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Public Pays for Unfair Management and Labor Practices: Baker

Addressing the 49th Annual Meeting of the National Association of Manufacturers at the Waldorf-Astoria Hotel in N.Y. City on Dec. 7, Melvin H. Baker, President of the National Gypsum Co., urged labor and management to resolve their differences quickly and equitably or "the world will sadly view a great nation, looked to for leadership and economic strength, dissipate that strength and abandon that leadership.

Melvin H. Baker

"When management attempts to exploit labor," he contended, "for the purpose of creating unfair competition, wages may be forced down in other industries in the field, and the public suffers. When labor carries a chip on its shoulder, and elbows its way over and through the rights of another group, the public suffers."

"The great mass of the American people, workers, managers, consumers and innocent bystanders, is always the party-at-interest in labor troubles," he asserted.

"For that reason," he says, "the

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Prospects for Business in 1945

By BRIG.-GEN. LEONARD P. AYRES*
Vice-President, The Cleveland Trust Co.

Prominent Statistician and Analyst Asserts "We Are Quite Safe" in Assuming That 1945 Will Bring This Country A Good Deal of Social, Financial and Business Turmoil. Predicts in Transition Period 20 Millions Must Find New Employment and Despite Programs for Public Works and the Pressing Needs for Civilian Goods, the Number Seeking Employment Will Be of Record Proportions. Doubts an Inflationary Price Rise but Expresses Fear That When the Duration and Difficulties of Transition Are Experienced, Security Prices Other Than Government Bonds Will Decline, Particularly Prices of Second Grade Issues. Warns Against Inventory Speculation, and Foresees Lower National Income, Higher Wages, More Labor Disputes and More Business Failures, With Interest Rates "Tightly Regulated."

Both 1945 and 1946 are destined to be years of transition from a wartime economy to a peacetime economy. The transition is already under way on a very small scale. As it expands and extends it will go forward on a huge scale and for a long time. It will not be simple or easy because it will involve so many fundamental changes for so many people that its developments cannot have the characteristics of simplicity and ease. We are quite safe in assuming that 1945 will be a year of great events, and one which will bring to this country a good

Leonard P. Ayres

*An address by General Ayres before the Cleveland Chamber of Commerce Dec. 12, 1944. The text of this address will be published as the Dec. 15 issue of the Business Bulletin of The Cleveland Trust Co.

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Conflicting Views Again Feature Comments on Peacetime 'Training'

Judging from the number of responses received in connection with our symposium on the proposal calling for a program of universal military training in peacetime, there is good reason to believe that the issue is being weighed by the public with more than casual interest. It was with this thought in mind that we undertook our survey, the results of which have been given in our columns starting with the issue of Nov. 23. As was to be expected, the comments submitted reflected a marked difference of opinion among contributors regarding the proposal. This has been evident in expressions previously published and is equally the case with respect to those which we are able to accomodate in today's issue. Others now in hand will be given in subsequent issues.

DR. NEIL CAROTHERS
Dean, College of Business Administration, Lehigh University, Bethlehem, Pa.

I hesitate to comment on the proposal for compulsory military training in peace years, as I am not a military expert. I should not presume to offer any judgment at all if I had not had some small personal experience which in some degree entitles me to express an opinion. I had four years of military training in college before the First World War. I was an officer in that war. For many years I have been intimately associated with ROTC military training in the colleges. I have

Neil Carothers

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The Outlook for Post-War Industry

By IRVING S. OLDS*
Chairman of the Board of Directors, United States Steel Corporation

Mr. Olds Lists As Favorable Factors for Post-War Industry: (1) the Increased Supply of Skilled Workers; (2) the Enlarged Productive Capacity and (3) the Pent Up Demand for Goods. Asserts the American People Were Never in a More Favorable Position to Withstand Temporary Reconversion Unemployment Because of Peak-Level Savings, and, With the Cooperation of Elements Comprising Industry, Labor, Government and the General Public, Holds That the Substance of a Prosperous Future Is in Our Hands.

Irving S. Olds

Tonight we have as our assigned topic: "The Outlook for Post-War Industry."

The war is not over. Nothing can be allowed to stand in the way of its vigorous prosecution. Thoughts and plans for the days of peace must in no way divert us from our immediate task—the winning of the war. That is the job at hand.

At the outset, I should like to record my faith in the long-term wisdom of the American people. Their patriotism, courage and resourcefulness—so outstandingly evident in meeting the problems

*An address made by Mr. Olds at the One Hundred and Fiftieth Dinner of the Economic Club of New York, Hotel Astor, New York City, Dec. 5, 1944.

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"If I Were A Labor Leader"

By H. W. PRENTIS, Jr.*

President, Armstrong Cork Company
Past President, National Association of Manufacturers

Industrialist Asserts the Most Sinister Threat to the American Republic and to Labor Is the Effort to Divide Our People Along Horizontal Class Strata and Warns that Unless Unions Give Adequate Protection to Individual Rights, They Will Be Subjected to Severe Legal Regulations. He Advises Labor Organizations to Operate on Democratic Principles With Secret Ballots and Without Coercive and Racketeering Practices and to Foster Law-Abiding Citizenship and a Cooperative Spirit with Proper Regard to Business and the Public. Stresses Need for More Attention to Public Relationships in the Labor Movement.

I stand before you this afternoon in almost as great confusion of mind as the Vermont farmer who was asked why he was walking along the road with a piece of rope in his hand. "I don't know," he replied. "I've either found a rope or lost a horse!" My mental condition is somewhat similar, for never before have I addressed the Congress of American Industry in any other capacity than as a manufacturer. Today I am cast in a new role. I am supposed to explain what I would do "If I Were a Labor Leader." It is an intriguing assignment to say the least. For everybody likes to let his imagination run riot now and then and try to figure out what he would do if he were somebody else.


H. W. Prentis, Jr.

In one respect I am singularly fortunate. For of all the representatives of organized labor in America, there is none with whom I should be happier to exchange places momentarily than with our distinguished guest speaker. Mr. Green has not only had long experience as a labor union executive, but as you doubtless know, served for a number of years in the Ohio State Senate. Possibly, in part as the result of that experience, he has always clung to the wise policy laid down by Samuel Gompers and sought to advance the interests of organized

*An address by Mr. Prentis before the War and Reconversion Congress of American Industry, 49th Annual Meeting of the National Association of Manufacturers, at the Waldorf-Astoria Hotel, Dec. 6, 1944.

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Murray Moore & Co. Formed In Dallas

DALLAS, TEX.—Murray W. Moore & Co. has been formed with offices in the Dallas National Bank Bldg., to act as participating distributors and dealers in corporate and municipal issues specializing in Texas municipals. Officers are Murray W. Moore, President; Frances M. Moore, Vice-President, and Lucille Shepherd, Secretary and Treasurer.

Mr. Moore in the past was President of Moss, Moore & Cecil, Inc.; was an officer of Investment Service Corp of Texas, and was with Donald O'Neil & Co.

"If I Were an Industrial Manager"

By WILLIAM GREEN*

President, American Federation of Labor

Labor Leader Pleads for Confidence, Mutual Respect, Cooperation and Good-Will Between Labor and Management as a Means of Preserving Private Business Enterprise. Urges Management to Recognize the Right of Labor to Organize and Bargain Collectively and Maintains That the Development of Labor Unions Parallels the Formation of Corporations Under the Free Enterprise System. Favors Labor-Management Committees in Which the Rights of Labor and of Management Must be Scrupulously Observed. Says the Philosophy That Labor Should Join With Management in the Actual Management of Property Could Not and Cannot Be Accepted as It Is Contrary to American Tradition and Our Free Enterprise System.

I am confident that those who formulated this interesting luncheon program were inspired by a sincere desire to promote understanding and a spirit of cooperation between management and labor. Even an approximate realization of that objective would be commendable and worthwhile. We can best serve the public interest and maintain our free enterprise system if through frank discussion and sound, constructive thinking we eliminate class warfare, reduce in-


William Green

*Address by Mr. Green before the War and Reconversion Congress of American Industry, 49th annual meeting of the National Association of Manufacturers at the Waldorf-Astoria Hotel, New York, Dec. 6, 1944.

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Brown Bros. Harriman Promote Two in N. Y.

Brown Brothers Harriman & Co., 59 Wall Street, New York City, members of the New York Stock Exchange, announce that David G. Ackerman has been promoted from Assistant Manager and that James Hale Jr. has been appointed an Assistant Manager. Both officials are connected with the bank's New York office.

John R. James Jr. With Merrill Lynch in L. A.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—John R. James Jr. has become associated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth St. In the past Mr. James was manager of the trading department for Thomas Kemp & Co. and was with Cavanaugh Morgan & Co.

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Do You Know Your Money?

By DR. WALTER E. SPAHR
Professor of Economics, New York University
Secretary, Economists' National Committee on Monetary Policy

Economist Explains Nature of Our Metallic Money and the Laws Relating Thereto. He Analyzes Further the Paper Money System of the United States and Distinguishes Between Lawful Money and Legal Tender. Maintains the Present Monetary Standard of the U. S. Cannot Be Defined in Simple Terms but Must Be Described and Its International Aspects Distinguished From Its Domestic Aspects.

Again and again controversies arise in the United States as to the defects or virtues or dangers in our money. The current monetary issues have an important bearing on the welfare of the American people. They need to understand them. Money is the lifeblood of industry and commerce and its soundness is as vital to the good health of our economic and social system as the purity of one's blood is to his physical well-being.


Dr. Walter E. Spahr

Furthermore, does not everyone wish he knew, or think he should know, something about the different kinds of money he carries in his purse? In any event, an understanding of the essentials of our money and monetary structure makes it easier to appreciate the essence of the major monetary issues which have been and are still being fought over by monetary economists, Congress, the Federal Administration, and others.

Our Metallic Money—Gold

First of all, there is our country's metallic money—gold, silver, and minor coins. All our coins are issued by the Government; the banks merely pay them out.

Gold is no longer coined by our

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The Fallacies of Enforced Listing

By A. M. SAKOLSKI, City College

Economist Traces the Development of Securities Trading and Points Out That Organized Securities Exchanges Were Created Not As Substitutes but As Facilities for Dealers and Brokers. He Explains the Use and Limitations of the "Auction" Method of Trading on Exchanges, and Points Out Why Only Certain Types and Classes of Securities Are Suitable for This Method of Marketing. He Maintains That in All Leading Countries, the Bulk of Security Transactions Are Effected Through Dealers or Banks and Not Through Listing on Exchanges, and Warns That a Revolutionary Change in the Present System of Securities Trading Will Handicap Business.

Once more, the long arm of regimentation stretches out its multiple claws to strangle free trade and private enterprise! Strong suggestions that all securities that are bought and sold should be listed on an organized securities exchange, and that private negotiations in the capital market should be prohibited, comes from bureaucratic and idealistic sources. A system of marketing, older than the existence of securities and which long antedates the creation of organized exchanges or prescribed market places, is to be completely blotted out as remedy for overrated frauds and evils, or as a step toward further governmental paternalism. A high official of the Securities and Exchange Commission, backed up by editorial comment in a New York newspaper, deplores the decline in securities transactions on organized exchanges and suggests that the nation be "districted" into regional exchange areas, and that all trading in securities be restricted to licensed transactions on the floors of these government-supervised institutions.


A. M. Sakolski

I

What Securities Exchanges Do

Much has been written over the last half-century regarding the functions, activities and regulations of organized exchanges. As a machinery for facilitating marketing they have been extolled by some and condemned by others. The evils ascribed to them have been submitted to checks and prohibitions through legislation and governmental regulation both in this country and abroad. The securities as well as the commodity exchanges are under severe surveillance and administrative restrictions. These checks and handicaps have reduced the extent of their operations and have driven trading from their floors.

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Peace, Progress and Taxes

By H. E. HUMPHREYS, JR.*
Chairman, Finance Committee, U. S. Rubber Company

Asserting That Governmental Spending Makes Taxing, Mr. Humphreys Urges a Congressional Reorganization Which Would Unite the Appropriation and the Taxing Committees. Calls for a $20 Billion Post-War Budget That Will Cover Expenditures and Provide for Amortization of the National Debt in 60 Years and Which Will Be Provided by $5 Billions in Excises and Miscellaneous, $6 to $7 Billions From Corporation Earnings, and $8 to $9 Billions From Individual Taxpayers. Recommends Tax Simplicity With Repeal of Capital Stock and Excess Profits Tax and the Confining of the Taxing Power to Revenue Purposes Instead of Effecting Social and Economic Adjustments.


Harry E. Humphreys

The subject of taxation is simply bound to come up wherever people are assembled in groups of two or more.

As a subject of conversation it beats the weather—and future weather and taxes both can be forecast with about the same degree of absolute uncertainty.

I fortified myself as best I could to discuss such a controversial

*An address by Mr. Humphreys before the War and Reconversion Congress of American Industry, 49th Annual Meeting of the National Association of Manufacturers, Waldorf-Astoria Hotel, New York City, Dec. 7, 1944. Mr. Humphreys is Chairman of the Committee on Taxation of the National Manufacturers Association.

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Victory First—Then Reconversion

By C. E. WILSON*
President of General Motors

Industrialist Discusses Problems of Reconversion and Points Out the Peculiar Difficulties in Resuming Auto Manufacture Because of the Radical Change-Overs Involved and the Time Required for Setting Up Assembly Lines. Says Best Peacetime Employment of General Motors Was 250,000 and for the Early Post-War Years Should Reach 400,000—Now 455,000. Warns Against Experiments in Communism and Socialism and Denies That Industrial Progress Has Been Achieved at Expense of Social Progress.

The subject assigned to me, "Victory First—Then Reconversion," is certainly a broad one to try to cover in 15 minutes. Already millions of words have been spoken and written on this general subject, some of them quite practical and many of them reaching beyond the realm of possibility and common sense.

C. E. Wilson

When we went into war production we experienced a similar situation. Self-appointed experts appeared on every hand to tell us how we should accomplish the job. We in the automobile industry were particular targets for gratuitous advice. We were criticized for failure to convert when the truth was that war production orders were accepted as fast as they were available. We were told that we could make 500 airplanes a day in the same plants and with the same machinery we used for production of automobiles. We were told that there was going to be a period of terrible unemployment in the industry and that it would be necessary for Congress to appropriate large sums of money to take care

*An address made by Mr. Wilson before the War and Reconversion Congress of American Industry at the 49th Meeting of the National Association of Manufacturers.

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H. R. Anderson Dir. Of Tilo Roofing Co.

Herbert R. Anderson has been elected a director of Tilo Roofing Company, Inc. Mr. Anderson is

Herbert R. Anderson

executive vice president and a director of both Distributors Group, Inc., and Group Securities, Inc.

Lester Gannon With W. T. Bonn & Co.

W. T. Bonn & Co., 120 Broadway, New York City, announce that Lester F. Gannon is again associated with them. Mr. Gannon has recently been with Birnbaum & Co. as manager of the real estate bond department.

Asby to Be Partner In Baker, Weeks Co.

William D. Asby will become a partner in Baker, Weeks & Harden, 52 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges, as of Jan. 1, 1945. Mr. Asby in the past was a partner in Carmichael, Carson & Asby.

Excellent Growth Quality

International Cellucotton Products Co. should appeal to investors interested in excellent growth companies, according to a detailed study of the company prepared by New York Hanseatic Corp., 120 Broadway, New York 5, N. Y. Copies of this interesting study may be had from the firm upon request.

Boston & Maine Looks Good

Boston & Maine RR. offers an interesting situation, according to a new memorandum issued by Price, McNeal & Co., 165 Broadway, New York City. Copies of this interesting memorandum may be had upon request from Price, McNeal & Co.

Glendinning to Admit

PHILADELPHIA, PA.—Robert Glendinning & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges, will admit Robert Glendinning, Jr., to partnership in the firm on Jan. 1, 1945.

Management Speaks To Its Employees

By S. C. ALLYN*

President, National Cash Register Co.

Industrial Executive Points to the Changes Which Have Supplanted Personal and Family Ownership by Management As a Reason Why Employees Should Be Taken Into Management's Confidence, and Why a Systematic Method of Handling Complaints and Suggestions, a Fair Wage, Incentive to Advancement Should Be Followed. Maintains the Submergence of the Individual Worker Is a Basic Handicap Which Should Be Overcome in Large Organizations and Shows How His Own Concern Seeks to Accomplish This.

If the management of any enterprise is to succeed it must address itself effectively to its customers, its stockholders, its employees and the public. Each of these groups is important, but for all of us here employee relations present a peculiar challenge. We are vitally concerned in how management speaks to its employees. This subject, which constitutes my part on today's program, has a particular appeal for me because we have been talking to our employees for many years.

S. C. Allyn

Fully to comprehend the problem of industrial relations and the formula for its solution it is necessary to visualize the vast changes wrought in modern industry. Management has supplanted personal or family ownership. In other days a man's skill was his social and economic security. Today he is inclined to look to the Government for that security. Under the dynamic stimulus of mass production the worker has lost his identity. No one questions the worth and wisdom of mass output—the hallmark of American industrial supremacy. But—and here we get to the core of the issue before us—mass output has tended to bring about mass personnel—the anonymity of the worker amid the ceaseless flow of product. In a word, industry has become impersonal. It means that the gap between top management and production has steadily widened. There must be a balance between the executive level and the worker level based on mutual trust and confidence.

The paradox in a considerable part of our industrial relations is that while men talk freely to each other across oceans they do not talk across the table with their employees. Executives know much more about what is in the minds of people thousands of miles away than in the minds of people near at hand in their own plants. Into the five years of World War II we have packed the technical development of 20 nor-

*An address made by Mr. Allyn before the War and Reconversion Congress of American Industry, the 49th annual meeting of the National Association of Manufacturers, Waldorf-Astoria Hotel, New York, Dec. 7, 1944.

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F. S. Moseley Co. and Arthur Perry Co. Planning Merger

Moseley to Admit Partners

Applications are being filed with the New York Stock Exchange requesting approval of the admission, effective Jan. 1, 1945, of Leo F. Daley, of Boston, and Ernest L. Ward, of Chicago, as partners in the firm of F. S. Moseley & Co. Mr. Daley has been associated with the firm since 1927 when he was graduated from Harvard University. Mr. Ward became associated with Harris Forbes & Co. following his graduation from Princeton University in 1929 and has been connected with the buying department of F. S. Moseley & Co. in Chicago since 1933.

It is reported that the firms of F. S. Moseley & Co. and Arthur Perry & Co., Inc. are planning to merge on Jan. 1, 1945. The principal officers of Arthur Perry & Co., Inc. will become partners in F. S. Moseley & Co. which firm will continue to include all of its present partners. The entire staffs of both organizations will be retained.

The proposed merger will combine two banking houses with similar backgrounds as underwriters and distributors of investment securities. F. S. Moseley & Co., whose main office is at 50 Congress Street, Boston, holds memberships in the New York, Boston and Chicago stocks exchanges and The New York Curb Exchange, and also specializes in commercial paper. In addition to the Boston office, the firm maintains offices in New York, Chicago and Indianapolis.

Exceptional Possibilities

Carter H. Corbrey & Co., 135 South La Salle Street, Chicago, Ill., and 650 South Spring Street, Los Angeles, Calif., has issued an interesting circular on Interstate Aircraft & Engineering Corp., manufacturers of soft drink dispensing machines. Copies of the circular, discussing the current situation and attractive outlook for the company, may be had from either office of Carter H. Corbrey & Co. Also available on request is a booklet of Highlights of the Plan of Reorganization of Chicago, Aurora and Elgin Railroad Company.

Wm. E. Pollock Co. To Be Formed In NY

Wm. E. Pollock & Co., Inc., will be formed as of Jan. 2, 1945, with offices at 20 Pine St., New York City. Officers will be William E. Pollock, President; Max E. Pollock, Executive Vice-President; H. Albert Ascher, and T. P. Dixon, Vice-Presidents, and Ashmore L. L. Mitchell, Assistant Vice-President.

The new firm will act as dealers in U. S. Government, territorial and Federal Lank Bank securities, underwriters and dealers in State, municipal and Housing Authority bonds.

Officers were formerly principals in Harvey Fisk & Sons, Inc.

Louis V. Hauser in Tacoma

TACOMA, WASH.—Louis V. Hauser is engaging in an investment business from offices at 4324 North Lexington.

Public Utility Securities

Laclede Gas Light Company

Laclede Gas Light, subsidiary of Ogden Corp. (the former Utilities Power & Light Corp.) has been in process of reorganization for over three years. Ogden Corp. (already greatly reduced in size) is in process of further liquidation and Laclede is its principal subsidiary. Before it disposes of its interest Laclede must be "streamlined," as is the customary SEC requirement.

A recapitalization plan for Laclede was filed with the SEC and the Missouri Public Service Commission in August, 1941, superseded by an amended plan nearly a year later, and was further amended in 1943. Finally, in May this year, the SEC approved the final plan and the U. S. District Court issued its findings and opinion on Aug. 28. Even after this, some delays occurred due to an issue over payment of premiums on bonds to be retired. On Nov. 17 the company moved to accelerate execution of the plan by placing funds in escrow to cover premiums and interest on the bonds, as an assurance to protesting institutional holders that funds would be available if their point was approved by the Court.

The plan was finally approved by order of the District Court in St. Louis on Dec. 4 and should become effective around March 4 (unless appealed by other security holders than the bondholders to a higher court).

Laclede will reduce its funded debt through sale of the St. Louis electric properties to Union Electric Co. (North American system) for a base price of $8,600,000, and remaining debt will be refunded. Capitalization of the new company will be $19,000,000 first mortgage bonds, $3,000,000 serial debentures and 2,433,620 shares of common stock. The present preferred stock (with arrears) will receive 14 shares of new common (instead of the 11 shares originally proposed) and each share of the old $100 par common will receive one new share of $4 par stock. Under the plan, Ogden will receive 2,165,296 shares of common which it will subsequently offer for sale under competitive bidding.

As occasionally happens with reorganization plans, the present prices on the Stock Exchange for the old preferred and common stocks appear out of line with the terms of the plan. The preferred is selling around 88 and the common at 9⅜—a ratio of about 9.4 to 1 instead of 14 to 1. The reason for this discrepancy is not obvious; possibly some common stockholders are hopeful of a last minute appeal and modification, or possibly the difficulty of borrowing stocks under present market conditions has discouraged arbitrage operations or other adjustments. The new stock is quoted "when issued" over counter at 5½-6¼.

There are no up-to-date pro forma earnings figures, but it is understood that some may become available in the next few weeks. The original pro forma estimates prepared by the company some time ago indicated 72 cents a share in 1944 on the new common (taking the benefit of nonrecurring tax savings) and 47 cents in 1945. These figures were superseded by Exhibit A in the SEC findings dated May 24, 1944, which indicated earnings of 42 cents a share. It is understood that recent reports might result in a slight upward revision of the estimate, possibly to around 45 cents or more.

The current when issued price for the new common stock is about 13 times estimated pro forma earnings. If the old common is used as the equivalent price of the new, this reflects a price-earnings ratio of nearly 21, which seems quite obviously out of line with market conditions. Even such a long established mixed-gas stock as Washington Gas Light (with a continuous dividend record since 1867) sells for less than 13 times current earnings. Peoples Gas of Chicago sells at about 15 times earnings (earnings have dropped sharply in the past year). The average for natural gas and mixed gas distributing stocks appears to be around 12, but dividend yield is doubtless also an important factor. (In the hearings, some time ago, it was indicated that a dividend of 35 cents or more might be a reasonable expectation.) If and when the new pro forma figures become available and the company indicates (as it will probably do when the Ogden stock is offered for sale) the proposed dividend rate on the new common, it will be possible to make a better appraisal of the price of the new common. A practical factor may be the extent of the competitive bidding for Ogden's common stock by banking groups. Interest in the big offering has perhaps been dampened by the long delays, and fears that legal technicalities may still develop, but may revive as the time for bidding approaches.

Don't Sell the Railroads Short!

By ERNEST E. NORRIS*
President, Southern Railway System

In Refutation of the Pessimistic Prophecies Regarding the Future of Railroads, Mr. Norris Points Out the Remarkable War-Time Accomplishments of America's Railway System. Ascribes This Success to (1) Previous Planning and (2) the $11 Billions Expended in Two Decades on Improvements and Betterments for More Efficient Service and Explains That 150 Experts Are Now Planning for Further Improvements to Put the Rail Lines in Better Competitive Position With Other Means of Transportation. Predicts That Railways Will Continue to Handle by Far the Major Portion of Transportation "Just As They Have Always Done."

I want to sound a warning to my friends; a warning that is, in my humble opinion, timely; one that needs to be sounded in these days of starry-eyed enthusiasm about the "bright new world" that is even now in the making. It is this: In your post-war planning—


Ernest E. Norris

Don't Sell the Railroads Short!

* * *

Long before war clouds began gathering in Europe, the railroad industry was assailed by predictions that it would soon be replaced by new forms of transportation — the automobile, the truck, the bus and the airplane. The self-appointed seers who concocted and broadcast these dire predictions—and they popped up in halls of book learning, in erudite journals, in the popular press, in the corridors of Government bureaucracy and on the speaking platforms of the nation—these sharp-pencil theorists had one common failing; they neither understood the figures on which they based their forecasts of disaster nor the character of those who man our railroads. But that's getting ahead of my story.

When we began talking about national defense several years ago, these prophets of doom had a field day. They shouted from the nation's housetops that the railroads would certainly collapse under the pressure of the traffic load then in sight. They screamed for Government operation of railroads. They derided the calm assurances of railroad men in November, 1940, that the American railroads "will continue to meet to the full the demands of commerce and the needs of national defense." They even set the date on which the railroads would bog down in complete failure.

So what happened? Nothing unusual! The railroads simply proceeded to handle a volume of freight and passenger traffic that was far greater than the volume that the crystal-gazers had labeled as "the impossible." As time went on the traffic load became heavier and heavier. The "viewers-with-alarm" hopefully kept moving the tragic day of collapse ahead. The railroads kept right on railroading as if nothing had ever been said about their capacity to do any job that needed to be done. And finally, the disappointment and chagrin of complete frustration silenced, forever we hope, the vociferous tribe of carping commentators.

One of the principal reasons for the pre-Pearl Harbor rout of those who were so ready to bury the poor railroads was, I think, a peculiar sort of ignorance that seems to characterize those who work on our railroads; an ignorance shared by every man and woman on the payroll from the top to the bottom; an ignorance of what "impossible" means.

For some reason or other railroaders seldom waste much time speculating as to whether a job can be done or not. They just pitch in and do it, if it needs doing. Perhaps it is because they are steeped in the tradition that gets trains through "in spite of hell and high water." Perhaps it's because the whole history of railroads is a continuous fight against the elements; against time, space, weight, friction, and inertia; against the "impossibles" of life. Whatever the cause, railroad folks never seemed to hear the prophets of disaster before the war; they were too busy getting the day's job done.

Now, if I assure you that the men and women who man our railroads haven't changed much in this respect—and I do so assure you—would you sell the railroads short?

* * *

When war finally came to this peace-loving nation just three years ago today, the railroads were ready. Almost overnight they were called on to transport millions of fighting men and move millions of tons of fighting freight. Their answer was neither a plea for time nor an appeal for help; it was just a daily report of each day's job done—without a single failure!

So far in this war the railroads have carried almost double the load they carried in the last war. They have accomplished this staggering task with only two-thirds of the locomotives they had then; with only three-fourths of the freight and passenger cars of 1918; and with but three-fourths of the employees. Yet the job has been done so smoothly with the bigger and better equipment we have now that it only becomes news

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*An address by Mr. Norris before the Chamber of Commerce of the State of New York, Dec. 7, 1944.

Tomorrow's Markets Walter Whyte Says—

Market penetration of old highs attracts considerable public buying. Further advances from here indicated but caution should increase in direct proportion to rise.

By WALTER WHYTE

After a good many attempts, the averages finally managed to get through what everybody called the "important level"—and up it went. That is the market went up; the averages (up to this writing) haven't done so well.

* * *

In last week's column the probability of a break-out on the up-side was discussed and the conclusions made that the chances of it happening were better than even. And, as that was enough odds for a trader, the column recommended certain stocks for purchase. When the advice was given the stocks in question were either slightly above the prices at which they were to be bought or they were practically at the market. By the time you read the column the move had already started, and of

(Continued on page 2621)

NSTA Notes

The first dinner of the new fiscal year was held by the New Orleans Security Traders Association on Wednesday evening, Dec. 6, in one of the restaurants in the Vieux Carre. Attendance was exceptionally large and the occasion marked the acceptance into the organization of three new members, namely:

Paul Thibodaux of the Whitney National Bank
Shelby Friedrichs of Woolfolk, Huggins & Shober
G. Price Crane of Glas & Crane.

In addition, Herbert Pettey of the Nashville Office (Home Office) of the Equitable Securities came down for the event.

Needless to say, Thursday was a very dull day in the Trading Fraternity in New Orleans with "pick-me-ups" enjoying precedence over quotations.

Mahoning Attractive

Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have in preparation a comprehensive memorandum on Mahoning Coal Railroad common stock which should be of interest to dealers having buyers of any high-grade railroad securities. This memorandum may be obtained upon request from Townsend, Graff & Co.

Tax Comments for the Individual Investor

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, have prepared an interesting booklet entitled "Tax Comments for the Individual Investor." Copies of this informative booklet may be had from Reynolds & Co. upon request.

Railroad Securities

In a year which has witnessed a fairly generally declining trend in railroad earnings, Southern Railway has held up remarkably well. Gross has not been materially higher than it was a year ago and maintenance and other operating costs have been quite sharply higher. Nevertheless, income available for charges for the first ten months of the year were little more than $2,000,000 (about 7.5%) below the level of the like 1943 interim. With fixed charges further reduced by debt retirement, it is likely that net earnings on the common stock will not fall much below the $15.81 a share earned last year.

At present prices the shares are selling little more than twice indicated 1944 per share earnings. This appears as a ridiculously low price-earnings ratio for a stock affording a generous return on the basis of recent dividends, and the underlying position of which has been so vastly improved in recent years. Many railmen consider the preferred also as having particular appeal in its class although obviously not having as wide percentage appreciation potentialities as the junior equity. Analysts, leaning more towards the common than the preferred as an attractive purchase, point out that the preferred is non-cumulative and that in only one year in the past 20 years has a dividend been paid on the preferred without a distribution also being made on the common. In the last quarter of 1942 a dividend of $1.25 a share was paid on the preferred while dividends were not resumed on the common until the following year.

There are a number of reasons for adopting a constructive attitude towards the Southern. Perhaps the most widely publicized has been the program of debt retirement. The management was one of the earlier in the industry to embark on such a program. To some extent the progress has been retarded by the fact that most of the debt is non-callable so that it has been impossible to redeem even the highest coupon liens. Recent debt retirement has been largely accomplished through open market purchases of the junior bonds. Despite the handicap imposed by a large amount of non-callable debt the management has been able to cut fixed charges to a present indicated annual level of around $13,000,000. This compares with approximately $16,800,000 supported as recently as 1939. Moreover, earnings prospects remain favorable at least over the visible future and finances are still strong. Recent balance sheets showed net current assets of close to $45,000,000. Continuation of the debt retirement thus appears well assured.

Of even greater importance on a long-term basis is the fundamental improvement in the company's traffic status. The road literally covers the South and has benefitted particularly from the secular industrial expansion of that territory. This has found reflection in a materially better-than-average trend of revenues even before the war became a factor in our transportation economy. The industrialization of the South has been given added impetus by the war needs, so that there is every reason to anticipate that the favorable post-war trend of revenues will again be in evidence when we return to a normal peace economy. Also, the general status of the South has been improved over a period of years through diversification of farm crops, thus lessening the traditional dependence on tobacco and cotton as cash crops.

Fundamentally, Southern Railway has always been a fairly efficient property to operate. On the average for the 10 years 1931-1940 the road carried 16% of gross through to net operating income before Federal income taxes. Even this favorable showing, comparing with only 14.3 carried through by Class I carriers as a whole, does not reflect in full the program of new equipment installation embarked on in the late 30s and which should bring substantial additional savings under normal conditions. With all of the factors of debt retirement, reduction of debt, and inherent efficiency, Southern Railway has apparently turned the corner and the general feeling is that little question exists as to the ability of the company to realize consistent and satisfactory profits even in normal business cycles.

Homans to Admit

Homans & Co., 65 Broadway, New York City, members of the New York Stock Exchange, will admit Arthur W. Macpherson to partnership in the firm on Jan. 1, 1945.

Kay, Richards Will Admit

PITTSBURGH, PA.—Ralph S. Richards, Jr., will become a partner in Kay, Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, on Jan. 1, 1945.

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.

Industry Steel & Equities

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared an interesting circular discussing the steel industry and its equities. Copies may be had upon request from Paine, Webber, Jackson & Curtis.

Campbell to Head New F. I. duPont Dept.

In a step that marks a new approach to security analysis and investment research, Francis I. duPont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, have set up a transportation department that will specialize in investment opportunities in all forms of transportation—rail, air, highway, inland and coastal waterways and pipelines. The new department will be headed by Thomas G. Campbell, railroad economist.

Thomas G. Campbell

Mr. Campbell, author of Campbell's Index and Guide to Railroad Bond Values, has contributed to various publications over a period of more than fifteen years. His series of articles in Barron's in 1937 forecast the great bull market in receivership rail bonds.

Interesting Developments In Pittsburgh Railways

Alucid and comprehensive analysis of the interesting complexities of the Pittsburgh Railways Company system, including a summation of possible developments in the near future, has been prepared by the Research Department of The First of New York Corporation, 70 Pine Street, New York City. Copies of this report, in booklet form, are available upon request.

