A Victorious and Prosperous New Year

Final Edition

In 2 Sections—Section 1

The Commercial and FINANCIAL CHRONICLE

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Brennen Elected By Mfrs. Trust Co.

John H. Brennen, affiliated with the Out-of-Town Department of Manufacturers Trust Company, New York, and formerly Assistant Secretary of the Bank, has been elected an Assistant Vice-President.

J. H. Brennen

A veteran in the banking field, Mr. Brennen began his banking career in 1900 with the Citizens Central National Bank, New York City. He came to Manufacturers Trust Company in 1933 and was elected an Assistant Secretary in 1941. During the greater part of the past eleven years he has represented the bank in New York State, New Hampshire and Vermont.

Mr. Brennen has been exceedingly active in banking circles. He is a past Vice-President of the New York Chapter of the American Institute of Banking and served on its Board of Governors as well as Chairman of its Public Affairs Committee for a period of ten years. He has also been active

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Railroad Stocks Should Follow Railroad Bonds

By PATRICK B. McGINNIS*

Railroad Analyst Reviews the Progress of Railroad Securities and Contends That Despite Increased Competition From Other Transport Services Railroads Have Maintained Their Position As Nation's Leading Transportation Facility. Calls Attention to Heavy Debt Reductions of Both Solvent and Insolvent Railroad Companies and a Corresponding Rise in the Market Value and Yield of Their Bonds. Holds That Railroad Bonds Still Afford Higher Income Yields Than Similar Issues of Industrials and Utilities and Notes That Railroads Are Not Subject to Any Different Fluctuations in Earnings Than Other Groups. Predicts Rise in Railroad Stocks as a Consequence of Higher Dividend Payments and Considers Reorganized Railroad Income Bonds on Way to Higher Prices.

The last five times I have talked to this audience, I have talked about various phases of the railroad securities market. Three or three and one-half years ago, when you could hardly find a buyer for any railroad securities, we had to pick on the lowest priced securities, because our only market was individuals, and it was difficult to interest them in bonds that were selling at high prices, and yet there was no real market for the low-priced securities.

Patrick B. McGinnis

Then, as the country progressed

*An address by Mr. McGinnis in Boston, Dec. 12, 1944, Mr. McGinnis is a partner in Pflugfelder, Bampton & Rust, members of the New York Stock Exchange.

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Business and Financial Outlook For 1945

By ROGER W. BABSON

Mr. Babson Looks for These Developments in 1945: Farmers' Cash Income Will Approximate That of 1944, Which Was $20 Billions. Both Bituminous and Anthracite Mining Will Run 5% Below a Year Ago. Petroleum Output Will Be Upped 5%. Iron and Steel Will Decline 10%. A Similar Drop Is in Prospect for Chemical Manufactures. Lumber Output Will Increase 5%. The Paper and Shoe Industries Will Run Along on the Same Levels as During 1944. Industrial Employment Will Be 7% Less and Factory Pay Rolls Will Decline 10%. Greatest Single Expansion Will Come in the Construction and Building Group, Which Will Show an Increase of 25% From the Low Levels of 1944's First Half. Expects Drop in Retail Trade, Electric Output and Rail Volume.

General Business

1. A year ago the United States Babsonchart Index of the Physical Volume of Business registered 148.6; today it registers 138, justifying my forecast of a year ago. The Canadian Babsonchart Index of the Physical Volume of Business registered 206.9 a year ago; today it registers 197. 1945 will show a reduction of more than 10% both in United States and Canadian business. Furthermore, most of the following comments apply to both countries.

Roger W. Babson

2. War production is already be-

(Continued on page 2811)

NEP: The New Export Policy

By HERBERT M. BRATTER

Reviewing the Administration's Attitude Toward Foreign Investment, Mr. Bratter Discusses the Proposed Policy of Enlarging Our Exports by Placing Capital Loans and Investments Abroad. Analyzes the Commerce Department's Figures Regarding Our Experience With Foreign Long Term Investments After World War I, and Concludes That When Canadian Issues Are Eliminated the Net Return Was Only About 1 1/3 Per Cent and That at the End of 1940 Some 31 Per Cent of Our Holdings of Foreign Dollar Bonds Were Partly or Completely in Default.

Herbert M. Bratter

NEP, the new export policy, looms strikingly over the horizon. At the outset it was much bigger than a man's hand. And it has been growing. It is a New Deal philosophy for making jobs. Perhaps it might be called the New Deal for post-war. Its philosophers have ready access to the White House with all that that implies in the making of American policy.

The line of argument has already become quite familiar. For example, Harry Hopkins, presidential confidant, former Secretary of Commerce, and earlier

(Continued on page 2818)

Here Are Some More Expressions On Peacetime Training Proposal

We have previously made reference to the widespread interest evidenced in the proposal for a system of compulsory military training in peacetime, a subject that apparently is destined to receive attention of Congress at the forthcoming session in January. Specific evidence of the extent of public consideration of the plan was reflected in the large number of expressions received pursuant to the symposium conducted by the "Chronicle." These responses have been appearing in our columns beginning with the issue of Nov. 23 and a considerable number of them have yet to be accommodated in our columns. It is possible to give in this issue another group of comments and the remaining ones will appear in subsequent issues.

In connection with this symposium, we would call attention to several discussions of the subject which appeared in the "Chronicle" of Oct. 26, starting on the cover page. These reflected the opinions of, respectively, a prominent Catholic educator, members of the New York Synod of the Presbyterian Church, and the President of a prominent educational institution.

EARL BOWERS
Reo Motors, Inc.; Lansing, Mich.


Earl Bowers

We have read with considerable interest the two discussions on the subject of compulsory military training which appeared in the "Chronicle" of Oct. 26. It might be interesting to give consideration to a factor which neither of the writers has apparently considered, yet which was brought out in a recent forum conducted at Michigan State College under the direction of Dr. Reeves of the University of Chicago.

According to the statistical data compiled at that school, there was a feeling that some definite program other than ordinary schooling would have to be devised to extend the period of youth training to the age of 21. It was pointed out that due to technological advancements we would be faced with an acute surplus of productive ability in the post-war period if some means were not found to extend our field of economic employment at the close of the war.

