A Very Merry Christmas

Final Edition

In 2 Sections—Section 1

DEC 26 1944

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 160 Number 4344 New York, N. Y., Thursday, December 21, 1944 Price 60 Cents a Copy

Principles of Treasury Borrowing

Secretary of the Treasury Henry Morgenthau, Jr., in an article prepared for the 1944 edition of the Army and Navy Journal's Annual, entitled "United States at War" outlines the Treasury's fiscal policy in relation to maintaining economic stability at home, while supplying the men on the fighting lines.

Sec. Morgenthau

Mr. Morgenthau begins his statement by remarking that "Wars, now as always, are won on battlefields. But in modern war the home front is intimately involved. Economic stability at home is an absolute requisite of victory. Without it, it is impossible to maintain the vast and complex flow of supplies to the men on the fighting lines."

Continuing, he writes: "The problem which has confronted us at home has been how to maintain economic stability while half of the country's total production was being sent to war. We knew this meant that if price stability was to be maintained then approximately half of the purchas-

(Continued on page 2721)

Index of Regular Features on page 2735.

Post-War Jobs, Taxes and Debt

By SUMNER H. SLICHTER*

Lamont Professor, Harvard University

Harvard Economist Predicts That Consumer Spending and New Capital Outlays Will Largely Absorb Reduced Government Post-War Buying. Looks for an Aggregate Demand for Goods by People and Government of Around $160 Billions or $4 Billions More Than Present American Industrial Capacity and Assuming a Post-War Government Budget of $20 Billions, Concludes That If Tax System Does Not Discourage Enterprise and Venture Capital and That If All Elements in Our Economy Strive for the Largest Possible Payrolls, the Necessary Revenues Can Be Obtained. Urges Tax Relief for Business.

I

The Federal Government is now spending about 90 billion dollars a year. At the end of the Japanese war expenditures will probably be at the rate of 65 billion to 70 billion dollars a year. Within two years after the war its expenditures will drop to 25 billion dollars a year. This will be the greatest and swiftest disappearance of markets in history.

Prof. S. H. Slichter

With the government rapidly withdrawing from the market, is there any chance that enough jobs can be found for returning servicemen and dismissed war workers? Can private spending possibly rise fast enough to offset the drop in public spending?

Two facts stand out conspicu-

*An address by Professor Slichter at the meeting of the American Pharmaceutical Manufacturers' Association at the Waldorf-Astoria Hotel, Dec. 12, 1944.

(Continued on page 2722)

Financing Small Business

By FERDINAND EBERSTADT*

Partner of F. Eberstadt & Co., Investment Bankers

Former Vice-Chairman of the War Production Board

Asserting That Small Business Normally Constitutes More Than One-Third of Our Commerce and Industry and, When the War Is Over, This Class of Enterprise Will Be Particularly in Need of Capital and Credit, Mr. Eberstadt Proposes the Formation of Local Investment Companies or Pools to Supply, With Government Assistance, These Needs. He Suggests That Junior Capital Be Obtained Through Local Institutions and Citizens, and That Additional Funds or Credit Be Acquired From the RFC Through Preferred Stock and Through Guaranteed Loans. Holds Wall Street Is Not Suitable for Small Business Financing.

Winning this tragic war and building a lasting peace thereafter are the two most vital tasks before us. We cannot all participate actively in the former but all of us can think about, plan for and aid to some degree, in producing conditions conducive to the latter. One of these conditions is economic good health, here and abroad. Essential to economic good health here are adequate local capital and credit facilities for small businesses and new enterprises. There

Ferdinand Eberstadt

*An address by Mr. Eberstadt before the National Association of Securities Commissioners, St. Louis, Mo., Dec. 12, 1944.

(Continued on page 2728)

International Inflation

By MELCHIOR PALYI

Chicago Economist Classifies Inflation As (1) Gold Inflation; (2) Runaway Paper Money Inflation, and (3) "Controlled" Fiat Money Inflation. Says Gold Inflation Corrects Itself Automatically, but That Fiat Money Inflation Can Be Stopped Only by Budget Balancing and Freezing of Excess Purchasing Power. Explains Belgium's Recent Deflation Efforts and Predicts Greater Difficulties in Checking Inflation Than After Last War. Considers Bretton Woods Agreements Dead and Looks for Widespread International Debt Cancellations and Defaults. As Well As Re-export of U. S. Capital After Stabilization Takes Place.

Dr. Melchior Palyi

Classifying Inflations

The monetary inflation that sweeps the entire planet may be classified in three major categories:

1. Gold inflation, in some cases (Sweden, Portugal, Argentina—not Switzerland) enhanced by commercial credit expansion, is in process in most quasi-belligerent and neutral countries. Their monetary "gold" increase includes newly earmarked gold in New York and fresh balances there as well as in London. Even if their budgets are unbalanced, very little fiat money is being put in circulation since they finance their deficits largely

(Continued on page 2734)

Taxes Vs. Customers and Jobs

By ENDERS M. VOORHEES*

Chairman Finance Committee, United States Steel Corporation

Warning of the Delusion of Accepting Mathematical Abstractions as Tax Plans, Mr. Voorhees Contends That the Present Corporate Income Tax Is Destructive to Moral Integrity, Because It Leads to Evasions; That It Increases Prices to Consumers; That It Discriminates Against Low Cost and Efficient Producers in Favor of Inefficient Competitors; and That It Impedes Investment in New Enterprises and Retards Their Growth. Asks for a New Tax Set-Up Based on Experience, and Not Designed to Exempt Any Group or to Penalize Others and One Which Considers What Part of Our Goods and Services Can Be Turned Over to Government and Still Leave Us Able to Promote Real Human Progress.

The air is full of tax plans and tax laments. I have no new plan to offer. I feel almost naked as I inform you of this and also say that I shall not even ask you to join me in a half-hour of weeping. I see no point in trying to set myself up as a prophet or as a mourner. It seems to me that I can best acknowledge the honor you have tendered me by not pretending to anything except the desire that we take the time allotted me to reason together from our experience on the changes being brought about in our nation by diverse taxes and by income taxes in particular. Then we can re-discover the fundamentals and use them as a yardstick to measure the tax proposals that have been made and those which will be made. If we have standards we shall not easily be deluded into accepting mathematical abstractions as tax plans and we shall not forget that at the end of every tax plan is a human being. And I need not remind you that human beings are not abstractions.

Enders M. Voorhees

Let me state our present situation another way. Recently one of our generals, coming in for a battle-front landing in France, turned to his pilot and said, "That was the smoothest landing I ever made." The pilot replied, "Sorry, General, we are not down yet—we are still 15 feet up." Our position is just that. Until we get all the way down to earth—to fundamentals—we should not say

*An address by Mr. Voorhees before the Illinois Manufacturers' Association, Chicago, Ill., Dec. 12, 1944.

(Continued on page 2726)

Merrill Lynch Firm to Admit Partners

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading national exchanges, will admit Gilbert Stanley to general partnership, and John F. Clark, Jr., Richard H. Gordon, Exchange member Florence B. Klingenstein, Leonard Marx, Ray T. Miller, John L. Patten and Gertrude B. Prins to limited partnership on Jan. 1.

Russell T. Stern of Chicago, a limited partner, will become a general partner effective Jan. 1.

Another Group of Opinions on Peacetime Training Proposal

Decision of the House Military Affairs Committee to consider early in January the program calling for a system of compulsory military training in peacetime lends additional significance to public discussion of the question at this time. It was with this thought in mind that the "Chronicle" decided to conduct a symposium on the question, the results of which have been appearing in our columns beginning with the issue of Nov. 23. We are able to accommodate today another group of the numerous expressions received and others will be given in subsequent issues consistent with space limitations.

V. H. ROSSETTI

President, The Farmers and Merchants National Bank of Los Angeles

V. H. Rossetti

Personally, I favor a reasonable compulsory military training in peacetime for America. I feel that it will do much good for our youth to have a little physical training and essential discipline.

HON. EARL R. LEWIS

Representative in Congress from Ohio

I am fearful that if we adopt such a system of compulsory military training we may be sowing the seeds of militarism in the United States, which I oppose. It strikes me that a much better system would be one in which military training is sought by our young boys attaining the age of 18 years under a system that would hold out to them some inducement to voluntarily take military training. It seems to me that the Government could well

Hon. Earl R. Lewis

(Continued on page 2730)

The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
William B. Dana Company
Publishers
25 Spruce Street, New York 8
BEekman 3-3341
Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, *President*
William D. Riggs, *Business Manager*

Thursday, December 21, 1944

Published twice a week
every Thursday
(general news and advertising issue)
and every Monday
(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.

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

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

The Code of the Securities Business

By EMIL SCHRAM*

President of the New York Stock Exchange

Speaking to Customers' Brokers, Mr. Schram Discusses the Code Adopted by These Men to Promote Just and Equitable Principles of Trade and to Protect the Public. States That the Most Effective Method of Protecting the Reputation of the Business Is to Stick Resolutely to the Principle That the Only True Basis in Judging Securities Values Is Authentic Information. Praises the Brokers for the Rule Discouraging Financial Transactions Not Commensurate With a Client's Resources and for Rigidly Adhering to the Regulations of the Stock Exchange and the Governmental Supervisory Agencies. Expresses Confidence in the Future of the Securities Business.


Emil Schram

During the three and a half years that I have been President of the Exchange, I have observed, with special interest and encouragement, the progress of your Association. I need not tell you that, as a first line of contact between the members and member firms that comprise the Exchange and the public which supports it, you occupy a position of great responsibility. It is no exaggeration to say that the reputation of the Exchange rests, to a large extent, in your hands.

You have adopted an admirable code of business conduct and I am going to examine that code, briefly, from the viewpoint of its application to our business and our problems. I know that you believe whole-heartedly in that code. It is built, of course, around the basic policy of the Exchange, "just and equitable principles of trade," which eloquently expresses the concept of a market place such as ours. Through your Association you have endeavored—with much success, I am happy to say—to maintain high professional standards. I want to commend you

*Informal remarks by Mr. Schram before the Association of Customers' Brokers in the Board of Governors Room, New York Stock Exchange, Dec. 12, 1944.

(Continued on page 2732)

W. Miller Jr. to Be W. E. Hutton Partner

William C. Miller Jr. will become a partner in W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading national Exchanges, as of Jan. 1. Mr. Miller has been associated with the firm for some time in charge of the statistical department.

Riter & Co. to Admit Feick and Harper

Riter & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Lewis W. Feick and J. Henry Harper to partnership in the firm on Jan. 1. Mr. Feick in the past was a partner in Riter & Co. Mr. Harper has been a partner in F. S. Smithers & Co.

Herbert Allen Heads Paralysis Fund Group

Herbert Allen of Allen & Co., 30 Broad Street, New York City, has accepted the chairmanship of the Unlisted Securities Division in the Commerce and Industry Division of the National Foundation for Infantile Paralysis Annual Fund Appeal.

Mr. Allen will be assisted in this work by his co-chairman, Page Mason, also associated with the firm of Allen & Co.

Will Women Retain Jobs in Industry?

By L. H. BRADSHAW

Writer Argues That in View of Fact That Most Women Workers Have No Seniority Rights, They Will Be Largely Replaced by Returning Veterans. However, He Holds That Women Will Continue to Form a Substantial Portion of Industrial Workers, Since Developments During the War Have Resulted in Their Becoming Entrenched in Industry.

Paramount among the problems facing America is the probable extent of unemployment during the reconversion period and the degree of full employment that can be achieved in the post-war period. Linked to this problem is the question of its possible aggravation in the increased number of women workers as a result of the war.


L. H. Bradshaw

Authorities agree that a material degree of unemployment is inevitable during the transition period from war to peace production. Estimates of post-war unemployment vary widely, ranging from the optimistic one that because of peacetime prosperity there will be little increase, to the pessimistic one that there may be a peak of 20 millions idle.

What Is Full Employment?

From a total unemployed of approximately 9 millions in 1940 there has been a reduction to less than 1 million at present, due, of course, to the stimulus of war production. Normally about 2½ millions are chronically unemployed on account of changes in jobs, shifts in population, illness and varying degrees of incompetence.

There are now a little more than 53 millions employed, approximately 35 million men and 18 million women. But in addition there are nearly 12 millions in the armed services, and it is their prospective return to the labor market, combined with the inevitable decline in war produc-

(Continued on page 2720)

Prospects For a Post-War Agricultural Collapse

By THEODORE W. SCHULTZ*

Professor of Agricultural Economics, University of Chicago

Twice during the course of the last three decades American agriculture has been called upon to produce a large, additional amount of food for our Allies whose normal supply lines were disrupted by war. Twice American agriculture has responded, increasing its output of food 15% during World War I, and 30% during this war. Twice our agriculture has prospered while the wartime demands lasted. We are now confronted by the question: Will this parallelism between the two wars also assert itself after this war in an agricultural collapse? After World War I, when the supply lines for food of our Allies had been restored, the demand for American food dropped and agriculture experienced a collapse from which it had not fully recovered during the inter-war period. Are we likely to have a repetition on the agricultural front of the 'twenties and 'thirties? Will this nation again find it


T. W. Schultz

*An address by Prof. Schultz before the Citizens' Board of the University of Chicago, Oct. 27, 1944.

(Continued on page 2724)

Advocate Reparations

Institute of International Finance Argues That Without Enforcement of Reparations, Aggressors Will Have Post-War Economic Advantages Over Despoiled Nations.

A bulletin of the Institute of Finance of New York University, recently issued by Dean John T. Madden, its Director, entitled "The Problem of Reparations," strongly advocates making aggressors pay for damage inflicted on occupied countries, and asserts that unless this is done the menace of Germany as a potential aggressor will continue irrespective of the nature of any peace treaty.


Dean J. T. Madden

The object of reparations at the end of the present war, it is argued, should be (1) to make the aggressors pay to the fullest possible extent, as determined by experts, for the damage inflicted on the occupied countries; (2) to prevent Germany from obtaining a starting advantage over the victimized nations in production, export markets, and raising the standard of living; and (3) to prevent Germany from enjoying a population advantage over the occupied countries during the next 20 to 30 years, which would enable her to embark on another war within less than the twenty years which elapsed between the two world wars. Unless these aims are fully achieved the menace of Germany as a potential aggressor will continue irrespective of what the political provisions of the treaty of peace may be.

According to the bulletin, the demand for reparations is based on the legal principle that a country responsible for war is liable to make restitution of seized property and to compensate for losses, damages, and injuries wantonly inflicted upon other countries. The destruction wrought by the Axis powers and their satellites during the present war surpasses anything that was witnessed during the last war. In many instances the devastation was deliberate and not necessitated by military operations. It was intended to weaken the conquered and occupied countries to a point where they would be unable to free themselves from German military, political, and economic domination. It was the predetermined policy of Germany to concentrate all the heavy industry of Continental Europe within the borders of the Reich and to render the economies of the other countries, including the satellites, dependent on German industries for the bulk of manufactured products.

In executing the policy of undermining the economies of the conquered and occupied countries Germany went beyond the mere destruction of property and removal of plant and equipment. It soon became evident that the treatment meted out by the German authorities to the inhabitants of the conquered countries, particularly in the East, was devised to reduce the population so that, regardless of the outcome of the war, Germany would have an advantage in the size and average age of the population 20 or 30 years from now. In order to achieve this objective the German authorities transferred millions of men from Russia, Poland, France, and the other conquered countries to the Reich, where they are forced to perform slave labor. In addition several million war prisoners have been interned in Germany for three to five years. This resulted in a decrease in the natural birth rate of the affected territories. Furthermore, by robbing the occupied countries of food, medicines, and clothing they caused a sharp increase in the death rate, particularly of children. The German authorities have also murdered large numbers of civilians and prisoners of war, notably in Russia and Poland, in order to reduce permanently the rate of growth of population in non-German countries.

The above facts must be considered in determining the type and amount of reparations to be imposed on the Axis powers. The return to original owners of identifiable property of every kind, including works of art, rolling stock, securities, cash and gold looted, sequestrated or acquired through "German legal methods" by the would-be conquerors, must not be credited on reparations account. On the other hand, credit should be given on reparations ac-

(Continued on page 2716)

Reinhardt to Be Partner

W. E. Burnet & Co., 11 Wall St., New York City, members of the New York Stock and Curb Exchanges, will admit E. Allen Reinhardt to partnership in the firm as of Jan. 1.

Paul Cabot Director of J. P. Morgan Co.

At a regular meeting of the board of directors of J. P. Morgan & Co. Incorporated, 23 Wall St., N. Y. City, held Dec. 20, Paul C. Cabot of Boston was elected a member of the board.

Mr. Cabot holds the following positions at the present time: President of State Street Investment Corp.; partner of State Street Research & Management Co.; director of Tampa Electric Co.; trustee of Eastern Gas & Fuel Associates; director and member of Executive Committee of National Dairy Products Corp.

Mr. Cabot was born in 1898. He was graduated from Harvard in 1921. In 1924, with Richard C. Paine and Richard Saltonstall, he formed the State Street Investment Corp. For two and one-half years during the present war he was director of the Salvage Division of the War Production Board, and in that capacity had charge of nation-wide salvage activities.

Montgomery, Scott to Admit Three Partners

PHILADELPHIA, PA. — Montgomery, Scott & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges and other principal Exchanges, will admit William T. Carter II, Edwin George Thomas and William Coxe Wright to partnership as of Jan. 1. Mr. Carter, who in the past was a partner in the firm, and Mr. Wright will make their headquarters at the firm's Philadelphia office. Mr. Thomas, who was a partner in Stevenson & Bartram, will be located in New York.

A. G. Edwards & Sons to Admit Redman, Peper

ST. LOUIS, MO.—A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and St. Louis Stock Exchanges and other leading Exchanges, will admit W. Guy Redman to general partnership and Christian B. Peper to limited partnership, effective Jan. 1. Mr. Redman has been with the firm for some years.

Can America Buy Its Own Post-War Products?

By HAROLD C. BAILEY

Investment Analyst, Coburn & Middlebrook, Hartford, Conn.

Writer Foresees in Large Personal Bank Balances and Other Forms of Personal Savings a Large Reservoir of Purchasing Power. Without Ignoring the Inflationary Possibilities Present in the Situation, He Holds That the Best Hope for a Period of Sustained Prosperity After the War Lies in an Orderly, Gradual and Moderate Advance of the Price Level.

Much of the prevalent uncertainty about the shape of things to come might be resolved if we had a clearer view of the post-war purchasing power of the American consumer. The controversy between the Cassandra's of deflation and the prophets of inflation waxes ever hotter without very much of an effort to analyze such data as we have bearing on the problem.

Harold C. Bailey

When the case is stated in its simplest terms we all know that, given a certain price-level and a certain volume of goods and services, too much purchasing power or too little purchasing power bring in their train distorted price structures and disequilibrium that in the end cause the economic system's functioning to breakdown. Only if we have approximately the adequate volume of purchasing power to move goods off the shelves promptly at prices not too sharply fluctuating in either direction can we have post-war prosperity. Is there any reliable means of measuring, however roughly, this unknown?

Repeated references have been made to the estimated $100 billion of wartime savings, to the $21.7 billion of currency outside the banking system and to the $64.2 billion of demand deposits as factors that of themselves virtually guarantee an effective post-war demand. But such totals actually signify hardly anything. Indeed, money (deposits subject to check and currency in circulation) may not constitute demand for goods at all. All money held as a store of value, currency in mattresses and safe-deposit boxes and the minimum working balances of a deposit account, exert no influence whatever upon the volume of goods and services produced and distributed. It is only active money, the money checked out in payment of the monthly bills and the cash passed across

(Continued on page 2732)

Public Utility Securities

United Gas and Electric P. & L.

United Gas Corporation's recapitalization program, in progress for several years, was approved by the SEC utilities division June 28, by the Commission itself Sept. 8, and by the Federal District Court Nov. 20. Despite the fact that Mr. Samuel Okin (Electric Bond & Share stockholder) tried to obstruct the plan by court appeals, the company proceeded to sell $100,000,000 new 3% bonds on Nov. 28. Sale had been previously arranged to a group of institutions by Dillon, Read & Co., as agent for the company.

Simultaneously with delivery of the bonds, United Gas paid to Electric Bond & Share $44,000,000 cash in exchange for all of the latter's security holdings in United Gas (totaling about $53,000,000). The third step was for United Gas to redeem at 110 (plus remaining dividend arrears of $5.17) all its first preferred stock.

Finally, United Gas' relations with Electric Power & Light, its parent, were adjusted by giving that company approximately 95% of the new common stock issue of 10,653,302 shares ($10 par); and Electric Power & Light surrendered for cancellation United Gas' entire issue of $7 second preferred stock (with large arrears) together with substantial amounts of the old common stock and warrants. Public holdings of the old $1 par common stock were exchangeable under the plan for the new $10 par stock in the ratio of 6-for-1 (through the Chase Bank, at 11 Broad St.). The new common, traded on the New York Curb Exchange, is currently selling at 10¼ (range 10⅞-8⅞).

In the 12 months ended Aug. 1, 1944, United Gas reported net income of $7,360,092. Interest savings are estimated roughly at about $800,000. It is difficult to adjust taxes to the pro forma basis, but share earnings on the new common appear to work out at about 70-75¢. Thus the new common stock is selling at about 14 times earnings, which appears to be slightly above the general average for natural gas stocks.

A heavy sinking fund has been set up on the new bonds, equivalent, it is estimated, to nearly 40¢ a share. If this should be considered as a claim on earnings ahead of dividends, only about 30-35¢ might be available for payment to stockholders, which would make the yield on the current price only about half that of the average gas stock. However, United Gas' charges for retirements and depletion in the 12 months ended Aug. 31, were equivalent to about $1.10 a share on the new common stock, and it is possible that, considering the very strong cash position, cash saved through depletion charges might be applied to sinking fund requirements. In that event, a more generous dividend policy might be adopted.

Electric Power & Light should now be in a position to expedite its own plans. Both American Power & Light and Electric Power & Light have appealed to the Supreme Court against the SEC "death sentences," but it now appears a little doubtful whether these cases will be heard. Hence, it seems possible that EL may present a recapitalization plan to the SEC within the next few weeks or months.

During 1944 EL has made considerable progress toward streamlining subsidiaries—settling questions of plant account readjustment, refunding bonds, etc. Geographical requirements of Section 11 of the Utility Act will require disposing of the small equity interest in Utah Power & Light, but this will probably have to await recapitalization of Utah with a single class of common stock. Another "outlying" property, Idaho Power, has been sold.

The company's other electric properties are in Texas, Arkansas, Louisiana and Mississippi. It has been surmised in the past that two of these properties (Dallas Power & Light and Dallas Railway & Terminal) might be sold, since EL will probably need more cash to complete the retirement of its bonds, but it was recently announced that preliminary plans were being discussed for a consolidation of these properties with three Texas subsidiaries of American P. & L.

It seems possible that the SEC will require EL to dispose of United Gas (unless the company should prefer to dispose of all its electric interests, which appears unlikely). It has been rumored that the new United Gas common held by EL might be distributed to its preferred stockholders. Assuming that the small issue of second preferred stock should receive an equal amount with the two issues of first preferred, approximately 12 shares of United Gas, with a total market value of about $123, could thus be given to each share of EL preferred. It seems unlikely that the first preferred stocks, with arrears of about $82 and $71, respectively, would be satisfied with such a distribution unless stocks of some of the electric companies were also distributed. It is possible, however, that this could be worked out by allocating a substantial part of a new common stock issue to the preferred stocks (in addition to the United Gas distribution).

Obviously, there are a number of ways in which an integration plan can be worked out, and until the company and the SEC have arrived at some basis for a plan suggestions such as the above must be considered as merely speculative in character.

Nat'l Association of Securities Commissioners Hold Wartime Conference & 27th Annual Meet'g

The National Association of Securities Commissioners held its 27th annual meeting and wartime conference at the Statler Hotel, St. Louis, Mo., Dec. 12 and 13. Officers elected to serve during 1945 were:

President—Clarence H. Adams, Securities Commissioner, Hartford, Conn.

First Vice-President—J. Edwin Larson, State Treasurer, in charge of Securities Division, Florida.

Second Vice-President—John L. Carter, Securities Commissioner, Little Rock, Ark.

Treasurer—Harold Johnson, Bureau of Securities, Lincoln, Neb.

Secretary—Allan S. Richardson, Securities Commissioner, Denver, Colo., who was reelected.

Field Secretary—James F. Merkel, Chief of Securities Commission, Columbus, Ohio.

Among the speakers were:

John T. Callahan, Special Counsel for the Securities and Exchange Commission, who spoke on "Enforcement Problems of Mutual Interest to State and Federal Securities Commissions."

F. Eberstadt, F. Eberstadt & Co., New York, whose subject was "Post War Financing of Small Companies."

Robert K. McConnaughey, Commissioner of the SEC, on "Foreign Investment in the Post-War Period."

John W. Snyder, Vice-President of the First National Bank in St. Louis, on "Problems of War Surplus Disposal."

James A. Treanor, Jr., Director of the SEC, on "Some Current Problems of Federal Regulation."

Clark, Dodge Co. to Admit William Rex

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York and Boston Stock Exchanges, will admit William M. Rex to partnership in the firm as of Jan. 1. Mr. Rex has been with Clark, Dodge & Co. for some time as manager of the bond department.

L. A. Gibbs to Be Laird, Bissell Partner

Louis A. Gibbs, manager of the trading department of Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, will be admitted to partnership in the firm as of Jan. 1, 1945.

Pollock Organizes Own Firm In N. Y.

Announcement is made of the formation of Wm. E. Pollock & Co., Inc., with offices at 20 Pine Street, New York City, to deal in U. S. Government securities and municipal bonds. Officers of the firm will be: William E. Pollock, President; Max E. Pollock, Executive Vice-President; H. Albert Ascher, Vice-President, and Theodore P. Dixon, Vice-President.

The Messrs. Pollock were formerly associated with Salomon Bros. & Hutzler, and more recently with Harvey Fisk & Sons Inc. H. Albert Ascher was formerly a partner of R. W. Pressprich & Co. and later managed the municipal bond department of Harvey Fisk & Sons, Inc. Theodore P. Dixon was with Swiss-American Corp. and Goldman Sachs & Co.

Formation of Wm. E. Pollock & Co., Inc., was previously reported in the "Financial Chronicle" of Dec. 14.

Kidder, Peabody Leads in War Bond Drive

For the third successive War Bond Drive, Kidder, Peabody & Co., 17 Wall Street, New York, has come out ahead of all the other 451 New York security houses in number of subscriptions received. In the Sixth War Loan Kidder, Peabody & Co., New York, turned in 3,030 subscriptions with a principal amount of $10,500,000. For number of subscriptions, this is a new all-time security house record. In view of the Treasury Department's desire to place emphasis on the sale of U. S. savings bonds to individuals this record is important in that the majority of these sales are series E bonds to individuals.

The Boston office of Kidder Peabody & Co. in the Sixth War Loan Drive has again led all security houses in the Boston area, turning in 2,447 subscriptions with a principal amount of $6,634,775. In the Fifth War Loan Drive, Kidder, Peabody, Boston led all the security houses in the country with subscriptions of 2,759. This time Kidder, Peabody New York, takes the lead with the new record of 3,030 subscriptions

Situations Of Interest

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

Tomorrow's Markets Walter Whyte Says—

Temporary top signs increasing, though no sharp reaction indicated. Utilities are starting to flash "up" signals which may be result of end of tax selling.

By WALTER WHYTE

Last week's market was given over to a lot of milling around. There was a lot of thunder, even some lightening, but the indicated action that all the noise promised, never materialized.

* * *

This kind of action is in line with the thought expressed here last week that once the much heralded 150-152 level was penetrated the move which everybody was waiting for and fully expected, would not occur. This doesn't mean that it won't happen. But so long as majority opinion has it that the move is right around the corner, the chances are the wait will be longer than most people think.

* * *

A postponement of an indicated move, however, has within it the seeds of reaction. Mass psychology seldom keeps an even keel. It usually veers from one extreme to the other. A swing in the pendulum in one direction is usually counterbalanced by an equal swing in the other direction. A few weeks ago the 150-152 was the Siegfried Wall. Once that was breached it would be smooth sailing. That was the majority opinion in Wall Street.

* * *

You may recall the statement made here that instead of the easy travelling this breaching of the level would indicate, the chances were that market would go into dullness so far as further progress was concerned. So what you see now should not come as a surprise. But all that has little to do with individual stocks.

* * *

Two weeks ago this column recommended certain stocks

(Continued on page 2733)

What's Ahead for the Railroads?

By ROBERT S. HENRY*

Assistant to the President, Association of American Railroads

Stressing the War-Time Accomplishments of the Railroads as Proof That Railroad Evolution Will Continue and That Given Sufficient Traffic They Can Operate With Increasing Economies Under Continuous Technological Improvements, Mr. Henry Points Out the Competitive Discrimination Which Makes the Acquisition of Additional Capital by the Railroad Difficult, and Which Places Obstacles in Their Progress. Urges a Policy of Treating All Forms of Transportation Alike, Particularly in Matters of Investment, Government Support and Taxation, and He Contrasts the Present Policy of a Selfsustaining Business Enterprise as Applied to Railroads With the Opposite Policy of a Governmental Dependent Activity as Applied to Other Transportation Facilities.

What's ahead for the railroads?

If the answer to that question could be confined to the physical railroad itself—the road of rails, the trains of cars which run upon it, the locomotive power which pulls them—it would not be difficult to make.

Robert S Henry

Railroad evolution will continue. The tremendous technological progress of the past points the way to the accelerated advances of the future toward a still more dependable and efficient performance of that mass transportation of goods and persons in long trains of cars pulled by a unit of locomotive power upon steel rails which is, and will continue to be, the cornerstone and foundation of commerce and industry on this continent.

The total inter-city movement of commerce of all kinds in the United States this year will be above a trillion—that is, 1,000 billion—ton-miles. Of this truly stupendous movement, the railroads will perform nearly three-fourths, or in the neighborhood of 750 billion ton-miles, leaving the balance to be done by the Great Lakes boats, the pipelines, the inter-city motor trucks, both public and private, and the inland waterways, in that order of volume.

The railroads' part—equivalent to moving 1,500,000,000 tons of freight an average distance of 500 miles—is considerably more than twice the rail freight movement of five years ago and almost twice that of 1918, the peak year of the first World War.

At the same time, the railroads in 1944 will do a passenger job equivalent to carrying almost one billion passengers for an average journey of 100 miles—four and one-half times the 1939 load and considerably more than double that of 1918.

The railroads are handling this more than doubled load with virtually the same number of locomotives and passenger cars they had in 1939, and with hardly more than a nominal increase in the number of freight cars. As compared with 1918, they are doing twice the job with almost one-third fewer locomotives, one-fourth fewer cars and 500,000 fewer men.

These facts are mentioned here because of their direct bearing upon the future of the railroads. They point the way of progress for the future, along the same lines which in the past twenty-five years have doubled the output of transportation per car per day, more than doubled the output of service of the average freight train per hour, and increased the transportation output for each dollar invested in railroad plant and equipment by more than one-third. They constitute the record which shows what railroad trains on tracks mean to this nation and what they can do when the work is there for them.

But they do not answer the whole question as to the outlook for the railroads, for, in addition to their physical operations, railroads in America—unlike those in most other countries—are a business, the product of business enterprise, run on business principles, subject to the same hazards as other self-supporting taxpaying business, and, in addition, subject to peculiar and special difficulties and uncertainties of their own.