Real Estate Securities

Among the issuers of real estate securities was the Title Guarantee & Trust Company. For the most part their loans were considered much more conservative than the loans of such firms as S. W. Straus, Miller, etc. The popular opinion was that the Title Company loans were supposed to represent from one-half to two-thirds the value of the property, while the Straus loans were considered to be from two-thirds to 85% of the value of the property.

Apparently this trend of thought was correct because usually the Title Company certificates command a much better price marketwise than the usual run of real estate bonds. Also, the experience of pay-offs, at or near par, have been more pronounced in Title Company certificates.

Because of the lack of dissemination of information concerning these Title Certificates and because of the unique method of trading these certificates, there has been very limited public interest in the acquisition of these securities, except among owners of some of the underlying properties and from a few professional traders.

The unique trading method referred to is the practice of trading these securities by identifying them by number rather than by the name of the building or address of the property. The apparent reason for this is that the loans of the company were so numerous, that each separate loan was given a number rather than a name. The disadvantage of this method is that many real estate issues derive their popular appeal because of the prominence of the real estate properties which secure them; for instance, the Waldorf-Astoria Hotel. Thus, when an issue is just known by a number, it is not likely to be as well known.

Because of the desirability of hotel securities, the writer's attention was directed to this type of issue among the Title Guarantee & Trust Company's issues known only as T. G. & T. No. 212135.

This issue represents first mortgage certificates, secured by a 20-story and basement hotel containing 598 rooms and three stores, built on land owned in fee, 198½ by 80 irregular, at 302-4 East 42nd Street and 305-11 East 41st Street, known as the Hotel Tudor.

Investigation disclosed the following interesting facts in connection with this issue:

In February of this year, as an inducement to extend the mortgage on this property for five years, the owner gave the trustee $112,917.36 first mortgage certificates for cancellation, reducing the mortgage from $908,017.74 to $785,100.38. Amortization was increased from $19,600 to $25,000 per annum. A chattel mortgage on all the furniture and furnisnings of the hotel was given as additional security for the first mortgage certificates. Interest was reduced from 5% to 4½%.

For the year ended December, 1943, net available for interest, before depreciation and income tax, was $202,812.88, against interest requirement of $42,922.84. However, because of reduced mortgage and interest rate, interest requirements will be reduced to $33,896.00, so if earnings in 1944 are equal to 1943, interest charges will be covered six times.

Compared to present mortgage of $777,700 property is carried in company's balance sheet as $2,048,046.85 as follows:

Land, at cost			$657,675.00
Street and general improvements, at cost			9,575.12
Building and building equipment:			
Cost of original construction and of subsequent improvements	$1,570,291.78		
Interest, taxes, legal and incidental expenses during construction	84,699.00		
	$1,654,990.78		
Less—reserve for depreciation	301,449.99		
			1,353,540.79
Furniture and equipment, at cost		$53,762.64	
Less—reserve for depreciation		26,506.70	
			27,255.94
Total property			$2,048,046.85

Further, conservativeness of the mortgage can be visualized by the following comparison of other bond issues showing mortgage per room:

Hotel—	Funded Debt	Rooms	Mtg. per Room
Alden	$2,352,390	583	$4,025
Allerton	*4,576,500	1,262	3,500
Chesterfield	534,432	474	1,125
Dorset	2,383,800	393	6,050
Drake	3,393,250	473	7,400
Governor Clinton	5,000.000	1,100	4,550
Lexington	3,445,800	760	4,500
Lombardy	*2,234,000	312	6,200
Park Central	*5,216,986	1,600	3,250
Park Crescent	*1,183,000	500	2,050
Pierrepont	918,000	573	1,600
Ritz Tower	2,619,125	375	7,000
St. George	8,055,607	2,020	4.000
Savoy Plaza	*9,400,000	872	10,700
Sherry Netherland	5,946,900	375	13,160
Tudor	777,000	598	1,300
Waldorf	10,985,000	1,800	6,100
Windemere	2,565,500	623	4,100

*Includes mortgage ahead of bond issues.

First Mortgage Certificate Issue

Originally issued	$1,000,000
Amortized	222,300
Outstanding	$777,700
Assessed	$1,300,000

Interest—Mortgage calls for interest at rate of 4½% per annum, payable semi-annually June and December 1st.

Amortization — Mortgage calls for cash amortization of $25,000 per annum, which is distributed pro-rata to certificate holders, reducing the face amount of their certificates.

Earnings — The following net earnings are computed before interest, amortization, income tax or interest on a note issue junior in lien to these mortgage certificates:

	Mortgage	Gross	Net	Interest Requirements
1944	$775,000.00			$33,896.00 @ 4½%
1943	908,017.14	$504,408.02	$202,812.88	42,922.84 @ 5
1942	927,617.74	425,909.67	160,148.13	45,156.22 @ 5
1941	943,542.75	358,741.08	103,008.12	47,406.38 @ 5
1940	959,303.34	338,309.41	82,511.31	48,183.94 @ 5
1939	976,325.00	327,464.20	75,254.94	54,032.26 @ 5
1938	980,000.00	333,445.76	84,537.84	58,800.00 @ 5

A Review and Appraisal of SEC

By JOHN CLIFFORD FOLGER*
President, Investment Bankers Association of America

Investment Banker Sees the SEC as Here to Stay and Though Recognizing That the Commission and Investment Dealers Have Had Different Points of View, He Maintains Both Sides Have Been at Fault and That Complaints Arise From Fear of Regulation Rather Than Regulation Itself. Points Out Changes Needed As (a) Relief From the Complexities of Securities Registration and From the Detailed Reports Required; (b) the Streamlining of Present Prospectuses; (c) Action to Help Small Business Financing by Making Their Financing Less Rigid; and (d) by Permitting More Free Play to the Art of Selling So As to Encourage the Flow of Venture Capital. Urges a Liason Committee of Agencies of Business, Banking and Government.

Some investment bankers have not waited ten years to give their appraisal of the SEC. Those who have held their fire until the tenth anniversary would probably make a somewhat different report now than at the beginning of the period or at some intervening point.

John C. Folger

Broadly speaking, the SEC came as a result of a widespread demand that investors in securities should know what they are buying. The public was angry at what happened to security values after 1929 and was determined such things should not occur again. If there ever was a time when the people were in the mood for stiff regulation of an industry, it was in the period following the stock market collapse. The country hailed the new SEC Commissioners with great acclaim. Service in that capacity was the stepping stone to high diplomatic posts, judgeships and all sorts of honors. Make no mistake, the agency held great popular appeal and still does.

SEC Here to Stay

How does the Investment Banking fraternity regard the SEC? Every now and then reports crop up about an effort to abolish that agency or distribute its powers to other governmental departments. Investment Banking does not support any such effort. We know that regulation was needed and is salutary. We feel certain that the SEC is here to stay. An outline of its broad purposes about truth in securities, protection of the public and prevention of fraud would coincide closely with any program which might be outlined by bankers. There is a difference in point of view which I shall describe later, but generally speaking, we are all going in the same direction.

Is the SEC popular with investment bankers? Well, now, bankers should not be asked to love the Commissioners. A good sense of humor would be helpful on both sides. After all, the deposit banks don't cheer when the bank examiner comes to town. They believe in the examination of banks, but breathe a sigh of relief when the representative of the Treasury gets through with his duties.

Different Point of View

Does the investment banker have the same point of view as the Commissioners and staff of the SEC? Not entirely. There is a barrier which has not been completely broken down, but which needs to be overcome. Both sides are at fault. To begin with, all Americans are a bit stiff-legged at regulation. The old railroad operators locked horns with the ICC. State banks fought shy of some of the regulations in the Banking Acts. Manufacturers felt aggrieved at certain portions of the Pure Food Act. By and large, most complaints arise from the fear of regulation rather than from regulation itself. The cup of coffee is not served as hot as it is cooked. On the stove, it is really boiling.

Investment bankers must make their adjustment with authority. On the other hand, authority should make its adjustment with the practical side of business. One reason that judges get along with lawyers so well is that they had to practice law for a living themselves. They just didn't start out being judges. Every judge will tell a young lawyer the first thing about practicing law is the realistic side of earning enough to pay the office rent and hiring a stenographer.

Bank examiners are drawn from banks and frequently return to that business. This helps to bring about understanding between theory and practice.

Real Function to Promote Flow of Capital

Above all, the real function of investment banking is to promote a proper flow of capital into business. The SEC should be deeply concerned with this function. Just to have a fine set of rules, impeccably enforced, is not enough. A credit man in a store might extend credit only to Mrs. Astor and Mrs. Vanderbilt and have a perfect credit record and yet be a poor credit man from the over-all point of view.

Every thoughtful person in this country must consider the stagnant capital that is accumulating in our banks. Getting this money to work is the real problem. Since the SEC was created, about 95% of all securities registered and known to have been sold are bonds and preferred stocks. These have been purchased largely by the sophisticated buyers, the same class of buyers who are purchasing unregistered securities which by-pass the SEC completely.

Friends of the SEC and the SEC itself should give thought to streamlining and simplifying some of its rules to make sure there are no bottlenecks in the flow of capital. Such a study was begun before the war, but was interrupted by the national crisis. It should be resumed. Congress should consider this matter. The country did not have to give up football just because the goal posts were moved back five yards so the players would not butt their heads into the uprights.

Changes Needed

What changes are needed? The following are some:

(a) Companies issuing securities should be relieved of some of the complexities of registration and detailed reports now required.

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*An address by Mr. Folger, partner, Folger, Nolan & Co., Washington, D. C., before the New School for Social Research in a series of lectures on "Ten Years of the SEC," conducted by Rudolph L. Weissman, a member of the staff of the Securities and Exchange Commission.

Management Speaks To Its Employees

(Continued from page 2597)

mal years. We have not matched this expansion with a kindred development of industrial relations. Production has become the Number One problem. Yet it is well to remember that factory production is also the work of human beings with emotions and aspirations.

This is why industrial relations —management speaking to its employees and employees speaking to management—are of paramount importance if the larger ends of industry are to be served. You cannot put a heart-throb into a machine but you can humanize the relations of the man at the machine.

Since money talks, many industrialists still labor under the delusion that it is the only medium of communication with employees. The pay envelope, however, is only one link. There is likewise the human link if we are to forge the chain of complete management-employee understanding.

What do employees want to hear that will establish a real kinship with management? First comes the desire to be kept informed of management policies and objectives. The reason is obvious. The worker's future and that of his family is bound up in the future of the company. It is not idle curiosity that inspires this state of mind. It is dictated by the instinct for self-preservation.

Employees like to be told about factory changes before they are made. Here you touch a basic human weakness. There is usually more misinformation than real information about most things. The average man, unhappily, is likely to grasp at the misinformation. Few agencies are more dangerous or disruptive in a plant than rumor. It makes for fear, apprehension, dissatisfaction and finally disaffection. Hence it is wise to sterilize rumor before it starts and thus put the rumor-monger out of business. Nothing is ever lost by taking employees into your confidence.

A third factor is the desire of the employee to have the feel of identity with the organization. It helps to neutralize the impersonal phase of big industry and gives the lift of pride in performance no matter how humble it may be. Thus the worker is no longer the forgotten man—a cog in a big machine.

Tie these things to a systematic method of handling complaints and suggestions, a fair wage, incentive to advancement, and you get some conception of what the employee wants to hear when management speaks.

Since I can talk best about what I know best, I will now tell you about our own industrial relations. The episode that marked their beginning has become something of a legend in American industry.

In the early days of the NCR a shipment of cash registers was returned to the plant because of defective workmanship. The founder of our business, John H. Patterson, knew that the engineering was right, so he determined to find out what was wrong. He moved his desk into the factory, and he soon found out. The factory was dark and dirty; the water for drinking and washing unclean; the men sat at work on old boxes instead of stools. Discontent ruled at lathe and bench. Overnight Mr. Patterson remedied the situation. Before long the men worked in what was perhaps the first daylight factory in the United States, with 80% of the walls glass. No more cash registers came back.

That expanse of glass let in more than light, for something larger and deeper than content and efficiency in work had emerged from all this change. Now began continuous management contact with workers, a contact upon which a large part of the structure of our industrial relations is reared. It is not the conventional "man-to-man" attitude. It is the realization that a factory is not only brick, mortar and machines, but men and women as well.

One basic handicap in some industrial organizations is that they grow so fast that the individual worker is submerged. Factory team work is gained, but individual initiative, and what is even more important, individual incentive, are often lost. The size of a plant, however, need not stifle individual ambition. What we have done in the NCR will illustrate how incentive can be kept alive in the face of decades of cumulative expansion.

Fifty years ago the suggestion idea originated in our factory. Every year we receive an average of 3,000 suggestions. During every 12-month period we distribute from $3,000 to $20,000 in prizes. This year an assembler won the first prize of $1,500 in War Bonds for devising a method of cleaning ball-bearings that insures perfect action of the bearings. It can be applied wherever ball-bearings are used.

When workers realize that individual incentive is rewarded they pay more attention to tools, processes and methods, all in the hope that they can improve them and thus be singled out for cash and commendation. It means that we have 22,000 eyes and ears on the job throughout the plant. Every bench and lathe is an observation post. The factory is suggestion-minded. This is not all. Achievement is not only rewarded but publicized. The factory publication prints the news and the picture of the worker who wins a prize. All the workers become familiar with faces and the feats of their successful colleagues and they want to do likewise. They realize that the tonic of opportunity is at everybody's elbow.

If management is to speak to its employees it must have channels of communication. We have provided many. Someone has said that the middle name of the NCR is "Meeting." We have meetings galore, all to the end not only of bringing all our people together in groups or enmasse, but of keeping them advised about what is going on. No conduit to the workers is more direct or effective.

Once a month, for example, or at the call of the executives, we have a Foremen's Meeting which is attended by all company officers. Reports are made on phases of operations for the preceding month. Financial figures are revealed. Thus the foremen sit in with management and discuss the problems of the business. At these meetings division heads deal with their activities, which may be Sales, Engineering or Product Development. The foremen, and through them the workers, get a comprehensive view of every phase of production and distribution. They are made to feel that they are "in the know," which stimulates both pride and ambition.

Our Labor-Management Committee, recruited equally from management and labor, is a further link with all personnel. Here management talks with men and men with management. At each monthly meeting a definite subject, such as Care of Tools, Cutting Waste, Bottlenecks, Safety, Absenteeism or Fire Protection is discussed. The Labor-Management Committee has its own publication which goes to every worker, thus giving wide publicity to the real team work that exists between the executive and worker levels.

One of the most unique of our institutions—for such it is—is the Horseshoe Room, which is a lunch room. Originally the executives, numbering not more than 20, lunched in the Officers Club. Today 200 men lunch at a table shaped like a horseshoe. They include executives, supervisors and foremen. The shape of the table permits informal companionship. The frequent distinguished guests of the company speak to the groups. The Horseshoe Room, therefore, is not only a forum of useful information and discussion but a sounding-board for the entire factory as well.

Welfare and the NCR have become synonymous. From that day in the 90's, when John H. Patterson saw a woman worker warming a pot of coffee on a radiator and thus got the inspiration to provide hot meals in the factory, down to the present time, we have regarded welfare as an important channel of communication with our employees. Baths, recreation grounds, dining rooms, motion pictures in the Auditorium during the lunch hour, medical service with a dental clinic, health education, garden clubs, Saturday morning entertainment for children of the workers, and a Credit Union are only part of the larger picture of welfare. We also have "Self-Improvement" evening classes where men workers can study public speaking, salesmanship and leadership, and where women employees get courses in arts and crafts, cooking, sewing and dressmaking. These classes foster personal ambition and point the path to individual advancement.

Nor is all this welfare paternalism. It is good business. For one thing, it creates a tradition of service that is a potent asset for any enterprise. Nearly 20% of our personnel are members of the NCR Twenty-Five-Year Club. The children who come to our Saturday morning entertainments are our workers of tomorrow.

Management can further fortify the satisfaction of its workers through well-developed community relations. We have all along gone on the theory that what was good for the factory and its workers was good for Dayton, and vice versa. In consequence, we have either intiated or aided community betterment, whether city planning, traffic control, housing, safety, recreation, and the inevitable reconversion. One of our departments deals solely with community relations.

Once more you find good business as the basis for what we regard as practical altruism. To illustrate: We aided in the setting up of the Dayton District Development Committee, which has established a Veteran's Information Center. In Dayton the returned veteran seeking a job had to deal with 12 officially designated agencies, more or less scattered about the city. All these agencies have been mobilized in the Veterans' Information Center under one roof with the tangle of delay and red tape eliminated. How does this touch our industrial relations? Thousands of our workers have sons, brothers or friends in the service who will want jobs when they return from the war. With the factory identified with their placement, they can only have a feeling of pride in its participation.

Summed up, the management-employee relation is as fluid and continuing as life itself. It is never concluded by the adoption of a resolution, the shaping of a new policy, or the projection of a fresh idea. Management must be alert and alive to the changing pattern of labor and industry.

Industry needs satisfied workers as much as it needs satisfied customers. You can have them if you combine the elements of Head, Hand and Heart.

Selection Contest Is In Final Round

Hugh W. Long and Company's Industry Selection Contest for 1944 is less than thirty days from the finish line. Contestants, who were asked to name, in order, the seven Industry Series of New York Stocks, Inc. which would register the greatest capital gains during the period from Jan. 2 1944 to Dec. 31, 1944, are investment dealers throughout the United States, and their employees. $1,150 in war bonds will be awarded as prizes by Hugh W. Long and Company, 48 Wall Street, New York City.

On Dec. 1, standing of the leading contestants was in this order: 1. Donald E. Corfield, Pacific Co. of Cal., Long Beach, Calif.; 2. Sidney L. Johnson, Pacific Co. of Cal., Pasadena, Calif.; 3. Hunter Breckenridge, McCourtney-Breckenridge & Co., St. Louis; 4. Haworth F. Hoch, McCourtney-Breckenridge & Co., St. Louis; 5. John D. Hines, Schwabacher & Co., New York; 6. Vincent Tolan, Nugent & Igoe, East Orange, N. J.; 7. Rowlett Williams, Pacific Co. of Cal., Los Angeles, Calif.; 8. George M. Lindsay, Elworth & Co., San Jose, Calif.; 9. Victor L. Jones, Jones Cosgrove & Co., Inc., Pasadena, Calif.; and 10. William O. Kimball, J. S. Kimball & Co., Boston, Mass.

The seven leading Series of New York Stocks, Inc., up to Dec. 1, 1944, were: Railroad, 32.88% gain; Aviation, 23.34%; Automobile, 20.24%; Banks, 19.05%; Railroad Equipment, 18.15%; Machinery, 18.08%, and Merchandising 17.59%. During the same period the Dow Jones Industrial Average gained 8.4%, and the Railroad Average rose 27.74%.

Prospects for Appreciation

Long Bell Lumber Company offers an enviable post-war outlook with excellent prospects for increased dividends and appreciation in market prices, according to a detailed memorandum issued by Comstock & Co., 231 South La Salle Street, Chicago, Ill. Copies of this interesting circular are available to dealers upon request.

James M. Leopold Co. to Admit Robert J. Goldman

Robert J. Goldman will become a partner in James M. Leopold & Co., 65 Broadway, New York City, members of the New York Stock Exchange, as of Jan. 1, 1945. Mr. Goldman in the past did business as an individual floor broker and was a partner in R. J. Goldman & Co.

N. Y. Analysts to Hear

On Friday, Dec. 15, the New York Society of Security Analysts will hear John McInerney, railroad specialist with Wood, Walker & Co., speak on "What Railroad Securities Are Attractive Now?"

On Dec. 18, Randolph Paul, member of Lord, Day & Lord, will discuss "Postwar Corporate Taxation."

Dr. R. P. Dinsmore, Vice-President of Goodyear Tire & Rubber Co., will speak on the "Outlook for the Rubber Industry" on Dec. 20.

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

Chicago Brevities

With the end of the Sixth War Loan Drive and now that most refunding has been completed, a considerable increase in equity financing may be expected, according to La Salle Street sources, with the greatest amount of activity coming after the New Year. New money is being sought to finance post-war expansion and rehabilitation and the trend, the head of one investment house stated, appears to be away from Government loans and bond issues to equity financing.

Stockholders of Butler Brothers at a special meeting Dec. 8 authorized 150,000 shares of new 4½% cumulative non-convertible preferred, issuable in series.

The company, preparing for its post-war program of diversification, expansion and improvement, expects to issue 100,000 shares, $10,000,000 par value, of the new preferred about Jan. 1, and will use the proceeds to retire the outstanding 270,912 shares of 5% convertible preferred at the redemption price of $31 a share, or an aggregate of $8,398,272, exclusive of accrued dividends.

Balance of the proceeds will be added to working capital. The unissued 50,000 shares of new preferred will provide a source of additional working capital if needed later.

Butler shareholders also approved an increase in the par value of the common from $10 to $15 through a transfer of all existing paid-in surplus to stated capital, with such additional amount as necessary coming from earned surplus.

* * *

Marshall Field & Co. is expected in some quarters to announce plans for retiring its 6% cumulative preferred stock within the first three months of the new year. Retirement of the preferred has been discussed by the directors of the company for several years and action at this time is seen as more than a probability.

* * *

In the interest of war needs, the Military, Office of Defense Transportation, and various other Government and railroad circles are understood to favor the postponement of any action with regard to the sale of Pullman's sleeping car business until after the war.

Pullman, given a choice to retain either its manufacturing or sleeping car business as a result of anti-trust proceedings brought against it, elected to dispose of the latter. It was generally assumed that the railroads would form a single centralized pool to take over the ownership and operation of the sleeping cars, although subsequently doubts were raised with some roads favoring individ-

(Continued on page 2603)

Pittsburgh Bond Club Christmas Luncheon

PITTSBURGH, PA.—The Bond Club of Pittsburgh will hold its annual Christmas luncheon at the Red Room of the Duquesne Club on Saturday, Dec. 23, beginning at 12:15 P.M.

Dean N. R. H. Moor will deliver one of his fine Yuletide talks, so much enjoyed in past years.

Special places have been reserved for honorary members and past presidents of the Club. There is no charge for members in good standing; guests $5 each. Checks for guests should be made payable to the Bond Club of Pittsburgh and mailed to Albert J. Metzmaier, Jr., Secretary, care of Union Trust Co., Pittsburgh 19, Pa. Two large turkeys will be given as prizes.

Edw. Benjamin Opens Own Office In Chicago

(Special to The Financial Chronicle)

CHICAGO, ILL.—Edward Benjamin has opened offices at One No. La Salle St., to engage in the securities business. Mr. Benjamin was formerly in charge of the buying department of M. B. Cick & Co., with which he had been associated for many years.

Fahnestock & Co. to Admit Walter Aagaard

CHICAGO, ILL. — Walter S. Aagaard, resident manager of the Chicago office of Fahnestock & Co., 135 South La Salle Street, will be admitted to partnership in the firm as of Jan. 1, 1945. Fahnestock & Co. are members of the New York and Chicago Stock Exchanges and other leading exchanges.

Babbert With Phillips

CHICAGO, ILL.—Joseph Andrew Babbert has rejoined the staff of Robert J. Phillips & Co., 141 West Jackson Boulevard. Mr. Babbert has recently been serving in the U. S. Army.

Chicago Recommendations

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

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

Comstock & Co., 231 South La Salle Street, have a new four-page brochure on **Long-Bell Lumber Co.**, copies of which are available on request.

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

Thomson & McKinnon, 231 South La Salle Street, have an interesting discussion of the outlook for the **Tobacco Companies**, which is featured in their Stock Survey. Copies of the Survey will be sent by the firm upon request.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Robert L. Block**, for many years with John Nuveen & Co., has become associated with **Wayne Hummer & Co.**, 105 West Adams St.

(Special to The Financial Chronicle)

DETROIT, MICH. — **James K. Jessop** has been added to the staff of **Allman, Moreland & Co.**, Penobscot Building.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Hyrum R. Archibald** has been added to the staff of **Bankamerica Co.**, 650 So. Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Albert R. Herman**, formerly with Hartley Rogers & Co., is now with **Bateman, Eichler & Co.**, 453 So. Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**M. C. Niccoli** has joined the staff of **G. Brashears & Co.**, 510 So. Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Charles H. Richards** has become affiliated with **Hill, Richards & Co.**, 621 South St. Mr. Richards was previously with Bankamerica Co. and H. R. Baker & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Marjorie B. Aldrich** is connected with **E. F. Hutton & Co.**, 623 So. Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Max C. Ibers Jr.** has become associated with **Oscar F. Kraft & Co.**, Pacific Mutual Bldg. Mr. Ibers was previously with Pledger & Co., Inc., and Fairman & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Lawrence F. Rossiter**, previously with Kerr & Bell, is now affiliated with **Dean Witter & Co.**, 634 So. Spring St.

(Special to The Financial Chronicle)

MIAMI, FLA. — **Raymond A. Wilcox** is now with **Gordon Graves & Co.**, Shoreland Arcade Building.

(Special to The Financial Chronicle)

OAKLAND, CALIF. — **Michael J. Neff**, formarly with Dean Witter & Co., has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Central Bank Bldg.

(Special to The Financial Chronicle)

PORTLAND, ME. — **Raymond W. Penfold** is with **Chas. A. Day & Co., Inc.**, Sears Building, Boston, Mass.

(Special to The Financial Chronicle)

PORTLAND, ME. — **Charles E. Matthews**, for many years with Jones, Holman & Co., has joined the staff of **F. L. Putnam & Co., Inc.**, 97 Exchange St.

(Special to The Financial Chronicle)

ST. LOUIS, MO. — **Peter E. Picotte** is with **John R. Kauffmann & Co.**, 506 Olive St.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — **Mary J. Crawford** is with **William R. Staats Co.**, 155 Montgomery St.

Twin City Bond Traders Appoint Committees

MINNEAPOLIS, MINN.—Charles C. Rieger, of Jamieson & Co., President of the Twin City Bond Traders Club, has announced the following committees for 1944-1945:

Executive — Carroll Babcock, Piper, Jaffray & Hopwood, Minneapolis, Ade Helfman, First National Bank of St. Paul, and the officers.

Membership — Walt Space, Woodard-Elwood & Co., Chairman; Jack Delaney, Delaney & Co.; and Merrill Cohen, J. M. Dain & Co., all of Minneapolis.

Publicity—Kermit Sorum, Allison-Williams Co., Minneapolis.

Entertainment — Robert McNaghten, Williams - McNaghten Co., Chairman; Ted Pelton, Northwestern National Bank, and William Howard, J. M. Dain & Co., all of Minneapolis.

Officers—In addition to Mr. Rieger, are Maynard Rue, J. M. Dain & Co., national committeeman; William Lau, Frank & Belden, Inc., Minneapolis, vice-president; Dan Mahoney, C. D. Mahoney & Co., Minneapolis, secretary, and Carl Kall, of First National Bank of Minneapolis, treasurer.

The Securities Salesman's Corner

The Value of A Bulletin to Be Sent to Clients and Prospects at Regular Intervals.

By JOHN DUTTON

The answer to the problem of doing more business is "Merchandising." It doesn't matter whether you are selling commodities or an intangible such as securities—IF YOU WANT TO DO BUSINESS YOU MUST KNOW HOW TO MERCHANDISE YOUR PRODUCT. When it comes to securities you have the same wants, needs, desires which must be filled and the same "run of the mill" people who desire to fill them, as you do when you go out to sell anything else. Before people buy anything they have some urge which causes them to do so — THE REASON THEY BUY MORE OF ANY STANDARD PRODUCT THAN ANOTHER IS THAT THEY HAVE CONFIDENCE IN ITS MAKER. MERCHANDISING IS THE ANSWER.

In our opinion there is no better way for the security dealer to build a path that will lead to his door than to use the kind of advertising that BUILDS GOOD-WILL AND CONFIDENCE, AND USE IT REGULARLY. Certain dealers with whom we have discussed this subject tell us that they have been using newspaper advertising constantly week after week for the past year and that it does two things. Firstly, it creates CONFIDENCE IN THE FIRM THROUGHOUT THE ENTIRE COMMUNITY and this breaks down sales resistance whenever a direct contact is made with new or old prospects. Secondly, it creates direct leads and inquiries which lead to new accounts and incidentally bolsters the confidence of OLD CLIENTS AND KEEPS THEM LOYAL. Of course, advertising must be constructive — it must inform without preaching and it should be on such a plane as to constantly build confidence and create good-will.

Whether or not a firm is small in size means very little in the securities business when it comes to building a clientele of satisfied customers. The securities business is a very personal business — therefore the small firm has just as broad an opportunity FOR SUCCESSFULLY MERCHANDISING ITS SERVICES as the very large firm. One of the best mediums for the smaller firm to use in building up its business is A REGULAR MONTHLY OR SEMI-MONTHLY BULLETIN OR HOUSE ORGAN. It can be multigraphed, mimeographed, or printed at a small cost. It can be sent out to all clients, prospects, or institutions, with whom the firm has had any contact at any time in the past. It can carry your message DIRECT to the people with whom you are doing business or hope to do business. IT CAN BUILD CONFIDENCE IN YOU AND YOUR MERCHANDISE PROVIDING YOU KNOW YOUR BUSINESS AND TELL YOUR STORY IN LANGUAGE THAT EVERYDAY PEOPLE CAN UNDERSTAND.

One dealer who has been sending out a two-page mimeographed monthly bulletin along these lines is actually receiving orders for securities from people with whom he has never had a personal interview. He built up a mailing list which includes replies that he has received during the past year regarding offers of information about specific situations AND SOME OF THESE PEOPLE are sending him orders by mail. This proves two things very clearly — the public is in a mood to buy securities which we have not seen for years and that this dealer's monthly bulletin DOES AN OUTSTANDING JOB.

Here are some of the things he wrote about last month. He said it was the time of year for so-called experts to give their opinions regarding the business outlook for the coming year. But in his plain language he said he believed that what his clients desired to learn was whether or not this was a good time TO BUY SECURITIES OR TO HOLD CASH. He then told them why he thought it was a good time to be in an invested position. He next gave them his ideas as to the types of securities he thought were attractive investments at this time. He quoted some facts and figures regarding shortages in consumer goods (but he didn't get too technical) and then he gave four short outlines of specific securities that he thought were attractive at this time. He enclosed a return card that could be used to secure more information regarding these four stocks that were outlined in the bulletin. SEVERAL INDIVIDUALS SENT IN ORDERS WITHOUT ASKING FOR MORE INFORMATION. One wrote, Please sell me X number of shares of XX stock at under XX price per share as mentioned in your bulletin of December, 1944.

This is the result of building confidence through previous mailings. The bulletin this dealer uses doesn't try to sell anything but sound investment principles, fair dealing, a willingness to serve, knowledge of the securities business, and there is a ring of sincerity behind the whole job. Why not write one of your own? There are so many interesting, helpful, things you can tell the people that you know in your community about the principles of successful investment and what you and your firm are willing to do to help them achieve this end — THE COST IS SMALL — THE OPPORTUNITY IS LARGE.

Electric Power & Light Situation of Interest

Electric Power & Light Corp. is interested for "appreciation vs. income" accounts, according to a memorandum on the situation prepared by Vilas & Hickey, 49 Wall St., New York City, members of the New York Stock Exchange. Copies of this memorandum and a calendar of rail events over the holidays may be had from Vilas & Hickey on request.

With Pacific Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Perry A. Howard has become associated with Pacific Co. of California, 623 So. Hope St., members of the Los Angeles Stock Exchange. Mr. Howard was previously with Quincy Cass Associates.

Hamlin & Lunt to Admit

BUFFALO, N. Y.—Hamlin & Lunt, Marine Trust Building, members of the New York Stock Exchange, will admit Elizabeth W. Hamlin to partnership in the firm on Jan. 1, 1945.

Chicago Brevities

(Continued from page 2602)

ual ownership and others the formation of regional pools.

Sale of Pullman's sleeping car business at this time, it was believed, might unduly interrupt and interfere with heavy war-time passenger traffic and place an unnecessary burden on the roads at this time.

* * *

The Chicago, Rock Island & Pacific Railway has undertaken a \$1,190,000 improvement program to provide more efficient facilities for repairing and conditioning passenger car equipment at its Chicago repair yards. Capacity use of all equipment has placed increased demands on the car servicing facilities of the railroad.

* * *

The Congress Hotel was sold by the Reconstruction Finance Corporation to a group of Chicagoans for \$1,250,000. The new owners expect to take possession of the property shortly after the new year and plan to spend \$1,000,000 to restore the 1,000 room hotel, which is scheduled to reopen about June 1. The building front is to be replaced and modernized later.

* * *

The first of the hearings on the new plan for reorganization and unification of Chicago's traction system, submitted by trustees of the surface and elevated lines on Nov. 30, was heard by Judge Michael L. Igoe on Dec. 11.

Judge Igoe indicated he is determined to speed up the plan and it is hoped early consent of security holders will be obtained, so that the plan may be sent on to the Illinois Commerce Commission for approval.

The new plan calls for a \$45,000,000 full secured first mortgage bearing 4% interest, and \$33,000,000 in income bonds carrying 4½% interest. The mortgage bonds would be exchanged for the outstanding \$72,000,000 first mortgage 5s of the surface lines, and in addition, bondholders would get a cash payment totalling over \$3,000,000. Senior bonds of the elevated lines would be exchanged for \$7,000,000 of income bonds of the new company. About a third of the approximately 1,000,000 shares of common stock of the new company would go to security holders of the elevated lines and two-thirds to junior security holders of the surface lines. Except for a changed capital structure, the plan does not differ from the one the ICC rejected in 1942.

Gustav Metzman Dir. Of Comm.-Ind. Ass'n

Gustav Metzman, President of the New York Central System, has been elected a Director of the Commerce and Industry Association of New York, Inc., it is announced by Association President, Neal Dow Becker, Mr. Metzman was named President of the New York Central last September after twenty-four years of service with that railroad. His railroad career began as a copy-clerk in 1903 with the Baltimore & Ohio Railroad. His first job with the New York Central was as Transportation Assistant to the President. In World War I he served with the Railroad Administration and in the present war he was Chief of Rail Division, Transportation Corps, United States Army, at Washington, D. C.

