the existing, and in some cases confiscatory, high rates because the capital involved will remain invested. This rentention of capital in private hands for use in investment and industry will broaden the base of productive effort.

We are opposed to any tax advantages which favor Government agencies, cooperative companies, or other organizations over private industry.

A tax policy which will encourage, and not stifle, business initiative will go far toward solving unemployment problems, provide adequate revenue for the Government's needs, and furnish a net profit sufficient to justify the widespread use of capital, both of an investment character and of so-called venture or risk capital. The ultimate goal of taxation by the Federal Government should be a maximum of 25%, since that represents as large a portion of available (profit) income and property as our economy can afford if the private enterprise system is to survive. If such a tax program were enacted, and if business, as outlined above, were permitted to operate freely with friendly Government cooperation, it should be sufficient to cover peace-time needs which many believe will be in the neighborhood of $18,000,000,000 to $20,000,000,000.

Respectfully submitted,
Federal Taxation Committee
Richard P. Dunn, Chairman
James H. Lemon, Vice-Chmn.
Errol E. Buckner
Hagood Clarke
Henry H. Egly
Sumner B. Emerson
F. D. Farrell
Frank E. Gernon
Arnold Grunigen, Jr.
Harry Kerr
I. A. Long
John R. Montgomery
Augustus W. Phelps
T. Johnson Ward
Elmer L. Williams

In Attendance At IBA Meeting

(Continued from page 2484)

Bridgen, Clarence J.	Paine, Webber, Jackson & Curtis	Chicago
Broome, Robert E.	Guaranty Trust Company	New York
Brown, Austin	Dean Witter & Co.	New York
Brown, Harry	Salomon Bros. & Hutzler	Chicago
Bryce, T. Jerrold	Clark, Dodge & Co.	New York
Buckner, Errol E.	National Bank of Commerce	New Orleans
Buffington, George	National City Bank	Cleveland
*Buhr, Oscar L.	Detroit Trust Company	Detroit
Buhse, Howard E.	Hornblower & Weeks	Chicago
Burge, John D.	Ball, Burge & Kraus	Cleveland
Burgert, Woodward	Harris Trust & Savings Bank	Chicago
Burkland, Paul A.	Northwestern National Bank	Minneapolis
Burlingham, J. Preston	Bacon, Whipple & Co.	Chicago
Buzby, William D., Jr.	Butcher & Sherrerd	Philadelphia
Byrne, Joseph M. Jr.	Emanuel & Co.	New York
Caldwell, G. James	Caldwell Phillips Co.	St. Paul
Callaway, Trowbridge	40 Wall Street	New York
Campbell, Douglas H.	First of Michigan Corp.	Detroit
Capek, Charles A.	Lee Higginson Corporation	Chicago
Cardwell, Marion H.	J. J. B. Hilliard & Son	Louisville
Carpenter, Fred. B.	John Nuveen & Co.	Chicago
Carson, James	Salomon Bros. & Hutzler	New York
Carter, DeWitt	Nashville Securities Co.	Nashville
Carter, Hugh D., Jr.	Courts & Co.	Atlanta
Cartwright, Todd	Blair & Co.	Chicago
*Cassell, Clair F.	C. F. Cassell & Co.	Charlottesville
Casserly, Thos. D., Jr.	Doyle, O'Connor & Co.	Chicago
Cassin, Kenneth L.	Barr Brothers & Co.	New York
Channer, George S., Jr.	Channer Securities Co.	Chicago
Chapel, Harold R.	Crouse, Bennett, Smith & Co.	Detroit
Chapin, Ralph	Fahnestock & Co.	Chicago
Chapman, Ralph	Farwell, Chapman & Co.	Chicago
Christopher, W. H., Jr.	R. W. Pressprich & Co.	New York
*Clapp, John J., Jr.	R. W. Pressprich & Co.	New York
Clark, John S.	Fahey, Clark & Co.	Cleveland
*Clark, Sydney P.	E. W. Clark & Co.	Philadelphia
Clarke, James H.	American National Bank	Chicago
Coats, Colin C.	Hamlin & Lunt	Buffalo
Cobden, Edw. A. M.	Kean, Taylor & Co.	New York
Coggeshall, Howard E.	William R. Staats Co.	Los Angeles
Coleman, Vincent	Farwell, Chapman & Co.	Chicago
*Collins, Julien H.	Harris, Hall & Co.	Chicago
Colyer, C. M.	Central National Bank	Cleveland
*Condon, Raymond V.	B. J. Van Ingen & Co.	Chicago
Cook, Henry M.	Newhard, Cook & Co.	St. Louis
Corns, O. G.	H. M. Byllesby & Co.	Chicago
Corrington, John W.	Paine, Webber, Jackson & Curtis	Chicago
*Couffer, James C.	B. J. Van Ingen & Co.	New York
Courts, R. W.	Courts & Co.	Atlanta
Cox, M. J. M.	Curtiss, House & Co.	Cleveland
*Craft, Don M.	Collin, Norton & Co.	Toledo
Craft, Robert H.	Guaranty Trust Company	New York
Cranston, Ruth	Piper, Jaffray & Hopwood	Minneapolis
*Cromwell, W. Rex	Dallas Rupe & Son	Dallas
*Cronin, Carlton	Allison-Williams Company	Minneapolis
Cronin, John F.	Cincinnati Enquirer	Cincinnati
Cross, Louis J.	Paul H. Davis & Co.	Chicago
Cross, Milton C.	Harriman Ripley & Co.	New York
*Cruttenden, Walter W.	Cruttenden & Co.	Chicago
Cummings, P. J.	Bear, Stearns & Co.	Chicago
Curtin, Enos	Blair & Co.	New York
Dain, James W.	J. M. Dain & Co.	Minneapolis
*Dane, John	John Dane	New Orleans
Daniels, George I.	City National Bank	Chicago
Davis, Arthur G.	I. B. A. of A.	Chicago
*Davis, George W.	Davis, Skaggs & Co.	San Francisco
Davis, Joe H.	First National Bank	Memphis
Davis, Joshua A.	Reynolds & Co.	New York
Davis, Paul H.	Paul H. Davis & Co.	Chicago
Davis, Ralph W.	Paul H. Davis & Co.	Chicago
Day, James W.	C. J. Devine & Co.	Chicago
de La Chapelle, R.	Shields & Co.	New York
Delander, N. Paul	First National Bank	St. Paul
Delano, Preston	Treasury Department	Washington

* Denotes Mr. and Mrs.

Dempsey, Jack R.	Dempsey & Co.	Chicago
Dempsey, Joseph E.	Dempsey & Co.	Chicago
*Dempsey, L. Walter	B. J. Van Ingen & Co.	New York
Denison, John W.	Continental Illinois Bank	Chicago
DeStaebler, Eugene L.	F. S. Moseley & Co.	Chicago
*DeSwarte, Bruce H.	Continental Illinois Bank	Chicago
Devlin, Paul G.	Blyth & Co.	New York
*Dewar, Hal H.	Dewar, Robertson & Pancoast	San Antonio
Dick, Fairman R.	Dick & Merle-Smith	New York
Dickinson, P. S.	William Blair & Co.	Chicago
Dickson, Rush S.	R. S. Dickson & Co.	Charlotte
Dieckman, Elmer F.	Glore, Forgan & Co.	New York
Diehl, Clifford T.	Provident Savings Bank	Cincinnati
Dillman, David	Journal of Commerce	Chicago
Dittmar, Elmer A.	Mahan, Dittmar & Co.	San Antonio
Dixon, Joseph W.	Graham, Parsons & Co.	New York
Doerge, Carl H.	Wm. J. Mericka & Co.	Cleveland
*Donnally, J. P.	Peoples National Bank	Charlottesville
Dorbritz, Ernest O.	Moore, Leonard & Lynch	Pittsburgh
Doyle, Leo J.	Doyle, O'Connor & Co.	Chicago
Dressel, F. C.	Cruttenden & Co.	Chicago
Drobnis, George J.	69 W. Washington St.	Chicago
Dryden, Perry	E. H. Rollins & Sons	Chicago
DuBois, Allen C.	Wertheim & Co.	New York
DuBois, Durwood	Stranahan, Harris & Co.	Toledo
Ducournau, Jac P.	White, Hattier & Sanford	New Orleans
Dunbar, John B.	Cruttenden & Co.	Los Angeles
*Durgin, Chester	Lee Higginson Corporation	Boston
Duval, Gordon B.	Guaranty Trust Company	New York
*Easterberg, Carl J.	Riter & Company	Chicago
Eaton, Charles F., Jr.	Eaton & Howard, Inc.	Boston
Eddleman, R. N.	R. N. Eddleman & Co.	Houston
Edwards, J. H.	R. J. Edwards	Oklahoma City
Egly, Henry H.	Dillon, Read & Co.	New York
*Ehrlichman, Ben B.	Drumheller, Ehrlichman Co.	Seattle
Ellis, R. Winfield	Lee Higginson Corporation	Chicago
Emch, Harold H.	A. C. Allyn & Co.	Milwaukee
Emerson, Sumner B.	Morgan Stanley & Co.	New York
*Emrich, Milton S.	Harris, Hall & Co.	Chicago
Enyart, Charles E.	Enyart, Van Camp & Co.	Chicago
Evans, Arthur R.	Northwestern National Bank	Minneapolis
Evans, Harold C.	Commerce Trust Co.	Kansas City
*Everts, Albert P.	Paine, Webber Jackson & Curtis	Boston
Ewing, Allen C.	Allen C. Ewing & Co.	Wilmington, N.C.
Fahey, Leslie J.	Fahey, Clark & Co.	Cleveland
Farrar, Holden K.	Smith, Barney & Co.	Chicago
Farrell, F. D.	City National Bank & Tr. Co.	Kansas City
Federman, H. L.	Ira Haupt & Co.	New York
Feeley, James P.	First National Bank	Chicago
Fennelly, John F.	Glore, Forgan & Co.	Chicago
Fish, Irving D.	Smith, Barney & Co.	New York

* Denotes Mr. and Mrs.

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Post-War Anglo-American Cooperation

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strict rationing of food, clothing and consumption goods. The ordinary civilian has neither automobile nor gas, the burden of taxation is very heavy. But the sacrifices are general; and everyone is getting his fair share of them.

In the same spirit and with the same concentration of effort, we dealt with the large questions of finance and trade. To finance the war, in the first 18 months we liquidated a large part of our foreign assets and our gold reserves. By this means we were able to spend some $6 billions in the United States, much of which was invested in new war plants which came in very handy for you after Pearl Harbor. Though we cut our imports to the lowest possible level in order to save shipping, we had still to keep on exporting to secure the cash with which to buy our supplies. Nevertheless, by the beginning of 1941, we were almost down to our last dollar. Lend-Lease then came to our help, and enabled us to end the export drive, and shift over 80% of those engaged in it either into war production or into the armed forces. Today, as a result, our exports are only 29% in volume of what they were in 1938.

And, thanks to the fundamental changes which Lend-Lease enabled us to make in our war economy, we are now furnishing about 60% of the total munitions requirements of the whole Empire, as against 25%, which we get on Lend-Lease from the United States, and 15% which is supplied by the Dominions; and in addition to what we are providing for ourselves there is the reciprocal aid we are giving to you and our other Allies, and the assistance we have sent to Soviet Russia.

Lend-Lease enabled us to fight the war without bothering about our exports. Lend-Lease made it possible for us to disrupt our normal commercial arrangements and disorganize our internal economy, to our great advantage during the war, and to our great disadvantage when the war is over. Just as Lend-Lease enabled us to do without exports, so its termination will leave us vitally and immediately dependent on their recovery.

Our stake in post-war international trade is so high because our prodigious efforts have imposed a strain on our financial position which in normal times would have been judged quite intolerable. Our external obligations have been mounting all the time. We entered the war with overseas assets of about $14 billions. Today our short-term external indebtedness is about $12 billions and is likely to be considerably more before the war ends. To the debit side we have to add the loss of income from foreign investments sold to meet the war strain; shipping sunk, and its earnings gone. In five years we have been able to build very few houses, to fulfill a demand which before the war was reckoned at about 350,000 houses annually; and at the same time we have had over a million houses either completely or partially destroyed and about three million more damaged and needing repair. As a result, we shall be faced with the gigantic task of re-housing a great portion of our population. Finally, our people naturally wish, and have every right to wish, to get back to their prewar standard of living, and to obtain once more the articles of food, clothing, and every-day comfort which they have cheerfully foregone for the sake of victory. As Lord Keynes said recently, "With a fanatical single-mindedness for which few parallels could be found in history, we have sacrificed every precaution for the future in the interests of immediate strength."

From all these different angles our external obligations and our internal needs have grown to such a point that, if we are to handle the situation, we can only do it by a great increase in our export trade. It will not be enough merely to get our foreign trade back to the level of 1938, when we had overseas investments and shipping profits, which have mostly disappeared. Merely to maintain our imports at their pre-war amount, we shall have to increase their volume by at least 50% over that of 1938, which means, at present prices, nearly trebling their value. Even this allows nothing for the repayment of war debts we have incurred.

It is worth noting, as we pass, the difference, which is the obvious result of circumstance, between the American and British approach to the problems of international trade. You want to export in order to take up the slack which cannot be absorbed in meeting the needs of the Amer-

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Post-War Anglo-American Cooperation

(Continued from page 2487)

ican consumer. That is a perfectly proper and natural desire, which no one has any right to question. We, on the other hand, must export if we are to get the imports which are the food of our people and the raw material of our factories. If we don't export, we don't eat. And we can't work. The problem is as simple as that for a country like mine, smaller than many of your states, thickly populated, highly industrialized, lacking in most natural resources, and therefore largely living on what it has to import from overseas. No other country in the world, and certainly none that ranks as a great power, is nearly so dependent upon her foreign trade as Britain.

While therefore you think primarily in terms of exports, we think essentially in terms of imports. To you imports are a secondary interest, in the sense that their main significance to you is the degree to which they are necessary to your export trade. To us, exports are really a means to an essential end; the end, of course, being imports, without which we should have to close the shop. It follows that an increase in the volume of our exports *must* be beneficial to the trade of the rest of the world. For you can rely on us to use every dollar we earn in exports to purchase the imports we cannot do without. And so the crux of the matter between you and us is how to adjust your need to find overseas markets for your surplus goods with our need to obtain the wherewithal to buy what is indispensable to our national existence. That is putting the problem in very simple form; but I do not think the general picture is untrue. And certain points are pretty plain.

The prosperity of the world depends upon the prosperity of all. It is just as important to the rest of the world that America should be prosperous as it is to America that the rest of the world should be economically in good health. It is as essential for you as it is for us that our peace partners should be strong. It is not going to help us to see again 10 million men unemployed in the United States. Nor is it going to help you to see Britain economically crippled through lack of purchasing power abroad. This would mean that you would lose a market which before the war was worth to you about $500 million a year. It would mean a good deal more than that to us, for without a proper level of exports the British economy would be pinched and starved, and our standard of living would inevitably decline.

The moral of all this, as I see it, stands out clearly enough. We have two alternative policies from which to choose. We can turn the economic life of the world into a wild scramble, leaving the less fortunate or less well-equipped to go to the wall—or national bankruptcy—in whatever way they choose. You can build a tariff as high as the Rocky Mountains, and we can surround our Commonwealth with a moat as deep as the Atlantic Ocean; and every other nation, in its own way and by its own methods, can do likewise to the limit of its power. And we can then spend some feverish years of jungle life in a cut-throat war for international trade, of scrambling and of outsmarting each other, of stealing each other's customers and blackening each other's faces—until another Hitler arises to exploit the miseries of the peoples and to multiply them ten-fold by another war.

That is one policy; and no one who gives the time to work it out will wish to put his name to such a program. The other policy is one of cooperation. That is the motive force of the United Nations organization for relief. The talks at Dumbarton Oaks were an example of the same thing in another sphere. But Dumbarton Oaks, and all that came from it,

(Continued on page 2489)

In Attendance At IBA Meeting

(Continued from page 2487)

Fisher, W. Lloyd	Baker, Watts & Co.	Baltimore
Fitch, Capt. Howard H.	Stern Brothers & Co.	Kansas City
Fleek, John S.	Hayden, Miller & Co.	Cleveland
*Flint, John G.	Kidder, Peabody & Co.	Boston
Flower, Wallace M.	William Blair & Co.	Chicago
Folger, John Clifford	Folger, Nolan & Co.	Washington
Ford, Nevil	First Boston Corporation	New York
Fordon, Ralph	Watkins & Fordon	Detroit
James V. Forrestal	Secretary of the Navy	Washington
Eugene Duffield	(With James V. Forrestal)	Washington
Capt. John Roper	(With James V. Forrestal)	Washington
*Foster, Albert O.	Foster & Marshall	Seattle
*Foster, Hatherly, Jr.	Vance, Sanders & Co.	Boston
Foster, J. Taylor	Lee Higginson Corporation	New York
*Frazier, Harry, Jr.		
Frederick, Paul O.	Commerce Union Bank	Nashville
Fredman, Herbert	Journal of Commerce	Chicago
Frick, Benjamin F., Jr.	Stix & Company	St. Louis
Friss, Raymond J.	Hickey & Co.	Chicago
Frye, Charles D.	Journal of Commerce-Economist	Chicago
Frye, Newton P.	Central Republic Co.	Chicago
Fullam, Virginia J.	IBA of A	Chicago
Fuller, William A.	William A. Fuller & Co.	Chicago
Fulton, Wallace H.	Natl. Assn. Sec. Dealers	Philadelphia
Fulton, W. Yost	Maynard H. Murch & Co.	Cleveland
Furlong, Thomas	Chicago Tribune	Chicago
Gable, Laurence J.	Taussig, Day & Co.	St. Louis
Gall, Ralph	Chicago Daily News	Chicago
Gallager, Herbert V.B.	Yarnall & Co.	Philadelphia
Gallagher, Frank	Kidder, Peabody & Co.	New York
Gamble, Ted R.	Treasury Department	Washington
Gander, MacLean	Dominick & Dominick	New York
Gardner, Belden S.	Hannaford & Talbot	San Francisco
Garland, Charles S.	Alex. Brown & Sons	Baltimore
Garlock, F. Fletcher	F. S. Moseley & Co.	Chicago
Garrett, P. B.	Garrett & Company	Dallas
Gaston, Kenneth S.	Distributors Group	New York
Geis, Leonard B.	Newburger & Hano	Philadelphia
George, Edward C.	Harriman Ripley & Co.	Chicago
Geruldsen, Nils T.	Paul H. Davis & Co.	Chicago
Geyer, George	Huff, Geyer & Hecht	New York
Gibson, W. C.	W. C. Gibson & Co.	Chicago
Gilbreath, W. Snydor	First of Michigan Corp.	Detroit
Glover, W. Wayne	California Bank	Los Angeles
*Golliday, Gail	Stone & Webster and Blodgett	New York
Gordon, Albert H.	Kidder, Peabody & Co.	New York
Govan, J. F.	City National Bank	Chicago
Graf, Robert J.	H. M. Byllesby & Co.	Chicago
*Graham, Thomas	Bankers Bond Co.	Louisville
Grandin, Charles L., Jr.	Piper, Jaffray & Hopwood	Minneapolis
Grier, John H.	First National Bank	Chicago
*Grimm, Willard T.	Kidder, Peabody & Co.	Chicago
Groch, Louis J.	Hornblower & Weeks	Detroit
Grossman, Arthur	Straus Securities Co.	Chicago
Grubbs, M. M.	Grubbs, Scott & Co.	Pittsburgh
Grunebaum, Erich O.	New York Hanseatic Corp.	New York
Gruner, George J.	Lee Higginson Corp.	Chicago
Guenther, Louis	Financial World	New York
Hagemann, H. Fred., Jr.	Boatmen's National Bank	St. Louis
Hagenbuch, Thomas	Associated Press	New York
The Earl & Countess of Halifax	British Ambassador to the USA	Washington
Hon. Richard Wood	(with Earl of Halifax)	Washington
Maj. Jack Lockhart	(with Earl of Halifax)	Washington
A. McD. Gordon	(with Earl of Halifax)	Washington
Col. Angus McDonnell	(with Earl of Halifax)	Washington
*Hall, Edward B.	Harris, Hall & Co.	Chicago
Hall, Marshall R.	Ohio State Journal	Columbus
Hall, Perry E.	Morgan Stanley & Co.	New York
Hammond, W. H.	John Nuveen & Co.	Chicago
Hampson, Philip	Chicago Tribune	Chicago
Handler, Manning E.	Stern Brothers & Co.	Omaha
Happ, William A.	Globe Democrat	St. Louis
Harder, F. William	Allen & Company	New York
Hardwick, C. Cheever	Smith, Barney & Co.	New York
Hargrave, Homer P.	Merrill Lynch, Pierce, Fenner and Beane	Chicago
Harkness, Robert B.	Whiting, Weeks & Stubbs	Boston
Harris, D. J.	Sills, Minton & Co.	Chicago
Harris, Norman B.	Harris, Hall & Co.	Chicago
Harrison, George G.	Harrison & Austin	South Bend
Hart, Henry	First of Michigan Corp.	Detroit
Hassman, E. G.	A. G. Becker & Co.	Chicago
Hatcher, Robert L., Jr.	Chase National Bank	New York
Haun, Cale P.	Equitable Securities Corp.	Nashville
Hawes, Hardin H.	Harris Trust & Savings Bank	Chicago
Hawes, Theodore W.	Wertheim & Co.	New York
Hayes, W. Kenneth	Journal of Commerce	New York
Hazelwood, Charles F.	E. H. Rollins & Sons	New York
Heighway, O. H.	Hornblower & Weeks	Chicago
*Heimerdinger, J. G.	Walter, Woody & Heimerdinger	Cincinnati
Hemenway, Charles F.	Illinois Company	Chicago
Hemphill, Clifford	Hemphill, Noyes & Co.	New York
Hemphill, James C.	Goldman, Sachs & Co.	Chicago
Hewitt, Max	Blyth & Co.	New York
Herron, S. Davidson	Mellon Securities Corp.	Pittsburgh
Hickey, Matthew J., Jr.	Hickey & Co.	Chicago
Hill, Albert S.	Nashville Securities Company	Nashville
Hill, Douglas W.	Hill & Co.	Cincinnati
Hill, Gordon, Jr.	Watling, Lerchen & Co.	Detroit
*Hill, Jay W.	Hill, Crawford & Lanford	Little Rock
Hilliard, Edward H.	J. J. B. Hillard & Son	Louisville
Hinchman, Robert M.	Ira Haupt & Co.	New York
Hoffmann, Arthur M.	Morris Mather & Co.	Chicago
Horner, Edwin B.	Scott, Horner & Mason	Lynchburg

* Denotes Mr. and Mrs.

Horning, Bert H.	Stifel, Nicolaus & Co.	St. Louis
Horton, Leonard M.	Chemical Bank & Trust Co.	New York
*Hotchkiss, Eugene	Lee Higginson Corporation	Chicago
*Houston, B. F.	Dallas Union Trust Co.	Dallas
*Houston, Joseph C.	Calvin Bullock	Chicago
Howe, James M.	Farwell, Chapman & Co.	Chicago
Howe, L. L. J.	John Nuveen & Co.	Chicago
Hoye, Wilbur G.	Chas. W. Scranton & Co.	New Haven
Hughes, A. R.	Lord, Abbett & Co.	Chicago
*Hulme, Milton G.	Glover & MacGregor	Pittsburgh
Hunt, E. Jansen	White, Weld & Co.	New York
Hunter, W. F.	H. M. Byllesby & Co.	Chicago
Huston, Harold H.	Harold H. Huston & Co.	Seattle
Hutchinson, Herbert A.	McMaster Hutchinson & Co.	Chicago
Hutton, James M., Jr.	W. E. Hutton & Co.	Cincinnati
*Hyde, Edwin	Peoples National Bank	Charlottesville
Hyslop, George B.	Merrill Lynch, Pierce, Fenner & Beane	New York
Iglehart, J. A. W.	W. E. Hutton & Co.	New York
Jackley, Winfield C.	Dempsey & Co.	Chicago
Jackson, Charles J.	Chicago Daily News	Chicago
Jaffray, C. Palmer	Piper, Jaffray & Hopwood	Minneapolis
Jarvis, W. H. R.	McLeod, Young, Weir, Inc.	New York
Jeffers, Wellington	Globe & Mail	Toronto
Jenner, Austin	First National Bank	Chicago
Johanigman, S. E.	Milwaukee Company	Chicago
Johnson, Joseph T.	Milwaukee Company	Milwaukee
*Johnson, Robert L.	Vance, Sanders & Co.	Chicago
Johnson, Rupert H.	R. H. Johnson & Co.	New York
*Johnson, Thomas M.	Johnson, Lane, Space & Co.	Savanah
*Johnson, William A.	Mason, Moran & Co.	Milwaukee
Johnston, E. S.	Wood, Gundy & Co.	New York
Jones, Elisha Riggs	E. R. Jones & Co.	Baltimore
*Jones, Meredith C.	Bitting, Jones & Co.	St. Louis
Joseph, Herman B.	Joseph & Co.	Cleveland
Kales, Davis	Commerce Union Jack	New York
Kandlik, Edward	Chicago Sun	Chicago
Kaufman, C. G.	Shields & Co.	Chicago
Kavanagh, Charles F.	Bacon, Stevenson & Co.	New York
*Kebbon, Richard A.	Kebbon, McCormack & Co.	Chicago
Keenan, Lewis C.	Baker, Simonds & Co.	Detroit
Kellen, Stephen M.	Arnhold & S. Bleichroeder	New York
Keller, Eldon H.	McDonald & Co.	Cleveland
Kerr, William D.	Bacon, Whipple & Co.	Chicago
Kerwin, John A.	Kerwin, Fotheringham & Co.	St. Louis
Kibbee, E. C.	Woodard-Elwood & Co.	Minneapolis
Kiep, R. J.	William Blair & Co.	Chicago
Kimball, J. Austin	Weeden & Co.	Chicago
Kimball, Paul C.	Sills, Minton & Co.	Chicago
Kimball, R. M.	Continental Illinois Bank	Chicago
King, Joseph H.	Union Securities Corporation	New York
Kirkpatrick, S. R.	Kirkpatrick-Pettis Co.	Omaha
Kistner, W. E.	A. C. Allyn & Co.	Chicago
Kitchen, John H.	Geo. D. B. Bonbright & Co.	Rochester
Klute, Roy H.	Mason, Moran & Co.	Chicago
Knies, Arthur C.	Vilas & Hickey	New York
Knight, Augustus	Bacon, Whipple & Co.	Chicago
Knight, Francis M.	Continental Illinois Bank	Chicago
Knight, Newell S.	Mercantile-Commerce Bank	St. Louis
Kocurek, Louis J.	Rauscher, Pierce & Co.	San Antonio
Kohler, B. M.	H. C. Speer & Sons	Chicago
Kramer, Alvin F.	Eastman, Dillon & Co.	Chicago
Krans, John G.	Manufacturers & Traders Trust Co.	Buffalo

* Denotes Mr. and Mrs.

(Continued on page 2493)

Post-War Anglo-American Cooperation

(Continued from page 2488)

admirable as it was, neither had nor claimed to have, more than a limited purpose. The same is true of the talks at Bretton Woods. The importance of these several projects, for the theme I have tried to take tonight, is that they are practical attempts to get going on international cooperation; and what they have initiated for relief or for world security or for world currency is an example of what may be attempted for world economics.

Long-term finance, for example, provided it is wisely administered, can do much to help the rehabilitation of the world. After the last war American and British bankers competed in granting international loans, with the result that they and the public lost a great deal of money. Should it not be possible this time to marry your money and experience with ours, and by so doing, limit our joint risk, save our joint capital, and ensure that the money we both lend is spent constructively?