The opponents and proponents of compulsory training seem to find the greatest source of support

(Continued on page 2814)

Singer, Deane Firm Will Admit Partners

PITTSBURGH, PA. — Singer, Deane & Scribner, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, will admit George S. Ewing and Gerard A. Hufnagel to partnership in the firm as of January 1st, on which date T. Howe Nimick will retire from partnership. Also as of January 1st, G. Harton Singer, Jr., general partner, will become a limited partner.

Faroll & Co. Will Admit Davis, Lough

CHICAGO, ILL. — Faroll & Company, 208 South La Salle Street, members of the New York and Chicago Stock Exchanges will admit Harry Davis and Thomas F. Lough to partnership in their firm on January 4th. Both have been associated with Faroll & Co. for some years.

The Enforcement of the Public Utility Holding Company Act

By GANSON PURCELL*
Chairman, Securities and Exchange Commission

SEC Executive Reviews the Progress in Carrying Out the Provisions of Public Utility Holding Company Act, Asserting Aim Has Been to Develop Compact and Efficient Operating Systems With Conservative Corporate and Financial Structures. Holds That the Completion of the Job of Integration of Holding Company Systems Is in Sight and Though Condemning Controlled "Service Companies" That Impose Charges on Affiliated Utilities in Excess of Cost, He States That Engineering and Technical Services May Properly Be Furnished to Operating Utilities by Outside Service Companies. Predicts Improvement Under New Financial Structures of Market Values of Public Service Corporations


Ganson Purcell

The Securities and Exchange Commission has been in operation for a little more than ten years and now administers six statutes having to do with certain of the financial activities of our business enterprises which include duties under Chapter X of the National Bankruptcy Act, in the nature of advisory services to the various Federal courts. All the laws that we administer were designed for the protection of the public and investors. The powers that we exercise in the public utility feld are, however, somewhat different from those under the other statutes entrusted to our administration. The Holding Company Act makes us a sort of public service commission for holding and operating companies in the electric and gas utility fields. Under that Act we regulate the various activities of holding companies and their subsidiaries, including not only the issuance and sale of securities but

*An address by Mr. Purcell before the American Institute of Electrical Engineers, in New York City, Dec. 13, 1944.

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Small Mines Securities And Their Financing

By ALLAN S. RICHARDSON*
Securities Commissioner, State of Colorado

Pointing Out That the Public's Losses on Mining Stocks Are No Greater Than Losses Experienced by Investors in Real Estate Mortgage and Foreign Securities, Mr. Richardson Asks for a Realistic Attitude Toward the Financing of Small Mines. Calls Attention to the National Importance of Exploiting Our Mineral Wealth, and Denounces the Proposals to Resort to Foreign Minerals Importations in Competition With Home Producers. Holds Our Federal and State Laws Now Have Authority to Check Fraudulent Mining Stock Ventures and Urges Strict Enforcement of Them.

It has in the past been and to a lesser extent now is only too true that the lure of relatively easy mineral wealth has appealed strongly to the unwary investor and in consequence the usual swarm of locust-like promoters, swindlers and confidence men has swooped down upon the lush fields of accumulated wealth to extract the savings of the willing weak-minded public and in exchange for cash, give certificates of stock in an alleged mining enterprise.


Allan S. Richardson

Is it quite fair, I ask, to allow this tradition of skepticism of mining to persist? I had been for more than 25 years in the investment business before I entered the field of security regulation. My memory is not so dim but that I cannot vividly recall the losses said to run to many billions of dollars in real estate mortgage bonds issued by companies whose records boasted of so many years without a loss to any investor. Yet we do not frown upon real estate mortgages or mortgage

*A report made by Mr. Richardson, as Chairman of the Mining Securities Committee of the National Association of Securities Commissioners, St. Louis, Mo., Dec. 13, 1944.

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Securities Dealers Committee Plans Permanent "Counter" Group

Cites Need of Organization to Represent Brokers and Dealers Exclusively in Over-the-Counter Business. Committee Decides Not to Appeal SEC Order on "5% Spread"

At a recent meeting of the Securities Dealers Committee, there was placed before its Executive Members (William S. Baren, Baron G. Helbig and B. S. Lichtenstein) the question of appealing from the order of the Securities and Exchange Commission, dated Nov. 25, 1944, which held that the "5% spread principle" was an interpretation and not a rule.

The time within which to file a Petition for Review expires 60 days from the date of the order.

Reviewing with their counsel, Edward A. Kole and Abraham M. Metz, the text of the SEC decision, the Executive Members of the Securities Dealers Committee unanimously declared that they were particularly gratified by the victory which was attained for securities dealers and brokers as evidenced by that part of the SEC opinion which declared in effect that, in disciplinary proceedings, the size of a spread in and of itself was no evidence of unfair practice.

The Commission's holding, contrary to the NASD interpretation that the size of the spread does not shift the burden of proof

(Continued on page 2825)

Fraud on the Seller of Securities

By EDWARD H. CASHION*
Counsel, Securities and Exchange Commission

SEC Official Points Out That Although the Anti-Fraud Section of the Securities Act Proscribes Fraud Only on the Purchaser, the Securities Exchange Act of 1934 Was Designed to Regulate Trading in Securities and the SEC Has Extended Its Authority to Frauds on Sellers of Securities. Reviews Several Prosecuted Cases in Which "Insiders" by Non-Disclosure of Information, Obtained Securities Much Below Intrinsic Worth and Maintains That Any Broker-Dealers Who Engage in Such Transactions With Knowledge of Such Non-Disclosures Violate Rule X-10B-5, and Rule X-15C1-2. Holds Issuers in Repurchasing Securities Are Required to Disclose Their Identity When Omission Would Constitute Fraud and Receipt on the Seller and in Such Cases Commission Will Resort to Remedies at Its Disposal.

Mr. Chairman, members of the National Association of State Securities Commissioners, Ladies and Gentlemen:

At the St. Paul meeting you afforded me the opportunity to discuss with you some of the current security frauds and the increase of our mutual responsibilities and burdens under the impact of the war effort. At that time the Securities Act was only in its ninth year of existence and yet we observed that even within that short space of time the Commission had

*An address by Mr. Cashion before the National Association of Securities Commissioners at St. Louis, Mo., Dec. 13, 1944.