Gustav Metzman

Lovett to Address Bond Club of N. Y.

The Honorable Robert A. Lovett Under Secretary of War for Air, will address a luncheon meeting of the Bond Club of New York to be held Dec. 27 at the Bankers Club, Henry G. Riter, 3rd, president of the club announced. The Under Secretary will discuss "The Air Forces Look Ahead."

Profit Through Special Or Secondary Offerings

Special and secondary offerings are a profitable phase of the securities business, according to a study prepared by Shields & Co., 44 Wall St., New York City, members of the New York Stock Exchange and other leading Exchanges. Copies of the booklet analyzing these offerings will be sent by Shields & Co. upon request.

Wisconsin Brevities

The Nekoosa-Edwards Paper Co., Port Edwards, Wis., earned $392,451 after all charges and taxes, equivalent to $6.23 per share on the 63,000 capital shares outstanding for the nine months ended Sept. 30, 1944. This compares with $378,712 reported for the first nine months of 1943, or $6.01 a share on the same number of shares.

The Wisconsin Electric Power Co. and its subsidiaries reported for the 12 months ended Sept. 30, 1944, a net increase of $4,056,803 after all charges and taxes, including an appropriation of $500,000 for contingent losses on its investment in a transportation subsidiary. The comparable figure for the preceding 12 months was $4,150,183.

* * *

The Aeronautical Products, Inc., which owns and operates two modern and completely equipped plants, reported for the fiscal year May 31, 1944, a net profit of $183,275, after estimated renegotiation, equal to $1.22 per share as compared with $1.21 per share in 1943 and 95 cents per share in 1942, after renegotiation proceedings in both years. At May 31, 1942, the company had a net working capital of $509,690, equal to nearly $3.50 per share on the 149,910 common shares outstanding.

A dividend of 8 cents per share was paid Dec. 15 on the capital stock of the Wisconsin Investment Co., the same rate as distributed July 1, last, and Dec. 22, 1943, which compares with 7 cents distributed July 1, 1943.

* * *

W. F. Kurfess has been appointed manager of the Milwaukee plant of Joseph T. Ryerson & Son, Inc., succeeding the late George W. Smith. Mr. Kurfess has many years of experience in engineering, metallurgical and supply problems of metal-working industries.

* * *

The Wisconsin Power & Light Co. for the 12 months ended Sept. 30, 1944, earned $327,973 available for preferred dividends, as against $418,558 for the 12 months ended Sept. 30, 1943.

Don't Sell the Railroads Short!

(Continued from page 2598)

when the higher officers of the Army, the Navy and the Government publicly express their appreciation for the railroads' great contribution toward the winning of this war.

There are many reasons why this superlative job or war transportation has been done so successfully. One—the traditional determination of railroad people to get the job done, whatever that job may be—I have already mentioned. Another is to be found in the fact that the railroads made their plans for this emergency more than 20 years ago, while the salutary lessons of World War One were fresh in the minds of all. It was then that the railroads, working with the Army and Navy and other Government departments, worked out detailed plans to avoid bottlenecks in transportation, to prevent congestion at ports and to escape the paralyzing effects of using freight cars as storage warehouses should the tragedy of war ever touch our country again. It was then that the railroads began enlisting the cooperation of the nation's commercial shippers to get the utmost service out of railroad facilities; cooperation that has enabled the railroads to meet, not only the tremendous demands of war, but all the civilian needs of the home front as well.

Still another reason for the railroads' readiness when war came is the fact that during the two decades immediately preceding Pearl Harbor they spent more than $11,000,000,000 for additions and improvements to their property. This money was spent to build a better transportation machine. It was spent courageously—and wisely, as our experience in this war has shown—in spite of the steady growth of restrictive regulation. It was spent in the face of increasing competition from highway, waterway and air carriers. It was spent despite criticism; yes, and even ridicule. It was spent because of faith; because of faith in the future of the railroad industry; because of faith in the destiny of our country!

And so I repeat, gentlemen: Don't sell the railroads short! You can't afford to—not in the face of this record of accomplishment, of devotion to duty, of foresight, of courage and of faith!

* * *

If I make the flat statement that there are few industries in this country that have been, and are, more progressive, more alert to invention, more consistently interested in scientific research and technological improvement, you might be skeptical. Nor can I blame you if you are. My statement is strong—but nevertheless it is true. The contact of the public with technological progress in the railroad field is unfortunately limited. You see, it's this way:

The railroads do not produce a tangible product which can be seen, tested, purchased and used by individuals. On the contrary, the railroads sell only services, and individuals have little opportunity to measure improvements in the machine which renders such services. In fact, technological progress in the railroad field is largely "behind the scenes." It shows up mostly in the cold statistics of safety, of tonnage handled, dependability, economy, efficiency—and sometimes solvency in the face of pyramiding costs and declining revenues.

Exceptions, of course, are such pioneering achievements as the air-conditioning of passenger trains, the streamliners that have so captured public fancy and our powerful new Diesel locomotives, to name a few of the more dramatic innovations of recent years.

But, as a matter of fact, almost every cog in the railroad's transportation machine has undergone comparable improvement in recent years. Rail is infinitely better and stronger through new processes of manufacture. Cross ties have been improved and their life lengthened by chemical treatment. Track is better maintained by the use of new roadway machines. Steam locomotives have been improved tremendously in efficiency. Diesels are setting up ever higher records of sustained work, longer runs, heavier trains and economical operation. Every detail of our freight and passenger cars—their wheels and tracks, their draft gear, their braking systems, their design—has been immeasurably improved. Signal and communication systems have been revolutionized by new developments.

Road, yard and station operations have been modernized and speeded by such improvements as centralized traffic control, elaborate interlocking plants, remote-control car retarders, spring switches, teletype, automatic block signals, material handling machines, cab signals and a host of other applications of modern invention to the art of railroading.

All these things are the result of intensive and continuous research that has been carried on for years by the individual railroads; by the Association of American Railroads and its predecessor organizations; by the railway supply industry, and by some of the country's finest technical schools.

Perhaps of equal importance has been the planned diffusion of "know how" throughout the railway field. From the gruelling experiences of our war job, the railroads and those who man them have learned many a priceless lesson—how to do more with less; how to get more use out of every tool and facility and car and locomotive; how to make every dollar of expense and every move count.

This great record of a long and productive interest in scientific research, in technological improvement, and in capitalizing on every lesson and experience is gratifying in itself. But even more encouraging is the evidence that the railroad industry realizes that it must never let this interest flag.

For two years a group of more than 150 of the keenest experts in the railroad business have been quietly, but diligently, studying every phase of railroading; every economic and scientific promise of the future; all the competitive forms of transport and their possibilities; and the probable transportation needs of a nation reconverted to the pursuits of peace. This group expects to complete its initial studies next year, after which the work will be continued, both by the Association and by the individual railroads.

So, when I hear some of my friends proudly talk about the post-war planning of their industries, I make no apologies for the railroads. Instead I just say:

"Preparing for tomorrow's job has always been so much a part of railroading that we forgot to label as 'post-war planning' what we have been doing since Hector was a pup. But that's what it is."

The significance of all this, in so far as my story today is concerned, should be obvious: Could it possibly be wise to sell the railroads short when they are as alert and progressive and research-minded as this proves?

* * *

Let's be sure, before we go farther, that we all understand what railroads are. Fundamentally they are one of several means for the transportation of goods and people from one place to another. But the railroads are unique in the field of transportation. For they alone combine the flexibility of separate carrying units that can be distributed for loading and unloading anywhere and anytime, with the economy and the dependability of mass movement in long trains pulled by one unit of power over a smooth, privately-owned and operated "way" that is relatively immune from the vagaries of season and weather.

The symbol of a railroad is not, as many may believe, the dramatic steam locomotive or the streamlined Diesel, but rather a flanged wheel on a steel rail. For it is the flanged wheel on a rail that makes the train possible; that enables many carrying units, coupled together, to "track" behind one locomotive. The result is, in turn, true mass transportation, without which neither mass production nor mass consumption can exist in this country.

Think of what these inherent characteristics of railroads mean in terms of their post-war future. A freight train, for instance, may be composed of any number of a variety of cars, from 50 to 150 or more, depending upon the needs of the day. Each one of these cars could conceivably have been loaded at a different location and at a different time and with different kinds of freight—coal in open-top hopper cars, heavy machinery on flat cars, pipe in gondola cars, vegetables in ventilated box cars, cattle in stock cars, automobiles in wide-door box cars, chickens in poultry cars, canned goods in standard box cars, cement in covered hopper cars, merchandise in container cars, oil in tank cars, cordwood on rack cars, fruit in refrigerator cars—and perhaps a few others that I have overlooked.

These loaded cars were assembled in some central yard and coupled together to make a train which will contain from a thousand to eight thousand tons of freight. The resulting train will be handled from terminal to terminal by a crew of only five men. While it is enroute between terminals it will be on a private roadway over which all movement is at all times under the complete control and protection of the railroad's personnel. Upon arrival at destination the train will be broken up and the cars distributed to many different locations for unloading.

Compare this method of handling the nation's freight with any other method you know about. Figure out, for instance, how many trucks and drivers or how many airplanes and pilots would be necessary to move just one trainload (say about 2,000 tons) of freight from New York to Chicago—fantastically assuming that all the tonnage could be moved by highway or air. Then remember that the railroads handled almost a billion and a half tons of all kinds of freight last year.

I know we hear a lot these days about the intense competition that the railroads will face, come Peace again.

Some of the enthusiasts of air transport claim that the airplane will take over much of the nation's transportation, leaving perhaps only the sand and gravel and coal to be fought over by the surface carriers.

The truckers and the bus operators dream aloud of the great, Government-built superhighways over which they hope to move much of the country's commerce—at the taxpayers' expense.

The waterway fanatics gleefully eye the tremendous Federal appropriations now being proposed for the river, canal and harbor improvements which will help them to cut deeply into railroad traffic—they hope.

Nevertheless, after all the excitement is over I predict that the railroads will still be handling by far the major portion of America's freight and passenger business just as they have always done—and just as they will always do until someone invents a form of transport that can top the railroads for economy AND match them in dependability.

I would not have you conclude that I underestimate the keenness of the competition that the railroads will face after the war.

The passenger airplane will unquestionably cut deeply into the railroads' long-haul passenger business—when they are not grounded by ice, snow, fog and weather disturbances. The cargo plane, in flying weather, will beat the railroads in speed, and they will probably capture some of the railroads' lighter, luxury goods traffic that can afford to pay a high premium for this one special advantage.

The trucks will have a slight advantage in the convenience of door-to-door service, and they will skim off some of the cream of the railroads' traffic—such lightweight shipments as they may "pick and choose." The buses will get some of the railroads' short-haul passenger business, although more and more, I believe, the bus will become a useful supplement to rail services. Both may do well—as long as they do not have to contend with snowstorms, road blocks, highway congestion and a host of other difficulties over which they have no control.

The slow waterway carriers will also take some of the railroads' business—in those limited areas where navigable waterways are available and in those equally limited periods when they are not "frozen in" or immobilized by low water.

But all the traffic that all the railroads' competitors will be able to attract will not, in my opinion, be enough either to justify their extravagant predictions or to bring disaster to the railroad industry. For no one can question these basic facts:

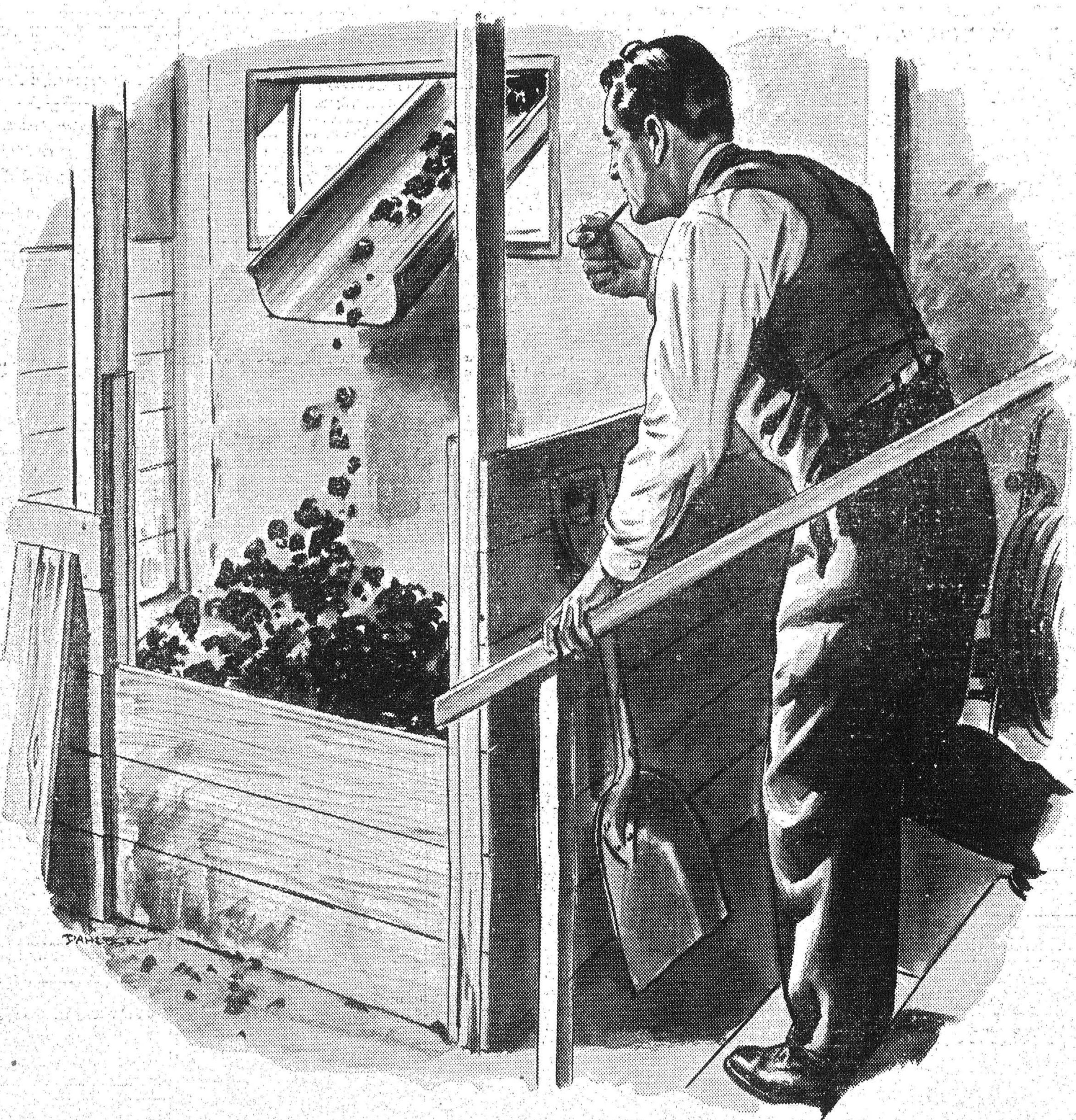
First, in the post-war world, what with its heavy taxes for years to come; its relatively high labor and material costs; its stiff competition in all fields, economy will continue to be one of two major factors in determining what form of transport gets the lion's share of the nation's freight and passenger traffic; and,

Second, with most of the nation's post-war business conducted on the small inventory system; with much of its production flowing from assembly-line techniques, dependability and regularity of delivery will continue to be the other major factor in determining what form of transport will get the most of the available freight traffic.

It is pertinent, at this point, to remind you again that the railroads haul anything and everything, anywhere, at any time, in any kind of weather, at an average cost to the shipper of slightly less than one penny per ton per mile. No other existing form of transportation can say that! And until one can, I repeat: In your post-war planning, **don't sell the railroads short!**

* * *

And now one final word. The railroads of this country are **more** than efficient transportation machines. They are part and parcel of the American way of life; part and parcel of every industry, every commercial and agricultural activity. They are symbols, in a way, of all that this democracy stands for—the opportunity to pioneer, the freedom to grow and prosper, the right to stand on their own feet and pay all their own way, and the privilege of serving the common good. The only future they have is the future of human enterprise in this great land. We know this—those of us who proudly call ourselves railroaders—and, knowing it, we, in our post-war planning, will ever refuse to sell America short!



How to stretch a ton of coal!

CONSERVING coal is going to be a "must" for everybody this winter. This isn't because less coal is being mined.

It is estimated that 29 millions more tons of coal will be mined this year than last—with *fewer* men. Quite a feat by mine owners and miners alike! And there are adequate rail facilities for bringing the coal to your city.

But certain grades and sizes of coal are needed for war production. And, in addition, your local dealer is suffering from a shortage of manpower, trucks and tires. So be patient with him.

And conserve the coal he is able to deliver to you. You can make your coal supply go at least 10% further—and save that much on your fuel bill—by taking a number of simple precautions.

See that your heating system is clean and in good repair. Close off unused bedrooms. Pull your shades and drapes at night. If you can, insulate. For other suggestions see your coal 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

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

It is a matter of general knowledge that the expansion of bank deposits in recent years has far outstripped the expansion of capital funds, and that, in consequence, the ratio of deposits to capital funds is at a record high. In view of the fact, however, that some 70% of bank earning assets today are represented by Government securities, this high ratio is not serious and certainly the old rule-of-thumb ratio of 10 to 1 no longer holds. Nevertheless, from a post-war point of view, it seems desirable for the commercial banks to strengthen their capital position by all practicable means, in order to be ready to meet the inevitable demand for business loans that will come with the restoration of peace. Under such conditions there will be an increase in the holdings of assets that will lack the practically "riskless" quality that characterizes Government securities.

The trend of deposits and capital funds and the resultant ratio, during the past 12 years, for a group of 15 leading New York City commercial banks, is as follows:

Date—	Capital, Surplus and Undivided Profits	Deposits	Ratio
12-31-1933	$1,376,141,000	$7,324,703,000	5.32
12-31-1934	1,357,126,000	9,408,939,000	6.93
12-31-1935	1,377,854,000	10,750,659,000	7.80
12-31-1936	1,408,134,000	11,655,342,000	8.28
12-31-1937	1,434,355,000	10,647,147,000	7.42
12-31-1938	1,440,059,000	11,583,995,000	8.04
12-31-1939	1,448,214,000	14,215,285,000	9.82
12-31-1940	1,473,465,000	17,348,843,000	11.77
12-31-1941	1,509,864,000	17,465,365,000	11.57
12-31-1942	1,538,833,000	20,856,613,000	13.55
12-31-1943	1,643,828,000	21,877,623,000	13.31
9-30-1944	1,695,473,000	22,542,425,000	13.30

It will be observed in 1933 that for every $1 of capital funds there were $5.32 of deposits, while nine years later, in 1942, there were $13.55 of deposits per $1 of capital funds, an increase of approximately 150%. Since 1942 the ratio has fractionally declined to 13.30 on Sept. 30, 1944. It will be interesting to check again at the end of 1944 and observe what effect the 6th War Loan Drive will have had on this ratio.

From Dec. 31, 1933 to Sept. 30, 1944, capital funds increased by $319,332,000 or 23.2% and deposits by $15,217,722,000 or 208%.

As regards the ratios of individual banks, compared with the aggregate ratio of the group, there is great divergency, as the following tabulation shows:

	Ratio of Deposits to Capital Funds		Government Securities % of Total Assets	
	12-31-1936	9-30-1944	12-31-1936	9-30-1944
Bank of Manhattan	11.2	19.6	14.1%	50.5%
Bank of New York	9.6	14.7	28.6	61.4
Bankers Trust	9.6	12.1	41.6	55.2
Central Hanover	10.0	14.4	36.0	60.0
Chase National	10.1	15.3	30.4	55.7
Chemical Bank & Trust	8.0	14.2	21.1	53.0
Corn Exchange	10.1	16.6	36.5	67.6
First National	4.5	7.9	36.3	72.0
Guaranty Trust	6.5	9.9	28.3	62.8
Irving Trust	5.4	10.8	30.0	59.2
Manufacturers Trust	7.5	18.6	31.9	58.4
National City	12.8	16.0	27.7	56.5
New York Trust	9.3	13.6	38.4	56.9
Public National	10.7	18.1	14.8	56.8
United States Trust	2.5	3.9	13.6	58.1
Average	8.5	13.7	28.7%	58.9%

The increase in leverage afforded by this situation explains the upward trend in bank earnings which have been cited in this column from time to time, despite increased operating costs and higher taxation. On the other hand, this mounting ratio also explains the consistently conservative dividend policy of the banks. Very few Wall Street banks have increased their dividend rates during the past few years. Bank of Manhattan, it will be recollected, recently eliminated its 10 cents year-end extra, but changed the quarterly rate from 20 to 25 cents, which action results in annual dividends of $1 instead of 90 cents. Irving Trust, within the past week, declared an extra 10 cents, thus increasing annual disbursements from 60 to 70 cents per share. Bankers Trust and Public have announced their intention to pay stock dividends, while maintaining the current cash rate per share. To the extent such stock dividends represent transfers from unallocated reserves, capital funds, as reported in the statements of condition, are strengthened, while at the same time the stockholder's pocketbook also benefits.

It is of interest to note the wide coverage of dividends by the 15 banks under review during the past six years. The earnings considered comprise net operating earnings, security profits and recoveries.

Year—	Total Earnings	Dividends
1938	$109,069,000	$66,450,000
1939	118,268,000	65,850,000
1940	125,472,000	65,850,000
1941	125,639,000	65,250,000
1942	106,674,000	61,150,000
1943	139,719,000	61,412,000
Total	$724,841,000	$385,962,000

Over the period, aggregate dividend disbursements have been covered 1.88 times by earnings from all sources. In other words, after paying out dividends amounting to $385,962,000, there were ploughed back into surplus and reserves $338,879,000, a sum equal to 88% of dividends. Thus the banks have been placing themselves in a strong position to play their part in post-war reconstruction.

"If I Were an Industrial Manager"

(Continued from page 2594)

dustrial strife to a minimum and increase personal and collective efficiency.

Confidence and mutual respect between owners of industry and workers and cooperation and goodwill between management and labor is the simple rule which should be followed in order to achieve this purpose. It would be very difficult for me, or any one else who never served as an industrial manager, to outline a technical, scientific or managerial plan which should be applied if called upon to serve in such an important position. It would be presumptuous on my part to undertake to pose as an expert on scientific industrial management. Only those who possess the basic qualifications of an industrial manager and who through experience and training acquire an understanding of industrial production problems can speak with authority regarding them. In discussing the question, "If I were an industrial manager," I wish to avoid the common mistake made by so many well meaning people who, though void of experience and training, undertake to tell those who are trained and expert in their life work, how to conduct themselves and how to manage their affairs and their business.

But because the human element plays such a large part in the whole field of industrial production I am of the opinion that a representative of labor can quite properly consider and discuss the question, "If I were an industrial manager." Both management and the representatives of labor are called upon in the discharge of their duties and in the performance of their daily tasks to deal with the human relationship in industrial problems.

It is my opinion that those who serve in a managerial capacity should develop a deep consciousness of responsibility. Responsibility to employers, stockholders and employees, a fair and just profit for the owners of industry and the payment of the highest wage which the industry could afford, should be questions of primary importance.

Experience has shown that a complete respect for the rights of both management and labor is fundamental and necessary. Each possesses moral and legal rights that should be religiously respected—the right of management to administer and manage property should be respected, guaranteed and protected and the right of labor to organize into unions of their own choosing should be also respected, guaranteed and protected. These fundamental rights flow out of and emanate from our free enterprise system. We behold evidence of the exercise of these rights on every hand. Industry and industrial production has grown and expanded throughout the nation because under our free enterprise system men of means assume risks through the investment of capital in business enterprises. As a result our productive enterprise system has well been classified as the arsenal of democracy. Our free enterprise system has been subjected to severe tests and exacting demands. As a result many facts have been established and the judgment of those who initiated, formulated and launched our free enterprise system has been thoroughly vindicated. As I interpret it, it means that the owners and management of industry shall be free to invest, risk and manage property and labor shall be free to organize, to act collectively and speak collectively. It all means free industry and free labor. We have proven in this war that we can out-produce Government-owned industry and slave labor with free industry and free labor.

In my opinion industrial management can contribute very largely to the preservation of our free enterprise system through an extension of the recognition of the rights of labor and management. The right of management to own and manage property and the right of labor to organize and bargain collectively are inseparably associated with our free enterprise system. The lessons we have learned during the war period show that the preservation of our free enterprise system depends very largely, if not altogether, upon a broad recognition and respect for the rights of capital and labor—management and workers. The organization of capital into corporations and into business enterprises has grown and expanded. The right to do so has been publicly recognized subject only to the legal regulations necessary for the protection of the public interest. The organization of capital into corporations represents the pooling of finances and of acquired properties. The organization of labor, which has paralleled the formation of corporations, represents the mobilization of labor's economic strength and collective power. Unfortunately some owners of industry in days gone by, who exercised the right to pool their financial interests, challenged and opposed the exercise of the right of labor to organize the only assets which it possessed. Pursuit of this unwise policy on the part of some industrial managers and some corporations was a short-sighted and mistaken policy. Labor was compelled to fight and sacrifice and suffer in order to exercise the simple right which corporations and men of money enjoyed under our free enterprise system. The success of industry, the development of maximum production and the highest degree of efficiency, depends upon the exercise of the right of labor to organize and bargain collectively and the right of management to own and manage property.

Experience during the war has shown that the formation of labor-management committees has contributed toward the success of industrial production. Through the exercise of cooperation of this kind labor has contributed in a very large degree to the success of management. Suggestions and advice have been freely given. Valuable ideas which management found to be of great value have been offered by labor committees. Discussions of the problems of production on the part of labor and management has been productive of most beneficial results. It has been shown that all attempts on the part of management to exploit labor or labor to exploit management, where labor-management committees have been set up, have been discredited. It has served to promote a better and more cooperative human relationship in industry.

In the formation of labor-management committees, however, the line of distinction between the exercise of the rights of labor and of management must be scrupulously observed. The philosophy which some have advanced that labor should join with management in the actual management of property could not and cannot be accepted. It is contradictory of American traditions and our free enterprise system.

Frankness should prevail between employers and employees. Labor works and produces while employer owns and operates industry. Why should management withhold any information whatever from those who produce—who work and serve? I am of the opinion that the owners of industry and industrial managers should take labor into their confidence and acquaint them with the earnings of industry, the financial success or failure of industry, plans both for the present and for the future. It would be far better for labor to learn of all of this from management rather than to be told about it by outside agencies.

Experience has shown that high wages serve to increase individual and collective efficiency and increase production on the part of the workers. The simple principle that labor should share fully in the earnings of industry ought to be constantly recognized and religiously applied. Furthermore it has been shown and clearly demonstrated that in many instances high wages serve to reduce production costs. I am of the opinion that America can never go back to a low wage standard. The economic and national necessity for the maintenance of a high national income in order to meet our social and national obligations and for the purpose of maintaining equilibrium between production and consuming power, all call for the establishment and maintenance of a high and still higher wage level. The establishment of humane conditions of employment and the promotion of social security are sound means and methods which should be recognized and supported by industrial management.

In addition, it is my opinion that it is the solemn duty of industrial management to maintain a conciliatory attitude in the settlement and adjustment of industrial disputes which arise from time to time. The avoidance of a superior or dictatorial attitude should characterize the conduct of a successful industrial manager. He, along with the representatives of labor, should diligently seek a basis of accommodation when industrial disputes arise and through the exercise of patience, good judgment and tolerance, find a solution for vexing industrial problems. Through collective bargaining and through a frank, open and free discussion during wage negotiations, many unions affiliated with the American Federation of Labor as well as the owners and management of industry where collective bargaining relationships have been established, have set up arbitration tribunals to which disputes are referred for final settlement in the event said disputes cannot be settled through direct negotiations. Thus in many industries interruption in industrial production has been totally avoided because of local strikes for any cause whatsoever. Through pursuit of such a policy our trade unions and management have made a great contribution toward the establishment of sound human relations in industry.

In this short message I have endeavored to present to you a partial answer to the question under discussion.

I am pleased to be with you, to be your guest and to enjoy your hospitality. I welcome this opportunity to make some slight contribution to sound thinking regarding the establishment and maintenance of a cooperative relationship between management and labor.

Thomson & McKinnon to Admit Fuller of Duluth

Thomson & McKinnon, 11 Wall Street, New York City, members of the New York Stock Exchange and other leading national exchanges, will admit Charles E. Fuller, Jr., of Duluth, Minn., to partnership in the firm as of Jan. 1, 1945.

Mutual Funds

Last week **Vance, Sanders & Co.** sponsored the first of a series of annual forums on subjects of general interest to the investment company field. Approximately 250 investment dealers, bank trust officers and private trustees attended the meeting which was held at the Boston University School of Law.

The downward trend in number and average size of living trusts was pointed out and the advantages of handling these smaller and fewer accounts on a standardized basis through the medium of investment companies were discussed.

Another highly constructive discussion on this same problem of giving professional supervision at reasonable cost to the smaller estates which are developing out of the redistribution of our national wealth appeared in the November issue of "Trusts and Estates." Excerpts from this article are reprinted in a current memorandum from **Selected Investments Co.** in behalf of **Selected American Shares.** Here, too, the solution offered includes the use of investment company shares in the stock portion of such estates.

These educational and general promotional activies by individual sponsors are valuable contributions to the welfare and better understanding of the investment company field. It occurs to us, however, that such general activities are primarily the responsibility of the National Association of Investment Companies. Why should a few individual sponsors find it necessary to bear the costs of "public relations" for the entire industry? To us this seems as unsound as it is unfair. How can a few individual sponsors justify such costs to themselves without understandably giving these activities a bias in favor of their own shares? And, entirely aside from this angle, isn't it reasonable that a bigger and better "public relations" job could be done through the National Association with everyone sharing the costs?

Getting Bigger

With the investment company field expanding at a rate gratifying to all concerned, we learn that two of the fastest growing companies in the industry, **Keystone Custodian Funds** and **Group Securities**, have just passed important milestones. Combined net assets of the **Keystone Funds** have crossed the $100 million mark, as compared with approximately $67 million of net assets at the first of the year. **Group Securities** has passed the $40 million mark, as compared with approximately $18 million at the beginning of the year.

Wellington Fund

We are pleased to acknowledge a nice letter from Walter L. Morgan, President of **Wellington Fund,** which bears out the old adage that "nothing succeds like success." Wellington Fund has continued to out-perform the averages and the net asset value of the shares have been making new highs almost daily. In the latter part of November total net assets exceeded $15 million for the first time and November sales were the largest in the Fund's history—33% greater than for the highest previous month.

Report on Rail Equips

Hugh W. Long & Co. has just released a thorough-going, eight-page study on "The Railroad Equipment Industry — Post-War Sales Volumes," complete with charts and significant figures. This report reaches the conclusion that:

"Sales of the railroad equipment industry in each of several years after the war will exceed sales volumes of any of the peacetime years of the pre-war decade. . . .

"It is our opinion that prices of shares of many railroad equipment companies do not reflect these favorable prospects."

Rails and Steels

Distributors Group, in its current issue of **Railroad News,** quotes Standard & Poor's as follows:

"WE ADVOCATE: (1) Substantial representation in railroad securities; (2) preferential attention, even in speculative accounts, to issues affording satisfactory current income; (3) deferment of large-scale speculation in non-dividend stocks where the sole incentive is the chance of price advancement."

In its current issue of **Steel News,** this same sponsor quotes the following from Moody's Stock Survey of Dec. 11:

"We are anticipating a high level of steel activity in the early post-war years. . . . In such an environment we believe the industry can pay wage rates well above the pre-war period (and without full compensation in the form of higher prices therefor), yet earn profits which will support much higher prices for its securities."

Professional Selection

In Letter No. 12 on **Industrial Stocks Series,** the importance of careful selection by experienced analysts is emphasized by **National Securities & Resarch Corp.**

Abbott Laboratories common stock is cited as an example of a growth situation. Public offering of this stock was made in March 1929 at a price of $38.50 per share. The present total value, including cash dividends from a 100 share investment made at a cost of $3,850 at that time would be $33,858.75.

This stock is represented in the portfolio of **Industrial Stocks Series**—but the point of the story is that there are included in the portfolio "a number of stocks of other companies developing new products through research and experiment that may have just as much a future as Abbott Laboratories did back prior to 1929."

* * *

Lord, Abbett stresses professional selection in the current issue of **Abstracts** in a different way. Taking as a "sample" the $7 prior preferred stock of Standard Gas & Electric Co., Lord, Abbett relates how this security was analyzed and purchased for the portfolio of **Union Preferred Stock Fund** long before the public began to realize the real value of the stock in recapitalization under the Holding Company Act. A chart shows the market action of this stock from a low of under 65 last September to above 80 at the present time.

Mutual Fund Literature

National Securities & Research Corp.—Current Information folder for December and portfolio memorandum showing changes in November on national - sponsored funds. . . . **Lord, Abbett—Composite Summary** folder for December on the Lord, Abbett group of investment companies. . . . **Keystone Corp.**—Current issue of **Keynotes** on steps to reduce estate taxes; **Current Data** folder for December on **Keystone Custodian Funds;** revised general prospectus on **Keystone Custodian Funds** dated Dec. 1, 1944 and revised supplemental prospectuses on Funds **B-2, B-3, B-4, K-1, K-2, S-1, S-2, S-3** and **S-4. . . . Distributors Group**—Current issues of **Railroad News** and **Railroad Equipment News;** current portfolio folders on **Railroad (Bond) Shares, General Bond Shares** and **Low Priced Shares;** special month-end comparison card as of Nov. 30, 1944. . . . **Selected American Shares**—Current issues of "These Things Seemed Important" and the memorandum **Selections** on "December Markets Are Usually Favorable." . . . **Calvin Bullock**—Current issue of the **Bulletin. . . . George Putnam Fund** — December portfolio review.