Such a policy of cooperation would proceed on a totally different plan from that of economic isolation. For whereas the "scramblers" would be mainly interested in securing for themselves as large a share as possible of existing markets, the "co-operators" would be much more interested in ways and means by which those markets might be expanded and enlarged. They would see the chief economic hope of the world in trade development. In the benefits of that all would reasonably share. From those benefits none would be unreasonably excluded. And they would argue that, if we can handle these large matters with sufficient foresight, there will be enough on the plate for everybody. Is that an idle dream? You can answer that question with more authority than I. But it is, surely, not fanciful to believe that the world's trade is no more a fixed quantity than are the world's needs; that by developing those needs, we can and shall develop the volume of world trade; and that in so doing we can do much to reinforce whatever peace settlement we make.

All these things, and indeed nearly everything in the world, depend upon our getting them into right perspective. We shall go on having differences, your nation and mine; there will be divergence of view between members of the United Nations; for that is human nature, and it would be a dull world if everybody was always of one mind. But with all my heart I pray we may realize that such differences are as dust in the balance compared with the great causes on which, I believe, we are for all time at one. Peace; respect for human personality; to choose right rather than wrong; those are the things by which nations live and that test a nation's character. It is because I believe that the life of each of our peoples is deep-rooted in that soil; and that we shall always give much the same answer to those final questions, if and when we are forced to proclaim our faith, that I have hope for the future of the world.

Sees Prospects for Post-War Industrial Financing

(Continued from page 2476)
cient and will lessen the need for inventory financing at inflated price levels. It is impossible to predict accurately as to this however, and whatever the general pattern of industry may be, individual companies in various fields will undoubtedly need the services of investment bankers in obtaining substantial amounts of new capital.

A further important factor will be the Government's program of contract termination and the disposal of Government - owned plants and surplus goods on both of which matters there has been considerable controversy in Washington between the Congress and officials of the Surplus Property Administration. It is our belief, however, that at the present time general plans can be made by many companies as to purchase of plants, development of new products and studies of markets. No one knows when or how or where the war will end; and necessarily the detailed problems of reconversion must be faced and solved by American industry subordinate to war production and on a day-to-day basis. We are confident industry can do this, even though the problems may prove more difficult than the conversion from peace to war.

Certainly it is none too soon for the members of this Association to plan and give direction to the role they will be called upon to play in the economy of post-war America. It is on this subject that we propose to address our principal comments, not in any sense with a degree of finality, but more in the spirit of encouraging discussion of a subject which is not only vital to our industry but underlies our entire economic structure and the future of our country.

While economists are by no means in accord as to details, there seems to be fairly general agreement that our post-war economic structure, if it is to support a balanced budget of the size that sound fiscal policy necessitates, must include a national income expanded much beyond pre-war levels. This can be brought about only by profitable production and employment at much higher levels than heretofore. We believe the only sound way that this fundamental program can be accomplished is through private enterprise. There must be encouragement and support of the profit system by making it profitable for risk capital to venture into new enterprises and to supply the additional needs for money that established business will require.

In the past few months there has been considerable vocal expression on the necessity for jobs but little has been said about that equally essential factor in the economic equation — private capital. The problem has been well stated by Professor Charles Cortez Abbott, of the Harvard Graduate School of Business Administration, in a special study recently issued.* We quote:

"It seems probable that business with the assets which it will have at the end of the war, will not be able without additional financing to produce and distribute the volume of goods and services necessary to provide full employment. The needed increased expenditure by business concerns for investment purposes, which implies an enhanced volume of investment in business, is itself one of the principal circumstances requisite for the attainment of a high level of employment. Should this needed investment take place, it will go far toward producing the desired level of employment.

* * *

"If a high level of employment is to be achieved and maintained in the post-war period, one of the major objectives of both business policy and public policy must be to make ownership more attractive than it has been recently. On this point must unite, if they adhere to the logics of their respective positions, both those persons in the business world who of late years have been critical of many governmental policies on the grounds that such policies allegedly threatened property and property ownership, and those persons in the Government service and the academic world who have been critical of the functioning of the financial and investment process and the activities of property owners on the grounds that insufficient investment was taking place to provide a satisfactory volume of employment."

It is logical that the leaders of industry and the leaders of labor should emphasize the importance of jobs in the post-war world. Does it not become our special duty—despite the fact that our ranks are comparatively thin—to focus attention on the role that private capital must play if we are to re-establish our economy on a sound basis? The members of the Investment Bankers Association of America should give serious consideration to this responsibility. One, at least, of our members, through a series of advertisements in his mid-western city, has already taken concrete steps in this direction. Perhaps more of us can and should publicize effectively the fundamental point that "Dollars put men to work and profits keep them there."

The encouragement of private capital to seek investment in sound enterprise, in the opinion of this Committee, should be one of the primary aims of our Association. The greatest incentive for private funds to invest in equity capital is, of course, to hold out a reasonable assurance of a return or a profit commensurate with the risk involved, but changes are needed. A reorientation of the relationship between government and the owners of business is essential. There should be basic changes in our tax and other federal laws to encourage investors rather than to penalize them. We believe that a proper recognition of the importance of risk capital in our financial structure cannot be too strongly emphasized and if the spirit of enterprise can be revitalized in our country it will go far toward solving the economic and social problems which we shall be called upon to face in the not too distant future.

But where is this equity capital to come from? One of the notable trends in the investment field in the past decade has been the growth of the institutional securities purchases resulting from the increase in the savings of the people as evidenced by the mounting assets of insurance companies, savings banks, pension funds, etc. As taxes on individuals increased steadily and sharply, and yields on investment grade bonds and preferred stocks declined to new low levels, the appeal of taxable income high grade securities to private investors has been greatly lessened. Senior security sales have overshadowed equity financing and of the latter total, funds raised for expansion and new enterprise have not been of marked importance. The funds of institutions have for the most part been invested in senior securities. This has been so, not

*See "Forces Influencing Investment in Business Enterprise After the Transition Period," by Charles Cortez Abbott, April, 1944.

IBA GROUP CHAIRMEN

MICHIGAN

Harold R. Chapel

ROCKY MT.

Earl M. Scanlan

only because state laws in many cases prohibit investment in common stocks, but also because equity securities have not become generally accepted as an investment medium by institutions not so closely regulated. It is evident that the needs of industry to a large extent will be for risk capital. Industry cannot be financed solely nor in many cases should it be financed largely by debt and preferred stock. Where then are we to find these equity funds so necessary to the future of our economy?

During this war our Government — properly — has been attempting to drain off the excess purchasing power resulting from the excess of income of our people over the amount of civilian goods available—the so-called inflationary gap—by taxes and by individual subscriptions to war bonds. It is estimated that by the end of this year individuals will hold about $125 billions of liquid assets, war bonds, bank balances and currency, an expansion in the past three years of $65 billions or 108%. This sum will, of course, increase during the continuation of the present conflict. Grave fears have been expressed by many, both within and without the Government, that the existence of these funds presents one of our greatest threats to bring on inflation, since many believe that the termination of the war will release the general public from wartime and patriotic restraints, thus precipitating a large demand for goods which cannot immediately be satisfied. Why then, as investment bankers, would we not be serving two important economic functions by participating in the conversion, **at the proper time**, of a portion of these liquid savings into sound equity investments? Not only would the threat of inflation be lessened but the equity funds which industry will require in the post-war period will become available at least in part. Obviously, equity investments must not be substituted blindly for Government bonds now owned by so many individuals. In performing our functions as investment bankers, we must continue to give first consideration to the type of investment each particular client should hold.

This entire discussion lends emphasis to the fact that we cannot avoid the responsibility, either as individual investment bankers or as members of this Association, of doing all in our power to create an atmosphere in which risk money can—and will—go to work. That should be one of our major contributions to post-war America.

There is another matter which we believe should warrant the attention of this Association: namely, the matter of capital financing for small business. It is well known that there are many meritorious enterprises not large enough to command national attention or markets but, on the other hand, too large to be financed from the resources of the present owner managements. This condition has been aggravated, seriously, by the rapid rise in income tax rates which has prevented the retention of substantial net earnings by promising small business for growth purposes. When such companies need new capital they should have access to the public market which in most cases probably would prove to be the local market.

Furnishing capital to small business is necessarily comparatively expensive. It is harder to sell such securities than those of nationally known companies; possible buyers are fewer and harder to find; the buyer often is an individual investor able to invest only a small sum so the number of the prospects seen and sales made has to be much greater; and the cost of investigation, preparation of the issue, legal and accounting fees necessarily bears a higher ratio to a small issue as compared with a large one.

Small issues lack marketability; often the issuing company is young and in the development stage and the underwriter therefore takes more risk, both as to his commitment and as to his reputation in recommending this type of security to the public.

A generation or two ago the owners of many such small businesses secured necessary capital for expansion from friends and wealthy individuals often living in the same town. Today such investors find that high personal income taxes and the capital gains tax in many cases do not justify them in taking the heavy risks inherent in financing small enterprises. Furthermore, with the general growth in size of American industry and the large amount of fixed capital necessary for modern manufacturing methods, even a small business, in a small city or town, is often too large to be financed by individual private subscription. In years gone by, a family-owned business was often able to obtain needed capital from family resources. Today, and particularly where death intervenes, individual family fortunes are soon dispersed. Since the outbreak of war there necessarily has been a high level of taxation and in the last decade inheritance taxes have been increased on a scale never heard of before. The result is that in future years, capital for business expansion will to a large extent be transferred by taxation out of the hands of the individual and his immediate family. By the time two or three deaths occur within a family the wealth of that family will be almost completely "distributed." This situation presents a phenomenon not known to the American economy of 50 years ago and will have a far reaching effect in the future upon the ability of business, both large and small, to secure necessary capital.

What is the answer, or what are the answers to this problem of financing small business? There are many lines that can be pursued, including some form of special tax allowance for net earnings plowed back into small businesses for growth purposes and special depreciation allowances. We do know that our great corporations of today, almost without exception, were small businesses yesterday. That has been the pattern of our country's industrial growth. If our economy is to continue to expand in the post-war years, then, surely, a satisfactory solution to financing small enterprise must be found.

The American Bankers Association and the Securities and Exchange Commission, and others, working independently have given much thought to this important aspect of American business. This committee recommends that the Investment Bankers Association give thorough consideration to this problem and we recommend the formation of a special committee to explore this subject. This would appear to be one of our most important immediate tasks.

Under all the circumstances, this Committee is of the opinion that investment bankers in the years ahead will be called upon increasingly to fulfill their essential role in our economy. These functions, we are sure, will be carried out with a full sense of public responsibility. By performing our duties well, we shall not only play our part in placing our national economy on a sound basis, but shall merit appropriate compensation for our efforts and the risks inherent in our operations.

Respectfully submitted,
INDUSTRIAL SECURITIES COMMITTEE

Perry E. Hall, Chairman
F. M. Blankenship
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Hubert W. Lofft
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Leonard D. Newborg
James Parker Nolan
George T. Purves
Walter A. Schmidt
Wickliffe Shreve
Ralph W. Simonds
Percy M. Stewart

IBA PAST PRESIDENTS

1931-32

Allan M. Pope

1930-31

Henry T. Ferriss

1929-30

Trowbridge Callaway

The Country's Financial Outlook

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one ever hears the players set up a cheer when the umpire steps on the field. By and large, umpires are respected but not loved. Whatever the players may say or think, the spectators feel that sound umpiring is indispensable to a good, clean ball game, and that's that.

As umpires go, I should say that players regard the present staff as well as anything they have ever had. If pressed, we would probably make a few suggestions. You know, there are two bankers' leagues—one for investment bankers and one for deposit bankers. The SEC calls the strikes for us. The Treasury and Federal Reserve supervise the commercial banks. Those who see the games in both leagues would probably say that the umpires in the deposit bankers' league were perhaps a little more mellow, a little less spectacular in their news releases, and I don't mean this unkindly, but probably a little more concerned with the purposes of banking than the functions of the umpire.

I think it is a fair statement to say that most informed people think the Securities Acts need streamlining. Simplification of the rules would be encouraging to venture capital, and especially small business.

Little Business

Encouragement is needed for little business. Here is the most popular and appealing call of all. Events of the past 15 years have not favored little business. Recently, the commercial bankers have set up their own RFC credit pool. This, in itself, offers great promise. Furthermore, it puts the idea more squarely up to the individual banker. It gets him to thinking and acting on the problem. You know, investors are not the only people who have grown nervous and timid. Deposit bankers insist they are not supposed to supply venture capital, but we all know that in the old days the line between a full loan and venture capital was a rather thin one. Furthermore, if we searched our own minds and hearts we might find investment bankers have grown more than a little timid with their advancing years.

Raise Exemption for Little Business

A lifting of the present exemption on registration for security issues of $100,000 and less to $1,000,000 should be considered. We are not disposed to publicly argue the question with the SEC when they say—"We're not holding up the game; it's someone else, probably the investment bankers." The problem of small business is theirs as well as ours. For 10 years the storm signals have been out with respect to all financing, both large and small. Small boats capsize easier than large ones. If those who participate and help sail small craft are afraid of being bailed out of the water and lugged off to jail the minute a small boat tips over, most people will avoid the small frail barks.

When I said that 95% of securities registered in the last 10 years were of senior nature, it is evident that people stay close to shore even in big boats these days. Certainly there is great restraint, reluctance and even unwillingness to take a chance on small financing. Maybe big corporations with their staffs of lawyers can take 100-page prospectuses in their stride, but little fellows are inclined to say, "Oh, what's the use?" It would be interesting to have statistics on the volume of small financing registered with the SEC and sold. It would probably be a very small fraction of 1% of total volume.

International Finance

If we were to select a single new trend for emphasis at this time, it would probably be that of foreign finance. The Bretton Woods conference has intervened since last we met.

In examining the list of delegates, we find that with one or two exceptions, bankers were conspicuously absent. The business was taken over largely by a new type of functionaire, known as a technician. While bankers could not qualify as technicians and therefore were not invited to the party, this fact alone should not be decisive. That representatives of 44 nations got together in one room and agreed upon anything furnishes a background not to be lightly discarded.

Two separate projects are proposed, a Stabilization Fund and a United Nations Bank, or World RFC. In either case, the program contemplates spreading low cost money throughout the world with Uncle Sam putting up the lion's share of the money, either through the front door or the back door.

Those in our country with the widest practical experience feel that credits to other countries were concealed by the gentle word of stabilization. They question whether the Stabilization Fund needs as much capital as suggested. They point out that probably no other nation in the world situated as we are would do what is suggested for us. They feel that business men and bankers should be more extensively consulted with respect to the decent trading opportunities which our strong credit deserves. They say we ought to know in advance what the total bill is going to be, including Lend-Lease, UNRRA and additional separate loans to various countries.

Proponents of the plan say if we don't have some project of this kind, we will drift into a world of tight spheres of influence, blocked currencies, export and import control, with bilateral trade agreements. They insist this would add up to economic warfare in peacetime and be the forerunner of World War III.

Bankers probably see more merit in the United Nations Bank than in the Stabilization Fund as now presented. Foreign observers feel the two institutions will probably rise or fall together. It is not difficult to foresee where, under the proposed plan for the Bank, billions of dollars in foreign loans, partly guaranteed by our Government's funds, would be offered to the investing public in this country. Investment Bankers had better get out their geography books and learn to get places and pronounce the names. Much of our business will be abroad.

It is suggested that foreign trade is not just a question for technicians. It involves matters of policy which should and will doubtless have the fullest discussion and consideration.

Strengthen State Department

Since the Treasury has gone more or less all out for vehicles of lending public funds abroad, as private business men we would like to see the other government agencies, notably the State and Commerce Departments, stiffen up their service with respect to private investments abroad, the side of the street in which we are most deeply interested. Isn't the State Department the place to go for help and direction? Other countries concentrate their foreign business control in a single spot. Why can't WE?

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In Attendance At IBA Meeting

(Continued from page 2489)

LaCroix, Morris F.	Paine, Webber, Jackson & Curtis	Boston
Laemmel, William G.	Chemical Bank & Trust Co.	New York
Laing, C. W., Jr.	John Nuveen & Co.	Chicago
*Lancaster, J. C.	Union Planters Natl. Bank	Memphis
*Lang, Walter E.	Harriman Ripley & Co.	Chicago
Larson, Hugo	Evening American	Chicago
Lattner, Forrest C.	Lazard Freres & Co.	New York
Lawshe, Emmett	Shields & Co.	New York
Leach, Edmund C.	Sterne, Agee & Leach	Montgomery
Legg, John C., Jr.	Mackubin, Legg & Co.	Baltimore
Leggett, Marvin C.	Distributors Group	Chicago
*Legros, Emile A.	First Cleveland Corp.	Cleveland
*Lemon, James H.	Johnston, Lemon & Co.	Washington
Leness, George J.	Merrill Lynch, Pierce, Fenner & Beane	New York
Leonard, A. T.	City National Bank	Chicago
*Lestrange, Geo. E.	Moore, Leonard & Lynch	Pittsburgh
Levy, Murray	Salomon Bros. & Hutzler	Chicago
Lewis, David J.	Paine, Webber, Jackson & Curtis	New York
*Lewis, Ed. S. Jr.	Lewis & Co.	Jackson
Lewis, McDaniel	McDaniel Lewis & Co.	Greensboro
*Lewis, Reuben A., Jr.	Finance Magazine	Chicago
Lillge, Harry W. H.	Paine, Webber, Jackson & Curtis	Wausau
Limbert, Lee M.	Blyth & Co., Inc.	New York
Lincoln, Mary R.	IBA of A	Chicago
Lineberry, Kenneth W.	F. S. Yantis & Co.	Chicago
Linen, John S.	Chase National Bank	New York
Linn, W. Scott	Shields & Co.	Chicago
*Little, Alden H.	IBA of A	Chicago
*Loewi, J. Victor	Loewi & Co.	Milwaukee
Lofft, Hubert W.	Wood, Gundy & Co.	Toronto
Logsdon, Kellogg	Farwell, Chapman & Co.	Chicago
Long, I. A.	Mercantile-Commerce Bank	St. Louis
Longmire, John R.	I. M. Simon & Co.	St. Louis
Longstaff, Ralph S.	Rogers & Tracy	Chicago
*Loomis, Charles H.	First National Bank	St. Paul
Loomis, John S.	Illinois Company	Chicago
Losee, Herbert I.	Salomon Bros. & Hutzler	New York
Loudon, Paul W.	Piper, Jaffray & Hopwood	Minneapolis
Lynch, Lawrence J.	Dick & Merle-Smith	New York
*Lyons, W. L. Jr.	W. L. Lyons & Co.	Louisville
Lunt, Samuel D.	Hamlin & Lunt	Buffalo
McCague, Laurence M.	National Company	Omaha
McCarthy, Clarence A.	Sills, Minton & Co.	Chicago
McCloud, James F.	Kirkpatrick-Pettis Company	Omaha
McClure, Nathan D.	Harriman Ripley & Co.	Chicago
*McCormick, D. Dean	Kebbon, McCormick & Co.	Chicago
McCrary, Robert H.	Murdoch, Dearth & White	Des Moines
McDonald, C. B.	McDonald & Co.	Cleveland
McDonald, H. O.	Midland Securities Ltd.	Toronto
McEwan, George S.	Paul H. Davis & Co.	Chicago

* Denotes Mr. and Mrs.

(Continued on page 2494)

The Country's Financial Outlook

(Continued from page 2492)

Government Banking

All subjects lead eventually to the question which is uppermost in bankers' minds. How far will the Government go in public banking? The answer lies partly in what steps bankers are prepared to take to fill the void and stop it. Government, or quasi-government loans secured by farms, homes and commodities are one thing. Political expediency with such lending presents many frailties. But in the field of venture capital, private business and private banking must make their real bid for a place in the sun. They must close up the ever-widening gap between savings and investment. This country was built upon three things: (1) low cost production; (2) wide distribution, and (3) putting profits back into the business.

We must persuade investors to risk their money in a dynamic economy. The Government should make things look encouraging, so the nervous patient, stagnant capital, will emerge bravely from its hiding place.

Attitude Towards Government

May I say a word now about the attitude of business towards government from the point of view of a business man who lives in Washington? Don't all business men live partly in Washington these days, whether they like it or not? Until a few years ago, our problem was how to get along with ourselves and with our customers. Now, in addition, we've got to get along with the public, the Government and with our mother-in-law, the SEC, who lives with us. All of this requires a new point of view. It is a point of view which business men living in Washington over the past 150 years have acquired. Now, Washington is a wooded city. The winds of political storms have blown for 31 administrations through the trees in that community. Those trees which were rigid and brittle have long since been blown over. The oak trees which abound were well rooted and of tough fibre. They have swayed with the storm and some have survived, no doubt since the days of Andrew Jackson.

Washington merchants and bankers have seen the passing show for generations. They are not envious of men in public life. Neither do they disagree with them as violently and personally as people in more remote sections. We simply know they are in power for the time being and that we've got to get along with them. Frequently, we like best personally some whose political and economic views are most distasteful. We have our party affiliations and whoop it up around election time. Life without political campaigns would be very

(Continued on page 2494)

In Attendance At IBA Meeting

(Continued from page 2493)

McFalls, Samuel A.	McDaniel Lewis & Co.	Greensboro
McFarland, D. E.	Kalman & Co.	Minneapolis
McGrew, Edward D.	Northern Trust Company	Chicago
McHenry, Herbert T.	Salomon Bros. & Hutzler	Chicago
McKie, Stanley G.	Weil, Roth & Irving Co.	Cincinnati
*McKinney, Clifford B.	G. H. Walker & Co.	St. Louis
McLaren, H. B.	McDonald & Co.	Cleveland
McLaughlin, Edw. M.	Paine, Webber, Jackson & Curtis	New York
McNair, Frank	Harris Trust & Savings Bank	Chicago
McNair, Howard S.	Courts & Co.	Atlanta
McNulty, James J.	Ames, Emerich & Co.	Chicago
MacArthur, Reginald	Miller, Kenower & Co.	Detroit
MacBain, Hugh D.	Mellon Securities Corp.	Pittsburgh
Macdonald, Ranald H.	Dominick & Dominick	New York
Macfadden, William S.	Piper, Jaffray & Hopwood	Minneapolis
MacFarlane, H. D.	Alfred O'Gara & Co.	Chicago
MacFerran, J. S.	Continental Illinois Bank	Chicago
*MacLaughlin, A. M.	Vieth, Duncan & Wood	Davenport
Magill, James P.	Eastman, Dillon & Co.	Philadelphia
Main, Charles O.	Ballman & Main	Chicago
Mallory, Waldo W.	Clement A. Evans & Co.	Atlanta
Marks, Laurence M.	Laurence M. Marks & Co.	New York
Markus, Norbert W.	Smith, Barney & Co.	Philadelphia
Maroney, Franklin	Blair & Co.	Pittsburgh
Marshall, James W.	Bacon, Whipple & Co.	Chicago
Marshall, John C.	Kebbon, McCormick & Co.	Chicago
*Martin, Bennett S.	First Trust Co.	Lincoln
*Martin, George L.	Martin, Burns & Corbett	Chicago
Martin, Wayne	Milhous, Martin & McKnight	Atlanta
Marx, Eugene	Salomon Bros. & Hutzler	New York
Mason, Fred H.	Mason, Moran & Co.	Chicago
Mason, Walter G.	Scott, Horner & Mason	Lynchburg
Mathey, Dean	Dillon, Read & Co.	New York
*Matthews Robert H.	G. H. Walker & Co.	St. Louis
Maxwell, Edmund F.	Blyth & Co.	Seattle
*Maxwell, J. M.	Northern Trust Co.	Chicago
Mead, Robert G.	Stone & Webster and Blodget	Chicago
Means, J. W.	Trust Company of Georgia	Atlanta
Mee, William R.	Cruttenden & Co.	Chicago
Meeks, G. Gordon	Gordon Meeks & Co.	Memphis
Meyer, Julian	Salomon Bros. & Hutzler	Chicago
*Meyer, Maurice, Jr.	Hirsch, Lilienthal & Co.	New York
Meyers, Henry P.	Goldman, Sachs & Co.	Chicago
Miehls, Don G.	William Blair & Co.	Chicago
Mikesell, Robert S.	Stranahan, Harris & Co.	Toledo
Miller, James F.	Blyth & Co.	Portland
Miller, Lewis	First National Bank	Chicago
Miller, Sanford C.	A. C. Allyn & Co.	Chicago
Mills, Andrew S.	Newhard, Cook & Co.	St. Louis
Minot, James J.	Paine, Webber, Jackson & Curtis	Boston
Mohr, Capt. Sidney J.		Birmingham
Monro, Walter J.	Schoellkopf, Hutton & Pomeroy	Buffalo
Mooney, Cyril J.	Farwell, Chapman & Co.	Chicago
Moore, James A.	Braun, Bosworth & Co.	Chicago
Moore, William	McDonald-Moore & Co.	Detroit
Moreland, J. Marvin	Mosle & Moreland	Galveston
*Morris, Pat G.	Northern Trust Co.	Chicago
Morse, Charles L., Jr.	Hemphill, Noyes & Co.	New York
Morton, Howard C.	McMaster Hutchinson & Co.	Chicago
Morton, William H.	Chase National Bank	New York
Mosle, Maj. J. Ludwig	Mosle & Moreland	Galveston
Mudge, Louis G.	First Boston Corp.	New York
Mullaney, Paul L.	Mullaney, Ross & Co.	Chicago
Mullins, Frederic P.	A. E. Masten & Co.	Pittsburgh
Murch, Maynard H.	Maynard H. Murch & Co.	Cleveland
Murphy, John A.	Reynolds & Co.	Philadelphia
Murray, Ray H.	National Bank of Detroit	Detroit

* Denotes Mr. and Mrs.

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The Country's Financial Outlook

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dull indeed. When they are over, however, we know we must go back to work and make a living for our families. We get belligerent, shout and wave our arms if we thing we are being trampled on, but we seek to channelize rather than oppose the inevitable. We sway with the storm.

If we had Aladdin's lamp, we would probably rub it and make the following wishes . . .

(1) A large number of potential customers with money in the bank. We already have that wish.

(2) Tax laws on the sunny side of confiscation.

(3) More domestic bliss between Government and business. No one can say that business welcomed this marriage. But advice to the lovelorn holds that even with shotgun weddings it is better for both sides to look for good points rather than faults.

If we were to make some resolutions for the year to come, they might well be . . .

(1) To sell Government bonds and keep them sold.

(2) To make our adjustment effectively with authority.

(3) To be aggressive and, if we're right, insistent rather than plaintive and defensive.

(4) To insist upon decent trading opportunities, but to remember that what is best for the country and for our customers is best for us.

(5) To get new blood in our business. For 12 years following 1929, graduates of our schools and colleges rushed out to get jobs, but not in the investment business. For three years young men have gone into the military. Once a very young man's business, investment banking, while not senile, needs recruits to make up for this 15-year gap and to meet the demands which will be made upon us. We have jobs for returning soldiers. We must provide training schools so that men entering our business are really qualified and men now employed have opportunity to improve their knowledge.

Such signs of encouragement, such resolutions on our part, can open the door for the best period of investment banking in the history of our country. We have or can get the necessary capital for such a program. We have the experience and technical skill to do the job.

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as the very backbone of our domestic transportation.