Railroading is a volume business. Given sufficient volume of traffic, it can overcome most difficulties and surmount most obstacles. That has been the history of the business—to meet rising costs, mounting wages and multiplying taxes by spreading these costs thinner and thinner over a larger volume of traffic, with the increased efficiencies which such a volume of traffic makes possible.

A century ago, when a dollar a day was good wages, and other costs were in proportion, railroad freight charges averaged, as nearly as can now be determined, about seven cents for hauling a ton of freight a mile. High as that may seem to us now, it was marvelously cheap as compared with costs by earlier forms of transport, but three-quarters of a century ago that figure had been cut roughly in half, to about three cents per ton per mile. Today, and for some years past, the average revenue received by the railroads has been below one cent for hauling a ton one mile—with wages averaging nearly a dollar an hour, instead of a dollar a day, and other items of costs, especially

(Continued on page 2729)

*An address made by Mr. Henry before the Commerce and Industry Association of New York, Dec. 5, 1944.

Railroad Securities

With the successful conclusion of the Sixth War Loan drive last week the attention of the country's financial interests has again turned to corporate financing. For the most part the new issues expected in coming months will be for refunding purposes—very little call for new-money financing is in prospect over the near future. However, with industrial public utility, and railroad managements all bending every effort to take fullest advantage of present investment markets by reducing their interest costs there is plenty of business in sight. It is generally expected that corporate financing between the Sixth and Seventh War Loans may reach $1,000,000,000.

As in the period between the Fifth and Sixth War Loan drives, the railroads will again be prominent among the new offerings. By the time this article is in print the first of the expected rail offerings will already have been made; the $42,000,000 Nickel Plate issue. This one is being watched with particular interest because of the rather checkered career of the road. There have been many times in the past decade when the collective investment mind, as reflected in price levels, gave the road little chance to survive without reorganization. In fact, it was not many years ago when the company took advantage of the grace period for payment of interest on the junior, refunding mortgage bonds. At that time it was not a question as to the ability of the company to support its interest charges, it was a question of arranging an extension of the maturity of the unsecured 6s. The latter bonds have since been paid off at par.

The ability of Nickel Plate to effect a low coupon refunding attests not only the generally improved investment sentiment towards railroad securities as a whole but also the substantial progress made by the individual road in the last few years. On the basis of the debt retirement it has accomplished and the financial gains it has made, the road can not by any stretch of the imagination any longer be considered as still being in the so-called marginal group of carriers. Just as surely as Great Northern, Nickel Plate has fully rehabilitated its credit.

The only other railroad issue definitely scheduled at the time of this writing is the Louisville & Nashville first and refunding mortgage offering on which bids have been requested for Jan. 4. On this issue the coupon rate is specificied at 3⅜% and the proceeds will be utilized to redeem a like amount of the 4s, 4½s and 5s No reduction in the principal amount of debt outstanding is being made in this refunding operation as the company has concentrated its debt reduction energies on the shorter-term series of the senior, unified mortgage bonds.

While these two are the only definitely scheduled offerings in the rail field, there are many more in prospect early in 1945. Pere Marquette a few weeks ago announced its intention of refunding the roughly $30,000,000 of first mortgage 4s and 5s, 1956. Wabash has not completely dropped the idea of refunding the $47,000,000 of first 4s despite the unsatisfactory bid received for the initial competitive offering. In the recently reorganized group, North Western appears definitely to have under consideration redemption of the $55,000,000 of first 4s through a lower coupon offering and it is possible that Erie will follow suit with its $74,300,000 of long 4s.

Western Pacific presumably will be in position almost immediately on consummation of its reorganization to get a more favorable interest rate on its $10,000,000 first 4s being sold to the RFC. If Erie, North Western, Wabash and Western Pacific, can all, so quickly after reorganization, refund with better than a 4% coupon, it might be advisable for the ICC to give consideration to providing lower coupons initially on new reorganization first mortgage bonds, thus allowing some broadening of the capitalization without any increase in the proposed fixed charges.

In addition to the above, there has been considerable talk recently of the possibility of refunding the $66,000,000 of Chesapeake & Ohio 3½s. All in all then, there are railroad offerings of at least $324,000,000 definitely in sight within the near future and it might well run closer to $400,000,000 before the next bond drive.

Herbert Todd Opening Own Office in Indianapolis

INDIANAPOLIS, IND.—Herbert Todd is engaging in a securities business as an individual dealer from offices at 106 East Market Street. Mr. Todd has recently been associated with Newton Todd. In the past he was in business for himself.

Broadcast on Christmas Eve Planned By President

President Roosevelt will make his usual Christmas Eve radio address at 5:15 P.M. (EWT) over all major networks.

The White House did not say from where he will speak, said the Associated Press on Dec. 19, which added:

"Last year, reporting on the Cairo and Teheran war conferences with Prime Minister Churchill and Premier Stalin, he spoke from his home at Hyde Park, N. Y.

"A national Christmas tree will be dedicated again this year on the south grounds of the White House. It will be decorated but not lighted."

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first article in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Ave., New York 1, N. Y.

Attractive Possibilities

Crompton & Knowles Loom Works common offers 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.

$42,000,000 Nickel Plate Bond Issue on Market

The New York, Chicago & St. Louis (Nickel Plate) RR. awarded on Dec. 19 an issue of $42,000,000 of refunding mortgage Series B bonds, due on Jan. 1, 1975, to an underwriting group headed by Halsey, Stuart & Co., Inc., on a competitive bid of 100.529 for a 3¾% coupon rate. Subject to the approval of the Interstate Commerce Commission, the underwriting group offered the bonds to the public Dec. 20 at 102 and interest.

The proceeds of the financing, which netted the company $42,222,180, will be applied to the retirement of $42,558,000 of existing obligations. These consist of $26,058,000 of Series A refunding 5½% bonds due in 1974, a $10,000,000 collateral note and $6,500,000 of Toledo, St. Louis & Western RR. first mortgage 4% bonds, due April 1, 1950.

The Nickel Plate announced that although the redemption date of the refunding 5½s and the Toledo, St. Louis & Western 4s are, respectively, April 1 and Oct. 1, 1945, holders of the bonds will be invited to tender them in advance of those dates. The holders of the refunding 5½s will receive a premium of 7½% and accrued interest to April 1. The holders of the Toledo, St. Louis & Western bonds will receive principal and accrued interest to Oct. 1.

Associated with Halsey, Stuart & Co., Inc., are: Bear, Stearns & Co.; Dick & Merle-Smith; Glore, Forgan & Co.; Ladenburg, Thalmann & Co.; L. F. Rothschild & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Hallgarten & Co.; Ira Haupt & Co.; R. W. Pressprich & Co.; Harris Hall & Co., Inc.; Whiting, Weeks & Stubbs; the Milwaukee Co.; Putnam & Co.; Burr & Co., Inc.; Graham, Parsons & Co.; Gregory & Son, Inc.; Kean Taylor & Co.; E. M. Newton & Co.; Almstedt Bros.; Ames, Emerich & Co., Inc.; Geo. G. Applegate; Atwill & Co.; A. E. Aub & Co.; Bankamerica Company; the Bankers Bond Co.; Barrow, Leary & Co.; Jack M. Bass & Co.; Baum, Bernheimer Company; Bioren & Co.; Wm. Blair & Co.; Bosworth, Chanute, Loughridge & Co.; Braun, Monroe & Co.; Brooke, Stokes & Co.; Brooke, Tindall & Co.; John B. Carroll & Co.; City Securities Corp.; Coburn & Middlebrook; Cohu & Torrey; Courts & Co.; Cruttenden & Co.; Dallas Union Trust Co.; R. L. Day & Co.; Dempsey & Co.; Clement A. Evans & Co., Inc.; The First Cleveland Corporation; Green, Ellis & Anderson; Heller, Bruce & Co.; Hill & Co.; Hirsch, Lilienthal & Co.; Kalman & Co.; A. M. Kidder & Co.; Laird, Bissell & Meeds; Lehman Brothers; Loewi & Co.; McMaster, Hutchinson & Co.; Martin, Burns & Corbett, Inc.; Marx & Co.; Mason-Hogan, Inc.; Mason, Moran & Co.; A. E. Masten & Co.; Morris Mather & Co.; William J. Mericka & Co., Inc.; Metropolitan St. Louis Co.; E. W. & R. C. Miller; Minsch, Monell & Co.; Moore, Leonard & Lynch; Moors & Cabot; Mullaney, Ross & Co.; Nashville Securities Co.; Newburger & Hano; Norris & Hirschberg, Inc.; Alfred O'Gara & Co.; Patterson, Copeland & Kendall, Inc.; Peters, Writer & Christensen, Inc.; Riter & Co.; the Robinson-Humphrey Co.; Charles W. Scranton & Co.; Schwabacher & Co.; Sills, Minton & Co., Inc.; Starkweather & Co.; Walter Stokes & Co.; Swiss-American Corp.; Thomas & Co.; E. W. Thomas & Co.; Townsend, Dabney & Tyson; Washburn Company; White, Hattier & Sanford; Harold E. Wood & Co.; Wurts, Dulles & Co.; Wyatt, Neal & Waggoner, and F. S. Yantis & Co., Inc.

Real Estate Securities

Retrospect

As the year of 1944 is drawing to a close, we thought it might be interesting to review the suggestions of this column for previous years and check the results.

At the end of 1942, only two years ago, we suggested several hotel bonds. The result seems very satisfactory indeed, judging by the following comparison in prices:

Hotel—	Dec., '42	Dec., '44	Change
Governor Clinton	23	59	+46
Lexington	52	92	+40
Park Central	24	66	+42
St. George	42	66	+24
Savoy Plaza	9	60	+51
Sherry Netherlands	10	48	+38
Waldorf Astoria	4½	56	+51½

At the end of 1943, only one year ago, we suggested that office buildings in the New York financial district were underpriced, and the results are equally satisfactory:

Building—	Dec., '43	Dec., '44	Change
40 Wall	21½	50	+28½
50 Broadway	18	35	+17
61 Broadway	24	43	+19
165 Broadway	29½	44½	+15
Harriman	23	45½	+22½

Regarding the future of hotel securities, it is our thought that post-war this type of real estate will continue to enjoy good business for at least two or three years post-war. New York City as a shipping center and consumer goods manufacturing center will be the necessary place for buyers to locate in order to replenish much depleted stocks. Lack of housing facilities and returning soldiers will necessitate temporary residence in hotels until more housing is constructed.

Regarding the future of office buildings, we also feel continued commitment in this type of security is warranted. It is true that vacating of Government space may throw considerable space on the market. We are inclined to believe, however, that expanding business post-war will absorb this space. Rent ceilings on office buildings we think is inevitable. However, we believe that legislation for these ceilings will be enacted in the State rather than by Congress. Inasmuch as the large boosts in rent recently were promulgated by loft buildings rather than office buildings, we are not too much worried by a roll-back in office rents.

Regarding the overall picture in real estate bonds, we feel that as a class prices should go higher because of the better yields afforded by them compared to industrial, railroad and utility bonds. Even with the large increase of prices, yields of from 7% to 10% are available. In checking, we find that many new investors in real estate bonds are willing to accept a 5% yield providing they have confidence in the issue. What a difference this may mean price-wise, might be visualized for instance in the 165 Broadway issue. Currently selling at 45½, they offer a 10% yield. If these bonds were to sell at a 5% yield they would sell at 90. (*Note—We have only used this issue as an example and do not mean to infer that this bond will sell at 90. Currently selling at 45½ and just barely earnings its interest, we think the investor is entitled to a high yield to compensate for his risk. However, there are many issues that may be selected that are in a more favorable position.*)

Goodbody & Co. Will Admit Paidar, Others

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, and other leading exchanges, will admit Leonard J. Paidar to general partnership, and Joseph P. Fell, Agnes E. Goodbody, Nellie J. Goodbody and James A. Hetherington II, member of the New York Stock Exchange, to limited partnership in the firm as of Jan. 1.

Mr. Paidar will make his headquarters at the firm's Chicago office, 105 West Adams Street. He was formerly with Harris, Upham & Co.

Murray McConnel to Be Hayden Stone Partner

Murray McConnel will be admitted to partnership in Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1. Mr. McConnel was formerly First Vice-President of J. G. White & Co., Inc.

Speculative Potentialities

"MOP" general 4s of 1975 offers interesting speculative potentialities, according to a circular issued by McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange. Copies of this circular may be had from the firm upon request.

Steel Industry Interesting

Recent developments affecting the steel industry and its equities are contained in an interesting memorandum being distributed by Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies may be had from the firm upon request.

Municipal News & Notes

The tendency of some municipalities to anticipate future financing needs by issuing bonds now to cover the cost of post-war projects and improvements has been discussed in this space on several recent occasions. This practice, it was noted, stems from the admittedly laudable desire to take advantage of existing favorable market conditions and, at the same time, protect themselves from a possible rise in interest rates at some future date. As the bond issue proceeds are usually invested in Treasury obligations of short duration, this appears to be an additional attraction to local governments, as the income thus assured serves to offset in whole, or in part, usually the latter, the interest cost on their own obligations.

In effect, the plan appears exceptionally attractive and seemingly devoid of any imperfections. That this is by no means entirely true is clearly indicated by C. C. Ludwig, Executive Secretary of the League of Minnesota Municipalities, who discusses the subject in the November issue of "Municipal Finance," the official organ of the Municipal Finance Officers' Association of the United States and Canada.

This plan of financing, as Mr. Ludwig states, may actually be "too attractive" for the ultimate good of local communities and should "be used guardedly" by public bodies. Not the least of its obvious dangers, the municipal official observes, is that some cities, motivated by the desire to "cash in" on existing low interest rates and thereby hedge against a possible rise, may be inclined to commit themselves prematurely to capital outlays. In addition, the apparent advantages may encourage public bodies to foresake the sound "pay-as-you-go" principle in favor of the much less arduous course of relying increasingly on the use of borrowing authority to provide for governmental outlays.

As a matter of fact, it is more than possible that the ability of borrowers to immediately reinvest proceeds of bond issues in Treasury obligations may result in their forgetting, at least for the moment, much more fundamental considerations.

Not the least of these, naturally, is that cost alone is not the sole yardstick by which value is measured.

This fact should be carefully considered by public bodies that feel it expedient to proceed now in issuing bonds for future capital needs. There is a real danger that cities may be thus inclined to give somewhat less than mature consideration to the economic value of contemplated projects.

They should also bear in mind that money borrowed must ultimately be repaid and that mortgaging the future can be a hazardous pre-occupation. Furthermore while an annual interest charge of say 2% may appear to be ridiculously cheap, municipalities would do well to remember that, spread over a period of years, the total requirements become quite formidable. Also, the interest item represents only a part of the obligation, as provision must also be made for retirement of the principal amount involved.

With regard to the policy of reinvesting bond issue proceeds in Treasury obligations, the article by Mr. Ludwig mentioned above, cited several illustrations. The Mankato School District, Minn., for example, marketed an issue of $1,100,000 1.40s earlier in the year and transferred the proceeds to ⅞% United States certificates of indebtedness. The City of Baltimore completely offset the carrying charges on recent award of $5,150,000 ⅞% bonds, having purchased in turn government obligations bearing the same rate.

"In the case of the Mankato school district," Mr. Ludwig said, "it is apparent that it is costing the district only ½% a year while it is waiting, and the directors undoubtedly feel that this would be more than offset if they had deferred their bond sale until after the war, with probably higher rates. In the case of the City of Baltimore, there is no loss involved."

Representatives of the Finance Officers' Association said that "there have been a few rare instances wherein cities have actually sold bond issues bearing a coupon rate lower than that carried by the United States bonds in which they invested the proceeds."

Sees Tax-Exempt Status Endangered

Mr. Ludwig warned that selling bonds now for post-war uses may encourage the government to do away with the tax-exempt status of municipal bonds. Another argument against the practice, he said, is that such sales can be regarded as competing with the war bond drives of the Federal Government. However, bond dealers and cities, he noted, have argued that such bond sales "make available for war effort moneys that would not be invested in war bonds."

Blair & Co. Report on Debt Reduction by Large Cities

A significant contribution to discussions concerning the probable volume of State and municipal financing in the post-war years is available in a study just issued by Blair & Co., Inc., New York City. The report analyzes the changes that have occurred in the debt position of the 91 cities (Washington, D. C., is excluded), with populations of 100,000 or more during the period 1935-1944. It also contains a wealth of other data usually contained in any comprehensive report on the financial standing of a given community.

Among the outstanding features of the survey is that bearing on the extent of reduction of indebtedness effected in the period reviewed by this major group of municipalities. Net direct debt of the group, according to the survey, is now 15.8% below the figure that prevailed in 1935. In respect to net and overlapping debt, a reduction of 18.3% is indicated.

The value of the findings contained in the survey insofar as they reflect basic trends is seen in the fact that the total debt of the 91 cities in question represents 73.1% of the aggregate debt of all cities, towns, villages and boroughs in the country, and 52.8% of the total public debt, exclusive of Federal and State obligations.

All but 10 of the 91 cities show reductions in net direct debt, the changes ranging from a decrease of 78.7% in one instance to an increase of 104.2% in another. Of perhaps more significance is the reductions achieved in the burden of net and overlapping indebtednes, thes urvey showing that 85 cities recorded decreases and six showed gains. The degree of change in this regard shows a maximum individual decline of 68.5%, as against the largest single increase of 28%.

The survey also contains various other data for the cities as a group and individually, such as changes in tax rates, populations, valuations—actual and assessed, and ratios of 1944 debts to assessed valuations and per capita, and comparable figures for both net debt and net and overlapping. Detailed tables show at a glance the findings for each of the 91 cities embraced in the survey.

Military Conscription

By FRANCIS J. BROWN*

Consultant, American Council on Education

Educational Expert Asserts There Are Few Problems So Vital to Individuals and to the Nation As the Decision on Military Training. Suggests That Decision Should Hinge on Three Questions: (1) Is a Continuous Year's Training Essential for National Security; (2) Should All Individuals Be Required to Undergo This Training; and (3) Is World War III So Imminent As to Require Immediate Action.

In a sense military conscription is tangent to the question of Federal assistance to education, but the problem is so significant, so far reaching in its results, and so imminent that I cannot resist including it in this overall summary. There are few problems facing America today that are so vital to each individual and to the entire nation as is our decision regarding military training. Likewise, there are few problems on which we are so loose in our thinking. Ask almost any group of individuals, "Do you favor military training?" and they will answer, "Yes." This is not the question. The question is, "Do you favor conscription of all youth for compulsory military training for one continuous year in a military establishment and under military control?" This is the position of the Army and the Navy. These are the provisions of the legislation now before the Congress.

Francis J. Brown

This specific question may be broken down into many others. Let me suggest only three: Is one continuous year essential for national security, or is it possible to provide the same or even greater security through some other time allotment, such, for example, as that of the Swiss, in which a 13-week basic program is followed by intermittent periods of 18 days distributed over the years until the individual is 30 years of age? The second question might well be: Should all individuals be required to undergo a year of military training? The war has clearly demonstrated that it is as important to maintain civilian production as to maintain the strength of the military. Millions of men have been continuously deferred to keep the wheels of production moving at maximum capacity. Even the Military itself has demonstrated that of those in uniform millions will never see active combat duty, yet they render maximum service in the thousands of technician jobs for both the Army and the Navy. And the third question which should be asked is this: Is World War III so imminent that we must take action now; is the potential enemy so strong that a reserve force of 15 million men who have been trained, four million of them through combat service, will not provide protection during the period in which we can make an honest and sincere bid for permanent peace? A parallel of this question might be: Who are our potential enemies? Certainly not those who are defeated, for it will be at least a quarter of a century before they can again be ready to strike. Can we build confidence in our Allies by now assuming that one or another of them will be an enemy in so brief a time that we cannot give adequate thought to the full implications of this radical departure from our democratic way of life? We have waged a war to retain freedom. Shall we now voluntarily forego such freedom and give to the Military exclusive control of the lives of all young men at their most impressionable age, to regiment them not alone in skill, but in basic attitudes towards life and towards security?

What, specifically, can such an organization as this do? Certainly it should encourage thought and analysis of all of the issues involved. It can urge the Congress to delay action until the emotionalism of war has subsided and until some indication can be given as to the feasibility of world co-operation and lasting peace. If this is not enough, one step further should be taken. The best defense is offense. Collectively, education should now formulate an alternate plan that will assure security yet preserve our fundamentally democratic way of living. Certainly, we cannot stand idly by, for the forces that favor conscription are being marshalled for action.

Here is another issue on which the united action of education is necessary; it is an issue, too, in which education cannot stand alone. It must unite with labor, management, civic groups, religious orqgnizations, and all others in working together to assure security, yet at the same time avoid the conscription of the bodies and minds of our youth.

One thought has run continuously through this discussion: In the formulation of whatever legislation may eventually emerge, all education must unite in its preparation and its promotion. Every effort should be made to avoid piecemeal legislation and to formulate a common pattern that will rebuild the relationships of Federal, State and local support of all education. We must sit down together in council, think courageously, and plan cooperatively. We must join hands with the other forces of American life who are as vitally concerned for the future of education as are we for whom it is our profession. Through such planning and cooperative effort, we can chart the course for the education of tomorrow.

*Excerpt from an address before the Middle States Association of Colleges and Secondary Schools at the Hotel New Yorker, Nov. 25, 1944.

NSTA Notes

CHICAGO, BOND TRADERS CLUB OF

On Tuesday, Jan. 30, the Bond Traders Club of Chicago will hold its annual Winter Dinner, at which new officers for 1945 will be presented.

CINCINNATI STOCK & BOND CLUB, INC.

The annual Election Party of The Cincinnati Stock & Bond Club was held Wednesday, Dec. 13, at the Metropole Hotel. About 50 members and guests were present to enjoy the dinner and entertainment. The following members were elected to serve as Trustees for the year of 1945:

W. Power Clancey of W. P. Clancey & Co.
Clifford H. Grischy of Edw. Brockhaus & Co.
Clair S. Hall Jr. of C. S. Hall & Co.
Robert B. Isphording of Van Lahr, Doll & Isphording
John E. Joseph of John E. Joseph & Co.
Franklin O. Loveland of Field, Richards & Co.
Stanley G. McKie of Weil, Roth & Irving
Neil Ransick of C. A. Hinsch & Co.
George Riley of W. E. Hutton & Co.
Lloyd W. Shepler of Merrill Lynch, Pierce, Fenner & Beane

KANSAS CITY, BOND TRADERS CLUB OF

At a recent meeting of the Bond Traders Club of Kansas City the following officers were elected for 1945:

President—Arthur I. Webster, E. W. Price & Co.
Vice-President—Harry Coleman, H. O. Peet & Co.
Secretary and Treasurer—John Lotshaw, Harris, Upham & Co.

PHILADELPHIA, INVESTMENT TRADERS ASSOCIATION OF

The annual dinner of the Investment Traders Association of Philadelphia will be held at the Benjamin Franklin Hotel on Friday evening, Feb. 9.

William J. McCullen of F. J. Morrissey & Co. is the dinner chairman and Charles J. Brennan of Blyth & Co., vice-chairman. Reservations are in charge of Samuel K. Phillips Jr. of S. K. Phillips & Co., and Albert G. Snyder of Eastman, Dillon & Co.

SAN FRANCISCO BOND TRADERS ASSOCIATION

On Monday, Dec. 18, the San Francisco Bond Traders Association held its annual Christmas Party at the Fairmont Hotel.

Calendar of Club Events

Baltimore Security Traders Association—Annual Winter Dinner, Jan. 26th.
Boston Security Traders Association—Annual Winter Dinner, Feb. 21st.
Philadelphia Investment Traders Association—Annual Winter Dinner, Feb. 9th.

FDR Signs Bill Providing Pensions for Dependents of Deceased World War I Veterans

The signing by President Roosevelt of a bill providing for pensions for widows and children of deceased veterans of the first World War was made known on Dec. 15. Estimated to cost $37,000,000 in its first year, the pension system provides benefits up to $74 a month for families of men who served in World War I, said the Associated Press from Washington on Dec. 15, which also had the following to say:

The measure extends coverage to the families of virtually all World War I veterans, providing pensions regardless of the cause of death. Previously pensions were allowed widows and children only (1) if the veteran died of a disability connected with his war service and (2) if he died of some other cause, but had been disabled in the war.

Widows without children will get $35 a month. A widow with one child will receive $45, and $5 will be paid for each additional child.

A child of a deceased veteran whose mother also is dead, will get $18. Two orphans will receive $27, three will get $36 and for each additional orphan $4 is provided.

No childless widow can draw a pension unless her annual income is under $1,000, nor can a widow with children qualify unless her income is less than $2,500.

A veteran must have served at least 90 days for his family to be eligible. And, to discourage women from marrying veterans with the idea of obtaining pensions, the law says that any woman who has married a veteran after the effective date of the act must have been married to him for ten years to receive the pension upon his death.

Michigan Brevities

Indicative of the better times prevailing in the brokerage business, several Detroit firms have petitioned the local War Labor Board office to permit them to pay more than the "4%" bonus approved as national policy.

One firm points out that employees received a month's salary last year and that 4% would amount to only two weeks' pay. It has indicated that were restrictions not in effect, it would have paid an even larger bonus than last year.

* * *

Ed Parson, Jr., President of the National Security Traders Association, was guest speaker at a recent meeting of the Detroit group which was held in the Penobscot Club.

Also here was Morton A. Cayne, head of the Cleveland Group, and Don Miller, Detroit President, presided at the meeting.

* * *

In order to conserve cash resources for necessary repairs and to permit further debt retirement, the Pere Marquette Railway has decided to defer dividend payments, the board of directors of the road announced on Dec. 19.

A refunding of the company's 1956 first mortgage maturities on an advantageous basis in the near future is the aim of the road, the board advised, as it pointed out that since the initiation of the debt retirement policy in Oct., 1942, 18.7%, or $12,-057,600 of the first mortgage bonds outstanding at that time have been purchased by the railroad.

There are now outstanding a total of $52,467,400 first mortgage bonds, divided as follows: $26,-442,400 Series A 5s due 1956; $4,468,000 Series B 4s due 1956; $21,557,000 Series C 4½s due 1980. A wholly-owned subsidiary owns $675,000 of the 4½s.

* * *

Quite a large group of Detroiters went down to Chicago to attend the 33rd annual meeting of the Investment Bankers Association at the close of last month.

In the group were: Philip K. Watson, Campbell McCarty & Co.; Oscar L. Buhr, Detroit Trust Co.; Douglas H. Campbell, First of Michigan Corp.; Henry Hart, First of Michigan Corp.; W. S. Gilbreath, Jr., First of Michigan Corp.; William Moore, McDonald-Moore & Co.; Reginald MacArthur, Miller, Kenower & Co.; Ray G. Wedthoff, H. V. Sattley & Co.; J. Gordon Hill, Watling, Lerchen & Co., and Harold R. Chapel, Crouse, Bennett, Smith & Co.

* * *

The Manufacturers National Bank of Detroit declared a dividend of $3 a share, payable Dec. 23 to stock of record Dec. 15.

At the same time, the bank moved $500,000 from undivided profits to surplus to bring the latter total to $7,000,000. The bank's legal loan limit is now $1,000,000.

* * *

Sale of the physical assets of Detroit Paper Products Corp. to the Inland Container Corp. of Indianapolis is disclosed in a joint announcement by J. Ward Hartke President of Detroit Paper, and H. C. Krannert, President of Inland.

Plans call for substantial expansion, modernization and improvement of plants and equipment of the Detroit Paper plant which will henceforth be known as the Detroit Paper Products division of Inland, Krannert said. Additional equipment will expand both capacity and the line of products turned out here, he added.

Mr. Hartke said no changes in personnel are contemplated by Inland and added that under the plans he would remain with the firm as divisional manager.

* * *

An additional 10% payment amounting to $2,500,000 to holders of certificates of indebtedness of the old Union Guardian Trust Co. has just been approved by Circuit Judge Adolph F. Marschner.

This brings the total payment to date to 70% or $17,008,000 out of total indebtedness of $24,-593,000.

* * *

In approving the recent payment, Judge Marschner, who has acted in a similar capacity since the liquidation started in 1933, commented that early predictions were that the Trust Company would pay only 25%.

* * *

Direct banking connections today have been reestablished by the National Bank of Detroit with Paris, France, for payments to individuals throughout liberated France.

Under the authorization of the Treasury Department, individuals here may remit as much as $500 per month to individuals in France for support purposes (living expenses).

The bank has also been notified that remittances may be made to ten additional provinces in Italy, making a total of 28 provinces in all, in addition to Sicily and Sardinia. The bank has been appointed depository correspondent for the Bank of Italy.

Stone & Webster Eng. Executive Changes

The Board of Directors of Stone & Webster Engineering Corporation at its meeting held on Dec. 20, elected Russell T. Branch, President of the Corporation to succeed John R. Lotz, who was elected Chairman of the Board after serving eight years as President. Mr. Branch's election to the presidency of the Engineering Corporation follows more than thirty years of service with the Stone & Webster organization during which period he has been successively Superintendent of Construction, Construction Manager, Vice President and Senior Construction Manager, and Executive Vice President.

Mr. Branch joined the Stone & Webster organization on his graduation from Stevens Institute of Technology in 1912, has supervised and directed many outstanding projects in the public utility and industrial fields, and during the present war has devoted substantially his entire attention to the management of important ordnance and other projects essential to the war effort designed and constructed by the Corporation for the United States Government.

Mr. Lotz, under whose guidance the organization has successfully executed an unprecedented volume of work, will continue to have an active part in the affairs of the Corporation.

The Board of Directors also announces the election of Emmart LaCrosse as Vice Chairman of the Board, Joseph Pope as First Vice President, and Karl Finsterbusch, H. E. Brailey, R. E. Argersinger and H. L. Bunce, Jr., as Vice Presidents of the Corporation.

Straus & Blosser to Be Formed in Chicago

Will be NYSE Member

CHICAGO, ILL.—The New York Stock Exchange firm of Straus & Blosser will be formed as of Jan. 2, 1945, with offices at 135 South La Salle Street.

Partners will be Frederick W. Straus, who will acquire the Exchange membership of Benjamin H. Roth; Joseph D. Blosser, Franklin B. Schmick, Arthur S. Grossman, Milton J. Isaacs, Samuel G. Eisenstadt, Robert M. Markwell, general partners, and Mary S. Engelman, limited partner. General partners were officers of Straus Securities Co., except Mr. Eisenstadt and Mr. Markwell who headed the statistical and research departments of that firm.

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.

H. H. Butterfield Member of Detroit Stock Exchange

JACKSON, MICH.—Harold H. Butterfield, proprietor of H. H. Butterfield & Co., Jackson City Bank & Trust Co. Building, has become a member of the Detroit Stock Exchange, it is announced by Clark C. Wickey, Executive Vice-President of the Exchange.

Connecticut Brevities

Net earnings of Veeder-Root, Inc., for the current year to Nov. 5 were $586,240, or $2.93 a share after charges, taxes, etc., against $712,435, or $3.56 for the corresponding period in 1943 (to Nov. 7). Earnings before Federal income taxes and excess profits taxes and contingencies for these periods were $2,184,046 and $2,840,821, respectively.

On Dec. 11 the common stockholders of The New Haven Clock Co. received 37½ cents per share in dividends, the first payment since October, 1937. With the payment of $3.25 on the 6½% preferred stock in May, the company cleared up arrears on that issue.

Subsequent payments have continued at the regular quarterly rate of $1.62½, bringing total disbursements for the year up to $14.62½ on the preferred.