Dividends

Massachusetts Investors Second Fund—A dividend of 14¢ a share payable Dec. 23, 1944 to stockholders of record Dec. 11.

Wellington Fund — A special year-end dividend of 57¢ per share payable Dec. 28, 1944 to stock of record Dec. 15.

The Outlook For Post-War Industry

(Continued from first page)

of the war—may be relied upon in the solution of any difficulties of the future. It is important, however, that the public should see the likely problems of the post-war period in true perspective.

The first step in the sound solution of any problem is intelligently to recognize its scope and complexity. A wise program cannot be formulated in ignorance of what is involved. My hopes for the future rest in large measure upon the willingness of thoughtful groups, such as this one, to face realistically the difficulties we must surmount, if we are to continue upward in our national progress.

The prospects and problems of the steel industry during the period after victory has been achieved do not differ fundamentally from those of other industries. The steel business is interwoven with all business in the American industrial picture. As the nation prospers, so also does the steel industry. No large industry — in fact, no substantial segment of our population — can rightly expect to be prosperous, if the nation as a whole is not prosperous. Each industry from time to time may have its own particular problems, but the dominant factors influencing the broad future outlook of business in general are applicable to all.

A number of the present factors may be appraised as favorable. We will come to the end of the war with a greater number of skilled workers than America has ever before possessed. Our wartime needs have served to stimulate invention and progress in the industrial and commercial arts. Our capacity for the production of basic raw materials has been greatly expanded. This is true of steel, aluminum and other metals. It is also true of plastics, synthetic rubber, and many other articles. We can look forward with assurance to an adequate supply of most of the raw materials out of which to build a long enduring industrial organization. Our unexcelled standard of living has been America's pride in the past. Its constant improvement should be our aspiration in the future.

Reports from all sides indicate a substantial pent-up demand for goods of one kind or another which will be needed after the war. In particular, demands for consumer products have accumulated. The public wants in large numbers automobiles, farm machinery, refrigerators, washing machines, vacuum cleaners, furniture, and countless other items, whose production ceased with the war's usurpation of needed labor and materials. Our people have the money to pay for such purchases. Building, except for wartime construction, has been at a virtual standstill for many months. Experts have estimated that 10,000,000 low-cost residential units should be built during the ten years following the war. Much equipment has become outworn or outmoded, and will need rehabilitation or replenishment. Considerable demands for this and that will be forthcoming from various lands overseas.

In brief, our country has the ability to produce. We have the money to finance large-scale production and distribution. We have savings out of which to make purchases. Unquestionably there will be a substantial demand for our products. Here is a framework for prosperity in the post-war period once the task of reconversion is accomplished.

Many people appear to be fearful about reconversion. They predict plant closings, widespread unemployment, and generally chaotic business conditions. Difficulties of this nature may be encountered, but I question whether it is a proper mental attitude now to dwell too much upon this possibility and perhaps in so doing exaggerate its importance. American industry was converted promptly for war purposes without too much talk or complaint. This was so because everyone recognized that such a conversion was vital to the public interest. Why should our mental attitude not be the same when the reverse step is taken? Once the requirements for war are fully met, we should go about the business of getting back to a peacetime basis just as expeditiously and uncomplainingly as is possible.

It would be difficult to conceive of any time in the past when the American people as a whole has been in a better condition to face a temporary reduction in production and employment. Incomes throughout the nation have been high. Money savings are at a peak level.

Any reduction in production during reconversion should be temporary, unless the transition process is unduly bungled. Again we have just cause to place reliance upon the resourcefulness and energy of the American people. These qualities flow from the freedom and self-relance which our systems of government and free private enterprise have indoctrinated in our people.

A balanced appraisal of the prospects of American business after the war calls for a careful scrutiny of other factors, which may not be so favorable. These embrace matters of the highest importance. I have in mind subjects often mentioned these days, such as inflation, deflation, taxation, labor policy, price control, Government regulation, decentralization of industry, disposal of wartime facilities, and, finally, maintenance of "full employment."

There is insufficient time tonight for me to discuss any one of these problems in full. What I have to say on a few subjects must be in brief outline.

Let us explore for a moment the maintenance of "full employment." No one can define to the complete satisfaction of all what is meant by the term "full employment." The concept is probably a level of employment somewhere between maximum production involving substantial overtime, and a situation where considerable numbers of people, able and willing to work, are looking for jobs but having considerable difficulty in finding them.

"Full employment" is both a most significant and a most puzzling problem. Some people seem to think that its solution rests solely within the control of the American industrialist. Nothing could be further from the truth. It is equally a problem for Government, labor and every other segment of our society. In this connection, it should be borne in mind that before the war manufacturing accounted for only about one-quarter of the total number of those employed in this country.

Aside from transitory unemployment during the reconversion period, I am not fearful that unemployment on a wide scale will be serious while we are busy replenishing supplies of peacetime goods that we were prevented from producing during the war. It is after we have caught up with those demands that the problem may become serious. That may be some years after the war has ended. Then our wisdom, courage and ingenuity will have to guide us.

Production provides the income that enables people to buy that which is produced. The more we produce of what people want and can buy, the more income we will have with which to buy. Any business, from the smallest to the largest, receives money from its customers. That money is, in turn, customarily all paid out. It is paid out in wages and salaries. It is paid out in the purchase of materials and supplies. It is paid out to repair and replenish machinery and equipment. It is paid out in interest, royalties, rent, taxes and dividends. The more money received by a business concern from customers through the sale of goods, the more money will be paid out by that concern to people in one classification or another. This, in due course, enables them to buy a greater volume of goods. The significance of this is that the problem boils down to one of finding ways and means of getting goods and services produced, without resorting to artificial and unsound methods. Once goods and services are so produced, the rest almost automatically takes care of itself. Production is the only self-sustaining source of real purchasing power to buy that which is produced.

You may properly inquire how does production get started, or, to state the question in its more usual form, how are new jobs created. This question goes close to the heart of a problem which troubles America, both in retrospect and in prospect. To my way of thinking, a new job is created when an individual, who has saved money or established for himself a credit reputation, decides to engage in some business activity. He undertakes this risk of his savings, because he has hopes of securing customers for his product and of satisfying those customers to the extent that they will pay a price for the product adequate to cover his costs and leave him a fair profit. I use the word "profit" deliberately. It is not a word to be ashamed of, despite the effort by a few to discredit those of us who believe in a profit motive as the mainspring of our American business system.

Take, for example, the man who risks his capital in the building of a corner drug store, or a crossroads repair shop. At the outset, there are jobs for those who dig the foundations and erect the building. After the drug store or shop is built and equipped, one or more clerks or machinists may be employed to operate it. New employment thus comes into being.

More and better goods are produced and more and better jobs are created only because some person, either singly or with others, hopes or believes that he can locate a sufficient number of customers and can sell to them his products or his services at a price which will leave him a profit after all costs have been met. He is willing to risk his savings and to devote his energy to that end. If we are to have more and better goods and more and better jobs, then that hope or belief, wherever it appears, must be permitted a fair trial; it must not be unreasonably or unwisely curbed, regulated or opposed. The creation of new jobs is as simple as that, in my opinion. With it all, there must be a general feeling of confidence and self-reliance, rather than a defeatist attitude of mind.

If this analysis be correct, then our national policies should be framed toward securing expanded production and increased employment through measures which do not have the effect of discouraging the initiation and development of new enterprise, or the expansion of existing enterprise.

One of these national policies concerns taxation. If our tax laws are so designed as seriously to impair the prospect of a reasonable profit for risking one's savings and devoting one's energy toward new production, then such new production is less likely than otherwise to be undertaken. The new jobs that would develop with such new production are then simply not created.

Governmental labor policy is another factor. A fundamental mutuality of interest exists between employer and employee. This relationship is too often obscured or overlooked in the handling of labor disputes. Industry must recognize that business cannot be conducted without employees and that workers are entitled to full and fair compensation for their labor. On the other side, employees must realize that industry cannot long continue as an employer unless the owners of the business are permitted to recover their costs and receive a fair return on their investment. Each must respect the rights of the other, if both are to thrive. Yet if short-sightedness on the part of those responsible for our labor policies compels labor relationships to be conducted in such a way as to impair the prospect of a proper return for risking one's savings and devoting one's energy in undertaking new production, then again it is less probable than otherwise that there will be any such new undertaking. If the source of new jobs is thus constricted, there will be more unemployed and the competition for existing jobs will increase.

The important thing is to erect no unnecessary barrier in the way of getting new jobs started. Once they have begun, the tendency is for them to become self-continuing. An increasing production of marketable goods resulting from a normal and satisfactory state of health in our economic order is the only self-sustaining source of funds to enable the present high level of wages of workers to be continued and to advance from time to time as conditions permit.

Much has been said of late about future price controls. By its very nature a control of this sort is negative in its effect. In peacetime, the repression of a price by Governmental regulation would mean that some who might otherwise produce and employ are deterred from so doing because their costs of production cannot be covered at the permitted price. The customer is forbidden to remedy the situation by paying a price that will cover these costs, even if he should be willing to do so in order to secure the goods. A price supported by Governmental or other regulation means that customers are prevented from securing at a lower price the goods which they want, even though there are producers willing to satisfy their needs at such lower price. Prices supported either by Government or by monopolistic action are presumably for the purpose of maintaining some situation regarded as favorable by the proponents of such control. The same is true of an arbitrary support of wages. The motives of the backers of such support may be entirely proper in certain instances. Still the purpose is most likely to be defeated, because what is gained by such artificial support is all too often lost—and maybe more so—in reduced volume of production, employment and sales.

Of late we have heard advocated the decentralization of industry. This seems to relate primarily to manufacturing. It is argued that industrial plants now located in the East or Middle West should be supplanted by similar plants to be erected or maintained in the South or in the Far West. Just how this is to be accomplished is not clear, unless it be through arbitrary restrictions by Governmental edict upon the operations of now existing mills. Those in favor of such a Governmental policy fail to recognize that a manufacturing industry automatically locates or relocates itself in a favorable district or districts. It cannot long survive if markets for its products do not exist, or have moved beyond its reach. No statute or Governmental regulation is required to bring about a proper equilibrium between place of supply and place of demand. In proof of this, we may note that industry on its own initiative has constantly moved westward in pace with the settlement and development of our country west of the Alleghenies.

We may well inquire what is to be gained by such a decentralization. Applying such a principle to the steel industry, it would appear to contemplate limiting the amount of steel to be produced in Pennsylvania, Ohio, Illinois, Indiana, Maryland or Alabama, in order that more steel might be produced in California, Utah or Texas. Will such a move advance the public interest by bringing about lower prices and more abundant production and greater employment? Or is it a scheme to force industrial activity artificially in a particular locality through subsidies at the expense of the public, so that such locality may compete with another community more favorably located? It surely cannot be to the advantage of the nation to embark upon any program which is economically unsound.

If steel can be produced in plants west of the Rockies and delivered to consumers on the Pacific Coast at a cost below the delivered price of steel originating in Illinois, Pennsylvania or elsewhere, these Western mills to the extent of their capacity will, of necessity, eventually capture the West Coast market. Such a law of economics has occasioned the continuous redistribution of productive facilities in America for decades. As our population has spread across the land, markets for goods and services have shifted; and the productive facilities to supply these markets have also shifted. Forcing or restraining local production through an uneconomic process must inevitably tend toward lesser volume of production and decreased employment.

Undoubtedly there are serious problems ahead for industry. As they arise, these issues must be resolved calmly, sensibly and soundly. The solution of each problem must be such as will benefit the country as a whole. This calls for a full public understanding of essential facts and a comprehension of the economic consequences thereof. None of us should be disposed to criticize and condemn any part of our business or economic system simply because we are not informed and therefore do not understand what is involved. We cannot afford to proceed on a forced course of action which permits one group in our society to obtain an unwarranted advantage over another group—and this is equally as applicable to business as it is to labor or agriculture—or a course which advances without justification the interests of one community to the detriment of the rightful interests of another community. The forced creation of employment in one locality cannot be healthful for the nation, if it brings about corresponding unemployment in another locality. If competitive free private enterprise is to survive, it must be given a full and fair opportunity to function. Such a program offers the best outlook for increased production, new jobs, and an ever increasing flow of better and cheaper goods.

What I have most briefly outlined demands broad-minded statesmanship in Government, wise and sincere leadership in industry and labor, and friendly and constructive cooperation between Government, industry and the general public. The substance for a prosperous future is in our hands. Will our nation have the wisdom, the patience, and the courage to make full use of that substance? Only time will tell. I have faith that the vision and common sense of the American people will permit a course to be steered so as to insure the preservation of individual liberty and the spirit of initiative. If my faith be well founded, then the prospect seems bright for future prosperity.

Canadian Securities

By BRUCE WILLIAMS

It has been suggested that unless some clear issue with an emotional appeal is placed before the electorate next year, the Liberal Administration will probably be defeated. Fortunately for the Mackenzie King Government, such an issue, especially since the recent abortive attempt to overthrow the Administration, is only too evident, and that is the great platform of national unity.

Perhaps we have already heard the opening gun of the forthcoming election campaign when Mr. Mitchell Hepburn, who has opportunely resumed the leadership of the Ontario Liberals, at a recent public speech in Hamilton, appealed for a national spirit of tolerance and an equality of sacrifice throughout the nation and moreover an equality of education. The achievement of this goal would greatly contribute to the spirit of understanding between Quebec and English-speaking Canada, the lack of which is the greatest cause of national disunity.

Another straw in the wind was the sudden removal of the cause of friction between Ottawa and the Province of Saskatchewan on the controversial issue of the provincial seed grain debt. This points towards another attempt on the part of the Liberal Administration to eradicate the cause of the justifiable grievances of the western provinces arising out of the debts incurred to the Federal Treasury during the depression years of the early thirties.

This attitude should also facilitate the progress of the endeavors to rehabilitate the credit of the Province of Alberta. Although when current developments are studied it is amazing that the tremendous natural wealth of the province together with good government over a long period has not led to an automatic solution. There is little doubt that in the decade after the war Alberta will emerge as one of the most promising provinces in the Dominion.

Already it appears evident that new major oil discoveries are in the offing. The fabulous Athabasca oil sands are at last being commercially exploited. The 17,000 square miles of coal in this province are now being surveyed with a view at least to filling Canada's deficiency in this respect. And, last but not least, the mineral riches of the Canadian North West will flow through the cities of Alberta.

The restoration of the credit of Alberta will be also beneficial to the proper development of the cities of Alberta and Edmonton, in particular. In spite of the existing handicap, Edmonton, under the able management of a city council of businessmen headed by forward-looking Mayor J. W. Fry, is now known not only as the "Gateway to the North," but also the "City of the Crossroads of the World."

Edmonton is the foremost city in Canada in aviation, and its airports have maintained the prewar record for handling the greatest volume of air-freight in the world. It is on the great circle route to Russia, the Orient and the Antipodes, and it is confidently expected that the air-minded people of the city will live up to their reputation in the post-war period.

Also, as this city is the terminal of the Alaska (Alcan) Highway and has further plans for the improvement of communications with the rapidly developing Canadian North West, it requires little imagination to foresee that the City of Edmonton has greater prospects than any other city in the Dominion.

Turning to the market for the past week there was again no departure from the monotonous pattern of firmness without activity. High-grades strengthened slightly. Albertas held at higher levels, and Saskatchewans rallied on the settlement of the seed grain dispute. Montreals were hesitant pending the mayoral election, and the return to office of Mayor Houde has been probably already discounted marketwise. There was little turnover in internal issues and Canadian free funds were motionless at 10⅛% discount.

Until the end-year period is passed, there is little likelihood of increased activity or important change in the general price structure. In view of recent political uncertainties, dealers' inventories are now light, but after the turn of the year the normal reestablishment of positions should cause an acceleration of the market tempo at higher levels.

Canadian Business In General Active

"Some recession in the manufacture of certain war supplies has been visible in recent weeks," says the Bank of Montreal in its Business Summary of Nov. 24, but, it adds "business in general continues exceedingly active, and is encouraged by the high purchasing power of the rural community, due to one of the best crop seasons that Canadian agriculture has ever experienced." The bank goes on to say "The latest figures available on retail purchasing are for September, when the index for twelve retail trades, dealing principally in food, clothing and household requirements, averaged 15% higher than in August and 14% higher than in September, 1943.

"As long as the war lasts, the large supplies of war materials which will be needed from Canada will keep many plants busy, but the nature of the demands for these materials is constantly changing. It had been planned to curtail Canada's output of heavy ammunition by 25% during the present year, but the need which has developed on the western front for concentrated artillery has caused a reversal of this decision, with the result that Canadian plants producing heavy ammunition are now working at full capacity to fill overseas requirements. Indeed, they require at present an additional 10,000 workers to cope with the orders placed with them. On the other hand, a deferment of orders for aluminum threatens to reduce substantially the Canadian production of that commodity.

"A British mission, headed by Lord Keynes, is expected soon in Ottawa to discuss ways and means of sustaining Anglo-Canadian trade at a satisfactory level."

W. Lee Paul Opens

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—W. Lee Paul is engaging in a securities business from offices at 634 South Spring Street. Mr. Paul was formerly a member of the firm of W. Lee Paul & Robert Rhodes, which has been dissolved. Clare C. Newby is associated with Mr. Paul.

Prospects for Business in 1945

(Continued from first page)

deal of social, financial and business turmoil.

For many months the volume of our industrial production has been far greater than ever before. For three years in succession our farms have produced record-breaking harvests. Our transportation systems have carried enormous volumes of freight and almost unbelievably large numbers of passengers. Trade has broken all previous records. More of our people have been gainfully employed than ever before. All these developments have taken place because we have been trying to satisfy the insatiable demands of war. From a business point of view our achievements have been impressively successful, but they have been accomplished under conditions which do not even remotely resemble the normal course of business.

One Big Customer

During this year more than half of our industrial production has consisted of war goods, and more than half of our national income has originated in Federal funds. In large measure, business has been serving one great customer who has known exactly what he wanted, and who has had limitless purchasing power with which to back up his demands. Now we must begin to make the transition back to civilian production, and to do it in an economy still dominated by war. Our one big customer will not only progressively decrease his buying, but he will also be selling off his surpluses.

Employment

During the transition period at least 20 million Americans must leave their present occupations and find other sorts of work. Most of them must move from where they are now and find other dwelling places. At the present time abnormally large proportions of our adult population are engaged in manufacturing, in filling civilian Government jobs, and in service in the armed forces. Those excess people will have to find new occupations. Among the excess numbers now employed in manufacturing about half are engaged in building ships and airplanes, which will be in greatly decreased demand when peace returns.

Taking all these conditions into account we may safely reach the conclusion that there will be more unemployment next year than there has been this year. This will be true even if State and local governments, and the Federal Government, institute programs of public works. It will be true even if the Federal Government continues lend-lease shipments on a large scale and attempts to stimulate other forms of exports. We may also safely conclude that as we move out of a nearly non-competitive wartime economy, and part way into a highly competitive civilian economy, the numbers of business failures will sharply increase.

Powerful Forces

During the transition period of the next two years the economic forces shaping the course of business will be immensely powerful. The shrinkage in war expenditures will constitute the greatest decrease in purchasing demand that any nation has ever experienced. The number of men and women seeking new jobs, and needing to find them in a relatively brief time, will also be of record-breaking proportions. On the other hand, and in some measure counterbalancing these pressures, will be the condition that there will be an unprecedented demand for new civilian goods, because shortages of them have been building up ever since we entered these wars.

Alongside the great and pressing needs for civilian goods must be put the important fact that the accumulated money savings of individuals are far greater than ever before. During the war years individuals have accumulated as much in liquid assets as they would have done in 15 years at the 1940 rates of saving. This has resulted in large part from the wartime scarcity of consumer goods. There are, for example, more than 600 articles made in whole or in part from iron and steel which have not been manufactured for civilian use since early in 1942. The combination of great shortages of goods and large accumulations of savings should operate to hasten reconversion and to stimulate production.

Two Factors

Probably there are two controlling factors which will largely determine the rapidity with which new jobs can be made available in 1945. The first, and less important, of them is likely to be the reaction of business sentiment when all of us begin to realize how numerous, and have huge in magnitude, are the business readjustments upon which we are entering. Clearly there has been no general and adequate understanding of these matters so far. It is possible that the swift drop in Government buying will cause such a shock that both individuals and business concerns will hesitate to spend freely the large purchasing power that they have accumulated. That is possible, but it is unlikely to develop if the Administration at Washington strives to create a business climate favorable to reconversion and to the production of civilian goods.

That question about the attitude of the National Administration toward private enterprise after the termination of the war in Europe is the second, and more important, of the two controlling factors. Apparently the authorities in Washington have decided to retain most price controls, and to add new ones to cover articles that have not been in production during most of the war period. Moreover it seems likely that many of the controls over wages, manpower, installment buying, the production of materials, and foreign trade will also be retained. All of us will agree that such wartime controls as will be genuinely helpful toward the defeat of Japan should be kept in force, but we may well be doubtful about the wisdom of continuing more than those.

Foremost among the reasons for retaining most of the controls is the hope that by means of them the dangers of inflation may be avoided. Probably the chosen procedure is not a wise and prudent one. The most effective way to avoid inflation is to stimulate an ample and prompt production of goods that are in active demand. Prices cannot easily rise far or fast if the supplies of goods are adequate to satisfy the demands for them. Regulations which restrict production when the public has high purchasing power constitute incentives toward inflation, instead of being protection against inflation.

It seems probable that the validity of this simple, fundamental principle will be recognized as we move into the period of decreased war production, and increased civilian production, following the termination of large-scale warfare in Europe. It now appears likely that after both our wars are ended the prices of most kinds of manufactured articles will be higher than they were when we entered the wars. The chief reason is that it is wholly probable that industrial wages rates will be higher than they were when the war broke out. Nevertheless, it is not at all likely that there will be general price advances in this country in 1945 of sufficient importance to warrant designating them as constituting inflation.

Security Prices

In the financial field we are safe in assuming that the levels of interest rates will remain under the tight control of Government agencies, and that as a result there will be no important changes in the market prices of Federal bonds. We cannot be nearly as confident about the probable movements of stock prices as we can be about those of Government securities. Nevertheless it seems fairly likely that when business men begin to realize that the transition from a wartime economy to a peacetime economy is going to be longer and more difficult than they had previously assumed, there may develop weakness in the market support for a good many issues of stocks.

If that does happen it is probable that there will be declines at the same time in the market quotations of many bonds, and especially in those of the second-grade issues. The chief factor working against such developments will be the continued pressure of funds seeking investment, but if the business readjustments of the early transition period prove to be definitely more serious than those which investors have been expecting, then the pressure of free funds may be temporarily inadequate to sustain security prices.

Business Policies

Cash in the treasury is the most valuable asset that a company can have as it enters the period of transition from a full wartime economy to a more largely civilian economy. At the close of the last war many companies that had been experiencing unusual prosperity during the war years voted exceptionally generous dividends at the end of 1918, or early in 1919. In almost every case these large disbursements proved to be mistakes. Costs of reconversion were heavy. Marketing conditions had changed. Company managements found that they needed the flexibility of policy that comes from having ample working capital. Perhaps the most important business policy for 1945 is to conserve cash and Federal securities insofar as tax regulations will permit.

During the war years our industrial cities have filled up and even become crowded. Under these conditions rents of business properties have become firm. As reconversion gets under way many companies will wish to lease new properties. There can be no general rule covering such matters, but in most cases it will be prudent for business men to refrain from competing for long leases. As the volume of war work is diminished the populations of most industrial cities will shrink somewhat, and the terms of leases will become less ambitious.

Supplies, materials, and many sorts of component parts will be in short supply when reconversion gets under way, and these conditions will tempt many manufacturers and dealers to build up their inventories as they find opportunities to do so. After the last war the building up of oversized inventories proved to be a most hazardous policy because a general price collapse took place about a year and a half after the armistice. It seems most unlikely that we shall experience anything like as severe a price decline this time because we have not had as extreme an advance of prices during the war period. Nevertheless it will be prudent to avoid building up exceptionally large inventories.

Interest rates are now lower, and bond prices higher, than they have ever been previously in our business history. No one can guarantee that bond prices will not move to still higher levels, but even so if the management of a company is contemplating the refunding of an old bond issue, or the flotation of a new one, it will probably prove wiser to go through with the new financing at an early opportunity rather than to wait for still more favorable conditions which may not develop. Similarly, if a company can do its new financing by issuing stock it would probably better do it promptly.

There is another business policy to which the managements of especially prosperous companies should give careful thought. It involves the vigorous reduction of the extravagances and inefficiencies that have developed in most companies that have been paying excess profits taxes. Probably those taxes have fostered more inefficiency in the managements of American business than any other factor that has ever influenced them. Since the taxes have absorbed nearly all the extra profits it has been possible to charge almost any moderate expenditure as an expense of operations, and so to make it an item that has cost the company very little. As we move back again into an era of real competition those practices ought to be eliminated.

Among the essentials of business policy in the reconversion period a high priority must be given to the reorganization and retraining of all sales forces. Today virtually no real selling is being done anywhere in this country, and practically no training of future salesmen is under way. When we have real competition once more it will be found that we must not only produce goods, but that we must also distribute them, which means that real effort must be put into selling them. Those who assume that when peace returns people are going to spend their savings spontaneously are probably due for a rude awening.

There is one more matter which should constitute a part of the policy of every business organization, whether large or small, and that is the formulation of plans for taking care of the returning servicemen. That planning should be well under way by now, and if it has not yet begun it should be promptly initiated. In many instances it should include the organization of retraining courses, and it should make provision for adaptations of shop and office procedures to use the capacities of the physically handicapped. Someone in the organization should be given the special assignment of familiarizing himself with the government rules, regulations, and helpful publications issued for the benefit and guidance of the returned servicemen.

Labor Problems

Both hourly wage rates and weekly take-home pay will be definitely higher when peace returns than they were when we entered the wars. That was true during the period of the last war, and it will clearly be true in this period. When World War I broke out in 1914 wage earners in American factories received on the average a little more than 11 dollars a week. By the time we entered the war they were receiving 14 dollars a week, and at the time of the armistice in 1918 they were getting 21 dollars a week. By the end of 1919 the average had gone up to 24 dollars weekly, and by the autumn of 1920 it had risen to above 27 dollars a week. After that there was a decline to 21 dollars in the depression of 1921, but a recovery to about 25 dollars a week by the autumn of 1923.

Weekly earnings of factory wage workers practically doubled during the war years from 1914 through 1918, and then moved still higher in the first year following the end of the war, and higher yet in the second year following the war. During this war period factory wages have followed a course very similar to that of the earlier period, and at levels about twice as high. When war broke out in Europe in 1939 the average factory wage here was 24 dollars, and in 1944 it had risen to above 46 dollars. Almost half of the advance took place before we entered the wars. It is worth noting that at the present time hourly wage rates are still rising.

Unfortunately it is probable that there will be more labor disputes in 1945 than there have been this year, and still further increases may be expected when both wars have been terminated and labor organizations feel relieved of their pledges to refrain from wartime walkouts. Periods when schedules of wage rates are under revision are naturally productive of increased numbers of labor disputes. Such increases developed after the last war when the number of strikes in the first peacetime year of 1919 was much greater than the number in 1918, and when the number of individual workers involved was nearly three and one-half times as great. Labor disputes were not equally numerous in the second year following the war, but there were still about three times as many of them as there had been just before the war.

Jobs

When the servicemen begin to come home in large numbers, and when the demobilization of the munitions makers gets under way in earnest, the most important single problem in this country will be jobs. Among the desires of our fighting man perhaps the most generally predominant is that a job for him should await his homecoming. It is natural that he should give it first place in his thinking because it is the natural means to all the values that are implicit in his dreams about home and family. We must have real jobs in large numbers for our young people, and many of them will have to be new ones.

But jobs do not just happen, nor are real jobs brought into being by federal deficit financing. Self-sustaining jobs flow from successful combinations of enterprise and capital. They involve the taking risks by managements which assume those risks in the hope of making profits. Hence it follows that the number of available jobs always largely depends on whether the political climate that is created by the national administration is hospitable or inhospitable toward business enterprise.

We are being told nowadays that the plan of the administration for maintaining full employment is to do it by stimulating exports on a grand scale. The planners tell us that this is to be done by granting huge credits to foreign nations so that they may be enabled to buy our goods. We did that with public funds after the last war, and it resulted in a short inflation prosperity promptly followed by the deep depression of 1921. We tried it again through private credits in the 1920's and that experiment left our investors holding large totals of foreign defaulted bonds.

Those experiments ought to have taught us that we cannot generate a durable prosperity by the easy method of giving away our goods to peoples in foreign lands and then paying for them by taxing ourselves. Neither can we do it by spreading the work at home. One of our great labor organizations has just adopted a resolution asking the Congress to establish a six-hour day and a five-day work week so as to spread employment. The assumption is that there is just so much work to be done, and that it should be thinly spread so that each worker may get some of it.

Of course the assumption is false. Prosperity depends on increasing the total of goods and services so that each one of us may have a greater amount when the total is divided among us. It is still true that self-sustaining jobs flow from the combination of capital and enterprise operating in a friendly political atmosphere.

Prospects for 1945

Even in times of war business men expect commentators to make forecasts during the closing weeks of each year. In conformity with that tradition the writer of the Business Bulletin ventures to make the following comments based on his personal opinions concerning possible developments next year. Under the existing circumstances the forecasts cannot be made in terms of specific quantities and amounts or in percents.

It now seems probable that national income payments to individuals next year will be definitely lower than those that have been made this year.

The volume of industrial production as stated by the Federal Reserve index has been slowly declining from month to month this year. Probably it will decline more rapidly next year, with the average volume for 1945 being less than 90% as great as that for 1944.

Employment of civilian workers is likely to be less next year than it has been this year, and the number of unemployed is likely to be greater.

Hourly straight-time wage rates of factory workers have been increasing ever since we entered these wars, and the upward trend will probably continue in 1945.

Labor disputes resulting in strikes are likely to be more numerous in 1945 than they have been this year.

In 1944 there have been fewer business failures than in any previous year covered by the records. Probably the number of insolvencies in 1945 will be definitely greater than those of 1944.

Production of steel ingots and castings will be about the same this year that it was last year, but in 1945 it will probably be smaller than in either of the two preceding years.

Car loadings of rail freight have been greater this year than in any previous year since 1930, but they are likely to be somewhat fewer next year than they have been this year.

Interest rates will continue to be tightly regulated in 1945, as they have been since the beginning of this emergency period, and it seems entirely probable that the regulation will continue to be in full effect next year. For this reason the interest rates prevailing in 1945 will probably differ very little from those of 1944.

If interest rates of 1945 prove to be nearly the same as those of 1944, it follows that the market prices of Federal securities in 1945 will be closely similar to those that have been in effect during 1944.

Interesting Rail Situations

In the current issue of their "Railroad Securities Quotations," B. W. Pizzini & Co., 55 Broadway, New York City, discuss several railroad situations which appear interesting at the present time. Copies of the release, containing quotations on guaranteed stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks and guaranteed telegraph stocks may be had upon request from B. W. Pizzini & Co., Inc.

"Work Out" Possibilites

Middle West Corporation appears as an attractive speculative "work out" in the public utilities field, according to a memorandum issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this interesting circular and a memorandum on Midland United may be had from Ira Haupt & Co. upon request.

Conflicting Views Again Feature Comments on Peacetime 'Training'

(Continued from first page)

known hundreds who graduated after four years of such training and I am familiar with their war service.

It is my judgment that the current discussion of the proposal in the public prints is largely beside the point. Proponents are saying that the country must be prepared against aggression. The opponents are condemning the proposal on the grounds that it will create a military caste, that it is undemocratic, and that it may create a warlike spirit inimical to peace.

The Real Questions

All this misses the issue. Of course America must be protected. Why debate that accepted fact? Why argue that universal training is "un-American"? That has no weight if we need such training. The real questions are: What are we preparing for? and, Is universal training the best method? The essential fact is that compulsory military training is of little value as a military measure. The proposal is unsound as a proposal for protecting the country. There will not be another war of any consequence for 25 years. By the time we shall have need for combat troops, the compulsory training now proposed will be obsolete. Any war of the future will be a technical war, with planes, ships, artillery and rifles undreamed of now. Drilling a million men annually as preparation for the mechanized war of the distant future is simply not a sound procedure.

Manpower Not Decisive Factor

The truth is that wars are fought by the current generation after brief training in the operation of the latest scientific equipment. And they are won by superiority of equipment, industrial resources and manpower. They are not won by goose-step training. There is no way to "prepare" a nation for modern war except to keep the entire manpower constantly in uniform, with the latest equipment. Our ships are manned by boys who never saw a ship until a few months ago. Our front-line troops are boys who had never seen a tank or shot a rifle until a few months back. France, desperately afraid of the Germans, bled herself white with universal military training. Her troops collapsed pitiably when the Germans assaulted them with superior tanks, artillery and planes. France might have held out if she had had no compulsory training and had put the cost into planes and tanks. England has no compulsory training. She kept back the Germans because she had a first-class Navy and a handful of Spitfires that could outfight the German planes. Training had nothing to do with it. The numskull Mussolini drilled his troops for years, pounding his chest and telling the world what they could do. They quit cold before American boys who had been small children when Mussolini started training his troops.

Value of Training?