As the report for 1943 discussed comprehensively the importance of the railroads to our national economy, there is no need for repetition today except to comment on the fact that in the past year investor fears as to the future competitive position of the railroads have undoubtedly diminished. The present practical and dramatic demonstration that the trucks do not have the capacity to handle an important volume of mass transportation has continued another year. In the report of the Interstate Commerce Commission for 1943 statistics are given which show that out of the total volume of ton-miles carried both by truck and railroad, the rails carried 93% and the trucks only 7% in spite of the fact that the trucks are carrying the largest tonnage in history. Moreover, the difficulties of the trucks in operating at a profit under present rates and present wages are becoming clearer month by month. Truck operating ratios approximating 100% are continuously advertised. It is impossible to measure by statistics the fears of investors in regard to future truck competition but it would seem clear that during the past year these fears have diminished.

Another trend of thought that has helped rail credit has been increasing confidence that the post-war years will be years of relatively high national income and business activity. This does not mean that investors do not expect a material reduction in traffic volume after the war. A material decline from the present unprecedented volume of traffic is regarded as a certainty. But the fears of a prolonged post-war collapse and a period of extreme business prostration such as the decade of the 1930's have lessened considerably.

While increased confidence both in the competitive position of the railroads and in the post-war volume of business has contributed in some degree to the recent improvement in railroad credit, undoubtedly the most important factor has been the continued improvement in the financial strength of the individual railroads that make up the composite credit picture.

During the past year the railroads have continued energetically to strengthen their financial position by devoting a major part of their earnings to increasing working capital and to debt retirement. Wherever possible, maturities have been provided for in advance, either by purchases of maturing issues or by refinancing programs.

As a result of these policies the defensive strength of practically all railroads has greatly increased. By defensive strength is meant the ability to resist bankruptcy in the event of a prolonged collapse of earnings. Many roads which were in serious difficulties during 1930's are in a far stronger defensive position today than they were at the start of the depression. Even in roads where the selling prices of bonds indicate serious danger of bankruptcy, financial strength today is far greater than it was in the 1930's.

Take the New York Central, for example. In 1931, the New York Central had a deficit of $40,000,000 in working capital due in large part to a $58,000,000 bank loan. Today, the New York Central has a net working capital of approximately $120,000,000. In 1931, the net fixed charges of the New York Central were $51,000,000; today they are $40,000,000. In 1931, the New York Central System was facing maturities for a five-year period of over $100,000,000. Today all important maturities up to 1952 have been provided for. Even if the New York Central earnings were to drop to the point where nothing remained for fixed charges whatsoever, and this situation continued for two years, fixed charges could be paid out of working capital and at the end of that time the financial position of the New York Central would be far stronger than it was at the end of 1931.

Take the Great Northern as another illustration of increased strength. This road entered the depression with fixed charges of over $18,000,000, and with the obligation to meet maturities during a ten-year period of over $200,000,000. Furthermore, there were outstanding in 1930 underlying bonds senior to the General Mortgage in the amount of $140,000,000. At the present time, the fixed charges of the Great Northern are $10,000,000. Underlying bonds amounting to $140,000,000 have been retired, and the General Mortgage is now a first mortgage. Maturity dangers to the Great Northern would seem to have been entirely removed. The road has been reporting a level of working capital equal to three or four years' fixed charges. Certainly the Great Northern is far stronger than it was 12 years ago.

The Louisville & Nashville furnishes another illustration of a road where defensive strength has greatly increased. As of Aug. 31, 1944 the Louisville & Nashville reported net working capital of over $50,000,000. The fixed charges since 1929 have been reduced from $11,000,000 to $8,000,000. The $70,000,000 underlying Unified Mortgage, $60,000,000 of which was extended in 1940, has been reduced by purchase and call to less than $30,000,000. The next important maturity of the Louisville & Nashville is the $25,000,000 Atlanta, Knoxville & Cincinnati Division 4s, maturing in 1955. The present working capital is double the par value of this maturity. It is equivalent to over six years' fixed charges. Certainly, the financial position of the L. & N. is infinitely stronger than 12 years ago.

The Southern Railway likewise has immensely strengthened its position. Fixed charges have been reduced from over $17,000,000 to about $13,000,000. Working capital of $43,000,000 was reported at the end of August. The $20,000,000 Atlanta & Charlotte maturity has been provided for. Maturities prior to 1956 amount to $33,000,000. The ability of the Southern Railway today to survive a prolonged depression bears no comparison with its condition, say in 1933, when its working capital was reduced to less than $1,000,000, and practically all available collateral was pledged with the R. F. C. for loans.

Even roads whose capital structure has been strengthened through reorganization currently are pursuing almost fantastically conservative financial policies. The Wabash, for example, which reduced its fixed charges through reorganization from $7,400,000 to under $2,500,000 is maintaining a working capital of approximately $15,000,000, equivalent to 6 years' fixed charges. Moreover, the Wabash has no maturity problems.

The Erie Railroad has reduced its fixed charges from $14,000,000 to $6,000,000. It has a working capital today of $25,000,000, equivalent to four years' fixed charges. The Erie likewise is facing no maturity problems.

The Chicago & North Western might be termed almost grotesque in financial strength. Through reorganization and debt retirement, fixed charges have been reduced from $16,000,000 to $3,000,000. So rapid has been the pace of debt and capital reduction that it is hard to determine exactly what the working capital is at any one time but it would appear to be about $50,000,000, or equivalent to the fixed charges for 17 years.

Examples of the present strength of individual railroads today cannot be regarded as illustrating what the strength of these roads will be at the time of a post-war depression if one should occur. This is because gains in financial strength are currently continuing at a rapid pace and a termination

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of the cash income that permits further gains is not yet in sight.

Even if the war ends early in 1945 and earnings decline, the decline in net before Federal income taxes can be substantial before the net earnings after Federal taxes of most railroads are seriously affected. This is because under the excess profits tax law, a drop in net is compensated for to the extent of approximately 85% by a reduction in income taxes until the net before taxes reaches the level of the excess profits tax exemption. In the event that earnings drop below the excess profits tax exemption, cash earnings should nevertheless hold up reasonably well because, for a two-year period, the law provides for certain tax refunds of excess profits taxes paid in prior years.

There is another provision in the law in regard to the amortization of defense projects that insures many roads of substantial post-war tax refunds. Equipment purchases under Certificate are amortized on a five-year basis. When the war-time emergency is declared at an end, amortization can be accelerated and such acceleration will result in tax refunds. The size of such refunds will vary considerably between roads. They will be especially large for the roads that have paid excess profits taxes and bought substantial amounts of equipment on Certificate. It must be recognized of course that tax laws can be changed, but nevertheless it is clearly justifiable to expect a continuation of cash income that will make possible further material improvements in the financial strength of our railroads.

Railroad Credit as a Factor in Post-War Financing

This analysis of the present financial position of our railroads and the strengthening process now continuing might be regarded as an indication of the ability of our railroads to finance large modernization and improvement programs after the war. Nothing could be further from the truth. In these descriptions of financial strength the word "defensive" has been used. By "defensive" is meant the ability to resist bankruptcy during a period of prolonged low earnings. Unfortunately, the great defensive strength of our carriers today cannot be regarded as evidence of what might be termed "offensive" strength, that is, ability to raise large sums for improvement by the issuance of new securities—stocks and bonds.

However, before proceeding to analyze the offensive strength of our railroads today it is well to analyze briefly the amount of new money that the railroads should provide after the war, if they are to thoroughly and completely modernize their plant.

In the report of the Committee for 1943, there is considerable data in regard to the size of a post-war modernization program. Questionnaires were sent to many railroad executives and other experts. It is not surprising that most of those consulted hesitated to express an opinion giving definite figures. However, Mr. Thompson, the Vice-President of the Erie, mentioned a figure of $700,000,000 a year for a ten-year period. Mr. Brooke, President of the Virginian, mentioned a figure of $700,000,000 likewise; he believed $1 billion a year too high. Mr. Barriger, former chief of the railroad division of the RFC, expressed the opinion that $10 billion over a ten-year period is desirable if the highest standards for plant and equipment are to be attained.

It would seem a justifiable conclusion that estimates of desirable expenditures submitted after a prolonged depression, when the recollection of bankruptcies is fresh and recent, and when all energies are directed to strengthening capital structures, would err on the low side. If these same executives could be transferred to an era where thought of possible bankruptcy was not predominant and where all energy was concentrated on plans for improving plant and equipment, estimates of desirable expenditures would obviously be materially expanded.

There are a number of tests that support the belief that the estimates in last year's report were low. One test is to examine the expenditures made by railroads in the past when confidence in the future prevailed. Prior to 1920, a substantial part of these expenditures were for increased mileage, but subsequent to the last war the mileage declined and expenditures were almost wholly devoted to improving service, increasing efficiency and reducing costs. For over 40 years, from 1890 to 1930, the railroads added to their plant at the rate of 2.71% annually. Due to the annual increase in the investment base, expenditures over a ten-year period figure out at 30%. These figures are based on net increases, that is, additions and betterments less retirements. Gross expenditures were of course larger. In the ten years from 1921 to 1930 net expenditures were approximately $5 billion and gross expenditures approximately $8 billion. During the 1930's retirements exceeded additions and betterments. Therefore, in estimating the possibilities for improvements in the coming ten years it must be taken into account that there is a ten-year deficiency during the 1930's to make up.

Based on this record of the past, it would seem clear that in the decade following this war a minimum of $10 billion could be effectively spent. If American inventive genius is approaching bankruptcy this estimate may be high. If, however, inventive genius is rising to new peaks this estimate is undoubtedly low, and present-day evidence points strongly in this direction.

In regard to way and structures, it is difficult to forecast the exact form that a modernization program would take. One of the best outlines of the general possibilities for improvement is contained in the contribution of Robert S. Henry of the Association of American Railroads included in the report of this Committee for 1943. The following paragraphs bear repetition:

"The track of the future will be made of better and tougher steel. It will have fewer joints, and those it has will be more rigid. It will be stronger track, with less curvature and with lighter grades. It will be safer track and will cost less to maintain per ton-mile of traffic passing over it. This improved track will make possible higher speeds where that is of consequence, but, what is more important, it will make it possible for a given unit of power to pull heavier trains."

"Operating methods, efficiency and safety will advance with improved plant. Gravity yards, equipped with centrally controlled switching and with car retarders, will be used still more, both to expedite the classification of traffic and to cut its cost. These yards will be equipped with internal communication systems, using pneumatic tubes, printer telegraph and two-way wireless conversation between office and yard locomotives. On the line of road there will be a greater use of and dependence on improved signals protective devices, including, especially on single-track lines, a wider installation of automatic centralized traffic control."

Mr. Henry does not give an estimate of what such a program would cost. During the decade of the 1920's gross expenditures for roadway and structures were $4,183,000,000. There would seem no reason to doubt that at least this amount could be well spent on way and structures after the end of the war.

In regard to equipment, Mr. Henry commented as follows:

"The cars will be made of lighter weight, high-tensile metals, not so much for the purpose of increasing the speed of trains as of decreasing their dead weight, again so that a given unit of power may be able to perform a greater amount of transportation work. These cars will have improved draft gear and improved trucks to absorb and dissipate shocks and to enhance the smoothness of running. They will have improved brakes to permit smoother handling. They cannot go much further in the direction of specialized body types for particular loading than they have already, without sacrifice of the all-round utility and inter-changeability of the standard types of cars."

"On the passenger side, the line of development will be a prolongation and enlargement of the air-conditioned, streamlined era which was well under way when interrupted by war. There will be new types of all-room Pullman cars so arranged that rooms may be sold at not much more than the present price of a lower berth. There will be other sleeping cars designed to sell space at prices well below the present rate. The forerunners of both types of cars are in existence now, and already there are on the drawing boards more than one hundred separate improvements in them, as the result of suggestions received from employees and from the public which has had an opportunity to use them in service. There will be an increased use of streamlined coaches. In general, railroad passenger service will stress spaciousness, comfort and smartness rather than great increases in speed."

"The locomotive power of the future will be various, depending on needs in particular situations. There will be extensions of central station electrification on lines of very heavy traffic or of especially difficult operating condi-

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Henry R. Hayes

1926-27

Pliny Jewell

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Ray Morris

tions. There will be a greatly accelerated use of Diesel power in road passenger and freight service, and even more in switching. There may be steam-turbine, or gas-turbine locomotives; or, it is conceivable that there may be locomotives using the power of atomic explosion, but for a long while to come the bulk of the service will be accomplished by steam engines. Nor will the steam engine stand still while other forms of power are progressing. In horse-power per axle, per pound of fuel, and especially in performance ability at speeds above 40 miles per hour, the steam engine has shown startling development in the past generation, with every promise of more to come."

The problem of estimating the cost of a complete modernization program for equipment is far simpler than in the case of way and structures. This is because records are available showing the age of the equipment now owned. In regard to freight cars, classification in terms of age appears in the following table:

CLASSIFICATION OF FREIGHT CARS BY AGE GROUPS

(Based on Ownership as of Jan. 1, 1944)

Age in 1950—	No. of Units	Percentage of Present Ownership
Over 31 years	539,329	30.70%
27 to 31 years	299,238	17.03
22 to 26 years	365,106	20.79
17 to 21 years	157,663	8.98
12 to 16 years	151,997	8.65
7 to 11 years	243,301	13.85
Total	1,756,634	100.00%

Of course it is impossible to make a definite forecast as to how many of these units should be retired and replaced with modern cars. Undoubtedly the capacity of a modern car would be greater. If the inventive genius of railroad management and manufacturers produces improvements such as Mr. Henry describes, it would certainly seem desirable to purchase by 1950 at least one million freight cars. If these cars were to cost $3,000 apiece, which, in view of the present price levels would seem a conservative figure, the cost would be $3 billion dollars.

CLASSIFICATION OF PASSENGER CARS ACCORDING TO AGE GROUPS

(Based on Ownership as of Jan. 1, 1944)

Age in 1950—	No. of Units	Percentage of Present Ownership
Over 31 years	18,737	49.38%
27 to 31 years	4,675	12.32
22 to 26 years	8,683	22.89
17 to 21 years	3,167	8.35
12 to 16 years	1,788	4.71
7 to 11 years	890	2.35
Total	37,940	100.00%

It would seem reasonable to assume that if railroad passenger service is to attain the standards as outlined by Mr. Henry, at least 20,000 modern type units should be added to railroad ownership by 1950. The most modern passenger car costs about $75,000, and 20,000 cars would therefore cost $1½ billions.

CLASSIFICATION OF STEAM LOCOMOTIVES ACCORDING TO AGE GROUPS

(Based on Data as of Dec. 31, 1942)

Age in 1950—	No. of Units	Percentage of Present Ownership
Over 40 years	9,814	24.85%
36 to 40 years	9,330	23.63
31 to 35 years	7,341	18,59
26 to 30 years	6,797	17.21
21 to 25 years	4,008	10.15
16 to 20 years	960	2.43
Less than 16 years	1,241	3.14
Total	39,491	100.00%

There is a wide range of estimates as to desirable replacements by 1950 but if at that time all locomotives over 30 years old were to be replaced by modern units it would involve an acquisition of approximately 26,500 locomotives. At $200,000 a unit, the cost would be $5 billion 300 million. Whether it would be necessary to replace all these units cannot of course be determined at the present time. It should be borne in mind, however, that the new units will have far greater capacity for service than the obsolete units. An exact determination of future requirements is therefore impossible at the present time.

This rough forecast of advisable expenditures for cars and locomotives in the years following the war totals approximately $10 billion. The actual expenditures that would be required to raise the equipment standard of our railroads to the most modern type would depend of course on the expected volume of traffic, the capacity of individual equipment units and the cost of these units when acquired.

With so many uncertainties, definite forecasts of desirable expenditures in the future are impossible, but in any event it would appear that an estimate of desirable post-war expenditures for both road and equipment amounting to at least $10 billion could be amply justified on the basis of the resulting improved efficiency and improved service to the public.

Ability of the Railroads to Finance a $10 Billion Program

We now come to an analysis of the ability of our railroads to finance a $10 billion improvement program following the war.

Annual depreciation charges provide money for replacements and improvements. Currently depreciation on road and equipment is running at an annual rate of $320,000,000 of which approximately $200,000,000 applies to equipment. Although this cash income is offset to the extent of possibly $70,000,000 by liabilities for equipment maturities at present outstanding, it is nevertheless an important contribution to a modernization program. It should be pointed out, however, that depreciation charges are added to operating expenses and in the final analysis this money must be earned.

A small part of the necessary money could come from working capital which, as has been pointed out, is at an unprecedentedly high level, but in view of the present conservative policies of management, it is highly unlikely that financial solvency would be jeopardized by an important reduction in working capital.

A proportion could come from earnings, but if earnings are devoted to capital improvements they will not be available to further strengthen capital structure or retire debt. Even if all debt reduction came to an end, and earnings remained at present levels, the surplus earnings available for improvements would fall far short of the amount necessary to carry out the desired program.

A third possibility is to discontinue debt reduction, devote a large proportion of earnings to improvements and in addition to supplement these earnings by the issuance of fixed interest bonds. In other words, by increasing debt and fixed charges. Today railroad credit would be shattered by even serious suggestions for such a complete reversal of current debt reduction policies. Credit can be described as the state of mind of investors, and in their present state of mind a definite program of weakening capital structures could properly be described as terrifying.

Even if investor confidence improves so that it becomes possible to market a limited amount of new fixed interest bonds for improvements, the money raised by such financing could only be a small part of the desired expenditures. The reason for this is because present standards as to a proper burden of debt are so low and so conservative.

The Wabash, for example, was reorganized with $47,000,000 first mortgage bonds. If these bonds were to be increased by as much as 25% it would only mean about $12,000,000, and $12,000,000 is only 6% of the road and equipment account of the Wabash today. For the Wabash $12,000,000 would be only a starter, in spite of the fact that a proposal to increase the debt of the Wabash 25% would be truly startling.

As far as the acquisition of equipment is concerned, the opinion is frequently expressed that all necessary new money can easily be raised by the sale of equipment trusts. Analysis, however, demonstrates that the financing of equipment by the issuance of equipment trusts has definite limitations.

A desirable post-war program for new equipment, as has been pointed out, might entail expenditures of $10 billion. If only $5 billion, or one-half the cost were financed by one- to ten-year equipment trusts the annual maturities and interest would be in the neighborhood of $500,000,000 a year. A short-term fixed maturity of an equipment trust is in effect a fixed charge. The issuance of $5 billion in equipment trusts therefore would almost double the fixed charges of our railroads. The issuance of even half this amount would in effect increase fixed charges by 50%. It is clear that only a small fraction of the new money involved for an equipment modernization program can be wisely raised by the sale of equipment trusts.

We now come to the possibility of raising new funds by selling securities which do not bear a fixed charge, that is, by the sale of income bonds, preferred stocks or common stocks. It requires but a glance at the quotation sheet to see that raising new funds in this manner is today wholly impractical. Income bonds are today selling at discounts of from 20 to 50%. Preferred stocks even of reorganized roads are selling at discounts of 40 to 60%, and common stocks, as far as new financing is concerned, must be regarded as selling for nothing. This is because in order to raise even a most modest sum, the volume of new stock that it would be necessary to sell would be so large as to destroy its acceptability to investors.

There would seem to be no short cut to the solution of the railroad credit problem as far as raising substantial sums for improvements is concerned. The first requirement is that net earnings remain at least at present levels. Current earnings may appear high as compared with depression years but they are far lower than requirements if the railroads are to vigorously modernize after the war.

The railroad credit problem, as far as raising substantial sums for modernization is concerned, may seem insoluble today. Nevertheless, if earnings remain at an adequate level and investors have confidence that railroad earning power will not be attacked by the Government, surprisingly rapid progress toward a satisfactory solution of credit conditions should result. As confidence improves railroads will feel safe in appropriating a larger and larger proportion of earnings to betterments, and a smaller and smaller proportion to debt reduction, and it may be only a short while before railroad capital structures will be recognized as sound and safe and

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therefore requiring no further strengthening.

When this stage of progress has been reached all surplus earnings could be devoted to improvements except a certain proportion which should wisely be appropriated for dividends.

Common stock dividends are an absolute requirement if railroad credit is in fact to be restored, because sound credit conditions require financing from time to time by the sale of common stock, and common stock cannot be sold unless dividends satisfactory to investors are paid.

The first indications of a real restoration of railroad credit will be the ability to raise modest sums of money through the sale of fixed interest bonds. Once it is recognized that modest bond issues are in fact wise, the time will not be far distant when modest amounts of new money can be raised through the sale of income bonds, and at a later period through the sale of preferred stock.

It is impossible to prophesy the time required for a step by step restoration of railroad credit, but if earnings continue at adequate levels and the political and economic climate remains favorable there is a possibility that rapid progress may be made. One of the most important factors, if not the most important, is the governmental attitude toward the carriers. In regard to this, the outlook today is dark, although it must be recognized that in the decisions of the Commission authorizing the recent rate surcharges and later ordering their suspension, we find opinions by practically all the Commissiners giving a greater recognition to the need for adequate earnings than is to be found in any previous decision of the Commission.

This is reassuring. Unfortunately, other governmental agencies and officials are at the present time attacking railroad earning power vigorously. The Attorney General has brought suit against the carriers under the Sherman Anti-Trust Act. Four Southern States and Economic Stabilization Director Vinson have appealed to the Supreme Court to upset the I.C.C. order raising passenger fares in the South. The Governor of Georgia is suing the railroads for large sums of money, representing, it is claimed, excess charges. And in the current proceedings of the Interstate Commerce Commission involving the future of the rate surcharges authorized and then suspended, we find the Department of Agriculture and the OPA vigorously opposing the railroads. It is difficult to reconcile the vigor of these attacks with the fact that railroad rates, as measured by revenue per ton-mile, are today 10% lower than the level of 1932 in spite of a 50% increase in the hourly wage scale, and the additional fact that many of the supplies which the railroads buy have increased in price. In the brief of the OPA in this proceeding it is stated:

"The war economy cannot endure price increases either as insurance for the future or to build up new capital."

In this brief, the argument is made that a post-war collapse of earnings resulting from a decline in volume should not be considered by the Commission because:

"It is the united non-political purpose of the entire nation to insure full employment and high levels of economic activity for the post-war period."

It may be that after the war the nation will insure full employment and high levels of economic activity but certainly if the railroads are in a state of collapse they will not be able to make much of a contribution to this employment. If all other units of industry were similarly attacked, and these attacks were successful, it is difficult to imagine the source of the post-war employment and prosperity, unless of course the whole could be prosperous and all the parts that make up the whole be prostrate. The only logical explanation would seem to lie in a policy of discrimination against the railroads.

Current pressures on the railroad rate structure are already very serious. Increases in wages, increases in the cost of materials

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In Attendance At IBA Meeting

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Nay, Leston B.	First Securities Co.	Chicago
Nelson, Edward	Kidder, Peabody & Co.	New York
Newhard, Chapin S.	Newhard, Cook & Co.	St. Louis
Newpart, C. J.	Merrill Lynch, Pierce, Fenner & Beane	Chicago
Newton, Arthur M.	Hayden, Miller & Co.	Cleveland
Newton, Edwin M.	E. M. Newton & Co.	Boston
Nichols, Donald	Ames, Emerich & Co.	Chicago
Nicholson, Daniel	Journal of Commerce	Chicago
Nicolaus, Louis J.	Stifel, Nicolaus & Co.	St. Louis
Noel, Richard C.	Van Alstyne, Noel & Co.	New York
Noll, Gerhard B.	Graham, Parsons & Co.	Chicago
North, Ludlow F.	Wisconsin Company	Milwaukee
Novotny, C. G.	C. G. Novotny	New York
Noyes, George F.	Illinois Company	Chicago
Nuveen, John, Jr.	John Nuveen & Co.	Chicago
Oates, Jeannette	United Press	Chicago
O'Brien, John J. 3d	John J. O'Brien & Co.	Chicago
Olderman, Russell J.	Field, Richards & Co.	Cleveland
Olson, Ray	Stranahan, Harris & Co.	Chicago
Oppenheim, Walter	New York Hanseatic Corp.	New York
Osgood, Roy C.	First National Bank	Chicago
Ostrander, Lee H.	William Blair & Co.	Chicago
Ottens, Joe	Salomon Bros. & Hutzler	New York
Owen, I. D.	Allison-Williams Company	Minneapolis
Owen, Ralph	Equitable Securities Corp.	Nashville
Oxley, A. E. C.	Dominion Securities Corp.	New York
*Park, Charles R.	Park-Shaughnessy & Co.	St. Paul
Parker, Charles S., Jr.	Continental Bank & Trust Co.	New York
Parker, William A.	Parker Corp.	Boston
Parsons, Edward E., Jr.	Wm. J. Mericka & Co.	Cleveland
Parsons, Robert H.	Pacific Co. of California	Los Angeles
Partridge, John F.	Welsh, Davis & Co.	Chicago
Pattau, Brace	Journal of Commerce	Chicago
Patterson, Herschel	Chicago Tribune	Chicago
*Patton, Francis F.	A. G. Becker & Co.	Chicago
Paul, Clyde L.	Paul & Co.	Philadelphia
Payne, Carr	Cumberland Securities Corp.	Nashville
Peck, Edgar A.	W. C. Gibson & Co.	Chicago
Perrigo, Charles R.	Hornblower & Weeks	Chicago
Perrin, Miles D.	Salomon Bros. & Hutzler	New York
*Peters, Gerald P.	Peters, Writer & Christensen	Denver
*Petersen, Joseph G.	Eckhardt-Petersen & Co.	St. Louis
Petersen, Reno	Illinois Company	Chicago
Peterson, E. Norman	Equitable Securities Corp.	New York
*Phelps, Augustus W.	Phelps, Fenn & Co.	New York
Phillips, Guybert M.	Caldwell Phillips Co.	St. Paul
*Pickard, A. G.	C. F. Childs & Co.	Chicago
Pierce, Charles C.	Rauscher, Pierce & Co.	Dallas
Pinkerton, Charles H.	Baker, Watts & Co.	Baltimore
Pitman, Benj. F., Jr.	Pitman & Co.	San Antonio
*Plauche, James J.	John Dane	New Orleans
Pleasants, Aaron W.	International Trust Co.	Denver
Podesta, Robert A.	Kebbon, McCormick & Co.	Chicago
Pohlhaus, Walter C.	Mackubin, Legg & Co.	Baltimore
Pontius, Miller H.	F. Eberstadt & Co.	New York
*Poole, Monroe V.	Geo. B. Gibbons & Co.	New York
Pope, Allan M.	First Boston Corp.	New York
Popper, Elvin K.	I. M. Simon & Co.	St. Louis
*Porter, Irvin L.	First National Bank	Chicago
Postlethwait, J. R.	Brush, Slocumb & Co.	San Francisco
Potter, A. C., Jr.	Alex. Brown & Sons	New York
Potter, Edward, Jr.	Commerce Union Bank	Nashville
Powers, Lester	Dominick & Dominick	New York
*Pressprich, R. W., Jr.	R. W. Pressprich & Co.	New York
Price, William J. 3rd	Alex. Brown & Sons	Baltimore
Pritchard, Harry N.	Kebbon, McCormick & Co.	Chicago
Prosser, Malcolm S.	Bank of America	San Francisco
Purdham, Plummer P.	Burns, Potter & Co.	Omaha
Quail, John J.	Quail & Co.	Davenport
Quigg, James F.	Paine, Webber, Jackson & Curtis	Chicago

* Denotes Mr. and Mrs.