This company is among the few industrial concerns which has been in existence over 125 years. The outgrowth of an organization founded in Plymouth, Conn., this concern was established in New Haven just a century ago. This company or its predecessor company has produced timepieces since 1817, and is now converted to war-time production of fuses electrical devices for the Navy Department, instruments for airplanes, and a variety of automatic parts for war plants.

* * *

Mr. Warren C. Heidel of Putnam & Co., Hartford, has recently published a book entitled "The Banking Industry and the Position of Bank Stocks from the Viewpoint of the Investor." In its original form this discussion was submitted as a thesis in partial fulfillment of the requirement of the Graduate School of Banking conducted by the American Bankers Association at Rutgers University.

* * *

Mr. Lucius F. Robinson Jr., partner in the law firm of Robinson, Robinson & Cole of Hartford, and President of the Hartford County Bar Association, has been elected a member of the board of trustees of the Central Hanover Bank & Trust Company.

* * *

On Jan. 9, 1945, the stockholders of the Second National Bank of New Haven will vote on a proposal to increase the $50 par capital stock from 15,000 to 20,000 shares by a 33⅓% stock dividend. The directors propose to transfer $250,000 from undivided profits to surplus. These changes would result in capital of $1,000,000 and surplus of $1,000,000.

* * *

As of Nov. 30, Porter B. Chase resigned as Vice-President of the Hartford Fire Insurance Co. Effective Dec. 31, three Vice-Presidents will retire: James Wyper, Frederic C. White and Channing S. Timberlake.

* * *

The income account of the New York New Haven & Hartford RR. for the 10 months ended Oct. 31 showed total operating revenue of $153,012,631, compared to $149,-963,383 for the corresponding period in 1943. Net railway operating income was $18,387,523 against $28,957,069 a year ago, while available for fixed charges was $22,083,091 as compared to $32,233,893.

Fixed charges were covered 2.18 times against 2.97 times for this period last year.

* * *

The New York New Haven & Hartford RR. has announced that the Defense Plant Corporation has leased from the company the old Westchester yards near Pelham Bay Park, New York, on which warehouses will be erected for storage of surplus war goods.

* * *

Robert B. Coolidge has been elected Vice-President of the Aetna Life Insurance Co. to replace S. T. Whatley, who died on Dec. 1, 1944.

* * *

Mr. Austin R. Zender has been elected Vice-President in charge of sales of the Bridgeport Brass Co.

* * *

Dividend Payments

Among the annual dividend rates changed by recent declarations are the following:

	1944	1943
Connecticut Lt. & Power Co. common	$2.40	$2.20
Hart & Cooley Co.	5.75	5.50
Arrow-Hart & Hegeman Electric Co.	2.50	2.75
Bridgeport Brass Co.	.90	1.00
Marlin-Rockwell Corp.	4.00	5.00
New Britain Machine Co.	2.50	4.00
North & Judd Mfg. Co.	2.25	2.50
Remington Arms Co., Inc., common	.25	.30

Bright Future Prospects

The steadily increasing improvement in available tanker capacity, coupled with expanded pipeline facilities, offer bright prospects for the future of the Venezuelan subsidiary of Sinclair Oil Company, according to a study of the company prepared by Ira Haupt & Co. It is anticipated that 1944 will be the first year in which the parent company will derive substantial income from its Venezuelan holdings, the firm says.

Also discussed in the circular are earnings, dividends, range of prices, returns per share based on current dividend rate and price, and the financial strength of the company.

Copies of this interesting study, and a detailed memorandum on Midland United Company may be had from Ira Haupt & Co. upon request.

Offer 800,000 Shares of Common Stock of Bank of America NTSA

Eastman, Dillon & Co., Lehman Brothers, and The First Boston Corporation head a group of 140 investment houses underwriting an offering on Dec. 18 of 800,000 shares of $12.50 par value common stock of Bank of America National Trust and Savings Association, at $53 a share. The principal offices of the bank are in San Francisco and Los Angeles. The group has underwritten the bank's proposed offering to stockholders of 800,000 shares in the ratio of one new share of common stock for each five shares of common stock owned of record Dec. 15. The underwriters have agreed, subject to authorization by stockholders and approval by the Comptroller of the Currency, to purchase the portion not subscribed for by stockholders, and the public offering refers to this unsubscribed portion. The announcement states:

"Proceeds from the sale, which will increase outstanding common stock to 4,800,000 shares, will be used to augment the bank's capital funds, amounting on Sept. 30, 1944, to $181,845,723. Such capital funds consisted of $50,000,000 common stock represented by 4,000,000 shares then outstanding, $8,085,550 preferred stock represented by 404,278 shares of $20 par value preferred stock, $75,000,000 surplus, $40,603,205 undivided profits, other reserves, $4,080,464, reserve for increase of common capital, $3,914,440, and preferred stock retirement fund, $162,054. The increase in the capital was decided upon by the management because of its opinion that following adjustments caused by the ending of the war the growth of the bank will be continued. Total resources increased to approximately $4,200,000,000 on Nov. 15, 1944, from $2,095,000,000 on Dec. 31, 1941.

"Pro forma earnings in the nine-month period ended Sept. 30, 1944, after giving effect to the new financing, were equal to $3.73 per common share, compared with $3.83 a common share for the full year 1943 and $3.34 a common share for the full year 1942. The meeting of shareholders to vote on the proposal will be held Dec. 28."

Driscoll Elected Head Of Research and Management Council

Andrew J. Lord, Chairman of the Board, announces that Robert S. Driscoll, formerly vice-president, has been elected president of Research & Management Council, Inc., portfolio management company for the Lord-Abbett group of Investing companies. This group of companies now has total assets of $62,000,000.

Aircraft & Lumber Situations of Interest

White & Co., 506 Oliver Street, St. Louis, Mo., have prepared an interesting analysis of Rohr Aircraft based on the annual report for the fiscal year ended July 31, 1944, copies of which may be had upon request. Also available is White & Company's original bulletin on Pickering Lumber Corp., with supplementary information, discussing the attractive outlook for this company.

Ungerleider to Admit

John Dassau and Harry Michaels will become partners in Ungerleider & Co., 41 Broad St., New York City, members of the New York Stock Exchange, effective Jan. 2.

Goldman, Sachs & Co. 75th Anniversary

Goldman, Sachs & Co., 30 Pine Street, New York City, this week observed the completion of 75 years of industrial and investment banking, the occasion being marked on Dec. 18 by a dinner at the Hotel Pierre, attended by partners and employees of the firm. Three quarters of a century ago the business was founded by Marcus Goldman with the opening, in 1869, of a small basement office in an old four-story building on the same site as the present banking house at 30 Pine Street. Here Marcus Goldman commenced the purchase of bills receivable and commercial paper from merchants in the diamond and leather trades and the resale of these notes to the leading commercial banks of the time. With the passage of years this business was extended to national scope, and the firm is recognized today as the leader in the commercial paper business.

Following the entry of Henry Goldman, a son, and Samuel Sachs, a son-in-law, into the firm in the early 1880's, the business was broadened to include dealings in securities. In 1894 the firm became a member of the New York Stock Exchange, Harry Sachs, a brother of Samuel Sachs, being admitted to partnership and becoming the firm's first Stock Exchange member.

In 1906 Goldman, Sachs & Co. initiated the general public offering of industrial stocks in this country with an issue of shares of United Cigar Manufacturers Company, the predecessor of the present General Cigar Company, Inc. This offering was followed by the introduction to public ownership of the stocks of other nationally known enterprises. The firm, it is stated, is generally credited with having developed during this period the then new concept of basing the issuance of industrial shares on earning power.

The announcement in the matter also says in part:

"In the period of activity that marked the decade after World War I, the firm acted as banker in the organization and development of three of the country's leading food enterprises—General Foods Corporation, National Dairy Products Corporation and United Biscuit Company of America. Public financing was effected for many additional enterprises, the ownership of which had previously been closely held, and further financing steps were taken for both new and old corporate customers as their businesses grew and required additional funds.

"More recently, with the revival of the securities business following the depression, the firm has extended its activities to participation in the underwriting of security issues in the railroad and public utility fields. At the same time it has retained and developed its primary interest in industrial financing.

The activities of the firm in New York and in branch offices in Boston, Philadelphia, Chicago, and St. Louis are now conducted by 11 partners: Walter E. Sachs, a grandson of the founder; Henry S. Bowers, Howard J. Sachs, Sidney J. Weinberg, Ernest Loveman, Miles J. Cruickshank, Robert V. Horton, Walter F. Blaine, T. Spencer Shore, all resident in New York, and Alfred E. Hamill and James C. Hemphill, resident in Chicago.

Dixon & Co. to Admit

PHILADELPHIA, PA.—Dixon & Co., 1411 Chestnut St., members of the New York Stock Exchange, will admit Donald F. Lippincott to partnership in the firm on Jan. 1.

Missouri Brevities

Western Cartridge Co. Merger and Recapitalization Plan Approved

The merger of the Olin Corporation and Western Cartridge Company and the recapitalization and change of name of the latter to Olin Industries, Inc., was approved by Western Cartridge stockholders at a special meeting held Dec. 11, 1944, at the office of the company, East Alton, Ill. Present holders of Western Cartridge 6% cumulative preferred, $100 par, will receive a share for share exchange of new 4% cumulative preferred, $100 par, redeemable at any time on 30 days' notice on or before Dec. 31, 1950, at 105 per share; thereafter, and on or before Dec. 31, 1960, at $102.50 per share; and thereafter at 100 per share plus accrued and unpaid dividends in each instance. Common stockholders of Western will receive 75 shares of new common, $1 par in exchange for each share of $100 par value common held.

Total outstanding capitalization, giving effect to the merger, will consist of 155,624 shares 4% cumulative preferred $100 par, and 2,130,300 shares of common stock, $1 par. Split-up of common is expected to increase the marketability of the stock which is very closely held. Olin Corporation stockholders approved the merger several weeks ago.

Products of the new company and its various subsidiaries include ammunition, ammunition components, firearms, explosives, brass and other non-ferrous metals, flash lights, batteries, skates, traps and targets used in trap and skeet shooting. Winchester Repeating Arms, a subsidiary acquired in 1931, is one of the larger units owned. Another subsidiary, the United States Cartridge Company, operates the $125,000,000 St. Louis Ordnance plant, said to be the world's largest plant producing rifle and machine gun ammunition. Olin Corporation operates an aluminum reduction plant for the Defense Plant Corporation at Tacoma, Wash.

Huttig Sash and Door

Stockholders of Huttig Cash & Door Company have approved a plan to retire 7,639 shares of 7% cumulative preferred by exchange for a new issue of 5% cumulative, par for par. Any unexchanged preferred will be called at 110 and accrued dividend. Call price of the new preferred also will be 110 per share.

Funds to redeem unexchanged stock will be provided through a bank loan.

National Bearing Metals Merger Approved

Stockholders of National Bearing Metals Corporation and American Shoe Company have approved the proposal to merge the two companies. Each share of National Bearing Metals common stock is currently exchangeable for one-half share of American Brake Shoe common.

Kansas City Public Service

Confirming expectations of St. Louis interests closely identified with the company's affairs, directors of Kansas City Public Service have declared dividends of $3.50 per share on the new preferred stock certificates covering semi-annual dividends of $1.75 each due July 1, 1944, and Jan. 1, 1945, and $0.25 per share on the new common stock certificates, both dividends payable Jan. 1, 1945, to holders of record the same day, or upon exchange of old for new certificates. Net profit in October is said to be the largest for any month in the company's history.

A large rehabilitation program has been announced with 75 new street cars already on order, U. S. Government bonds owned total $2,500,000 and should enable the company to complete the program without increasing the small funded debt.

Investment Groups to Hold Christmas Parties

ST. LOUIS, MO.—Following the customary pattern of many years, the Mississippi Valley Group of the IBA will hold its annual Christmas party luncheon and drawing today, Dec. 21, in the Crystal Room of the Jefferson Hotel.

The Security Traders Club of St. Louis has scheduled its Christmas party for the afternoon of Dec. 23 in the Mark Twain Hotel's Steam Boat Room.

Soss Mfg. Co. Common Offered Publicly

An underwriting group headed by Ames, Emerich & Co., Inc., on Dec. 19 offered 98,772 shares (par $1) common stock of Soss Manufacturing Co. at $8.375 per share. This offering represents stock purchased from five individual trusts.

Of the 98,772 shares offered 15,000 shares will be repurchased by the present management at the time of the offering, leaving 83,772 shares to be offered publicly.

Other members of the offering syndicate include: Baker, Simonds & Co.; Dempsey & Co.; Kalman & Co., Inc.; Taussig, Day & Co., Inc.; Sills, Minton & Co., Inc.; Courts & Co.; George D. B. Bonbright & Co.; Van Alstyne, Noel & Co., and Bingham, Walter & Hurry.

Canadian Securities

By BRUCE WILLIAMS

With the war in Europe taking a grimmer note and in view of all the unfavorable publicity Canadian soldier draft problems have received in this country recently, it might be well to emphasize again the magnitude of the Canadian war effort. The following "Balance Sheet" prepared by the "Financial Post" gives a partial measure of what Canada has done and is doing.

BALANCE SHEET WITH BRITAIN
(In millions of dollars)

What Britain Needs—	1943-44	1944-45*
Munitions	908	1,300
Foods	421	500
Base Metals	150	120
Lumber & Wood Prod.	96	100
Other Items	298	330
Total	1,873	2,340
How Britain Pays—		
(a) Can. Forces Overseas, etc.	534	1,000
Sale of U. K. Plants in Canada	165	----
Liquidation of Working Cap. Balances	190	----
Direct Exports	101	
Int. Freight, Divds.	97	300
Sundry	62	
(b) Mut. Aid (gift)	724	840
	1,873	2,140
The Balance Owing		200†

*Tentative estimates by The Financial Post. †Exclusive of $100 or $150 millions deficit from other sterling areas for which U. K. is in large measure responsible.

It will be noted that, of the $2,340 million of foods and basic war materials which Canada will undertake to supply to Britain during the 1944-1945 fiscal year, nearly 40% will represent "mutual aid," which is simply a tactful label for outright gifts.

Despite the $840 million of mutual aid, the balance sheet shows a British debit balance of $200 million for the 1944-1945 fiscal year. This debit balance and the possible methods of handling it in order to permit continued shipment of supplies, has been the subject of discussions between British and Canadian leaders at Ottawa in recent weeks.

When one considers the extent of Canada's participation in the war, it is not too difficult to understand Canadian irritation at the critical attitude of some Americans toward our Allies. A recent article in "American Magazine" by Senator Brewster of Maine, "Let's Not Be Suckers Again," touched off the following editorial comment in the "Financial Post":

"Slowly the world is learning that enlightened unselfishness is the only profitable selfishness. By building up the tragic error that America is hurting herself by things like Lend-Lease, post-war dollar credits and policies designed to foster two-way trade, Brewster and the editors of 'American' are simply striking a powerful blow on behalf of the stupidities and cupidities that fostered the last depression that helped bring on the present war.

"The world's greatest problem for the future is not Germany, the Japs or anybody else. It is whether or not America will fully and sagaciously play her due role in world affairs."

* * *

Turning to the markets for the past week, there was good demand throughout the list with prices maintaining their recent steady undertone. Albertas continued to improve in anticipation of the settlement of the long-standing debt problems of that province. Montreals showed better technical action and recovered slightly from their recent softness induced by the change from one-coupon to two-coupon obligations and the extension of maturities.

The generally improved tone was reflected in the rate for the Canadian dollar which closed up slightly to 10¼% discount.

The present outlook is for continuing good demand with prices steady to firm in all major sections of the market.

J. S. Myers of Phila. With Y-Force Staff

Y-FORCE OPERATIONS STAFF, SOUTHWEST CHINA—Technical Sergeant James S. Myers, 26, formerly Assistant Cashier of the Bankers Bond & Mortgage Company in Philadelphia, Pa., is on duty as sergeant-major at headquarters of the Y-Force Operations Staff, the world's largest military mission.

Y-Force, under the leadership of Brigadier General Frank Dorn, of San Francisco, Calif., has the task of increasing the combat efficiency of the Chinese Expeditionary Force by training them in the use of modern weapons furnished them by the United States and in modern battle tactics, as well as furnishing them automotive, medical, and signal equipment and large quantities of ammunition in the sizes to fit the varied types of Chinese weapons.

Part of the CEF, accompanied by units of medical, signal and maintenance personnel of Y-Force has been pushing the Japanese out of Western Yunnan across the Salween River and along the Burma Road in an effort to reopen this historic supply line and join up with the Ledo Road pushed down through northern Burma by General Joseph W. Stillwell's forces.

Myers was graduated from Simon Gratz High School in Philadelphia in 1936, after which he worked for Bankers Bond & Mortgage Co. until he was inducted into the Army in November, 1942. He was sent overseas in April, 1943, and was stationed in New Delhi, India, until sent to China to become part of Y-Force in June, 1943.

Myers is not married and his mother, Mrs. Julius S. Myers, lives at 5005 N. Sydenham Street 41, Philadelphia, Pa.

For his service with Y-Force, Sergeant Myers is entitled to wear a bronze star on his Asiatic Pacific Campaign ribbon.

Toronto Bond Traders Elect New Officers

TORONTO, ONT., CANADA—At the recent annual meeting of the Toronto Bond Traders Association the following officers were elected for 1944-1945:

President—Robert A. Webster, Royal Bank of Canada.

Vice-President — Thomas H. Baker, A. M. Ramsay & Co.

Secretary-Treasurer—Robert P. Howard, Gairdner & Co. Limited.

Committee — Larry L. Bell, James Richardson & Sons; Stanley Cox, J. R. Meggeson & Co.; R. M. W. Hitchcock, McLeod, Young, Weir & Co., Ltd.; C. W. McBride, Midland Securities Limited; William E. Parker, Dominion Securities Corp., Ltd.; J. F. Van Duzer, Mills, Spence & Co., Ltd.

Hare's Send'g Memo Books

Hare's Ltd., 15 Exchange Place, Jersey City, N. J., and 19 Rector Street, New York City, are sending out attractive pocket memorandum and address books this year with their greetings for the season.

Advocate Reparations

(Continued from page 2708)

count for ceded territories which were part of the Axis countries at the conclusion of the First World War.

In discussing the types of reparations the bulletin states:

Payment of reparations can be made in several forms: (1) in cash, that is, in the currency of the obligor or in the currencies of the recipient countries; (2) in kind, i. e., commodities which the paying country possesses or is able to produce, such as raw materials, livestock, building materials, railway equipment, industrial machinery, and all kinds of manufactured goods; (3) in entire industrial plants, either by dismantling existing plants, transferring and reassembling them in the reparation creditor countries, or by erecting new plants in the countries ravaged by the aggressor; and (4) in labor, that is, utilization of the manpower of the defeated country in reconstructing the areas devastated by it, which would compensate the occupied countries for the loss of population. In order to equalize effectively the burden of reconstruction and prevent Germany and the other aggressors from enjoying economic advantages over the countries despoiled by them all four types of reparations may have to be imposed.

Experience has definitely proved that collection of reparations in cash and in the currencies of the recipients is not possible and when tried has an adverse effect on the international money markets. Only when the recipient has the power to control prices in the obligor's country, to requisition goods and services, to compel the sale of property and securities, and to control completely the financial affairs of the country — powers similar to those exercised by Germany in the conquered countries — is the collection of reparations in cash in the currency of the payor effective and advantageous. It is not likely that the United Nations will impose on Germany reparations payable in marks or in foreign exchange.

As to reparations in kind the bulletin states:

In imposing reparations in kind several factors must be considered, particularly as regards Germany and Japan. Both countries must import substantial quantities of raw materials in order to export. If the greater portion of their output is shipped abroad as reparation payments, their ability to import will be drastically curtailed. This will not only reduce the volume of international trade but will also impair the ability of these countries to make deliveries of goods on reparations account.

Payments of reparations in kind should not result in an enhanced international competitive position of the defeated country. The latter will endeavor to reduce costs of production and increase efficiency in order to meet reparations as well as the domestic demand. Upon completion of reparation payments the efficient industrial plant of the defeated country will be in a strong position to compete in foreign markets with the industries of the recipient countries. This would vitiate one of the objectives of reparations, i. e., to prevent the defeated aggressor from gaining economic ascendancy over the countries despoiled by him.

In analyzing reparations in labor the bulletin states:

It is certain that the demand for reparations in labor will encounter a great deal of opposition, particularly in the United States and Great Britain. Objection has been voiced already by labor representatives in these countries on the ground that drafting labor would not only violate the principle of free trade unionism but also "continue human slavery."

Reparations in labor, too, have certain advantages and disadvantages. The outstanding advantages are: (1) It will prevent Germany from enjoying a demographic advantage in the next 20 or 30 years. If several million young Germans were to be transferred from Germany to the liberated countries and employed there for a number of years in rebuilding the destroyed economies, it would obviously result in a decline in the German birth rate. This would mean that in 20 or 30 years hence — the period required in the past by Germany to prepare a new aggressive war—Germany would have a smaller population of military age than would otherwise be the case. (2) It would hasten the reconstruction of the ravaged countries and at the same time retard the rebuilding of Germany. The devastation in the conquered countries, notably in Eastern Europe, has been exceedingly great. Millions of men will be needed to rebuild houses, public buildings, utilities, plants, bridges, and dams. Since the population of the invaded countries has decreased materially, owing to the heavy war casualties and particularly to the policy of transferring millions of subjugated people for slave labor to the Reich, outright murder of millions of people, and the long-range German policy of depriving non-German people of proper food, medicines, clothing, and shelter, these countries are bound to have a shortage of labor for a number of years. It would be just retribution to compel the Germans to atone for their wanton destruction in a manner benefiting the despoiled people, and it may make some Germans less anxious to embark on new wars of aggression. (3) The employment of German manpower could have, if a proper plan is adopted, a favorable educational effect on a number of Germans who would for the first time come in contact with free foreign labor and democratic institutions.

Some of the important disadvantages are: (1) Many people, particularly in the democratic countries, would consider reparations in labor as a form of slave labor. The argument would be presented that in imposing reparations in labor the democratic countries would be imitating Germany in her most despicable acts. This would be utilized in subtle ways by the German masters of propaganda to cause agitation against reparations in general, which in turn would jeopardize the collection of other types of reparations and might even weaken the enforcement of the military and political provisions of the treaty of peace. (2) It will be argued that since Russia suffered the greatest destruction, most of the young Germans drafted for labor would be sent to the Soviet Union and thus be subjected to communistic doctrine and influence. On their return home they might attempt to bring about an economic and political change in the Reich. (3) It is also certain that the German population will bitterly resent the conscription of labor and will resort to secret opposition. Many of the young men drafted for labor in foreign countries will evade deportation by going underground with the active aid of the whole population, as was the case in France, and become easy prey to political agitators. Since political conditions in Germany are likely to be unstable for a number of years after her defeat, such a development is obviously not desirable. However, in view of the vast number of people of Russian nationality murdered in cold blood by the Germans and of millions of Soviet citizens deported to the Reich for slave labor it would be difficult to object on economic or humanitarian grounds if Russia were to demand from Germany reparations in labor.

Mutual Funds

Merger Consummated

The previously announced merger of **Quarterly Income Shares** and **Maryland Fund** into the **Lord, Abbett**-sponsored **American Business Shares** will be consummated at special stockholders' meetings of all three funds today (Dec. 21). This merger will increase the assets of American Business Shares to over $30 million and will bring the total assets of investment companies under Lord, Abbett sponsorship to approximately $60 million.

Shares of **American Business Shares** (which have been withdrawn from public offering during the period of merger negotiations) will again be available for public distribution. In connection with the renewed offering of these shares, subject to a new registration now pending with the SEC, the 40,000 shareholders of the combined fund will receive stock purchase warrants entitling them to purchase up to 38% of the number of shares now owned.

These warrants will be negotiable and will be good until Jan. 31, 1945. They permit purchase of the shares of **American Business Shares** at a discount of 1.6% from the published offering price, or at a load of 7% instead of the standard 8.6%. During the period of the warrant campaign the dealer concession on all sales of American Business Shares will be raised to 6%.

Protection Against "HCL"

North American Securities Co., in a memorandum on **Commonwealth Investment Co.,** shows the protection which this fund has given against "HCL" (High Cost of Living) since the end of 1937. Here are the results:

1. The asset value per share of Commonwealth has risen substantially **more than the cost** of living since the end of 1937 and since the end of 1941.
2. Dividends on Commonwealth in 1944 bear almost exactly the same relation to the cost of living as they did in the 1938-40 period.
3. Commonwealth has given **substantially better protection** than the Dow-Jones Industrial Average.

And during this period, it is pointed out, Commonwealth has not only kept pace with the rising cost of living but has provided the safeguards which come only with adequate diversification.

Post-War Purchases

National Securities & Research Corp.'s current memorandum on **National Income Funds** summarizes the results of three important surveys on post-war business. Here they are:

1. **According to the U. S. Chamber of Commerce, 64% of America's families intend to make one or more major purchases within six months after the war ends.**
2. **A preliminary study by the Department of Commerce concludes that a business boom would not require substantial dipping into the public's accumulation from wartime earnings.**
3. **A third survey, conducted by the Troy Savings Bank of Troy, N. Y., and projected on a nation-wide basis, arrives at the staggering sum of $102.6 billion in contemplated purchases after the war.**

Aviation Shares

"An Investment in the Future of Aviation," is the way **Distributors Group** describes **Aviation Shares** in a new folder.

The covering letter, while stressing the values available in this group at this time, points out that these stocks may be highly vulnerable **temporarily** to conditions resulting from the war's end.

"It may be that aircraft stocks will be available then, for a short time, at lower than present prices.

"It may be that their then setback, if any, will be from levels so much higher than present prices that prospective buyers will lose rather than gain by waiting."

Quiz

Lord, Abbett, in the current issue of **Abstracts,** asks these questions:

1. When will the war in Europe end?
2. How much decline in war production will it bring?
3. How long will it take industry to reconvert to peacetime production?
4. What will be the level of industrial production after reconversion?

In answering these questions, **Lord, Abbett** cites high authority in each case and, on the basis of the answers, concludes that the Dow-Jones Industrial Average could rise about 30% and still be on a reasonable price-earnings relationship.

Inflation Dynamite

Vance, Sanders' current issue of **Brevits** points to the potential "inflation dynamite" in the tremendous volume of currency now in the hands of the public. This bulletin concludes with a quotation from Joseph Stagg Lawrence: "Common stocks, therefore, constitute the only remaining safeguard against a melting dollar."

Regulated Investment Company

Selected American Shares has elected to become a "regulated investment company" for tax purposes.

* * *

Scudder, Stevens & Clark Fund, Inc., reports total net assets of $18,800,198 at the close of November, 1944, compared with $16,305,588 a year earlier.

Mutual Fund Literature

Distributors Group—A memorandum on "Estimated Taxability of 1944 Dividends on Shares of **Group Securities, Inc.**; two current issues of **Railroad News**; monthly Investment Report on **Group Securities, Inc.** . . . **Keystone Corp.**—Current issue of **Keynotes.** . . . **Selected Investment Co.**—Memorandum, "Is 'Legal List' a Protection?"; current portfolio memorandum on **Selected American Shares.**

Dividends

Affiliated Fund—A dividend of 3¢ per share payable Jan. 20, 1945, to stock of record Jan. 10.

Eaton & Howard Balanced Fund—A dividend of 20¢ a share and an extra dividend of 50¢ a share payable Dec. 23, 1944, to shareholders of record Dec. 15.

Institutional Securities, Ltd.—A dividend of 3¾¢ a share on Insurance Group Shares payable Jan. 31, 1945, to stock of record Dec. 31, 1944.

Investors Mutual, Inc.—A dividend of 30¢ a share payable Dec. 27, 1944, to shareholders of record Dec. 16.

National Securities Series and First Mutual Trust Fund—The following estimated distributions per share payable Jan. 15, 1945, to stock of record Dec. 31, 1944:

National Securities Series—	Estimated Jan. 15, 1945 Distribution
Bond series	$0.10
Low-priced bond series	0.11
Low-priced common stock series	0.05
International series	0.25
FIRST MUTUAL TRUST FUND	0.09

Selected American Shares, Inc—A special capital profits dividend of 15¢ a share payable Dec 27, 1944, to shareholders of record Dec. 18. (This is in addition to the previously declared dividend of 26c a share for the same dates.)

Scudder, Stevens & Clark Fund Inc.—A regular dividend of 75¢ a share and an extra dividend of 70¢ a share payable Dec. 20, 1944 to stockholders of record Dec. 11.

Thompson Products Common Stock Offered

An underwriting group headed by Smith, Barney & Co. and McDonald & Co. on Dec. 19 offered to the public 60,000 shares of common stock of Thompson Products, Inc. The stock was priced at $47.50 a share.

Net proceeds to be received by the company from the sale of these shares will be added to funds available for general corporate purposes. The company intends to make substantial expenditures for purchases of machinery and equipment for the purpose of manufacturing new products, enlarging productive capacity and effecting cost savings. In addition, negotiations are in progress for the purchase of the land and buildings comprising the plant in Euclid, Ohio, now leased to Thompson Aircraft Products Co. by the Defense Plant Corporation.

Funded debt and capitalization of Thompson Products after giving effect to this financing will consist of $2,700,000 of notes, payable to banks in equal installments of $450,000; 45,000 shares of 5% cumul. preferred stock of $100 par value, and 359.737 shares of no par common stock.

For the eight months ended Aug 31 the company reported a net profit transferred to surplus of $1.474,869. The consolidated balance sheet of the company and subsidiaries on Aug. 31 last showed current assets of $21.479,198, against current liabilities of $9,472,694.

Link, Gorman Reopens Green Bay, Wis., Office

CHICAGO, ILL.—Link, Gorman & Co., Inc., 208 South La Salle Street, announce the reopening of their Green Bay, Wisc., office, located in the Northern Building under the management of John C Reinhart. Mr. Reinhart has been on leave of absence from the company since early in 1942 at which time he became the director of the Green Bay OPA district. His resignation from the OPA, effective Dec. 15, enables him to rejoin Link, Gorman & Co., Inc., in his previous capacity.

U. S. Fidelity Guaranty Official Changes

E. Asbury Davis, President of the United States Fidelity and Guaranty Company, announces that Alonzo Gore Oakley, Vice-President of the Company at New York, who has been with the organization for more than 47 years, will retire on Dec. 31 under the company's plan, but will remain in an advisory capacity until early spring. Mr. Oakley, a dean of the surety and casualty business who has been with U. S. F. & G. longer than any other employee, consented to serve as an advisor, at the urgent suggestion of other company officials.

William A. Edgar, manager of the Philadelphia branch office, will assume the management of the New York office on Jan. 1, replacing William H. Estwick, who is also retiring on Dec. 31, after 40 years of service. Mr. Edgar was formerly vice-president and agency director at the home office of U. S. F. & G. He went to Philadelphia as manager in 1934, and that office subsequently won for three years, the Davis Cup Award, highest honor in the organization for distinguished service among branch offices.

Ray L. Walker, at present, assistant manager of the New York ofifce, will succeed Mr. Edgar as manager of the Philadelphia office at the beginning of the new year.

Adolphus A. Jackson, assistant manager will retire voluntarily as of April 1, 1945, after 44 years of service.

L. A. Statisticians Elect New Officers

LOS ANGELES, CALIF. — Members of the Investment Statisticians Association of Los Angeles held their annual dinner meeting at the Los Angeles Athletic Club and elected the following new officers for the coming year:

President, Walter S. Weeks, Wagenseller & Durst, Inc.; Secretary, L. Hartley Smith, Dean Witter & Co.; Treasurer, K. Arnold Liljegren, Pacific Company of California.