Nor is there any point in saying that we would have been in far better shape if we had had 25 years of compulsory training before Pearl Harbor. It simply is not true. Millions of our troops grew stale in Ireland and England without ever seeing the enemy. Training them 10 years before would not have changed this. The point is clear when you ask, what is this training for? Are we planning to invade Europe? Or Asia? If so, it is ships and planes and artillery and tanks we will need. And not the kind we build now. Or is it possible, after the past three years, that anybody nurses the delusion that we can be invaded from overseas? The might of Germany could not invade England, 20 miles away, in four years of trying. It has taken England, Russia and the United States, with a combined population of about 400,000,000, three years to get 10 miles into Germany.

Just what value would it have been to have drilled a half-million men each year from 1918 to 1941? What use would they have been after Pearl Harbor, when we had to build a Navy and Airforce before we could get within thousands of miles of the enemy? Just what would we be "preparing" 10 million men to do? To go abroad in one lot, half of them 30 years old or over? Our military leaders apparently nourished the notion that the Japs could invade the United States by way of Alaska and that the Germans could bomb Pittsburgh or Washington from Belgium. There is nothing funny about war, and certainly there is nothing humorous about the accidents and losses caused by our blackout regulations, but it was a humorous sight when airplane spotters were stationed on top of the war buildings in Washington. I have an intelligent friend who actually told me that the Germans were going to invade us through Mexico. I told him that I was glad they were coming that way, since they would be stopped in Texas by the Southern Methodist football team. In my basement there are bags of sand which our military minds thought I ought to have to put out incendiary bombs the Germans were going to drop on us after flying 3,000 miles. Are our military heads now expecting our Navy, submarines and airplanes to let 5,000,000 men invade us? Not one advocate of this universal training scheme has suggested what the trained men are to do.

Inconsistent With Present Policies

The policies of our military leaders refute their own arguments for compulsory training. They flatly refused to let Congress pass a law to require one year of training for young boys before they were sent overseas. Thousands of our troops have gone overseas after less than a year's training, while other thousands have been kept at home after much longer training. The Army does not even use the training men have already received. I have three sons. One had no military training whatever. He is now an officer, a flyer doing highly technical testing work, all of it learned since he volunteered. A second son had four years in one of the finest college ROTC units. He is an officer in the South Pacific, in service in no way connected with his four years' training. He was prepared for it in 17 weeks after he left college. The third son had 1½ years in a fine ROTC unit. He is in the North Pacific doing work in no way connected with his ROTC training.

These are not exceptional cases. Any reader can cite similar instances. They merely suggest that universal training now for a war in the remote future is not an efficient or necessary method of national protection.

Serious Objections

Since universal training is not necessary as a military measure, no other argument against it is necessary. But it might be noted that there are serious objections, as follows:

(1) The financial cost would be enormous. Supporting and maintaining an army of something less than a million would be a heavy burden on the taxpayers.

(2) The economic cost would be very great. The majority of trainees would be taken from productive enterprise. It would cut down the national standard of living materially.

(3) A minority of the trainees would suffer a serious interruption of their college education, and many would never complete it.

(4) The physical benefits of the training might be more than offset by disadvantages of a moral and spiritual character.

(5) The creation of a military spirit may lead to national belligerency and aggression.

(6) The maintenance of a large standing army in time of peace does not improve the moral tone or spiritual level of a nation.

There are other objections, but there is no point in beating a dead horse.

It is unfortunate and sometimes unfair to make an **ad hominem** argument. But it appears to be necessary here. Thousands of people will be moved to support this unhappy proposal because Army leaders are for it and because many prominent people are for it, including the President of the United States. They should not be so moved. The judgment of military men on such matters should never be decisive. They are too close to the matter personally. Military men do not often oppose schemes which call for more officers and higher ranks.

Public Uninformed

As for the general public, they have not thought the matter through. War is a horrible thing. We want no more of it. We will grasp at any proposal which seems to hold some promise of stopping it, even when the proposal is worthless. There is one aspect of this situation which is outrageous. The backers of this program are openly urging that pressure be brought on Congress **now**, because after peace comes the people will refuse to consider universal training. In other words, there is a chance to stampede this thing through now, while the people are so distressed by the war and the absence of their men overseas that they cannot think straight. The moral character of a proposal to railroad this scheme into law is self-evident.

ROTC Program Inadequate

Those who are opposing universal training are injuring their case by proposing a poor alternative. It is the extension and expansion of the college ROTC program of training reserve officers. It is not a solution. It is simply not adequate as a program to meet any general need for preparedness. After observing the program for 20 years I am somewhat doubtful whether it is of much value to the country, the college or the Army. The Army itself scuttled the program after we got into the war.

But there is a solution of the problem of preparedness. It will probably be discovered and worked out by the Army after the country has rejected this unsound scheme for universal training. Meanwhile we must be sure to stop any railroading of the scheme into law.

HON. SINCLAIR WEEKS

U. S. Senator from Massachusetts

As far as universal peacetime military training is concerned, I am very strongly for it and have been ever since my return from France with the 26th Division in 1919. Had we had adequate military and naval preparedness—which, of course, includes universal training—I feel quite sure we should not now be engaged in another war. And if we are ever again caught unprepared to the degree that we were in 1940-41, I am positive we shall not have another chance to preserve our liberties.

Sinclair Weeks

I must confss that I do not see for the life of me how anyone in this day and age can even imagine that any nation is going to preserve its liberties without adequate military, naval and air establishments. And, of course, you cannot have such establishments without trained personnel—particularly since the advent of the very complicated instruments of war now in use.

Preparedness Best Preventive

Preparedness is the best preventive—as far as war is concerned. This means training our young men to defend their country and, incidentally, the very training itself must be of inestimable value to them in many ways.

How—when the young men of this country are fighting and dying so that we at home may continue to have a country to live in—can we be so unmindful of these sacrifices and want to send yet more American boys into action without adequate training?

Therefore, believing as I do in the necessity for an adequate preparedness program if our country is to preserve its liberties, I shall continue to work for the adoption of universal peacetime military training so that we may never again be faced with a situation such as that which confronted us in 1917 and again in 1941.

C. B. McDONALD

McDonald & Co., Cleveland, Ohio

I would strongly favor compulsory military training in peacetime and feel that if world peace is to be maintained, we must be prepared to enforce whatever steps may be necessary to maintain the peace. In addition to this, it seems to me that military training would do a lot for the discipline of the whole nation. One of our great faults today is lack of discipline, and this would give our young men at least one year of discipline that should go far in influencing their later lives.

C. B. McDonald

EUGENE C. DONOVAN

President, Auburn Trust Co., Auburn, N. Y.

I have very definite ideas on the matter of compulsory military training in peacetime. I have a distinct horror of anything in this line which follows the European pattern.

If it is necessary for us to have universal military training it seems to me that the utilization of one vacation period between the close of high school and the opening of college, and perhaps a continuation of it for the first year of college, would answer the purpose. Those who wish to follow a military career could possibly be allowed to continue during the remainder of their college course.

Eugene C. Donovan

I feel reasonably sure that a set period of universal military training for every boy of a certain age would not be strictly confined to the military training. Already we hear comments that the period might also be used for educational purposes which, to me, means propaganda at a time when the mind of the trainee is perhaps most susceptible.

I may be old-fashioned, but I think control of the education of the individual belongs in the home. I think such control of education as is necessary (and I firmly believe it should be very limited) belongs to the several States and not to the Federal Government. Finally, I think the mess in which the world finds itself today is a very sad commentary on our so-called education.

H. HOBART PORTER

Chairman of the Board of Directors, American Water Works and Electric Co., Inc., New York

H. Hobart Porter

I believe it is highly desirable, if not absolutely necessary, for the future security of America that a system of compulsory military training be employed by the nation in peacetime.

HOWARD CASWELL SMITH

Chairman of Special Committee on Military Affairs of New York State Chamber of Commerce

I have read with intense interest the symposium on military training published in your issue of Nov. 23.

To begin with it would seem wise to note the objections to the idea which your correspondents have expressed. They seem to be substantially as follows:

1. Objections to the theory of conscription.

2. Interference with the ordinary routine of life of the individuals affected.

Howard C. Smith

3. The danger of developing a militaristic caste.

4. The theory that if and when Germany and Japan are conquered, the necessity of protecting ourselves against aggression will also pass.

5. The expressed idea that if it is necessary in the post-war world to develop strong protection, it had better be done by a large army maintained by the public rather than by the citizen-soldier plan of universal military training, with the added argument that with the progress of scientific war a citizen-soldier's knowledge would become obsolete in a very few years.

At the same time most of those who think that the dangers will be past seem to be perfectly willing to acknowledge that a very large navy and a large army must be maintained, thus admitting the fallacy of the argument.

On the question of the dangers of militarism and the aggressive abuse of power by Government authorities, it might be pointed out that while this nation has taken active participation in seven wars during its history, it has always returned promptly to peaceful pursuits and, with the possible exception of the Mexican War of

1847, has never supported aggression.

Need of Preparedness

The argument has been presented that the mere training of the youth of the country for one year will not put us in fighting shape at the drop of a hat. That is undoubtedly true. It is also true that this country has never been prepared for any war which it has entered in the last 100 years. In the Spanish War the losses through unpreparedness in every line followed by sickness far exceeded the losses of battle. In the First World War, and in the present one, our Allies, particularly England, have carried the umbrella over a period that enabled us to make preparations and train our men. Without that umbrella we would have been attacked on our own soil beyond doubt. Had there existed such a plan of military training for the young men as is now contemplated in tne measures before Congress, that period of training would have been immeasurably reduced, and it is fair to presume that today we would have been much farther along in our efforts to reduce our enemies and shorten the burdens of war than is at present the case.

To take a quotation from the Bible, Mark 3-27: "No man can enter into a strong man's house, and spoil his goods, except he will first bind the strong men and then he will spoil his house."

It would seem the consensus of sound judgment that in future we prepare ourselves for protection against possible aggressors rather than sit supinely by expecting nothing to happen. We have not as yet advanced to that point of civilization where differences of opinion will be obliterated. Jealousy and irritation are still likely to remain a part of human nature and we are not likely to foresee the sources from which trouble will arise much better than we have been able to do in the last 30 years, and the theory that military protection is not needed seems to me to flout human nature and common sense.

I am credibly informed that in the 4,000 years during which history has been available there has been less than 400 years without war.

I cannot conceive that there exists among those who have carefully studied history any strong argument for limiting military and naval service to volunteers. Certain it is that if we had relied upon volunteers in the present war we would have failed miserably. Certain it is that the fact that nearly every family in the country has made its contribution to military service has immensely stimulated the auxiliary labor of producing the necessities of war in our factories, together with the sense of individual responsibility in the maintenance of freedom.

Equality of Sacrifice

There is a moral phase to universal training which its opponents seem to have lost sight of entirely, namely, the teaching of the axiom that liberty and peace cannot be maintained without sacrifice and that everybody has a duty to perform to his country in maintaining such liberty and peace, whether or not that duty acts in a limited way to a curtailment of the individual's personal freedom of action for that period in his life when he can probably best make the sacrifice. Furthermore, if we recognize that we have now been at war for four years and that we have taken 10 millions of men from their ordinary walks of life and require them to fight our battles, that sacrifice so far exceeds any sacrifices incident to the military training suggested that any honest man must acknowledge that the military training plan is much the lesser of two evils.

It is naturally presumed that the development of military training as proposed would permit the maintenance of a very much smaller standing army than would otherwise be necessary for suitable protection, and when the cost to the taxpayer is compared, indications are that the taxpayer would benefit by reason of the military training plan.

Deterrent to Aggressors

The question has been raised whether the existence of military training would deter the aggressor nations from going to war. No complete answer to that question can be made because we cannot read the minds of other peoples in future times, but certain it is that if a nation, such as the United States, produces annually a number of military trainees who can with relative speed be converted into a military trained organization to fight aggression, an aggressor would count less on a surprise attack and would recognize that the cost of success on his part would be much higher than if no such preparation had existed in this country.

It has been suggested that the whole idea is little better than a plan for further New Deal regimentation. The fact is the composition of the Select Committee on Post-War Military Policy of the House of Representatives is such that this charge rather falls of its own weight. Practically all those officials who are charged with the military protection of this country, and whom we must class as the best experts available, favor the plan of universal military training, and that fact is used as an argument against it. Those who argue that way seem to be inclined to assume the theory that when a man is an expert on any subject, that particularly disqualifies him from talking about it, or holding views in the public interest.

No Threat to Youths

The theory that the roughnesses of military camps is in danger of undermining the morals and ethics of our youth will not in my judgment stand the test of experience. While beyond doubt various evils are bound to creep in among the men in camp who are prone to such temptations, I maintain that such temptations exist in the every-day life of our citizens and that no one who mixes in the life of any community is free from such contacts. In short, military camps are neither better nor worse than ordinary communities, except that camp discipline is likely to reduce such dangers.

I firmly believe that universal military training properly worked out at this time is the best course for this country to pursue.

RT. REV. W. APPLETON LAWRENCE, D.D.

Bishop, Diocese of Western Massachusetts, Springfield, Mass.

I have been doing considerable reading on the subject of peacetime military training lately, as I consider it a matter of great importance, and I wish to say that I am **opposed** to the measure at all times as being inconsistent with the principles and practices of these United States.

Rev. W. A. Lawrence

But I am especially opposed to its passage while we are in the process of war, when it is impossible to look at the matter objectively; when those who are most concerned—in that they have made the greatest sacrifice (and if the bill is passed they will be called upon also to sacrifice their sons)—are still overseas and cannot make their opinion known; and when the post-war world cannot yet be pictured clearly.

I am quite confident that the defense which peacetime conscription is supposed to procure, can be secured in other ways, and I am impressed by the statement made by Colonel Frank in his article on conscription in the Encyclopedia Brittanica, when he says:

"The theory of conscription has run its course and today is growing out of date. A few years hence no conscript army will be able to face organized attack by armed motor cars, let alone by tanks and kindred weapons. Fighting armies in the future will be voluntary, highly professional, and highly paid, and consequently comparatively small. This is the whole tendency of present military evolution."

It would seem to me a shame that when the best days of conscription have passed, America should succumb to that practice which we have condemned in European nations, and from which many of our best citizens have fled.

Please quote me as absolutely, unalterably, and utterly opposed to peacetime conscription.

The development of robot bombing would seem to high light and emphasize the truth of Col. Frank's statement. It is industry rather than manpower which should be conscripted if anything.

ROBERT E. DOHERTY

President, Carnegie Institute of Technology, Pittsburgh 13, Pa.

Robert E. Doherty

I strongly favor compulsory military training in peacetime and believe a plan of such training, properly framed, would be highly rewarding to both the nation and the boys.

J. RAY CABLE

President, Missouri Valley College, Marshall, Missouri

For a long time to come America will be faced with the necessity of maintaining a large army and navy. After the business of war is finished there will still be the problem of maintaining order, furnishing emeregency help in far quarters of the globe and carrying on all the varied programs necessary to the transition from war to peace. Much of this will have to be done more or less by force. Moreover, after the experiences of the past quarter of a century the United States will feel that it must keep "its powder dry." The arguments for keeping in readiness for whatever may happen are too overwhelming to admit of anything more than close and cautious demobilization. This all adds up to a big army and navy force far into the future. It can best be provided for by compulsion.

J. Ray Cable

Having said this, I would like to plead for caution in the particular plans to be set up. It is not time yet for a blueprint. We do not yet know the size of the force that will be needed, nor whether it should be primarily army or navy in character. The millions of men now overseas will have much of value to contribute to the planning, and in so far as security permits, final answers should not be attempted until they can be heard from.

Of course the educational system will have to be readjusted to fit whatever plan is adopted, but this is somewhat secondary to the main point at issue. Perhaps something like ROTC followed by a short period in camp would meet needs in the case of men who wish to attend the higher schools. In my judgment, this adaptation could well be made in the interest of training for leadership.

HARRISON L. AMBER

President, Berkshire Life Insurance Co., Pittsfield, Mass.

I am opposed to military training in peacetime. I am not speaking as President of a corporation but as a father of two boys now in the service.

I think that compulsory training has a tendency to create a desire for war and is not an instrument for peace.

H. L. Amber

My feeling is that if men are trained for war, there will be a tendency to use that training. I also feel that a nation that has compulsory military training is more apt to go to war than a nation that does not have compulsory military training. I do not believe that compulsory military training prevents war.

JNO. J. TIGERT

President, University of Florida, Gainesville, Fla.

I have given a good deal of thought to the subject of compulsory military training in peacetime. Definitely, I think that we should not take action on this matter while the war is in progress and before our men who are overseas return. The War and Navy Departments would like to get the matter acted upon while the country is at war fever.

Jno. J. Tigert

On the basis of one year of compulsory military training without substitute of any kind, which I understand is what both the Army and Navy are proposing, I am definitely opposed. I see no need of young men giving a whole year of their lives entirely to military training and abandoning every other method for improvement. Certainly military training should not take up a man's entire time who is going to be a citizen, and who very likely will never have the opportunity to perform service as a soldier; therefore I would consider only a plan which provides one year of military service with a minimum of interference and interruption of education and other training for peacetime responsibilities. I believe that a more general application of something like the ROTC program which existed before the war could be made to meet all the demands of the situation.

If the Army and Navy has any thought of providing educational, in addition to military, training, I believe this to be very pernicious. I am fearful of any educational program for citizenship which might be carried on concurrently by the Army and Navy while young men are being trained for military or naval service. Such a program would lend itself easily to doctrination of political and economic ideologies.

Hon. ANTHONY J. DIMOND

Delegate from Alaska in Congress

Anthony J. Dimond

I favor compulsory military training in peacetime in the manner and for the reasons recently well stated by General George C. Marshall.

ROY G. BLAKEY

University of Minnesota, School of Business Administration, Minneapolis, Minn.

Relative to your symposium on compulsory military training in peacetime, I have not had time to make a thorough study of all angles of this question, though I am convinced that we should be as well prepared as possible to prevent future wars. Nevertheless I am somewhat fearful that some of the present plans would militarize our people.

Roy G. Blakey

I think some better way of combining military training along with high school and college training, maybe spending several summers instead of a solid year and avoiding too much military domination of the training, might meet some of the objections.

TOM S. HARKISON

President, The National Bank of South Dakota, Sioux Falls, S. D.

I favor a universal training. I have no definite idea as to the type except, I think, it could and should be included in university and college programs, probably supplemented by summer camps in the same period.

Tom S. Harkison

It is my firm belief that the men and women now in service should have a voice in determining the policy adopted. It would, in my opinion, be mighty presumptuous of we folks at home to establish any training program objectionable to those now in uniform. We must not overlook the practical value of their experiences.

Do You Know Your Money?

(Continued from page 2595)

Government for the people of the United States, and, since the suspension of gold payments by our Government in March, 1933, our people are not permitted to obtain or hold gold coins, with minor exceptions.

The gold dollar is, nevertheless, the ultimate and legal standard monetary unit for the United States. This gold-dollar standard unit weighs 13.714+ grains, fine, or 15 5/21 grains 9/10 fine. Since a troy ounce weighs 480 grains, an ounce of fine gold will coin up into 35 gold dollars—480 divided by 13.714+. It is for this reason that we say that the official price of an ounce of gold in the United States is $35.

Since our gold and silver coins are nine-tenths fine—that is, one-tenth of each of these coins is alloy—an ounce of gold, containing one-tenth alloy, would yield only $31.50 in standard gold dollars, each weighing 15 5/21 grains 9/10 fine, and 13.714+ grains, fine. Stated in another way, if we allow one-tenth for alloy in our ounce, which would otherwise yield $35, fine, we would get $35 minus one-tenth, or $31.50. This divided into 480 grains gives us our standard dollar of 15 5/21 grains 9/10 fine.

Before the President reduced the weight of our standard gold dollar on Jan. 31, 1934—an act commonly called devaluation of the gold dollar— an ounce of fine gold would coin up into $20.67. This meant that the standard gold dollar weighed 23.22 grains, fine, or 25.8 grains, nine-tenths fine. By the act of devaluation, the President made an ounce of fine gold coin up into $35 instead of the old $20.67. In other words, he raised the gold-dollar price of an ounce of gold approximately 69%. Stated in other terms, he reduced the weight of the fine gold dollar from 23.22 grains to 13.714+ grains, a reduction of approximately 41%, thus giving the United States a new gold dollar (not coined) which is approximately only 59% as heavy as the gold dollar that had existed for 97 years prior to the devaluation of 1934—since 1837.

The reader probably has noticed many times in newspapers and elsewhere the statement that we were given a 59-cent dollar by the President's act of devaluation. Such a statement, though common, is inaccurate and it has misled many people. The new dollar, as everyone knows, contains 100, not 59, cents; what is true is that the new gold dollar is only 59% as heavy as the preceding one.

Another thing that has confused the general public is the relationship of a 59% gold dollar to the 69% increase in the gold-dollar price of an ounce of gold. The relationship, simply, is this: It requires approximately 69% more than our new 59% dollar to equal in weight the preceding gold dollar which weighed 23.22 grains, fine.

Since the President reduced the weight of our gold dollar approximately 41%, this means that foreigners can buy our dollars for 41% less than they would have cost had our dollar not been devalued. It also means that if we buy foreign currencies they cost us 69% more than otherwise would have been the case had we not devalued our dollar; this is because we are buying foreign currencies with gold dollars that weigh only 59% as much as our preceding gold dollar.

If, for example, the interested reader will turn to the foreign exchange section of his leading newspaper he will find that the British pound sterling in gold is now worth $8.237, whereas before we devalued our dollar it was worth $4.87. This illustrates the manner in which the gold price of foreign currencies, also in terms of gold, was raised 69%. As a result, it is commonly and properly said that the devalution of our gold dollar raised the parity of foreign gold currencies 69%.

Most foreign currencies are now inconvertible paper and, as a consequence, have depreciated at various rates in terms of gold. The British pound today is a paper pound and it has depreciated more than 50% in terms of the gold pound sterling. Moreover, the United States has been cooperating with Britain in maintaining the value of her paper pound at approximately $4.03 regardless of what its real value in a free market might be. But in the case of all depreciated foreign paper currencies, their price to us as a result of our devaluation of the dollar is 69% greater than it would have been had we not devalued our dollar by approximately 41%.

Since we made foreign currencies more expensive to us by devaluation of our dollar, we, in effect, raised a tariff wall of 69% against the imports of commodities and services. Much current discussion regarding the policy of Secretary of State Hull in lowering tariff barriers omits the fact that the same Administration erected a tariff wall of 69% by devaluation of the dollar. In other words, the Administration raised the tariff with one hand while Secretary Hull, through his Reciprocal Trade Agreements, worked to lower it as the Administration's other hand. It is not correct, therefore, to speak of this Administration as a low-tariff Administration, as is so commonly done. The extent to which it has succeeded in lowering tariffs in the face of the tariff created by devaluation of the dollar is a matter of calculation determined by the degree to which Secretary Hull has been able to undo in effect what was done by devaluation of our gold dollar. Since devaluation erected a general tariff wall of 69%, and since Secretary Hull's reductions are selective and limited, it seems reasonable to suppose that he has not been able to overcome the effects of devaluation of the dollar. The type of tariff erected by devaluation of the dollar differs in one important respect from the ordinary raising of a tariff wall in that it makes our dollars cheaper to foreigners.

Our Silver Money

The silver dollar weighs 371.25 grains, fine, or 412.50 grains, nine-tenths fine. Since a troy ounce weighs 480 grains, a fine ounce of silver will coin up into $1.2929, fine—480 divided by 371.25 equals 1.2929. Silver coins, like our gold coins, are nine-tenths fine, but since we have shown the principle of calculation in connection with gold coins, it need not be repeated in respect to our silver currency.

Perhaps the only thing regarding which the reader should be warned is that our subsidiary silver coins are approximately 6.47% lighter than our standard silver dollar. In other words, two 50-cent pieces, or four quarters, or ten dimes do not weigh 412.25 grains; they weigh 6.47% less, or 385.8 grains, nine-tenths fine, or 347.23 grains, fine. The United States, like other nations, found it advisable to make lightweight money of its subsidiary coins so that they would not be exported easily. In this manner a nation is spared a considerable expense in coinage and, since the coins are readily convertible into the standard silver dollar, this difference in weight has no disadvantages at home in so far as the value of the subsidiary coins, as compared with the standard silver or gold dollar, is concerned.

Since a troy ounce of fine silver will coin up into $1.2929, it naturally follows that the market value of the silver in a dollar is worth a dollar only when silver is selling on the open market at $1.2929 per ounce. If silver is selling at 45 cents—that is the price (perhaps artifically high) which the United States Government pays today in buying silver in foreign markets—then the value of the silver in a silver dollar is simply

$$\frac{.45}{1.2929}$$ or approximately 35 cents.

During a large portion of the years since we have been using our present standard silver coins the value of silver in the market has been much less than $1.2929 per fine ounce, which means that the silver dollar has generally had a face value in excess of the market value of the silver which it contains. And the discrepancy in the case of subsidiary silver coins has, of course, been even greater. But the value of these silver coins in terms of gold has been maintained by the Government standing ready to exchange gold for silver, dollar for dollar, directly or indirectly. Although the Government, since the suspension of gold payments in March, 1933, does not now exchange gold for silver directly, the United States has evolved a system of indirect exchange which thus far has maintained the value of silver coins in terms of our gold dollar. If, however, we should find it necessary to ship out silver coins as bullion to meet foreign obligations, then we might be compelled to accept the market price for the silver content of our coins.

However, today, our Treasury stands ready to accept our domestic silver coins and also our paper currency on equal terms with our gold dollars and then ships gold instead of our silver and paper currency which would have to go at a discount if we were unable to export the gold. In other words, the Treasury stands at the international boundary line, ready to use our gold in international exchange, in lieu of trying to utilize our cheaper currencies, and by this system prevents a depreciation of our domestic currency in terms of gold. This is the heart of our system of indirect exchange of our cheaper currency for gold.

If, at any time in the future, we should find our gold supply so depleted that we could not meet our foreign obligations in gold, then it might become necessary for us to attempt to meet our foreign payments in terms of silver, in which case silver would presumably go at its market value and our silver currency would probably have a greatly depreciated value in terms of foreign gold currencies. Our paper currencies doubtless would have still less value since paper is paper, and silver is silver.

Our Subsidiary or Minor Coins

It probably is not worth while to say much about our subsidiary and minor coins such as nickels and pennies. In recent years the Government has changed the quality of these coins from time to time with the consequence that any attempt to describe the particular mixture and weight of the nickel and penny at the present time would not be particularly profitable to the reader. It may suffice to say that normally the nickel weighs 77.16 grains and is composed of 75% copper and 25% nickel, and that normally the penny weighs 48 grains and is composed of 95% copper and 5% tin and zinc. These minor coins are readily convertible into our silver dollar and indirectly into our standard gold dollar, with the consequence that the value of these minor coins, in terms of our most valuable currencies, is maintained regardless of any adjustments in weight or content which the Government has deemed it advisable to make during the period of the war in which certain metals have been unusually scarce.

The Paper Money of the United States

We have seven kinds of paper money in circulation in the United States. Some of it has been, or still is, issued by the Government; the remainder has been, or is, issued by either national banks or our 12 Federal Reserve banks.

The kinds of paper currency issued by the Treasury, if issued at all, are gold certificates, silver certificates, United States notes (greenbacks), and Treasury notes of 1890.

Those notes issued by banks are national bank notes, issued by national banks; Federal Reserve bank notes and Federal Reserve notes, issued by Federal Reserve banks.

Today it is not probable that any person would have all these seven varieties of paper money in his purse. Gold certificates have been recalled and may not be held by the general public, although there are still some outstanding. They are issued today in a revised form only to Federal Reserve banks in payment for gold which the Federal Reserve banks, as monetary and fiscal agents for the Treasury, must turn over to the Treasury when they receive it through importation or otherwise. Treasury notes of 1890 have been called for retirement and are rarely seen. National bank notes are also being retired, but since it requires, in some instances, many years to effect a retirement of a currency, there is a considerable volume of national bank notes outstanding. If the reader should find a national bank note in his purse it will carry on it the name of the national bank which issued it.

The notes which the reader will most likely have in his purse are Federal Reserve notes, silver certificates, Federal Reserve bank notes (of which the latest issue bears the name "National Currency") and United States notes.

Federal Reserve bank notes, normally issued by each of the 12 Federal Reserve banks, just as national banks issue national bank notes, happen to call for special treatment today because the Government has recently engaged in some finagling in connection with an issuance of the notes which began in December, 1942. Prior to that date, the Federal Reserve bank notes, previously issued, had been in the process of retirement, but, because of this recent transaction, there is a relatively large volume in circulation. Moreover, the name of these notes is today misleading—they bear the name **National Currency** rather than the words **Federal Reserve Bank Notes.** The reader may find a "National Currency" note in his purse at any time.

Even though certain ones of these seven varieties of our paper currency are rarely seen, it is worth while for the reader to understand the nature of all of them. The picture may be clarified in some respects if these seven varieties are listed in accordance with the relative importance of each as measured by the dollar value outstanding from the issuing authorities as of Aug. 31, 1944:

1—**Federal Reserve notes** (issued by Federal Reserve banks)	$20,284,000,000
2—**Silver certificates** (issued by the United States Treasury)	1,804,000,000
3—**Federal Reserve bank notes** ("National Currency," issuable legally only by the Federal Reserve banks, but recently issued by the United States Treasury)	594,000,000
4—**United States notes** (greenbacks, issued by the United States Treasury)	346,681,016
5—**National bank notes** (issued by national banks)	126,000,000
6—**Gold certificates** (issued by the United States Treasury)	*53,000,000
7—**Treasury Notes of 1890** (issued by the United States Treasury), approximately	1,000,000

*This volume of gold certificates outstanding in the hands of the public has been recalled and is not to be confused with the volume of gold certificates which the Treasury issues in revised form to the Federal Reserve banks. For example, the volume of gold certificates in the latter class on Aug. 31, 1944, was $18,812,000,000.

Now a brief description of the essential characteristics of each of these seven varieties of our paper money.

Federal Reserve Notes

The most important in volume, as indicated in the preceding table, are Federal Reserve notes, first issued in 1914. Therefore, the reader in all probability will find one or more of these notes in his purse. Each note states on its face that it is a Federal Reserve note and it will indicate which of the Federal Reserve banks has issued it. Under the Federal Reserve Act, which regulates the issuance of these notes, each Federal Reserve bank is required to maintain a reserve of not less than 40% in gold certificates against the notes in actual circulation outside the issuing Federal Reserve bank. To the extent that these notes are not fully secured by gold certificates—a security the American people cannot obtain—the remainder of the 100% assets which the banks must hold against these notes may be composed of United States Government securities or certain so-called eligible paper as defined in the Federal Reserve Act. The law also requires the Federal Reserve banks to maintain with the United States Treasury a redemption fund in gold certificates, equal to 5% of the volume of the notes in circulation that are not otherwise secured by gold certificates. This redemption fund can count as part of the 40% reserve in gold certificates which must be held against the notes in actual circulation.

These Federal Reserve notes are obtained by the Federal Reserve banks from the Treasury (specifically, from Federal Reserve agents), when needed, and in response to the demands made upon the Federal Reserve banks for paper money. In general, the demands are transmitted from the general public through the various banks which belong to the Federal Reserve System to the Federal Reserve banks. These notes are liabilities not only of the Federal Reserve banks but also of the Treasury, and are redeemable in "lawful money" (any of our money except Federal Reserve notes) at the Treasury or at any Federal Reserve bank. The general public cannot obtain gold certificates as part of "lawful money" in redeeming Federal Reserve notes; only the Federal Reserve banks can do that.

Silver Certificates

Silver certificates, which originated in 1878, are issued by the Treasury, are backed dollar for dollar by silver coin or bullion, and are redeemable in silver coin.

Federal Reserve Bank Notes and "National Currency"

Federal Reserve banks are authorized by the Federal Reserve Act to issue Federal Reserve bank notes under certain conditions. The authority to issue them became effective in 1916. These notes are in general nature, when issued in accordance with the normal provisions of the Federal Reserve Act, similar to national bank notes, issued, until recently, by national banks. Under emergency provisions of the Federal Reserve Act, as amended in 1933, Federal Reserve bank notes may be issued by the Federal Reserve banks against a 100% security of any direct obligations of the United States and up to 90% of certain other types of paper which the Reserve banks may post with the Treasury as security. Since this authority continues until the President terminates the emergency recognized by the Presidential proclamation of March 6, 1933, it is still in effect for the reason that the President has not declared the emergency at an end.

Under the normal provisions of the Act, these notes are issuable only against a 100% security of United States bonds bearing the circulation privilege — that is, bonds that may serve as security for the issuance of bank notes—and a 5% redemption fund in lawful money.

Whereas Federal Reserve notes are liabilities of both the Federal Reserve banks and the Government, Federal Reserve bank notes are exclusively liabilities of the issuing Federal Reserve banks until retired by these banks, at which time those still in circulation become liabilities, solely, of the Treasury and part of what is called Treasury currency. In February, 1935, the Federal Reserve banks placed funds with the Treasury to retire all the Federal Reserve bank notes outstanding, thus making them liabilities of the Treasury (Treasury currency). By December, 1942, all but approximately $18,000,000 of the Federal Reserve bank notes previously issued had been retired.

Beginning Dec. 12, 1942, the nature of Federal Reserve bank notes underwent a radical and unprecedented change. At that time the Treasury, having a stock of unissued Federal Reserve bank notes on hand, part of the stock said to have been hastily prepared in 1933 to meet some of the currency needs of the depression and bearing the questionable name of "National Currency," decided, in cooperation with the Reserve authorities, to issue $660,000,000 of these notes — its total stock—as a Treasury currency and as a liability of the Treasury rather than as a liability of the Federal Reserve banks.

There was no authority in the Federal Reserve Act for this transaction which was carried out by a species of manipulation involving a sleight-of-hand performance called "retirement before issuance." Specifically, these notes were said to be "retired" by the Reserve banks which had not **issued** them and which alone, under the law, may issue them, before they were **paid out** by these banks to which they were **issued** by the Treasury which is not empowered to do so.