Quigley, J. L.	Quigley & Co.	Cleveland
Quist, Leo L.	Harold E. Wood & Co.	St. Paul
*Ramsay, DeWitt C.	W. R. Bull & Co.	Bridgeport
Ramsay, Nancy E.	with Dewitt C. Ramsey	Bridgeport
Randall, Ralph G.	Mason, Moran & Co.	Chicago
Rankin, Walter E.	F. Eberstadt & Co.	Chicago
Rauscher, John H.	Rauscher, Pierce & Co.	Dallas
Redman, W. G.	A. G. Edwards & Sons	St. Louis
Reed, Robert L.	Hill & Co.	Cincinnati
Reed, Stuart R.	Paine, Webber, Jackson & Curtis	New York
Reily, John M.	Weeden & Co.	New York
Reinholdt, Julius W., Jr.	Reinholdt & Gardner	St. Louis
Rex, William M.	Clark, Dodge & Co.	New York
Rice, Irving J.	Irving J. Rice & Co.	St. Paul
Richards, Arch E.	Shields & Co.	Chicago
Richardson, George	Vilas & Hickey	New York
Riepe, J. Creighton	Alex. Brown & Sons	Baltimore
Riley, J. H.	A. C. Allyn & Co.	Chicago
*Riter, Henry G., 3d	Riter & Co.	New York
Ritter, Daniel J.	William Blair & Co.	Chicago
Roberts, Chas. B., 3d	Pennsylvania Company	Philadelphia
Roberts, Clifford	Reynolds & Co.	New York
*Robinson, Edw. H.	Schwabacher & Co.	New York
*Roddy, James E.	Scharff & Jones	New Orleans
Roe, E. Jedd	Roe & Company	San Antonio
Rogers, Sampson, Jr.	McMaster Hutchinson & Co.	Chicago
Roney, William C.	Wm. C. Roney & Co.	Detroit
Roob, Edward	Salomon Bros. & Hutzler	Chicago
Ross, Cornelius A.	Mullaney, Ross & Co.	Chicago
*Rowe, Robert G.	Stroud & Co.	Philadelphia
Rowles, Duncan M.	Harris, Hall & Co.	Chicago
Rowles, Russell R.	Mahan, Dittmar & Co.	San Antonio
Royce, Donald	Blyth & Co.	Los Angeles
Ruhl, J. H.	Quail & Co.	Davenport
Rushton, Joseph A.	Goodbody & Co.	Chicago
*Russell, P. Scott	Glore, Forgan & Co.	New York
Rutherford, George P.	Dominion Securities Corp.	New York
*Ryan, Burt T.	Ryan, Sutherland & Co.	Toledo
*Sanders, David T.	Vance, Sanders & Co.	Chicago
*Sattley, Hale V.	H. V. Sattley & Co.	Detroit
*Scanlan, Earl M.	Earl M. Scanlan & Co.	Denver
Scarborough Eugene W.	Central Republic Co.	New York
Schindhelm, George	California Bank	Los Angeles
Schmick, Franklin B.	Straus Securites Co.	Chicago
Schmidt, Walter A.	Schmidt, Poole & Co.	Philadelphia
Schoeneberger, C. A.	Shields & Co.	Chicago
Scott, G. Norman	Estabrook & Co.	New York
Scott, Oliver B.	Maxwell, Marshall & Co.	Los Angeles
Scott, Walter R.	Lord, Abbett & Co.	New York
Scribner, Joseph M.	Singer, Deane & Scribner	Pittsburgh
Seeley, Herman G.	Chicago Daily News	Chicago
*Sener, Joseph W.	Mackubin, Legg & Co.	Baltimore
Settle, J. Fleming	J. H. Hilsman & Co.	Atlanta
Seving, Frederick T.	Butcher & Sherrerd	Philadelphia
Seybold, Joseph L.	Kalman & Co.	Minneapolis
*Shanks, Sanders, Jr.	Bond Buyer	New York
Sharp, Nathan S.	R. S. Dickson & Co.	Chicago
Sharpe, William P.	Mercantile-Commerce Bank	St. Louis
*Shaughnessy, Lawr. E.	Park-Shaughnessy & Co.	St. Paul
Sheedy, Herman J.	McDonald & Co.	Cleveland
Shepard, Robert O.	Hawley, Shepard & Co.	Cleveland
Sherwood, E. A.	Harris Trust & Savings Bank	Chicago
*Shiels, Lawrence W.	Camp & Co.	Portland
Shreve, Wickliffe	Lehman Brothers	New York
Simmons, Carleton H.	E. M. Newton & Co.	Boston
Simmons, Richard W.	Lee Higginson Corp.	Chicago
*Simonds, Godfrey B.	G. H. Walker & Co.	Providence

* Denotes Mr. and Mrs.

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IBA Committee Stresses Improved Railroad Credit

(Continued from page 2498)

and supplies and the suspension of the rate surcharges have already resulted in an increase of 5 points in the operating ratio in spite of substantial increases in volume. If, following the war, railroad traffic declines materially, the railroad operating ratio will show further increases, and it is possible to imagine a decline in traffic volume which will wipe out all railroad earnings. That this disaster will actually take place is by no means certain for there are strong grounds for belief that the Commission recognizes the danger in the situation. The Bureau of Transport Economics and Statistics of the Commission has prepared a study analyzing railroad earning power on the basis of 1940 volume and current rates and wages. The results show large deficits.

There is likewise no reason to believe that the lessons of 1936, 1937 and 1938 have been forgotten. In 1936 traffic was rising, operating ratios were falling and earnings increasing. In December a surcharge in rates was cancelled. In the summer of 1937 wages were increased and as a result of lower rates and higher wages the operating ratio rose 5 points. In the autumn of 1937 traffic declined. The operating ratio rose rapidly. In the first quarter of 1938 railroad earning power to all intents and purposes was obliterated.

In the spring of 1938 the Commission met the emergency by authorizing a substantial increase in rates, which more than offset the rate decrease of 1936. Railroad earning power recovered and a new harvest of bankruptcies was avoided. Railroad credit, however, is still suffering from the shock of this experience.

The railroads today are midway in a cycle similar to that of 1936, 1937 and 1938. The surcharge in rates has been removed, wages have been increased, operating ratios have risen 5 points. Fortunately traffic continues to hold; in fact, it has increased. If, prior to a post-war decline in traffic, rates are raised to compensate for increased costs the situation can be saved. If, however, rates and wages remain as they are and traffic suffers a severe decline, railroad earnings can disappear in the same way they disappeared in the first quarter of 1938.

In a way, the railroads are more fortunate now than they were in 1938. At that time a deluge of new bankruptcies was avoided only by prompt and vigorous action on the part of the Commission. Today if earnings collapse our railroads would appear to be insured against bankruptcy for a considerabe period by ample safety cushions in working capital. While bankruptcies may be avoided, however, it is clear that our railroads will not be able to finance an important modernization program.

On the other hand, if the railroads are permitted to maintain a rate level in proper adjustment to current costs, and if, at the same time, investors are relieved of fears for the future because of the present widespread governmental attacks on railroad earning power, there is no reason to doubt their ability to proceed with a post-war modernization program of impressive size. Except for the current governmental attacks on earning power, our railroads are in a far stronger position today than they were after the first World War. This superiority applies to physical condition, working capital, debt structure, efficiency of operation and, last but not least, our railroads today have had over 20 years' experience in adjusting their economy to highway competition.

Respectfully submitted,

Railroad Securities Committee.

Fairman R. Dick, Chairman
John S. Loomis
Henry S. Sturgis
Arthur Knies
Percy M. Stewart
Allen Northey Jones
Robert G. Rowe
Pierpont V. Davis
Rowland H. George

Facts and Fallacies About About Post-War Jobs

(Continued from first page)

You know better than I do how difficult it is in these days of instantaneous communication, of very efficient radio commentators and columnists, of financial editors and financial analysts, for anybody to add much to what we all know, but we can present a point of view. And those of us who have responsibilities in various sections of the economy cannot only present a point of view, but we can present it in a way that I might call a "pattern for action," action as to what we propose to do in facing the problems as we analyze them.

I am going to ask your privilege to use the General Motors Corporation purely as a case study. I hope you won't think that I am attempting to use the springboard of your annual meeting here as a means of sales propaganda. Quite the contrary. I have nothing to sell except a few ideas. We have one customer who has an insatiable appetite to take anything and everything we can possible produce, so there is nothing ulterior in my motive in using General Motors as a case study.

It is unnecessary to say that the war is not only not won, but is far, perhaps, from being won. Of course, our hopes, our emotions go up and down depending upon the movements at the various fronts in which we are operating.

On the production front, perhaps a few words would be of interest to you as to what is happening. War production is continuing about as high as it has at any time. As far as General Motors is concerned, using that as a case study, there is no particular change. We are still turning out $13,000,000 of highly technical apparatus every 24 hours. That is done through the productivity of hundreds of thousands of workers, including technicians, engineers and people of that type frequently called the "white collar" group. That productivity comes out of 120 plants situated around the country, involving a capital investment of something like 2 billion dollars. One billion of that was our own prewar, but it had to be reconverted to the manufacture of war production. The other billion is made up of plants that we put up for the account of the government—we designed them, developed them, manned them, organized them and are producing from those plants such production as the armed services require.

The demands on American industry are generally looked upon as purely the question of volume, or quantity, but American industry has made a far more important contribution to the war effort than merely production. For instance, we have over 500 technical people throughout the world operating with the Army and with the Navy on all the fronts on which they are operating. When the armed services go forward General Motors people go forward with them.

The purpose of that is exemplified by what a high-ranking officer of the Army said some time ago: "That nation that has the ability to transfer to the drawing boards of industry the lessons of combat will be the nation that will win the war."

These 500 technicians of ours, spread all through the wrold, are constantly coming back and forth, or sending their messages as to how we in General Motors can do a better job in improving the technological essence of our products and adapting them to the lessons that are learned on the various operating fronts.

We read in the papers, recently, about the shortages in production. I don't doubt there are shortages. But most of that has come about, in some cases, through lack of manpower, but more particularly it is due to the fact that, in the advance of the technological progress of war products and in the experience at the various fronts, it has been found very essential to build up heavier equipment. There has been a demand for greater velocity, greater speed, greater power to do the job. That is the cry of the moment.

Connected with this question of industry's efforts in the war, I want to make one plea to you, a representative organization which I think can render tremendous help in looking down the long way into the future. I don't know whether the effort we are going to make to eliminate war will succeed. I hope it will. We all hope and pray that it will. But there is one thing we can do of tremendous importance now because we are in the emotionalism of war, when we are having to accept the losses we are accepting, when we see the picture as it is in all the terribleness of the moment after the war is over, to develop aggressively and intelligently and imaginatively a liaison between the technical side of industry and the technical side of military progress. We must set up a liaison so that at all times we will maintain the advancing technology necessary to war production that takes place as applied to peace production.

I cannot explain to you without going into great detail what that would mean in a better preparation for the next conflict if there must be one.

I should have said that, of course, what General Motors is doing represents what industry as a whole is doing. It has been well said that American industry has performed a miracle. I think President Roosevelt said that in his message to Congress, and I think that it is very true.

I would like to take you for a minute, if I may, back to February, 1942, February 28, to be exact. The morning of February 28, General Motors was in business as usual. We were making a great variety of products for peacetime use. We had already commenced to make some products for wartime use. At the end of that day, General Motors was out of business, so far as peacetime products is concerned. We were liquidated —300 thousand people, academically speaking, were out of a job.

We were asked then to make division by division, various things that were entirely new and different, things that our people had never seen before, things that were very poorly designed from a standpoint of mass production—which requires a technique entirely different from a technique for making small quantities.

Restrictions were placed on both labor and materials. Some materials that had been used were no longer available. But we were able to reconvert our plants at the end of the year to build up a production capacity which was about two and a half billion dollars, the largest we ever had.

I don't tell you that story to tell you how good we are in General Motors. We are no better than anybody else. There is a very important lesson to be learned. Such a performance would have been impossible if we operated General Motors on the basis of regimentation. We don't. There is no autocracy in General Motors; there is no regimentation. We were able to do that simply because, over a period of 20 to 25 years, we had instilled in our operating executives a sense of self-reliance. We taught them to use their own ingenuity. We taught them to take responsibility; we taught them to do the job as they saw it — that we would be satisfied with the end result. It was that spirit, that free enterprise, within General Motors, and not only in General Motors but in the American economy as a whole, that has made the miracle of American production possible.

I make that point because of this: If you go back over the pages of history to the very beginning of human endeavor, you might say you will find certain striking things which to me mean a great deal. You will find that as men obtained their liberty, their freedom of action, an opportunity to exert their ingenuity, progress was intensified. You will find that where the other was the case, progress was limited; frequently, even stopped. There are some very dramatic lessons in history that show that result.

Now, I hold that today, we are gradually losing our economic freedom. It is a danger. We never have, never will have, the economic freedom in the post-war era that we have had in the prewar era, unless we fight more intelligently and better for it.

We are traveling down a road, the end of which we do not know, and too many of us are uninterested at what the end is going to be. We fail to recognize the fact that when men lose their economic freedom, they lose their political as well as their personal freedom. It is inevitable.

Sooner or later, and we hope it is sooner rather than later, American industry must face the problem of reconversion. It is an enormous job. You might think, looking at the matter superficially, that it is not a very important thing for the reason that it is a one-term job—it can only happen once. But from my point of view, that is quite the contrary. It is a period of great danger, and if it should so happen that the responsibilities in the period of reconversion, on the part of American industry and the United States Government, should be handled in such a way as to allow a long period of unemployment, it is very likely that the American people would lose confidence in the future, and it might well turn the spiral of business downward after the period of reconversion is over.

I want to emphasize the fact that the period of conversion is a crucial point in passing from war to peace. As a matter of fact, if it were possible or probable—and we all know it isn't either probable or probably possible—for the war in Japan to end at the same time with the war in Germany, the period of reconversion, with our present state of preparedness, might result in very serious consequences; but we shall have the double ending in all probability, which will give us a chance to cushion the blow on the economy of the reconversion period.

Now, if we were to sit down together and talk about the future, or the objectives of the war, I think we would say that we faced two consequential problems; one is the attempt to maintain the peace and eliminate war, and next is the opportunity to work for those who want jobs. Neither of these objectives has ever been solved. I am sure we would agree on that. Both have been growing in intensity over the years. I have always had confidence in our ability to win the war. The only danger is the time element. But I have had great uncertainty as to our ability of winning the peace. Speaking particularly from the standpoint of the second objective, the problem of jobs, I just want to say that if the problem of jobs is not solved as a part of the post-war problem, in my opinion, democracy and free enterprise are likely to pass out with the war itself. That is how important I believe it is.

You may say I am putting too much emphasis on this question of jobs. I do not think so. We know, in looking back over the '30's, that political-economic policies have served to freeze the economy. We had a situation where enterprise couldn't expand, and expanding job opportunities could not be provided. In other words, we created a synthetic depression that followed one in fact.

The end result was 10 million people out of work in the early part of 1940. Today, the cry for opportunity, for a job for those who want to work, is international. It echoes and re-echoes around the world. It has been reflected in the utterances of the Prime Minister of Great Britain, the President of the United States, and the doughboy wherever he may be in the various operating fronts. "Am I to have a job when I've done my duty?"

Now, how about jobs? How do they come about? How do we create jobs? There is a lot of misunderstanding about that. Some people think that an organization like General Motors can make as many jobs as it wants. But I want to emphasize the fact that jobs are an end result. They are not a means to the end. They do not just happen. They do not result from wishful thinking. There are no rabbits in this particular hat. Political promises don't create jobs. Jobs flow from a combination of capital, management and opportunity and nothing else. Without these ingredients, there can be no jobs.

The foundation of jobs—that makes them possible, that expands them and develops them—is confidence in the future of enterprise. It never will be otherwise; never was, and never can be. I submit, therefore, that we should use great efforts in developing a better understanding of what constitutes jobs in order that we may accept this tremendous challenge of the post-war era.

We cannot meet this challenge by adopting panaceas. We tried all that in the '30's. It didn't work, and it never will work. We have to do those things that stimulate enterprise, that build confidence. Men cannot plan ahead unless they have confidence in the future of enterprise. They cannot move if their confidence or their faith is lacking or if they are hamstrung by national policies that prevent the expansion of enterprise.

In my opinion, if we do not meet this challenge of job opportunity, in view of the fact that I look upon it as a political, economic and social matter, there will be a political demand on government to meet what private enterprise has not been able to meet.

If that happens, we get into deficit financing. Then it will be impossible for the government, under present conditions, to stimulate the economy, even through deficit financing, on the basis of the old concept of government activities, like highways, public works, and so forth. Then, government must enter into competition with private enterprise, and no matter how efficient private enterprise will be, subsidies and other kinds of economic panaceas will enter the picture to the point that the future of private enterprise will be very much clouded.

Now, what is needed to expand job opportunity? First, we must have a sound national policy. That starts, in my point of view, with the present tax structure. We know that the present tax structure is a hodgepodge of inconsistency. It has been developed in recent years more to distribute what wealth we had rather than to encourage the creation of more wealth.

Taxes should be based upon the same philosophy that we employ in our mass production industries, the philosophy that the lower the prices in the case of industry, or, the lower the rates in the case of taxes, the more you stimulate business and expand the tax base—and a greater revenue results. We must have aggressive and intelligent business policies. American businessmen, especially in the industrial area, down through the years, have distinguished themselves for their ability to produce goods and services of endless variety, of astonishing quality and at continuing lower prices. The time has now arrived when American businessmen must take the role of economic statesmanship. They no longer must be satisfied with the mere phase of production of goods and service. They must recognize their responsibility to the economy as a whole. It is generally estimated that we should have, for full employment in the post-war period, 55 million jobs. That is more or less academic, but it seems to be a reasonable estimate.

The general idea of a job on the part of most of the people is the workmen entering the factory gate with full dinner pails, as we used to say. Yet only 24% of the job opportunities in the United States are in manufacturing; 23% are in agriculture; 45% are in the services—financing, communication, transportation, and the like. It is clear, if we are going to step up from the 45 million people gainfully employed in 1940 to the 55 million or so that we would like to employ gainfully in the post-war period, that we must expand the job opportunities in the services.

That means that we must encourage the development of small business. We must encourage more people to become proprietors, to be employers. We must encourage the doughboy, when he comes back and looks for his job, to set himself up in business. And there is something your Association can do. I am glad to see an article handed me in the evening paper that you have already taken action to do what you can to provide the financial service to make that thing possible. We must expand jobs in the services if we are going to meet this objective of 55 million jobs in the post-war period.

Now, what does all this end up to as to the possibilities of business in the post-war period? I think there is developing an enormous demand for consumer durable and semi-durable goods, due to the shortages created as a result of the suspension of production during the war.

We estimate in the automotive industry that we could produce and sell, if we had the capacity, six million cars a year for several years, which is twice as many cars as our average production prewar.

Whenever you make the test up and down the production front, you will find an enormous demand is being created, not only for consumer durable and semi-durable goods, but also for capital goods to make the new things that we must make and to make up for the obsolescence and depreciation

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IBA GROUP CHAIRMEN

SOUTHERN

Jack M. Bass

SOUTH EASTERN

J. Creighton Riepe

Pricing for Future Prosperity

(Continued from first page)
materials for peacetime consumption. This makes for irregular and temporarily-depressed markets. After a brief post-war reaction, however, the surpluses are always outweighed by the shortages. The inflated demand always exceeds the supply, and prosperity of boom proportion develops.

Like all great wars, World War II has brought vast unsatisfied or postponed desires—for five years, almost no building, no automobiles, no silk stockings!

Like all great wars, it has brought enormous unproductive expenditures, financed by boundless public debt, floated largely through bank credit. The curves of bank investments in Government securities, bank deposits, note issues, and money in circulation, have run off the charts! The so-called "liquid assets" of the people are a veritable flood.

Like Noah, I warn you that it is still raining credit, and that the "liquid assets" are water. I bid you get into the ark of rising prices.

Impossible to Hold Prices Down

I do not believe that it would be possible to hold prices down after the war, for the following reasons:

The people have vast sums which they will want to spend. (These are the "liquid assets" in the shape of deposits, bonds, and bank notes. I call it potential inflation.)

The only way to prevent price inflation is either to take their "money" away from the people, or to prevent them from spending it, by freezing the volume of trade with the aid of general rationing. But no Government is in sight which will care to do these things to the U. S. in times of peace! The war psychology will pass with the war.

And don't forget that there has already been a great deal of **effective** price inflation. This has gone so far, and caused so much maladjustment among prices, that on this ground alone I would not believe that an upward "correction" could be prevented.

It certainly seems fairly clear that price policies should be made with the idea that the present prices of factory labor, farm land, building construction, and many raw materials (including among others silver and gold) have risen so far and so fast, that they present serious maladjustments. And since the general tendency of prices is upward, the correction will come through raising the more backward items.

In this connection, the existence of commodity prices which do not enter into the "indexes" is to be remembered. Our "black markets" tell us that reported prices are too low. And even more important, is the absence of standardization in the phyrical units in which prices are expressed. Reduced quality and "up-grading" are a common phenomenon, which also warns us that reported prices are too low.

Another price maladjustment concerns prices in different nations. In some cases, the same commodity is relatively high in one country compared with another. In many cases, the price averages have risen much farther in some countries than others, showing varying degrees of currency depreciation. All this means maladjustment and restriction of international trade. Price-fixing is opposed to securing the maximum volume of foreign trade, and to equilibrium in foreign exchange rates. Corrections in this respect are important and are likely to come through devaluations and rising prices.

Perhaps the most vital motive power to make these upward corrections in prices effective, however, is the desire of the ordinary man to spend his own money in his own way. The existence of vast reserves of postponed desire gratifications has been noted. These unsatisfied desires are heavily backed by a vast pool of "purchasing power" in the shape of "liquid savings" (that is, idle money). More than that, they are motivated by a growing will to spend, based on dissatisfaction with the arbitrary restrictions of war control, which should come to a head with peace.

Price-Fixing Is Bad

A cardinal point in post-war price-fixing policy is to recognize that price-fixing in itself is bad. A brief summary of the chief reasons why this is true is as follows:

Price-fixing inevitably causes s q u e e z e s and maladjustments which disturb and restrict economic processes.

Price-fixing inevitably causes e v a s i o n s and demoralization. These appear in such phenomena as black markets and up-grading.

Price-fixing causes discrimination in favor of political pressure groups. This has been notably true in the present instance in the case of organized labor and the farm bloc.

Price-fixing brings an almost inevitable tendency to subsidize high-cost producers, whether for the domestic market or for export, as we see in the case of cotton and wheat today.

Price-fixing makes for a strong tendency to disregard differential rewards for superior abilities, as seen in the refusal to allow higher profits for the more efficient concerns.

Price-fixing hurts foreign trade and thus limits desirable territorial division of labor.

Price-fixing eventually always causes a resort to quantity controls in order to maintain the arbitrary prices fixed.

Price-fixing affects profits and wages; usually it tends to restrict them and thus reduce motivation to production.

Price-fixing — and this is perhaps the worst of all — tends toward social planning. Mere price-fixing always fails, so that the price fixer resorts more and more to complete control in order to carry out his stabilization scheme. To illustrate, the other day I heard a high official of the OPA tell an audience that neither he nor his chief liked their jobs, and that they wanted to leave as soon as possible. He said, however, that he could not leave until equilibrium had been restored in business. Then he went on to propose here a ceiling and there a ceiling, and in the next breath to suggest here a floor and there a floor, until it became obvious that no equilibrium would ever come out of his administration. Look at the cotton industry today! Of course the conclusion is that if we wait for equilibrium, the OPA will always be on the job. There will always be an emergency!

Here should be mentioned the futility of the arguments of those who hold that prices must be fixed until production can expand. One of the most common arguments today is that we should hold prices down until output increases and thus prevent price inflation. But it is highly improbable that production will ever expand as long as the price fixers are on the job. The surest way to stimulate production is to allow prices and profits to rise. Again I hold that if we are going to wait for production to expand before we abandon the price-fixing policy we will wait long.

* * *

General Field for Price-Fixing

What to do? Obviously I can do no more than state some general principles.

First, we should accept the principle that prices should be fixed only in certain rather definite cases, as follows: (a) As part of a system of war controls in which rationing and priorities are the most important features. (b) Even under war controls price-fixing should be mostly restricted to government purchases and be for the sake of economy in war expenditures. (c) Price-fixing should be limited to cases of real emergency in which there is so much of a hurry to get the goods that it would not be feasible to allow competitive forces to work out. (d) Price-fixing in peacetime should be limited to cases of mon-

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In Attendance At IBA Meeting

(Continued from page 2499)

Simonds, Ralph W.	Baker, Simonds & Co.	Detroit
*Simonds, Burdick	Sidlo, Simons, Roberts & Co.	Denver
*Simpson, F. Bradford	Lee Higginson Corp.	New York
Sims, William W.	Fahnestock & Co.	Chicago
Skinner, David L.	Harriman Ripley & Co.	New York
Slezak, G. Edward	Loewi & Co.	Milwaukee
Sloan, Alfred P., Jr.	General Motors Corp.	New York
Smith, Dudley C.	IBA of A	Chicago
Smith, Elwood D.	Harriman Ripley & Co.	New York
Smith, Lorne C.	Merrill Lynch, Pierce, Fenner & Beane	Chicago
Smith, Norman P.	Merrill Lynch, Pierce, Fenner & Beane	New York
Smith, Solomon B.	Northern Trust Co.	Chicago
Smith, Weston	Financial World	New York
Smucker, Otto	Chicago Sun	Chicago
Sohn, J. Edward, Jr.	Lincoln National Bank	Cincinnati
Song, Elmore	Goldman, Sachs & Co.	Chicago
Spalding, E. G.	Wood, Gundy & Co.	New York
Spaulding, George F.	Northern Trust Co.	Chicago
Speas, J. W.	First National Bank	Atlanta
*Spence, W. Frederick	Robert Hawkins & Co.	Boston
Stanley, Gilbert	Merrill Lynch, Pierce, Fenner & Beane	New York
Stanton, Frank M.	First Boston Corp.	New York
Starkweather, John K.	Starkweather & Co.	New York
Starring, Mason B., Jr	Graham, Parsons & Co.	New York
Stearns, George R.	The Economist	Chicago
Stearns, Philip M.	Estabrook & Co.	Boston
Steel, Walter H.	Lazard Freres & Co.	New York
Steindecker, Otto H.	New York Hanseatic Corp.	New York
Steinecke, S. W.	S. K. Cunningham & Co.	Pittsburgh
Steinhoff, C. F.	C. W. McNear & Co.	Chicago
Stembridge, A. R.	Distributors Group	Boston
Stengel, G. Douglas	General Motors Corp.	New York
Stephens, Donald B.	First Securities Co.	Chicago
Stephenson, F. Kenneth	Goldman, Sachs & Co.	New York
*Stevenson, Gethryn C.	Bacon, Stevenson & Co.	New York
*Stevenson, Robt., 3d.	IBA of A	Chicago
*Stewart, Percy M.	Kuhn, Loeb & Co.	New York
Stewart, R. McLean	Harriman Ripley & Co.	New York
Stirling, Louis J.	Hirsch, Lilienthal & Co.	Chicago
Stitzer, Raymond D.	Equitable Securities Corp.	New York
Stix, Charles H.	Stix & Co.	St. Louis
Straus, Frederick W.	Straus Securities Co.	Chicago
Stuart, William R.	Mason, Moran & Co.	Chicago
Stubbs, John O.	Whiting, Weeks & Stubbs	Boston
Sullivan, Mrs. Dabbs	Walton, Sullivan & Co.	Little Rock
*Sullivan, John J.	Sullivan & Co.	Denver
Swazey, Roswell B.	Harris Trust & Savings Bank	Chicago
Sweet, D. M.	City National Bank	Chicago
Tabke, Carl W.	R. S. Dickson & Co.	Chicago
Talbot, Leonard A.	Hannaford & Talbot	Santa Rosa
Taussig, Garfield J.	Taussig, Day & Co.	St. Louis
Taylor, C. Newbold	W. H. Newbold's Son & Co.	Philadelphia
Tegeler, Jerome F.	Dempsey-Tegeler & Co.	St. Louis
Terry, Charles G.	Schoellkopf, Hutton & Pomeroy	New York
*Theis, Harry	Albert Theis & Sons	St. Louis
Tilghman, A. B.	A. G. Edwards & Sons	St. Louis
Thors, Emerson	Kuhn, Loeb & Co.	New York
Thorson, Reuben	Paine, Webber, Jackson & Curtis	Chicago
*Tomasic, Anthony E.	Thomas & Co.	Pittsburgh
Tompkins, Henry B.	Robinson-Humphrey Co.	Atlanta
Topping, James D.	Braun, Bosworth & Co.	New York
Trees, Harry A.	Paul H. Davis & Co.	Chicago
Tresch, Arthur	Braun, Bosworth & Co.	Chicago
Trigger, Raymond	Investment Dealers' Digest	New York
*Trost, Milton S.	Stein Bros. & Boyce	Louisville
Tubby, Harold A.	Hemphill, Noyes & Co.	Chicago
*Tuerk, Fred R.	Cruttenden & Co.	Chicago
*Turben, Claude F.	Merrill, Turben & Co.	Cleveland
Urell, William H.	Barr Brothers & Co.	New York
Valenta, Frank L.	Distributors Group	New York
Van Camp, Owen V.	Enyart, Van Camp & Co.	Chicago
Vanderpoel, Robert P.	Evening American	Chicago
Van Hart, George	Salomon Bros. & Hutzler	New York
Van Winkle, Paul K.	Paine, Webber, Jackson & Curtis	Chicago
*Varnedoe, Samuel L.	Varnedoe, Chisholm & Co.	Savannah

* Denotes Mr. and Mrs.