Retiring officers who served during 1944 are: Roger Pile of Maxwell, Marshall & Co., President; Walter S. Weeks, of Wagenseller & Durst, Inc., Secretary, and Harvey C. Evans of Lester & Co., Treasurer.

In addition to the retiring President and the newly elected officers the Board of Governors for the coming year will consist of Walter N. Anderson, J. A. Hogle & Co.; Kenneth D. Sanson, Bateman, Eichler & Co.; and W. H. Van Benschoten, of Hill, Richards & Co.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

The insurance stock market, over reasonable periods of time, recognizes and rewards constructive management and sound growth. For example, if a fire insurance company during a period of, say, five years, maintains its regular rate of dividends and consistently covers them by a substantial margin of earnings which are reinvested in its business, the market will generally move up its stock to a far greater extent than it will the stock of another company whose dividends are covered by a relatively narrow margin or by no margin at all. This appears so obvious and elementary that one would think it unnecessary even to mention it, yet it is a point which seems to escape the notice of many otherwise discriminating investors.

A study of the record of a group of 35 representative fire insurance companies over the past five years illustrates the situation quite clearly. These companies during the years 1939 to 1943, inclusive, covered their dividends 1.61 times on the average, and the market appreciation of their stocks from the low of May, 1940, to the present, averaged 21.0%.

However, the 17 companies whose dividend coverage was above the average of 1.61 had an average market appreciation of 37.8%, while the 18 companies with a below average coverage of dividends had an average market appreciation of only 5.3%. The records of the individual companies are shown in the accompanying tables. The record of the "above average" companies is shown in Table I, and of the "below average" companies in Table II.

TABLE I

	5 Year Totals per Share: 1939-1943 Total Net Oper. Profits	Dividends	Times Earned	Market Apprec. 5-28-1940 (Low) to 11-14-1944
Hartford	$40.70	$12.50	3.26	47.7%
National Union	70.27	25.00	2.81	41.6
St. Paul F. & M.	123.49	46.00	2.68	77.3
Ins. Co. of N. A.	33.18	14.25	2.33	61.5
Security	15.25	7.00	2.18	11.1
Glens Falls	18.72	8.85	2.12	24.8
Prov. Washington	14.34	7.00	2.05	29.5
National Fire	20.36	10.00	2.04	27.7
Aetna	17.43	9.00	1.94	27.1
Fidelity Phenix	19.77	10.40	1.90	78.6
Boston Insurance	188.52	105.00	1.80	12.1
Great American	11.15	6.30	1.77	33.7
Fire Association	21.84	12.50	1.75	29.0
Continental Ins.	17.62	10.20	1.73	72.0
Springfield F. & M.	40.86	23.75	1.72	22.9
United States Fire	16.57	10.00	1.66	25.2
Phoenix	24.80	15.00	1.65	19.7
Average of 17			2.08	+37.8%

TABLE II

	5 Year Totals per Share: 1939-1943 Total Net Oper. Profits	Dividends	Times Earned	Market Apprec. 5-28-1940 (Low) to 11-14-1944
Agricultural	$25.48	$16.25	1.57	14.5%
Pacific Fire	43.35	28.25	1.53	— 9.7
Baltimore Amer.	2.62	1.90	1.38	11.5
Bankers & Shippers	31.60	23.25	1.36	—11.4
Hanover	7.97	6.00	1.33	30.6
New Hampshire	11.69	9.00	1.30	4.5
Home Insurance	9.67	8.00	1.21	6.4
North River	5.99	5.00	1.20	8.3
American Alliance	7.24	6.30	1.15	26.0
National Liberty	2.29	2.00	1.15	7.1
New York Fire	4.54	4.10	1.11	— 5.5
Franklin	7.15	7.00	1.02	—10.4
Paul Revere	7.01	6.80	1.03	11.9
New Brunswick	9.11	8.90	1.02	2.6
Globe & Republic	2.50	2.55	.98	6.1
Knickerbocker	2.43	2.55	.95	9.4
Amer. Equitable	4.52	5.10	.89	2.2
Merchants & Mfrs.	1.81	2.05	.88	— 9.3
Average of 18			1.17	+ 5.3%

In examining these tables a few exceptions will be found. For example, Security Insurance Co. is in fourth place as regards dividend coverage, yet its market appreciation of 11.1% is considerably below average. This lag may be attributable to the fact that in 1943 its capital was increased from $2,000,000 to $2,500,000. The additional 500,000 shares were issued at $30 against a par value of $10, thus contributing $1,000,000 to surplus. Boston also shows a below average market appreciation despite a better than average dividend coverage. This stock, however, sells around $600 and is consequently somewhat more sluggish in action. On the other hand Hanover and American Alliance show better than average market appreciation despite below average dividend coverage. There appears to be no rational explanation for this divergence. However, with these four exceptions, the record is found to be reasonably consistent.

The four stocks which show outstanding appreciation over the period are Fidelity-Phenix, St. Paul Fire & Marine, Continental Insurance and Insurance Co. of North America. Their average appreciation is 72.4% and their average dividend coverage is also high, being 2.16. Hartford, although showing maximum dividend coverage, is fifth in market appreciation, with 47.7%.

It will be observed that five stocks show a market decline, viz.: Pacific Fire, Bankers & Shippers, New York Fire, Franklin and Merchants & Manufacturers. In the case of Pacific Fire, its stock was unusually high in 1940 in response to particularly good earnings in 1939 and 1940, since when earnings have declined quite substantially. The same may be said of Bankers & Shippers. Another interesting item is that the four companies at the foot of the list in Table II have actually paid out more in dividends than they have earned, and thus their market performance is consequently inferior.

While there is not perfect correlation between earnings and market action, there is a sufficient degree of correlation to make careful attention to the points brought out in this short study well worthwhile.

Will Women Retain Jobs in Industry?

(Continued from page 2707)

tion, that will constitute the employment problem.

Re-Employment of Veterans

The re-employment of discharged service men will present special problems. The Selective Service Act requires employers to provide positions of "like seniority, status and pay," and a War Labor Board decision allows the employer to make seniority cumulative during the employee's service in the armed forces.

In order to make places for returned veterans, numerous companies may be obliged to shift some of their present personnel by transfer, down-grading or retraining. In many concerns, whether unionized or not, seniority will be a factor in such shifts, but it will not be the sole guide in making the adjustment, for other factors to be considered are ability, performance, dependents and location of home. Many veterans, moreover, will undoubtedly return to industry with newly-acquired skills and will be more efficient and more contented in using them than in resuming their former activities.

55 Million Jobs

Post-war "full employment" has been placed at from 55 million to 60 million, the latter used by President Roosevelt in the recent campaign as a figure for jobs that can be filled. A conservative estimate for reasonably satisfactory post-war "full employment" no doubt would be 55 million, or 2 million more than those employed today.

Of the 12 millions in the armed services it may be assumed that 2 millions will remain, leaving 10 million demobilized veterans to be reabsorbed in industry. They will want jobs and they will be entitled to them. If these estimates are fairly correct, therefore, about 8 millions now working will have to be displaced.

How Many Women Workers?

No doubt it can be assumed that about 2 million elderly workers and high school students now temporarily engaged in war plants will cease to work, and that about another 2 million will revert to the chronically unemployed ranks. This would leave something like 4 million women apparently destined for voluntary or involuntary retirement, and here is the crux of the problem.

Before the war there were 12 million women working or looking for jobs. Their numbers have been expanded by 6 millions to the present total of 18 millions now employed. Assuming that at least 2 million, their patriotic service over, will happily and uncomplainingly retire, to what extent will the other 4 million want and/or be able to compete with men for jobs?

Sharply divergent views are held on the subject of the extent to which women will continue to work when the war ends. A poll taken recently at one of the leading aircraft manufacturing plants where 9,000 women are employed revealed that only 1,500 desire to remain at work indefinitely. Women are said to be quitting their war plant jobs in large numbers already. On the other hand, a speaker at a National Association of Manufacturers' meeting declared that two-thirds of women war workers will try to remain in industry.

Favorable and Unfavorable Factors

Factors favoring those women who want to remain are: Many have done outstanding jobs and employers want to keep them; experience in war jobs has given women new independence; their high salary scale creates buying power and helps fight depressions.

Unfavorable factors: As newcomers, they have short seniority and will be the first to be laid off; returning service men entitled to jobs under Selective Service rules will crowd them out; if jobs become scarce, public opinion may favor men with families to support.

Some figures show that women are being laid off wherever possible as cut-backs are made in war production. According to recent surveys, in the truck and agricultural implement industry women accounted for only 13.1% of total employment, but for 51.6% of total lay-offs. In ordnance women accounted for 25.6% of total employment and for 61% of total lay-offs. In aircraft parts women numbered 42.2% of total workers, but in total lay-offs they were 60.2%. These lay-offs are considerably above the number of women who would be laid off legitimately on the basis of seniority.

Equal Pay for Equal Work

Developments during the war have resulted in women becoming more entrenched in industry and under better conditions than ever before. Prior to the war they earned on an average from 50% to 60% less wages than men. At the beginning of the war the National War Labor Board accepted the principle of equal pay for equal work. As a result, in a large number of cases women industrial workers, thanks to the WLB ruling, have succeeded in obtaining equal pay for doing work identical with that done by many men in the plants in which they are employed. In some cases, however, the Board ruled that, no matter how efficient women may be, they may be paid less for the same work if the men are doing their work in another shop.

Nevertheless, women have scored great advances during the war. The top leaders of all the unions have passed resolutions and tried to make the union locals abolish all separate wage classifications in union contracts. Where pressure has been sufficient, management has responded. It was the United Electrical Workers and the United Automobile Workers, two CIO unions, which were leading factors in obtaining the WLB ruling that made equal pay for equal work a principle and in many places a reality. Government has also responded to pressure, some States passing equal pay laws, and the Women's Bureau of the United States Department of Labor exposing inequalities and recommending their elimination.

Easing Competition for Jobs

Miss Frieda Miller, lately appointed director of the Women's Bureau, declared in a recent interview that if the nation wants to have a stabilized labor situation, women must have better wages.

Competition for post-war jobs in other industries, she continued, would be eased by revision of wage scales and working conditions in those service industries in which women workers have traditionally outnumbered men. She predicted that the setting of minimum wage and hour standards and the extension of social security coverage and workmen's compensation benefits to the service industries would draw many women workers who might otherwise spurn these jobs.

"Household workers and most of the service workers in hotels, restaurants and other service establishments are badly underpaid today," she said. "There are terrific differentials existing between wages and working conditions for service workers and for women in industry and business. These must be eliminated."

There is strong advocacy for raising minimum wages from 40¢ to 65¢ per hour, and the Administration is reported to have definite plans for broadening social security somewhat along the lines of the Beveridge Plan and the recent Government White Paper in Britain.

It is estimated that there would be 14 million women gainfully employed today, war or no war, according to the steady progression of women into paid jobs since 1870. The Census Bureau, moreover, estimates that by 1950 there will be probably 17 million women in the labor market. It is not clear how many women will want to be permanent members of the labor force after the war and even less clear is the number for whom jobs will be available. More will be known on the subject after all the returning service men have been re-employed.

Principles of Treasury Borrowing

(Continued from first page)

ing power of the country must be immobilized or transferred from the hands of individuals, where it could be used only to bid up prices, to the hands of the Government, where it would be used to purchase the means to victory. We knew, too, that on the success with which this task was accomplished would depend the kind of economy our boys would reenter when they returned from overseas — whether it would be an economy wrecked by inflation, or a vigorous economy in which they could take their places with confidence.

"Two buttresses have been used to support the structure of economic stability during the war. One is the buttress of direct controls, including rationing, price controls, and priorities. The other is that of a fiscal policy which siphoned off the excess buying power by taxing and borrowing from the general public. The maintenance of the borrowing part of this buttress was, to a great extent, the responsibility of the Treasury.

"There are, of course, economic limits to the proportion of the total war cost which can be met from current taxation. Our total tax receipts have increased eightfold in the past four years, but there still has remained a large Federal deficit. In order to finance this deficit, it has been necessary to increase the public debt by about $150,000,000,000 since Pearl Harbor.

"In its borrowing operations, the Treasury has been largely guided by four underlying principles: (1) that the necessary funds should be raised in such a manner as to minimize the danger of inflation; (2) that small investors who purchased war bonds should be protected from market risks; (3) that the liquidity of the nation's financial institutions should be maintained and increased, so as to place them in a strong position to confront the problems of the post-war period, and (4) that the interest rates on the war debt should be kept at a reasonable level.

"To minimize the danger of inflation, bond sales programs were directed particularly toward individuals. The securities offered were designed to meet the needs of such investors. Periodic bond drives have been organized, with goals announced for each class of investor, and with specified restrictions on participation by banks. The payroll savings plan for the continuous purchase of Series E bonds has been promoted. Bonds sold in this manner absorbed consumer purchasing power directly at its source and consequently had a maximum impact upon consumer spending.

"The second objective involved the protection of the interests of the small investor. The Treasury has considered itself the trustee for the inexperienced investor who purchases Government securities primarily to help his country in time of stress and places his faith in his Government that the securities he purchases are sound investments and designed with a view to his own requirements.

"Series E bonds were designed especially to meet this responsibility. They are non-negotiable and redeemable on demand, thus guaranteeing their holders against fluctuations in market value in case the proceeds are needed prior to maturity of the bonds. The yield to maturity of E bonds is 2.9% — the highest obtainable on any United States Government security. An annual limit is placed upon purchases by any one individual. These bonds have already been purchased by some 85,000,000 separate investors. The $23,000,000,000 of their holdings to date constitute a profitable and highly liquid investment. For the post-war period, these holdings will provide a valuable backlog of consumer purchasing power.

"Securities were designed likewise to contribute to liquidity elsewhere in the economic structure, in accordance with our third objective. United States securities made available to banks have been concentrated in maturities of ten years or less. As a result, the banking system is in a more liquid condition than ever before. Business concerns likewise have been afforded the opportunity to purchase securities of short maturities. The funds so invested will thus be freely available to these concerns in the immediate post-war period.

"The fourth important element in our fiscal program has been the maintenance of consistently low interest rates. The average rate on Government borrowing since Pearl Harbor has been $1\frac{3}{4}\%$, as contrasted with an average of $4\frac{1}{4}\%$ during World War I. On the debt increase of $150,000,000,000 since Pearl Harbor, the difference in interest rates amounts to almost $4,000,000,000 annually. This is a benefit not only to the Treasury, which must pay the bill in the first instance, but also to the whole body of taxpayers. Continuance of low interest rates in the post-war period —and I see no reason why they should not continue for the foreseeable future — will maintain this saving to the Treasury, and will also be an important factor in speeding the reconversion of our industries to peacetime production.

"The four principles followed in Treasury borrowing have, I believe, served well in helping to maintain economic stability behind the fighting fronts. This has not been the only purpose, however. Our borrowing plans have been shaped by the twofold consideration both of how they would help the war immediately and of how they would help in meeting post-war problems. Thus, low interest rates, liquidity of financial institutions, and a large backlog of purchasing power in the hands of consumers, will facilitate the shift of the economy back to a peacetime basis and will contribute to a continuance of full employment."

Post-War Jobs, Taxes and Debt

(Continued from first page)

ously. One is that the unsatisfied needs of American consumers and of American business are piling up to all-time highs. The second is that purchasing power has also reached new highs. Let us first consider needs. Take automobiles for example. At the time of Pearl Harbor, with six million people out of work, Americans were driving 28 million automobiles. Today the number is down to 23 million, and cars are leaving the road at the rate of 5,000 a day.

When the war ends—say early in 1946—we shall have seven million fewer automobiles than we had at the time of Pearl Harbor.

Over 600 articles of iron and steel have not been made for civilian use since early in 1942. Most household electrical goods, for example, have not been made for civilian use since April, 1942. The accumulated need for these goods may conservatively be put at twice the number of units sold in 1940. This means an accumulated need for

3½ million vacuum cleaners
over 7 million electric clocks
23 million radio receivers
over 5 million refrigerators
over 10 million electric irons
over 3 million washing machines
over 1½ million waffle irons.

The war has stimulated marriages with the result that a million more couples than normal have been married during the last four years. A high proportion of the 6,600,000 couples married during the last four years have purchased little household equipment. The accumulated need for household goods after the war will reach new highs.

During the last four years the construction of permanent dwelling units has fallen behind the increase in families. In fact, families have increased by 750,000 more than permanent dwelling units. When the servicemen come home the country will experience one of the most acute housing shortages in its history.

Great and pressing needs for goods become demand only when backed by purchasing power. And I have said that purchasing power has been reaching new highs. During the last four years individuals have saved a hundred billion dollars, as much as they would have saved in 14 years at the 1940 rate. They've increased their cash, bank deposits, government securities, and other liquid assets far more during the last three years than during the entire previous 150 years of the republic.

Business enterprises also have greatly increased their purchasing power. Despite the great rise in the tax liabilities of corporations their net working capital has increased by over 60% since 1939. By the end of the war it will probably be double 1939.

But will individuals and business concerns be willing to spend their enormous purchasing power? That is the crucial question. Many people believe that the swift drop in government spending will leave consumers too frightened and too dazed to spend their money. This is a possibility but I believe it is a remote one. If it were to happen, men would be behaving in a new way.

There have been revolts of consumers against rises in prices, and there have been sudden refusals to spend after spending has been going on furiously for several years and after consumers have piled up huge debts. Never, however, have people whose consumption has been severely restricted for several years and who in the meantime have accumulated unprecedented amounts of purchasing power, refused to use their money to satisfy their needs when goods became available. When goods are obtainable money will be spent faster than it is being spent today. That is why it is important when fighting ceases that conversion to civilian production be made quickly.

Let us suppose that 57 million people are working after the war and that their working week is 40 hours. At present efficiency they would produce about 156 billion dollars of goods a year. National, State and local governments would take about 31 billion dollars of this product, leaving 125 billion dollars of product available for private consumption.

Will this be enough to meet the demand of individual and business concerns? The incomes of 57 million persons at present prices and wages would be about 130 billion dollars a year. After paying personal taxes people would have 118 billion dollars left to spend on goods or to save. How much would they spend? Let us begin by asking about non-durable goods.

If gasoline, beefsteaks, butter, silk, fuel oil, and scores of other things had been available in 1943, if people had had time to take vacations, if ten million service men had been civilians buying their own food and clothing, wouldn't the market for civilian goods have been at least 10% higher than it was?

When this rate of spending is adjusted to an income of one hundred and eighteen billion dollars after taxes, a postwar demand for non-durable goods of ninety billion dollars a year is indicated. On durable consumer goods, people spend about 10% of their incomes after taxes. This would indicate a demand of nearly 12 billion dollars a year. In addition a count must be taken of the deferred demand for durable goods, which I have estimated at double the quantity sold in 1940. If this deferred demand is spread over four years, it will average about 4½ billion dollars a year. Despite the housing shortage, many people will probably await clarification of economic conditions before starting to build. Consequently, residential building soon after the war may be no greater in physical volume than in 1939, or about 2½ billion dollars a year at present prices.

What quantities of goods will business demand? Replies from over 150 concerns indicate that expenditures on replacing equipment will run one and one-half times depreciation allowances, or about ten billion dollars a year. Plant construction may for awhile be no higher than in 1939, or about four billion dollars a year at present prices. Restoration of inventories will take about three billion dollars a year for three years. Our surplus of exports over imports will scarcely be less than three billion dollars a year. All of this adds up to a total demand for goods by government, consumers, and industry of about 160 billion dollars a year, or 4 billion dollars more than the output of 57 million people at present efficiency. Evidently, post-war demand for goods is likely to test the capacity of American industry, but business enterprises, by improving efficiency, should be able to meet the demand.

II

What will happen after most of the deferred demand for automobiles, other durable consumer goods, and industrial equipment has been met? At that time the maintenance of high employment will require stimulation of demand by the introduction of improved products and by a great rise in industrial construction and in residential building. Fortunately, greatly improved products are on the way and should be on sale within three years after fighting ceases. Fortunately, also, certain important favorable conditions exist for a large volume of residential and commercial construction. An investment of about two dollars in factories, mines, railroads, public utilities, stores and office buildings is required for every dollar of consumer goods consumed each year. The great rise in consumer outlay which is in prospect after the war will mean that the country will need to make enormous increases in its industrial plant and equipment. Expenditures on new investment, however, are very sensitive to the nature of taxes. Whether the great potentialities of the economy are realized after replacement demand has been met will depend in large part upon progress made in reforming taxes. The normal post-war budget of the Federal Government will probably be in the neighborhood of $20 billion a year—over three times as much as the Government raised in taxes in 1939. About 15 cents out of every dollar of income received by individuals will go to the Federal Government in taxes. Many people doubt whether the Federal Government will be able to raise this huge amount without limiting the demand for labor and thus keeping down wages and employment.

The economic problem of raising large revenues for the Government without preventing a high level of employment is easily solved. There are three principal ways of making a living. The most common way is to work for others—becoming a wage earner or a salaried worker. Three out of four workers in the United States make their living in this way, and wages and salaries are by far the biggest form of income—twice as large as all other forms of income combined. A second way of making a living is by lending one's savings at interest. Interest payments are only one-twentieth as large as payrolls, but more than 20 million people obtain some income in the form of interest. A third way of making a living is by becoming the owner or part owner of a business. Business concerns hire labor and capital at specified prices. If the enterprise is able to sell the output of hired labor and capital for more than cost, there is a profit for the owners. Business profits (except monopoly profits) have the special significance that they are obtained by putting men and capital to work. Whenever the outlook for profits improves, the demand for labor rises and employment, payrolls, and later, wage rates increase; when the outlook for profits becomes darker, employment and payrolls shrink. Consequently the outlook for business profits determines the number of jobs and the level of wages.

In order to meet the needs of the Government for large revenues without limiting employment all that is necessary is that the tax system give strong encouragement for:

1. More people to make all or part of their living by giving jobs to others or by putting loan capital to work;
2. More persons to start new enterprises;
3. More persons and enterprises to experiment, make innovations, and engage in risky ventures.

A tax system which accomplishes these three results is easily constructed. More people would be encouraged to become employers of men and capital if income derived from dividends or self-employment were taxed at substantially lower rates than income derived from salaries or interest. In order to make the arrangement politically palatable, the differential tax rates might apply only to incomes over $10,000. People could be given additional incentives to become employers of men and capital through receiving exemption from part of the standard surtax on the proportion of their incomes invested in new plant and equipment or invested in new equity issues for financing plant and equipment. People could be urged to start new enterprises and both individuals and enterprises could be encouraged to engage in risky ventures by more liberal treatment of business losses. For example, individuals might be permitted to offset losses against general income provided their tax liability is not reduced by more than half. Business enterprises might be encouraged to carry losses forward or backward up to four years. The larger the proportion of income that the Government takes when a venture is successful, the more important it is that the Government permit losses to be offset against general income. More liberal treatment of business losses would be particularly useful to new enterprises which frequently operate at a loss for several years. Consequently, it would tend to raise the business birth rate.

The amount of enterprise which the community could bring into existence by taxing income derived from giving jobs at less than income derived from holding jobs, or income derived from putting capital to work at less than income derived from interest is almost unlimited. But is not this discussion of reforming the tax system to increase the number of jobs in the community simply idle day dreaming? Most people think about taxes in terms of how much each one pays in relation to what some one else pays rather than in terms of how taxes affect the demand for labor, the size of payrolls, the volume of production, or the standard of living in the community as a whole. Are not people bound to continue to think about taxes in these traditional ways? Many a nation has remained poor rather than adopt a tax system which would foster more production. Is there any reason to expect twentieth century America suddenly to acquire a capacity to think about taxes in rational terms?

Undoubtedly sudden changes in attitudes toward taxes are not to be expected. Nevertheless it will not be easy for people to close their eyes to the general economic effect of taxes or to overlook important common interests which they have concerning taxes. Consider, for example, the simple question of the relation of taxes to payrolls. All of the principal groups in the community — farmers, wage earners, and business men — have an interest in the tax system which will produce the largest possible payroll. Sooner or later these groups are bound to discover this common interest. When they discover it, will they be willing to do anything about it? Possibly they will not, but it is difficult to believe that farmers, wage earners, and business men will indefinitely remain ignorant of the simple fact that they all would gain from a tax system which made possible a large increase in payrolls. I look forward to the time when sub-committees of the Executive Boards of the AFL and CIO, the United States Chamber of Commerce, the National Association of Manufacturers, and other labor and business organizations will meet regularly for the purpose of promoting their common interest in a high level of employment and the largest possible payrolls. If that sort of thinking begins to happen, drastic reforms in the tax system are inevitable.

III

At the end of the war the public debt of the Federal Government will be about $300 billion. It will be almost twice the present national annual income. If the burden were spread evenly, interest alone would take at least $80 of every worker's income per year.

Some people believe that the size of the debt does not matter because we owe it to ourselves. They reason that if A is taxed $100 to pay B, A has $100 less to spend and B $100 more, but both together have the same amount. They, therefore, hold that the demand for goods and the volume of employment remain unchanged. Other people believe that the huge debt is bound to be a crushing burden which will limit employment and lower the nation's standard of living.

It is not accurate to say that the debt does not matter because we owe it to ourselves. All of us owe it to the bondholders. Some of us are taxed in order to pay interest on the debt to others. The heavier the taxes which the country must impose, the more important it becomes that the country avoid taxes which limit the volume of enterprise.

Whether the debt becomes a crushing burden or whether it actually helps in some ways to raise the standard of living depends upon how the money is raised to pay the interest, who holds the debt, and how the debt is managed. Records show that other nations have more than once successfully managed even greater debt burdens than will confront the United States after the present war. The interest on the British debt after the Napoleonic wars was nearly 8% of the national income, and after the first World War was over 7%. The interest charges on the Federal debt after this war will be about 4% of the national income.

If the expenses of the government, including interest on the debt, are met largely by heavy taxes upon business profits—i.e., by taxes upon job-giving—then they will reduce employment output, and our standard of living, regardless of who holds the debt.

If the debt is widely distributed among millions of small holders, if the expenses of the Government are met largely by taxes on individuals, if substantial exemptions from surtaxes are given for all income invested in new plants or equipment; and if there are liberal offsets for losses, then the debt will help increase employment and raise the standard of living. The millions of small holders will gain a sense of security from their accumulated savings and hence be encouraged to spend a larger portion of their current incomes. The stiff surtaxes will reduce the savings of the well-to-do; liberal exemptions for income put into new plant and equipment, and generous treatment of losses, will cause the well-to-do to invest their savings in job-giving enterprise rather than to hold them in idle cash.

Today, non-banking corporations own nearly half of the Federal debt, commercial banks about one-fourth, and individuals less than one-fourth. Not more, and probably less, than one-tenth of the debt is held by persons earning less than $5,000 — although these persons receive three-fourths of all income.

It is plain that steps need to be taken to get much more of the debt into the hands of individuals, particularly of those in the small income group. During the last three years individuals have saved almost as much in the form of cash and bank deposits as in the form of Government bonds. During the remaining period of the war, when the supplies of civilian goods are severely restricted, the Treasury will have its best opportunity to persuade individuals to buy more bonds. This opportunity should not be lost. An increase of at least $25 billion in sales to individuals should be the goal for the next 12 months. Every citizen should be made to understand that by buying war bonds how he is not only helping to win the war, he is helping to make possible a more prosperous and stable America after the war.

Management of the public debt in the years immediately after the war will greatly affect the movement of prices and will offer the Government a powerful instrument of price control. Corporations, which at the end of 1944 had well over $20 billion of Government securities, will be letting these securities run out at the rate of $4 billion or $5 billion a year. Some redemption of war savings bonds by individuals will occur, particularly if home buying is occurring on a large scale. The Government will have the option of refinancing the public debt through sales to the commercial banks or through sales to individuals. If prices in general are weak and the demand for goods is insufficient to provide reasonably full employment, refinancing the debt through the commercial banks is indicated. If demand tends to outrun the productive capacity of industry, refinancing through sales to individuals will help limit excessive demand for goods. Sales to individuals, of course, will not be easy at a time when everyone is eagerly buying more goods. Special Government issues bearing attractive rates of return and an efficient selling organization will be necessary to achieve large bond sales to individuals in times of boom.

Should the debt be repaid? Some people fear that any reduction of the debt would have a deflationary effect and cause unemployment. Other people believe that there is a moral duty to repay the debt. Both of these views are extreme. There is a moral duty to pay the interest on the debt, but not to repay the principal except through refinancing operations. Would repayment of part of the debt inevitably cause unemployment? It would cause unemployment in times of depression. Every period of high prosperity, however, will give the Government an opportunity to pay off part of the debt without limiting employment. If the Government budget runs a surplus during periods of high prosperity, and if this surplus is used to retire some of the bonds sold by corporations or redeemed by individuals, the country will be protected against a disorderly and speculative rise in prices. Thus, reduction of the debt can be made a device for stabilizing our economy.

Many people have difficulty in visualizing the day when there will be a substantial reduction in the burden of the national debt. And yet, if the country pursues wise economic policies, there is no reason why the debt burden should not be cut in half during the next generation.

The days of technological progress are not over. They are in fact only well begun. In the decade of the Twenties, the per capita national product increased over 30%. Let us assume that it increases in the future at only half this rate—15% per capita every ten years. In every decade of our history, except the Thirties, we have done better than that. This rate of progress would mean that the gross national product, at 1944 prices, would rise from $156 billion shortly after the war to $187 billion by 1950, to $229 billion by 1960, and to $275 billion by 1970. At this rate the burden of the debt would be reduced nearly half by 1970, even if not a cent of the debt were repaid.

Let us keep clearly before us these great potentialities of our economy. Awareness of them will help us keep our sights high; it will stimulate our confidence in our power to achieve; it will help us retain and develop the spirit of pioneering and innovation. If progress at this modest rate is not achieved, the American people should insist upon knowing what is holding back production.

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)

BATTLE CREEK, MICH.—**John E. Wilde** has joined the staff of **S. C. Coleman**, Security Bank Arcade.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Edwin C. Parker** has rejoined **Glore, Forgan & Co.**, 135 South La Salle St.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Robert W. Miller**, formerly with the George S. May Co., is now with **Hallgarten & Co.**, 231 South La Salle St.

(Special to The Financial Chronicle)

CLEVELAND, O. — **Frank H. Miller, Jr.**, has become associated with **Dodge Securities Corporation**, Terminal Tower. Mr. Miller, in the past was with Johnson-Kase Co., and prior thereto for many years with the Cleveland Trust Co.

(Special to The Financial Chronicle)

COLUMBUS, O. — **Edwin C. Townsend** has been added to the staff of **Lowry Sweney, Inc.**, Huntington Bank Building.

(Special to The Financial Chronicle)

DAYTON, O.—**Herbert V. Klepinger** is with **J. R. Woodhull & Co.**, Third National Building.

(Special to The Financial Chronicle)

NEW ORLEANS, LA. — **W. C. Hildebrand** has become affiliated with **White, Hattier & Sanford**, Whitney Building. Mr. Hildebrand was for many years associated with Jac. P. Ducournau, who is now a partner in White, Hattier & Sanford.

(Special to The Financial Chronicle)

PEORIA, ILL.—**Eugene Osborn** has joined the staff of **Sills, Minton & Co., Inc.**, 209 South La Salle St., Chicago.

(Special to The Financial Chronicle)

ROCK ISLAND, ILL.—**Lex Petrie** is with **Standard Bond & Share Co.**, Rock Island Bank Building.