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Outlook for Business And Securities in '45

The war remains the dominant factor in the world of business and industry, and its economic effects will continue throughout the year 1945.

I. The End of the War

Probably not even a Delphic oracle, if there were one today, could predict the date of the war's end, and we have no military prescience to enable us even to approximate it. However, surveying the situation as it exists, we venture the opinion that the cessation of hostilities with Germany will occur within the first six months of 1945 and with Japan some time during the year following Germany's defeat.


L. H. Bradshaw
Editor
"Investment Timing"

II. National Income

National income for 1944 is estimated to be running at the rate of $158 billions, compared with the $147.9 billions of 1943. In view of Germany's expected collapse during 1945 and the sharp subsequent reduction in Government expenditure, we think that 1945 national income should approximate $125 billions if the German war ends early in the year and $140 billions if it lasts to the end of June; the longer this war continues the more likely the higher figure is to be reached. This compares very favorably with the highest previous peacetime income of $83 billions in 1929.

III. Taxes

Little or no increase in income taxes is to be expected in 1945. On the other hand, Government expenditure, even when reduced after Germany's defeat, will con-

(Continued on page 2830)

Financing the Post-War Building Boom

By GEORGE S. VAN SCHAICK*
Vice-President, New York Life Insurance Company

Insurance Executive Warns Against Shoddy Construction, Wildcat Finance and Haphazard Planning in Real Estate Activities. Recalls the Unhealthy Rivalry Among Mortgage Lenders and the Grief in the Real Estate and Mortgage Business Due to Speculative Builders in the Last Post-War Period and Urges Improved Methods of Real Estate Valuations and Close Cooperation Between Municipal, State and Federal Planning Agencies and Private Capital to Strengthen and Stabilize Mortgage Security. Cautions Against Over Building Arising From Surplus Investment Capital and Too Much Federal Credit.

As we approach the post-war period there is a realization that jobs for all is the country's paramount domestic problem. It is evident that home building and other construction activities will have to furnish a large part of post-war activity if the goal of maximum employment is to be reached. While the estimates of the number of houses and other type structures for which there will be demand vary greatly there is every indication that a building boom will take place as soon as construction materials are available.

Geo. S. Van Schaick

In an excellent publication of the National Committee on Housing Inc., entitled "Your Stake in Community Planning," it is said in reference to post-war building activity: "Shoddy construction, wildcat finance and haphazard planning must be definitely ruled out of the coming era of construction." This was said not for idealistic reasons but because only in that way can building and financing be done profitably.

This is an appropriate time for a conference such as this. Financial institutions with past experience in mortgage lending have been analyzing their experience for the purpose of future guidance. Very likely much more of this will be done in the days which lie ahead. Autopsies al-

*An address made by Mr. Van Schaick before the conference called by the National Committee on Housing, Inc., at Hotel Biltmore, Dec. 7, 1944.

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Bear, Stearns & Co. To Admit D. C. Lillis

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York and Chicago Stock Exchanges and other exchanges, will admit Donald C. Lillis to partnership as of January 1st. Mr. Lillis has been associated with the firm for some time as manager of the public utility department.

On January 1st, also, Robert B. Stearns, general partner in the Bear, Stearns & Co., will become a limited partner.

Robert S. Hays Forms Own Firm in Durham

DURHAM, N. C.—R. S. Hays & Co., Inc., has been formed to conduct a stock, bond and brokerage business. Officers are: President and Treasurer, Robert S. Hays; Vice-President, B. M. Watkins; Secretary, Marion D. Hays. Mr. Hays was formerly Vice-President of Kirchofer & Arnold.

C. K. Atkinson With Wahler, White & Co.

KANSAS CITY, MO.—Clarence K. Atkinson has become associated with Wahler, White & Company, Dwight Building. Mr. Atkinson was formerly manager of the securities department for the Sampson Grain Co.

Fagan Co. to Admit

Fagan & Co., 41 Broad Street, New York City, will admit Jack Slifka to partnership in the firm on Jan. 1, 1945.

Bright Possibilities

The current situation in Central Iron and Steel also appears interesting, according to a bulletin just issued by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this may be had for the asking.

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Capital and Prosperity

By W. GIBSON CAREY, Jr.*

President, Yale & Towne Manufacturing Company

Stressing the Importance of Capital in Modern Production and in Raising Standards of Knowledge and Skill, Mr. Carey Asserts that Unless We Are Going to Rely to a Greater Extent on Governmental Financing We Must Plan to Induce Private Capital to Flow into Productive Enterprise. To Produce a Post-war Happy and Dynamic Economy, Urges Government Economy and the Encouragement of New Risk Capital. Sees Danger in SEC's Attempt to Extend Its Functions and "Thus Disturb the Normal Process of Issuing New Securities" and Recommends Raising Registration Exemption up to One Million Dollars. Opposes Deficit Government Financing and Controlling and Channeling of Purchasing Power by Government as Leading to Inflation.

There is, of course, a certain background of experience to every point of view which I express. For this reason I have tried to dig out of my mind the two instances which have most forcefully impressed on my consciousness the true import of capital as applied to our development here in America. I am giving these two examples not because the lesson from them is obscure, but rather because I feel nearly all of us are inclined to take for granted the prosperity of this country, especially as it has applied to each of us. We do not, I believe, search deeply enough into cause and effect.

W. Gibson Carey, Jr.

The first story is of my wife and me driving in an automobile on a road crossing the Plain of Argos between Mycenae and Nauplia. My mind was soaring in the clouds of legend and of Homeric heroes when we approached a number of people breaking stone on the road. They were women.

The next story has to do with a trip I made to the Orient, at which time I was eager to investigate among other things the conditions in Manchuoko. I was considerably impressed by the modern materials handling equip-

*An address by Mr. Carey before the War and Reconversion Congress of American Industry, 49th Annual Meeting of the National Association of Manufacturers, Waldorf-Astoria Hotel, New York City, Dec. 6, 1944. Mr. Carey is Chairman of the Committee on Industrial Financing of the National Association of Manufacturers.