(Continued on page 2504)

Facts and Fallacies About Post-War Jobs

(Continued from page 2501)

which has accumulated during the war. I think it is reasonable to assume that there is developing an enormous reservoir of purchasing power to meet this deferred demand. The people have bought liberally of war savings bonds which can be used for the purchase of goods post-war. They have eliminated their commercial indebtedness. The reservoir of installment contracts has been liquidated and can be renewed in the post-war period. The savings banks show increased savings. It has been estimated, and it seems reasonable, that there is a backlog of something like 100 to 125 billion dollars in the hands of the consumer to satisfy his wants in the post-war period. Of course, this is a synthetic situation. It is not based upon a balance between production and consumption. It is based upon a balance of production and consumption, plus the accumulations to which I have referred.

Now, the question arises, what should the managers of American enterprise do about it? According to my point of view, this is an opportunity, and it is a responsibility. There is an opportunity to recognize the fact that the levels of national income prewar died with the war. We ought to do a better job. We must do a better job; we must move toward a greater utilization of our increased economic resources—material, manpower, capacity—and there is a responsibility on the part of the management of American enterprise to step up and do the job, even if they did, by so doing, take a risk. They must plan aggressively. They must go forward. We cannot go backward.

This belief on my part is based upon both a conviction and a faith. It is a conviction as to the validity of the opportunity and the reasonableness of the wish, on the part of the people, in view of our enormous economic resources, for a higher standard of living. It is based upon my conviction that the national economic policies that froze the expansion of American enterprise and job opportunities in the '30's will not prevail in the '40's. I think a different order of things is going to come about. I think a rabbit-out-of-the-hat approach to the problem of economy is finished. I thank Santa Claus is going to be put back to his normal place of operation. This must be done or jobs cannot be provided.

It is because of my faith that those things are going to happen and a different order of things is going to prevail that I have advocated to the General Motors Corporation a program of expansion and development that involves an investment, as you know, of five hundred million dollars.

In conclusion, let me say this, looking forward down the road, that with full opportunities for American industry and expansion of the economy and increased job opportunities—after intimate contact with these problems on a broad scale all over the world—there is no ceiling on accomplishment. The problem is to do those things that enable us to do those things that enable us to capitalize the manifest opportunities that are before us. Science is moving forward all the time, and science, not only in a greater knowledge of the laws of nature, is opening to us opportunities that you have no conception of unless you know the details and can see the picture as it really is. But the problem is to remove from the path of progress the obstacles that are continually being erected by one group or another. That is what we must do. That is the problem we face in the post-war period, and that is the problem upon which rests further expansion of the economy, a higher standard of living, more jobs and more better things for more people.

Pricing for Future Prosperity

(Continued on page 2504)

opoly and to public utility goods in the broad sense of that term. Monopoly prices should always be subject to regulation. Public utility products (perhaps milk) which are generally recognized as necessary to individuals in a democracy but which are scarce, may well be rationed, with price-fixing as a mere adjunct to the rationing process.

Now then for a more specific approach to a general program bearing on post-war pricing policies in the case of competitive goods.

Not a price should be fixed until the purpose of the price-fixing is carefully analyzed and the price-fixing authority has publicly made up its mind whether the idea is to hold profits down in some industry or to prevent inflation (whatever that may mean!), or to hold down the cost of living for the benefit of organized labor, or to aid in controlling run-away speculation and thus prevent a final collapse, or what not. In general it would be my idea that any price-fixing in the post-war period should be applied for the main purpose of facilitating a return to the free equilibrium of the competitive price system.

Having decided on the purpose, the next most important thing is to agree on the cause of the unsatisfactory situation for which the price-fixing is contemplated. It is my idea that the main causes which seem to invite any price-fixing in the future are (1) inflation and (2) bungling attempts to control our economic life, including among these the price-fixing of the past.

Practical Program for Post-War Pricing Policy

Then, havng analyzed the purpose and recognized the causes, the following steps should be taken:

(1) Stop inflation. Turn off the spigot. Reduce the deficits. The main parts of this first step are (a) economy in government, (b) the adoption of a sound monetary system based on an objective standard of value, and (c) the return to sound principles of commercial banking.

(2) Recognize the desirability of controlling monopoly and regulating public utilities of all sorts, and perfect the controls and regulations in this sector of the domestic front — if I may be forgiven such warlike terminology. It is highly important that regulation in this sector should not be mixed up with price-fixing in industries that are or can be competitive.

(3) Then let prices rise. Let money rates go up. Merely seek to establish the conditions of fair competition, of course subjecting business and finance to the now fairly-well recognized kinds of government regulation which most thoughtful students of economic life accept. In other words even in the non-monopoly area nobody now proposes laissez faire. Nobody defends unfair methods of competition. But, to repeat, subject to these conditions, let prices and money rates go where they will. I think they will go up.

(4) The general basis for government interference or regulation which has a bearing on post-war pricing should be found in the desirability of creating sound price - determination conditions; that is, sound conditions of demand and supply. Here come some of the more interesting detailed points in my analysis.

(5) Certain quantity controls will perhaps be desirable till the early post-war period. It seems to me rather probable that some rationing of important scarce articles of general consumption might be required from time to time. It also seems rather probable that some interference with speculative mass movements which might lead to forward buying and accumulation of inventories may be justified. For this purpose, and in this connection, a great deal of statistical information should be made available promptly. More than that it is possible that accumulation of inventories should be limited by some authority to a generally recognized proportion to sales or rate of production or other reasonable basis.

Finally, it might be desirable at times to give some unbiased and expert authority the power to name a price ceiling on some goods, the price of which is rising with extraordinary rapidity, solely for the purpose of checking speculation.

As to the form that this limited price-fixing should take, I would say that a few basic truths are that there should be no use of price "floors," but only ceilings, and that prices should be fixed only for a few basic products rather than as a part of an attempt at a general control of markets.

(6) All government subsidies should be withdrawn.

(7) Sound labor conditions should be provided through a just and equitable revision of the National Labor Relations Act, designed to make collective bargaining a fair and two-sided performance.

(8) Much freer trade with foreign nations should be provided by the reduction of tariffs and other barriers which restrict exports and imports, particularly the latter.

(9) Finally, the quicker we make up our minds that taxes should remain heavy for a long while, and that the burden of taxes should be lightened only by making it rest more fairly upon the shoulders of the people, the better. It is a great comfort to a democratic nation to know that if, under one price or another, profits are unduly large, they will be reduced by taxes.

General Summary

Inflation of our credit currency is, I hold, the main factor in pric-

In Attendance At IBA Meeting

(Continued from page 2503)

Veit, Robert T.	Shields & Co.	New York
*Vieth, Walter H.	Vieth, Duncan & Wood	Davenport
Vinson, Egerton B.	Hallgarten & Co.	New York
Vobayda, Lud C.	First National Bank	Minneapolis
*Voorhis, P. A. H.	Adolph Lewisohn & Sons	New York
Wakeley, Arthur W.	Paul H. Davis & Co.	Chicago
Wakeley, Thompson M.	A. C. Allyn & Co.	Chicago
Walker, Clifton P., Jr.	First Securities Co.	Chicago
Walker, Joseph T., Jr.	Hornblower & Weeks	Boston
Wallace, Darnall	Coffin & Burr	New York
Wallace, Howard O.	George D. B. Bonbright & Co.	Rochester
Walter, Benjamin A.	Bingham, Walter & Hurry	Los Angeles
*Walters, P. A.	Stone & Webster and Blodget	Chicago
*Walton, Gus B.	Walton, Sullivan & Co.	Little Rock
Wanders, George	New York Herald Tribune	New York
Ward, Francis T.	Morgan Stanley & Co.	New York
Ward, James C.	Third National Bank	Nashville
Ward, Norman B.	Norman Ward & Co.	Pittsburgh
Ward, T. Johnson	Merrill Lynch, Pierce, Fenner & Beane	Philadelphia
*Washburne, Hempst'd	Harris, Hall & Co.	Chicago
Watling, John W.	Watling, Lerchen & Co.	Detroit
Watson, Harley A.	Eldredge & Co.	New York
Watson, Philip K.	Campbell, McCarty & Co.	Detroit
Watterson, William H.	Fahey, Clark & Co.	Cleveland
Weaver, Deane L.	G. Brashears & Co.	Los Angeles
Webster, Byron G.	Merrill Lynch, Pierce, Fenner & Beane	Chicago
*Webster, Robert C.	Webster & Gibson	Nashville
Weed, William F.	Baker, Simonds & Co.	Detroit
*Weeks, Robert S.	Whiting, Weeks & Stubbs	Boston
Welsh, William W.	Welsh, Davis & Co.	Chicago
*Weltner, Adolph E.	A. E. Weltner & Co.	Kansas City
Wendell, Barrett	Lee Higginson Corp.	Chicago
Wenzell, A. H.	First Boston Corp.	New York
Wheeler, Howard S.	Leedy, Wheeler & Co.	Orlando
Whipple, Jay N.	Bacon, Whipple & Co.	Chicago
Whitbeck, Brainerd H.	First Boston Corp.	New York
White, Harry H.	White, Hattier & Sanford	New Orleans
Wigeland, Andrew E.	City National Bank	Chicago
Wilbur, Leroy A.	Stein Bros. & Boyce	Baltimore
Willard, Frank A.	Reynolds & Co.	New York
Willard, E. Warren	Boettcher & Co.	Denver
Williams, Albert J.	Boenning & Co.	Philadelphia
*Williams, Elmer L.	Allison-Williams Company	Minneapolis
Williams, Emil C.	Chemical Bank & Trust Co.	New York
Williams, Harry G.	Quail & Co.	Davenport
Williams, Lee	Chicago Daily News	Chicago
Williams, Robert N.	Milwaukee Company	Milwaukee
Williamson, John D.	Mahan, Dittmar & Co.	San Antonio
Wilmot, W. G.	Hibernia National Bank	New Orleans
Wilson, Charles R.	Glore, Forgan & Co.	Chicago
Wilson, H. Warren	Union Securities Corp.	New York
Wilson, Lyle F.	Ferris & Hardgrove	Seattle
Wilson, Walter W.	Morgan Stanley & Co.	New York
Wiltberger, Alfred S.	Blyth & Co.	Chicago
*Witter, Jean C.	Dean Witter & Co.	San Francisco
Witter, Major Wendell	Dean Witter & Co.	San Francisco
Wittich, Wilbur R.	Maxwell, Marshall & Co.	New York
Wolff, James W.	Newburger & Hano	New York
Woll, Albert J. T.	E. M. Newton & Co.	Boston
Wood, Harold E.	Harold E. Wood & Co.	St. Paul
Woodard, Lawrence B.	Woodard-Elwood & Co.	Minneapolis
*Woody, Marion H.	Walter, Woody & Heimerdinger	Cincinnati
Work, Robert M.	Salomon Bros. & Hutzler	Chicago
Writer, Harold D.	Peters, Writer & Christensen	Denver
Yarnall, Alexander C.	Yarnall & Co.	Philadelphia
Yates, W. S.	C. F. Childs & Co.	Chicago

* Denotes Mr. and Mrs.

ing for the future. In theory, we could reduce the currency and hold prices down—but try to do that in our democracy! There is only one other sound procedure, and that is to let prices rise so as to reflect the existing quantity of currency, with due allowance for other conditions entering the equation, notably a probably increase in the turnover of bank deposits. (We should let people use the money which they have earned or have been given.) In this procedure, there is the danger that the currency might be allowed to expand further, so that rising prices could never be stopped; and such further expansion would have to be prevented.

Then, I suggest, that a board of economic scientists be selected to advise what level of prices would satisfy the foregoing requirements and which could reasonably be regarded as an equilibrium level that could be maintained. By studying the usual relationships among the various items that go to make up the price structure, one might be able to guess about how high various particular prices might be expected to go. Tentatively, in the cases of a few basic commodities (and in cases of extreme speculative rises) it might be desirable to fix some price ceilings on the basis of this estimated equilibrium level.

In a sense, all this is vastly simple. At the end of the war, there will be two great price problems: one will concern **surplus** goods, the other **shortages**. In the case of surplus goods, prices should be allowed to fall to whatever level may be required to invite competing private investors to buy. In the case of shortages, prices should be allowed to rise to whatever level may be required to induce competing private producers to expand output, or to encourage imports. In short, the remedy is the same—let prices reflect competitive values in free and fair markets.

But note that unquestionably the shortages will prevail within a year or two after peace comes, and that then the average of prices will rise.

Stablest Stocks of 1944

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, have prepared an interesting tabulation showing the stablest stocks on 1944 fluctuations and on 1943-44 fluctuations. Copies of the tabulation including an interpretation of the data may be had from Paine, Webber, Jackson & Curtis upon request.

OUR REPORTER'S REPORT

Financing of America's postwar air transport growth got away to a definite start this week when Pan American Airways revealed plans for raising $25,000,000 of new capital.

While some of the other airlines may be contemplating the use of a type of "equipment trust" to finance new plane purchases, Pan American is definitely committed to a program which calls for the raising of its needed funds through the sale of equity securities.

And it is interesting to note that investment bankers, as such, do not enter into plans of the big air carrier. Its whole program, which involves a split-up of the present shares, will be underwritten by the Atlas Corp.

Present stockholders will be given the right to subscribe for one new share for each two held after the a two-for-one split of stock now outstanding. The new shares will carry warrants giving the recipient the right, for two and a half years, to subscribe for an additional share.

Atlas Corp. would take for its commitment, in lieu of cash, a limited number of such option warrants. The offering is expected to be made next June, and it is a safe assumption that other air transport companies will be watching this undertaking with no little interest.

It may provide a cue to the manner in which at least a sizable portion of future airline financing may be done.

Rail Liens Popular

Brisk bidding keeps the general run of railroad bonds, chiefly the secondary and speculative groups, in the forefront of the trading market. Doubtless the growing conviction that the war is destined to last longer than had been regarded as likely a brief spell back, has revived these popular trading mediums.

Perhaps the thought motivating buyers is that prolonged hostilities will give the roads a greater opportunity for fortifying their financial position, a job which has been receiving plenty of attention these last few years.

Yet the Assn. of American Railroads reports that October was the 17th successive month in which rail net income has shown a decline. But results are substantial at $59,999,900 even though down from $76,026,558 a year ago.

Keeping on the Ball

The underwriting fraternity, or that portion of it which is getting time out from the current Treasury War Loan Drive to do a little home-knitting, is putting in some active work toward shaping things up for the next period of corporate underwritings.

With the War Bond Drive lagging a bit, though there is no doubt that the $14 billion quota will be passed with room to spare when the final returns are in, dealers do not expect much in the way of corporate business to be squeezed in between the close of the drive and the turn of the year.

Feeling is that potential issuers probably would be inclined to let such business go over into the new year and spend the balance of the waning period in clearing up odds and ends. Yet each day brings reports of new groups being formed to go after prospective new issues when if, and as, they materialize.

Several New Ones

This week brought several new prospects to light in the corporate field. Detroit Edison Co. was added to the list in the belief that the company would undertake to refinance, on a lower cost basis, bonds outstanding under its general and refunding mortgage.

No less than four banking groups were reported setting up their lines in anticipation of such an operation early in the new year. The $49,000,000 of Series F 4s, maturing in 1965, is considered as the first likely step in such a program.

Meanwhile several other groups were reported forming to participate in bidding for new securities which would be involved should Duquesne Light Co. decide upon refinancing its first mortgage 3½s outstanding in a total of some $70,000,000.

And in the railroad field bankers were directing attention to the possibility that Chicago & North Western Railway may undertake to refinance its first and general mortgage 4s of 1989 outstanding in excess of $55,000,000.

Raytheon Interesting

Raytheon Manufacturing Co. offers interesting possibilities, according to a memorandum issued by Roberts & Co., 61 Broadway, New York City, members of the New York Stock Exchange. Copies of this memorandum may be had from Roberts & Co. upon request.

IBA GROUP CHAIRMEN

NEW YORK

Frank A. Willard

E. PENNSYLVANIA

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SOUTH EASTERN

M. M. Grubbs

Free Markets and Venture Capital

(Continued from page 2465)

loan associations, time deposits, and United States savings bonds.

The tax program which we hope Congress will soon begin to formulate will necessarily reflect the views of those who shape it as to the size of capital investment needed, the manner of financing such requirements and the part the capital markets may be expected to play.

In this connection it is well to bear in bind that the outstanding fact of the pre-war period was the ability of business enterprise, especially large corporations, to generate funds from internal sources, and to finance without resorting to the capital markets except to a limited extent.

A brief review of the data shows:

1. Outlays for plant and equipment vary generally with general business activity, contributing in turn to the magnitude of such activity and profits.

2. New security issues, covering refunding operations and financial issues such as investment company securities, have little significance except as measures of financial activity. "Productive" security issues are the best measure of the use of the capital market for new funds.

3. "Productive" security issues were much smaller even in the twenties than is generally supposed. That the total for 1924 was not exceeded in 1928-29 is noteworthy.

4. The total of "productive" security issues was small in relation to outlays for plant and equipment in the twenties, averaging roughly around 20%, and was negligible in the thirties.

It has been emphasized that the provisions for depreciation and depletion were larger than the total outlays for plant and equipment in some years of the thirties.

Summarizing the data, it appears that from 1923 to 1929 business enterprises invested on the average $8.7 billion annually in plant and equipment. Of this, $6.4 billion, or 74%, came from funds accumulated from internal sources. During the five years 1935-39, average outlays for plant and equipment were $5.8 billion. Of this amount, $4.8 billion, or 83%, came from internal sources. Much has been made of the fact that depreciation and depletion deductions were available, and were sufficient to account for a great part of the plant and equipment outlays. But this is nothing new. Moreover, the gross balance sheet of American business shows that the country's plant and equipment was only being replaced at best and that for many years there was actual dis-investment in important amounts. The small volume of "productive" capital issues merely reflected the low demand for funds.

The ability of corporations to retain earnings for their own expansion has led some to believe that large enterprises do not need to have recourse to the capital market. Responsible economists, understanding the critical importance of this question, have turned their attention to it. Their findings of fact are that over a period of two decades the relationship of funds retained to other funds has remained constant.

With the slackening of business activity in the early thirties, securities sales declined. But in the years of business expansion during the thirties, security sales were as important (if not more so) relative to asset expansion, sales, profits, and alternative sources of funds as they were during the expansion years of the twenties.

Indeed, in 1938 new funds obtained by manufacturers from the market equaled the highest proportion of fixed capital expenditures of any year in the two decades, reaching 48% in 1938, where they were 33% in 1929.

New funds declined, it is true, during the thirties. But undistributed earnings declined even more as the source of funds for corporate expansion. In the twenties new funds from the securities market amounted to only 52% of undistributed earnings, but in the thirties new funds were 187% of undistributed earnings. The capital market as a source for funds for large corporations has not fallen out of favor even during the lean years before this war.

Most future financing should be equity financing, and in my belief it will be, provided ownership is made attractive.

During the twenties, in the four years 1925 to 1929, a representative list of large manufacturers sold bonds to the value of $722 millions, and stocks to the value of $659 millions. This is the best ratio we have for equities.

In the five years preceding World War II, term loans assumed new importance in the financing of manufacturers.

Corporations undoubtedly have the choice of several methods of financing. Their choice will be influenced by conditions of the business cycle, the expectation of profits, the preference of investors and other considerations. Practices of different types of corporations vary.

The most powerful external factor influencing their choice is the tax burden they must bear.

The fact that risk-taking enterprises have fallen under increasing tax burdens during the war period is manifest to all thoughtful men in business. The necessity for a great increase in risk-taking enterprises in order to provide the money to back jobs is equally evident. These two facts, however, have not yet become evident to the people as a whole. They should be made evident to them.

Coldly appraising each man and each institution in this coming period of critical need, as sources of financing that will back jobs, we may deny personal advantage and business advantage, and give thought solely to the national interest. Taxes which bear unduly on those who must provide financing are not in the national interest.

When there is flight from risk-taking enterprises into tax-exempt securities, when there is double taxation on the income of business, we have no need to ask whether changes are called for in our tax system, in the interest of the people as a whole.

The money flowing from corporate incomes is a primary source of the capital which gives employment, whether that income is reinvested by the corporation for its expansion or is placed by recipients into new ventures. When that money is unduly taxed away, the ventures which must give employment do not come into being. These are truly taxes on employment.

As a committee of the Congress has pointed out, an increase in corporate net income resulting from adjustment of the tax burden would flow partly to workers in higher wages, and partly to consumers in lower prices of the goods they buy.

You are all familiar with estimates of the volume of liquid savings in the hands of individuals. They have reached unbelievable heights. We do know that up to September eighty-one million persons have bought and kept war bonds.

Today our watch-word for war bonds is "Buy and Hold." But some day—and no man can tell when that day will come—it will be the highest patriotism to invest that money in enterprises which provide employment. To think anything else would be defeatism as to the future of this free nation.

The people of this country want to get ahead. It is in their tradition. Before they started their great westward migration, thousands of streams in little, rocky valleys of New England turned mill-wheels to help men get ahead.

The development of our industry has given horsepower to freedom. It has raised the well-being of the working-man. Many men in this room have come from forebears who worked with their hands, and their grandfathers or great-grandfathers, if they could see the comforts of the average man in America, would thing it was a dream.

The basic idea of our industrial society is to find out what a man is good for, and to give him a chance. Make use of people! The foremost resource of the United States is the people of the United States. This thought gives new meaning to freedom.

But no one must ever forget that it has been savings and investment which made industry possible and freedom full of new meaning. If in this post-war era the people are in truth to have a new birth of freedom, then savings and investment again become essential.

I have no reluctance to judge of the future by the past. History can teach us much. But one thing it teaches is that history is full of surprises. As for America, it has always given history the surprise of its life.

This is a new nation, conceived in liberty.

Every person in this audience must have in his mind an undercurrent of excitement as to what is coming out of the box after this war, in the way of new and better goods.

I believe that our people will not only want to buy these post-war goods, but they will want to buy into them, become owners in the companies that make them.

We remember vividly how this nation was set on fire by an explosive idea, new in the history of mankind. This was the idea that people could live in comfort, could live in better health, and could drive automobiles. This was not a future idea—you could see it on the street. It was natural that they should wish to become owners in the companies that made these marvels.

There was much that was disgraceful and discreditable in the twenties. The people of this nation overplayed their hand. Some men took advantage of them.

Security ownership, we need to remember, is relatively a new experience to most people. If it is a good thing for a boy to learn to take care of a horse or a dog, to give him a sense of responsibility, then it is a good thing for a man to learn to take care of securities. The nation needs to get the habit.

The responsibility of Government to make ownership more attractive has by no means been exhausted in the brief treatment I have given it. The capital gains tax, for example, has never provided significant revenue. It is a deterrent to necessary and desirable ventures and should be reconsidered.

If in the final apporaisal it is found that through inattention, or preoccupation with other matters of Government, due care has not been taken to study the tax problem so as to allow risk-takers opportunity to provide jobs, then the people will understand that one of their foremost needs has not been considered—that they have been let down.

Nowhere is there any automatic assurance that a supply of venture capital will be forthcoming to equip our nation for vigorous life. It does not flow like air to the lungs, or blood from the heart. The organism requires it, but it may not appear.

But when the people understand that the road to independent ownership is the road to freedom, that there is no middle ground between venture and freedom on the one hand, and loss of freedom on the other, we may believe that they will turn their attention, and that of their Government, to the means for their free national life.

The subject we are discussing, ownership and employment, is as old as man's nature. Both conservatives and innovators seek to contribute to it. I find comfort in remarks by Emerson, who has been called the wisest American, written at a time when the nation was torn between these two points of view. He spoke for a union of both, using as an example the superior beauty of the oak, which stands with its hundred arms against the storms of a century, and grows every year like a sapling: "It is happiness for mankind," he said, "that innovation has so free a field before it. The boldness of the hope man entertains transcends all former experience."

Former Goshen Veneer Co. Properties Bought By Utah Radio Products Company Subsidiary

Fred R. Tuerk, President of the Utah Radio Products Company, announces that, through its subsidiary the Caswell-Runyan Company, Huntington, Indiana, the property and equipment formerly owned by the Goshen Veneer Company has been purchased.

Mr. Tuerk pointed out that the acquisition of the Goshen plant assures a supply of panels for post-war items to be manufactured through the Caswell-Runyan Company — radio cabinets, cedar chests and miscellaneous furniture.

Fred Tuerk

The complete facilities of the Goshen plant will be devoted to war production. Additional machinery will be purchased for this purpose. However, in the post-war period this same machinery will enable the Goshen plant to manufacture products previously manufactured by Utah's subsidiary company, the Caswell-Runyan Company, with the exception of cedar chests.

Of interest to radio manufacturers is the fact that the Goshen plant is equipped to make up panels, in anticipation of post-war demands by radio set manufacturers.

G. Hamilton Beasley, President of the Caswell-Runyan Company, plans an extensive research program in connection with the Goshen acquisition. Development work will be carried on in connection with bonding materials, nailing-up and impregnation of soft woods. Mr. Beasley also announces a complete program of modernization of woodwork facilities in Huntington has been undertaken. It is expected that with these modernized facilities the output of the woodworking divisions of Utah Radio Products Company's subsidiary will be double that reached during pre-war years.

Mr. Beasley also stressed the fact that the metals division of the Caswell-Runyan Company, now operating exclusively on products for the armed services, likewise plans a reconversion program for post-war business. This division, although inaugurated less than two years ago, now ships considerably more in the way of net sales than the woodworking division.

Mr. Tuerk stated that consolidated shipments by the Utah Radio Products Company, excluding shipments by the Argentina affiliate, reached a new high in October. Gross sales were $1,626,274. This is at a rate of approximately $20,000,000 annually.

La Grange & Co. to Admit

La Grange & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, will admit Murray Felder to partnership in the firm as of Jan. 1, 1945.