M. A. Charavay Dead

Marius A. Charavay, member of the New York Stock Exchange, and senior partner in Stevens & Legg, stock brokers, of 11 Wall Street, New York City, died at Hackensack Hospital at the age of 59.

Mr. Charavay became associated with the late Samuel B. Legg, stock broker, in 1919, became a member of the New York Stock Exchange in 1925, and was admitted to partnership in the brokerage house of Stevens & Legg when it was formed two years later.

Prospects For a Post-War Agricultural Collapse

(Continued from page 2707)

necessary to undertake farm relief? Measures to stave off disastrously low farm prices—production control, price supports and subsidies?

It will not be possible to cover all of the many important facets of the farm problem now in prospect once the war ends. I am restricting this paper to an attempt to state for you the main characteristics of that post-war problem and the underlying forces creating it. Thus, except for an occasionaal aside, I will not take up the basic elements of an agricultural policy in a developing economy.

How the Mobilization for World War II Has Affected American Agriculture

Let me touch briefly on what has happened in production since 1939. In the aggregate it has been expanded by one-fourth, for food by nearly one-third. During the first war our efforts were focused on the "battle for wheat." This time it has been on oil crops, livestock, and to a much less extent, on wheat. In crops the Big Three in our agriculture are corn, wheat, and cotton. Corn has expanded from 38 to 98 million acres, with a record crop of 3.2 billion bushels this year; wheat, from 50 to 61 million acres, all of the increase coming in 1944, and the unprecedented crop of 1.1 billion bushels; meanwhile, cotton has declined from 24 to 20 million acres. Soy beans have been doubled. Flaxseed and peanuts have also been increased markedly. The expansions in livestock products have been much larger than those in the main crops. This was possible in part because of our large corry-overs of corn and wheat when the war started. Our production of meat this year is 50% greater than it was before the war (1935-39 average). Eggs and chickens have also been increased by one-half. Lard is up about 85%. One of the few things that is down is butter because more milk is being used for human consumption. There also have been important shifts as among crops as a result of these major changes. We shall not, however, discuss these here.

World War II has emptied our granaries, which were literally full to overflowing with feed and food when the war started. The corn carryover has dropped from 600 to less than 200 million bushels. In wheat we are again on the way to accumulating stocks. But even the war has not liquidated our excessive stocks of cotton. We still have a carryover upwards of 11 million bales.

The high prices and large farm incomes of the last several years have induced another land boom. Land prices have risen fully 40%. As yet this increase does not represent an overvaluation as extreme as that which occurred at the close of World War I.

One of the more significant developments is the decline that has occurred in the farm population, which has dropped from about 30 to 25 million people as a consequence of the mobilization for war. This transfer of people has increased greatly the relative scarcity of the labor supply in agriculture; and it is, by all odds, the most important wartime development affecting agriculture. There was no such shift in population during World War I. Its importance arises from the fact that agriculture was burdened with a very considerable excess supply of labor during the inter-war years, especially during the 'thirties.

Still another important development of the last few years is the marked improvement that has occurred in the capital position of farm people. They are, for the first time in three decades, in an A-1 capital position. Since 1940, deposits and currency owned by farmers have risen from 4 to almost 10 billion dollars. In addition farmers have reduced their farm mortgage debt by about 1 billion dollars, and at the same time have purchased about 2 billion dollars of U. S. war bonds. Here we have a gain of about 9 billion dollars in intangible assets, a gain of nearly twice the annual pre-war net income of agriculture. When we add all of the items in the farmer's financial balance sheet, including real estate, other physical goods, and intangibles, we find that it has risen from 54 to 83 billion dollars since 1940. This means in substance that the equity of the owners of farm land and the farm tenants has increased by 30 billion dollars.

Let me pass other war-time developments—those in soil conservation, in which we have lost some ground; in farm machinery and equipment, which have been depleted considerably; in food consumption, where our diets have been better than they have ever been before; and, in government programs, where we have shifted from production control to a system of price supports and price ceilings—and turn to a consideration of what appears to lie ahead.

The Agricultural Outlook After the War

The post-war outlook has a pessimistic undertone. The gist of it is something as follows:

1. Agriculture will stay in full production after the war regardless of the performance of business or the level of foreign trade. Agriculture can be induced to expand its production as we have done both during World War I and World War II, but it is essentially a one way affair for we have found that it is not only costly and difficult but virtually impossible to bring about a contraction after the war is over. The aggregate output of farm products in the United States is not likely to be reduced appreciably after this war except as unfavorable weather happens to reduce yields. The import of this is obvious. We are going to have a much larger volume of farm products than we had before the war. Taking agricultural output as a whole it means one-fourth more than we had in 1939.

2. The demand for farm products is likely to drop sharply as soon as the relief period is over and our granaries have been refilled. My guess is that we shall find our granaries bulging within a year or two after the war. Even if we attain and maintain full employment and relatively free and open trade with other countries, the demand for farm products will drop far below the levels of 1944. The main contraction will come as a consequence of our Allies returning to their more normal sources, thus shipments of food from the United States will drop.

3. Chronic agricultural surpluses are likely to put in their appearance within two to five years after the war—in fats and oils, wheat, cotton, rice, coffee and sugar. All of these are commodities entering world markets. Sugar, and perhaps even fats and oils may become much scarcer before they are abundant again. Cotton, however, is already decidedly surplus. Wheat surpluses, too, may be just around the corner.

4. Despite the commitments authorized by Congress to support farm prices for two years after the war, farm prices are likely to drop sharply in dollars and cents and decline markedly relative to other prices as we make the transition to a peacetime economy. Prices received by farmers have doubled since 1939. They have increased substantially more than have non-agricultural commodity prices. Under existing legislation the government is not prepared to make its program of support prices effective. There are, therefore, no convincing reasons for believing that farm prices will settle or may be maintained at a level higher relative to other prices than they were prewar. Even at that level the enlarged agricultural production may not clear the markets.

5. The terms of exchange available to farm people (the relationship of prices received and prices paid by farmers) are likely to drop from one-fourth to one-third from the levels of 1944. To translate this into parity it means a drop from a parity of 116 to a parity somewhere between 80 and 90.

6. The proportion of the working population engaged in farming is likely to be smaller after the war than it was in 1939. It has dropped from 20 to 15% as a consequence of the mobilization for war. Herein lies a real gain for agriculture, for it means that the relative earnings per worker engaged in farming will be better than they would be under the prewar distribution of the nation's labor force.

The post-war agricultural outlook, accordingly, adds up to this: Soon after the defeat of Germany farm prices will recede from the price ceilings that have held them in check and in their fall many of them are likely to break through the price floors that have been established by the government. Although the drop will not be as precipitous or as great as that which occurred following World War I, it will be sufficient to cause a widespread, serious, depression in agriculture. On two counts, however, American farmers may well be in a better position to withstand low prices and low incomes for a time. Certainly better than they were in 1921. In the first place, the farm population is down one-sixth; the number of farms perhaps one-tenth, and the efficiency per worker is up sharply—but with this proviso, that the war workers who left the farm during the war do not return and further that we do not embark on a program of settling large numbers of returning soldiers on farms. In the second place, farmers are in a stronger financial position—but, here, too, provided this gain is not dissipated in a further bidding up of land values.

My answer, therefore, to the main question put to me today is: We are not likely to experience an agricultural collapse in the manner of 1920-21, but we will probably suffer a serious agricultural depression within two years after the defeat of Germany.

The Post-War Agricultural Depression

The next question, therefore, might well be: How long is this post-war agricultural depression likely to last? I shall devote the remainder of this paper to an exploration of the problem presented by this question. In doing so, however, it is necessary to leave aside further consideration of the effects of war on agriculture and also not treat the effects of business fluctuations on agriculture in order to portray to you clearly the basic forces that are reshaping the supply and demand of farm products. From what we have already said it should be evident that war has caused farm prices and income to rise and fall sharply, and production to increase substantially but not decrease when the war ends. In peacetime, however, business fluctuations are the main cause for the instability of farm income. Agricultural production is, except during war, remarkably steady from year to year regardless of the performance of business, whether it booms or is depressed. But farm prices reflect quickly changes in business conditions, and as a consequence farm incomes have become exceedingly vulnerable to business fluctuations.

Without further comment then with regard to the effects of war and of business fluctuations on agriculture, let us inquire into the position of agriculture, as a supplier of farm products, both for food and industrial uses in a developing economy.

The most significant fact that emerges from the analysis which I am about to present is the unequal growth which has come to characterize the demand for and supply of farm products. The prospect is that for the first decade or two after the war the supply of farm products will be in the vanguard. It will increase more rapidly than the demand.

We can pay our respects to history here, and it will give us perspective on this development. At the time Malthus was writing there was fear that the demand for food would increase more rapidly than its supply. You recall the Malthusian thesis with its emphasis on overpopulation, shortage of land, diminishing returns in agriculture, and the specter of not enough food. Even today there are many populations whose pressure on the food supply is such as to make it one of the main causes of poverty. This certainly is the case in India and China. Western countries, however, are no longer in fear of overpopulation. Instead there is a rising concern about depopulation. Nor is there an apprehension of a shortage of farm land to produce food as we look to the first few decades. As far as western countries are concerned, including all of North America, what we foresee is not a food problem in the Malthusian sense, but a farm problem of the type that was developing during the inter-war years. Instead of hungry mouths begging for food, agricultural surpluses will go begging for markets.

The two primary forces that are responsible for this fundamental change are: (1) the decline in the rate of growth of the populations within the orbit of the market serving American agriculture, along with the low income elasticity of food as people become richer, and (2) the technical revolution in progress in agriculture. Although it is the task of the economic system to reconcile these two sets of forces, one reshaping the demand and the other reshaping the supply, it must be said that it has not been doing an adequate job.

Causes of the Slow Growth of the Demand

The nightmare of overpopulation that oppressed the older economists, Malthus and his contemporaries back 150 years ago, no longer troubles our minds. Even as recently as 1870-1880 our population increased 26% during the decade, while during the decade preceding 1940 it increased only 7.5%; and Europe, once a considerable market for American farm products, is confronted with a similar population change. The projected increase for the decade 1950-1960 for all of Europe, exclusive of Russia, is only 1.5%, and in western and northern Europe the population is likely to decline.

The second important variable in the demand for farm products is the level of income. In the years between the two wars income per head in the United States fluctuated widely, but there was no appreciable gain. The war has given us a marked increase. Conservative estimates of Simon Kuznets put the rise in income from 1939 to 1944 at about 40% per capita. This increase of income has enlarged the demand for farm products, especially of foodstuffs as we well know, during the war. But the question is, how much does it increase the demand? The answer depends upon what the economist calls the income elasticity of a product—in this case of farm products, which is simply a measure of how people spend their income as they become richer. You may recall Engel's Law to the effect that people spend proportionately less of their income on necessaries as they become richer. Our researches indicate that the income elasticity of farm products is low, in fact much lower than is usually supposed. It appears to fall at about .25, which simply means that with a 40% rise in income per head the demand for food would increase 10%, relative prices and other factors remaining constant.

Let us now apply these quantitative changes in population and income as they affect the demand for food. Let us suppose, then, that we come to the end of the war with an increase in our population of 5%, with a rise in our income on a per capita basis in real terms of 40%, and with an income elasticity of farm products of .25. This would increase the aggregate demand for farm products 15%. Meanwhile the supply of farm products has expanded 25%. Here we have a measure of the gap between the two induced by the war itself. If our exports were to become much larger than they were before the war, the gap would be reduced, but the prospects for this happening are very doubtful indeed.

We are forced to conclude, therefore, that the growth in population and the very high incomes attained during the war, if maintained, will in themselves not create enough additional demand to absorb even at prewar prices the additional supplies of farm products now being produced. Certainly there is no possibility that the highly favorable farm prices relative to other prices that prevail currently can be supported once food exports decline.

Let us look just a moment at the first decade after the war in this context. The population in the United States may grow as little as 5%. Under very favorable circumstances we may realize a growth in our income of as much as 20% per head. These two developments, should they occur, would create an additional demand for farm products of about 9%. With farm prices as low as 90% of parity, agricultural production is likely to increase upwards of 15% during the decade, which certainly is much more than the demand will absorb without marked changes in relative prices. The forces pushing the supply up are several, but primary among them is the rapid advance in farm technology. To a very considerable extent this force and several of the others affecting the supply is independent of price changes, that is, their impact on production is likely to go on despite very low farm prices.

Chronic Depression—A Consequence

Let me close by indicating in a word the main consequences of this unequal growth of the demand and supply of farm products, with the supply so distinctly in the vanguard.

1. Unless equilibrating mechanism has the capacity constantly to transfer a very considerable quantity of resources out of agriculture we would expect a chronic disequilibrium adverse to agriculture to occur and to persist except during wars and for a short period during business booms, and also for awhile whenever governments accumulate large inventories of farm products.

2. We would expect agriculture to be burdened constantly with an excess supply of labor even during periods of business expansion and of brisk job opportunities in non-agricultural industries. The burden of equilibrating the excess supply of resources in agriculture falls primarily on the labor force simply because improvements in agricultural technology are largely labor-saving in their effects. Moreover, labor constitutes the bulk of the resources employed in agriculture; and, workers are transferable. As our economy develops we find that we require constantly a redistribution of the labor force with relatively few workers engaged in agriculture. Slowly, but always belatedly, this is happening.

3. We would expect food to be cheaper on account of the chronic disequilibrium caused by the differing rates of growth of the demand and supply of food, than it would be if the excess supply of labor in agriculture were at a minimum. Obviously, merely raising the price of food by governmental action does not remedy this situation since it does not get at the underlying causes.

There are other important consequences, particularly in the international sphere, which I shall not treat at this time. Suffice it, therefore, to stress the long-run character of the depression in agriculture because of the chronic disequilibrium, the excess supply of labor resources in agriculture, and the implications of these to the price of food.

In the task of evolving appropriate policy, it is essential that we do not lose sight of the fundamental forces that are persistently reshaping both the supply and demand of farm products as our economy develops. Nearly all of our policy forged during the inter-war years, largely of necessity, was focused on farm relief, dealing with one emergency after another. These measures, accordingly, for the most part were not formulated with an eye to the more basic, underlying causes touched upon in this brief paper.

L. L. Longdon Dead

Laurance L. Longdon, associated with the Cleveland office of Hornblower & Weeks, Union Commerce Building, for the past 20 years, died at his home 1084 Leedale Avenue, Lakewood, O., Dec. 12, 1944.

Mr. Longdon, who had been in poor health for several months, was active in investment circles before his illness. He was a member of the Cleveland Bond Club and in 1936-1937 served as President of the Cleveland Security Traders Association, being one of the first to serve in that capacity after the Association was formed.

Within a few months of the opening of the Cleveland office of Hornblower & Weeks in 1924, Mr. Longdon became associated with that investment firm as manager of the trading department and continued in that capacity until his death.

Low Corporate Taxes No Remedy For Depression: Randolph Paul

Former Treasury Official Stresses the Importance of High Profits, After Taxes for Maintaining Prosperity. Favors Repeal of Excess Profits Levies.

Take-home profits after taxes should be given greater consideration than a reduction of corporate tax rates in formulating a sound post-war tax plan, Randolph Paul, former General Counsel of the Treasury, said last week.

Randolph E. Paul

Speaking to members of The Maryland Association of Certified Public Accountants, at Baltimore, Mr. Paul favored the eventual elimination of the excess-profits tax, but declared that low corporate taxes are "a remedy that has been tried and found wanting." It was tried in the twenties, he asserted, but we still had a depression in the thirties. "We cannot depend upon low corporate taxes if we want to keep prosperity in the post-war period."

Stressing the importance of profits after taxes, Mr. Paul, who is a member of the New York and Washington law firm of Lord, Day & Lord, asserted "it doesn't matter how low taxes are if our take-home profits are too low, and it doesn't matter how high taxes are if our take-home profits are sufficiently high"

Mr. Paul predicted that post-war Federal budgets might average $25 billion. He called for an immediate decision as to whether post-war taxation should favor consumption or investment, and said it was also vital to determine whether corporation taxes are absorbed by corporations or shifted to wage earners and consumers.

"Other people's taxes may be even more important to business men than their own," he declared. "Their own taxes take part of their earnings. Other people's taxes may determine whether they shall earn at all. There can be no earnings without a market for goods, and there can be no broad market for goods if taxes take away too much purchasing power."

Expressing doubt that taxes favoring consumption would lead to a post-war spending spree, Mr. Paul said: "Some post-war planning wishfully assumes reckless spending of war savings. People are afraid to spend capital when they are not getting income. It would be less risky to put spenders in a position to buy goods with income rather than capital. Then they could stay in the market and the market would stay with producers."

On the question of equity in the post-war tax system, he said "taxes should be justly distributed; so should tax reductions."

Wechsler & Co. to Be Formed in New York

Announcement is made of the formation of Wechsler & Co., to transact a general brokerage business in securities and commodities. The new firm will have memberships on the New York Stock Exchange, New York Curb Exchange and Chicago Board of Trade, and will be located at 120 Broadway, New York 5, N. Y.

Samuel Wechsler, member New York Stock Exchange; Capt. John R. Wechsler, U. S. A., and Hermine Freeman are general partners of the new firm, and Lillian R. Wechsler is a special partner.

For many years Samuel Wechsler has been engaged in charitable and communal activities: as Chairman of the Entertainment Division for the 1942 Red Cross Drive; Chairman of the Police Athletic League, and an organizer of the City Center of Music and Drama.

Mr. Wechsler has been a member of Selective Service Draft Board No. 67 by Presidential appointment since its origin.

Wood, Walker Partner

Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit Stephen W. Waterbury to partnership in the firm on Jan. 1.

Taxes Vs. Customers and Jobs

(Continued from page 2706)

any tax plan has landed. For it might not make a happy landing and so we might find ourselves in a spot where the creation of new jobs becomes well-nigh impossible. Indeed, I do not right now urge the complete elimination of the corporate income tax, even though I believe this tax is a concealed sales tax which has all the vices and none of the virtues of a sales tax.

Now what are the fundamentals? To the winning of the war, in our several capacities, we are giving all that we have. Also, we must win the peace. These are truisms. But I think you will agree that a large part of the peace must be won on the home front. This means that as a primary task we must find ways and means of solving what is grandly called our fiscal problem. That problem, speaking less grandly, gets down to paying taxes and still leaving to us the means and the will to bring jobs into being.

We Are Both Producers and Customers

The Government, as a customer, as an employer, as a price and wage fixer, as a money lender and as a subsidizer, appears to have so changed the business picture that it is easy to forget that the real level of our material existence must depend on how well we serve each other—that we lead a dual life as producers and customers, exchanging with each other as producers and customers. As customers, we dominate ourselves as producers, and, although what we call the Government has dominated through these war years as a customer, the Government is only our collective selves. The relation may be expressed in dollar symbols but basically it will not be changed. If we add to the costs of production, we must add to the costs of consumption—or to put it another way, if as customers we insist on getting something for nothing, then as producers we must find ways of giving something for nothing. There is, I regret to say, between production and consumption no twilight zone where good fairies play. It is as simple as that—and there are no exceptions.

What are we after? Let us assume that we are all responsible citizens of good will. Let us try to define our objectives. In the recent campaign, it was vigorously asserted on all sides that our ideal was a nation in which there would be jobs at good wages for all who wanted jobs and that beyond the jobs would loom the background of a perfect security against the hazards of illness and old age. No one is against those objectives. No one, in spite of much feverish testimony to the contrary, is actually promoting sin. But there is a wide and wholly honest difference of opinion as to what the words mean when translated into deeds and as to ways and means of attaining the ends. If jobs are a consequence and not a cause, discussing jobs instead of customers is starting backwards and getting nowhere.

Liberty is a moral issue and the right to worship according to one's faith is only one phase. Our liberty and our material life are not to be separated. If, as Calvin Coolidge put it, a free man is primarily entitled to the dollar he earns—which is only another way of stating the right to own—then it is a moral issue as to how the right to earn, to own and to spend shall be circumscribed. And, may I remind you, earning, owning and spending are just segments of a wheel. As customers, we select who gives the best and the most for our money — the package bought may be your service or my service, a ton of steel or a bag of potatoes. Thereby the customer elects who will earn most and own most. The exceptions are negligible. If through our Government we penalize those who serve best, then we unevenly grind a piece off the wheel and get a flat which bumps the whole national vehicle. If it be immoral for one to earn or to own beyond a certain amount—that is, to serve the customer beyond a certain amount—then it is wholly immoral for the State to celebrate each year by taking away the excess of earnings or ownings above the sin line. The moral way would be to prevent a man from sinning by preventing him from serving. The State should not live on the wages of sin.

But whatever may be the morality of ownership and use, it is neither honest nor sensible to have a jumble of tax laws which distort the exchanges that make up our economic life.

Take our situation here tonight. All of you, on the face of things, have paid the same amount for your dinner. But in point of fact you have paid widely varying amounts. Some of you in order to use a dollar for yourselves must earn at least $2.53. If you happen to earn $5,000 a year, you must earn at least $1.20 in order to have a dollar to spend, and, if you earn $2,000 a year, you must earn—at the moment—at least 11 cents more than a dollar before you have a dollar of your own. None of you has really paid the scheduled price for your dinner. That is not merely absurd. It means that prices are not what they seem to be and that they very according to the size of the income tax paid by the customer. That, some will say, is exactly as it should be. They say that the rich should pay more for what they buy than do the poor.

Here is what actually happens. The Government takes the customer power of the rich, the near-rich and all those who pay income taxes. To the extent that it does so, jobs depend not on the free choice of the customer but on the choice of a Government agency. The agency may decide not to buy the kind of goods on which depend the jobs of those who are all-out for high taxes on the other fellow. And suppose one of these men whose job has been killed wants to start up a shop of his own and knows a thrifty neighbor who he thinks might go into it with him and finance it. What would he say if the neighbor replied: "Yes, I would like to take a chance with you but how can I? The Government takes one dollar out of every two I earn. Where does that leave us?" This, gentleman, is not just a fanciful case. It is happening every day. Unfortunately, however, the tax cause and the job effect do not often spell themselves out so neatly.

Let me digress to say that I am, of course, entirely familiar with the contention that progressive income taxes mainly take what customers would save rather than spend directly for goods and services. That contention takes us into a miasma of belief that we do know how much men save, that saving beyond a point is antisocial, and that therefore both saving and investment should be regulated and hence some bureau and not the individual should decide if, how and when, the customers are to have more and better goods. The contention seems to support a tax theory. But tracked down it becomes a social theory of untested validity.

But coming back to what we pay for our dinners, perhaps some of you are here on corporation expense accounts. This means that as much as 85½% of your dinner is being paid for by the taxpayers. Uncle Sam has created an extraordinary, artificial bookkeeping item which he calls "Profits Before Taxes." It would better be called "Come and Get It." Each man in business knows only too well that this invitation is warping the other fellow's judgment because of the innumerable demands—including those for increased wages—that are put forward with the plea: "Why bother? The Government is paying for it."

Destructive Nature of Corporate Income Tax

The destructive nature of the corporate income tax will be my main topic this evening. Here it is enough to say that the tax not only is destructive in its effects but also induces an element of fraud. There is no use blinking the fact that taxes and regulations are setting back the moral clock and there is every reason to believe that all income taxes are heading into a moral outlook not unlike the moral outlook on violations of the Volstead Act. There is no way of explaining *all* of the vast increase in the amount of hand money in circulation except on the ground that many transactions are being carried on with cash that leaves no trace behind it. The inevitable consequence of bad laws is the moral degeneration of evasion.

And so, gentlemen, I suggest to you that our big job right now is to discover what customer power the Government can take from us and still leave us enough to support ourselves as producers. Let us think in terms of customers. Approaching from this angle, how can one subscribe to any of the plans which start out by projecting a national income which can be taxed to meet any Government expenditure? Such a projection presupposes that the national income will be whatever we want it to be. That smells to me like our old friend the managed economy, which I thought was still down the well into which it fell some years ago while struggling to prime the pump. If I were blowing national income bubbles, I would blow a whopping big one—says, $500 billions a year—and show how the national debt could be paid off and the Government run by a tax on brown shoe laces.

Since any fiscal plan which includes deficit financing in peace is not a plan at all, but an acknowledgement of an inability to plan, the absolute limit of effective national expenditure is the amount that we can transfer to Government without destroying the desire of the individual to earn more. If the desire to earn more be smothered, the tax becomes self-defeating, in that its yield will gradually diminish. This cuts customer power and, in our present vernacular, it means fewer jobs.

As a nation we have been pursuing a great, destructive tax delusion. This is that corporations can and do pay taxes. This may strike you as a surprising statement, but I literally mean what I say. Corporations have not the means to pay taxes. Corporate income taxes, like wages to workers and owners and all other costs, no matter when or where they occur, are costs nonetheless and the customer, if a business is long to continue, must cover the costs in the price. Of course the customer may not choose to buy at the price—in which case the business will fold up. Or again he may be willing to buy only at a price which is less than the total cost—in which case the business dies when it can no longer stand the losses. Or, finally, the customer may only buy smaller quantities or poorer qualities—in which case the business will shrink. In every case jobs and job opportunities disappear. In any event, whatever taxes a corporation pays must come out of the price paid by the customer, for the customer in the long run is the only source of funds for paying costs.

Now where are we? You will agree that corporation taxes are costs and over a period are paid by the customer in higher prices than he would otherwise pay. Also, you will agree that the corporation as a tax collector, should in good conscience turn over its tax collections to the Government. Therefore, you must agree that it is unthinkable to have a tax which all corporations collect in the price but only some turn over to the Government. As the tax works out it provides a refuge for those not doing the job well.

I am aware of the tax theory which assumes that a corporation is an economic as well as a legal entity—that it is a thing of itself apart from its owners and ought to be prevented from becoming too rich by withholding from dividend payments a large part of its income. Therefore, the tax is supposed to hit at corporate savings as well as at dividends to owners. That is a part of the wrong-to-be-rich philosophy.

But the tax, as I shall demonstrate, is not what it is supposed to be. In the long run, under competition, the most efficient producer—that is, the man with the lowest cost—is the one who attracts the customers. His price is the one at which other producers must sell. Thus all customers of all producers pay a price which includes the income tax of the low-cost producers. But only the low-cost producers turn over to the Government the taxes they collect. The less efficient keep what they collect. This in effect is a subsidy. The customers by paying that price which includes the tax of the low-cost producer provide a cost umbrella to the less efficient producer. The higher the tax the bigger the umbrella. The high-cost producer could not meet the low-cost producer's prices based on manufacturing costs. The income tax clears a cost area for him to absorb his other higher costs.

The customer may, if he be able and willing, pay the tax cost directly in higher prices, or, if he be neither able nor willing directly to pay the higher prices, he will in the long run pay them indirectly through the chaos of stagnation with all that means in the way of unemployment. For, if wages to owners cannot be covered in price, the provision of new tools will waste away until a smaller output will command the higher price. If the customer as a producer cannot exchange his products, he ceases to be a customer—if he can't sell he can't buy.

That, gentlemen, is what I am afraid we are going to meet if we carry high income taxes over into peacetime competition without a full realization of what they are and what they do.

The sheltering of the inefficient prevails at every stage of production and distribution from first producer to final customer, and the finished article reaches the ultimate customer at a price which includes some sort of pyramid of all tax costs and subsidies. But since all articles do not go through the same number of stages on the way to the customer, some have more costs and subsidies added to their prices than others. Thus, there is brought about an unbalancing of general price relations by Government tax edict. The exact extent is unknown, but I should not be at all surprised if part of the trouble that farmers have in exchanging their products for adequate quantities of manufactured products is due to the pyramiding of subsidized inefficiency that is the result of the corporate income tax.

The corporate income tax, I want to impress on you, is far more than a means of collecting revenue. Every business has its beginning by some imaginative man or group of them venturing their savings, their skill and their spirit. I am not thinking at this point of the important and essential financing on Wall Street or LaSalle Street. I am thinking of the one hundred, five hundred or thousand dollar rolls on Main Street which join up with a creative spirit to *start* a new job-creating venture. Sometimes—all too often—these businesses fail before they do more than get under way, but even the most successful have a long or short period of nip and tuck before they find their sustaining customers. One of the reasons ventures of this kind are getting rarer every day is that the corporate income tax in the short run, collaborating with the personal income tax, leaves little take-home pay for the adventurers. The incentives for new enterprise are drying up. And that means less new goods, fewer new customers, fewer new jobs, less taxes, and less new competition to sharpen prices.

It has always been hard to translate a creative idea into a going business venture; today's taxes are among the penalties making it almost impossible. Now the maze of tax, price, labor and other regulation, producing great uncertainty, even with expert and costly advice, discourages even the most hardy.

All this is ominous enough, but also the *growth* of many small, well-managed corporations, ever striving in the American way to become larger, has been stunted by the same penalties. For when they pass the nip and tuck period, they then need the five, ten and one hundred thousand dollar rolls for further growth. To get these rolls—because of progressive tax penalties on individual incomes—is even more difficult than to get the smaller rolls. And these businesses, even under the best circumstances, can accumulate only small reserves. With present taxes they cannot, even without paying anything to their owners, put themselves in shape to finance much adversity. That is, they have received death sentences and only the dates of execution remain in doubt. This gives an advantage to corporations that had become well established before the heavy rates went into effect. They can live for a while by eating the substance which they should use to provide more and better goods and services at lower prices. This makes for the gradual concentration of business in the existing corporations, regardless of their efficiency, and therefore for a kind of involuntary monopoly. It would be significant indeed if we could find a method of discovering the extent to which law is forcing the concentration of business. What we are having is something in the nature of a freezing process in which big business, because of its bulk, takes the longest to die.

You might well ask at this point, if it be true that the corporation of which I have the honor to be an officer does not, in the long run, actually pay any corporate income taxes, why I am asking that corporate income taxes, in collaboration with individual income taxes, be looked at from the standpoint of the damage they do. I represent a corporation which began long before income taxes were a serious element of cost and hence, with taxes as they are now, it would superficially seem that it is to the advantage of the United States Steel Corp. to stand by and placidly watch the law stunt the growth of new and small businesses. But new and small businesses and the growth of all businesses are the warm lifeblood of all enterprises, be they large or small. We in U. S. Steel know that if new and small customers are frozen out and existing customers are frozen in, we, too, shall eventually freeze. I am told that as a man freezes to death he reaches a state of warmth and happiness and it is then he must fight for his life.

I have stated that corporations do not pay taxes—that they are only tax collectors. Let us reason rather simply, taking as a case study U. S. Steel. I shall show you how and why costs—materials, wages for workers and owners, taxes and other costs—push each other around and finally squeeze out in the direction of least resistance.

The course of the squeeze is not the same in our present controlled economy as it will be in the competitive economy which we hope will come after the war. In the long swing, the squeeze always comes on the customer. Think, if you will, of costs as a row of blocks, each kind of cost being represented by a block. These blocks must fit into a "Products and Services Sold" box—that is, the total sales box. The size of the box at any one time is fixed by the controlled price and the volume of business. The cost must be covered by what the customers pay. There is no getting away from that. If at any one time a cost block is disproportionately increased, it will not fit into the box unless some other block be cut down.

U. S. Steel's products and services sold in 1943 increased over 1942. Our sales prices were regulated by the Government—we were in a controlled economy. So the box was increased only by the volume of business. But wages during the same period were disproportionately increased by more than $79,000,000. Therefore, to squeeze in the larger wage block, two other cost blocks had to be cut down. The result was $71,000,000 less in taxes for the Government and $8,000,000 less for our future needs.