(Continued on page 2817)

NSTA Notes

CHICAGO BOND TRADERS CLUB OF

The Bond Traders Club of Chicago, Inc., will hold its annual banquet and presentation of incoming officers (who will be announced after Jan. 1) on Jan. 30 at the Hotel La Salle, Chicago. The bar will be opened at 6:00 p.m. and dinner will be served at 7:30 p.m. Fee for guests is six dollars. In order to avoid confusion just before the dinner, members are urged to register their guests with Peter J. Conlan, Hornblower & Weeks, Secretary of the Club, and pay the guest fee to Samuel Sachnoff, The First National Bank of Chicago, the Treasurer, as soon as possible. Refunds will be made if registered guests are unable to attend.

The Hotel La Salle has set aside a number of rooms and suites which they will hold open for reservations until Jan. 1. Reservations should be made through Allen J. Sparks, F. A. Carlton & Co., Chairman of the Entertainment Committee.

Calendar of Club Events

Baltimore Security Traders Association—Annual Winter Dinner, Jan. 26th.
Boston Security Traders Association—Annual Winter Dinner, Feb. 21st.
Chicago, Bond Traders Club of—Annual Banquet and Presentation of Incoming Officers, Jan. 30th.
Philadelphia Investment Traders Association—Annual Winter Dinner, Feb. 9th.

Hirsch, Lilienthal Co. To Change Firm Name

The firm of Hirsch, Lilienthal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, as of January 1st will change the firm name to Hirsch & Co.

Joseph L. Lilienthal, formerly a partner, died in 1936 and his estate retired from membership in the firm several years ago.

Albert F. Clear will retire from partnership as of the same date.

Public Utility Securities

Columbia Gas & Electric Recap Plan

Columbia Gas, under the integration requirements of Section 11 of the Utility Act, is required to separate its electric and natural gas systems. Recently the company filed a plan with the SEC to meet this requirement and also to simplify the capital structure by eliminating the preferred stocks (which have paid regular dividends).

The two principal electric companies are Cincinnati Gas & Electric and Dayton Power & Light. The common stocks of these two companies are to be distributed, along with a new common stock of Columbia, to the three classes of preferred stock and the common stock, on the bases set forth in the accompanying table.

"Package" distributable for each share of Existing Columbia Stocks	Participation in "Reasonable Foreseeable Earnings" as estimated by Stone & Webster	
"Package" for each share of 6% preferred stock—		
[illegible] shares New Columbia capital stock	$6.03	
4/7 share Cincinnati common stock	1.85	
4/7 share Dayton common stock	1.47	
Total		$9.35
"Package for each share of 5% preferred stock—		
[illegible]½ shares New Columbia capital stock	$5.28	
½ share Cincinnati common stock	1.62	
½ share Dayton common stock	1.29	
Total		$8.19
"Package" for each share of preference stock—		
[illegible] shares New Columbia capital stock	$4.52	
3/7 share Cincinnati common stock	1.39	
2/7 share Dayton common stock	1.10	
Total		$7.01
"Package' for each share of existing common stock—		
[illegible]/5 share New Columbia capital stock	$ .30	
[illegible]/35 share Cincinnati common stock	.09	
[illegible]/35 share Dayton common stock	.07	
Total		$ .46

The company employed Stone & Webster to make a general investigation of Columbia and its subsidiaries and to estimate "reasonable foreseeable earnings." It should be noted that earnings estimates are on the basis of certain assumptions as follows: (a) Taxes on the basis of the present Federal income tax rate of 40%, but with no excess profits tax; (b) reduction of depreciation and depletion charges, using a "straight-line" computation; (c) reduction of holding company debentures to $60,000,000 through application of cash; (d) refunding of the bonds at a 3½% net rate.

Cincinnati and Dayton common stocks will be readjusted so that each company will have 958,249.1 shares. The restated share earnings (on this number of shares) for the 12 months ended Sept. 30, 1944, would be as follows compared with the estimated post-war earnings:

	Recent Share Earnings	Future Share Earnings	Estimated % Gain
Cincinnati Gas & Electric	$1.89	$3.24	81%
Dayton Power & Light	1.16	2.58	123

The stockholders' letter does not disclose further data on these estimates, though this is probably obtainable from a 24-page document filed with the SEC.

Earnings on the new Columbia common stock are evidently figured at $1.51 a share. Without access to the detailed explanation, it is difficult to estimate how much the Columbia share earnings (for gas companies only) have been "written up" for post-war conditions, etc.

Because of the use of post-war estimates, it is also difficult to determine a fair price earnings ratio to apply to these earnings estimates. A multiplier of 10 seems rather high, but nevertheless would produce results somewhat similar to the present quotations for the various issues, as follows:

	Approx. value @ 10 times est. future earnings	Recent market price
6% preferred	93½	96
5% preferred	82	93
5% preference	70	80
Common	4⅝	4

United Corp. owns nearly one-fifth of Columbia's common stock and William M. Hickey, President of United, did not approve of the principles of the new plan as they were outlined to the SEC last June. The SEC has not indicated its views, except to reserve decision on whether the natural gas system in its entirety (covering a large part of the northwestern area of the United States) can be retained by Columbia.

Taxation for Prosperity

By BEARDSLEY RUML*
Treasurer, R. H. Macy & Co., Inc.
Chairman, Federal Reserve Bank of New York

Mr. Ruml Calls Attention to Need of a Standard of Living Higher By 40% If High Employment Is to Be Achieved. Advocates As a Means of Achieving This: (1) A Money System That Will Give a Stable Medium of Exchange and Store of Value; (2) a Sound Banking and Credit Structure and (3) a Tax System Which Will Not Lead to Inflation, but Will Be Low Enough to Leave Sufficient Purchasing Power With the People. Holds That Corporation Income Tax Results in Higher Prices, Lower Wages or Reduced Return on Investment, or All Three Combined, and He Urges a 30% Cut in Income Taxes and Elimination of Sales and Corporation Levies.

There are two difficulties in talking about the period that is to follow the war. In the first place, no one wants to give the impression in these critical days that dreams about the future are being permitted to distract thought and energy from the paramount job of winning the war speedily and decisively.