Social Security In the US

The Chamber of Commerce of the United States of America, Washington, D. C., has prepared a bulletin entitled "Social Security in the United States" containing the official declarations of policy of the Chamber of Commerce of the United States for the post-war and the Chamber's Social Security Committee Report drafted, after a year's study, by a broad cross section of representative businessmen from manufacturing, retailing, insurance and other fields.

This bulletin is available from the Chamber of Commerce on the following terms: single copies, free; additional copies, 5 cents each.

Some More Observations on the Peacetime Conscription Issue

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establishing among them a better understanding of their fellows and thus strengthen the democratic process. Moreover, I believe that such training would be of tremendous benefit, eventually, to the public health. The physical examination which would be given to all young men upon reaching the prescribed age would give us annually an excellent inventory of the health of our young people and would furnish a most valuable guide to the public health and educational authorities of the nation and of the several States in taking measures which would eradicate those disabilities from which a far too large number of our people are suffering. And in the training camps themselves many minor physical defects would be corrected, to the great advantage of the young men in their later years. In such a system of training I see no dangers whatsoever in the way of the establishment of a militaristic spirit or caste. We are not that kind of people.

O. M. JORGENSON
President, Security Trust & Savings Bank, Billings, Montana

I have always felt that some military training was a good thing for any youth; however, if I thought that compulsory military training would build up a military caste in this nation, I certainly would be opposed to it.

Certainly today we are confronted by many problems in our nation, affecting our morality. One of our major problems is juvenile delinquency, which probably can be attributed to lack of family discipline and supervision. Therefore, it would seem that a year's compulsory training might provide some valuable discipline. It seems like we have tried most everything else once, so it might be a good idea to give compulsory military training a trial, too. Frankly, though, I do not pretend to be an authority and do not feel big enough to provide a solution to some of these major problems.

HON. WAT ARNOLD
Representative in Congress from Missouri

The following are my views concerning compulsory military training in peacetime for America:

I am in favor of permanent peace, and do not want any more wars. To this end we should have an adequate Army and Navy and do our part in the preservation of world peace, but it must be done by voluntary methods, and not by compelling a boy or girl to become a militarist against his or her own wishes.


Hon. Wat Arnold

I believe we should raise the pay of all our armed services to where it will be attractive, and then we will get plenty of folks to volunteer, who like that kind of work, to take care of our part in policing and in the preservation of world peace.

Our country and form of government was started by folks who left the old world to get away from war and involuntary military service. Our nation has grown great under our present system, and while we lose a lot of money in these sudden war efforts, this waste will not be as great as the amount of money it will require to maintain a huge involuntary militaristic conscripted peacetime war effort.

G. T. BAKER
President, National Airlines Inc., Jacksonville, Fla.

I favor compulsory military training in peacetime only under certain conditions. The first and most important condition is that it must be handled in an efficient manner, without the usual bungling that goes along with Army procedures. Furthermore, the training should not be for more than one year, and the training might be given during the last year in high school or during and in connection with first year of college.


G. T. Baker

PHILIPP H. LOHMAN, Ph.D.

The time has come for Americans to do some honest and real thinking—thinking divorced from the usual swings of public emotions. U. S. citizens want peace. Again I raise the question: Do they realize the price that peace demands and are they willing to pay it?


P. H. Lohman

Just as individual liberty demands as its price for continuous existence eternal vigilance, a price which evidently not all of us are ready to pay, so durable peace requires the establishment of certain economic, political and social institutions. These institutions will exact a heavy price from us in terms of both physical and monetary inconveniences. Are we willing to pay that price?

Anyone perusing daily reports from the nation's capital as well as from abroad, no matter how optimistically inclined he may be, must have surely been impressed by the fact that the millenium is still rather far away. While I have been impressed at various international conferences, which I have attended, with the sincere desire of the Russians to cooperate, I cannot rid myself of a certain feeling of uneasiness when Moscow dispatches stress Russia's policy not to interfere in the internal affairs of other nations and in the same breath Russia attacks foreign governments for their internal policies with a vigor heretofore thought beyond the use of official governmental organs.

To be sure, we too are partially responsible for whatever international conditions prevail. Nor do the words emanating from London dispel all doubts that finally the obvious has come within range of attainment.

No doubt, certain international security organizations will be set up, but if these organizations are to grow in usefulness, they must not be burdened with tasks obviously beyond the strength of youth. Such a policy would only discredit the institutions and hasten their collapse or speed them on to at least innocuous existence.

There will be, after this war, an interim period during which the primary if not sole guarantee for national freedom and existence will rest with the individual nations. What military policy should be pursued by this country in that interim?

Professional Army Taboo

A standing, professional army a la Germany is out of the question. The perpetual danger that such a body would constitute to the maintenance of democratic institutions is quite clear—particularly so as wars always produce frustrated complexes. For them a large standing army would be an ideal vehicle to gather in loose strands of power and weave them into an unbreakable halter.

If a civilian army is to be established, who shall be drafted and for how long? Universal training means that young women as well as young men should be included. The services required of women would naturally differ. Not only would they include the more or less technical services now performed by the women's contingents within the armed forces, but such services should also include nurses' aides, appropriate civilian defense training, and similar functions.

The time to induct individuals, in case of high school students, would probably be most ideally upon graduation, or in the case of non-high school students at a suitable time, so as to avoid hardship in the individual's job preparation.

Tenure of Training

While training periods have now been cut considerably — some sources state that the armed forces need considerably less than one year of training—it would seem to be inadvisable to demand less than one year of service as a minimum for both men and women. Having had the experience as both enlisted man and officer, I know that there is more to training civilians than the mere technical performance of delegated duties. There must be a certain process of assimilation to military life without which capable soldiers cannot be turned out and which simply cannot be obtained in four or six months. Even after one year of service, periodic refresher courses will be necessary for the reservists. Obviously, women would be much more restricted in that respect. Their refresher courses would probably be confined to the equivalent of commissioned and non-commissioned grades. Besides, there are certain advantages for all educational facilities in adjusting themselves to a one-year universal service period.

Such training should be what its name implies—training along military and the necessary technical lines including literacy education where necessary. The wartime expedient of giving courses within the military establishment accepted by schools throughout the country for credit should be discontinued. Federalized, State general education has no place in a democracy; as a matter of fact, it may easily ruin it.

Responsibilities in a Democracy

U. S. citizens talk much of their rights as citizens in a democracy, but few talk of their responsibilities. If responsibilities are not assumed, individual rights will disintegrate in our hands. The downfall of democratic institutions has always been failure to assume responsibilities on the part of all. With smaller families, the former social adjustments, including the assumption of responsibilities, can no longer be made within the family and school alone is not a complete substitution. Young citizens must be impressed with the fact that they owe something to society—the payment of their obligations gives them a moral claim to their inalienable rights and at the same time makes these rights possible. Such training will also teach a virtue so abysmally disregarded in the 1930s, namely, self-reliance.

But much more than that is at stake. With a much lower birthrate, this country can no longer afford to disregard its most precious natural resource—its citizens. While no complete answer, universal military training will do much to raise national health standards and will bring the nation a step closer to the sine qua non of democratic existence — equal opportunity for all. A boy who has been made a sergeant during his training will enter college, a farm, store, or a shop as an individual better equipped to assert his qualities for leadership than a boy who has not had such training. The same applies to women, be their ultimate destination a professional or business career, or the most important institution of all in a democracy, a home.

Social Benefits

I am under no illusion that there will be no drawbacks in many individual cases. But I am equally convinced that the net results in promoting self-reliant citizens and raising health standards will far outweigh any of the minor disadvantages which will accrue. Again let me repeat that a partial price for peace in the transition period ahead, until we are willing to create international authorities with authority, will be compulsory military training. If that is accepted by all realistic and peace-loving citizens, whose sole allegiance belongs to this nation, then the next step should follow: The creation of that type of military organization which will help to give the maximum social benefits. There are these by-products of military training. Let us make sure that they will be the best there can be obtained even if a hundred millions or more are added to the bill.

Speaking of by-products, one might add that reduction of the voting age is ahead. Not only because the sentiment as expressed in the dictum "old enough to fight, old enough to vote" will demand it, but because the United States age composition of its population will increasingly demand it. There are only three groups in society. Those too old to or otherwise incapacitated for work. Those too young, or still in the training process, to work. Those who turn out the goods and services that determine ultimately the standard of living.

Reducing Voting Age

The rising number of people in the higher age brackets can and will vote itself benefits at the expense of the other two groups. For that reason alone it is socially desirable to reduce the voting age, perhaps gradually. First to 20; later on to 19 and eventually 18 years of age. Then, too, for general policy formulation, a more even mixture of age groups voting will better assure progress, tempered by the restraint of age.

To give up one year of one's life to social service will do much to restore maturity to youth. Educational institutions, even when the time comes when they will make a more fruitful effort to turn out good citizens than they have hitherto made, can still not carry the entire burden. That is, if a radical alteration in school training is to be avoided.

The economist in me can also see certain economic advantages to be derived from universal military service. I have for a long time objected to the loose use of the term "national economy." Whenever the national economy is referred to, cognizance should be taken of the fact that the national economy consists of two segments—a private and a public economy. Their gears must mesh, a thing they certainly have not done in the past.

A Cheap Price

A military establishment such as must be set up as the price to assure freedom and our rightful place in the world will entail considerable expenditures which could be postponed within the short-run period. There will be ships of all types, planes, buildings, and all sorts of installations amounting to many millions if not billions. In comparison to spending nearly $100 billion in one year of war, in addition to human lives, this is still a cheaper price to pay for security. But the addition of so huge a chunk to the public economy should finally persuade us that time has come to create the governmental set-up which will assure above all that whenever possible such expenditures will not run with the business cycle, but against the cycle.

Let us not repeat the mistakes of needlessly aggravating a private building boom by additional high public construction outlays, with the result that costs are needlessly driven up — incidentally giving the taxpayers less for their money. Then after the boom has run its course, there is no support for the price structure in form of a public construction reservoir and the downward spiral of less demand, less employment, less income, more unemployment asserts itself once more. Thus we must take resource to new borrowings, often for more or less hastily and/or ill conceived projects, increasing a debt burden needlessly and promoting thus progressive socialization.

Once an agreement has been reached on the qualitative and quantitative aspects of our universal military training program, discussions are in order on the problem of defense economics. If such expenditures are not integrated with the economic conditions prevailing at any one time in the private economy, dire results will follow. On the other hand, a strong argument can be made that one of the important by-products of a military establishment as a powerful nation such as the United States will have to maintain after this war, will be increased economic stability if properly conceived and executed.

What We're Fighting For

This is not a plea for universal military training on social or economic grounds. We need it to assure the retaining of our liberties for which millions are today fighting everywhere. If it is granted that such training is a part of the price to be paid for peace, then surely it is just common sense that the country should assure itself of all the by-products and advantages which such a program entails. It would be folly, if not treason, to set up a military establishment as necessity forces us to do and neglect so to construct it as to give in return better, healthier citizens and more economic stability.

CHARLES R. HOOK
President, The American Rolling Mill Co., Middletown, Ohio

I am in favor of universal military training because I think it is essential for some years to come in the interest of national defense.

Charles R. Hook

I do not feel competent to express a final and definite opinion with respect to the number of months of such training. I have great confidence and faith in the good judgment of General Marshall and I am sure that before he made a recommendation to the Congress he would advise and counsel with not only members of his staff but with men of good judgment who have gone into the combat services from civilian life.

My present feeling is that a period of nine months' training would be sufficient and should start on the first of September and end on the first of June, and should take young men after they have finished high school and before they go to college or are prepared to go to college.

Advantages Seen

Several things would be accomplished by this training:

(1) Careful physical examination would indicate in many, many instances courses of treatment to improve their health and make them useful citizens in the years to come and their physical program, while in training, could be planned with this in mind, with the result that we would have in the future a stronger, more virile, adult citizenship.

(2) Aptitude tests would indicate the branch of the service into which they would fit best and would give them at least a little preparation for their future life's work. Great care should be taken so that such training would not encroach on or become a part of a Federal system of general education. Therefore, it would be highly important to have an advisory counsel of our most competent educational administrators to work with our chiefs of staff in laying out the program in so far as it deals with educational training.

(3) I think that a period of reasonable restraint and discipline would be an excellent thing for young men at this time of their life, as it would help to demonstrate that their recognition of authority is essential in the successful operation of any organization whose objective is to get a specific job done.

I am not afraid that a military caste would be built up in this country because the people of the United States would rise and order the cancellation of this military program if they believed it was not operating in the interest of the nation.

R. M. HANES
President, Wachovia Bank and Trust Co., Winston-Salem, N. C.

I am personally very much in favor of compulsory military training in peace-time, and I think it is most necessary for our future safety. I think every boy between the ages of 18 and 22 should be compelled to take one or two years of intensive military training. This would improve him physically and give him respect for authority and order, and would fit him to take his place in a citizens' army for the defense of this country whenever his services should be necessary.

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Robert M. Hanes

If every college in the country could be persuaded to cooperate in this, a great many boys could secure their military training at the same time they are taking their college work. A boy who is not going to college could be given manual training and taught various trades while he is taking military training.

It seems to me the whole program would be highly beneficial to our future male citizenship and to the nation as a whole.

ROBERT C. CLOTHIER
President, Rutgers University, New Brunswick, N. J.

For the purpose of your symposium, let me define my attitude as favorable to a sensible plan of compulsory military training. I base this opinion upon two considerations:

Dr. R. C. Clothier

First, we have had eloquent testimony during recent years of the fact that mankind has not yet advanced beyond the point at which it is willing to settle its differences by force. The danger to the peoples of the world resulting from this willingness to settle disputes by force will not necessarily be removed by the winning of the war and by the setting up of a program of international cooperation to enforce peace. It will not be possible for America safely to disarm until this international organization has had an opportunity to prove its effectiveness in practice. This will take years, even decades. Meanwhile, America must never again be permitted to fall into the danger into which she fell in 1941 when, in the midst of a world at war, she lay practically defenseless.

Cites Switzerland's Example

The Presbyterian Synod of New York, at its meeting in Brooklyn on Oct. 16-18 (as indicated in the box on page 1 of the Oct. 26, 1944, issue of the "Commercial and Financial Chronicle"), expressed the assumption that compulsory military training is ipso facto a policy of militaristic nations and governments. This would hardly seem to be an accurate assumption. Switzerland has never been regarded as an aggressive nation, yet she employs a plan of compulsory military training which, incidentally, has served to protect her from invasion by aggressive neighbors, notwithstanding the fact that she is hemmed in on all sides.

Second, we have all witnessed the effect of military training upon our young men in terms of increased maturity, increased responsibility, improved physical health, improved sense of personal discipline. One grave charge against our educational processes in America is that they have not

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laid sufficient emphasis upon these criteria of increased stature. Many young men who have gone to college in the ordinary course of events and have accepted the opportunity casually have, upon discharge from the armed forces, returned to college imbued with an entirely different spirit of purposefulness. There are many of us who entertain the hope that through some wise plan of compulsory military training these benefits will continue to flow from American education in times of peace as well as in times of war.

I am not prepared to espouse any particular plan of compulsory military training. Much good will doubtless flow from a full year in the military services. On the other hand, some feel that this would interfere unduly with the individual's educational progress. A careful analysis of all the factors may lead to the conclusion that the same benefits can be obtained through having the student devote his summers to military training. Under this plan the individual might derive all the benefits of a full consecutive year in military service without delaying the completion of his college course.

PAUL F. DOUGLASS

President, The American University, Washington 6, D. C.

I am opposed to universal military peacetime training for the young men of America under provisions of any law which would make them spend one full year in service.

Paul F. Douglass

I favor any law which by Federal subsidy would provide voluntary military training as a part of work in high schools or colleges. I favor calling military training Military Training, not Education for National Welfare or any other title.

I take this position for the following reasons:

(1) I believe that our energies should be directed toward the building of the institutions of peace.

(2) I believe that we need a strong public force to assist the normal aspirations of the American people as they work toward the establishment of these institutions of peace.

(3) I am convinced that America has met each crisis in our history by the development of military might which has been equal to the occasion.

(4) I do not believe in taking one year out of the life of any young man when there are other ways of arriving at the same objective by making military training a part of normal education.

I am solidly opposed to any proposal for world organization which is not supported by the complete military strength of the United States and I am opposed to any program for military training which does not carry as a part of its program a curriculum for developing attitudes which will make the exercise of military power a minimum.

HERBERT VON BECKERATH

Professor of Economics, Duke University, Durham, N. C.

In the matter of compulsory military training in peacetime, to my mind America has no choice at this time. Without an American military establishment of such strength as is only possible on the basis of universal military training, this country could not throw sufficient weight into the balance of international peace in order to preserve it. Warlike tendencies would be encouraged and these tendencies, together with the revolutionary currents and counter currents accompanying them, might endanger democracy in America more than anything else.

H. von Beckerath

The proposals of Gen. Marshall, to my mind, though I am not a military expert by any means, seem to suggest a way in which military efficiency and a democratic way of life can be jointly achieved. In the totalitarian countries it took more than strong military establishment to militarize the public mind entirely and make it right for the acceptance of the militaristic totalitarian doctrine. If America can preserve peace and reasonable economic stability, political developments in this country similar to those of Germany and Italy seem to me very unlikely.

WILLIAM J. SHRODER

President, The Peoples Bank and Savings Co., Cincinnati, Ohio

I favor such compulsory military training in peacetime limited to the shortest period in which the basic requirements can be met. In World Wars I and II, the aggressors were encouraged in their thought and by their knowledge that we are a peace-loving people, unprepared for war. Had they known we could equip a fairly well-trained army in a hurry, they might have taken a second thought in their aggressions.

William J. Shroder

In addition, it is not beyond the range of possibility that should we again become involved, we shall have no buffer government to hold the line while we are preparing for war. In fact, it would seem to be sound strategy for an aggressor nation to make its first attack on us.

Despite these beliefs, I am doubtful about passing the proposed legislation without our men and women now in the service having an opportunity to express their views. This does not mean that legislation need be deferred until the last man in the service has been discharged. It does mean that some machinery should be developed whereby the views of those whose children would be involved in the result of such legislation could be ascertained.

I am not sure that their views should be given any more weight than those of the home civilians, but I am sure that they should have the opportunity of expression.

JOHN A. HANNAH

President, Michigan State College of Agriculture and Applied Science, East Lansing, Mich.

Apparently those responsible for the conduct of our military and naval affairs and who are in possession of far more information than most laymen have decided that compulsory military training is necessary. If the option is the difference between a large standing professional army and a year of compulsory military training with a much smaller professional army, the latter to me seems preferable.

John A. Hannah

I am chiefly concerned with the kind of training we are to have if we are to have compulsory military training.

Suggests Training Program

I hope that a program can be devised that will not seriously interrupt the education of our young men who in ever-increasing numbers should be completing college training. The suggestion that I believe has the support of the American Legion, that the compulsory training include a provision that those young men going on to college be furloughed to their respective colleges after three months of preliminary training with the requirement that they spend three months between their junior and senior years in military and three months following college graduation, where they have had four years of ROTC training in college, or six months where they have not had college ROTC training, has much to recommend it. If this proposal becomes enacted into law, it should not deter young men from going on to college and might possibly be an incentive in some cases.

I am of the opinion that peacetime military training, if it can include enough actual instruction to make it interesting to the men involved, presents an opportunity to build strong physiques in our young men, to instill in them an appreciation of discipline, and presents an opportunity for worthwhile training in personal health, and an appreciation of cleanliness and orderliness that might well carry over into civilian life to the advantage not only of the individuals but of their communities and the nation.

T. B. STRAIN

President, The Continental National Bank of Lincoln, Lincoln, Neb.

My own ideas on compulsory military training in peacetime are pretty much the views of the American Legion and the universities throughout the country. I think it is a fine thing to have military training, but I see no reason why it cannot fit into the regular college curriculum, much along the lines of our present ROTC setup. To have a year of compulsory military training might discourage many boys to continue afterwards with the regular college course.

T. B. Strain

Municipal News & Notes

The municipal bond market, like its counterparts, continues in a voluntary "blackout" in deference to the most important financial operation now in progress, the Sixth War Loan Drive. Accordingly, activity in this field of investment is extremely limited, with respect to both new financing undertakings and distribution of the rather sizable back-log of bonds previously acquired by dealers.

The supply of bonds now in the market quite evidently is rather large and no substantial diminution is likely to occur for the duration of the bond drive. Fortunately, there is no actual reason to expect any substantial addition to the existing total over the next few weeks. This is indicated by the calendar of forthcoming awards which, at this writing, shows that only a few issues of important size are scheduled to materialize between now and the close of the year.

There is the possibility of couse, that some unexpected offerings may develop while the government financing is in prospect or shortly after the close of the drive. There is a prospect, for example, that some further portfolio liquidations may be effected by institutions and public trust funds for the purpose of re-investing proceeds in the Treasury offerings.

Furthermore, when considering the outlook for strictly new financing by public bodies over the near term, consideration must be allowed for the large volume of potential business created as a result of the November bond elections alone. The chances that a considerable amount of such business may come to pass on rather short notice must be reckoned with.

It is true that the bulk of the more than $225,000,000 in bonds authorized by the various electorates on Nov. 7 are intended to finance projects and improvements not likely to be undertaken while the emphasis is on production for the war effort. However, this by no means rules out the prospect of a significant portion of such borrowing being provided for well in advance of actual need of the funds. There have already been a number of instances of such anticipatory financing and several others are definitely in prospect.

Among the latter may be mentioned the projected awards by East Baton Rouge Parish School District No. 1, La., and the Houston, Texas, Independent School District. Both of these agencies will open bids on Dec. 15, the former on an offering of $3,000,000 construction bonds, while the Texas unit plans to sell an issue of $7,500,000 for the same purpose. On the following day (Dec. 18) officials of Olmstedt County, S. D. No 1, Minn., will consider bids on an offering of $1,800,000, proceeds of which will also be used for new construction.

It will be seen from the foregoing that not all of the local governments which have completed plans for post-war projects intend to postpone the necessary financing until it is definitely indicated that actual construction work may be started. Actually, there is some reason to believe that the flow of such financing will be accelerated following the conclusion of the bond drive.

This prospect is heightened by the apparent growing belief among municipal officials that it is decidedly advantageous to take care of their credit requirements at this time, rather than to await future conditions.

Some recent outstanding instances of such pre-arranged financing presently in mind include Los Angeles, Calif., Department of Water and Power; Portland, Ore., and possibly Miami, Fla. The Portland award was to provide funds for a sewage disposal project and it is of interest to note that the city has just recently invested proceeds of the sale in Sixth War Loan securities, having purchased $6,000,000 Treasury 2¾s, due in three years, and $6,000,000 2s of 1952-1954. The other two communities mentioned disposed of refunding bonds for the purpose of anticipating the redemption of outstanding obligations which cannot be redeemed until some months hence.

In view of these illustrations and the others now pending, it would seem logical to expect that other communities in position to do so will elect to similarly "beat the gun," so to speak, and arrange for future credit requirements as soon as possible.

It is obvious, of course, that a primary fact or underlying recent awards of that nature is recognition of the uncertainty prevalent in various quarters as to the trend of interest rates during and subsequent to the reconversion period. This doubt, moreover, is a product of the general expectation that a sharp downward readjustment in the Federal tax burden will ensue almost simultaneously with the end of the war in Europe. More recently, however, there has been increased acknowledgment of the fact that the government's peacetime fiscal requirements will necessarily entail a high level of taxation. What effect this realization will have on buyers of local tax-exempts will not be apparent until activity in the field is resumed after the close of the bond drive.

As for the price level in the municipal market, the barometer shows little change from the level which prevailed prior to the start of the current war loan campaign. With respect to recent market developments, reference may be made, in particular, to several offerings in the past ten days which failed to materialize because of rejection of bids. Obviously, the nature of the terms offered the communities was not of such character as to make the proposed refinancing particularly advantageous. It may be, too, that the borrowers had their "sights" set much higher than circumstances warranted

In any event, the failure to effect the financing possibly might reflect a widening degree of caution on the part of bidders for new issues. Some support of this view can be found in an examination of the successful and runner-up bids on a number of issues that have reached the market in the recent past.

Recent Awards

Completion of the final phase of debt refunding by the Everglades Drainage District, Fla., developed with announcement of the purchase of $4,500,000 refundings of 1944 by a syndicate headed by B. J. Van Ingen & Co., Inc., New York City.

Other members of the underwriting group are Ranson-Davidson Co., Wichita; John Nuveen & Co., Chicago, Sullivan, Nelson & Goss of West Palm Beach, and Paine, Webber, Jackson & Curtis of New York.

The offerings consists of $780,000 3¾s, maturing on April 1 from 1946 to 1954 incl.; $2,110,000 3½s, due April 1, 1954-1965, with 1956 and subsequent bonds optionally redeemable beginning April 1, 1955; $920,000 3¼s, due April 1, 1966-1969, and optional starting April 1, 1950; and $690,000 3s, maturing April 1, 1969 and 1970, and callable as of April 1, 1947.

Cleveland, Ohio, placed an issue of $2,000,000 transportation system revenue refundings with a group composed of McDonald & Co., Cleveland; Braun, Bosworth & Co., Toledo, and Merrill, Turben & Co., Cleveland, at the lowest rate of interest ever attained on surface traction financing. The group obtained the bonds, due semi-annually from Sept 1, 1945 to March 1, 1952, on a bid of 101.334 for 1½s.

The bonds are part of a total authorized issue of $9,310,000 and the remaining $7,310,000 will be taken by the Cleveland Transit System, the City Sinking Fund and the City Treasury.

Proceeds of the refundings will be used to redeem an equal amount of higher-coupon traction debt now outstanding.

Co-incident with award of the block of $2,000,000 bonds, it was announced that the initial step in the Cleveland Transit System's post-war modernization program is being taken with the placing of an order for 50 electric trolley coaches from the Pullman Standard Car Co.

The excellent operating results achieved by the municipal traction company is reflected in the fact that the original debt of $17,500,000 incurred in the purchase of the facilities several years ago has already been reduced to about $10,000,000.

The City of Providence, R. I., awarded on Dec. 5, $4,500,000 2% bonds to a syndicate headed by Halsey, Stuart & Co., at a price of 104.631, a basis of about 1.546%. This was not new financing by the city, as the bonds, dated June 1, 1941, and due serially from 1946 to 1965, inclusive, were held by various municipal funds.

Five other groups entered bids, the second high offer of 104.477 having been made by the Bankers Trust Co. of New York syndicate.

A group headed by B. J. Van Ingen & Co. obtained the $1,713,000 3% and 3½% refunding bonds offered by Coral Gables, Fla., on Dec. 2, paying par for the obligations. The total consists of $515,000 term 3½s of July 1, 1979, and $1,198,000 serial 3s, maturing from 1954 to 1973, inclusive. Only the term debt is optional, the first callable date being July 1, 1954.

The group, which also includes John Nuveen & Co., A. B. Morrison & Co., Corrigan & Co., Cohu & Torrey, and Ranson-Davidson Co., recently exchanged $2,650,000 3% and 3½% refundings of 1944 for an equal amount of outstanding debt of the city.

IBA PAST PRESIDENTS

1918-19	1915-17
	
W. G. Baker, Jr.	Lewis B. Franklin

The Magnavox Company

Electronics-Radio-Illustravox

The Magnavox Company of Fort Wayne, Indiana, founded in 1911, an acknowledged leader in the manufacture of the finest in radio reception and reproduction, will enter the post-war period strongly fortified with new skills and product potentials.

Inventors of the electro-dynamic reproducer, electro-dynamic loud speaker and anti-noise aircraft communication system, Magnavox continues to lead in newer fields. In addition to a few of its standard pre-war products for war purposes, company now manufactures over 30 different products in the electro-mechanical, electro-acoustical and electronic fields.