The owners received the same amount in dividends in both years, so the Government really met most of the wage increase by having its tax bill cut. The union leaders raided "Profits Before Taxes." That is why, in the recent proceedings on wage demands before a panel of the War Labor Board, U. S. Steel insisted that the dispute was not between U. S. Steel and its workers but between the union leaders and the public.

In its sales, U. S. Steel collected tax money from the public but a part of the taxes collected, instead of being turned over to the Government, were diverted to pay wages. This means that to meet the increased wages, we shall all of us have to pay higher taxes for a longer period. If we continue with a controlled economy and Government-directed increases in costs, the squeeze will almost surely result in smaller and smaller corporate income tax payments as well as smaller and smaller returns to owners.

If, as and when, the wiping out of these payments to owners is being headlined, we shall undoubtedly hear much talk about human rights coming before the property rights of the other fellow. Where do human rights stop and property rights start? U. S. Steel now has about 225,000 stockholders of record. We have been trying to find out how many people are affected by our earning power. The results to date are amazing. Insurance companies with more than 34,000,000 policy holders and commercial companies with more than 500,000 stockholders have our securities. Among other holders there are 111 hospitals, 221 homes and asylums, 220 colleges, 297 churches, 118 fraternal organizations, 64 foundations, 38 missionary societies and finally, as appropriate, 49 cemetery associations. It would seem that, from birth to burial, at least two-thirds of the people of this nation are effective to a greater or a lesser extent by the wages U. S. Steel pays to its owners. Where do human rights stop and property rights start? We know the hardships and losses which come when wages to workers cease. But how about the hardships and losses which come when wages to owners cease? I hold, without reservation, that it is the high duty and solemn responsibility of management to fight for wages for the owners of tools. Neither workers nor owners can be treated as a favored class. The duty of management is to bring together and balance natural resources, owners, workers and customers, to the end that there shall be provided more and better goods and services for all. That cannot be said too often.

Now suppose that prices are once again made by many customers instead of by the Government. The period 1936-39 is being officially taken as normal and so it seems proper to apply our 1943 costs to the business and the results of that period to discover what will be our situation in peace.

If the wage rates, excluding overtime, and the prices of "Products and Services Bought" of 1943 were applied to the years 1936-39, U. S. Steel would have had an average annual loss of more than $75,000,000 instead of the average annual income of $45,000,000 it actually had and the Government would have lost an average of $14,000,000 in taxes on income. May I say parenthetically that I have not allowed in this for the many increased costs we would have if the recent War Labor Board directive becomes effective. I just can't figure them out.

The size of the "Products and Services Sold" box is determined by the amount the customer will buy at the competitive price. The average 1936-39 box was $820,000,000. If we are to cover our loss of $75,000,000, pay a Federal income tax of, let us say, 40% and pay $60,000,000 in wages to the owners, we would have to squeeze an additional $175,000,000 into the box. Then all the blocks including wages, purchased goods and services, taxes and returns to owners, would start squeezing each other. If management could not find ways to absorb all the added costs through increased efficiency—and it can never find ways immediately to absorb suddenly increased costs—it would be forced to try to get these costs back out of increased prices. You will observe that I say "try." The customers fix the prices. The notion that a corporation can set prices as it likes and still get business is not in accord with the facts. The customer is always the master.

There are some who hold the theory that the volume in postwar years will so expand the size of the box that no increase in its price dimension will be necessary. In the so-called normal 1936-39 period we sold an average of 11,000,000 tons of steel. Present prices on peacetime steel products are about what they averaged a year in that period. Without paying any return to the owners or income taxes to Government, customers would have to buy at these prices, to cover operating costs alone, more than 16,000,000 tons of steel—or one-third more than our long-term average of 12,000,000 tons. In only one year not influenced by World War I or II did our customers buy as much as 16,000,000 tons. With present prices and costs it would be impossible for us to produce the peacetime goods that would be necessary to pay an assumed 40% Federal income tax and the present return to the owners. Planning on the basis of theory is not a substitute for preparing on the basis of experience.

Let us all, as customers, sum up at this point. U. S. Steel's figures are no different from other companies' figures. All producers have high current costs along with unprecedented volume runs on wartime products. If volumes of peacetime products return to even higher than the so-called normal levels and present prices and costs continue, the corporate income tax will have dug its own grave. It will no longer be a tax, for it will have nothing upon which it may be levied. If prices be increased, all of us, as customers, must pay more for what we buy.

I can see but one way out—a form of taxation that will permit real competition between producers, will not shelter inefficiency, and that will return to Government in taxes all the tax cost that is collected from the customer in the price. Higher costs must be met by greater efficiency not penalized by taxes. New business enterprises must be promoted not by Government subsidy but by human skill and courage, by strengthening instead of weakening the incentives to produce more and better goods.

I hope that I have persuaded you, and that you will persuade others, that we cannot promote an expanding economy by curtailing incentive and protecting inefficiency. There is no fairyland between the producer and the customer where increased costs become profits instead of losses. If, through taxation or otherwise, we penalize those who undertake to produce and serve, there will be fewer jobs to be done and we shall present to the returning soldier a land of decreasing and not of increasing opportunity. We cannot promote our production by squelching ourselves as customers.

We get exactly nowhere by talking about specific sections of the current revenue law. It is impossible to exempt any group or section of our people from taxes without penalizing the others to the point of destruction. The day of assessing taxes on this group or that according to the volume of squawk should have passed—although a lot of people do not know it yet. The Government should no longer play taxes by ear.

In my view, the preliminary to a moral and therefore workable tax plan lies not in projecting a dollar income to cover the cost of sustaining Government in the style to which it has accustomed itself, but rather in the careful examination of our economy to learn how and what part of our goods and services can be turned over to Government and still leave us able to promote real human progress. The time to make that careful examination is right now. So let's set about it.

OUR REPORTER'S REPORT

The old adage of "first come, first served" certainly seems to have worked out to the full this week in the case of corporate issuers who timed their new offerings to reach market immediately in the wake of the closing of the Treasury's bond drive.

The operation involving $42,000,000 of refunding mortgage bonds of the New York, Chicago & St. Louis Railroad Co., on Tuesday, went through in a manner that was little short of spectacular.

Bids were opened at noon and since there were only two bidders the company had little difficulty in making the award. The Halsey, Stuart & Co., Inc., syndicate which captured the bonds on a bid of 10.529 for a 3¾% coupon, proceeded with public offering subject, of course, to Interstate Commerce Commission approval of the issue.

Priced at 102 the bonds were snapped up in something of a rush, the answer being that some half dozen large institutional investors, presumably insurance companies entered orders for substantial blocks.

Much the same situation developed in connection with Capital Transit Co.'s offering of $12,500,000 of first and refunding 4s which brought a high bid of 97½.

On the basis of inquiries reported following the award of the issue, it was indicated that this offering likewise would move quickly to investors.

Jan. 3 Next Busy Day

The next big day on the new issue calendar looks like Jan. 3 when three issues of intermediate size will be up for bids. Formation of groups in connection with these prospects has been reported active in banking circles.

The largest of the trio is $11,000,000 new first mortgage bonds of the Washington Terminal Co. which has invited submission of bids on that day. The new issue to mature in 25 years would be guaranteed by Philadelphia, Baltimore & Washington R.R. and Baltimore & Ohio R.R. which jointly own all of the Terminal Company's stock.

Next in line is the projected sale of $6,000,000 of Servel, Inc. new 4½% preferred stock, and close behind is listed an issue of $2,000,000 of 3⅛% bonds of Arkansas-Missouri Power.

Long-Term Refunding

On Jan. 4 the Louisville & Nashville Railroad is expected to bring out a new issue which will be unusual, at least by comparison with recent offerings, in that it will have a maturity of almost 60 years, or become due in 2003.

Nevertheless it will be nothing new for the company since it already has outstanding some $74,000,000 of first and refunding mortgage bonds of similar maturity.

Results of this undertaking will be awaited with keen interest since it may afford a cue to future refinancing operations in the corporate field with regard to longer maturities.

Philip Morris Preferred

Following the Louisville & Nashville financing, if it goes through as now expected, the market will experience a brief lull, from present indications.

But it won't be for long since on Jan. 15 Philip Morris Co., Ltd. is slated, according to schedule, to place $20,000,000 of new preferred stock, probably with a 4% dividend rate.

Common shareholders would have the right to subscribe for the new issue in the ratio of one share of new preferred for each five common held, and holders of the outstanding preferred would be privileged to exchange their existing stock with cash adjustment thereafter.

The stock would be underwritten with any unsubscribed or unexchanged portion being offered publicly.

Another Issue in Sight

Kansas City Gas & Electric came to the fore this week as a prospective issuer of new preferred stock. It is known that at least two banking groups are in process of formation with an eye to going after this business.

The new issue, it was expected, would total about $8,000,000 with the proceeds being used to retire outstanding preferred.

Financing Small Business

(Continued from first page)

will be a crying need for this in the post-war days.

A glance at the figures indicates how important small business is to our normal economy. In 1939, the last year of peacetime operations for which data are available, small manufacturers (those employing 100 or fewer wage earners) constituted over 92% of all manufacturing establishments. In the same year, small wholesalers (less than $200,000 annual sales volume) made up over 77% of the number of wholesale establishments, and small retailers (net sales less than $50,000) totaled over 91% of all retail stores. In the field of service establishments, hotels, and other similar lines, small concerns amounted to approximately 90% of the total.

Small manufacturers employed 30% of all manufacturing wage earners and small wholesalers provided jobs for 39% of the wage earners in that segment of trade; 56% of all retail wage earners worked for small retailers.

In dollar value of output, small manufacturers produced 31% of the total for the United States. Small wholesalers made 21% of the total dollar sales at wholesale, and the sales of small retailers amounted to 42% of the total retail sales.

It is significant that in 1925 the number of new businesses established exceeded by 55,000 the number of businesses discontinued. By 1939 this figure had been cut in half, whereas in 1942, the businesses discontinued exceeded by 87,000 the new businesses established.

Small business normally constitutes a good one-third of our commerce and industry. Surely this is not an inconsiderable or unimportant segment of our national economy. Its relation to post-war employment, production, and consumption will be very substantial. Its prosperity during the post-war period might well determine whether or not we attain the employment and production goals to which we aspire.

It is disturbing to realize that so far as this large segment of American business is concerned, capital is practically unavailable and credit only slightly more accessible. The social, political and economic consequences of failure to rectify this situation may be rather serious. It is a matter that demands the attention of our business people, our workers, and our government, both local and national.

Of course, small and new businesses will always be subject to the same general business conditions as all other business, and obviously they cannot under any circumstances prosper if general business is bad. We can accept this as axiomatic and time does not permit a review of the conditions precedent to good business. They have been widely and fully discussed during recent months, although perhaps a bit on the optimistic side. At the forefront, by quite general agreement, comes the matter of taxation. For many years our tax structure has discouraged assumption of risks and has hindered accumulation of capital. It is a sobering thought to reflect that if this tax structure had existed during the first quarter of the 20th century, scarcely a single one of our large and successful concerns could have developed as they have. We would probably have no great motor industry, no vast electrical business, no large chemical business, each one with a long string of small businesses with which it mutually gives and takes, as suppliers and sub-contractors to its production, as distributors and consumers of its products. Our standard of living would have been deprived of billions in wages and products.

I think it is not unfair to say that during the past decade certain taxes have, unintentionally no doubt, fallen with particular severity on small business and new enterprises which are necessarily compelled to work on narrow margins. It certainly seems desirable that this process be reversed. Constructive suggestions have been made for the alleviation of the tax burden with respect to funds actually invested in capital equipment. This might be broadened to include comparable benefits to the smaller commercial and trading concerns. The stimulating effect of low capital gains taxes in luring out venture capital has also been emphasized.

When this war is over, our small and new businesses will be particularly in need of capital and credit to buy new and up-to-date machinery, equipment and installations, and inventory on which to work. The service station owner will have to put his tanks and pumps and meters into first class operating condition or buy new ones. The dentist and doctor will need up-to-date technical equipment. The butcher and grocer must repair or renew their shelves, their counters and showcases and their refrigerators. The same is true of drug stores and cafeterias. The manufacturer will have to have efficient tools and equipment. The returning G. I. who wants to set up a local flying school will need his plane and hangar and service shop. Or if he wants to go into some other business, he will have to equip and finance it. Existing legislation affords him some financial aid but I doubt that it is sufficient for this purpose. Even the farmer, in our economy has to have more than a rake, a shovel and a plow. All these things cost money.

A lot of new goods will have to be turned out. Socially and economically, it is desirable that a goodly portion of them be turned out by small business and new enterprises. The post-war prosperity, which we all fervently hope for, depends on our ability to accomplish this production with good wages and reduced costs. To do this, the business man and manufacturer, be he large or small, will need up-to-date and efficient equipment and installations. The American workman gets higher wages than his less fortunately situated foreign counter number just because he turns out more production, due largely to the fact that he enjoys the benefits of capital in the form of better tools and equipment. And so, if we are to decrease costs and raise wages—which is the counterpart of high production and consumption—we have got to put capital at the disposal of our businesses, large and small.

In the post-war process of raising funds for re-equipping, the big, well-established companies will not have serious financial problems. There is plenty of money available for investment in seasoned and safe securities and loans are readily available to them at fantastically low rates. But owners of capital and banks, like workers, have become keenly security-conscious and are timid about taking risks. The big company has not suffered from this trend. On the contrary, in a sense it has benefited, because so-called safe securities and loans have commanded constantly increasing premiums. But the opposite condition has prevailed for small companies and, above all, for new enterprises.

It has been possible for some small enterprises to obtain financing during the war through one institution or another, usually with government backing, and thus to participate substantially in the war program. On the whole, however, the war mortality of small companies has been appalling, particularly amongst those normally engaged in civilian business. In 1942 alone, 307,000 businesses folded up. Those that have been forced out of business in our national interest have a right to expect reasonable aid and assistance in re-establishing themselves, while those that were able to take up war work should be offered adequate financial facilities for reconversion to peacetime pursuits. This will require considerable amounts of capital and credit. The fact is that the opportunity for small or new enterprises to get capital is practically non-existent, while the situation as to credit is not a great deal better, with no improvement in prospect in either category.

Not a week, nor scarcely a day, goes by but what our firm is approached by some worthy small enterprise seeking from $50,000 to $100,000 of capital to develop or expand a sound small business or to start a promising new venture. But this sort of money is not available in New York. Wall Street's function in the investment field is the handling of those securities that are suitable for national distribution. The securities of such companies are not in this class. But there is every reason why they should be able to find capital and credit in their own localities.

They are known at home. Their suppliers and their customers to a great extent are there. The home town bank carries their deposits and from it they should be able to borrow. It is there that their people are employed and spend their wages. And so, these small companies should be the very real concern of the states and local communities where they are located. Socially, economically, and in a sense even morally, they would seem to have a reasonable claim to a substantial part of the capital and credit of the communities which their production and consumption help to sustain. But in frankness we must admit that under present circumstances, it is next to impossible for them to obtain capital or credit where they ought to—viz., in their own communities.

One reason, of course, why local capital and credit markets are so tight is that during the last decade courageous money, both national and local, has taken cover. We have been thinking in terms of security and conservation rather than in terms of development, expansion and risk-taking. Our economy was built on the latter, not on the former principle. Unquestionably the risks of investment or loans to small and new enterprises are greater than to large and established ones but so are the chances of profit.

Another reason may lie in the fact that local and national investment banking business, bore a particular measure of public and legislative blame for the crash of 1929. Its short-comings were emphasized while its services were forgotten. The Reconstruction Finance Corporation through loans and purchase of preferred stock did much to sustain our commercial banks and to restore them to a sound condition. It is perhaps unfortunate that similar efforts were not made to save and restore worthy institutions in the investment banking field.

The progressive deterioration of local capital markets is evidenced by the substantial decrease in the number of local investment dealers. According to the Security Dealers Manual, the number of local investment dealers (excluding branch houses) in the ten cities of Bridgeport, Wilkes-Barre, Columbus, Louisville, Kansas City, Dallas, San Francisco, Seattle, Minneapolis, and Atlanta decreased from 517 in 1935 to 284 in 1944. There has certainly been no comparable decrease in the population, business activity, or aggregate wealth of these communities.

The realization, I think, is steadily growing that investment and particularly venture capital is of considerable economic importance and that the industry supplying it performs a highly useful function. I need hardly invite your attention to the very real contribution that the investment bankers have made in the sale of our war bonds. So far as I know, it is the only field in which war work has been performed in tremendous volume with neither compensation nor even reimbursement of expenses. In this respect, the investment banking fraternity can be justly proud of its patriotic and generous contribution to meeting a part of our war needs.

I wish that I might indicate to you some simple, quick and easy way of building up local capital and credit markets so as to furnish adequate funds to sound small and new enterprises, but I can't. Many suggestions aimed at this worthy purpose have been made and some steps toward it have been taken. But I think it can be fairly said that neither individually nor in the aggregate are they likely to suffice.

For example, it has been suggested that the exemption limit of SEC registration requirements be raised from the present amount of $100,000. This would, of course, ease the burden and expense of national registration for small companies but I think this does not touch the essence of the problem.

There is no national market for such securities even after they have been registered. It is not getting the securities ready for public sale, that is so difficult. It is selling them. Furthermore, such a rise in the registration requirements would not aid or affect local situations of a purely intrastate character. They are not subject to SEC registration anyhow.

Another effort is indicated by credit pools formed by groups of banks in different localities. This may to a limited extent furnish credit facilities but unless it is done very generally, which does not presently seem to be likely, its effect will not be substantial or widespread. And, of course, it meets only part of the problem by being confined to loans and not including investments. Furthermore, there are real questions as to the propriety and probability of banks in a group taking loans which they would not individually handle.

I must not fail to mention the very real service to small businesses during the war performed by the Smaller War Plants Corporation under the leadership of Maury Maverick.

But none of these efforts, in my opinion, goes to the heart of the problem or are adequate for its solution in the post-war period.

May I say very definitely, that I do not think the solution lies in Wall Street or even through the efforts of Wall Street. From a social point of view, this would be undesirable; from a political point of view, suspect; and, from a financial point of view, I think impossible. Local people do not know the personalities or ramifications of Wall Street. Nor can Wall Street people have that intimate acquaintance with local conditions, individuals and businesses which is necessary to furnishing of investment capital on a sound basis. Thus disappointment or worse on both sides would probably follow an effort by Wall Street to solve this problem.

Nor do I think it can be solved from Washington or even at all by government alone. If, for example, the government sets up a large pool of money, it is probable that not being familiar with the local conditions and individuals, the funds will either be handled too conservatively and thus not made adequately available, or too recklessly and thus lost.

Indications of a possible solution may be obtained from consideration of certain characteristics of the problem. In the first place, though it has very important national, social, political and economic repercussions, it is primarily and essentially local. It is the home folks who have the most immediate and perceptible gain to look for by solving it in the form of additional employment, larger payrolls, more production and more business. Furthermore, they are the only people who know intimately the several businesses, the financial and character risks involved. They can best appraise the potentialities and capabilities of the management. And so any plant looking to a revival of the local capital and credit markets must, it seems to me, recognize at the outset the local aspects of the problems and seek its solution through local initiative, responsibility and control. In this way not only are community pride and benefits involved, but there is also the important stimulation of the watchful eyes of one's neighbors constantly alert with approval or disapproval.

But I question whether the financial strength and resources of most local communities are presently equal to the task without some government aid. And so, in my opinion a combination of local operation, management and control, supported by government aid is indicated.

I have endeavored to point out that the problem involves both invested capital and credit. The distinction in the sources of these funds and their application is well known. Buildings, plant, equipment, machinery and a margin of working capital can only safely come from the former, while the latter is properly available for those items which have greater liquidity, such as inventory, accounts receivable, etc. I mention this distinction because I think the two elements must be approached in a different way.

With all these conditions and circumstances in mind, I suggest for your consideration that local communities might tackle the job of furnishing capital to small and new enterprises by forming local investment companies or pools of capital to be obtained from local businesses, banks, and public spirited citizens without imposing an undue burden on any individual or group. If certain reasonable requirements are met, government could well supply additional funds through preferred stock as it did to the banks. Perhaps such companies could be encouraged through special State and Federal tax advantages.

Such organization could purchase equity shares in small and new enterprises, holding them for a time, subject to redemption out of profits, or to be disposed of through local investment dealers. In this way such companies might become handsome sources of business to local investment houses and thus stimulate dealer interest in the success of these enterprises.

Portfolio holdings should be distributed as soon and as widely as possible so that additional funds would be available for further investment. If the holdings become frozen, the organization's usefulness as a finance vehicle naturally ceases. Operations could be supervised and investments approved by local Boards of Directors consisting of responsible business and professional men, commercial and investment bankers, representatives of labor, the local Chamber of Commerce, the Mayor ex-officio and, if government funds have been received, a government representative. A competent operating management would of course be essential and investments would have to be carefully screened lest the company become a haven for panhandlers. These organizations could also aid those companies whose securities they held with technical, production and sales advice.

Let no one think that such investments need necessarily prove unprofitable. Competent and astute management is by no means confined to large concerns. In many respects and in many fields a definite advantage is on the side of the smaller company. Of course, there will be some losses but on the other hand, there will also be profits and it should be possible to set up adequate reserves.

In order to exchange experience, establish uniform practices and benefit from mutual mistakes, the operating heads of such enterprises could form State, and in turn, national associations.

A program of this sort would furnish an inspiring example of initiative by private capital in cooperation with government aid in the development of small business and initiation of new enterprises. Furthermore, it could, I think, be done economically and expeditiously as I doubt that elaborate State or Federal legislation would be necessary.

Much has been said and written about preserving our existing local institutions. Perhaps it is equally important to create some useful new ones.

The capital funds which such an organization could supply would not alone be sufficient. They would have to be supplemented by credit facilities, although, as I have indicated, some facilities in this field already exist. My suggestion here also is a combination of private initiative and government support. I propose that the RFC, or some other appropriate Federal corporation, be authorized through guarantee or otherwise, to share a part of the burden of loans made by local banks to small or new business up to a limit, say of $100,000. This, too, would preserve the advantages of local scrutiny, supervision and control. The suggestion of government aid in solving these problems may cause concern to some. I do not share it. Government has borne a large measure of the credit risks in our war economy. Why should it not also give like support where needed in peace times? If the government, as it has through the Home Owners Loan Corporation, can properly help to save homes and to build new ones, are there not equally cogent reasons for government support toward saving or establishing the small businesses from which families who live in these homes draw their livelihood? It seems to me more constructve to accomplish something with Federal aid than nothing without it.

I yield to no one in my admiration of, or faith in, the creative power of private initiative. But lest anyone feel that my suggestion for government aid is an infraction of our traditions along these lines, I take the liberty of calling your attention to the very substantial Federal grants which were eagerly sought and enthusiastically accepted by our railroads and other industries during the brightest blossom time of unbridled individualism in our history.

I am pleased to be able to tell you that this important problem has not escaped the attention of the Investment Bankers Association, the American Bankers Association, or the Committee for Economic Development, each of which has formed a committee especially charged with studying and formulating plans for dealing with it. I understand that under the sound and able leadership of John F. Fennelly, of Glore, Forgan & Co., Chairman of the Investment Bankers Association's Committee on the Financing of Small Business, these three committees are getting together to exchange views and to formulate joint plans. This is a hopeful sign. I am sure that government participation in their discussions and plans will not be lacking. I can also tell you that I am assured that the principles and the program which I have outlined in this talk will receive their careful consideration.

A successful consummation of their efforts would add greatly to the stature and public esteem already enjoyed by these groups and would be a service to our country and to its several communities which would be a real tribute to cooperation of private industry with government.

I am sure that I have not given you the impression that I think these problems are simple or susceptible of easy solution. Like all tough problems their solution calls for leadership, imagination, courage, competence and plenty of hard work. My own suggestions are made modestly with no conviction that they are the best ones or even the right ones. I am convinced, however, that unless we find such adequate solution for these problems we cannot achieve that measure of post-war employment and production which is necessary for our own national welfare and without which I fear there can be neither peace nor prosperity in the rest of the world.

What's Ahead for the Railroads?

(Continued from page 2711)

taxes, up more or less in proportion.

It is hardly possible that there could be in future years anything like such rapid progress in reducing or holding down over-all costs despite rising unit prices for labor and materials, although assuredly the railroads will do what can be done through improved technology.

Right there, however, is a critical point. Technological improvements, no matter how meritorious, can accomplish little unless somewhere there is someone willing to invest his dollars in installing the improvements which the inventors devise. And that hard-headed fellow with the dollars is willing to spend them in that way only when and where he sees a reasonable change of getting his money back and of earning a profit.

While earning—or at least trying to earn—a profit for himself, his investment in productive tools contributes even more to all others concerned. A prime reason why railroads in this war are able to do twice the job of the first World War, and do it so much better, is that while the railroad worker of 1918 had at his disposal, on the average, $10,000 worth of "tools," his successor in 1943 was working with $20,000 worth. As a result, not only did the work get done better, but the men who did it received wages which averaged nearly twice as much in cents per hour, the public received the truly incalculable advantage of adequate and dependable transportation, and the government, instead of having to pay out nearly two million dollars a day on account of deficits in running the railroads, received from them more than four million dollars a day in taxes.

Such contrasts give an idea of what investment can be made to mean in the way of improving transportation and cutting its actual cost—a beneficient process which is by no means at its end on the railroads, if the conditions under which the business is to be carried on in the future are such as to warrant continued investment in improving this fundamental transportation of the nation.

For that, two things will be required—a sufficient total volume of production and traffic in the nation, and a fair and equal chance for the railroads to carry that part of the total traffic for which they are economically best fitted on the basis of true costs and service.

To bring about such a result would require no more than the adoption of a governmental policy of treating all forms of transportation alike, not merely in matters of regulation, important as they are, but in the even more important matters of investment, government support and taxation.

As it is, transportation is carried on under a confusion of contradictory policies—at one extreme, such as the railroads, as a business enterprise which provides its own plant, both fixed and movable, meets its own costs, pays its own way and helps through its taxes to support essential government services such as education and the administration of justice; on the other hand, as in the case of the Inland Waterways Corporation, as a governmental activity which is neither self-supporting nor tax-paying. And all in between these extremes, there are mixtures of the two contradictory principles of independent business enterprise and dependent governmental activity, such as privately operated boats or planes using waterways or airways provided and maintained at public expense, with little or no payment therefor, by those who use them.

Under such a state of confusion in thinking and policy, there is small possibility that the country will get what it should have—the best and cheapest service which can be provided for each of its transportation needs. The very effort to create "cheap transportation" no matter how much it costs—so long as it costs someone else—has multiplied transportation agencies, divided the total traffic movement, subtracted from true efficiency and added to the total transportation costs of the nation.

When a railroad man speaks of such subjects, however, there is quite likely to be in the mind of the listener the question, "Yes, but how about the government aid to early railroads? Didn't the government do for them what it is now doing for other forms of transport?"

Certainly that is believed widely but none the less erroneously. Governmental units—local, State and national—did participate in the financing of early railroads to a considerable extent, though it is easy to overestimate the amount involved. Of the present investment in railroads, in fact, something more than 98% is private investment of private funds, and not more than 2% governmental investment.

The real question, however, is not the amount of public investment in early railroads but the nature of that investment. With negligible exceptions, it was of three general sorts—purchase of shares of stock in railroad companies by cities, counties or States; the loan of credit to railroad companies by States or the Federal government; and the use by the government of the device of land grants, previously employed in aid of canals and turnpikes, to aid in the extension of railroads into sparsely settled regions.

The first of these types of aid was an investment, in which the governmental unit concerned took a risk-share in the ownership of the railroad. The second was a loan, usually secured in a lien retained on the property involved. Both of these were, therefore, in accord with the true enterprise principle, in which the investing or lending governmental unit stood on the same footing as other investors, and in which, ultimately, the user of the service was expected to meet all and not merely part of the costs of the service he used.

The third type of transaction, the land grants by the Federal government, were not "gifts," as they are usually and quite inaccurately called, but definite trades, in which the government both gave and got consideration and, as things have turned out, got vastly more than it gave.

All these transactions differ in principle and effect from the type of government expenditure now made in aid of some forms of transport—an expenditure which, in the past quarter of a century, has amounted to more than the total private investment in railroads in more than a hundred years.

The government, national or State, now builds a river channel or a canal, for example, and makes a free gift of its use to those in position to take advantage of it, with no effort whatsoever to recover from the users any portion of the taxpayers' money spent for their benefit Such expenditures are not investments. They are gifts at the expense of all for the benefit of some.

When such forms of transport were truly useful, the users were quite willing to pay for the privilege, as is demonstrated by the history of the canal connecting the Hudson and the Lakes. For more than fifty years, those who used it paid tolls for the privilege. The time came, however, when it was no longer truly useful and when, had it been a private enterprise, it would have been abandoned. Being a governmental activity, however, and thereby relieved of the business necessity of paying its way, the facility was kept in use, while tolls were taken off, and vastly more money was spent on it than ever before—to create a form of transportation so fantastically costly, all elements considered, that it simply could not exist but for the bounty of the taxpayers.

That well illustrates the difference between business enterprise and governmental activity in the ancient form of transportation by water. The same sort of difference is exhibited in the very newest form, by air. Something like nine-tenths of all the expenditures that have been made in furtherance of commercial aviation in this country have been taxpayers' money. There is here in the City of New York one airport alone, LaGuardia Field, on which there has been spent more money than the total cost of all the transport airplanes in regularly scheduled commercial service—and another and still more expensive airport is being built.

These airports, primarily and almost exclusively for the use of commercial air transport, are on something of the same order of cost as a major railroad terminal. The difference is that the owners, and ultimately the users of the service, pay all the costs of the railroad terminal—both the investment cost of its construction and the cost of maintaining and operating it—and then pay taxes on it, besides, for the support of governmental activities. By contrast, the users of airports and airways, provided by public investment, maintained and operated by public funds, make almost negligible contributions toward bearing the costs incurred on their behalf.

This contradiction in governmental policy is fundamental in any consideration of what's ahead for the railroads. The railroad business is entirely capable of successful operation where there is a sufficient volume to keep the plant busy. The railroads can succeed and meet their obligations as self-supporting, tax-paying business enterprises if government policies of the future are such that they, along with every other form of transport, shall

(Continued on page 2735)

Another Group of Opinions on Peacetime Training Proposal

(Continued from page 2706)

offer to any boy who would take a year of military training the right to take that training in some college or technical or mechanical school; at Government expense, where he could start learning a trade or obtain a college education as a reward for volunteering for military training. Such a system, I think, would be far preferable to compulsory military training for one year for all boys. Once that system would be started, I believe there would be no difficulty in finding all the boys necessary who would be willing to take the military training in return for the opportunity to obtain an education or training.

J. E. LE ROSSIGNOL
Department of Economics, The University of Nebraska, Lincoln, Neb.

I have consulted six of my colleagues and all but one are opposed to compulsory military training but in favor of a sufficiently large standing army with a suitable system of voluntary training in colleges and elsewhere.


J. E. LeRossignol

For myself, I will say that compulsory military training in time of peace seems to me un-American and un-English, as being out of harmony with American and British traditions and ways of life. After the war it would surely be unnecessary, and the objectives could be better attained by an army of professional soldiers. The present demand for it looks like an expression of panic, if not of wartime hysteria, from which we shall recover before long. Decision, therefore, might well be postponed until the war is ended and it becomes clear as to the enemies, if any, against whom we should prepare to defend ourselves.

I am really not as dogmatic about this as I may seem to be, but I give you my present views on the subject for what they may be worth.

JO H. ANDERSON
President, Park National Bank, Knoxville, Tenn.