On Dec. 12, 1942, the Treasury began to deposit these notes, for which under the law **it is a trustee not an issuer,** with the various ous Federal Reserve banks in exchange for a deposit credit and, month by month thereafter, the amount of these notes put into circulation by the Treasury, through the Federal Reserve banks, mounted steadily until December, 1943, when the total outstanding as a Treasury liability reached $639,000,000, after which the volume in circulation began to decline slowly because of retirement due to the usual wear and tear or mutilation. On Aug. 31, 1944, the amount outstanding was $594,000,000.

As a consequence of the manipulation in the issuance of these notes, they have never been liabilities of the Federal Reserve banks but solely liabilities of the Treasury, and, moreover, they have served as lawful money for reserves in the Federal Reserve banks. By this manipulation the Treasury improperly and illegally received a deposit credit on the books of the Federal Reserve banks to the extent that it deposited these notes with the Reserve banks. At the same time the Federal Reserve banks improperly and illegally added the same amount to their reserves of lawful money. In other words, the Reserve banks converted what should have been a liability into an asset—certainly the perfect accomplishment in financial legerdemain! Who would not like to convert his liabilities into assets? Still further, by this manipulation, the Treasury and Reserve authorities, acting together, set aside a tax law of Congress: When Federal Reserve bank notes are issued in accordance with the law, the issuing Federal Reserve banks are required to pay a tax on those notes outstanding. No tax was paid on the notes issued in this manner.

These "National Currency" notes are outright fiat money, a fact admitted under questioning by Under Secretary of the Treasury Daniel Bell. No United States securities were posted with the Treasury and kept there as security against the issuance of these notes as required by law. Since the general public did not understand that these notes were outright fiat money and, since they were interchangeable with all our other currency, they did not depreciate in terms of gold. But they did dilute, as fiat money always does, the quality of our money, and they gave both the Treasury and the Reserve banks a purchasing power to which they were not legally entitled.

United States Notes

United States notes (greenbacks), of which the stock remains constant at $346,681,016, are issued by the United States Treasury and are secured by approximately $156,000,000 of gold coin and bullion. They date back to 1862, during which time and the years immediatly following they were issued as fiat money, and continued as such until the resumption of specie payments on Jan. 1, 1879.

When the United States abandoned the gold standard in March, 1933, these notes became irredeemable and are still irredeemable in gold, although the gold reserve provided for in law—in 1900—is still held by the Treasury against them. In other words, these notes have a reserve against them which cannot be employed under present practices of our Federal government. They are not redeemable; they are merely exchangeable for other currency. Although the stock of these notes remains unchanged, the amount in actual circulation varies. On Aug. 31, 1944, however, the amount outstanding was listed as the maximum of approximately $347,000,000.

National Bank Notes

From 1863 to Aug. 1, 1935, national banks were authorized to issue national bank notes. These, like normally and legally-issued Federal Reserve bank notes, were generally issued against a 100% security of United States bonds bearing the circulation privilege and a 5% redemption fund in lawful money. Since Aug. 1, 1935, there have been no bonds bearing the circulation privilege, and these notes have therefore been in the process of retirement, a process which began shortly after March 9, 1935, when the Treasury Department announced that it would retire such United States bonds by Aug. 1 of that year. These notes have been retired as liabilities of the issuing national banks, with the consequence that those still outstanding are liabilities of the Treasury and constitute part of Treasury currency. The amount of these notes outstanding on Aug. 31, 1944, was $126,000,000.

Gold Certificates

Gold certificates originated in 1865 under authority of the act of March 3, 1863. As the word "certificate" implies, they were backed dollar for dollar by gold bullion and coin held in the Treasury for their redemption. Since April 5, 1933, it has been illegal for private individuals to hold these certificates, but, as of Aug. 31, 1944, there were still $53,000,000 outstanding.

As already indicated, the Treasury now issues gold certificates in a revised form to the Federal Reserve banks which use them for reserve purposes — reserves against either Federal Reserve notes or deposits, or both. On Aug. 31, 1944, the amount of this particular type of gold certificate, which the public cannot obtain, amounted to $18,812,000,000.

Treasury Notes of 1890

Treasury Notes of 1890 (sometimes called Sherman Notes) are secured fully by silver and also fully by gold bullion — in other words, by a 200% reserve of gold and silver since they are legally redeemable in either gold or silver. These Treasury notes, for which a retirement call has been issued and of which there are approximately a million dollars worth outstanding, are rarely seen.

Legal Tender

The question of legal tender is one that is but vaguely understood by the general public. Indeed, a considerable amount of confusion regarding its meaning has revealed itself not only in Congress but even in the decisions of the United States Supreme Court. Perhaps about all that can be said briefly with reasonable accuracy regarding its meaning in the United States today is that it is a legal quality given to money in various degrees by Congress. When a money is full legal tender it means that a debtor can tender it as a money which the Government says shall be satisfactory to a creditor in settlement of his debtor's obligations. In other words, in so far as the monetary aspect of the contract is concerned, a legal tender money, provided the amount tendered is in accordance with the contract, shall be deemed satisfactory by the creditor. A creditor may refuse to accept legal tender money for any number of reasons; for example, there may be certain aspects of the contract which he insists the debtor is not fulfilling, but he may not raise in court any questions regarding the nature of the money that was tendered.

Prior to May 12, 1933, at which time Congress unwisely declared all our money to be full legal tender (repeated in an amendment of June 5, 1933), the qualities of legal tender were attached to our money in a variety of ways. For example, minor coins such as nickels and pennies were legal tender only up to 25 cents, and subsidiary silver coins only up to $10. The reason for this limitation — a proper one—was, for example, to prevent a debtor from annoying a creditor by paying a large obligation with nickels or pennies or subsidiary silver coins. Should a debtor wish to annoy his creditor by sending him a large bag or keg of pennies, he could under the present law force his creditor to accept such payment if the amount is accurate and if all other terms of the contract are being fulfilled.

Gold certificates were not legal tender until Dec. 24, 1919. Silver certificates were never legal tender until made so by the Act of May 12, 1933. United States notes were made legal tender at the outset for all obligations except interest on the public debt and customs duties, although, with the resumption of specie payments on Jan. 1, 1879, they became acceptable in payment of customs duties. Treasury Notes of 1890 have been full legal tender since the date of their first issuance in 1890. None of the three kinds of bank notes was legal tender prior to May 12, 1933, and properly so.

An adequate explanation of the theories underlying legal tender would involve a lengthy and intricate discussion. It may suffice here to say that the reasons for giving a currency the quality of legal tender have varied greatly in the history of nations. A monetary standard, of necessity, must be given the quality of full legal tender. But other currency may be given the quality according to the desires (or understanding) of the government at that particular time. For example, governments have given certain monies the the quality of legal tender, fully or partially, sometimes to protect the debtors against creditors, sometimes to protect creditors against debtors, and sometimes to protect the government against the people in general—that is, to enable the government to force a certain type of money, for instance fiat money, into circulation (our Allied Military Currency, for example).

Lawful Money

The expression "lawful money" has a technical meaning not to be confused with that general meaning employed when we distinguish a money that is lawful from one that is counterfeit or illegally issued. When the term is employed in its technical sense, it refers to the money that may properly be used for some specific purpose, as, for example, the money that may be used as reserves in the Federal Reserve banks against their deposits, or the money that may be used in the 5% redemption funds sometimes held by the Treasury against the Federal Reserve bank notes and national bank notes when issued by the appropriate banks.

Legal tender money and lawful money are not identical. Today all money is full legal tender but, if we consider the money which Federal Reserve banks may hold as reserves against their deposits, all our money is today lawful money for this purpose except Federal Reserve notes. Since these notes are a liability of the Federal Reserve banks, it would be illogical and improper to use them as a reserve against their deposit liabilities. All Treasury currency, that is, all currency which constitutes a liability of the Treasury, can properly serve as lawful money for reserves of Federal Reserve banks against their deposits.

The various qualities of legal tender given to or withheld from some of our money prior to May 12, 1933, will reveal the lack of relationship existing between money that was legal tender, partially or fully or not at all, and money that was lawful for some specified purpose. For example, silver certificates were not legal tender prior to 1933, and gold certificates were not legal tender prior to 1919, but both were lawful money for reserves against deposits in Federal Reserve banks. The question of what shall be lawful money for a specified purpose is essentially one of determining what shall be proper assets against certain liabilities. It has nothing, necessarily, to do with whether a currency is legal tender although, in general, all money that was legal tender, partially or fully, before 1933, was lawful money for reserves in Federal Reserve banks, the only exception being subsidiary currency (with a limited legal tender quality) which was treated as non-reserve cash—that is, merely as an asset but not as reserve.

The United States Supreme Court has in general held that all money that is legal tender is at the same time lawful money. Despite the fact that some of these decisions have shown a considerable confusion of thought on these matters and have, in some instances, been contradicted by the facts prevailing at the time the decisions were rendered, the notion has prevailed that any money that is full legal tender is at the same time lawful money. It would be lawful money only in the broad, general sense, but not necessarily in the technical sense. This is illustrated today by the fact that although Congress has declared Federal Reserve notes to be full legal tender, they cannot properly serve as lawful money for reserves in the Federal Reserve banks against their deposits, and they are not so counted.

Money Receivable for Specified Purposes

The Federal Reserve Act, prior to 1933, provided that Federal Reserve notes should be receivable for specified purposes, and the drafters of that section of the law were well advised in their choice of words. Congress made a mistake when it made Federal Reserve notes and other bank notes full legal tender. The original provisions of the law should be restored in order to free the Reserve Board from the necessity of taking the position that, despite the act of Congress and the meaning of the term "full legal tender," Federal Reserve notes nevertheless cannot serve as lawful money for reserves in the Federal Reserve banks. The same situation would apply to the redemption fund against Federal Reserve bank notes if they were issued in accordance with the law as liabilities of the Federal Reserve banks.

The Nature of the Monetary Standard of the United States

The general public also has difficulty in understanding the nature of the monetary standard which now prevails in the United States. This is not surprising for the reason that our standard today cannot be defined in simple terms; it must be described, and it is necessary to distinguish its international aspects from its domestic characteristics.

Internationally, we are on a restricted gold bullion standard. This means that the Treasury stands ready in its international dealings to buy and sell gold at $35 per fine ounce, except in those cases in which the Treasury has deemed it wise to set up some interference in the free movement of gold into and out of this country. It is for this reason that the word **restricted** must be used in connection with our so-called international gold bullion standard.

Domestically, we are operating on an inconvertible paper principle, except in so far as we use silver and other minor coins and silver certificates, which are redeemable in silver coin. By our system of indirect conversion, our domestic inconvertible paper money and silver and minor currency are maintained on a parity with gold, although gold cannot be obtained for domestic use except in the arts. In other words, foreigners can get our gold although the American people cannot in so far as its use for currency is concerned.

Furthermore, the full legal tender quality given to gold and gold certificates is contradicted by the fact that neither of these currencies can be paid out to the American people by the Treasury or banks; nor can our people legally use either of these currencies to pay any of their domestic debts. In short, in one law our gold and gold certificates are made full legal tender; in another law they are in effect declared otherwise.

The Meaning of "Value of Money"

Another matter of interest and concern to the general public is the expression "value of money." These words have more than one meaning. This can be illustrated in respect to gold. We speak of an ounce of fine gold as being worth $35. Here we are speaking of the gold-dollar value of an ounce of gold; that is, an ounce of fine gold coins up into $35 each of 13.714+ grains, fine, in weight. The value of gold in this sense is a matter determined by Congress. So long as we have a Congress and so long as it operates within the terms of the Constitution, only Congress or some agent, such as the President, to whom Congress may delegate certain authority, as it did in 1934, may determine the gold-dollar value of an ounce of gold.

But an ounce of gold may have a different value in terms of other currency. For example, during the year 1933, following the suspension of gold payments in March, the price of gold in terms of paper and silver currency rose from $20.67 to $34.45 per fine ounce, but the gold-dollar value of an ounce of gold was not changed until January 31, 1934. During this period of 1933, there-

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fore, we would say that the value of our non-gold currency in terms of gold was depreciating and that the value of gold in terms of our non-gold currency was appreciating.

Then, we may think of the value of money in terms of the goods and services which it will buy. This is a question of the behavior of the prices of commodities and services in general—that is, the price level. For example, if the price level should rise from 100 to 125, the value of currency would be the reciprocal of this change in the price level. It would be 100/125 or 80%, which means that with a rise of 25% in the price level, the value of money, in this sense, would decline 20% as compared with its value in the base year. In still other words, it would require $1.25 on the latter date to purchase what $1 would buy during the base period; or, on the latter date, $1 would buy only what $.80 would buy during the base period.

Then, we can speak of the value of our currency in terms of foreign currencies. This is revealed in foreign exchange rates as they are commonly quoted in our financial journals.

When, therefore, one speaks of the "value of money," it is necessary that he specify the particular sense in which that term is being used.

"Inflation," and Depreciation and Devaluation of a Currency

Three other monetary terms in common use which confuse the general public are "inflation," and "depreciation" and "devaluation" of a currency.

The word "inflation" is perhaps one of the most unscientific words in the money vocabulary. It has a variety of meanings and any person using it must define its meaning if it is to be of any value. It is probably impossible to state what meaning the word conveys to the public in general. Some people of course think of a rising price level as inflation, but all that need be said here is that if that is the meaning given to the term, then we had no inflation during 1923 to 1929, since the price level did not rise, but sagged approximately 5%. To other people the term seems to mean depreciation in the value of a currency, and sometimes it has been used to refer to devaluation of a currency. It seems quite clear that there is no monetary or price phenomenon to which the word "inflation" is applied that cannot be described specifically and accurately in terms that are not confusing. Discusions of money would gain much in clarity if the word "inflation" were dropped from our vocabulary. It is a thoroughly unscientific word.

"Currency depreciation" means, or at least should mean, that a currency is losing its value in terms of something—for example, in terms of gold, or in terms of commodities and services, or in terms of some foreign currency.

The word "devaluation" refers to the act of the constituted legal authority of a country in reducing the weight of a nation's standard monetary unit. This has been illustrated in our brief description of the devaluation of the gold dollar by the President on Jan. 31, 1934.

The Relationship of the Volume of Money to the Price Level

Another question which concerns and confuses the general public is the relationship of the volume of our money to prices and to the price level. It is probably accurate to say that the notion is widespread that as the volume of money increases prices tend to rise. The fact is that this

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To offset these effects, it is now proposed to abolish the oldest system of orderly marketing that has been established since men began to trade and bargain with one another!

Securities trading and the flow of investment capital under a system of private transactions and individual negotiation is to be banned! The use of intermediaries and specialized agencies to afford transfer facilities in the acquisition and transfer of capital funds is threatened to be abolished or drastically curtailed, and freedom of trade together with the common rights and privileges adhering to the transfer and exchange of property, for which mercantile peoples have struggled since medieval times, is to be banned as anti-social and illegal.

If one traces the history of securities marketing from the time when this field of trading came into existence, it will be found that, as with several other forms of property exchange, there are handicaps and difficulties in effecting direct individual negotiations for transfers between buyers and sellers. Accordingly, there early developed a method of marketing through intermediaries. These intermediaries are dealers and brokers. In Great Britain, the dealer has been designated a "jobber," because it was his function to collect the merchandise he deals in, and to distribute it to buyers as demanded. The dealer or jobber or trader, whatever you may call him, thus acted as a reservoir, taking that which could not be conveniently disposed of to individual buyers or users, and letting out to buyers in quantities which they desired, but which could not be conveniently obtained directly from individual owners.

It was only after the instruments representing transferable debts or proprietorship became numerous enough to have a constant widespread and continuous market, with many buyers and sellers, that organized exchanges or fixed market places developed and were established. Thus, the Royal Exchange in London was established in Queen Elizabeth's time to furnish a convenient meeting place for those who desired transactions in bills of exchange, insurance policies and other similar negotiations, and the so-called "bourses" at the leading commercial centers of Continental Europe came into existence.

It was the dealers, traders and brokers and not the outside public who were largely responsible for the creation of these market places, and it was to facilitate their transactions, rather than to permit the public to directly negotiate bargains, that they have been established and maintained.

And thus it cannot be said that organized securities exchanges are a substitute for the dealer or broker method of marketing. In fact, from the very beginning, in most cases, the use of "trading floors" of organized exchanges has been limited to the "specialists" in the field, and the public has been banned from directly using the facilities they afford. This has been true not only of stock exchanges, but also of commodity and other exchanges, such as the famous insurance exchange, Lloyd's of London.

But even on organized securities exchanges the methods of trading vary. The so-called "auction" system, which prevails on the New York Stock Exchange and other American exchanges, has never prevailed on the London Stock Exchange. There, the transactions are consummated by direct and, one could even say, personal negotiations between the dealers, who are called "jobbers," and the brokers representing the outside public. The Exchange merely furnishes a market place where these "specialists" can meet. And this is the method used on a real estate or any other similar exchange.

The auction method of securities dealings, as it developed in the United States, is the outgrowth of the early scarcity in these transactions, when stocks and bonds were first marketed here. Because of the fewness of the issues, and the limited amounts, sales transactions occurred only occasionally and were not continuous. Accordingly, the first intermediaries employed were auctioneers, who handled all sorts of merchandise, and they became the chief instrumentalities in marketing.

The occupation of a security dealer as a distinct profession did not exist when there was so little of this class of property to be disposed of. When, however, the business became larger, because of the increasing volume of bonds and stocks requiring negotiation, the auctioneers retained this branch of their activities and, it may be noted that it was they who participated in the original organization of the New York Stock Exchange.

There is no evidence that the brokers and dealers who signed the first organization agreement, had in mind the creation of an auction market to take the place of private negotiation in securities.

They designated no common "trading floor" for themselves and each signatory continued to trade in much the same way as he formerly carried on his transactions. It was only when a "trading floor" was set up that they came together regularly and, since the "auction system" was still prevalent, they adopted it as a method of trading. Yet, it is a well demonstrated historical fact that the proportion of auction sales to the total securities transactions was at first exceedingly small. There were, indeed, only a limited number of issues in which the trading was carried on by this method.

And this situation has continued over many years. The "listing" privilege, in reality, meant that only securities could be dealt in by the auction method on the "floor" that were in large enough volume or had sufficient market activity to enable the members to act as dealers or traders in them. It was a mere device of convenience. The members of the exchange could privately, even on the floor, execute orders, or buy and sell other securities whether "listed" or not.

II

All Securities Not Adaptable to Auction Trading

It is quite evident from the history of stock exchange operations that many classes of securities are not adaptable to auction trading. The largest, most popular, and most widely distributed class of securities in the world, U. S. Government bonds, are virtually not traded in on the Stock Exchanges of the country. The most sought-after shares, bought primarily for investment, such as bank and insurance stocks, have long ceased to be "listed," though in the early days, when they were instruments for financial speculation, they were among the most active in stock exchange dealings. State and municipal bonds, which were prominent features in exchange transactions before the Civil War, have almost disappeared from the trading floor. All this indicates that negotiability and active marketability or "open markets" are in no way dependent upon "listing."

It is, on the contrary, ample proof that an honest and stable market cannot be maintained if securities are not dealt in in the same way as other similar forms of property; that is, by specialized intermediaries who are always ready to buy and sell for their own account, with a view to profit, regardless of the volume of orders or the condition of speculative interest on the part of the public.

To facilitate the acquisition and transfer of commodities, real estate and certain other forms of property, in these days of easy communication and widespread intelligence, there is no essential need for an organized exchange to assure fair and stable pricing or orderly marketing. It is an economic axiom that in a specified market, at the same time the same commodity or property of equal quality under like conditions cannot be sold or exchanged at materially different prices, if buyers and sellers are uncontrolled and well informed. Because of this we have the phenomenon of "market price" both on organized exchanges, and, in the absence of designated market places, in the current quotations found in the press, trade papers, verbal reports and the like. The farmer's wife usually knows each day the price of butter in her neighborhood though there is no "butter exchange," and, likewise, the banker or importer learns without difficulty current sterling exchange rates, even though there is no foreign exchange marketplace, and he may be entirely ignorant of the forces which have combined to produce the market quotation.

All this, of course, must operate under free competition with the assumption that the forces of supply and demand, combined with intelligence and honest dealing, have free play. Hence, there is no essential difference between the organized marketplace (i.e., exchanges) and the unorganized types of markets. It is true, on organized exchange places the "bids" (demand) and the "offers" (supply) are registered openly, whereas, in the absence of a specific marketplace, the "bids" and "offers" are made privately and the registering is done individually.

The cumulative effects of the interplay of the same forces are likely to produce a similar psychological reaction on individuals so that buyers and sellers "sense" what would be the proper price level under the then prevailing conditions. They thereby create a market.

Listing experience shows that marketing on an organized exchange is dependent on the quantity and availability at all times, both for purchase and sale, of the commodity or security dealt in. In other words, there must be a relatively large number of buyers and sellers in active competition at the market place. If either opposing group (i.e., buyers as against sellers) is able to withheld offerings and bids, or control the supply on the demand side, the "open" organized exchange ceases to function properly. It is for these reasons that agricultural commodities such as grain and cotton, which are produced in large quantities and by innumerable individuals, have their prices registered on public organized exchanges.

On the other hand, such useful and standardized commodities as anthracite coal, iron ore, copper, petroleum and cement, the effective supply of which may be controlled by a few producers, have not developed organized marketplaces, though they are widely bought and sold both in large and small quantities. The application of this principle to securities is manifest. Nothing could be more unfair to an investor who desires to sell a security than to force him to offer it in an auction market on an organized exchange, when there are very few buyers present, or to compel him to buy, when the normal amount of offerings are withheld.

It is for this reason to a large extent that there has long flourished a large over-the-counter volume of trading in listed securities.

John C. Loeser states in his book, "The Over-the-Counter Market," that, according to a study made by 14 broker-dealer houses who transacted about one-eighth of the New York Stock Exchange bond business in the three months ended November, 1936, these firms sold nearly three times as many listed bonds over-the-counter as they did on the exchange in the same period. Although outside trading in listed stocks is undoubtedly smaller than in the case of bonds, there is still a large volume of such sales, particularly in the inactive and high-priced groups. This is essential in many cases to assure against disturbing the market in such securities. An offering or a bid for a sizable block could cause a flurry in prices, whereas dealers can effect the transaction without seriously disturbing the market.

Thus, notwithstanding, the volume on the Stock Exchange and its marketing facilities, in a great many cases of "wholesale lots" and "secondary distribution" the transactions must be effected through dealers and traders who act as shock absorbers to keep quotations at equilibrium.

III

Exchange Listing Does Not Alone Create a Market

There can hardly be a more destructive popular delusion than that which holds that an exchange listing creates or improves a market for a security. Of the many thousands of securities that have exchange listings, how many are found in the daily quotation sheets? A number of issues have not registered a single transaction in more than a decade. As stated by the late J. Edward Meeker, economist of the New York Stock Exchange, before the American Statistical Association in 1930:

"In attempting to interpret the statistics of share sales on the Exchange it is always necessary to consider the total number of shares currently on the list. The true index of the velocity of share circulation—so to speak—consists not in reported share sales statistics themselves, but in the percentage of total listed shares which they constitute. In periods where share-listings are increasing rapidly, this is very important to remember. Offhand, anyone would probably imagine that the greatest turnover in listed shares during recent years occurred in October, 1929, when total share sales of stock amounted to 141,668,000 shares, or 13.12% of the mean number of shares on the list that month. But in the preceding twelve-month, new listings of shares had been colossal. Thus the total share sales in November, 1928, amounting to 115,433,000 shares, actually constituted 15.71% of the current share listings and thus represented an even higher degree of velocity of circulation."

This is some indication that the volume of exchange trading has not kept up with the volume of "listings." Writing along the same lines as far back as 1911, when stock exchanges listings in proportion to outstanding securities was less pronounced than in recent years, Lawrence Chamberlain stated:

"Listing does not create a market. In about 156 railroad issues listed on the New York Stock Exchange (or approximately 21% of all) there were no exchange transactions at all in 1910. Nor were there sales in about 15 listed public service and industrial issues, or approximately 13% of all. In a great many other issues there were sales of only one, two or three bonds during the year. Surely a bond cannot be said to be fairly active, with probabilities of a ready market at close to "going" quotations, unless the sales per week average at least 10 bonds of thousand dollar denomination. In 1910 there were about 143 issues or approximately 17% of the total, that were thus active."

And he added further:

"One should not overlook the fact that listing and marketability do not stand in relation of cause and effect, but rather that both are the effects of a common cause, namely, the size and reputation of issues. Mere bulk in an issue implies the economic importance of the obligor company: it implies comparatively wide distribution among investors, and a general knowledge of the issue and thus makes it worth while to list such bonds simply because they are likely to be dealt in extensively. Exchanges exist primarily for the purpose of making commissions. A study of listed bond sales will show an intimate relation between the size of the issue and the volume of sales."

All this is further supported in a pioneer essay on "Stock Exchange Securities" by the late distinguished British economist, Sir Robert Giffen, written in 1877, when the author was a financial editor. Mr. Giffen wrote on page 89:

"Stock Exchange securities are probably higher than others relatively, because of their susceptibility to accurate definition and subdivision, which makes them suitable for the handling of a great market. And what makes the mass of some Stock Exchange securities high in price will also make some of them higher than others; some of them will be far more marketable than others. That this is so is familiar on the Stock Exchange, *many securities being, in fact, nominally quoted there which from various causes remain pretty much in the position of outside securities, owing to their possessing in so low a degree the marketable qualities.* And the most valuable additional quality fitting an article for a good market, besides the capability of definition and subdivision, appears to be mass.

"A stock to be highly marketable and even to make it safe to have dealings in it," he continued, "must be large enough to make it worth the while of a great number of people to be interested in it. A dealer in a small stock can never be quite sure against being cornered; while as the market must be limited it is equally unsafe to calculate on being able to borrow on it. Hence, the suitability of a great mass of stock like Consols or French rentes for the operations of a great market. *Celeris paribus* such stock will stand higher than very similar stock which are not in such masses. No doubt very small stocks may sometimes be subject to considerable dealings on the Stock Exchange, especially where such stocks are in close relation with larger masses of stock of similar description. . . . But it is recognized in the market, we believe, that the smallness of these stocks makes dealings far less safe than in ordinary stock. *Dealing is, in fact, only made possible by a disproportionate quantity of the stocks getting into the hands of dealers;* and for this and other reasons they are subject to greater fluctuations than other stocks and probably stand at a permanently lower level than if they could be held in great masses, although they may be occasionally higher in times of speculative inflation."

Regarding the effect of listing on investment Mr. John T. Flynn, who has been a staunch advocate of business regulation, wrote in his book, "Security Speculation" (1934):

"In the face of the huge totals of billions invested in stocks and bonds which do not enjoy the advantage of listing and of a continuous market on an organized exchange, it would seem to be futile to insist that no one will invest money in securities unless such securities are listed in a continuous market.

"When we consider," he continues, "the vast sums invested in real estate mortgages direct and in real estate mortgage bonds, amounting to not less than $35 billions, for which there is no such continuous market, we cannot make any case for the absolute necessity of such a continuous market as a prerequisite to investment in corporate or any other sort of the property. The truth is that only a fraction—and a small fraction at that—of the wealth of the United States is invested in goods or claims that can be readily sold" (pp. 88-89).

Because a number of listed securities are relatively inactive in Stock Exchange transactions is no indication that they are not large in volume or that they are closely held. It may, as in the case of bank and insurance stocks and Government bonds, merely mean that the bulk of the sales are made "off the board" and, in some cases, independently of the Exchange. With the advent of large and reliable investment houses and security dealers, the direct sale of securities to investors through personal contact and solicitation has taken much business from the Exchange, leaving it mainly for use by speculating traders and purchasers, who naturally prefer active issues. It is this "stable" buying which has taken the greatest quantity of investment securities off the Exchange at all times. The character of the "stable" investment security market has always been such that direct solicitation is the most effective means of securing buyers. Men and women having funds to speculate with will invariably go themselves to their brokers. But individuals and institutions with money available for investment will often wait until approached by an investment house before considering what to do. The speculator is impatient and feels that to make money he must act immediately under present conditions. The investor looks to future conditions, and because he can wait neglects to act unless reminded to do so. It is this peculiar quirk in human nature which has created the profession of bond salesmen.

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is not necessarily so. Statistics will show, during the last twenty-five years, for example, that as the volume of our money has been relatively small, the price level has been highest, and as the volume of our money has been relatively great, or even at an unprecedented height for us, the price level has been relatively low. For instance, when our price level in May, 1920, was 167%, using prices of 1926 as a 100%, the volume of money in circulation was only $5,451,646,000. On Aug. 31, 1944, with the price level at approximately 104 as compared with the 1926 base, the volume of money in circulation was $23,292,000,000.

The important thing for the general public to remember, when thinking of the volume of money, is that money is a two-dimensional thing. One must think not only of the volume but also of the rapidity with which it is used or turned over—in other words, its velocity. Often velocity is a more important factor than volume. We do not have any reliable or readily available statistical data on the velocity of money, but we do have such data on the velocity of bank deposits against which people may draw checks and, since a very large proportion of our business is done by means of checks and drafts drawn against bank deposits, we probably have a fairly good idea of the manner in which people are using their funds in general—money and deposits—when we look at the velocity with which these bank deposits are used.

During the period of the 1930's, while the volume of money and bank deposits was steadily mounting to unprecedented heights for the United States, the velocity of deposits sank to the lowest levels on record. During most of the years of the 1930's and up to and including the year 1944, the velocity of deposits remained below the level of the depression year 1932. Therefore, in thinking of the volume of our money in connection with prices, one must think also of the volume of deposits being used, of the velocity with which money and deposits are being employed, and, of course, of the volume of goods and services which are being exchanged for this currency. It is for these reasons that no one can properly say that if the volume of money is increased or decreased certain things will happen to prices, specific or general.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

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

New York Stock Exchange Weekly Firm Changes

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

Dora Aronson retired from partnership in Bernard Aronson & Co., New York City, as of Dec. 7.

Lucien B. Layne retired from partnership in Hill & Co., Cincinnati, Ohio, on Nov. 30.

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It is just this which has permitted the building up by certain securities dealers of their extensive and valuable clientele.

Another basic reason why securities dealers can reach the investor more readily than the securities exchange, with its auction market, is that the dealer assumes the position of the speculator in his business. Since he is a "jobber" he takes the risk of price fluctuations. He must buy as well as sell. He must protect the market of his stock in trade. At all times there is a supply of securities in dealers' hands; sometimes it is large; other times, small, according to circumstances. It is the ebb and flow of this supply that permits speculation, and it is fortunate that this is so. For dealers are constantly taking what they call a "trading position," which means that they buy and sell between certain prices, thereby stabilizing the market and preventing sharp declines when certain issues are pressed for sale, or sharp advances when enthusiastic buying develops. Were it not for this incidental speculation, security prices would show more extreme variations.

In fact, it would not be difficult to prove that unlisted securities, under most conditions, are more resistant to price fluctuations than some listed securities in which dealers have no responsibility in maintaining a stable market.

IV

Security Markets Abroad Not Dependent on Exchanges

Before contemplating the rash step of destroying the system of security trading through responsible dealers, it might be prudent to examine security marketing in other trading countries.

In no nation, as far as I am aware, is there a requirement for registration of all securities issues on an organized exchange. And among no great trading people, in which investment of funds is widely prevalent, are the bulk of investment funds represented by securities dealt in on the national securities exchanges—not even in Great Britain where the London Stock Exchange has an extremely large and diversified list of securities transactions. The "unquoted" securities in Great Britain is still voluminous and there is a large outside market, particularly in the securities of British industrial concerns.

The French are, perhaps, among the shrewdest and most cautious investors in the world. And the French have always had strict commercial codes enforced by law. But the masses of the French people do not buy their securities on the Paris Bourse or any other exchange. They rely on their local banks to advise them to sell and buy securities for them. Thus, in France, the banks act as security dealers and brokers.

The same has been largely true of Germany, but in a very different and a destructive way. The banks of Germany have been originators of all kinds of enterprises. In the pre-Hitler days they dealt direct with investors in distributing the securities of the enterprises in which they have a material and financial interest. They have thus shaped the course of the surplus wealth of the people, and because of this, they can influence the operations of the principal securities exchanges. These institutions have been rarely used by the public in acquiring or disposing of investments. This result has been ascribed to some economists as the effect of the severe regulations imposed by the German Government during the years between 1896 and 1910 against public speculations in securities and the placing of the Berlin Stock Exchanges under government jurisdiction "and officializing its activities in the most advanced style." The Berlin Bourse thus has become a servile instrument of the Government and the great banks. The public and the individuals that are affected by its operations have no voice in its affairs or influence in shaping its actions or fixing its quotations of securities. This is but an example of state paternalism which brought Germany into Hitlerism and destructure. Shall we follow the same course?

It is apparent from an unbiased study of the development, organization and practices of security trading, that private transactions by security dealers and organized exchange security trading go hand in hand as a means of negotiation and transfer of this particular form of property. It may be a "dual system," but both methods are essential to modern transactions in securities, and there is no conflict or lack of harmony or anything of the nature of antagonism in the set-up.

A revolutionary disturbance of the system by legal decree or by the unwarranted action of a governmental agency may mean chaos and disruption to the steady flow of capital into established investment channels, and seriously handicap these efforts for business expansion and a normal return to full employment and prosperity conditions.

Victory First—Then Reconversion

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of the unemployed while we were preparing for war production.