Beardsley Ruml

The second difficulty in talking about the post-war period is that what is intended to be analysis may be interpreted as prediction. Without predicting what is going to happen, we can draw certain conclusions as to necessary relationships that must exist in the post-war period. For example, we must either have 55,000,000 people employed or we shall almost certainly have so many people looking for work that we shall have a problem of mass unemployment. If we have 55,000,000 people employed, and if we have an average work week of 40 hours, and if we have the same price level we have today, we will have a national income of $140,000,000,000. If we assume a national income of less than

*An address by Mr. Ruml before the New Jersey Bankers Association in Philadelphia, Pa., Dec. 8, 1944.

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The Dumbarton Oaks Proposals

By MATTHEW WOLL*

Vice-President, American Federation of Labor and Chairman of Its International Labor Relations and Post-War Problems Committees

Though Endorsing the Dumbarton Oaks Proposals in Principle, Labor Official Criticises Its Lack of Protection to Small Nations. Denounces Russia's Actions in the Balkans and in Poland as Imperialistic But Defends the British in Belgium and Greece as a Necessary Policy to Prevent Communistic Usurpations. Urges Confederations of Smaller Nations in Europe and Sees a Dark Future for the World If the Dumbarton Oaks Proposals With Suggested Amendments Are Not Adopted.

Nine months ago, here in the Commodore Hotel, the American Federation of Labor, at its post-war planning forum, presented a comprehensive plan for the prevention of future wars and for the advancement of the welfare of labor in every country of the world. Outstanding spokesmen for American organized labor and specialists in various phases of international affairs joined with the American Federation of Labor in its discussions during this forum. Our post-war plan, which evoked gratifying praise throughout the country, charted a clear path which we felt the world must follow if we are ever to enjoy the blessings of continued international peace.


Matthew Woll

This plan called for the transformation of the structure of the United Nations into the basis for an international organization for the preservation of peace, in which all nations, large and small, would eventually participate. This proposed international organization, we urged, should be empowered to use whatever means might be necessary, including an international police force, to prevent the outbreak of wars in the future. We also suggested the relaxation of international trade barriers to facilitate a freer interchange of goods and services of all nations, based on a complete rejection of isolationism, ruthless expansion, and imperialism. Finally, we emphatically denounced any attempts by any nation to apply unilateral solutions to territorial

*An address by Mr. Woll before a "Labor and Future Peace" Symposium of the American Labor Conference on International Affairs at the Hotel Commodore, Dec. 16, 1944.

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Tomorrow's Markets Walter Whyte Says—

Reaction becoming more imminent as dullness intensifies. Public holders of stocks becoming more nervous each day. Reaction may, however, be short-lived.

By WALTER WHYTE

Last week's market seemed to be given over to dullness, and so far this week's market seems to be in the same rut. Dullness at this stage of the game isn't anything surprising. As a matter of fact, if you didn't have dullness now the chances are you would have reaction. And of the two, the former is obviously preferable.

* * *

But dullness instead of reaction is only temporary. For unless new strength comes in the next few days, the possibilities of a reaction taking place become more and more likely. This belief is not predicated on any general belief that a reaction will come because it's "due," whatever that means. For the market has the disconcerting habit of thumbing its nose at "due dates" and going its own merry way. A reaction at this time can start for any number of causes. The spark that can set it off can be nothing more serious than general market sentiment.

* * *

In discussing technical market action last week it was said that dullness now had within it the seeds of reaction. This can be explained by the theory that there's nobody so bullish as one who has just bought stocks. But the same bull who is convinced can become disgusted just as rapidly. This is not a strange or new phenomenon. Practically all phases of the stock market movement present this condition. It is, however, more sharply delineated in periods which follow sharp upthrusts of markets into new high ground. This, too, is explained by the fact that an all-important obstacle has many public watchers. Once

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The Securities Salesman's Corner

Too Many Prospects and Not Enough Sales

By JOHN DUTTON

There haven't been many new salesmen who have been acquiring experience in the field of securities salesmenship during the past few years. But there are still some salesmen who have been plowing the same old furrows and making their rounds day after day; never securing the results they should acquire from their efforts and one of the mistakes they continually make over and over again is that their prospecting is weak.

We are reminded of a story related to us of what happened a good many years ago when a now successful securities man was first breaking into the business. He started out with a pocket full of leads and he made his calls. Every where he went he stood there with his hat in his hand and gratefully acknowledged each opportunity for an interview which was granted to him. Week after week he kept it up—his calls were consistent and his interviews were almost too pleasant. After several months of this work his salesmanager called him in and asked him what was the trouble and why didn't he do some business. This fellow replied that he wasn't at all discouraged. On the contrary, he proudly showed a fistfull of prospect cards to his boss and said, "Look at these prospects, why I know I am going to do a lot of business very soon, every one of these people were so nice to me and I know I'll sell a lot of them, just you wait and see."

His salesmanager turned to him and told him he was going to do something he knew he wouldn't like very much, but it was the only way that this fellow could get the right outlook and begin to do business. With that, he took the stack of cards and proceeded to rip them right down the middle and then placed the remains in the waste basket. It was a fairly stiff jolt to this embyro young salesman but he took it and went out to work with a new slant on this business.

There are many people who are just time wasters—there are those whose business is not worth the effort and hard work involved. There are those people who will ask you for all sorts of free information and service but who will never give you an order upon which you can make a profitable commission. There are those who will take your information and turn around and shop several other dealers, or maybe end up by placing an order on a brokerage basis while you are left holding an empty bag. All these typical time wasters abound in every community. They clutter up the files of sales organizations and the time that is wasted on this type of prospect had better be spent where and when it can do both the salesman and a real boni-fide investor at least some good.

Another thing—there is no reason why any salesman who knows his business in these days and times should feel the least bit grateful for business which he acquires by dint of his own endeavors. The shoe should be on the other foot. Any investor who has a competent securities salesman taking care of his account should realize that he is getting something pretty valuable. It isn't everybody that is qualified to handle investments in times like these—good investment supervision of an account is worth a lot more than most salesmen are able to earn in recompense for their efforts.

Today it pays to take the attitude that A SALESMAN'S TIME IS HIS MOST VALUABLE STOCK IN TRADE. If he knows his business and knows his securities he's going to see to it that the people with whom he does buisness are those who will not waste his time and will also appreciate a good job well done.