With reference to your symposium on "Compulsory Military Training in Peacetime for America."

In my opinion, this would be very harmful to our young men of America, since it would place them in an environment at an age which would be most harmful, and at the same time it would be very disturbing to them during their years of education and no doubt many would never finish school after having rendered such service.

Furthermore, it is my opinion that such training would be of little value to these boys in case they were later called for military training and would create an enormous expense on our Government.

JOHN L. DICKINSON
President, The Kanawha Valley Bank, Charleston, W. Va.

I am not in favor of compulsory military training. I do favor, however, the encouragement and maybe some assistance to the military schools that are of high standing both in morals, learning and military.

The writer happens to have had some experience in a very good military school (maybe not as good as West Point) in school days, but there a rigid control was also exercised as to the morals and habits of the students. Universal military training without these controls has never been elevating but has lowered the standards of morals and habits of the participants and, after all, our country is not better than the morals and habits of its people, which has been on the downward curve for some years, and is continuing.

DAN W. HOGAN
President, City National Bank and Trust Co., Oklahoma City, Okla.

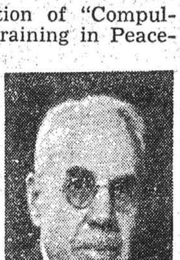
I favor compulsory military training in peacetime for America for the reason that I feel it will give the American youth a better understanding and a greater interest in his country. In order to have the freedom of a democracy under a system of private enterprise, the great majority of its citizens must deserve it by feeling a similar interest which he takes with his family in his fireside home.


Dan W. Hogan, Sr.

The present generation should see to it that such compulsory military training does not include the proselyting of communistic fears. Had we had compulsory military training immediately after World War I, and dispensed with our isolationist theories, we would not have had World War II with all of its cost and devastating results.

F. L. LIPMAN
Chairman of the Board, Wells Fargo Bank & Union Trust Co., San Francisco

On the question of "Compulsory Military Training in Peacetime for America," I find myself in close accord with the expressions of Dr. Davis, published in your issue of Oct. 26. His discussion of the subject seems to prove the thesis that from a military standpoint short periods of intensive training would cover the need, and, considering the welfare of the young people themselves, their education during the formative period of youth should be left to educators.


F. L. Lipman

HOLMES D. BAKER
President, The Citizens National Bank of Frederick, Frederick, Md.

With reference to your symposium on compulsory military training in peacetime for America, I beg to advise that I am very much in favor of compulsory training as I believe it will be a splendid thing for the boys and at the same time a great protection for this country, and it should give us men with some training in case they are needed in the future. Of course, I hope very much they will never be, as we should certainly be able to make a lasting peace. However, if we have our young men trained I think it will help very much in continuing the peace.

HON. JESSIE SUMNER
Representative in Congress from Illinois

My opinion upon the President's proposal for a conscription bill is this:

Congress has no constitutional authority whatever to draft citizens unless it is reasonably necessary to the defense of the United States. The statement of General Marshall, Chief of Staff, just before the 1944 election ought to be sufficient evidence that the postwar conscription bill is not reasonably necessary.


Hon. Jessie Sumner

I never vote for bills I know are unconstitutional, therefore I shall oppose the conscription bill—not that it will do any good.

W. H. WOOD
Chairman of the Board, American Trust Co., Charlotte, N. C.

The subject of compulsory military training in peacetime for America is one that is hard for me to write fully about because I am not sufficiently informed. My own thought before reading the various discussions of the subject which appeared in the "Chronicle" of Oct. 26, was that we should have some kind of universal training; and, after reading Dr. Davis' article and also the article by Rev. Meyer, I believe Dr. Davis is right and agree with him on this subject.


Word H. Wood

If we never need the training of our young men and young women for war purposes, it would do them a lot of good physically. There are a great many young people who do not take any form of physical training, even in college. I agree with Dr. Davis that such training should not encroach on or become a part of the Federal system of general education, and that education and this training should be left to the educators. I do not agree that this training should be confined to one year. It seems to me that it would be better if our young men and women had one or two months of training every year—those from the ages of 15 to 24—and in a way that it would not affect schools and colleges.

This is about all I can say on the subject, and do not have the time to study it carefully.

RT. REV. HERMAN R. PAGE, D.D.
Bishop, Diocese of Northern Michigan, Marquette, Mich.

Frankly, I am not in favor of compulsory military training in peacetime. On the basis of a good many years' experience in working with young people, not only in the Church but on the high school and college athletic fields I feel that the youth of America needs, and at heart wants, a life of more discipline. This conviction, of course, rests wholly apart from my feeling that the well-being of the nation demands such a course of action. Many people will naturally raise the cry that it makes for militarism. As one who served in two wars and who kept his reserve commission in between, I had an opportunity of watching the results of military training in many different fields. I saw it in college ROTC's; I saw it in military schools and have seen it in the CMTC. In none of these have I ever observed that the military training made the youth who took it a militarist. On the other hand, as one who advocated such a course of action way back at the close of the other war I feel very certain that it is a great deterrent for war.

FRANK S. MAGILL, L.L.D.
President, Penn Hall Junior College and Preparatory School, Chambersburg, Pa.

The question of compulsory military training in peacetime for America commands the serious thought of every mature citizen of our nation. It is, perhaps, well to consider it now, in the midst of war, but not well to answer it and act upon the conclusion we may reach.


Frank S. Magill

There are two reasons why we believe as we do—first because a great question such as this, that has to do with "peacetime," should have our most serious consideration when our minds are at peace and our judgment sound and our conclusion be the result of serious thought that is able to know the end from the beginning, and not of the trial and error type that has so frequently resulted in confusion and chaos.

The second reason why we believe the present is not the time to say that compulsory military training should be inaugurated is because millions who are fighting and dying to establish peace are not here to express an opinion as to how it may best be maintained. Our nation at one time, and while at war, adopted certain reforms based largely upon sentiment which reforms were a little later gently pushed aside. No special harm was done by that experiment, but by the one now under consideration the case might easily be very different.

To be more specific, it is our opinion that the United States should have a much larger and vastly better equipped army and navy than it had at the outbreak of the present war—army and navy commensurate with the nation itself—and that the Congressional Committees of House and Senate should use their every power to prevent any individual or group from poaching in these preserves. Furthermore, we believe that America, an all-time advocate of peace and goodwill, except possibly for the very small minority that is always ready to sacrifice peace and principle for power or plunder, would be seriously harmed by having its mind continually directed to war in preparing for it, and by having the lives of our young men and women interrupted in their regular development by unnecessary interruption.

Some of the arguments presented for this training period for our young men and women, remembering all the time that war may be 10, 20, 25 or 30 years hence—or even, and God grant it may be, longer:

(1) Physical fitness—training period from 4 to 12 months—time necessary to lose all that has been gained, from 48 (possibly 24) hours to 2 or 3 weeks. All schools and colleges could and should give very careful attention to the physical fitness of every student, and many do. Added work and added expense, of course, but repaid a hundred-fold in health, work, and character.

(2) Acquaintance with equipment. The same time principle applies here. What we learn to use today may be, will be, so outmoded five years hence it could well be a museum piece.

The above points have been presented by proponents of compulsory military training as bases for argument, but certainly little thought had been given to them, if any at all.

A further, and much more serious feature to be considered in this matter of compulsory military training by the Government—for R. O. T. C. and like systems, seem not to fill the bill—is the passing over to the Federal Government of the education of our youth for even a limited time.

The statement made by a Cabinet officer over the radio about two years ago, that following the present war the Government would be directing most of the colleges and universities of the country, and practically all large industries—though we didn't believe even a Cabinet officer—reminded us of a statement made to the writer about 35 years ago. A minister of the Gospel and college professor, the father of several children, was asked what he thought of the idea of having in the President's Cabinet a Secretary of Education directing a Department of Education. His reply was: "In due time parents would then become little more than breeding animals for the State."

The education of American youth, male and female, old and young, for peace or for war would best be left to other than Government agencies.

GEORGE R. BOYLES
President, Merchants National Bank in Chicago


Geo. R. Boyles

I am of the opinion that compulsory training will be necessary, at least for some years to come, if we are to take our proper place in preserving the peace of this world.

MOST REV. JOHN J. SWINT, D.D.
Bishop of Wheeling, W. Va.

I am very much opposed to universal compulsory military training in peacetime:

1. Because it is not necessary for our self-defense. We have always met our emergencies adequately without that training, and I have no doubt but that we can do so in the future.

2. The best and most proper place for the vast majority of our young men at the age of 18 is at home and in school.

3. I consider it unwise and unjust and undemocratic to pass such a measure now during the excitement and hyterics of war, and with so many of our men absent from the country. If the matter is to be taken up at all, it should be deferred till after the war.

LEONARD CARMICHAEL
President, Tufts College, Massachusetts

I am in essential agreement with the program for universal military training contained in the article by Dr. Harley N. Davis, President, Stevens Institute of Technology, which appeared in your issue of Oct. 26. However, I also find myself in very definite agreement with some parts of the program of Rev. Cyril F. Meyer, Dean of St. John's University which appeared in the same issue of your paper. I particularly believe that every emphasis should be given to maintaining and developing the college ROTC program in post-war year.


Leonard Carmichael

T. W. APPLEBY
President, The Ohio National Life Insurance Co., Cincinnati, Ohio

I am not sufficiently well-informed on the question of compulsory military training in peacetime to discuss this proposal intelligently, but so far there has been no war that ended war, and it seems to me that for a great nation like America to come up against what confronted us in the early part of this decade with no preparations is disastrous. Because of this lack of preparation we no doubt suffered thousands of casualties more than we otherwise would have in this war, and it does seem that in the period immediately ahead of us after the close of this war we ought to give special training to a large group of men who might for a period be without other employment.

DR. ROY L. GARIS
Vanderbilt University, Nashville, Tenn.

I am opposed to compulsory military training as a peacetime program. We are too far on the road today toward dictatorship in this country to run the risk of a compulsory military program for all our young people. Furthermore, to be of any real value it would have to be for more than one year—perhaps three years. Instead, it would be far better to spend an equal sum of money in assuring each such person from one to three years of technical or college education.


Roy L. Garis

I would be willing to see an educational program that provides an opportunity for every boy or girl who graduates from an accredited high school to enter a college of his or her own choice for a maximum of three years of intensive study. I would not exclude persons due to minor physical handicaps such as flat feet or hay fever. They would be required to take a broad but intensive college program on a 12-months basis, doing the normal four years in three years.

As at present, students should be free to enter engineering, prelaw, pre-med, etc., or academic school. A reasonable amount of military training should be included in their studies, but I would not over-emphasize this phase. Certainly not more than five hours per week should be given to this. It should be under the direct supervision of Army and Naval officers. Such students should be eligible for the college teams.

The tuition and fees of such students together with a reasonable allowance to the college for room, board and laundry should be allowed by the Federal Government. Not more than $30 per month should be allowed the student for personal expenditures. They would not be expected to carry any Government life insurance on a compulsory basis. Each such student would be expected to devote six weeks each summer after graduation for three years to military training in a regular army camp. Thereafter he or she would be on the reserve list until 35 years of age.

Would Earmark "Slacker"

I believe that while they are students regulation uniforms should be worn by the men. This is not only more democratic but it would earmark the "slacker" who should be in the program but whose financial status might enable him to remain outside the program.

Any boy or girl who has not graduated from high school when 18 years of age should have the same opportunity available for training in a vocational or technical school for the same period of time. If he or she is within a year of graduation then part of this period could be allowed to complete the high school work, making such person eligible for college.

I would put this entirely on a voluntary basis, but I believe a large number of young men and women would avail themselves of the opportunities involved. I am convinced it would be profitable to the Government and to the American people to promote and finance it on this basis.

Fundamentally, most of the argument in favor of compulsory military training results from the serious breakdown of parental control in this country. No compulsory military program can or should be a substitute for parental authority. Nor should it be a device by which parents can shift their responsibility to the State. Juvenile delinquency cannot be solved by compulsory military service any more than it used to be thought that a man should be required to work from sun-up to sunset to keep him out of mischief.

As fundamental to the success of the program Congress should prohibit the appointment of any person to a commission of any type who has not had this basic training.

LYTLE L. SALSBURY
President, The Marine National Bank of Erie, Erie Pa.

It is definitely my opinion that there should be compulsory military training in peacetime for America. I had occasion to take this particular stand several times prior to our getting into the war at which time young men were being placed in training. It surely is a great asset for our country and is fine training for young men even if never called upon for military service.

H. BLAKE OLIVER
President, American National Bank of Miami, Miami, Fla.

I am unequivocally in favor of military training for all young men without question, without exception and without any frills. In my opinion, this is necessary for our future, and the fact that we have it will, I believe, keep us out of war, where otherwise I think that in another generation we will have the same experience and without preparedness, I would fear for the future.

N. H. ENGLE
Director, Bureau of Business Research, College of Economics and Business, University of Washington, Seattle 5, Wash.

From the standpoint of discipline, I think compulsory training along military lines in time of peace for America would be a good program. However, I would oppose it if the boys are to be put in the army. In place of that, why not a plan similar to our ROTC, employing full army discipline, living in barracks on the campus and wearing the uniform at all times but dividing drill with education?


Dr. N. H. Engle

HON. ROY O. WOODRUFF
Representative in Congress from Michigan

Our nation has, of course, never been a military one, so that our people have naturally heretofore always fought shy of any so-called "compulsory military training" in peacetime. That is but natural to a peace-loving nation such as ours.


Hon. R. O. Woodruff

Right now, with our country being deeply involved in war and wholly concerned with bringing this conflict to an early and successful conclusion, I feel that it is somewhat untimely to voice any definite opinion—either for or against—on this all too-important question. In other words, let's wait until the war and peace have both been won and then let's also find out just how the boys who served in the present war feel about this question of "compulsory military training."

EDWARD WIEST
Dean, College of Commerce, University of Kentucky

At present I do not favor universal compulsory military training in peacetime for America. My position is influenced in part by the attitude now prevailing in favor of international cooperation for the maintenance of peace.


Edward Wiest

However, I favor compulsory military training at State universities or Land Grant colleges, a larger army, navy and air force than we had before the war, and greater emphasis upon physical education and health education in the public schools. Our public health services should be enlarged so as to provide adequate annual medical examinations and satisfactory arrangements for the correction of ailments for all youths of school age.

WILLARD J. BREIDENTHAL
President, The Riverview State Bank, Kansas City, Kan.

In reference to my views on compulsory military training in peacetime for America, wish to say that I am not at all in sympathy with the movement of the women, ministers and educators in this matter.

Certainly the experience in this war has been such as to lead us to the conclusion that some sort of training is necessary. It is the best insurance against attack, and the next time we may not be fortunate enough to have some one carry the fight until we get prepared.

BERTRAM M. WILDE
President, Janney & Co., Philadelphia, Pa.

I heartily endorse compulsory military training in peacetime.

I believe that it constitutes the best insurance against future conflicts.

As to the economic aspect of the question, the cost of training, I do not believe that we can afford not to have such training, and from the moral aspect, it has been the writer's observation that discipline and other things which go with this training are extremely beneficial.

HAMILTON HOLT
President, Rollins College, Winter Park, Fla.

I am against the United States in the post-war period having compulsory military training for American youth. Nothing should be done along those lines until we see how the United Nations are working out the sanction of force to prevent future wars, and then act accordingly.


Dr. Hamilton Holt

Necarsulmer to Be Partner in Gruntal Co.

Edward Necarsulmer Jr., member of the New York Stock Exchange, will become a partner in Gruntal & Co., 30 Broad St., New York City, New York Stock Exchange members, as of Jan. 2. Mr. Necarsulmer was formerly active as an individual floor broker; prior thereto he was a partner in Pollard & Co.

Interesting Developments In Pittsburgh Railways

A lucid 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.

The Code of the Securities Business

(Continued from page 2707)

for the business ideals which motivate you and I want also to thank you for the splendid cooperation which you have given to the management of the Exchange.

As to the principles which are embodied in your code, I doubt whether anyone could improve upon them, and I do not believe that any business or profession has higher ethical standards than yours. We will merit public respect and we will prosper to the extent that these principles are applied in our day-to-day relations with the people we serve.

I want to examine briefly the set of principles which you have enunciated and relate them to the problems of our business. First on your list is the principle that "the client's interest shall always be the first consideration." This is elemental. Unless it is observed scrupulously, our member firms will soon lose their clients and the Exchange and all that it represents will fall into disfavor.

I cannot endorse too emphatically your second principle, that opinions or advice shall be supported by adequate knowledge and information; and that in offering suggestions a broker shall present to a client as many relevant facts as possible, whether they be favorable or unfavorable.

I have had a good deal to say on this subject, as you know. The well established principle of truthful disclosure of facts, as the basis upon which security values should be judged, is the essence of Exchange policy. You may recall that I drew attention, in a letter addressed to members and member firms last August, to the fact that the circulation of unverified rumors had created in the minds of many members of the public an impression that the evils of manipulation, which at one time gave the Exchange a bad name and which we have only been able to live down after a long period of hardship and hard times, were again coming into play.

Now I believe that manipulation has been almost entirely rooted out. But as we all know, public suspicion that a condition exists can have consequences almost as serious as if the suspected condition actually existed. It behooves all of us, therefore, to see to it that our business is kept above suspicion. And the most effective method that I know of, by which we can protect the reputation of this business, is to stick resolutely and everlastingly to the principle that the only true basis in judging securities values is authentic information.

This principle has application in a number of directions. In this connection, I frankly have been concerned over the fact that a few market letter writers and, I understand, some of our customers' brokers, in their oral suggestions to customers, have recommended the purchase or sale of securities on the basis of opinion unsubstantiated by factual information or by expert analysis. Fortunately the number of such lapses is small. In my judgment, it is a great mistake for anyone to say to a customer that he thinks well of this or that security, or that he hears favorable reports about this or that security, unless he is prepared to support his recommendation or his comment with available facts relating to a company's progress or to special developments within a company. It does not happen often, I understand, but there does appear, occasionally, in market letters and in conversations between brokers and customers, a suggestion that a particular security looks good when the broker either fails or is unable to give the factual reasons for his recommendation.

Now, I do not suggest that a broker or a market letter writer be limited so rigidly as to tie his hands completely with respect to what he says to his customers, but I am giving you my impression, based upon a great many complaints which flow into my office and upon certain market literature which has been brought to my attention. We cannot afford, in this business and in this time and day, to deal in tips and hunches. If our business is to be kept upon a solid foundation, there must always be truthful disclosure of factual information. Impulses and guesses will not serve.

As to the principle that "willful and knowing dissemination of false and misleading information shall be considered unethical." I do not believe that anyone would be so foolish as to violate this principle. If he did, he would not only lose his customer, but he would speedily expose himself to the stern disciplinary authority of the Exchange.

You have a paragraph in your code which says that "the encouraging of financial transactions not commensurate with a client's resources, or the recommending of highly speculative ventures, without explaining the extent and nature of the risk involved, shall be considered unethical." I have already referred to the injunction against suggestions of highly speculative ventures without an explanation of the extent and nature of the risk.

It is your disapproval of the encouraging of financial transactions not commensurate with a client's resources which I wish particularly to mention. We have had, from time to time, complaints that this principle has not always been lived up to. No doubt, some of these complaints come from persons who blame the broker for their own mistakes or bad judgment. I might say that the number of such complaints has decreased almost to the vanishing point, and I give credit for this fact to you in this business who are concerned with its future and who realize that only by the highest standards of conduct can desirable accounts be attracted and held.

Very often letters come to my office from persons of small means who wish to buy securities—usually securities that are selling at low prices and whose main desire obviously is to realize a quick capital gain. We have a ready-made reply in my office for letters of this kind and I am sure that most of our firms have. Our reply carries the simple suggestion that it is not the function of the Exchange to give investment advice, except that the safest course for anyone to pursue who is inexperienced in judging security values and who cannot afford the risks involved is to put his available money into Government bonds.

You members of the Association of Customers Brokers have pledged yourselves to exercise care in the introduction of accounts and to insist upon the observance by your clients of the letter and spirit of any laws and regulations governing their transactions. I cannot commend this principle too strongly. An irresponsible customer, a customer with a bad record or one who violates or seeks to violate the rules of the Exchange or the law can do irreparable harm to our business. Last July the Exchange saw fit to remind member firms of the Exchange of the requirements of a rule of the Board of Governors that due diligence must be exercised to learn the essential facts relative to every customer, every order and every cash or margin account accepted or carried by member firms. We can save ourselves a lot of grief by observing this rule with the utmost care.

To save time, I pass over, but with fullest approval, of course, your pledges that information concerning a client's transactions and his account shall be considered confidential, that methods of soliciting business shall be dignified and in keeping with the ideals of your Association and that the rules of fair competition be observed.

I come now to what I consider to be one of your most important principles that is that the laws, rules and regulations of the New York Stock Exchange and of other exchanges and of the Federal and State Governments shall be adhered to by your members. Whether some few may like it or not, the principle of regulation is permanently established and widely accepted. Changes in the details of the securities laws can and will be considered, of course.

As I have often said, their is no reason why the details of these laws should not be changed to remove unnecessary hindrances and irritations in order to give the securities industry the greatest possible freedom consistent with the public interest. But we must not ever, and I am sure we will not ever think of breaking down the barriers against the evils and abuses which formerly existed.

In some respects the rules and policies of the New York Stock Exchange are more rigid than the securities laws themselves. All of us should be proud of this fact. We should also be proud of the fact that this institution is a subject of legitimate national concern. It serves millions of people. It is an essential unit in our system of free enterprise. Our market has a vital part to play in advancing the enterprise system. It must facilitate the gathering and servicing of the capital necessary to build a better world through rehabilitation and reconstruction. There can be no return to pools, manipulations, irresponsible offerings of worthless securities and the days of inadequate and incomplete information concerning the affairs of publicly-owned corporations.

All of us are greatly concerned about the public position of the New York Stock Exchange and of its membership. As we all know, the public's respect for us and for our business is determined, in the last analysis, by our own conduct, by the efficiency with which we operate and by the competence and sense of responsibility with which our relations with the public are carried on. No institution and no business, unless conducted with complete honesty, with high proficiency and with regard for the public welfare can long survive or prosper.

We believe that the New York Stock Exchange is established and operated today on such a basis. The high principles of business conduct with which this institution is imbued extend throughout its members and member firms, as indicated by your code of ethics and by what you are striving to do. I am not claiming perfection, because I realize fully that there is much room for improvement. It is my conviction, however, that we are today accepting, as never before, our public responsibilities and that we are steadily moving forward.

If this improvement is to continue, we must keep in mind certain precepts. Please do not feel that I am lecturing you, if I put some emphasis upon some of the pitfalls and hazards to which we are occasionally exposed. You recognize these pitfalls and you are constantly seeking to avoid them. We can never afford, for one moment, to relax in our determination to keep this business on a high plane and to prevent a recurrence of conditions which brought public disfavor upon us in the past and which will do so again unless we are alert.

As you know, the Exchange has considered, from time to time, the advisability of enlarging its public relations activities. It was apparent to me when I first came here that, despite the great strides that had been made, in enlarging the public's understanding of the Exchange and in increasing the public's esteem for it, there was urgent need to carry this educational process further. I am unwilling to move aggressively in this direction until I was convinced that the Exchange had put its house in order, was operating upon a sound basis and thus was prepared to go before the public with a program designed to make the entire nation realize the Exchange's economic usefulness as an essential unit in our national economy.

As I have reviewed the internal changes of the last six or eight years and the improvements which have been introduced, I have come to appreciate that the Exchange has taken those steps which are necessary preliminary to the kind of educational program we have in mind. Not only has the Exchange adopted a great many measures that provide additional safeguards for the public in its dealings with our member firms, but those firms themselves in the development of their own policies and in the expansion of their facilities, have gone very far in creating the conditions which build public confidence.

I gave to my predecessors in the management of this institution full credit for the splendid ground-work which has been performed by way of modernizing the management and government of the Exchange. I was fortunate in that I took up my duties here after this modernization was well under way. My associates and I have endeavored to carry on the good work and, I feel that the time is fast approaching when we will be in a position to intensify our external activities in the field of public relations. Your cooperation, when that time comes, will be essential and I know I can count upon it.

Meanwhile, I am pleased to note that you are interested in an educational effort which various organizations, including the Stock Exchanges, the Securities and Exchange Commission, the Better Business Bureaus and the State Securities Commissioners, are just now preparing to initiate. This is an undertaking to which we should give our fullest support. The principal effort in this program is to prevent the diversion of money presently invested in Government bonds or held on deposit into promotional schemes that are questionable. Undoubtedly, the holders of various types of Government bonds, particularly the "E" bonds, will be subject to high pressure to induce them to transfer their money, and I am not speaking of worthless securities only, but of get-rich-quick real estate promotions and of other enticements which are already beginning to appear. We will be making a splendid investment of our time and energy if we join in this preventive activity which the SEC is planning, in cooperation with other organizations, including the New York Stock Exchange.

In conclusion, may I say that I have great confidence in the future of the securities business. Ahead of us, there is, in my judgment, an unprecedented demand for the services of an organization such as ours which has the skills and the facilities necessary to release the flow of vital private capital upon which post-war reconstruction and the establishment of a stable order will so largely depend.

Can America Buy Its Own Post-War Products?

(Continued from page 2709)

the counter, that operates as a demand that goods-creation shall continue. How much of our money will be active money when the outflow of Government funds stops? If by any unhappy chance most of it were highly active, we should probably have runaway inflation. If, on the contrary, most of it were held as a store of value and the small active portion itself moved sluggishly, it would be quite possible to have another 1933 despite all our billions in demand deposits. Chairman Eccles hinted in a recent speech at these two widely divergent possibilities. Literally, everything depends upon the extent to which this huge volume of liquid funds is likely to be used for the purchase of consumer goods, the hiring of services and the production of new capital goods. There can be little doubt that there is money enough in the country to satisfy the most ardent "greenbacker." What we are interested in now is how much of it is going to change hands and how fast.

It is my belief that some light is thrown upon this question by an inquiry into the ownership of these deposits. Business deposits respond to a quite different set of stimuli than do the housewives'. Consumer balances tend to be individually small, enormous in number of accounts, and highly active. Business balances may vary from the intense activity of the department store to the static majesty of a $100 million reserve cash account of a great corporation. How can we ascertain out of this welter of cash who owns what?

Until the late 1930's no data with respect to the ownership of bank balances has been available. But of late the Federal Reserve System has carried on periodic analyses of the constitution of our demand deposits by increasingly extensive sampling procedures. From these surveys we are gradually obtaining a clearer view of the status of deposit-ownership (in broad classification) and of the trends in deposit-ownership. The latest breakdown appears in the November Bulletin and shows the situation as of July 31, 1944. These figures are naturally of absorbing interest to the monetary economist and the student of the business cycle.

This study reveals that of the $60 billions of demand deposits outstanding on July 31, $37.4 billion were owned by business (all but $4.7 billion by non-financial business) and $18.6 billion by individuals—$4 billion in the hands of farmers and the balance owned by other individuals. During the year ending July 31, 1944, business balances trended upward by $1.3 billion while personal balances were up $2.6 billion. In this single year farmers' balances were up $700,000,000! Longer-term trends are also shown. Since December, 1941, business balances have moved from $25 billion (up $12.4 billion) and personal balances from $10 billion (up $8.6 billion). It will be noted therefore that while the general growth rate is slackening since 1943, the growth rate of personal balances is proportionately much better sustained. In fact, personal balances have nearly doubled since Pearl Harbor. Indeed, for technical reasons fully described in the Bulletin, it seems clear that the actual increase was rather more than the figures indicate.

From these figures, it seems to me, certain broad inferences may be drawn. In general business balances, large enough in 1941 to

(Continued on page 2733)

Can America Buy Its Own Post-War Products?

(Continued from page 2732)

render many of the larger corporations independent of the banks, would now seem more than sufficient to finance reconversion provided the will and confidence so to use them is present. Similarly, if personal balances of $10 billion were sufficient to maintain tolerably good consumer purchasing power at the time of Pearl Harbor, $18.6 billion now plus a greatly expanded volume of outstanding currency ought at anything like current price-levels to be more than sufficient today, again assuming the will and confidence so to spend and invest them.

This conclusion is further reinforced by the breakdown of personal deposits by size of account. Only one billion of the $18.6 billion total is to be found in accounts of $100,000 or over and less than $2 billion in accounts of from $25,000 to $100,000, leaving nearly $16 billion in accounts of less than $25,000. This points to a very wide dispersal of these balances among the consumer population. If the average balance of these smaller accounts were $2,000 (which is probably high) the total number of accounts indicated is at least eight million. Add to this sum a large part of the $21.7 billion of currency outside the banking system, which is believed to be for the most part in the hands of defense workers and black market operators, and the broad, even unprecedented base for popular purchasing power becomes evident.

The geographic distribution of these balances is not without its own significance. Demand deposits (business and personal) have increased in States like Arizona, New Mexico, Kansas and the Dakotas by 150% since Pearl Harbor, the Southern and Mid-Western States have shown an almost equal expansion, and even the industrial areas on the eastern seaboard bring up the rear with absolute increases averaging 37%.

In contrast to the situation prevailing in the middle 30's when the South and West were ill-equipped with cash to buy the industrial output, today sees $6.3 billion in the San Francisco District, $10 billion in the Middle and Southwest (exclusive of the Chicago District's $9.1 billion), $5.8 billion in the South, $4.6 billion in the Cleveland District, $6.3 billion in Boston and Philadelphia and $17.5 billion in New York.

The writer recalls examining in 1938 one of the first incomplete and unpublished surveys of the Board which showed as of the middle 30's a total of individual balances for the entire country of about $4 billion. Yet the circulation of these paltry balances in a time of large unemployment, minimum investment and considerable business uncertainty was sufficient to generate a national income of some $60 billion. At that time total balances were about $20 billion and money in circulation two to three billion. Likewise, in the great flare of the late 20's the country managed to generate a national income of $85 to $90 billion out of total deposits of about $30 billion, of which hardly more than $6 billion could have been individual balances. Surely the possession of $18.6 billion of such balances now presents an arresting contrast.

Are these balances then so large as to endanger the normal functioning of the system? While it is of course impossible to ignore the inflationary possibilities, it may be asserted with some confidence that the chances are preponderantly against trouble of that sort. In the last 15 years bank deposits have tended to become increasingly static as a whole. Corporate balances have shown a persistent growth line with a decreasing percentage of turnover. Even individuals are likely to build up the size of the checkbook balance because of the comfortable feeling that cash on hand gives and because money rates exert a decreasing pull upon cash. Cash is valuable so long as prices are not too conspicuously rising as a completely flexible instrument of future demand. The memory of the long deflationary 30's is also in the blood.

Thus, while nothing is less predictable than the behaviour of holders of cash, there is no particular reason to believe that this cash will start shooting rapidly from holder to holder bringing about goods-shortages and a thoroughly disrupted price structure. Although none of us want to see rationing and price-controls continued a moment longer than necessary, most people feel that until the wartime shortages of durable consumer goods are at least partly made up, some controls may be needful in a few fields.

As suggested earlier in this article, however, it is one thing to have the balances in bank and another thing altogether to have the will and confidence to part with them in exchange for goods, services and new investment. Too many people, including many of us who ought to know better, tend to assume that once money in hand is parted with we shall never see it again. Of course, a moment's reflection demonstrates that currency and balances transferred are never used up but continue to flow back and forth among the population again and again. (It is true, of course, that the savings-investment disequilibrium may in the end upset the return flow, but that is a deferred effect.)