Since 1930 company's Electro-Acoustic Products Division has operated in the broad field of high quality sound equipment. Among this division's developments is the Illustravox, a commercial sound slide film projector having wide peacetime application in industry and educational centers. Presently, this device is in military service, training hundreds of thousands of men.

Company's pre-war operations included substantial production of loud speakers, electrolytic condensers, transformers, etc., for the radio industry. Estimate has been made that in the last full year of peacetime business company produced over three million loud speakers (about 80% of the radio speakers over 8 inches in diameter produced in this industry).

The name Magnavox requires no introduction to the discriminating buyer of the radio phonograph combination. Because of its incomparable clarity and unique quality of tone, this is the instrument that has been chosen above all radio-phonographs by such great musicians as Rachmaninoff, Ormandy, Horowitz, Kreisler and Rodzinski.

Estimate of post-war radio demand runs as high as 44 million sets with dollar value in excess of one billion. Employment of electronics in industrial enterprise may well add to this figure. Volume for the fiscal year ending February, 1945, gives promise of exceeding $30,000,000 in contrast with $14,674,065 in the 1944 fiscal period. Profits before Federal taxes in this latter period were $1,426,387, contrasted with $1,342,527 in 1943.

On the basis of realizing 10% on sales and with a post-war tax of 40 to 50%, we believe that this capital common stock may reflect earnings in excess of $2.00 per share and that at current market it is attractive to speculative capital.

Dividends totaling 50c. have been declared in 1944, the last, 25c. Record date Dec. 10th, payable Jan. 2, 1945.

The Securities Salesman's Corner

By JOHN DUTTON

Tax Selling Opportunities For Developing New Accounts

During the next three weeks there is still time to establish capital losses and gains for tax purposes. In every community in the land there must be many people who own securities that do not understand that they can establish substantial opportunities for a legal reduction in the amount of the tax bill they will pay next March.

This is an excellent time to bring this fact to their attention. Advertisements in the newspapers pointing out that such savings can be made; that they are entirely legal and ethical; that there is an opportunity afforded those who do not know whether or not they have an opporunity to make such a saving to OBTAIN THE FACTS; such ideas as these, if properly presented should bring in quite a few inquiries.

Offer the public an opportunity to call and bring their problems along with them. Consultation on the subject should be offered and made available without cost or obligation. If the public is invited to call at your office it is probably advisable to suggest that those interested should write or telephone for a personal appointment.

The same suggestion can also be made by use of direct mail letters with a return card requesting an appointment when the interview can be arranged. If this is done, a careful choice of names should first be made. This mailing should include the best prospects in the files and those with whom no business has as yet been consummated, but where the possibility of opening accounts is strong. A short but neatly typed letter, on extra fine stationery should invite the recipient to investigate as to whether or not he is in a position to establish such tax savings. That is, if there is any doubt in his mind at all on any question concerning the handling of capital gains or losses for the year 1944. Such a letter should be as personal as possible without loss of dignity. It should be addressed to the person for whom it is intended and not sent out as a general form letter. It should also be signed by one of the heads of the firm. The return card enclosed should be addressed to the person who will conduct the interview in the event the recipient desires to call at the office for advice and information.

Today, as never before, people will respond to helpful and courteous treatment. All over the country the buyer is being rudely assaulted by the most arrogant and insolent conglomeration of misfits who because of circumstances are placed in the position of salesmen (and sales-women too). But the consumers and the buyers of this country still like to be greeted with a smile and shown at least elementary courtesy. Certainly, those of us who are in the securities business can take a lesson from all of this and show our prospective clients and customers alike THAT WE ARE OUT TO HELP THEM AND ASSIST THEM IN EVERY WAY IN ORDER TO EARN THEIR GOOD WILL AND THEIR PATRONAGE. We are still old-fashioned enough to believe that any securities dealer WHO PLACES HIS CLIENTS' WELFARE FIRST WILL NEVER NEED WORRY ABOUT MAKING BOTH ENDS MEET.

Over-the Counter Versus Listed or Auction Markets

(Continued from page 2459)

A stock qualifies best for an auction market when there is a rather large number of shares widely distributed among buyers and sellers with ready access to the knowledge of the market and prices. When a thousand shares of a stock are wanted at the market and twelve hundred are for sale at the market the specialist can easily match these orders to buy and sell and have but two hundred shares left which he can take and wait for a buyer or wait for a bidder within the bid and asked prices. At any rate the specialist protects the market price within narrow limits and he feels reasonably safe under stable conditions with securities with a wide distribution accessable to the market. There are many stocks listed on the New York Stock Exchange which are not suitable for this kind of an auction market. These are the stocks whose shares are few and closely held, bids and offers are too far apart or for other reasons there are not at all times buyers and sellers at prices reasonably close together. A specialist can not handle too many of these slow issues or he will find his capital frozen and he will be unable to do his regular business. Moreover, in these slow issues his risks of loss are much greater as market conditions change.

The specialist system and the auction market for stocks is not found in all markets. On the regional exchange there are a few specialists but not all stocks are represented by specialists by any means. First it takes capital to serve as a specialist and too many slow stocks will destroy the functioning of the system.

It seems that this brief statement is enough to indicate that the auction system of marketing securities is just not practical with the vast number of closely held stocks and bonds which do not have the characteristics for continuous markets. This includes the vast number of small unknown industrial corporations, or small local businesses of any kind; most bank and insurance company stocks which are closely held; the stocks of large corporations whose stockholders are few or whose holders do not wish to sell except at special times or for special reasons (this writer has been trying to buy ten to a hundred shares of a large well-known corporation's stock for six months and none has been found for sale); United States Government bonds and the bonds of States and cities held largely for investment and income, and in fact a very large part of the securities outstanding is just not suitable for auction trading. The auction market can and does serve well those securities which meet the qualifications for this kind of trading. Of these securities there are enough to maintain the business of the New York Stock Exchange and some auction trading on many of the regional exchanges. But to require all securities to be traded by the auction market methods would seem quite impractical and indeed impossible.

Over-the-Counter Negotiation Markets

The over-the-counter markets have served a real purpose in the capital markets. The functions and services of these markets are not understood by enough people. This lack of knowledge about these markets is perhaps the cause of much of the criticism of these markets and their practices. Also this lack of information makes possible, no doubt, some of the practices which are not approved by the trade as a whole or any one else interested in the right kind of business practices. But these conditions exist more or less in all lines of business. The real estate business which is necessarily made up of negotiated trades over the counter has no doubt as much to be condemned as the real estate securities business. The greater the public ignorance about any trade the greater is the possibility of shady practices. If one could only uncover the shady practices in the diamond and jewelry trades, and many other trades in which the public do not know values, the over-the-counter securities business would look like a very clean and honest business by and in the large. But because there are bad practices in other trades does not justify it in the securities business. The problem is, however, how to eradicate any bad practices and still preserve the over-the-counter markets free to do their valuable services in the capital markets. To fetter these markets with restrictions and regulations which are costly will not help. This will close these markets and the vast number of businesses and jobs that would be destroyed thereby would undermine the business conditions of the whole country. Education and simple accounting seem to be the solution of many of the troubles in the over-the-counter markets. Regulation that will destroy these markets or the listing of over-the-counter securities and forcing them on auction markets where an auction market can not serve does not seem to be any solution for these problems.

From the standpoint of small business the over-the-counter markets should be encouraged. Costs, red tape, restrictions should be reduced and every possible effort made to help these public servants of the capital markets of small business to reduce their costs, increase their profits and aid the small businesses in their community. If the cost of raising capital is as high as the SEC says it is for stock sales of a million dollars or less it seems clear that the over-the-counter dealer in the small town who is helping local businesses finance their capital needs is one of the men who should be helped in every way possible. He is the real creator of small business. He is needed now as never before to do this function and create jobs. This is a country of small towns and millions of small businesses. A city like New York is a big city of essentially small businesses.

Attractive Situations

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

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.

Attractive Possibilities

E. & G. Brooke Iron Co. and H. G. Robertson Co. 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.

Canadian Securities

By BRUCE WILLIAMS

It now appears that the Canadian political upheaval of the past few weeks has passed the crisis stage, and it is confidently anticipated that Prime Minister Mackenzie King will obtain at the end of the week the submitted vote of confidence in his Administration.

The Liberal members from Quebec will be given an opportunity to voice their protests against conscription for the benefit of their constituents in an amendment which should be comfortably defeated, and then they will be free to support Mr. King in his request for a vote of confidence.

Ironically enough this reinforcement issue, which was intended to split the Liberal party on the eve of a Federal election, might very well have the unintended result of further weakening the Progressive Conservative party. On the other hand, Mr. King's masterly handling of a situation which so suddenly developed very dangerous potentialities can not fail to command respect and support in the forthcoming elections, especially in the ranks of the independent and undecided voters.

Another unexpected slant is the revelation that the record of recruitment in Quebec is astonishingly good, and stands comparison with that of any other section of the country. This can not fail to contribute to the great issue of national unity, which is largely dependent on a greater understanding of the Province of Quebec by the rest of Canada, and by Ontario in particular.

Towards this end, Mr. King has worked untiringly all his political life, and although accused of appeasement of Quebec for political purposes, there is little doubt that his efforts will be recorded in history as worthy of mention with those of Sir Wilfred Laurier who, himself, singled out Mackenzie King as the man most fitted to carry out the great task of Canadian confederation.

A further step towards this goal, which the Liberal leader has already attempted in the face of the opposition of the leading provinces, is a Dominion Provincial conference for the purpose of agreement on the adoption of certain recommendations of the Sirois Royal Commission for the amendment and clarification of the British North America Act, the Canadian constitution.

Such a meeting of the provinces with the Federal Government should result in the removal of certain justifiable grievances of the Western provinces, would assist the development of the great natural resources of this area, and would be ultimately beneficial to the nation as a whole. If Mr. King surmounts his immediate political hurdle, this conference might be called much earlier than is now generally expected.

Turning to the market for the past week, the center of attraction was again the Abitibi issues, and the 5s of 1953 rocketed to 107½ bid, (including accrued payments) which represents a rise of 20 points in the last few weeks. Albertas were also firm in spite of Premier Manning's apparent astonishment that bondholders are speculating on the outcome of his recent visits to Toronto. The atmosphere surrounding this situation would be greatly clarified if the Alberta Government and the Bondholders' Committee would recognize that, after a default of 8 years' duration, all bondholders, large and small, have the right to be properly informed as to the course of any negotiations concerning the Alberta debt.

Otherwise, the market was inactive, but the high-grade section continued very firm. Internal issues were little traded, and the Canadian "free" dollar firmed to 10⅞% discount on the improved political situation.

If, as expected, the political crisis is successfully weathered, prospects are favorable for a strong and more active market, especially at the termination of the current loan drive.

Bank of Manhattan Operating Earnings Est. at $4,800,000

(Continued from page 2460)

spirit of adventure which have made our country great."

In his report, presented to the stockholders of the bank at their annual meeting on Dec. 5, Mr. Baker stated that the bank's "net operating earnings for the year, based on actual figures for the first nine months and estimated figures for the last three months, not including net profits realized on the sale of securities and without deducting taxes on such profits, will amount to approximately $4,800,000." "This," he said, "compares with $4,023,000 for the year 1943." He further stated: "The net profits realized on the sale of Government securities for the first 11 months, after deducting an appropriate amount for taxes, amounted to $1,606,000, which, in accordance with our custom of the past several years, are added each quarter to the reserve for the Government bond portfolio. The net profits realized on the sale of other securities for the same period amounted to $236,000 after a similar deduction for taxes."

From Mr. Baker's report we also quote:

"Since Jan. 1 of this year deposits have averaged about $82,000,000 more than last year, of which $22,000,000 represent an increase in the United States Government war loan account. Throughout the year our balances in the Federal Reserve Bank and our holdings of Government securities have averaged approximately 72% of our deposits. On Dec. 1 of this year we owned $555,872,000 United States Government obligations, an increase of $101,004,000 over a year ago. The average maturity of these securities was five years and nine months, but based on the earliest call dates of the bonds and definite maturities of the notes and certificates, their average life was four years and six months. The longest-term Government bond we held is payable Dec. 15, 1954, and is callable two years earlier.

"The average rate of return so far this year on our loans and investments has been at the annual rate of 1.71% as compared with 1.61% last year. As our holdings of Government securities are such a large part of our total earning assets, perhaps a more interesting comparison would be the return on our loans and investments other than Governments. Last year this return was 2.20%, whereas this year it has been at the annual rate of 2.10% for the first 11 months."

According to the New York "Times" of Dec. 6, the stockholders approved a contributory retirement and annuity plan at a special meeting following the annual meeting by a vote of 1,087,224 shares to 435. Two stockholders expressed opposition to the plan, with the result that it required two hours to complete the business at hand.

With reference thereto Mr. Baker in his report said:

"After careful study by a committee of directors, the Board decided that the annuity plan entered into with the Equitable Life Assurance Society of the United States on Jan. 1, 1941, was not sufficiently liberal. During its consideration of this matter it came to the conclusion that it would be in the best interests of the company to place on a definite basis pensions which would be paid on account of service rendered prior to Jan. 1, 1941, and to provide for these payments through making a single payment in a known amount to an insurance company. Accordingly, it authorized an amendment to the contract with the Equitable Life Assurance Society which would provide for an annuity on account of services rendered prior to Jan. 1, 1941, and increase the benefits for services after that date. The details of this plan were covered fully in my letter to stockholders dated Oct. 27, 1944, and the booklet which accompanied it."

Compulsory Military Training

(Continued from page 2459)

that hasty action is not required, because conscription will probably be continued until the end of the war; (b) that no proof has thus far been submitted that voluntary rather than compulsory military training will not give us the necessary reserves; (c) that in view of the rapidly changing character of war, four or six months of intensive training would probably give the necessary foundation of knowledge required by reserve troops, and (d) that a law making such sweeping changes in our national policy should not be passed until the country has been thoroughly convinced of its necessity. Such a law should not be enacted under the emotional pressure of war, and it should not become another prohibition amendment which will fall by the wayside. If universal military training is to become a permanent part of our system of government, it should be because the nation is thoroughly convinced by the logic of facts that it is necessary for national security.

I further submit that the question of compulsory military training should be considered on its own needs and merits and should not be confused with the desirability or lack of desirability of a year of national service by the youth of the land. If we are to have such a year of national service for the physical, educational and emotional improvement of youth, it should be granted to girls as well as to boys, and it should be considered entirely apart from military training. It is my own feeling that such a year of national service is of very doubtful value, and that its aims and objectives can be better obtained through educational and local facilities and without breaking up the home life and the work or educational program of youth. The Army and Navy continually refer to the number of their trainees who have been taught to read and write, to improved physical condition resulting from more scientific diet and athletic training, and to the fact that the trainees have, in some instances, been given instruction along mechanical lines. These results may be very desirable, but they can certainly be given to the youth of the land without a year in camp and without being subjected to the definite propaganda which always accompanies military training.

I wish in this paper to briefly discuss this problem from two standpoints; to wit: (1) whether such a momentous question of national policy, changing the entire tradition of the nation and involving the country in annual expenditures amounting to several billions of dollars per year, should be decided during the progress of the present war; and (2) what are the basic arguments against universal military training in times of peace.

1. Personally, I do not feel that the present is the proper time to adopt a policy of universal military training in times of peace, because:

(a) The proposed year of compulsory military service is not a question of immediate war necessity, and it is my contention that it is impossible at this time to determine intelligently whether universal military service is or is not a post-war necessity for the United States. No one can foresee the international situation when Germany and Japan are finally defeated.

(b) When the war is over it may be necessary to maintain a larger standing army than in the past in order to preserve the peace and to assist in policing the world against future aggression, but the size of the military force required for that purpose and the share to be borne by the United States cannot now be determined. If the aggressor nations—Germany and Japan—are thoroughly disarmed, if an army, navy and air force is denied to them, and if a proper control is established over their production and imports of essential war materials, then the task of policing the world against aggression by those two nations will be simple. If, on the other hand, the United Nations cease to be united, then chaos will again be abroad in the world and we may need both universal military training and a huge mechanized force ready for instantaneous action.

(c) If the United States should at this time adopt a policy of universal military training, it would undoubtedly be considered a notice to the world that this nation does not think an enduring peace can be established and it might indeed be the very action which would prevent a proper accord among the United Nations.

At a recent international gathering held in Philadelphia, where the representatives of 40 nations were present, it was assumed that despite all difficulties an international agreement would be worked out for the maintenance of peace and the suppression of aggressors and the opinion was expressed by the representatives of most, if not all of the delegates, that one of the greatest boons that would come from such an understanding would be the freedom from the cost and the curse of universal military service. Certainly, the United States should not take this action without consulting our allies in the United Nations and without finding out whether, in their judgment, the world must continue to be an armed camp.

(d) The American Council on Education is now undertaking a careful study of the history and effects of universal military training in other countries. This report will, I believe, be an unbiased study of the problem and should throw much light upon its probable effect on the United States. I submit that action by Congress on this important subject should not be hastily taken and that no law providing for universal military training should be adopted until the nation has had time to clearly weigh the effects which will flow from it.

(e) A year of compulsory military training will directly affect the sons of the men who are now fighting in our armed forces, and these men should have a voice in determining the desirability of such a policy. Their opinion cannot be determined until the war is over and until they have returned to this country. I feel it is not proper to pass upon a national policy of such sweeping effect while 20% of the male voting population is away from home.

2. There are many definite arguments against universal military training in times of peace. This statement does not pretend to contain a complete catalogue of those arguments, but it does touch upon a few of the more important.

(a) This war has certainly proved that men without machines are impotent to stop even small military forces that are highly mechanized. We are told, for instance, that less than 20 divisions of the German Army overran and conquered Poland with its relatively unmechanized army of over 1,000,000 men, and that less than 50 German divisions, or say three-quarters of a million men, overran and conquered Holland, Belgium and France with 3,000,000 men under arms in less than six weeks. Was this not due to the superior mechanization of the German Army and to the futile reliance of France upon the Maginot Line? Obviously universal military training did not save Poland, Holland, Belgium or France.

(b) There can be little doubt that a year of universal military training will, if adopted, seriously disrupt the educational and business life of the young men of this country. This is admitted by those who argue in favor of the proposed law, and their advocacy is based upon a flat statement, without adequate proof, that such action is necessary for national security.

The American Council on Education will soon issue a statement expressing its views on the effect of universal military training upon the educational system of the country. The Council is most competent to discuss this phase of the question, and I do not consider it in this statement.

(c) The advocates of universal military training have given us no historical discussion of its origin or of its effect upon the youth of the nations who have adopted it. A study now being made by the Youth Committee of the American Council on Education should throw much light upon the matter.

Briefly, it is my understanding that universal military training began in Germany in the days of Bismarck. It was a part of the effort of the Prussian military caste to extend German dominion over Europe and much of the rest of the world. German military might having overrun Denmark in 1864, Austria in 1866 and France in 1870, those countries and other neighbors of Germany were compelled to adopt universal service for their own protection. France first adopted a one-year training period, then a two-year period, and finally a three-year period.

(d) The Army and Navy state that if universal military training is adopted in the United States, from 800,000 to 1,000,000 young men will be trained each year at an estimated cost for the training of approximately $1,000,000,000. I question these figures. In the first place, the census shows that there are nearly 1,200,000 boys who reach the age of 18 each year, and unless very stringent physical and mental requirements are set up, the number of youth who will be trained each year will exceed the estimates of the Army. Furthermore, if such severe rules are set up, then the people who would be most benefited physically and mentally will be excluded from the annual group of trainees.

In a report of General Frederick H. Osborn to the President, dated July 1, 1943, he states:

> "The estimated cost of maintaining an enlisted man on active duty for one year, exclusive of ordnance and overhead, is approximately $1,500."

This would mean a total cost for training nearer $2,000,000,000 than $1,000,000,000, and if this force is to be highly mechanized, the cost will be much higher.

(e) The Army and Navy further suggest that a year of universal military training will result in better physical well-being for the individual trainee, but they offer no medical or historical proof of this statement. A year of physical training is undoubtedly good if such training is to continue at least in a moderate degree throughout life, but it is generally admitted by the medical profession that the benefits of such a year of training will soon be lost if the training is not continued. There is also undeniable evidence that youth are exposed to greater danger of contracting social diseases around military encampments than at home.

The Army and Navy further refer to gains in literacy among the trainees. I submit that the time to train boys and girls to read and write is long before the age of 18 has been reached and that if mental and physical training is needed for the youth of the country it is needed by both the boys and girls of the nation, and it can be given much better by the schools and colleges and local institutions than by the Army and Navy. Strong and intelligent mothers are as necessary as husky and wise fathers.

(f) The American people are fighting this war with high hopes that it will eventuate in an enduring peace, and they seek a degree of international cooperation which will obviate the necessity for large post-war military establishments in this and other countries. Against this background of great expectations our people should not be swept into premature action by the honest but, I believe, biased propaganda of our military departments. Both the Army and the Navy are definitely committed to a policy of a year of universal military training. In fact, at the beginning of the war they urged a minimum training period of 18 months. It is, however, my feeling that while the arguments of the military departments should be given most careful consideration, the decision should reflect the mature thought of the civilian people of the United States.

In conclusion, I feel that it should never be forgotten that:

1. Universal military training in times of peace has never existed in the United States, Great Britain, Russia or China, and that if we initiate this policy in the United States it may force the rest of the United Nations to follow suit.

2. Those who advocate one year of universal military training have not given us any proof of its need or an accurate statement of its cost. The problem of national defense is not simple. It comprehends the size of the regular army, the size of the National Guard, the development of the most scientific instruments of destruction, the development and maintenance of plants that can properly turn out vast supplies of the machines and appliances of war, and finally, it includes the amount of reserves and the nature of their training of which universal military service may be a part.

3. This subject is one which requires the most careful research and consideration. I, therefore, urge the appointment of a committee made up of the representatives of industry, labor, agriculture, education and the Church to study this problem and to lay its conclusions before Congress. Such a committee could be constituted either by Act of Congress or by appointment of the President, or by selection from the chief organizations of the various branches of our national life. Such a commission should be made up of most distinguished citizens and under the chairmanship of a man whose reputation will lend to it great weight and authority.

May I close with a quotation from an address by Calvin Coolidge. He said:

> "We don't need more material development; we need more spiritual development. We don't need more intellectual power; we need more moral power. We don't need more knowledge; we need more character. We don't need more government; we need more culture. We don't need more law; we need more religion. We don't need more of the things that are seen; we need more of the things that are unseen."

This quotation may well guide the nation in its consideration of most of the problems of readjustment that will follow the close of the war.

Legal and Economic Relationships of Money To Be Discussed at Meetings in January

(Continued from page 2464)

fields, should provide the Federal Administration, Congress, the legal profession, monetary economists, the press, and even the general public with highly reliable guides in respect to the matters under consideration.

It is expected that the papers presented at the various sessions will be published in a **Proceedings of the Institute of Money and the Law** as a **Supplement** to the **New York University Law Quarterly Review.**

FIRST SESSION

Monday Morning, January 15, at 10:00 O'clock
Waldorf-Astoria, Astor Gallery

Introduction: Arthur T. Vanderbilt, Dean, School of Law, New York University.

International Aspects

Chairman, Dr. Edwin W. Kemmerer, Walker Professor Emeritus of International Finance, Princeton University, and President, Economists' National Committee on Monetary Policy.

International Cooperation in the Field of Money from the Point of View of An Economist—Dr. F. Cyril James, Principal and Vice-Chancellor of McGill University, Montreal, Canada.

The Bretton Woods Proposals versus Alternatives — Dr. Benjamin H. Beckhart, Professor of Economics, Columbia University.

The Proper Role of the Export-Import Bank During the Post-War Period — Mr. Warren Lee Pierson, President, Export-Import Bank of Washington.

SECOND SESSION

Monday Afternoon, January 15, at 2:00 O'clock
Waldorf-Astoria, Astor Gallery

Domestic Aspects

Chairman, Dr. Eugene E. Agger, Commissioner of Banking and Insurance, New Jersey; Professor of Economics, Rutgers University.

The United States Supreme Court in the Field of Money—Dr. Rinehart J. Swenson, Professor of Government, New York University.

Problems Caused by Misconceptions of the Meaning of Legal Tender, Lawful Money and Money Receivable for Specified Purposes —Dr. Walter E. Spahr, Professor of Economics, New York University and Executive Secretary, Economists' National Committee on Monetary Policy.

Legal Aspects of Silver Policies of the United States in Recent Years—Dr. Neil Carothers, Dean, School of Business Administration, Lehigh University; Vice-President, Economists' National Committee on Monetary Policy; and

Dr. Frederick A. Bradford, Professor of Money and Banking, Lehigh University.

THIRD SESSION

Tuesday Morning, January 16, at 10:00 O'clock
Waldorf-Astoria, Astor Gallery

Domestic Aspects

Chairman, Arthur T. Vanderbilt, Dean, School of Law, New York University.

The Monetary Powers of the President and Congress — Dr. Philipp H. Lohman; Contributing Editor of "Time" Magazine and member of the staff, Department of Economics, School of Commerce, New York University.

Legal Aspects of Monetary Questions of Greatest Significance to the United States—Mr. Roy W. McDonald, Attorney, Donovan, Leisure, Newton and Lombard; Professor of Law, on leave, Southern Methodist University; formerly with Foreign Economic Administration.

Legal Basis for the Treasury's Practice of Spending Trust Funds, Deposited by Banks for the Retirement of Their Notes, for Purposes Other than the Retirement of Such Notes — Dr. William H. Steiner, Professor of Economics and Chairman of the Department, Brooklyn College.

FOURTH SESSION

Tuesday Afternoon, January 16, at 2:00 O'clock
Waldorf-Astoria, Astor Gallery

International Aspects

Chairman, Dr. Harry D. Gideonse, President of Brooklyn College; Executive Vice-President, Economists' National Committee on Monetary Policy; author of **The International Bank** (1930).

Allied Military Currency, Including the Minting and Circulating Abroad of the Maria Theresa Dollar Dated 1780, in Constitutional and International Law—Dr. Donald L. Kemmerer, Asistant Professor of Economics, University of Illinois.

Bretton Woods Agreements and Principles of Foreign Exchange — Dr. Fred I. Kent, President of the Council, New York University; director, Bankers Trust Co.; one-time director, Division of Foreign Exchange of the Federal Reserve Board.

The Relation of the Bretton Woods Agreements to Other Types of International Organization — Dr. Edwin Borchard, Professor of Law, Yale University.

FIFTH SESSION—DINNER MEETING

Tuesday Evening, January 16 at 6:30 O'clock
Waldorf-Astoria, Basildon and Jade Rooms

National and International Aspects

Chairman, Arthur T. Vanderbilt, Dean, School of Law, New York University.

Stabilization of Currencies from the Point of View of a Monetary Economist—Dr. Edwin W. Kemmerer, Walker Professor Emeritus of International Finance, Princeton University; President, Economists' National Committee on Monetary Policy.

Integration or Proliferation of International Economic Agencies? —Dr. Harry D. Gideonse, President of Brooklyn College; Executive Vice-President, Economists' National Committee on Monetary Policy.

Some Significant Aspects of the Constitutional Powers of the President and Congress in the Field of Foreign Relations — Dr. Edward S. Corwin, Professor of Constitutional Law, Princeton University.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2462)

the stocks affected are to be sold.

There is still another list which acts okay. It perhaps has the advantage over the latter group in that it has already declined substantially and has probably eliminated many of the weak holders. This list follows:

Air Reduction (buy between 38½ and 39; stop 37); American Smelters (buy between 39 and 40; stop 37½); Boeing (buy between 16 and 17; stop 15); Climax-Molybdenum buy between 34 and 35; stop 32½), and Glenn L. Martin (buy between 21 and 22; stop 20).