Sees Cut in Taxes Next Year If War Nears End

A 10% cut in Federal income taxes will be possible next year only if the war in Europe draws near an end, Senator George (Democrat) of Georgia, Chairman of the Senate Finance Committee, was reported as saying on Dec. 27. From the Associated Press Washington advices as given in the New York "Sun" it is learned that Mr. George told reporters that "if we come around the corner in January, February or March, and can see a tentative end to the war, it is my thought that there should be a horizontal cut in individual and corporate income taxes while we worked on a general revision of the tax laws." The press advices went on to say:

The Georgian, whose committee handles all revenue legislation in the Senate, emphasized strongly that the only chance for any kind of a tax cut rests on "a fortuitous turn in the tide of fighting." If the end of the European war isn't apparent, then we would advise against any reduction in the rates.

"We've got to await events before we do very much with general taxes," he said, looking ahead to the committee's work in the coming 79th Congress. "There can't be any general revision of the tax Act at this stage. I have no doubt we will handle a certain amount of tax work during the spring, but it will be largely a matter of revising and making workable our present law."

Mr. George repeatedly has declared that Congress should be alert to changing economic conditions and be ready to step in with downward revisions of tax rates when the fighting ceases and business men need encouragement in reconverting to peace-time production. It is at that time that he would favor a general revision of the revenue laws, tailored to peace.

Meanwhile, he believes that if the collapse of Germany is evident, a moderate horizontal cut in taxes would be "an evidence of good faith to the people."

Railroad Securities

The railroad stock market has really taken hold in the past week or so and most of the popular trading favorities have moved forward on good volume to the highest levels witnessed since the boom of 1937. On the whole the advance has been fully justified. For some time most rail men have contended that if the advanced prices for second grade rail bonds was warranted on the basis of the improved credit of the carriers, and if prices for the general run of industrial stocks could be supported by the post-war business prospects, then rail stocks were ridiculously underpriced. General investment feeling is now catching up with this contention.

While the general strength in rail equities may be fully warranted on the basis of the post-war business outlook and the improved status of the carriers, it is also true that the rise has been accompanied by a number of rumors affecting individual roads. There has been an unusual crop of merger rumors. Some of them have run as follows: Burlington is supposed to be buying in the stock of Colorado & Southern. The merger of Chesapeake & Ohio with various of its affiliated companies (Nickel Plate, Pere Marquette and Wheeling & Lake Erie) is reported as imminent. The stock split-up by Louisville & Nashville was hailed in many quarters as the opening step towards consolidation with the parent company, Atlantic Coast Line. This was subsequently denied officially by the Louisville & Nashville management. There has been much talk about the supposed sale by New York Central of some of its substantial real estate holdings in New York City. There have been whisperings (conveniently vague) of a dividend on Baltimore & Ohio preferred stock in the not too distant future. With the possible exception of the sale by New York Central of part of its real estate holdings it is the opinion of most competent railroad analysts that all of these rumors will prove unfounded.

While the advance in rail stocks as a group is fully warranted (as pointed out above) on the basis of fundamental values, there can be little question but that speculative excesses which normally accompany a "rumor market" do infect an element of weakness which should not be ignored. The bursting of such bubbles is quite apt to affect even the part of the market which is fundamentally reasonably priced.

Many rail men looking at fundamental values are impressed with the fact that Illinois Central has apparently been lagging well behind the general list. It is true that dividends are not in prospect for some time to come, judging by statements of the management at the annual meeting last May. However, dividends certainly do not appear any more distant than on such stocks as Baltimore & Ohio common and preferred and Katy preferred, which have been among the most popular trading favorities in recent weeks. At the same time the company itself appears to be in a more favorable position than either of the other two roads.

There has been relatively little recognition given to the substantial debt retirement that Illinois Central has accomplished. Last May it was announced that fixed charges had been reduced to around $12,000,000. With subsequent bond purchases it appears likely that the present annual level of charges is not much above $11,500,000 and may even be below that figure. In the early 1930's charges were above $17,000,000. The present indicated fixed charges would absorb only about 10.3% of average 1936-1940 gross revenues. In comparison, the road during those years was able to carry an average of 15.5% of gross through to net operating income before Federal income taxes. It appears reasonable, therefore, to assume that the fixed charge burden could be supported by a good margin during normal business cycles. Moreover, the management has expressed its intention of continuing with the debt retirement program until charges are down to $10,000,000, which should justify a sound credit standing for the road. There have been earnings available for the common stock in every year since 1936, with an average of over $14 a share in the past three years. Earnings for 1944 will probably be around $12 a share.

Laird Bissell & Meeds Admits Louis Gibbs

Laird, Bissell & Meeds, Members of the New York Stock Exchange, New York, announce that Louis A. Gibbs has been admitted to general partnership as of Jan. 2, 1945. Admission of Mr. Gibbs to partnership in the firm was previously reported in the Financial Chronicle of Dec. 21.

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.

News & Views

In the current issue of "News & Views," Butler-Huff & Co. of California, 210 West Seventh St., Los Angeles, discuss recent developments in the insurance field, with particular reference to several specific issues. Copies of "News & Views" and an interesting study of The American Insurance Company of Newark, which the firm considers attractive as a conservative investment, may be had upon request from Butler-Huff & Co.

Glenn Elected President Of N. Y. Trade Board

Ely Becomes Chairman—New Vice-President

John B. Glenn was elected President of the New York Board of Trade at a special meeting of the Directors held on December 19, at the Board's Headquarters, 291 Broadway, New York. Mr. Glenn is President of the Pan American Trust Company, and is the first banker to be elected President in 20 years. Matthew G. Ely, President of Horace S. Ely & Company, who served as the Board's President during 1944, was elected Chairman of the Board. Three Vice-Presidents were chosen. Herman L. Brooks, President of Coty, Inc., was elected, and Ralph E. Dorland, of the Dow Chemical Company, and Richard V. Goodwin, Vice-President of the Fireman's Fund Indemnity Company, were re-elected. Other re-elected officers were:

Harry J. Carpenter, Second Vice-President, Guaranty Trust Co. of New York, as Treasurer; Joseph J. Magrath, Chubb & Son, Assistant Treasurer; James J. Clark, Assistant to the President of Liggett Drug Company, Secretary; Edwin M. Otterbourg, Otterbourg, Steindler & Houston, General Counsel; M. D. Griffith, Executive Vice-President.