What people do observe and focus upon is the eventual end of the war and its accompanying cutbacks. The fear is prevalent that administrative hesitancy will delay the necessary preparations for resumption of civilian production too long and that between the two stools of wartime and peacetime production we will hit the floor. It would be tragic indeed if through ineptness we brought about a wholly unnecessary depressive cycle initiated by unemployment and perpetuated by consumer hoarding of cash. I am confident, however, that our ample liquid resources would operate powerfully at least for several months to ward off a serious slump. Much has been said about the three-year deferred demand for durable consumers goods as a stimulus. The fact is, of course, that there is at all times a perfectly tremendous deferred demand—a demand that has to be deferred not until the goods are made but until the money is in hand to satisfy it. The money is the important thing, and because the American people have it today in unprecedented amounts, things will have to go very wrong, indeed, to prevent continuance of economic good times after the war.

Thus far in our discussion we have assumed a debtless economy. For the rest of this century, at least, we must take the Federal debt into account in all economic calculations. The weight of the debt is dependent upon the size of the national income. For this reason alone we must have a post-war income of $140 billion or more. Mr. Eccles speaks of $170 billion.

The hard way to expand the national income is through an absolute increase in the physical volume of goods at the same prices. An easier way, though not a better way, is to let the superabundance of money raise prices, confining by management the extent of the rise, so far as possible, to a gradual and orderly advance. This procedure opens profit margins without reduction of wage scales, encourages new investment and discourages delayed buying. Naturally, the domestic price-level cannot ignore world prices altogether, but high mechanization and quality give us some protection even in world trade. Besides, the movement is likely to be worldwide. It always has been. Indeed, once the Government ceases to be a buyer of goods and becomes only a debtor, its own attitude toward higher prices is likely to be modified.

In summary, then, it is suggested that consumer purchasing power at the end of the war may be expected to be relatively high, that the only discernable possible cause for a check in the switchover lies in administrative failures or excessive caution in an economy not free to respond to economic forces, and that provided no depressive cycle is permitted to develop before the economy is again freed from its controls, our best hope for a period of sustained prosperity after the war lies in an orderly, gradual and moderate advance of the price-level to relieve the weight of the debt and budget.

Situations Interesting In Conn. Companies

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

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2710)

for purchase if and when available at certain prices. Not all the stocks chosen got into the buying area. Those that got in were the following:

American Smelting, bought at 39½, stop at 38. Stock is now about 40, which isn't much to crow about. Yet the metals, particularly the non-steel group, indicate sufficiently higher prices to warrant holding.

* * *

Climax Molybdenum was bought at 34½, stop 33. Like Smelters, this stock hasn't developed into any world beater. Current price about 34½ shows that. Holding, however, is advised.

* * *

Glenn Martin, bought at 21½, with a stop at 20, acts better than the previous two stocks. Current price of about 23¾ puts it in the black though not substantially so to give holders any feeling of comfort. Hold stock.

* * *

Timken-Detroit Axle came into the list at 33½. Stock is now across 36 and acting okay. But don't let an approximate 2½ points profit lull you into any feeling of security. Where the stock market is concerned there is never any security. This is as it should be. For if you feel safe, you become careless. And if you become careless, brother you're on the way to losses.

There are one or two other stocks in a group I have studiously avoided for a long time which are beginning to show new growing pains. The group is the utilities; the outstanding performer is that old dog, once a shiny blue chip, Columbia Gas & Electric. A few weeks ago the stock was battered down to under 4 on a large volume of sales. Most of the selling seemed to come from good sources. Yet looking at stock closer you realize that most of this selling was for tax purposes. In any case action of selling looked as if stock was going to $2 or even a buck. Yet today it is back to across $4. As a short term trade Columbia Gas has little or nothing to recommend it. Its price is against it. But for a longer term holding I think it shows enough to warrant buying here.

* * *

Second utility is United Gas Improvement. Like former it, too, was hammered down to under 12. But it, too, snapped back once the drive let up and now it's back to about 13. Because of the price latter may be expected to do better for the short term than later. But both, or rather neither, can be considered trades for a quick turn.

* * *

Signs of a temporary top are again appearing. With a holiday coming (incidentally, Merry Christmas) selling is likely to increase if for no other reason than to close positions. So look for lower prices until after New Year. But so long as the stocks you hold stay above their critical points the advice is to hold.

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.]

International Inflation

(Continued from first page)

by the sale of long-term bonds to the general public, the total of which would not materially affect their monetary situation anyway. To this group belong the European neutrals, the Arab countries, especially Egypt, most of the Latin American nations, India and South Africa.

2. Runaway paper money inflation has developed so far only in a few countries, especially in Greece. The stabilization has wiped out the Greek monetary unit. A new money had to be introduced, depriving the owners of the old currency of their savings. A similar fate is in store, presumably, for the German mark and the Japanese yen. (The new drachma is depreciating already.)

3. Between these two extremes is the large variety of intermediary cases in which the inflating of an inconvertible paper money progresses at a rate that still permits the freezing of the exchanges and of essential prices. They may be classified, in turn, into (a) the type represented only by Canada and the United States, which commands a large gold reserve (under the ground or above) and the prospect of a continued favorable balance of payments, both substantial enough to permit stabilizing its currency at the present par; (b) the type of country like China, where the reopening of essential imports and of foreign credits might bring about the possibility, within a short time, of stabilization; (c) the bulk of the active belligerents whose gold reserve bears no proportion, at the official rates, to the inflated volume of purchasing power, and whose pre-war gold-par will have to be abandoned after the war, if not before, because of a fundamental disequilibrium in their international relations.

Automatism of Gold Inflation

Disregarding the case of virtually obsolete currencies, the essential distinction is between inflations based on gold and those based on government credit. The difference is not merely a matter of origin or procedure. It is one of quantities as well as of ultimate results. Only in countries with gold (and credit) inflation is there a chance of restoring something like the pre-war commodity price level and a certainty that they may maintain the gold content of their currency if they choose to do so, without resorting to artificial deflationary measures.

Inflation consisting in gold accumulation, and/or credit expansion based on the influx of gold, corrects itself automatically. In due course, gold may disappear in hoards, losing its monetary character, or it may flow out again. Dollar and sterling balances may be lost either by using them for purchases or by being frozen, or by devaluation (especially of the pound). The mechanism of the gold standard practically guarantees that inflation is followed, sooner or later, by deflation. It will be sooner rather than later in raw-material countries, which will see before long many of the markets for their export articles close and their prices tumble. The wartime price inflation in the gold-receiving countries is due only in part to monetary expansion, since the gold itself is largely "sterilized" by official or private hoarding. It is due largely to the shortage of capital goods and other commodities not produced at home and not available from abroad.

Shortly, in future as in the past, the gold standard will operate in the sense that the countries which retain it in whatever form—will find themselves "back to normal"; the automatic reversal of the process which disrupted the equilibrium will bring their monetary volumes and internal price levels back to a position determined by the natural operation of market forces, without major interference by governmental management.

Fiat Money

A fundamentally different situation prevails in the belligerent countries proper which indulge in (governmental) "paper" inflation. The trouble with fiat money is that it is not self-liquidating. Whether short-term Government bond, long-term paper with directly or indirectly guaranteed cash conversion, deposit created by the sale of bonds to a bank, or legal currency itself—fiat money stays with us. It cannot flow out of the country in a permanent fashion since it is not legal tender abroad. Nor are foreigners likely to invest to any major extent in the bonds of a country which is on the verge of inflation, or beyond. It makes no difference who owns the money or that it is hoarded at the time. It stays for good.

True, the release of the productive forces and the reopening of the channels of international trade might bring about a correction of prices, or at least their "stabilization," notwithstanding the inflated volume of fiat money. But this is only operative for longer than a matter of weeks under two conditions: if and so far as the source of more fiat money is stopped—the budget is balanced; and if the velocity of circulation of the already existing volume does not rise substantially—the pent-up liquid reserves are not disbursed. The point is that none of these conditions materializes automatically, without incisive and painful governmental action.

The worst of it is that balancing the budget alone doesn't help unless the accumulated cash holdings are kept from being spent in a hurry. And vice versa: no control of those hoards can be successful which is not combined with an effective program of budget stabilization. The recent Belgian experiment offers an excellent example for the necessity of two coordinated deflations—not just one.

The Belgian Experiment

In Belgium the total of notes and deposits in the hands of the public more than trebled since 1940: from 65 to 185 billion francs, not counting the unknown amount of outstanding short-term bonds. Promptly upon liberation the Government adopted two freezing measures, in addition to the usual price control and rationing. Paper money of 100 francs (equal to $2.20) and of larger denominations was taken out of circulation. As to bank balances, all but 10% of their amount on May 9, 1940, has been blocked. This frozen volume of deposits is in turn divided into two parts: 40% to be "freed progressively," the rest to be "blocked." In practice, every deposit beyond a small amount has become frozen either temporarily or for good. All told, the monetary volume is reduced to about **one-tenth** of its size!

These are indeed the two effective ways by which to cope with a pent-up inflation: by freezing the excessive amount of money and/or confiscating it. The result of the Belgian experiment is not reassuring.

The international press is filled with guesses as to why the Belgian deflation doesn't work. The truth is that it is too sharp on the one hand, and insufficient on the other. It deflates the outstanding currency volume but at the same time it permits new inflation, since the budgetary balance is not restored. It is no use to deflate a currency unless the budget is deflated too. That should be obvious, and has been demonstrated in all previous fiat-money stabilizations.

The Real Problem

In Belgium, as elsewhere, the problem is to cut both heads of the inflation-hydra at once: to balance the budget and to freeze or eliminate the excess purchasing power already distributed. Both are very unpopular processes, especially so in countries which seem set on a policy of public spending. Spending is necessary everywhere for reconstruction and rehabilitation; to take care of the victims of aggression; to rearm or continue arming; to quiet down revolutionary spirits, and to carry out socialistic reforms. (These are the same reasons for which the German money press worked overtime after the last war.) Effectively deflating the existing volume of money interferes with the ability of the Government to raise tax revenues and to sell bonds to the public, and also reduces private expenditures, of course, thus causing widespread unemployment. Balancing the budget eliminates the possibility of large-scale armaments as well as of major socialist reforms, and has all-round deflationary effects, too. The easy way out is to compromise and go along, hoping for external help and for miracles.

Two Post-Wars Compared

All these are a duplication of the problems one had to cope with after the last war. But there is a world of difference between the two periods. To begin with, the quantitative differences are staggering. Compare the $24 billion rise in the American debt in World War I with the prospective $250 billion rise in this war. The difference is not quite as fantastic in most other countries, but it is substantial enough everywhere. Needless to say, that everywhere the monetary volume increased almost exactly as the national debt has risen.

Then there is this difference: World War I hit Europe in a clean condition, so to speak. Except for France and Russia, there were no national debts to speak of; all monetary systems were strongly entrenched in the international gold standard. In this war almost every belligerent started on a very substantial national debt, and most of them were from the outset on inflated managed paper currencies with shaky gold foundations.

Another important difference is that the world entered the previous war with no income tax in most countries and very low rates of taxation in all of them. England had the highest income tax in 1914; it amounted to 10% in the highest bracket. Even after the war, taxes were still "reasonable," so much so that they could be raised substantially before the second world war started. By this time all tax sources are tapped almost to the limit in all actively belligerent countries. There are few "tax reserves" left on which to draw for currency stabilization; indeed, tax reduction is the ideological order of the day practically everywhere.

A further change between the two post-war pictures is due to the doubtful blessing of effective price controls developed in many countries. As a result, each monetary unit will have a far greater purchasing power after this war than it would have had otherwise. The longer prices are held down, the greater the upward jump they make once the dams break, unless deflationary measures keep the latter from breaking.

But it will be much more difficult to resort to effective deflationary measures than it was after the last war. Except for Russia and Germany, Europe of the 1920's believed that its problems would be solved by the restoration of an unhampered capitalistic system. It was a world willing to take the punishment of temporary unemployment and to carry the burden of budget stabilizations, cost what they may. At present, Europe has arrived just about at the psychological stage at which Germany found herself around 1920, when she was sold on the idea of full employment, minimum wages, and guaranteed annual earnings, cost what they may, believing in a money managed by the central bank and in an economy planned by bureaucrats. That's why Weimar Germany was not able to stabilize, with or without reparations, and even sharp tax measures could not have done more than to slow down the runaway process. She had to go through the wringer because her political machinery was set on the theory of full employment and of "security" provided by government It is the same theory that sweeps now all of Europe.

Confusing the Confusion

Untenable monetary situations are made unmanageable by chaotic psychological and political conditions. They are further confused by a number of complications. One is the virtually inextricable maze of problems created by the reshuffling of property rights in the course of enemy occupations, emergency legislations and other arbitrary interferences.

But far more important are the complications brought into the European picture by the fact that without exception, so far as we know, the belligerents face unfavorable balances of payments after the war. Even agricultural countries, which usually enjoy an export surplus, are now in this category, due to the reduction of their productive capacities, the necessity of reconstruction and inventory replacements, the loss of export markets, etc. Very few have gold or other internationally marketable reserves left to match their import surpluses, and they must try to hold on to their last reserves.

This has a further and most embarrassing consequence. A country with an unfavorable balance of payment, and with reduced liquid reserves, is unable to give credits to others (unless by borrowing elsewhere). After the last war Germany was eliminated as a creditor nation. After this one Britain, Holland, France, Belgium and Denmark will be eliminated too. Europe is left with Switzerland, and possibly Sweden, as the only countries with a net surplus in their exports, and with sufficiently saturated internal capital markets to permit them the luxury of capital exports—provided that there will be risks worth taking at the prevalent rates of interest. Less lenders and more would-be borrowers, reduced willingness to risk and impaired ability to borrow, add up to paralyzing the intra-European flow of capital, once the economic lifeblood of the Continent.

The Still-born Bretton Woods Agreements

Too much of it had dried up already after the last war; nothing short of a 100% substitute will suffice after this one. Of course, there is only one major source from which the substitution might come. But will it come, when, in what quantities, and under what conditions?

As things stand now, the Bretton Woods agreements can be safely pronounced dead even before they have been discussed by the respective legislatures. Even if enacted, they will amount to subsidiary measures, at best. In the first place, their mechanism is much too slow; it wouldn't start operating until some time after the war; meanwhile Europe's problems multiply and intensify themselves. In addition, the benefits of those agreements would accrue only to countries which have succeeded in bringing about at least a nominal stabilization of their exchanges. It's like offering the help of the fire brigade under the conditions that the fire had been brought under control.

Substituting for the Substitute

Small wonder that the European press takes a nonchalant attitude toward Bretton Woods. The latest slogan is that there are more urgent things on the agenda. There are, indeed, and as they become increasingly urgent the attractiveness of Bretton Woods will continue to decline because it will become increasingly obvious that the total amount offered, up to 6 billion in American dollars, is "a drop in the bucket." The worst of it is, from the European angle, that America doesn't seem in the mood to finance wholesale industrial nationalizations and other revolutionary developments. For the duration, lend-lease substitutes for American credits, which in turn are the substitute for the intra-European capital flow of the past.

What comes after lend-lease cannot be boiled down in advance to a simple and single pattern. But outright cancellation of all war debts, of lend-lease obligations and wartime balances, etc., is a practical certainty. Cash balances and gold deposits owed by one allied country to a smaller ally, such as Britain to France, or France to Belgium, will be exempted. It is axiomatic that the active belligerents (excepting U. S. A. and Canada) cannot start fresh without eliminating the bulk of their external obligations.

Such is, of course, the first step only, to be followed (presumably) by the revocation of the Johnson Act and the reopening of American capital exports, public and private, on a scale doubling and tripling the credit flow of the 1920's. However, the bridge paved with American gold can span the difficulties created by a worldwide financial upheaval only if it is supported by the pillars of monetary stabilization in each individual country. That, in turn, presupposes new exchange rates and new budgetary policies—realistic policy to stop inflations and to avoid the pitfalls of forced deflations.

Aircraft Shares On Market

F. Eberstadt & Co. offered on Dec. 20 75,000 shares of cumuative convertible preferred stock and 33,600 shares of common stock of the Aeronca Aircraft Corp. The preferred stock, which pays 55 cents a share, is priced at $10, plus accrued dividends, and the common stock is offered at $5 a share. All the preferred shares and 25,000 common shares represent new financing by the company, the other 8,600 common shares being sold by a stockholder.

Net proceeds of about $732,000 to be received by the company will be added initially to working capital and subsequently may be used for plant expansion.

Incorporated in 1928, Aeronca Aircraft was at the outbreak of the war one of the largest manufacturers of light airplanes for personal use. Since 1942 its facilities have been devoted to war production.

Adjusted to reflect the present financing, the company's capitalization will consist of 75,000 shares of preferred stock and 157,363 shares of common stock.

Now Dittmar & Co.

SAN ANTONIO, TEXAS.—The firm name of Mahan, Dittmar & Co., South Texas Bank Building, has been changed to Dittmar & Co. Officers are Elmer A. Dittmar, President; John D. Williamson and Harold S. Stewart, Vice-Presidents; Reuben W. Ackermann, Secretary and Treasurer, and L. Hislop, Assistant Secretary and Assistant Treasurer.

De Coppet & Doremus to Admit E. Vail Stebbins

De Coppet & Doremus, 52 Broadway, New York City, members of the New York Stock Exchange, will admit E. Vail Stebbins to special partnership in the firm as of January 1st.

Calendar Of New Security Flotations

OFFERINGS

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.

Offered Dec. 20, 1944, the preferred stock at $10 per share and the common at $5 per share.

AMERICAN HOME PRODUCTS CORP. has filed a registration statement for 98,535 shares of capital stock, par $1 per share. Holders of capital stock of record at the close of business Dec. 15 are given rights to subscribe to the new stock at the rate of one share for each ten shares held at $59 a share. Rights expire at close of business Jan. 2. 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. Filed Nov. 25, 1944. Details in "Chronicle," Nov. 30, 1944.

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.

Ofefred Dec. 19 at 100 and interest.

GENERAL SHOE CORP. has filed a registration statement for $5,000,000 15-year 3% sinking fund debentures, due Dec. 1, 1959. 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. Smith, Barney & Co., Equitable Securities Corp. and Alfred D. Sharp & Co. are principal underwriters. Filed Dec. 4, 1944. Details in "Chronicle," Dec. 14, 1944.

Offered Dec. 19 at 102 and interest.

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.

Offered Dec. 19 at $8⅜ per share.

THOMPSON PRODUCTS, INC. has filed a registration statement for 60,000 shares of common stock, without par value. All of the net proceeds will be added to the company's funds available for general corporate purposes. Smith, Barney & Co., New York, and McDonald & Co., Cleveland, head the underwriting group. Filed Dec. 5, 1944. Details in "Chronicle," Dec. 14, 1944.

Offered Dec. 19 at $47.50 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

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. Debentures are to be offered at 100. The common stock which will be sold for the acount of Arthur J. Schmitt, President and Director, is to be offered at $10 a share. Company will use its part of proceeds for working capital. Van Alstyne, Noel & Co. are named principal underwriters. Filed Dec. 6, 1944. Details in "Chronicle," Dec. 14, 1944.

TUESDAY, DEC. 26

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. 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. Otis & Co. are principal underwriters. Filed Dec. 7, 1944. Details in "Chronicle," Dec. 14, 1944.

MONDAY, JAN. 1

BUTLER BROTHERS has filed a registration statement for 100,000 shares of cumulative preferred stock, 4½% series, par $100.

Address—Randolph and Canal Streets, Chicago.

Business—National distribution of broad lines of medium priced, popular demand variety goods, dry goods and general merchandise.

Offering—Price to the public will be filed by amendment.

Proceeds—Of the proceeds $8,398,272 to redeem in February, 1945, at $31 per share, all of the outstanding shares of convertible preferred stock of the company. Any remaining funds will be added to general funds as an addition to current working capital.

Underwriting—Harriman Ripley & Co., Inc., heads the group, with others to be named by amendment.

Registration Statement No. 2-5545. Form S-1. (12-13-1944).

TUESDAY, JAN. 2

EDWARD G. BUDD MANUFACTURING CO. has filed a registration statement for 297,500 shares of common stock, (no par).

Address—Hunting Park Avenue, Philadelphia, Pa.

Business—Before conversion to war work the company was engaged principally in the manufacture and sale of bodies and parts for automobiles, trucks and truck trailers, etc., manufacture of lightweight stainless steel passenger cars, etc.

Underwriting—None named.

Offering—The shares registered are to cover options which were issued by the company on Jan. 3, 1944, to 163 of its administrative and executive officers and employees to subscribe to an aggregate of 299,500 shares of common stock, the options varying from 300 to 58,440 shares. The options are exercisable while the holder is in the employ of the company at any time after the holder has completed a full year of continuous and satisfactory employment from Jan. 3, 1944.

The options are exercisable at $7.50 per share, being 125% of the market price of the stock on Jan. 3, 1944 as evidenced by the last sale of the stock on the New York Stock Exchange on that day. Options are good for five years from Jan. 3, 1944. Since the issuance of the options two persons holding options to subscribe to 2,030 shares have resigned from the employ of the company and forfeited their options.

Names of persons who hold options to purchase 15,000 shares or more are given as follows: Donald Alexander, Director and Vice President, 21,690; Edward G. Budd, Director and President, 58,440 shares; Edward G. Budd, Jr., Director and Executive Vice President, 22,890; Halton A. Coward, Director and Secretary, 21,690, and Paul Zens, Director and Treasurer, 21,690.

Proceeds — Statement said since the amount of the proceeds, if any, to be received by the company on the options cannot be ascertained until all the options granted have been exercised or expired, it is impossible to determine to what use the proceeds will be applied. The proceeds, if any, will be credited to stated capital applicable to common stock.

Registration Statement No. 2-5546. Form S-1. (12-14-1946).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund notes, due 1954. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

ARKANSAS-MISSOURI POWER CORP. has filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, 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.

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. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

Issue awarded Dec. 18 to a banking group headed by Alex. Brown & Sons at 97½.

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.

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.

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.

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.

de Simone Now With Security Adjustment

BROOKLYN, N. Y. — Security Adjustment Corporation, 16 Court Street, announces that G. T. de Simone has been appointed manager of the Trading Dept. He was formerly with the Bethlehem Steel Corp. of Brooklyn and also the Express Exchange.

Interstate Aircraft & Eng. Appears Attractive

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

Billings, Olcott & Co. To Admit G. H. Coster

Gerard H. Coster will be admitted to partnership in Billings Olcott & Co., 26 Broadway, New York City, members of the New York Stock Exchange. In the past Mr. Coster was associated with Cassatt & Co.

Attractive Investment

The Public National Bank and Trust Company of New York offers an attractive investment, according to a memorandum of the Sept. 30, 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.

Rails vs. Industrials

Copies of an address by Patrick D. McGinnis "Post-War Railroads vs. Industrials" have been prepared for distribution by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies may be had from Pflugfelder, Bampton & Rust upon written request.

What's Ahead for the Railroads?

(Continued from page 2729)

have an equal chance to haul that traffic for which they are inherently best suited.

So it is that there are two distinct parts to the answer to the question, "What's ahead for the railroads?" So far as the railroad, the physical thing itself, is concerned, there will continue to be railroads in this country because only on the unique surface of tracks is it possible to perform at low cost the all-year, all-season, all-round transportation service which American industry and commerce require.

But as to the business side of railroading, that is, their place in the enterprise way of doing business, it is not possible to be so sure. As the events of the past five years have again proved, the railroads are enterprising, progressive, competent—but it may be that even these qualities, plus the efficiency inherent in the rail method of moving persons and things in trains of cars on tracks, will not be sufficient to secure success for a business which must live and do its work on a self-supporting, tax-paying basis, in a field of endeavor where the uncompensated expenditure of taxpayers' money in the name of "cheap transportation" obscures true costs and distorts competitive positions. Truly, the railroads stand on the very frontier of the enterprise system, in that debatable land between business enterprise and governmental activity where the real uncertainties of the future lie.

Future Optimistic

The future of Baltimore & Ohio and its securities appears optimistic, according to a memorandum on the situation issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum and details of the ICC report on high-class passenger market may be had from Vilas & Hickey on 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.

Buffalo Bolt Looks Good

Buffalo Bolt offers an interesting situation according to an analysis prepared by Link, Gorman & Co., 208 South La Salle Street, Chicago, Ill. Copies of this analysis may be obtained from the firm upon request.

Bacon, Whipple & Co. To Admit E. F. Hartshorne

CHICAGO, ILL.—Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges, will admit Ernest F. Hartshorne to partnership as of Jan. 1.

To Form Liberman & Stone

Herman N. Liberman and Samuel Stone, both members of the New York Stock Exchange, will form the partnership of Liberman & Stone, effective Jan. 1, 1945, with offices at 111 Broadway. Partners have been active as individual floor brokers.

Situation Looks Good

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

Attractive Situations

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.

Situations of Interest

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

INDEX

Michigan Securities Section on page 2714; Connecticut page 2714; Missouri on page 2715.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE JR.

There were two distinct trends in the movement of prices in the government bond market during the Sixth War Loan Drive, which ended last Saturday. . . . These price movements were marked by (a) the narrow and minor changes that took place in the taxable issues and (b) the wide gyrations that the partially exempt issues went through and the substantial gains that were registered in certain maturities. . . .

The taxable issues callable from 1948 through March, 1956, were a few thirty-seconds lower, at the finish of the drive, with the largest decline only three thirty-seconds. . . . The longer term taxables retirable from September, 1956 to 1967 ended the period on the plus side, with the 1967/72 maturity showing the largest gain. . . . The 2% due 6/15/52/54, which are only six monthe shorter in maturity than the new 2% offered in the drive were very stable. . . . It had been expected that this issue would be exchanged by some institutions for the new 2% bond, and this would have a tendency to depress the price of the 2% due 6-15-52/54.

Although there was some selling in the June 2s of 1952/54, they were well taken and closed at 100 13/32, the same price they were met at, when the drive opened.

The prices of the taxable issues at the beginning and the end of the Sixth War Loan, as well as price changes, are as follows:

Issue—	Maturity	Closing 11-20-1944	Closing 12-16-1944	Price Changes in 32nds
2%	3-15-1948-50	101.31	101.28	—3
1¾	6-15-1948	101.11	101.8	—3
2	6-15-1949-51	101.25+	101.24+	—1
2	9-15-1949-51	101.22	101.23	+1
2	12-15-1949-51	101.21	101.20	—1
2	3-15-1950-52	101.15+	101.15	— 1/64
2	9-15-1950-52	101.7 +	101.7	— 1/64
2	9-15-1951-53	100.22+	100.23	+ 1/64
2	12-15-1951-55	100.24	100.24	--
2½	3-15-1952-54	103.29	103.27	—2
2	6-15-1952-54	100.13	100.13	--
2¼	6-15-1952-55	102.4	102.2	—2
2½	3-15-1956-58	103.24	103.21	—3
2¼	9-15-1956-59	100.17	100.19	+2
2½	6-15-1962-67	100.18	100.19	+1
2½	12-15-1963-68	100.6	100.8	+2
2½	6-15-1964-69	100.2	100.4	+2
2½	12-15-1964-69	100.2	100.4	+2
2½	3-15-1965-70	100.2	100.4	+2
2½	9-15-1967-72	100.14	100.20	+6

PARTIAL EXEMPTS ERRATIC

The partially exempt obligations were subjected to wide price movements during the drive. . . . The first week and one-half of the Sixth War Loan, showed all sections of this group under pressure, although it is indicated that amount of these securities available for sale was not large at any time during the drive. . . . Near the end of the second week of the drive, the intermediate and long term partially exempts moved up and this trend continued through Dec. 16, the last day of the Sixth War Loan. . . .

The short term issues were liquidated throughout the drive and were the only partiallly exempts to show declines. . . .

It was reported that these securities were sold by institutions that reinvested the proceeds in the middle and long term partially exempt bonds. . . . All of the partially exempt securities callable after 1948 registered gains, with very substantial improvement being shown in the issues retireable from December, 1949, through 1954. . . . The 2¼% due 12/15/51/53 showed the largest gains with an increase of 22/32. . . .

The middle term maturities of the partially exempt obligations were liquidated during the early part of the drive, and declined sharply due to selling by institutions, that did not need tax exemption and switching into the longer term issues. . . . This resulted in the intermediate term issues getting out of line price-wise with the other partially-exempts. . . .

Later in the drive a sharp rally took place which carried some of these middle term maturities close to, if not to their tops for the year. . . .

The long term issues from the 2⅞% on were more stable since these obligations had the support of institutions that were reinvesting the proceeds from the sale of other issues, in these bonds, as well as new purchases that were being made for tax purposes as well as income. . . .

HOW PARTIAL EXEMPTS FARED

The following table shows the prices of the partially exempt issues at the start and the finish of the Sixth War Loan, together with price changes:

Issue—	Maturity	Closing 11-20-1944	Closing 12-16-1944	Price Changes in 32nds
2¾%	9-15-1945-47	101.27	101.20	— 7
2½	12-15-1945	102.5	101.30	— 7
3¾	3-15-1949-56	103.31	103.27	— 4
3	6-15-1946-48	103.17	103.15	— 2
3⅛	6-15-1946-49	103.23	103.21	— 2
4¼	10-15-1947-52	109.23	109.20	— 3
2	12-15-1947	103.19	103.19	--
2¾	3-15-1948-51	105.27	105.30	+ 3
2½	9-15-1948	105.27	105.29	+ 2
2	12-15-1948-50	104.7	104.9	+ 2
3⅛	12-15-1949-52	109.26	109.28	+ 2
2½	12-15-1949-53	106.15	106.28	+13
2½	9-15-1950-52	106.31	107.11	+12
2¾	6-15-1951-54	108.25	109.9	+16
3	9-15-1951-55	110.11	110.24	+13
2¼	12-15-1951-53	106.6	106.28	+22
2	6-15-1953-55	105.5	105.18	+13
2¼	6-15-1954-56	106.30	107.15	+16
2⅞	3-15-1955-60	112.4	112.11	+ 7
2¾	9-15-1956-59	111.20	111.28	+ 8
2¾	6-15-1958-63	111.19	111.27	+ 8
2¾	12-15-1960-65	111.26	112.4	+10

INSTITUTIONS ACTIVE BUYERS

Many institutions, it is indicated, have decided what the excess profits tax exemption, obtainable through the partially exempt securities, is worth to them, and during the drive picked up many of these issues. . . . It is quite generally believed now that excess profits taxes will be with us until at least the middle of 1946 and may even go through the entire year 1946. . . .

Likewise during the drive it was realized that the war would probably last longer than had been anticipated in some quarters and this definitely means no change in taxes for a longer period of time. . . .

Also it is becoming more apparent that future taxes must be high enough not only to balance the budget but also to provide for debt retirement if finances of the nation are to remain sound. . . .

VOLUME DIMINISHING

The partially exempt issues are being reduced at a rapid rate. . . . At the same time the ratio of these obligations to the total debt is declining, since all the government financing, that is being done, is entirely through taxable securities. . . . There appears to be little doubt that the tax exemption which the partially exempt issues have, will remain until these obligations are retired. . . .

Because of these conclusions, it is not surprising that a substantial demand has come into the market for the partially exempt obligations, many of which were obtained at favorable prices during the Sixth War Loan Drive. . . .

From the standpoint of yield after taxes, the last two maturities of the partially exempts give a better return than is available in comparable maturities of the taxable issues. . . . Accordingly, the 2¾% due 1958/63 and the 2¾% due 1960/65 are considered especially attractive for such purposes, and it is reported that these bonds are being bought by institutions that need them for tax reasons.