Unemployment was not really serious and lasted for only a short time. We turned our plants from peace production to war production about as fast as the armed forces were able to decide upon the things they wanted. We turned out tanks, guns, planes, ammunition, engines and hundreds of other things in tremendous quantities. The defense program had given us a chance to do some advance planning and to prepare for war production. While the plans had to be greatly enlarged and our country was in real danger of too little too late, a seeming miracle of production was achieved, not only by the automobile industry but by American industry as a whole.

What our enemies didn't understand was the ability of American industry and of the American people to pull together and do the job. Failure to understand this fact was the great strategic blunder of the Axis powers. They thought a democratic country could not develop the efficiency and the organization necessary to do the job. Bombs dropping from the skies on Berlin and Tokyo have given them their answer.

Now, I do not claim to know when the war is going to be over. I do not know when large scale manufacture of civilian goods can be authorized. I do know, so far as General Motors is concerned—and I think it is safe to say the same thing for all American industry—that so long as our facilities are needed for war work, victory will continue to be our business. Nevertheless, it is only a matter of common sense to be looking to and planning for the future. Our first job is to back up the war effort and to the end; but at the same time we must be prepared for a quick conversion when victory is ours. We must accomplish in reverse the things we accomplished in converting to war production and the time factors are about the same. We must reconvert rapidly and efficiently if the economy of the country is to be preserved and if we are to achieve a higher standard of living than before the war. I am confident that this can and will be done.

The problems of reconversion can be roughly divided into four categories:

First, the physical one—the job of obtaining, tooling and installing new machinery, and of disposing of machinery that is not needed, of building new plants and of reconditioning old ones, of clearing out war inventories and of building up inventories needed for peace production.

Second, the time element. Time factors are not generally understood. To many people think that mass production can be turned on and off like water from a faucet. They are inclined to think of mass production in terms of assembly lines and to forget all the planning, paper work, engineering, purchasing, primary manufacturing and coordination that must be accomplished before assembly lines operate.

Third, the psychological and human relations problems. This involves the employment of veterans, new and different jobs for many people where they now live and the remigration of people somewhat similar to that which occurred in the war production period. And even more important the teamwork and tremendous effort of the skilled men and women, the mechanics, engineers, salesmen and executives, who know how to do the job.

The war period will not really be over until our fighting men are all back and we have a stabilized economy with reasonably full employment. The process of changing from war to peace will require much hard work, some sacrifices, and patience and understanding on the part of all of us.

Fourth, the important, but less tangible thing, which we might call mental or spiritual reconversion. Pressure groups as well as individuals must learn how to be aggressive and ambitious without being quarrelsome and selfish.

We need a refresher course on the fundamental principles on which our country was founded, a renewed faith in our American Democracy as a living, vital system of working and living together—the best that was ever evolved in this troublesome world.

I know you will pardon me if I talk about the automobile industry. Its reconversion problem is more difficult than that of almost any other industry. We are making very few things that resemble our peacetime products. Other industries—for example, steel, electrical and textile—are producing materials very similar to their prewar products. Their plants will not have to be radically changed for peace production. With the exception of trucks and a few other items, our production is far different from anything we had previously manufactured. There is not much resemblance between an automobile body and a gun, but some of our body plants have been turned into gun plants. A body hardware plant has become an airplane assembly plant. These are only a few examples of the physical problem we are facing.

In mass production, results depend upon the accurate tooling of every machine and upon the hourly capacity for all operations being in balance and in proper relation to one another so that the production flows through the plants with no bottlenecks and no restrictions. If two or three machines are missing out of a line that may include a thousand machines, little or nothing can be accomplished. That is why it is so necessary for us to be sure we can obtain promptly all the machine tools necessary to begin civilian production. For want of a few necessary machines, the whole job of making automobiles could be held up.

I do not believe that the timing of the essential elements of reconversion is well understood. If certain things are not planned ahead, the lost time can never be regained. No physical activity goes on in this complicated age, no plants are built, no machinery installed, no piece of inanimate material moves from one place to another, without a piece of paper to direct it. Each part has to be named or numbered and a piece of paper must go along with it to tell somebody what to do with it and where it is to go. These things must be done in proper sequence. They all take time. "Because one hen can hatch a setting of eggs in three weeks is no reason to believe that three hens can hatch the same eggs in a week." In a problem as big and complex as reconversion, the time element cannot be ignored. That is why well ahead of victory we must prepare for peace.

The human element is of the utmost importance in the reconversion period. The task must be accomplished with a minimum of unemployment and dislocation of people. I have frequently been asked how many jobs we expect to create after the war, by people who seems to think that the manufacturing industries must employ everybody.

In the first place, industry does not "provide" jobs. Jobs are not created out of thin air. Jobs are an end result of a great many factors. In the last analysis they depend on the customers' willingness and ability to buy. Immediately after the war we believe there will inevitably be a heavy demand for such things as automobiles, household appliances, housing and other durable consumer goods. In General Motors we are planning on that basis. Our $500,000,000 postwar program is based on this anticipation and in the further belief that the people of our country will be willing to work for the things they would like to have.

It is manifestly impossible to employ everybody in factories. As a matter of fact, during the five-year period just prior to the war, manufacturing industries employed only about 24% of the total working force. An equal number was employed in agriculture. The remainder worked in transportation, merchandising, finance, the service industries and all the hundreds of occupations that do not directly involve manufacturing.

With the increased demand for goods there should be an increase in industrial employment after the war as compared with prewar. But as the channels of trade are filled there will be a corresponding increase in the service, merchandising and other occupations. I might cite General Motors as an example. Before the war our best peacetime employment was around 250,000. Our peak during the war was about 505,000. It is now about 50,000 less than this figure. We believe it is not unreasonable to expect that after reconversion and total peace are accomplished, the demand for automobiles for a few years may be in the neighborhood of 150% of the best prewar years. On this basis, and with some expansion in other lines, we should be able to employ in General Motors perhaps 400,000 people. Later on some of these employes may gradually shift to the servicing of the greatly increased number of cars that will then be in use.

But this employment in General Motors does not tell the whole story. About half the money value of our total production is normally produced by subcontractors and suppliers. Therefore, these thousands of concerns from whom we buy materials and parts should have a corresponding increase in employment as compared with prewar. Before the war our dealer organizations employed something like 170,000 people. It is probably not over 40% of this figure at the present time. On the basis of what we consider to be reasonably fair prospects, this employment after the war should be about 220,000, or 150,000 more than are now employed.

I have faith in the future of our country and faith in our ability to meet the challenge of peace as we met the challenge of war. If the expectations and ambitions of its citizens are to be reasonably satisfied, experiments in Communism and Socialism in the postwar period must not be tried. Such theories put into effect on a large scale lead inevitably to confusion or dictatorship. Even when undertaken on a smaller scale, such experiments have always finally failed and have been disastrous through all recorded history. Such experiments would be a step backward for the American people.

As part of a reconversion program Federal, State and municipal expenditures must be carefully checked to make sure that they will importantly contribute to the welfare and standard of living of our citizens. Such non-productive expense and activity, if the results are not worth the effort, directly reduce the average standard of living by the percentage that such expense and activity are of the total activity of the country. Man hours lost through unemployment, artificially short working hours, dissipation and ill health have proportionately the same effect.

The production and consumption of goods per capita is the true measure of the standard of living of a country and industrial activity substantially exceeding that of the immediate prewar period and approximately that of the war period must be achieved in a very short time after the war. The philosophy of opportunity, production and plenty must replace the false philosophy of regimentation, restriction and scarcity.

I read an article the other day in which the author said that the Four Horsemen of Peace will be Hope, Science, Good Sense and Experience. I heartily subscribe to that sentiment. We must look to the future with hope and optimism. We know great things can be accomplished because we have accomplished great things. Technological development is not finished. It has just begun. Out of our research and engineering laboratories will come things as yet undreamed that will make for a better and more prosperous world. We must use the common sense that God gave us. We must base our future on our experience of the past. Our country became great through the exercise of free enterprise and free and open competition. It will grow greater as we permit freedom to continue to exist.

Nor do I see how anyone can justly take the position that our industrial progress has been at the expense of social progress. The products of industry have done away with the isolation of the farm home. They have greatly lessened the burdensome work of the housewife. They have added much to our personal capacity to see and understand the world and enjoy life. These things have greatly changed our methods of living and have given us leisure and materials and facilities for cultural and social progress.

The confusion that exists in some people's minds regarding this progress is, I believe, due to people who with our increasing standard of living expect a much greater social benefit than the social contribution they are willing or able to make. If people are willing to earn what they expect to receive and if they want things enough that they are willing to work to get them, then there can be no question of the future of our country.

I happen to think that the most important postwar problem is to get every citizen to realize that he ought to be ready and willing, through education, experience and work, to make a social contribution in proportion to the social reward he expects to receive. We should feel personally that we should make the effort, and not expect the Government to look after us individually. We can have freedom and independence only when we qualify to look after ourselves.

We have a saying in General Motors that what is good for our country is good for General Motors; and that there are time-tried and unfailing guides upon which Americans can depend. They can be described in terms of simple "articles of faith":

Faith in America and America's future—a future of expanding, useful productivity and even higher standards of living.

Faith in the rightness and benefits of individual freedom and individual enterprise.

Faith in the principle that there can be no rights without responsibilities, no privileges to enjoy without duties to perform.

Faith in work as the forerunner of reward—in incentive as the kindling spark of productive energy, in opportunity to serve a need, as the first requirements to provide a job.

Faith in the American way of doing things, by which each person, each organization, each industry, each business must take its place—and be granted that place, according to ability and capacity—in one great, coordinated, inter-geared system of living, working and contributing to the national welfare.

Faith in America's progressive instinct and in the things which serve it—science, research, engineering, technical knowledge and skill.

Faith in the rights of great and small alike—and in the importance of each to a free, peaceful and productive nation.

A Review and Appraisal of SEC

(Continued from page 2600)

Emphasis should be placed on simplicity and procedure the ordinary business man can understand. A lot of money will be needed for reconversion, to get new business started, and to develop old business. Present practices may be all right for a program of riskless investments, but venture capital has slowed down to a trickle. Financing must be made easier. Whether it is good or bad, the fact remains that we have the most complicated rules for financing on the face of the globe. There is nothing in England that even approaches our requirements and there is no disposition to follow our procedure.

(b) Present prospectuses need streamlining. Precious few ever read them. Not enough copies are available to be used in selling. The customers won't even start to wade through 100 pages of printed material. Shortened prospectuses are badly needed.

(c) Something must be done for financing little business. It isn't sufficient for everyone to praise little business, and then do nothing about it or point their finger at the other fellow as being to blame. The first thing to be remembered is that the mortality rate of small business has always been high and always will be high. Does the country want a lot of little businesses, many of which will fail, or does it want to make financing so rigid as to scare everyone off, business men, investors and bankers alike? Here is a real problem in this country. Deposit bankers have set up a bankers' RFC, a very helpful step. Investment bankers have a real responsibility, but they need some help from the SEC about registration requirement for little business.

(d) Selling has become a lost art in these days when everyone stands in line and begs for what he wants. However, in the days to come we shall need to push the sale of securities just like the Government pushes the sale of war bonds. If the Treasury plans a campaign for Nov. 20th, they get things lined up and everyone lit and het a month in advance. If war bonds had to be cleared with the SEC, we would have had simplification of registration before now. War bonds are helping to win the war and, incidentally, are providing jobs. Flow of venture capital in the post-war period is absolutely essential for the creation of jobs. We must clear up the matter of making information about securities available on the one hand and solicitation and sale on the other hand. The present situation is a very fuzzy one. Bankers must be permitted to do an energetic selling job without being made technically liable for beating the gun.

With respect to all these matters, investment dealers have a real responsibility. They must watch their P's and Q's and not repeat the mistakes of the past. I am convinced the Commission and its staff are earnestly trying to do a job, but we offer a suggestion which I think will be constructive.

Advisory Committee Needed

In other fields of business and banking, government agencies have liaison committees which meet at regular and frequent intervals. This is true of the Treasury, of the Federal Reserve and Department of Commerce. Government and business should not be working in air-tight compartments. The securities business has much to offer and if we are to break the present log jam in the flow of capital, every thoughtful person must put his shoulder to the wheel. It must be granted that investment bankers have been a bit stand-offish. Irrespective of what has happened in the past, the organization with which I am identified would like to cooperate in such a program by selecting a committee. There is a big job to be done in the years ahead and no effort should be spared in getting the right answers.

Rail Equipment Outlook Good, Report Indicates

A report on the Railroad Equipment Industry privately prepared for New York Stocks, Inc., by Manhattan Foundation, Inc., a research and advisory organization, has been released by Hugh W. Long and Co., 48 Wall Street, New York City. This report, attractively compiled in an eight-page booklet, deals with official estimates of post-war sales of railroad equipment manufacturers, and the effect of such sales upon railroad equipment industry earnings after the war.

Testimony presented before the Interstate Commerce Commission is discussed, and compared with other, less official calculations. From this data projections of freight car needs, locomotive sales, both domestic and foreign; and passenger car needs for the industry are made.

"From the evidence currently available," states the report, "we are led to conclude that sales of the railroad equipment industry in each of several years after the war will exceed sales volumes of any of the peacetime years of the pre-war decade."

To this study Hugh W. Long and Company has added a discussion of the Railroad Equipment Industry Series of New York Stocks, Inc., together with securities holdings and the price range and dividend history of the Series.

Copies of the report may be obtained from Hugh W. Long and Company, upon request.

Attractive Situations

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

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.

OUR REPORTER'S REPORT

With the Treasury's Sixth War Loan Drive in the home stretch, due to wind up on Saturday, underwriters are scanning the roster of potential issues in an attempt to gauge the probable extent of the new issue market between now and the close of the year.

Looking over the field broadly, it develops that there are some fifty-odd new issues "on the track" as one banker puts it. But the vast majority of these are prospective business for the early part of the new year and not a few of them are of the so-called "rainbow" variety, suggesting perhaps more hope than expectation.

But bankers, whether in the commercial or investment field, are realists if nothing else, and they are inclined, accordingly to count on only what they can actually see. Thus it now looks, judging from their comments, as if the final two weeks of the year will bring four new issues to market.

Largest, by far, of these is Nickel Plate's $42,000,000 new refunding bonds, for which bids have been called to be opened on Dec. 19. Next in line will be Capital Transit Company's offering of $12,500,000 which will be sold on Dec. 18.

Another prospect for the near-term is American Home Products Corp. which proposes to sell 98,535 shares of additional common stock. And filling out the list is the possibility that the Arkansas, Missouri Power Co., may enter the market with an issue of $2,000,000 of new bonds.

A Real Contribution

Those who are in a position to see the workings of the current drive are of the opinion that the Sixth War Loan will be heavily oversubscribed. The total of subscriptions may, it is estimated, run to 20 billions as compared with the 14 billions which the Treasury set as its goal.

Should the final total approximate or exceed the higher figure, there is a tendency to expect that Mr. Morgenthau probably would be able to stay out of the money market until about June of next year.

Asked how much the time and effort of bankers and dealers engaged in the bond drive might actually represent by way of cost, a banker stated that he did not know. "But," he added, "if they were paid on the same basis as in Canada, they probably would receive something around three million dollars."

More New Preferreds Seen

Looking over the situation underwriters are now inclined to the view that the early part of the new year will see a marked trend toward replacement of many of the preferred stock issues now outstanding, particularly in the public utility field.

The trend in that direction is already beginning to manifest itself, and it is reported that several groups are in process of formation to compete for two such issues which now appear as early candidates.

Banking groups are organizing to bid for a possible $12,000,000 or $13,000,000 of new preferred stock of Central Power & Light Co. Meanwhile other groups are getting together to seek any new shares which may be issued by West Texas Utilities Co., in replacing its outstanding $6 preferred.

Lower Coupons Due?

Notwithstanding the relatively low cost of the bulk of public utility debt refinanced in the last seven or eight years, those companies are looked upon as the source of further substantial refunding operations in the months ahead.

People who keep their fingers on the pulse of the market are satisfied that there will be considerable calling of outstanding 3½s, and possibly some 3s of quite recent vintage.

They point out that the money market is destined to remain easy, if for no other reason, and this is an important one, than that the Government requires such a condition. Top grade utilities are now moving on a 2.65 to 2.85% yield basis.

And the case of Wabash Railroad is cited. That road seeks to refund its 4% bonds. It undertook the operation, but rejected bids for the new issue. Still some bond men feel it is only a matter of time until the ideas of the prospective issuer will prevail.

John Quirk to Join Foreign Trade Staff

John Quirk, assistant manager, Foreign Department, Central Hanover Bank & Trust Company, will join the staff of the National Foreign Trade Council as Trade Adviser on Jan. 1, 1945, it is announced. He will replace Kennth H. Campbell who leaves to become director of the World Trade Bureau of the San Francisco Chamber of Commerce.

John Quirk

Mr. Quirk has been connected with Central Hanover and its predecessor institution, Central Union Trust Company, for the past twenty-one years, and for some time has engaged in business development for the Foreign Department. He has had the opportunity to inform himself on conditions in all export markets, and at one time was stationed in London for fifteen months. During the past two years he has completed three extensive trips to Central and South America and has devoted his efforts to export-import trade interests in all sections of the United States.

He has been a representative for Central Hanover on the Bankers Association for Foreign Trade and on the Committee on Foreign Banking. He has also served as treasurer of the Venezuelan Chamber of Commerce of the U. S., Inc.

Mr. Quirk makes his home in Maplewood, N. J.

Now Walton-Hamp Jones Co.

JACKSON, MISS.—The firm name of O. B. Walton & Co., Guaranty Bank Building, has been changed to Walton-Hamp Jones Company. Partners are Otis B. Walton and Hamp Jones.

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.

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.

Peace, Progress and Taxes

(Continued from page 2595)

subject. I wouldn't be doing it at all had I not surveyed the field in advance.

Through polls and tax forums covering one end of the country to the other—on behalf of the NAM Taxation Committee — I have been putting together a composite picture of industrial opinion. And so, what I present to you is mostly a reflection of yourselves.

Spending Makes Taxing

The only logical approach to the problems of taxation is on the basis of spending. We can have no complaints about the tax bill if we accept the services rendered.

It is futile to consider taxation apart from spending. They are as inseparable as production and sales. One cannot long exist without the other.

Yet our Congress has one group of committees to plan the spending and a separate group of committees to plan the raising of revenues.

In earlier times, a unified approach to the budget was the function of one committee. This wise procedure was abandoned—and so were balanced budgets.

Congressional reorganization again should unite the spending and taxing committees. The balanced budget should be an object of national policy; not a coincidence.

The National Debt

Perhaps the greatest reason for putting our financial house in order and reappraising our spending powers is the national debt.

The debt is built upon war bonds—upon dimes from piggy banks; dollars from hard-handed workmen; savings for old age, and many a thousand laid up by GI Joes for their dreams of peace.

Repudiation, in whole or in part, or by cynical financial operation would be completely immoral. Every bond must be redeemed by hard dollars.

It is said this debt will amount to $300 billion at the end of the war. The plain truth is that we will be close to the very limit of our borrowing power, requiring the end of deficit spending, a course of rigid economy and the balancing of the budget.

Three hundred billion dollars is nearly twice the assessed valuation of all taxed property in the nation; is roughly equivalent to all its accumulated wealth—all its gold and silver, stocks of goods, urban and farm lands, residences, factories, warehouses, public buildings, trucks, buses, ships, railroads and highways.

A 60-Year Plan

A $300 billion national debt means a per capita obligation of $2,222—or, in terms of the 50,000,000 people who pay taxes, it would be equal to $6,000 per taxpayer.

Business leaders almost unanimously favor a balanced budget after the war and they approve of debt retirement just as strongly.

Ninety-nine per cent favor a peace-time plan of debt retirement. Many believe that the debt should be reduced at the rate of 1% annually. This cost would be $3 billion, which with interest payments of $6 billion, would require $9 billion annually for debt.

If $9 billion is set aside annually the debt can be retired in less than 60 years. I believe this is a goal worth shooting for.

Down to Hardpan

Some earnest students of government say that the minimum post-war budget, including debt payment, can be between $17 and $22 billion. Add $10 billion for State and local spending, and you have a total public expenditure of $27 to $32 billions.

That is called a minimum budget, gentlemen. But it is about four times any Federal budget of peacetime and would mean a greater proportion of income diverted for taxes than the United States is accustomed to.

To greatly exceed that budget invites disaster, either by strangling industry with taxes or piling up debt, or both.

We are only 135,000,000 people in a world of 2,000,000,000 people. We cannot aid the world if we bankrupt ourselves trying to remake it. We must not transfuse our strength until we are paralyzed.

Painful effects must follow if we persist in seeking Federal favors which prolong deficit financing. Subsidies and mounting debt are short cuts to socialism.

Now or never, as individuals, as businessmen, as cities, as States and as a nation, we must learn that Uncle Sam has exactly as many dollars to spend as he can get by reasonable taxes.

In pointing our budget toward peace, let us in industry first make certain that the amount of government we ask for is essential. We cannot request government extravagances for ourselves if we are to impress upon the public and our lawmakers the critical need for paring expenditures to the hardpan of essential, inescapable items.

Industry and Jobs

Within recent weeks I have discussed taxes with almost 500 business leaders from practically all the industrial States. Additional hundreds have replied to questions on a number of fundamental tax matters. What they say, I believe, accurately reflects the sentiment of the entire business community.

First, I am proud to report that men of industry willingly bear their tax burdens as patriotic citizens. They do not look forward to easy taxes; they realize heavy taxes must be paid for years to come.

Federal taxes now flow into the U. S. Treasury at the rate of $45 billion a year. Another $10 billion is being collected by State and local governments. The great bulk of this $55 billion total comes from levies on useful properties, on the flow of goods and services and on business earnings.

Business corporations now pay an estimated $19 billion dollars in direct taxes to Federal, State and local governments.

Corporations, the Jobmakers

Corporations also are our biggest job makers. Of the 54,000,000 men and women now at work, corporations give employment to about 30,000,000.

And again I am proud to report that in considering the tax needs for the future, industry's first concern is for jobs. Private industry pays out more than $80 billion dollars in wages and salaries, an amount more than half of our national income. This kind of payroll depends upon a tax atmosphere that will encourage the American plan of progress by improving the product, the service and the standard of living.

If taxes weigh too heavily upon business, profits cease and new capital is not produced; new jobs are not created and the whole economic system dries up.

American business is no automatic device which dispenses jobs and dividends year in and year out. It is made up of people at work. It is human; it eats food, lives in apartments, houses and flats; it has wives and babies. Its lifeblood is labor, which produces and nourishes the framework, which is capital. It can prosper only in a healthy atmosphere, friendly to opportunities offered citizens who are willing to risk their savings with something better than an even chance for success.

The Transition Phase

We are all looking forward to that great day when the German is again subdued.

At that moment on the home front, war production will be cut back materially. This will mean that thousands of companies must turn to civilian business, if millions of men and women are to have jobs.

Here is our first challenge to maintain the present level of employment and production in the future, a challenge as inevitable as the defeat of Germany.

Business leadership almost unanimously believes that the 95% rate on excess profits should be reduced after Hitler Germany falls. This opinion comes from the same leaders who, as members of NAM, were the first in America to advocate a 90% excess profits rate to supply needed revenues when the war machine was expanding.

Early in the war, you will remember the excess profits rate was scaled up to 60%. As we approach total victory, and the budget is substantially reduced, Industry feels that we can reverse our war tax curve.

There is no sharply focused opinion on what adjustment in the excess profits rate should be made in the transition period. In our poll, 92% of the industrial leaders suggested rates ranging from 50 to 70%.

Seventy-five per cent of the businessmen polled believe that the combined normal and surtax of 40% on corporations should be reduced at the end of the German war to stimulate production and jobs in the transition phase.

The composite average of all the rates suggested — and there was a wide variation — indicates about a 30% normal and surtax rate should be enacted.

While these figures are not conclusive, this much is clear; the job creators of the nation assert that some degree of tax reduction will be a definite and direct factor in maintaining employment after a sharp curtailment in war expenditures.

Progress and Peace

America's economic objective must be more goods for more people at less cost. That's our definition of progress, as American as a buffalo nickel.

Tax policy-makers must be as eager to promote a constructive peace as they were to finance a destructive war. A high volume of national income is the way to balance our budget and avoid debt repudiation.

With high taxes and low income, we shall really see the apple-seller and leaf-raker again, while the threat of collectivism lurks in deserted factories.

We have many well-wishers in the courageous tasks ahead. But we have many pessimists, who proclaim that we cannot maintain continued prosperity in peacetime years. These doubting Thomases don't know America. They don't know how many automobiles, radios, refrigerators, tires, television sets, nylon hose and safety pins we are ready to buy, and how, under free enterprise, there can always be newer and better things to produce.

Point of Discouragement

Our tax policy should encourage the full employment of our nation's resources and skills.

Industry realizes that it must carry a heavy post-war tax load. Yet industry must fight to keep post-war tax burdens below the point of discouragement. Industry must fight for a sound tax policy because of its grave responsibilities to 30 million job holders and 18 million investors.

What is the highest income tax rate corporations can pay in peacetime without discouraging the incentive for greater production and employment? Industry's answer indicates that most businessmen favor a 25% maximum peacetime tax on corporation income.

From talks around the country and the poll of executive opinion, I believe that industry might willingly accept a starting peacetime rate of about 30%, reserving only the right to ask revision if this proves by actual experience to be too high.

A Peacetime Budget

Realistic students of government spending feel that a peacetime budget of $20 billion or less could supply us with very adequate Federal government. If we assume that encouraging tax policies will make it possible to maintain our present level of national income in the post-war years, here is a way in which we could balance a $20 billion budget:

	Billions
1. From historic excise taxes, estate and gift taxes, customs and miscellaneous levies	5
2. From corporation earnings at a 25% to 30% rate	6 to 7
3. From 50,000,000 individual taxpayers—the balance	8 to 9
Total	20

This program to raise eight to nine billion dollars from individual taxpayers compares to 20 billion dollars now being collected. This means there could be a 50% reduction in individual rates. But it demonstrates the need for a continued high level of national income and employment in order to soundly finance the kind of government to which we have grown accustomed.

Business earnings dry up quickly under adverse conditions. If during the 1932 recession we had had a 100% tax on corporate income, this would have yielded only 2 billion dollars.

To make taxpaying comparatively productive, we must have national prosperity.

Tax Simplicity

Furthermore, industry looks forward to tax simplicity.

Tax laws should be written so that the taxpayer can understand them, not in the ponderous complexities that bewilder even the tax experts.

We should stop that annual guessing game and repeal the capital stock tax and declared value excess profits tax — and we should eliminate the penalty tax on consolidated returns and the double taxation of dividends.

Industry's Tax Program

Industry is setting its sights on newer, higher levels of production, employment and national income. It believes it can achieve this goal within the framework of a tax program which includes:

1. Continuance of present high rates of taxes as long as we are at war with Germany and Japan.
2. Reasonable tax adjustments when war cutbacks make factories and workers idle, to stimulate essential civilian production and employment.
3. Post-war rates which are below the point of discouragement.
4. A balanced budget after the war.
5. A long range plan of debt retirement.
6. The taxing power confined to the raising of revenues and not misused for social or economic adjustments.
7. Every citizen made aware by direct taxation of the cost to him of his government.
8. A tax act that will be simple and understandable to the taxpayer.

The Indian's Dog

There is an old legend about an Indian's dog which reminds me of the way some taxpayers look upon government.

The Indian was a poor provider, but he had a way with his dog. There was a time when the hunting was bad. The Indian was able to get along on vegetable life, while the poor dog began to starve.

In an outburst of pity, one day the Indian whacked off a piece of the dog's tail and fed it to him. The dog was hurt only momentarily and the fresh meat tasted so good that he licked his master's hand in gratitude.

The operation was repeated the next day. The dog was weaker in strength; but stronger in affection. The same procedure happened again, and again and again, until finally the dog's tail was cut off —RIGHT BEHIND THE EARS.

* * *

History's ruthless records show that any nation which overspends and teaches its people to look to the Government for support brings about a progressive moral decay of its citizens.

It is not the way of free people to seek something for nothing. Nor does individual freedom survive when expanding government consumes private enterprise.

In the decisions we make during the next few years, we shall write the history of many generations. In our care is the priceless heritage that makes us, the people of these United States, masters of our Government, not its servants.

It is the grave responsibility of industrial leadership to unite in a common program, devised without pride of authorship, to courageously seek a balanced budget and repayment of our debt.

Industry cannot afford to sit silently. It must exercise its stewardship of the nation's jobs to protest against wanton spending and destructive taxation. It must insist we preserve our moral integrity by meeting our financial responsibilities.

We need leaders who are willing to face the facts — tell the people the truth — admit the costs which must eventually be paid by all of us — and lay plans for all of us to pay.

"Those who expect to reap the Blessings of Freedom must, like men, undergo the fatigue of supporting it."

Collection of Flags At Bankers Trust Co.

The main theme of the War Bond Show at Bankers Trust Co., 16 Wall Street, is a collection of historic flags that portray the Story of Old Glory. On the main banking floor is the most complete display of historic flags ever assembled in New York City. On Friday afternoon, Dec. 8, representatives of the several patriotic organizations whose cooperation made this exhibit possible, were guests of Bankers Trust Co. at a huge War Bond Rally. Over 1,500 employes of the bank attended this rally. Music for this occasion was furnished by the Seventh Regiment Band. There were two color guards of Marines, one from the U. S. Navy Yard and the other from the Women's Reserve of the Marine Corps. The Wall Street Post of the American Legion sent their color guard. And there was also a detachment of Navy Nurses present.

S. Sloan Colt, President of Bankers Trust Company, received the guests of honor, who included William S. Bennett, President Empire State Chapter, Sons of American Revolution; William Van Wuck, President New York Chapter, Sons of American Revolution; Capt. Milo F. McAlpin, Governor of the New York Society, Order of Founders and Patriots of America; Major Herbert T. Wade, Governor of the Society of Colonial Wars of the State of New York; Dr. Robert G. W. Vail, Director, New York Historical Society.

L. Johnson In Syracuse

SYRACUSE, N. Y.—Louise Johnson has taken over the office of Birnbaum & Co., in the State Tower Building, and will do business as L. Johnson & Co. Miss Johnson was formerly manager and trader for Birnbaum & Co., in Syracuse.

Goodman Visits NY

Gerald M. Goodman, Vice-President of Lord, Abbett & Co. of California, 210 West Seventh St., Los Angeles, is a visitor to Wall Street.

Municipal News & Notes

The period following the close of the Sixth War Loan financing on Dec. 20 is likely to be one of marked activity in the municipal field, particularly in the trading and distribution departments. These latter have necessarily been more or less dormant since the drive began, and as a consequence the supply of bonds in the hands of dealers is rather large. The total will be increased as a result of the several issues of general market interest scheduled to reach the market tomorrow (Friday). The issues in question are those of $3,000,000 by the East Baton Rouge Parish S. D., La., and $7,500,000 by Houston, Tex., Independent School District.

Except for foregoing the present calendar of scheduled awards includes only a few other projected sales of particular consequence. They are $1,800,000 by Olmstedt County, Minn., on Dec. 18; $629,000 St. Augustine, Fla., on Dec. 19; $1,000,000 Port of Palm Beach, Fla., and $800,000 Whatcom County, Wash., the latter two on Dec. 26.

Whether any appreciable borrowing will ensue over the near term incident to the large volume of bonds authorized at the November elections is an unknown quantity. Some of these issues, however, have already come to hand, and the chances are that other communities will likewise be disposed to anticipate their monetary requirements.

This will definitely be the case if the market shows any sign of retreating from existing price levels. Experience has demonstrated that municipal officials are somewhat dubious as to the future trend of the market and are inclined to react quickly to any indication of a bearish influence.

This was forcefully illustrated in the recent past when many people were inclined to accept the theory that the war in Europe was already won and to speculate increasingly on the probable changes to be expected in the immediate future.

High among the prospects was the possibility of an immediate downward revision in the Federal taxload and consequent diminution in the value of the tax-exempt feature in municipals.

The weight of this thinking occasioned a substantial lowering of the price level and a disposition on the part of some taxing units to dispose of bonds, both for refunding and new capital purposes, which ordinarily would have been withheld from the market until a much later date. Although subsequent events illustrated that the European war is far from over, the effect of the premature conclusions mentioned above suggest that the municipal market is extremely sensitive to reports, however unfounded, of projected changes in the nation's tax structure.

Nassau County, N. Y., Bonded Debt Cut $15,000,000 Since 1938

Bonded debt of Nassau County, N. Y., will decline to $42,998,000 as of Dec. 31, 1944, reflecting a reduction of approximately $15,000,000 from the peak figure of $57,584,000 which obtained in 1938. This excellent achievement, coupled with the fact that the county's tax rate of $1.05 per $100 will be continued in 1945, highlight the proposed budget for that year announced by County Executive J. Russell Sprague.

Mr. Sprague has been able to maintain a stabilized tax rate despite the loss of millions of dollars from the tax rolls through the exemption of Federal-owned property and the necessity of giving country employees earning less than $3,975 a year an emergency temporary increase to meet the higher living costs of the war period.

An exceptionally high reduction of $3,299,000 in the debt was achieved this year. A reduction of more than $1,000,000 is scheduled for next year.

While the reduction in the debt that has taken place to date means a saving of nearly $500,000 a year in interest, it is significant for other reasons. After the war it is expected that the county may be obliged to embark upon a $25,000,000 sewerage program. Presumably this will be financed by bond issues over a period of years as the work progresses. Continued reduction of the present debt means that the county will be able to make this important improvement without establishing a new peak in indebtedness.

There will also be capital expenditures for highways and additional county buildings after the war, but they may be provided without loading Nassau County taxpayers with a staggering debt, due to Mr. Sprague's policy of gettting rid of the old debtt before the new expenditures come up.