Jesse L. Hopkins, of J. L. Hopkins & Company, the oldest living member of the Board, and its Treasurer at the turn of the century, was elected Honorary Vice-President. Among the new Directors (elected on December 14 at the meeting at which the Mayor gave American business a program for reconstruction) who took their places at the December 19 meeting were: John F. Budd, Custom House Guide; Howard H. Hubbard, Underwriters Trust Company, George A. Krug, George A. Krug & Company, Inc., Guy L. Marsters, Norwich Pharmacal Co., Peter H. Petersen, Petersen-Owens, Inc., G. McK. Roberts, International General Electric Co., Inc., William H. Stonaker, Mill Factors Corp., Howard Welch, Sperry Gyroscope Co., Inc.

Mr. Brooks, one of the new Vice-Presidents of the Board of Trade, is President of Coty, Inc., and Coty International Corp., as well as two domestic subsidiaries, the Perfumery & Cosmetics Export Co., Inc., and Rallet Corp., and a member of the board of Coty (England) Limited. He has been President of the Toilet Goods Association since its formation in 1935.

Real Estate Securities

Chicago

Since the inception of this column we have concentrated on New York City real estate issues.

Beginning next year we hope to depart from this procedure and from time to time publish the results of our investigation of situations in other cities.

Next to New York, we believe Chicago has the most numerous real estate issues. We are in the process of studying several of these issues and will publish the result of our investigation in the near future.

Post-war, we believe, Chicago will expand as a shipping port, resulting in activity that we believe will aid its real estate.

Many of the Chicago issues are located in the so-called "Loop." The name is derived from the elevated railroad which makes a complete circuit in the downtown district on Wabash Avenue, Lake, Wells and Van Buren Streets. It is the heart of the downtown section. Within it are located most of the large hotels, department stores, office buildings, theatres, etc. Many of these structures are security for real estate bond and stock issues.

Interesting facts about Chicago, according to Rand McNally, are that it:

Is the greatest hog market in the world.

Is the greatest cattle market in the world.

Is the greatest packing center in the world.

Is the greatest lumber market in the world.

Is the greatest furniture market and manuufacturing center in the world.

Is the greatest agricultural implement manufacturing center in the world.

Is the greatest center for the manufacture and distribution of pianos in this country.

Is the greatest convention center in the world.

Is the greatest grain market in the world.

Is the greatest stove market in the world.

Is the greatest railroad center in the world.

Chicago has the largest stock yards in the world.

Has the greatest elevator capacity in the world.

Has the largest mining machine manufactory in the world.

Has the largest agricultural implement manufactory in the world.

Has the largest mail order houses in the world.

Has the greatest retail dry goods houses in the world.

Has the largest cold storage building in the world.

Has the largest art schools in the world.

Has the busiest corner in the world (State and Madison Streets).

Has the most traveled bridge in the world (North Michigan Avenue, Boulevard Link).

Has the finest parks and boulevard system in the world.

Has the largest library circulation in the United States.

Has the largest percentage of bank reserves in America.

Has the most complete water system in the world.

Extend Time for Holders of Brazil Bonds to Exercise Option to Retain or Exchange Them

Upon instructions from the Minister of Finance, Romero Estellita, delegate of the Brazilian Treasury in New York, is notifying holders of all outstanding dollar bonds of the United States of Brazil, that the period for exercising the option of retaining their bonds, with reduced interest rates, or of accepting new 3¾% External Dollar Bonds of 1944 of reduced principal amount, but with varying cash payments, has been extended from Dec. 31, 1944 through June 30, 1945. The extension applies to all outstanding dollar bonds of the United States of Brazil, its States (other than Ceara), and Municipalities, and affects 30 different bond issues. The announcement issued Dec. 27 further says:

"Dec. 1, 1944, coupons from the new 3¾% External Dollar Bonds may be presented for payment at the offices of the respective Special Agents without letters of transmittal, but current interest cannot be paid to holders of original bonds until they are surrendered in acceptance of Plan A or Plan B under the terms of the offer, according to the announcement.

"Under Plan A, bondholders may keep their existing bonds at full principal amount, with certain modifications, including a reduction in interest rates to rates ranging from 1⅛% to 3½%, a cumulative sinking fund, and an extension of maturity dates. Issuers of the original bonds would still be responsible for the payment of interest, sinking fund and principal. Under Plan B, holders may exchange each $1,000 bond for a cash payment of from $75 to $175, plus $800 principal amount of new External Dollar Bonds in the case of Federal Government loans and the State of San Paulo Coffee Realization Loan of 1930, and $500 principal amount for all other issues.

"Last June, when the plan was announced, Valentim F. Boucas, member of the Council on Economy and Finance, and Claudionor de S. Lemos, Comptroller General, who were special representatives of the Brazilian Government for the external debt adjustment, stated that the offer followed discussions with the Foreign Bondholders Protective Council, Inc.

The dollar bond issues, and their Special Agents from whom transmittal letters should be obtained, follow:

U. S. of Brazil 8% of 1921, U. S. of Brazil 7% of 1922, U. S. of Brazil 6½% of 1926, U. S. of Brazil 6½% of 1927 and U. S. of Brazil 5% of 1931, Dillon, Read & Co.;

State of San Paulo 7% of 1930 (Coffee Realization), Schroder Trust Company;

State of San Paulo 8% of 1921, State of San Paulo 8% of 1925, State of San Paulo 7% of 1926 and State of San Paulo 6% of 1928, J. Henry Schroder Banking Corporation;

State of Rio Grande do Sul 8% of 1921 and State of Rio Grande do Sul 7% of 1926, Ladenburg, Thalmann & Co.;

State of Rio Grande do Sul 7% of 1927, The Chase National Bank of the City of New York;

State of Rio Grande do Sul 6% of 1928, White, Weld & Co.;

State of Minas Geraes 6½% of 1928 and State of Minas Geraes 6½% of 1929, The National City Bank of New York;

State of Maranhao 7% of 1928, Bankers Trust Company;

State of Pernambuco 7% of 1927, White, Weld & Co.;