Of the latter list, the last stock (ML) rightfully belongs in the first category. For it is close to the old high and may go through it before another week passes.

* * *

Technically speaking the market cannot go through another setback from prevailing levels without severe repercussions. This is the umptyth time the averages have managed to crawl back to the 150 level which everybody is watching so avidly. The theory is that once that important level is penetrated then hold on to your hats, for away we go. That may be so but the fact that so many people think so counts heavily against it.

* * *

Based on present and recent market action I think the stocks I have mentioned above will be in the forefront of any upward move.

* * *

Remember this, however: You don't have to be married to any of these stocks. If their action doesn't warrant further confidence I'll have no hesitation in telling you to get out. As a matter of fact the second list stands a much better chance of coming through any minor reaction than the first one. Reason is that this list has already gone through its testing period. First list can give you larger, and perhaps more immediate profits (if turn-up develops) but by the same token, it can swing down sharp enough to be quite discomforting.

* * *

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.]

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Providence Washington Insurance Company and Security Insurance Company of New Haven are two "old-line" fire and marine insurance companies whose stocks have recently been selling very close together. As a matter of fact the asked price for each stock on Nov. 25, as quoted in the New York "Times," was 34⅞. It may be of interest, therefore, to make a comparison of the operations of these two companies with a view to determining their relative investment attractiveness.

Providence Washington Insurance Company is the oldest stock fire-marine insurance company in New England. The Providence Insurance Company was organized in 1799, and the Washington Insurance Company in 1800. The name of the latter was in tribute to the memory of George Washington whose death had occurred in the month prior to the organization of the company. In 1817 the two companies merged. Both companies originally engaged only in marine insurance, and both refused risks on vessels engaged in the slave trade. Dividends have been paid without a break since 1907.

Security Insurance Company of New Haven was chartered in 1841 as the Mutual Security Insurance Company by the General Assembly of Connecticut. The present name was adopted in 1873. It has paid dividends without interruption since 1894.

Comparative 10-year operating figures, from 1934 to 1943, inclusive, on a parent company basis, are as follows:

PROVIDENCE WASHINGTON

Total net underwriting profits	$3,334,000	
Total net investment income	4,957,000	
Total net operating profits	$8,291,000	(Before Federal Taxes)
Federal income taxes (1939-43)	354,000	
Total net operating profits	$7,937,000	(After Federal Taxes)
Dividends	4,065,000	
Retained in business	$3,872,000	(49%)

SECURITY INSURANCE OF NEW HAVEN

Total net underwriting profits	$1,476,000	
Total net investment income	3,499,000	
Total net operating profits	$4,975,000	(Before Federal Taxes)
Federal income taxes (1939-43)	93,000	
Total net operating profits	$4,882,000	(After Federal Taxes)
Dividends	2,835,000	
Retained in business	$2,047,000	(42%)

Average annual net profits on the 300,000 shares of Providence Washington have been $2.65 per share and dividends, $1.35 per share. In the case of Security, the figures are $2.44 per share and $1.42 per share, respectively, on 200,000 shares. Security, however, increased its capitalization in 1943 to $250,000 shares. Comparative operating results in 1943 were as follows: Providence Washington, net operating profits, $2.87 per share and dividends, $1.40; Security, net operating profits, $1.90 per share and dividends, $1.40.

Both companies own subsidiary running mates, however, whose earnings bolster to some degree the earnings of the parent companies. Providence Washington owns 99% of the outstanding stock of Anchor Insurance Company, and Security owns Connecticut Indemnity Company and East & West Insurance Company. Consolidated operating figures over the past five years are as follows:

PROVIDENCE WASHINGTON

Total net underwriting profits	$1,931,000	
Total net investment income	2,798,000	
Total net operating profits	$4,729,000	(Before Federal Taxes)
Federal income taxes	424,000	
Total net operating profits	$4,305,000	(After Federal Taxes)
Dividends	2,100,000	
Retained in business	$2,205,000	(51%)

SECURITY INSURANCE OF NEW HAVEN

Total net underwriting profits	$963,000	
Total net investment income	2,362,000	
Total net operating profits	$3,325,000	(Before Federal Taxes)
Federal income taxes	158,000	
Total net operating profits	$3,167,000	(After Federal Taxes)
Dividends	1,435,000	
Retained in business	$1,732,000	(55%)

The average consolidated net profits per share over the past five years have been $2.87 for Providence Washington and $3.08 for Security. However, Providence Washington suffered heavy non-recurring marine losses in 1943, due to submarine action, which distorted its normal earning picture. Had it not been for this, its average consolidated net per share for the five years would have equalled and perhaps exceeded that of Security. The following table brings out this situation:

Consolidated Net Operating Earnings Per Share

Year—	Providence Washington	Security
1939	$3.15	$2.50
1940	3.48	3.35
1941	3.39	4.36
1942	1.28	2.73
1943	3.04	2.31

As far as long-term "internal growth" is concerned, there is little to choose. For example, each shows a cumulative equity gain over the past seven years, on a parent company basis, of approximately 25%. This gain is measured by the amount of undistributed earnings which have been "ploughed back" year by year.

On the basis of latest available figures, and a market price of 34⅞, the investor's dollar compares as follows:

	Providence Washington	Security
Dividend yield	4.0%	4.0%
Earning yield (on 1943 consolidated net)	8.7	6.6
Liquidating value (as of 6-30-1944), per $ of market	$1.25	$1.31

New Bulletin Service, "Investment Co. News"

Arthur Wiesenberger & Co., 61 Broadway, New York City, members of the New York Stock and Curb Exchanges, have inaugurated a new bulletin service, "Investment Company News," valuable as a supplement to their yearly manual on Investment Companies. This service is devoted entirely to investment company news not usually found in the financial services and press. Sample copies of the current issue may be had upon request from Arthur Wiesenberger & Co.

Over-Counter Review

Bristol & Willett, 111 Broadway, New York City, members New York Security Dealers Association, have published the December edition of their "Over-the-Counter Review." Copies may be had from the firm upon request.

Chart Grid

J. P. Grundy, Inc., 165 William Street, New York City, have prepared a chart grid for charting stocks or bonds which has room for the most volatile issues. A free sample may be had from the firm if request is made on printed letterhead.

Attractive Situations

F. H. Koller & Co., Inc., 111 Broadway, New York City, have recent memoranda on The Cross Co., Laclede Christy Clay Products, New Bedford Rayon "A," and Indiana Limestone 6s of 1952, which the firm believes offer interesting possibilities at current levels. Copies of the memoranda may be had from F. H. Koller & Co. upon request.

Calendar Of New Security Flotations

OFFERINGS

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.

Offered and sold Nov. 16, the class A common at $26 per share and the class B common at $24 per share.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Proceeds will be applied to the reduction of bank loans. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

Offered by B. W. Brooks & Co., Inc., at prices ranging from 99½ to 102½ according to maturity.

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.

Offered Nov. 21 at $5 per share by Nelson, Douglass & Co., Walston, Hoffman & Goodwin and Wulff, Hansen & Co.

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. Filed Sept. 28, 1944.

Offered by Blyth & Co., Inc. at $16 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, DEC. 14

AMERICAN HOME PRODUCTS CORP. has filed a registration statement for 98,535 shares of capital stock, par $1 per share. Corporation proposes to offer to the holders of its capital stock rights to subscribe to the new stock at the rate of one share for each ten shares held. The unsubscribed stock will be offered to the public by the underwriters. Net proceeds will be added to the general corporate funds of the company. Hornblower & Weeks, New York, head the underwriting group. Others will be named by amendment. Filed Nov. 25, 1944. Details in "Chronicle," Nov. 30, 1944.

MONDAY, DEC. 18

SOSS MANUFACTURING CO. has filed a registration statement for 98,772 shares of common stock (par $1). The shares are issued and outstanding and are being sold by certain stockholders.

Address — 21777 Hoover Road, Detroit, Mich.

Business—Pre-war business consisted of manufacture of hinges and small metal stampings primarily for the automotive industry.

Offering—Offering price will be supplied by amendment. Of the 98,772 shares registered, 83,772 shares are to be offered to the public and an aggregate of 15,000 shares are to be sold to Charles J. Soss, Henry Soss and Samuel Soss at a price to be filed by amendment, the purchasers being President, Vice President and Treasurer and Vice President and Secretary, respectively.

Underwriting — The underwriting group is headed by Ames, Emerich Co., Inc., Chicago.

Proceeds—The proceeds go to the selling stockholders.

Registration Statement No. 2-5535. Form S-2. (11-29-44).

TUESDAY, DEC. 19

DEERFIELD PACKING CORP. has filed a registration statement for $1,250,000 first mortgage sinking fund bonds due Dec. 1, 1956. The interest rate will be filed by amendment.

Address—Bridgeton, N. J.

Business — Primarily the processing of quick-frozen vegetables.

Offering—The offering price to the public will be supplied by amendment.

Proceeds—The company will use the proceeds from the sale of the bonds, with treasury funds to the extent necessary, to the redemption at 103½ and accrued interest, of the outstanding $1,250,000 first mortgage 5% sinking fund bonds due Dec. 1, 1954.

Underwriting—The underwriting group is headed by Central Republic Co., Inc., Chicago, and E. H. Rollins & Sons, Inc., New York.

Registration Statement No. 2-5536. Form S-1. (11-30-44).

WEDNESDAY, DEC. 20

MONOGRAM PICTURES CORP. has filed a registration statement for 100,000 shares of 5½% cumulative convertible preferred stock, par $10. The conversion provisions will be filed by amendment.

Address—4376 Sunset Drive, Hollywood, Cal.

Business—Production and distribution of low-cost and medium cost motion pictures.

Offering—Price to the public will be supplied by amendment.

Proceeds—Proceeds from sale of stock will be added to working capital. Company stated its present intention is to use such additional working capital for the reduction of current liabilities by approximately $300,000 and the balance in the production of its motion pictures.

Underwriting — Emanuel & Co., New York, heads the list of underwriters, with names of others to be supplied by amendment.

Registration Statement No. 2-5537. Form S-1. (12-1-44).

SATURDAY, DEC. 23

ARKANSAS-MISSOURI POWER CORP. has filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅜%, due Dec. 1, 1974.

Address—400 West Main Street, Blytheville, Ark.

Business—Electric public utility company.

Offering—Price to the public will be filed by amendment.

Proceeds — Proceeds from sale of the bonds, together with general funds of the company to the extent required, will be used to redeem, at 105, of $2,350,000 first mortgage bonds, series A, 4%, due June 1, 1965, of the company.

Underwriting—The bonds will be offered for sale at competitive bidding. Names of underwriters will be filed by amendment.

Registration Statement No. 2-5538. Form S-1. (12-4-44).

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.

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. 10, 1944. Details in "Chronicle," Nov. 16, 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.

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.

(This list is incomplete this week)

DIVIDEND NOTICES

DU PONT E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *November 20, 1944*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable January 25, 1945, to stockholders of record at the close of business on January 10, 1945; also $1.50 a share, as the "year-end" dividend for 1944, on the outstanding Common Stock, payable December 14, 1944, to stockholders of record at the close of business on November 27, 1944.

W. F. RASKOB, *Secretary*

MAHONING INVESTMENT COMPANY

The Board of Directors of Mahoning Investment Company declared on November 30, 1944, a dividend of $2.75 per share on its capital stock, payable December 13, 1944, to stockholders of record at close of business December 6, 1944.

O'DONNELL ISELIN, *Secretary.*

DIVIDEND NOTICES

The Chesapeake and Ohio Railway Co.

An extra dividend of fifty cents per share on $25 par common stock will be paid December 26, 1944, to stockholders of record at close of business December 8, 1944.

A dividend for the fourth quarter of 1944 of seventy-five cents per share on $25 par common stock will be paid January 2, 1945, to stockholders of record at close of business December 8, 1944.

Transfer books will not close.

H. F. Lohmeyer, Secretary

THE CITY ICE & FUEL COMPANY

GENERAL OFFICES: 33 S. CLARK ST. CHICAGO 3

Plants in 26 States, Canada and Mexico

Dividend

The Board of Directors have declared a quarterly dividend of $0.30 per common share payable December 30 to stockholders of record at close of business December 12, 1944

Products and Services

Ice—Commercial & Home Service...Cold Storage—Commercial... Coal and Fuel Oil Distribution...Beer—Brewing & Distribution ...Icing—Refrigerator Car & Truck...Zero Food Storage Lockers ...Domestic & Commercial Refrigerator Manufacture

"Call for PHILIP MORRIS"

New York, N. Y.
December 5, 1944.

Philip Morris & Co. Ltd., Inc.

A regular quarterly dividend of $1.06¼ per share on the Cumulative Preferred Stock, 4¼% Series, and a regular quarterly dividend of $1.12½ per share on the Cumulative Preferred Stock, 4½% Series, have been declared payable February 1, 1945 to holders of Preferred Stock of the respective series of record at the close of business on January 16, 1945.

There also has been declared a regular quarterly dividend of 75¢ per share on the Common Stock, payable January 15, 1945 to holders of Common Stock of record at the close of business on January 2, 1945.

L. G. HANSON, Treasurer.

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

177th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a final dividend for the year 1944 of fifty cents ($.50) per share on the Common Stock, payable December 22, 1944, to stockholders of record at the close of business on December 11, 1944. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, December 1, 1944

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On November 28, 1944, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 2, 1945, to Stockholders of record at the close of business December 14, 1944. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable January 1, 1945, to stockholders of record at the close of business December 7, 1944.

ROBERT W. WHITE, Vice-President

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, November 30, 1944.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 92, on the Preferred Capital Stock of this Company, payable February 1, 1945, out of undivided net profits for the year ended June 30, 1944, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 29, 1944.

The Board also declared on this day a dividend of One Dollar and Fifty Cents ($1.50) per share, being Dividend No. 128, on the Common Capital Stock of this Company, payable March 2, 1945 to the holders of said Common Capital Stock registered on the books of the Company at the close of business January 26, 1945. Dividend checks will be mailed to the holders of Preferred and Common Capital Stock, who have filed suitable orders therefor at this office.

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

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

Dividend No. 50

A dividend of twenty cents ($0.20) per share will be paid on December 16, 1944, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business December 9, 1944. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary.

Boston, November 30, 1944.

ROCHESTER & PITTSBURGH COAL CO.

The Board of Directors of the Rochester & Pittsburgh Coal Co. declared on November 30, 1944 a dividend of five percent (5%) on its preferred stock payable December 13, 1944 to stockholders of record at the close of business December 6, 1944 out of net profits for the year 1941.

O'DONNELL ISELIN, *Secretary.*

ROCHESTER & PITTSBURGH COAL CO.

The Board of Directors of the Rochester & Pittsburgh Coal Co. declared on November 30th a dividend of 50 cents per share on its common stock payable December 13, 1944 to stockholders of record at the close of business December 6, 1944 out of net profits for the year 1943.

O'DONNELL ISELIN, *Secretary.*

GUARANTY TRUST COMPANY OF NEW YORK

New York, December 6, 1944.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company for the quarter ending December 31, 1944, payable on January 2, 1945, to stockholders of record at the close of business December 13, 1944.

MATTHEW T. MURRAY Jr., Secretary.

CITY INVESTING COMPANY

30 BROAD STREET, NEW YORK 4, N. Y.

November 30, 1944

The Board of Directors has this day declared an initial quarterly dividend of $1.375 per share on the 5½% Series Cumulative Preferred Stock of the Company, payable on January 1, 1945 to stockholders of record at the close of business on December 19, 1944. Checks will be mailed.

G. F. GUNTHER, Secretary

DIVIDEND NOTICES

***International* MINERALS & CHEMICAL CORPORATION**

General Offices
20 North Wacker Drive • Chicago

★

On November 30, 1944, the Board of Directors declared the regular quarterly dividend of one dollar ($1.00) per share on the 4% Cumulative Preferred Stock, and fifty cents (50¢) per share on the $5.00 Par Value Common Stock, payable December 30, 1944, to stockholders of record at the close of business December 18, 1944. Checks will be mailed.

ROBERT P. RESCH, Vice President and Treasurer

★

MINING AND MANUFACTURING
PHOSPHATE • POTASH • FERTILIZER • CHEMICALS

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 155
Common Dividend No. 139
Common Dividend No. 140

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1944 payable January 1, 1945, a year end dividend of 20¢ per share on the Common Stock payable December 28, 1944 and a dividend of 20¢ per share on the Common Stock payable January 1, 1945 have been declared, to respective holders of record December 6, 1944. The stock transfer books will remain open.

J. P. TREADWELL, JR.
November 22, 1944 *Secretary*

CHICAGO GREAT WESTERN CORN BELT ROUTE RAILWAY COMPANY

CHICAGO GREAT WESTERN RAILWAY COMPANY

Preferred Stock Dividend

A dividend of 62½c a share has been declared on the 5% Preferred Stock of this Corporation, payable on December 29, 1944, to stockholders of record at the close of business December 19, 1944. Checks will be mailed.

B. F. PARSONS,
Secretary

Chicago, Illinois, December 5, 1944

WOODALL INDUSTRIES, INC.

A dividend of 15¢ per share on the Common Stock has been declared, payable December 20, 1944, to stockholders of record December 9, 1944.

M. E. GRIFFIN,
Secretary-Treasurer.

The Board of Directors of the

CONSOL CONSOLIDATION COAL COMPANY

(Incorporated in Delaware)

has this day declared the regular quarterly dividend of 62½ cents per share on the $2.50 Cumulative Preferred Stock, payable on January 2, 1945, to stockholders of record at the close of business on December 16, 1944. Checks will be mailed.

C. E. BEACHLEY,
Secretary-Treasurer

November 28, 1944

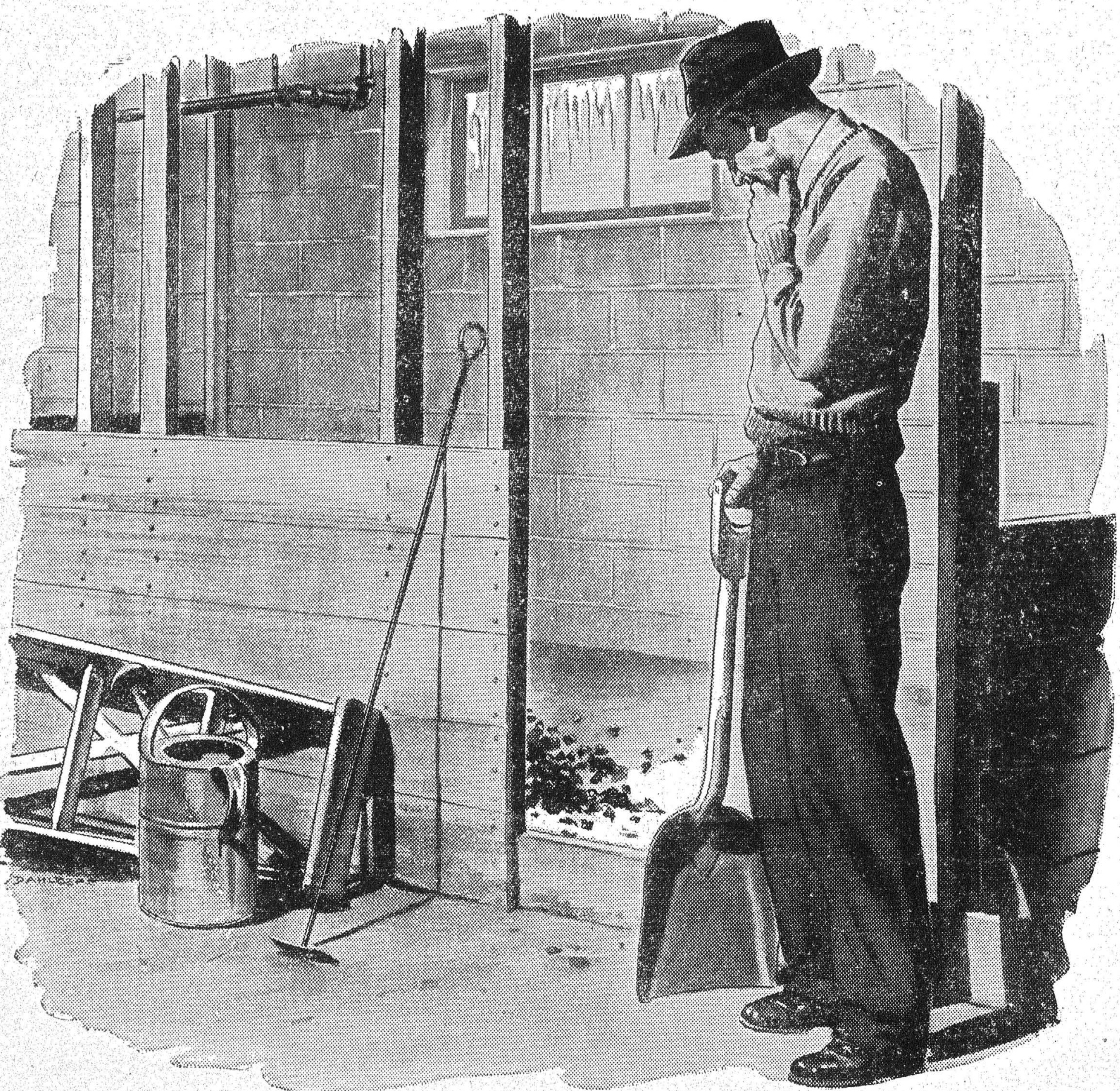
MARGAY OIL CORPORATION

DIVIDEND NO. 59

The Board of Directors of the MARGAY OIL CORPORATION has this day declared a dividend of twenty-five cents a share on the outstanding stock of the corporation of the issue of 160,000 shares provided by amendment to the certificate of incorporation of April 27, 1926, payable January 10, 1945, to stockholders of record at the close of business December 20, 1944.

E. D. OLDENBURG, Treasurer.

Tulsa, Oklahoma, December 1, 1944.



The "might have" bin

IT *might have* been filled—if its owner had ordered his coal earlier in the year. But he put it off.

It *might have* been less empty at this very moment—if its owner hadn't waited till he got down to the last shovelful before reordering from his coal dealer.

The need for reordering coal early this winter and conserving it is not because less coal is being mined.

Millions more tons of coal are being mined this year than last—with less manpower. Quite a tribute to mine owners and miners alike! And there are ample rail facilities for transporting the coal to your city.

But, certain grades and sizes of coal are needed for war production. And in addition, your local coal dealer is faced with a shortage of manpower, trucks and tires. So be patient with him.

Order coal before you get down to the last shovelful. And conserve coal by properly tending your furnace, closing off unused rooms and taking other simple measures. For further suggestions on conserving coal see your dealer.

One of the biggest jobs of the C&O Lines is hauling coal from the mines along its routes, so we're in a position to understand the problem, and to know how essential coal is these days.

Chesapeake & Ohio Lines

CHESAPEAKE AND OHIO RAILWAY
NICKEL PLATE ROAD
PERE MARQUETTE RAILWAY

Save Coal—and Serve America

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE JR.

Profit-taking and tight-money conditions resulted in some ease throughout the entire list during the early part of last week. . . . However, following the payment of a large volume of subscriptions to the Sixth War Loan, last Friday, by individuals, banks and corporations, the market rallied and ended the week about unchanged. . . . The transfer of these bonds from demand deposits with required reserves to the reserve-free war loan accounts relieved the tightness in the money market, and it is estimated that the banks throughout the country have gained more than $700,000,000 in reserve. . . . This will no doubt be followed by substantial purchases of bills from Federal. . . .

BROAD DEMAND

The demand that has come into the market since Dec. 1 has been broad, and the intermediate and long-term partially exempts have been well taken, with the 2⅞% due 1955/60 still the most favored issue. . . . In the taxable group the 2% due 9-15-51/53 and the 2% due 6-15-52/54 are still considered attractive, and institutions are reported to be large buyers of these bonds. . . .

The called 4s are again being recommended for institutions that want to acquire a position in the 2% due 12-15-52/54, and it is indicated that advantage is being taken of this opportunity by many of the banks. . . .

Last week the New York City member banks were heavy buyers of Government bonds as well as substantial purchasers of notes and certificates and again sellers of bills. . . . The purchase of bonds by these institutions has been sizable since the War Loan Drive opened with $247,000,000 of these securities having been acquired between Nov. 15 and Nov. 29. . . .

This shows the similarity in trend of Government security purchases between the large city banks and the rest of the country, which is toward longer maturities, in order to increase income. . . .

These purchases of Government bonds by the member banks, since the start of the present drive, has been mainly from individuals and corporations since the latest available statement of the Federal Reserve banks shows that their holdings of this type of security has not changed since the Sixth War Loan opened. . . . The fact that the member banks of the system have been buyers of the outstanding issues, since the drive started, indicates that these institutions are again giving important indirect support to the War Loan. . . .

TREND OF BANK DEPOSITS

Bank deposits and their importance to the government bond market, has resulted in several studies being made for the purpose indicating the future trend. . . . One of these surveys reports the following conclusions:

(1) During the war period, a slow gradual increase.
(2) With the ending of the war, a faster increase due to:
  (a) The return flow of currency from circulation.
  (b) Larger bank buying of government issues, to supply funds to be used to pay off War Savings bonds that will be turned in for redemption.
  (c) Banks taking over the short term security holdings of business corporations, who will need funds to meet post-war demands.
  (d) Some increase in loans which will result in increased deposits.
(3) A decrease in deposits to take place only after the budget is balanced and the government starts to retire debt. This is not expected in the immediate future.

With reference to time and savings deposits, it was pointed out that these deposits decline principally during a period of depression and then only slowly. . . . With good business indicated after the war the conclusion was reached that these deposits will remain high for some time due to:

(1) The large amount of cash that individuals have in their own possession, as shown by currency in circulation, which will be spent, before savings deposits are drawn down.
(2) Unemployment aid during the reconversion period, means less need for use of savings deposits.
(3) Individuals will tend to redeem War Savings bonds instead of taking out savings deposits.
(4) Use of time payments for purchase of durable consumers goods, rather than a drawing out of savings deposits.

RESERVE RATIO CHANGE INDICATED

The Federal Reserve system's ratio of cash holdings to deposits and circulation declined to 49.4%, a new low on the movement and the lowest since March 8, 1933. . . . The rapid increase in currency in circulation has raised the prospect that legislative authority may be sought early next year to change the ratio. . . . Currency outstanding reached a peak of $24,997,000,000 last week and further increases are expected for the balance of the year since the holiday season always results in a large demand for cash. . . .

There had been some expectation that results of the Sixth War Loan Drive, now under way would influence calculations on the need for a ratio change and although this factor appears now less important than previously, the drive none the less is being watched as part of the over-all situation. . . .

Some expectation had apparently arisen that the drive might influence the currency trend, in view of the fact that currency outflow during all previous drives has generally dropped. . . . Payment of securities and transfer of funds to War Loan accounts on which no reserves are required means the banks will have free reserves and will bring bills back from Federal. . . . The repurchase of bills, will result in a decline in deposits of member banks, and the ratio of gold to deposits and circulation will rise, at least temporarily. . . . By and large, however, the ratio trend will be determined by the flow of currency in circulation.

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.

Magnavox Looks Good

Fred W. Fairman & Co., 208 So. La Salle St., Chicago, Ill., members of the Chicago Stock Exchange, have a brochure and descriptive literature on the Magnavox Co. common. Copies may be had upon request from Fred W. Fairman & Co.

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.

Boston Albany Attractive

Adams & Peck, 63 Wall St., New York City, have an interesting circular and map covering Boston & Albany RR. Copies may be had from Adams & Peck upon request.

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