Twin City Bond Club Gets Slate for Office

MINNEAPOLIS, MINN.—The annual meeting and election of the Twin City Bond Club will be held on Dec. 9, beginning at 12 noon.

The nominating committee has presented the following slate:

President—Guy M. Phillip, Caldwell-Phillips Co., St. Paul.

Vice-President—Rollin G. Andrews, J. M. Dain & Co., Minneapolis.

Secretary-Treasurer — Warren Gochenour, Jr., Irving J. Rice & Co., St. Paul.

Board of Governors—(Three to be elected from Minneapolis for two-year terms) J. P. Arms, J. P. Arms, Inc.; George Belden, Frank & Belden, Inc.; C. L. Grandin, Jr., Piper, Jaffray & Hopwood; Donald McFarland, Kalman & Co.; H. V. Tufvessen, H. M. Byllesby & Co. and Lud C. Vobayda, First National Bank.

Members of the nominating committee were: P. W. Loudon, Piper, Jaffray & Hopwood, Chairman; F. S. Goth, Merrill Lynch, Pierce, Fenner & Beane, St. Paul; Ray F. Weidenborner, Henderson-Weidenborner Co., St. Paul; Carl Kall, First National Bank of Minneapolis, and L. B. Woodard, Woodard-Elwood & Co., Minneapolis.

Stoker Looks Good

Standard Stoker Co., Inc., offers an interesting situation with an attractive post-war outlook, according to a memorandum issued by G. A. Saxton & Co., 70 Pine St., New York City. Copies of this memorandum may be had from the firm upon request.

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.

Maj. Kerner Back at Desk

PHILADELPHIA, PA.—Major Raymund J. Kerner has resumed active duties as a vice president of Rambo, Keen, Close & Kerner, Inc., 1518 Locust Street. Major Kerner, who has been in the Army since April, 1942, was stationed with the United States Air Force in England for the past 26 months.

Register Christmas Gifts of Value

A recommendation is made by the Post Office Department that Christmas gifts of watches, jewelry or other articles of value be sent by domestic registered mail for safety and security, so that if loss or damage occurs while in the custody of the postal service, claims for reimbursement may be made. Postmaster Albert Goldman also said, under date of Nov. 29: "Patrons sending watches or other articles of a fragile nature are informed that such articles should be adequately packed, wrapped in a strong grade of paper, securely sealed to insure safe transmission without damage and particular care should be exercised to see that gifts are plainly and properly addressed.

"A very special service is also available whereby the sender of a registered article may be furnished a return receipt showing to whom and on what date delivery was effected and if desired delivery can be restricted to the addressee in person."

Mailing Now of Christmas Cards and Parcels

Postmaster Albert Goldman in giving advice under date of Nov. 28 regarding mailing of Christmas cards and parcels said:

"Mail now, don't delay any longer, wrap carefully, address plainly, prepay postage fully and mail promptly.

"Pack and wrap packages carefully, use strong durable containers, strong paper and heavy twine, tie securely and knot where the twine crosses.

"Address plainly and completely, use ink or typewriter, show street and number, if to an office building show room number, or post office box or rural route number, write name of the post office and the State in full, don't abbreviate."

In an earlier notice (Nov. 16) Mr. Goldman in calling attention to mailing of Christmas gifts and cards to civilians abroad, said:

"The Christmas Holiday period is fast approaching and the quantity of mail for foreign destinations will increase materially. Conditions in certain countries, together with lack of transportation facilities require the early mailing of Christmas gifts and cards, particularly those destined to distant countries.

"Letters should be plainly and fully addressed, bear the return card of the sender in the upper left hand corner and be fully prepaid. Parcels should be properly packed in order to avoid damage or possible loss of contents while in transit. The use of good quality wrapping paper and tying with strong twine is recommended."

November Steel Output Off—11-Month Total Up

Steel production in November totaled 7,258,534 tons of ingots and castings, reports the American Iron and Steel Institute. This compares with October production of 7,615,553 tons (a revised figure) and November, 1943, output of 7,371,975 tons. Part of the decline in production as compared to October was because of the shorter month of November. The Institute's statement continues:

"Total steel production in the first 11 months of 1944 was reported at 82,199,288 tons as against 81,581,222 tons in the corresponding period of 1943.

During November the industry operated at an average of 94.1% of capacity, as against 95.6% of capacity in October and 98.6% in November a year ago.

An average of 1,691,966 tons of steel was produced per week in November, compared with 1,719,086 tons per week in October and 1,718,409 tons per week in November, 1943.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2598)

the list only a few were available. I realize this time lag is unfortunate but there's nothing that can be done about it.

* * *

In any case, here are the stocks you bought. At least, I assume you bought them, for they were obtainable at the prices appearing in last week's column.

* * *

American Smelters, advised between 39 and 40, got down to 39½. Expect some trouble between 42 and 43. But, once through there, it can move nicely. Raise your stop from 37½ to 38.

* * *

Climax Molybdenum was to be bought between 34 and 35. Its low point was 34½. From 36 to 37 this one meets obstacles. Stop should also be raised from 32½ to 33.

* * *

An ex-dividend pulled Glenn Martin into the buying zone. Stock was to be taken on if obtainable between 21 and 22. With the help of the ex-dividend it managed to get to 21½. Stop in this one remains the same—20.

* * *

Timken-Detroit Axle came into the list when it hit 33½ a number of times. Outside of a fraction or so across 34 stock has nothing ahead of it. Theoretically, this should make for smooth sailing to higher and better levels. Unhappily, this is only theoretical. For, actually, the absence of discernible offerings ahead isn't a guarantee they don't exist. Frankly, the attainment of a new high has frequently been a danger signal rather than a green light. I tell you this not to discourage you but to warn you that there's nothing certain about the market or the stocks that go to make it up. From a day-to-day trading angle, any stock which has just made a new high should be watched closer than ever. Any suspicion of decline must be viewed through blue rather than through rose-colored glasses. Yet, from a week-to-week stand, this is impracticable. As a matter of realism, a stop in a stock which has just made a new high should be placed lower than is customary. Reason is that there may be a shakeout of weak late buyers. And an ordinary stop would almost be certain to be caught. So I suggest the stop in Timken-Detroit be placed at 31.

* * *

So much for the stocks you have—now what about the market? Again, I repeat last week's statement, which said in effect that a unanimity of opinion is in itself indicative of the opposite occurring. That the 150-152 Dow level was an obstacle was no secret. Anybody who cared to take the trouble to look at the figures, or studied the numerous charts, could see it at a glance. The fact that this obstacle was there acted both as a brake and a gas pedal. For so long as stocks refused to go through it people, if they weren't bearish, were cautious. No sooner was it passed than bearishness and caution were thrown to the winds and heavy buying began.

* * *

It would be pleasant to say that most of this buying came from so-called insiders, or from the mysterious "they" who make things happen. But the truth is that the smart money showed little or no interest. It was the rank and file which did the buying.

* * *

Then, why do you ask, do I follow it? Simple. I have seen the public on a buying spree take the bit in its teeth too often to disregard its potentialities. So I follow it. But I don't have to believe in it. I guard myself with stops and advise you to do the same.

* * *

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.]

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.

"If I Were A Labor Leader"

(Continued from page 2594)

labor through cooperation and collective negotiation rather than through political compulsion. For this patriotic attitude of his, every American who values political, intellectual and spiritual freedom more than temporary economic advantage, owes him a profound debt of gratitude. For the most sinister threat to the future of the American Republic is the purposeful effort we are now witnessing to divide our people along horizontal class strata rather than on vertical lines of political conviction that have always characterized our nation in the past.

What I think I would do "If I Were a Labor Leader" breaks down rather naturally in my mind into four parts: First, in respect to union members themselves; second, in respect to employers; third, in respect to the general public; and fourth, in respect to government.

As to union members I would constantly stress the fact that those who receive grants of power in any field of human activity must accept commensurate responsibility for their acts—if social chaos is to be avoided. Officers of corporations, for example, must take on their shoulders the legal, social and moral responsibilities that statutory law and ethical tradition have long imposed upon them. It is well that such is the case. For power is a heady drink. So if I were a labor leader, I would constantly emphasize to my membership that the unions, too, must assume similar responsibility for their acts; and that they work against their own long-range interests when they oppose the reasonable amendment of existing statutes so as to require the exercise of such stewardship. As Pitt said: "Where law ends, tyranny begins."

The arbitrary exercise of power brought down the Interstate Commerce Commission Act on the railroads in 1887. The selfishness of great industrial combinations brought the Sherman Anti-Trust Act in 1890; the Clayton Act in 1914. Abuses in the security markets brought the Securities and Exchange Acts of the '30's. Refusal to concede labor the right to organize resulted in the National Labor Relations Act. And just as surely as night follows day, legislation severely restricting the activities of labor unions will be enacted unless those evil practices that do exist are eliminated by voluntary reform from within. Hence as a labor leader, I should do my utmost to see that the rights of individuals are given adequate protection in accordance with the genius of our free American institutions. To that end, I should advocate secret ballots on all important questions, particularly in respect to strikes; the election of union officers at frequent and regular intervals; a strict accounting for all funds collected, both by local and international unions; the outlawing of exorbitant initiation fees and dues; the careful reexamination of the effect of rigid seniority rules on union members and on the economic body politic as a whole; and adequate safeguards against the use of coercive methods in the enforcement of union membership. I should recognize, too, that unemployment compensation, pension programs, and wage and hour legislation have cut the ground from under the old arguments for make-work and feather-bedding rules, and hence I should work steadily for the abolition of all such restrictions. Moreover, as a law abiding citizen as well as a labor leader, I should be an uncompromising crusader against racketeering practices of every description.

On the constructive side, I should do my utmost to develop able and intelligent union leadership. I would establish standards of union performance. I would build up an adequate force of field men to service local unions. Such men should be skilled in collective negotiation, and trained carefully in labor law and particularly in the technique of the intelligent handling of grievances. They should be outstanding advocates of the basic principles of fair dealing and the ideals of social stewardship which trade unions must practice, if they are to fulfill the great opportunity for public service which now confronts them.

Last, but not least, in dealing with union members I should leave no stone unturned to educate the rank and file in the basic concepts on which our American freedom rests. One of the most vital of these principles is the maintenance of private competitive business. Without it, political freedom, and civil and religious freedom — and labor union freedom, too, — will soon disappear as they did in Germany, Italy and Russia long before the present war broke out. An informed citizenry is freedom's only safeguard. Hence union leadership now has a vital mission to perform in training their members in sound economics so that all will understand the controlling part that tax policies, savings, investments, profits, dividends, earned surpluses, research, advertising and good management, play in promoting a virile national economy. After all, business cannot exist without labor, and labor cannot exist without business. But as a labor leader I should always emphasize the fact that the opportunity for a union to function arises only after a successful business has been established.

In respect to employers, I should preach in season and out, this community of interest between organized labor and business generally, and between individual unions and local management in particular. In this connection I should try first to ascertain those areas in which labor and business have mutual interests. Having established those common foundations, I should then approach those problems on which there was disagreement in the spirit of what I might describe as "collective negotiation" rather than that implied in the term "collective bargaining." Negotiation connotes an attempt to secure a solution that will be fair to all interests concerned, whereas bargaining seems to imply a sort of horse trader's attitude of mind — the securing of as much selfish advantage as possible. Sound labor relations and a free national economy can never be maintained on a greedy, horse-trading basis. Hence I should set my face like flint against anything that tends to develop group selfishness and class hatred. For history shows convincingly that no form of popular self-government can long exist in the face of acute class cleavage.

If I were a labor leader at the local level, I should cultivate the business with which my union was associated just as carefully as a farmer conserves the soil of his farm. Everybody knows that if a farmer does not fertilize his ground, control erosion, and rotate his crops properly, his harvest will be lean, and eventually the soil will wear out and the farm will be abandoned. Similarly, every business needs to be tended and nurtured carefully. If management brains are lacking; if too much goes to the customer through unintelligent pricing; if too much is paid out in dividends to the stockholders; if an amount clearly beyond the potential earnings of the enterprise is disbursed in wages and salaries, the whole business eventually fails and stockholders and employees alike go down in common ruin. So if I were a labor leader I would do everything in my power to co-operate with an employer who had shown a fair and decent attitude, in his efforts to solve both the short-term and long-range problems of his business. And I should recognize, too, that no matter how much cooperation is secured from labor leadership and the employees of any business, there is no substitue for the dynamic vision and catalytic power of forceful management.

We can distribute wealth by political action, but not genius and character and leadership. The comparative few — in every walk of life — who possess such attributes in an outstanding degree are the great benefactors of civilization. It was Washington who held the struggling colonies together in their fight for liberty — not a junta of the rank and file. It was McCormick who built the first successful reaper — not a group of farmers. It was Bell who invented the telephone — not some manufacturers' association. It was Marconi who discovered wireless telegraphy — not a labor union. It was Lincoln who drafted the Gettysburg Address — not a government commission. So as a labor leader I should resolve in my relations with employers not to countenance anything that would destroy for the generations of Americans yet to be those well-springs of individual initiative from which, in a very literal sense, all our earthly blessings flow.

As a labor leader I should, I believe, give more attention to the public relations of the labor movement, than has been the case in recent years. How wise, it seems to me, was Samuel Gompers when he said:

"So long as we have held fast to voluntary principles and have been actuated and inspired by the spirit of service, we have sustained our forward progress and we have made our labor movement something to be respected and accorded a place in the councils of our Republic. . . . No lasting gain has ever come from compulsion."

Yet in the face of the fact that public opinion polls show that the overwhelming majority of the American people are opposed to a closed shop or any form of compulsory union membership, many labor leaders still adhere to the closed shop and the check-off as a major objective. A Justice of the Supreme Court of the United States in an early decision said: "There is no more sacred right of citizenship than the right to pursue unmolested a lawful employment in a lawful manner." The maintenance of that right is a sine qua non of our free American institutions. Any restriction of that right which finds its culmination in the closed shop is impossible to fit into a democratic order. Its maintenance creates a State within a State, and, as Woodrow Wilson said, "The business of government is to see . . . . that no body or group of men, no matter what their private business is, may come into competition with the authority of society." So if I were a labor leader I would recognize that advocacy of the closed shop simply hastens the day when organized labor will find itself dominated by government. For the American public will not tolerate indefinitely the arbitrary exercise of economic power by labor leadership backed by the closed shop, any more than it has been willing to tolerate arbitrary power in the hands of management.

If I were a labor leader, I would make clear to the public that I was opposed to compulsory arbitration of labor disputes in times of peace. For if government assumes the power to fix wages through compulsory arbitration, it must sooner or later also control prices in order to protect the public interest. Thus compulsory arbitration leads straight to some form of collectivism and eventually to the loss of our hard won liberties.

I should also recognize as a labor leader the dangers to our national freedom involved in industry-wide collective bargaining. Applied to a country as large as the United States with its diverse sectional conditions, it certainly would not encourage the establishment of struggling, new enterprises in small communities. It would tie the hands of those employers who wanted to do more for their workers than the rest of the industry was able to do. It would undermine the authority and responsibility of local union leadership. It is open to the same criticism that has been lodged against so-called "big business," for it creates "big labor," and "big labor," because its leaders are human beings just like the leaders of business, is just as prone to misuse its authority as certain elements in "big business" have misused their power in years gone by. Experience in England with industry-wide bargaining indicates that the public interest not infrequently suffers because of collusive action by the powerful private bargaining groups involved, by which the cost of abnormally high wages, arbitrary restriction of production and feather-bedding rules, are passed along to the consumer through higher prices than would otherwise obtain. Hence as a labor leader I should recognize that industry-wide collective bargaining, if generally adopted, will bring in its wake a high degree of government control and a corresponding decrease in that freedom of action on which economic progress depends.

When it comes to relationships with government, I am inclined to believe that there is little or no difference between what my attitude would be as a labor leader or as a manufacturer. The function of government in labor-business relations is, according to my way of thinking, threefold: First, it should fix the rules; second, it should administer them efficiently, and third, it should function only as an umpire — never as a czar. If organized labor continues to look to the State to secure privileges and economic advantages, which it should obtain by the peaceful process of cooperation with employers and through collective negotiation, it will create a boomerang that will ultimately turn and destroy the power of the unions themselves. This has been pointed out most forcibly by Mr. Green and his associates on many occasions.

As a labor leader I should, of course, do everything in my power to encourage governmental policies that would stimulate private competitive business and, naturally, I should support all reasonable legislative measures designed to protect workers from unscrupulous employers and to establish appropriate safety and health standards. Beyond that, however, I should never go in appealing to the State for help in solving my problems.

When all is said, government's place in labor-business relations in the future will be just about what business and labor jointly choose to make it. If business will universally and voluntarily do its utmost to make collective negotiation work successfully; if it will universally and voluntarily refrain from any semblance of unfair practices such as labor union baiting in any form, or discrimination against any man who wants to join a union; if labor will voluntarily relinquish its efforts for the closed shop or any form of coerced union membership; if the labor union will regard itself as an integral part of the business enterprise in which it operates and give voluntary support to business in the intelligent handling of wage rates and the maintenance of productive efficiency—by such voluntary procedure, and only by such voluntary procedure, can America remain a land in which our children can continue to enjoy the blessings of liberty long after we are gone.

The problems that Mr. Green and I have been discussing today are so urgent that both as a pseudo-labor leader of the moment and a manufacturer as well, I venture to suggest that labor and business might well join now in setting up a small committee of the most eminent and public spirited citizens that this country possesses — men of the caliber of Mr. Charles Evans Hughes, Mr. Bernard Baruch, Dr. Charles A. Beard, Dr. Robert C. Sproul — to work out, after ascertaining the viewpoint of representatives of labor and business, a program of concrete recommendations for submission to Congress at the earliest possible moment. The NAM is ready to present to any such group a well-rounded set of recommendations which it has tried to draw up with the public interest paramount at every point. If we in labor and business are sincere in our desire to maintain our free institutions in America, why can we not act as intelligent, free men and present Congress with a constructive program that we ourselves have helped to formulate?

The questions involved are crucial. If our freedom is to be preserved, they can be solved only through real cooperation carried forward in a genuine spirit of self-restraint and mutual understanding. Here all patriotic labor and business leaders find a challenging opportunity to serve their country in a very practical way, and leave the United States of America a little better because they, too, have passed through it.

The Business Man's Bookshelf

Economic Policy, Means and Ends — Post-War Readjustments Bulletin No. 12 — Chamber of Commerce of the United States of America, Washington, D. C.—Paper—5¢

Excess Profits Tax Relief: The Cyclical Provisions — Joseph L. Snider—Harvard University Graduate School of Business Administration, Soldiers Field, Boston 63, Mass.—Paper—$1.50

No Inflation Coming—William J. Baxter—Internation Economic Research Bureau, New York City —$1.00

Railroads — A graphic review and analysis of the American Railway Industry—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City—Paper

Readjustment of Manpower in Industry During the Transition from War to Peace, The—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—Paper—$1.25

War and Peace Aims—Extracts from Statements of United Nations Leaders—United Nations Information Office, 610 Fifth Avenue, New York City—Paper—50¢.

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 Investment

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

Calendar Of New Security Flotations

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. 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, the purchasers being President, Vice President and Treasurer and Vice President and Secretary, respectively. The underwriting group is headed by Ames, Emerich & Co., Inc., Chicago. Filed Nov. 29, 1944. Details in "Chronicle," Dec. 7, 1944.

TUESDAY, DEC. 19

DEERFIELD PACKING CORP. has filed a registration statement for $1,250,000 first mortgage sinking fund bonds due Dec. 1, 1956. Company will use proceeds together with treasury funds to the extent necessary, to redeem at 103½ and accrued interest, the outstanding $1,250,000 first mortgage 5% sinking fund bonds due Dec. 1, 1954. The underwriting group is headed by Central Republic Co., Inc., Chicago, and E. H. Rollins & Sons, Inc., New York. Filed Nov. 30, 1944. Details in "Chronicle," Dec. 7, 1944.

WEDNESDAY, DEC. 20

MONOGRAM PICTURES CORP. has filed a registration statement for 100,000 shares of 5½% cumulative convertible preferred stock, par $10. Proceeds 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. Emanuel & Co., New York, heads the list of underwriters. Filed Dec. 1, 1944. Details in "Chronicle," Dec. 7, 1944.

SATURDAY, DEC. 23

ARKANSAS-MISSOURI POWER CORP. has filed a registration statement for $2,000,000 first mortgage bonds, series A, 3½%, due Dec. 1, 1974. Proceeds 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. The bonds will be offered for sale at competitive bidding. Filed Dec. 4, 1944. Details in "Chronicle," Dec. 7, 1944.

GENERAL SHOE CORP. has filed a registration statement for $5,000,000 15-year 3¼% sinking fund debentures, due Dec. 1, 1959.

Address—513 Gallatin Avenue, Nashville, Tenn.

Business—Manufacture of shoes.

Offering—Price to the public will be filed by amendment.

Proceeds—Of the net proceeds, $2,073,062, exclusive of accrued interest, will be used to retire company's outstanding 15-year 3¼% sinking fund debentures, due Dec. 1, 1956. The balance will not be allotted to any specific purpose and will be added to the company's general funds.

Underwriting—Smith, Barney & Co., Equitable Securities Corp. and Alfred D. Sharp & Co.

Registration Statement No. 2-5539. Form A-2. (12-4-44).

SUNDAY, DEC. 24

THOMPSON PRODUCTS, INC. has filed a registration statement for 60,000 shares of common stock, without par value.

Address—2196 Clarkwood Road, Cleveland, and 23555 Euclid Avenue, Euclid, O.

Business—Manufacture and sale of a wide range of engine and other parts for automobiles, trucks, tractors and motorized military equipment, etc.

Offering—Price to the public will be supplied by amendment.

Proceeds—All of the net proceeds will be added to the company's funds available for general corporate purposes.

Underwriting—Smith, Barney & Co., New York, and McDonald & Co., Cleveland, head the underwriting group. Others will be filed by amendment.

Registration Statement No. 2-5540. Form S-1. (12-5-44).

MONDAY, DEC. 25

AMERICAN PHENOLIC CORP. has filed a registration statement for $1,500,000 5% 15-year convertible sinking fund debentures due in 1959 and 345,000 shares of common, par $1 per share. The common stock is issued and outstanding and does not represent new financing by the company.

Address—Cicero, Ill.

Business—Manufacturer of electronic and plastic parts.

Offering—The debentures are to be offered at 100. The common stock which will be sold for the account of Arthur J. Schmitt, President and Director, is to be offered at $10 a share.

Proceeds—Company will use its part of proceeds for working capital. Proceeds from sale of stock will go to the selling stockholder.

Underwriting—Van Alstyne, Noel & Co., and others to be named by amendment.

Registration Statement No. 2-5541. Form S-1. (12-6-44).

THE CHICAGO CLUB has filed a registration statement for $1,200,000 debentures due Jan. 1, 1965.

Address — 400 South Michigan Avenue, Chicago.

Business—Club.

Underwriting—No underwriting.

Proceeds—The proceeds from the sale of the debentures, together with the proceeds from the proposed new first mortgage loan from the Aetna Life Insurance Co., less expenses, together with other funds of the club, will be applied to the discharge of the existing first mortgage indebtedness of the club.

Offering—The club offers the debentures for sale to its members at an issue price of 66⅔% of the face amount.

Registration Statement No. 2-5542. Form S-2. (12-6-44).

TUESDAY, DEC. 26

AMERICAN BUSINESS SHARES, INC., has filed a registration statement for 2,555,867 shares of capital stock.

Address — One Exchange Place, Jersey City, N. J.

Business—Open-end investment company.

Offering—At market. Quarterly Income Shares, Inc., and the Maryland Fund Inc., both investment trusts of the closed-end type have been merged into American. The corporation has authorized the distribution to the holders of capital stock of record on the date the merger became effective, of capital stock purchase warrants entitling them on or before Jan. 31, 1945, to subscribe to a number of shares equal to 38% of the stock held by them. The remaining shares registered will be offered to the public.

Underwriting—Lord, Abbett & Co., Inc.

Registration Statement No. 2-5543. Form A-1. (12-7-44).

OHIO WATER SERVICE CO. has filed a registration statement for 80,880 shares of common stock, par $10. The shares are now outstanding and are being sold by Federal Water & Gas Corp.

Address—235 State Street, Struthers, O.

Business—Water supply of various types.

Offering—The price to the public will be filed by amendment.

Proceeds—The shares registered constituting approximately 66.53% of the outstanding stock of the company, are owned by Federal Water & Gas Corp. which will receive the entire proceeds from the sale. On Feb. 10, 1943, the Securities and Exchange Commission ordered Federal to divest itself of its interest in Ohio, and Ohio stated in its registration statement it is informed that Federal is selling the stock in order to comply with that order.

Underwriting—Otis & Co. heads the underwriting group.

Registration Statement No. 2-5544. Form S-2. (12-7-44).

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.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceeds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

MOORE WINDSOR CORP. has filed a registration statement for 100,000 shares of 12½ cent cumulative dividend and participating preferred stock, par $1 per share. The net proceeds of approximately $200,000 will be used for working capital and expansion of the company's business. W. H. Cobb & Co., Inc., New York, is named principal underwriter. Offering price to the public $2.50 per share. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

TIDE WATER POWER CO. has filed a registration statement for $4,500,000 first mortgage bonds series due Nov. 1, 1975, and $1,000,000 sinking fund debentures, due 1955 are to be offered for sale at competitive bidding. Amendment filed Dec. 9, 1944. Details of original filing in "Chronicle," Oct. 12, 1944.

Institutes Proceedings

The Securities and Exchange Commission has instituted proceedings to determine whether there has been a violation of the registration provisions of the Securities Act of 1933 by Ira Haupt & Co., New York City, and, if so, whether its registration as a broker and dealer should be revoked and whether the firm should be suspended or expelled from the National Association of Securities Dealers, Inc. Action was taken by the SEC in connection with a secondary distribution of stock of Park & Tilford, Inc. Hearing was set for Dec. 20 at the Commission's New York office.

Attractive for Investment

Common stock of Central Paper Company is an attractive investment at present prices, according to a brochure prepared by Loewi & Co., 225 East Mason Street, Milwaukee, Wis. Copies of this interesting brochure may be had from Loewi & Co. upon request.

Public Pays for Unfair Management and Labor Practices: Baker

(Continued from first page)

time has come to subordinate group interests for public welfare, and to face the facts." Industry believes in high wages "just as strongly as does labor—but to maintain this, wages must be based upon output, upon an ever-increasing flow of goods and services," and that demands labor peace.

Five principles for labor peace, which should be the basis of a legislative program, he makes the following:

Strikes against Government or to coerce Government agencies should be outlawed. Economic waste raises prices and denies a greater volume of products to the public; therefore the public should be protected against misconduct by labor even as by industry. Labor organization members should be held responsible for violations of law. Benefits of collective bargaining legislation should be denied to the party refusing to utilize the machinery or striking in violation of agreements made under the law. Individuals should be protected against monopolistic activities, intimidation and reprisals on the part of any organization.

Stressing production as the fundamental aim, Mr. Baker remarked: "What is it we Americans want in the future? We want jobs and a high standard of living; more and better goods, better homes, schools, churches, a fuller life for ourselves and our children—and above all, the opportunity for self-advancement.

"These can come only from and through production — more production, and still more production. With this as our goal, it is plain everyday, good sense to be FOR those things that will help increase production and AGAINST anything that will hinder it.

"Production and all it involves is a complicated business, but looked at realistically there is one single factor underlying our industrial economy which stands out above all the rest as vitally essential. That single factor is labor peace."

Callanan Charged

The Securities and Exchange Commission and the Department of Justice have reported that Charles J. Callanan, a broker and dealer in securities of Boston, Mass., was arrested in Boston on charges brought by the Securities and Exchange Commission that Callanan wilfully and knowingly filed with the Commission a false report of his financial condition and failed to keep current certain books and records in violation of the Securities Exchange Act of 1934.

This is the first complaint charging violation of the rule promulgated by the Commission on Nov. 28, 1942, requiring that, for the protection of its customers, a registered broker and dealer shall file with the Commission annual reports of financial condition.

The case was developed by Philip E. Kendrick and Joseph A. Turnbull, Securities Investigators, of the Commission's Boston Regional Office, under the supervision of Paul Rowen, Regional Administrator.

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.

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.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE JR.

Last week the market was active with a good demand for all issues, particularly the middle-term partially exempts, which were very well taken and showed advances up to a quarter of a point. . . . These issues, as well as the long-term partially exempt obligations, are still considered attractive for tax purposes and income. . . . In the taxable group the 2% due 9-15-51/53, the 2% due 6-15-52/54 and the 2½% due 9-15-67/72 are being recommended for income and appreciation. . . .

It was learned that many institutions look upon the 2% due 9-15-51/53 and the 2% due 6-15-52/54 with considerable favor, since it is believed that both of these issues will do substantially better price-wise with the ending of the War Loan Drive. . . .

Present prices for the called 4s indicate a premium of 10/32 for the new 2% due 12-15-52/54. . . . However, many believe that these bonds will sell at 100 12/32 shortly after the drive ends, with a price of 100 16/32 anticipated in the not too distant future. . . .

NARROW SPREAD

With the expectation that the 2% due 12-15-52/54 will sell between 100 12/32 and 100 16/32, it is indicated that the price spread between this issue and the 2% due 9-15-51/53 at 100 23/32 and the 2% due 6-15-52/54 at 100 14/32, with the maturity differential in their favor, is too narrow. . . . Therefore it is believed that the outstanding 2% due 9-15-51/53 and the 2% due 6-15-52/54 will seek higher prices. . . . Based on this idea, it was reported that institutional buyers are building up their positions in the latter two issues. . . .

The 2½% due 9-15-67/72 are being suggested for commercial banks with savings deposits, to maintain earnings to meet payments on savings accounts. . . . At present levels of 100 15/32, these bonds give a taxable yield of 2.47% to the call date and 1.48% after taxes. . . .

WAR LOAN SUCCESS

Although the Sixth War Loan is already over the top, it is expected that the final figures will be close to $20 billions, which again means a substantial oversubscription, such as has been evidenced in previous drives. . . . While the drive no doubt will fill a large part of the demand that has been in the market, it is indicated that there will still be substantial funds seeking investment. . . .

Accordingly, many of the experts on the Government bond market look for a strong tone after the drive, and expect that higher prices will be registered as we move into the new year. . . .

The New York City member banks for the period ended Dec. 6 were larger purchasers of the outstanding Government issues, with additions to their portfolio aggregating $1,125,000,000. . . . The largest increase took place in the notes, which amounted to $465,000,000 and reflected the exchange of maturing certificate for the 0.90% notes. . . . Bills brought back by the banks totalled $174,000,000, while certificates were up $154,000,000 and bonds increased by $332,000,000. . . .

CALLED 4s FAVORED

It was reported that a large part of the increase in last week's holdings of bonds by these institutions was in the called 4s. . . . It is indicated that these banks will turn in the called bonds, principally for the 2% due 12-15-52/54. . . . Since the beginning of the Sixth War Loan member banks in New York City have added to their holdings of Governments in the amount of $1,250,000,000, of which more than 51% have been bonds. . . .

The Chicago member banks during this period have bought Governments to the extent of $426,000,000 with the largest increase taking place in notes, which were 45% of all the securities acquired. . . .

Loans to brokers and dealers, together with other loans for purchasing or carrying Governments since the drive started, have amounted to $658,000,000 for the New York City member banks, while the Chicago institutions have made loans for this purpose totaling $143,000,000. . . .

IMPORTANT IN DRIVE

Since the Sixth War Loan opened these banks together have bought Governments or made loans for the purchasing or carrying of Government obligations in the substantial amount of $2,477,000,000. . . . These figures indicate that during the early part of the drive the member banks in the Central Reserve Cities of New York and Chicago have been very important, in an indirect way, in making the drive a success. . . .

The Federal Reserve Banks since the beginning of the Sixth War Loan have shown only minor changes in their holdings of Governments. The only exception being the notes, which increased by $431,750,000, indicating that the central banks also converted maturing certificates into the 0.90% notes. . . . Bill holdings during this period have declined slightly less than $15,000,000 with certificates off less than $49,000,000. . . . Their position in Government bonds is unchanged. . . .

FUTURE PATTERN

The differential between high-grade corporate obligations and Government bonds is expected to widen, but according to experts on the money markets it will not be at the expense of the corporate issues. . . . The opinion is now held by many that interest rates will go lower in the future, and with fewer Governments being offered the yield on these obligations is expected to decline. . . . On the other hand, the yield on high-grade corporates is expected to remain where it is now or decline only slightly. . . .

With the yield on Governments declining while the return on corporates remain stable, the gap between these two securities will be increased in favor of the Treasuries. . . .

This idea seems to indicate stable to somewhat higher levels for high-grade corporates. . . . Based on this opinion, it was reported that certain institutions and trust companies have recently been buyers of the newly refunded high-grade corporate issues. . . . Several of these bonds that went only fair, when they were offered, have recently moved up in price and are now selling at a premium above the issue price.

Investment Survey

The Value Line, 350 Madison Ave., New York 17, N. Y., is making a special trial offer under which a four weeks' trial subscription to the Value Line Investment Survey will include the following analyses: A new Special Situations recommendation for this week and a report on 50 special situations previously recommended; four weekly editions of Value Line Ratings and Reports on 200 leading common stocks; the supervised account, and fortnightly letters, all for only $5. The offer is restricted to one trial subscription a year. To receive it, send $5 to the Value Line.

William Raymond Dies

William Raymond, member of the New York Stock Exchange and partner in the brokerage firm of Chauncey & Co., New York City, died at his home at the age of 73.

Interesting Speculation

Link, Gorman & Co., Inc., 208 South La Salle Street, Chicago, Ill., have an interesting analysis of the current situation in Merchants Distilling Corp., common stock. Copies of this study may be had from the firm upon request.

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