State of Rio de Janeiro 6½% of 1929, City Bank Farmers Trust Company;

State of Parana 7% of 1928, The Chase National Bank of the City of New York;

State of Santa Catharina 8% of 1922, Halsey, Stuart & Co., Inc.;

City of Rio de Janeiro 8% of 1921 (Federal District), Dillon, Read & Co.;

City of Rio de Janeiro 6½% of 1928 (Federal District) and City of Rio de Janeiro 6% of 1928 (Federal District), White, Weld & Co. and Brown Brothers Harrimdan & Co.;

City of Sao Paulo 6% of 1919, The Chase National Bank of the City of New York;

City of Sao Paulo 8% of 1922, City Bank Farmers Trust Co.;

City of Sao Paulo 6½% of 1927, First of Boston International Corporation;

City of Porto Alegre 8% of 1922, City of Porto Alegre 7½% of 1926 and City of Porto Alegre 7% of 1928, Ladenburg, Thalmann & Co.

Dillon, Read & Co. has been named by the Brazilian Government to make payments of 12% of the principal amount to holders of State of Ceara 8% Bonds of 1922. The National City Bank of New York will act as depositary under the new general bond.

Venture Capital and Real Estate Development

By ROBERT H. ARMSTRONG*

Armstrong and Armstrong, Real Estate, New York City

Realtor Contends That Decline in Business of Building and Loan Associations Is Due Mainly to Lack of Venture Capital. Ascribes This to Taxation Which Reduces the High Income Groups Furnishing the Bulk of Venture Capital and to the Decline in Real Estate Investment Profits. Urges That Building and Loan Associations Combine to Erect Large Housing Projects and to Engage in Multi-Family Housing.

As you will note from the program, my topic is WHAT SAVINGS AND LOAN CAN DO TO HELP THE REALTOR. Perhaps this title should have been reversed to read "How Can the Realtor Help Building and Loans?" However, rather than approach my topic from the angle of any particular group, I would rather, with your permission, talk about what the realtor and the building and loan associations together can do, not only to help each other, but to help the nation and its economy.

Robt. H. Armstrong

For too long, ladies and gentlemen, have pressure groups and propaganda wrought havoc. I frankly believe that we need more cooperation—because if all of us just pursue our own ends for our own purposes, there is no doubt but that we shall be lost economically, as was France politically. So, in the few minutes assigned to me, I intend to talk on what the building and loans and the realtors can do for the nation, and mention but a few of the basic fundamentals that will affect real estate (that is, your business and mine) for the next decade or two.

The problems that are going to confront all of us in the post-war years, are going to be even more tremendous than the problems of war. Many of the principles that have governed real estate use and value in the past have recently taken on a different meaning than they had formerly—or have become outmoded altogether.

While the depression of the thirties tended to accelerate many movements and trends, the war years have, in effect, telescoped time. Those things which might normally have taken place over the course of several decades, have already occurred in the short span of but a few years. The economic cyclone of a boom, then a depression, and now a war, is not going to leave us unscathed; so we must begin to reorient ourselves in the light of changed economic conditions.

The business of building and loans is to make mortgage investments on homes. The business of the realtor in this connection is to place mortgages and sell homes. And whether we like it or not, the steady and massive encroachment of the state in the economic domain has come about because we are now beginning to realize that it is the government's business to see that its citizens are provided with jobs, and adequately clothed, and fed and housed.

Our dilemma of the 1930's came about because we could no longer rely on old principles alone. So all of us must take on new responsibilities as we face the future that is to come.

As you all know, our financial institutions in recent years have been, on the whole, in a very good state of health. That is, as far as their asset growth has been concerned. The main difficulties have been found in the lack of good mortgage applications.

Now, if building and loan societies cannot find sources of investment in homes, they cannot increase their income—and neither can there be very much of a business in selling new homes and placing mortgages on them.

The overall result of the lack of demand for mortgage funds has placed lending institutions in a position similar to that of a manufacturing concern which has products to sell by the thousands in its store rooms and on its shelves, but no customers. So it must now be asked, "Why no customers?"

Briefly, the reason is that there has been a certain imbalance in the supply of venture capital and mortgage capital. For homes and apartments to be built, there must be both—and a lack of one will

*An address by Mr. Armstrong before the New York State League of Savings and Loan Institutions, at the Hotel Waldorf-Astoria, Dec. 16, 1944.

(Continued on page 2827)

Reports on Trends in Government Finance

League of Nations Bulletin Shows Increasing Currency Issues and Rising Debts

Significant trends in wartime public finance are illustrated in the November issue of the "Monthly Bulletin of Statistics" just published by the League of Nations' Economic and Financial Department at Princeton, N. J.

Public Finance

A diagram comparing developments during the two world wars shows that in both Great Britain and Germany a considerably larger proportion of total expenditure has been covered by tax revenue in this war than in the last war. This also holds true, though in a less pronounced degree, for Canada and Australia, and indeed for the United States, too, during the comparable periods of her active participation in the two wars, and for France, whose metropolitan territory, however, was not actively engaged in war operations from the middle of 1940 to the middle of 1944.

Neutral Sweden and Switzerland, on the other hand, have this time covered a substantially larger proportion of their total budgets, including heavy defense expenditure, by borrowing on other non-tax revenue and so have also the Netherlands and Denmark, both neutral in the last war but occupied in the present war and forced—as was France—to pay heavy contributions to the occupying power.

A table itemizing the tax revenue year by year from 1938-39 to 1944-45 in 13 countries reveals the changes made in the national tax structures to meet the exigencies of war-time finance, *e.g.*, through imposition of excess profit taxes, kindred surtaxes on income and consumption taxation in various forms.

Customs revenues have increased in the United Kingdom by 150%; in Canada by 70% to 80%, and in the United States by 35% up to 1943-44, but are expected to fall off in 1944-45. Sharp declines in customs yields have taken place, on the other hand, in France (—90%), Japan (—75%), Sweden (—50%), the Argentine (—50%), Brazil (—35%), and Australia (—35%), while collections under this heading have remained fairly constant in the Union of South Africa and in New Zealand.

A second special diagram shows that a significant shift in the composition of public debt has taken place as a result of the increased short-term borrowing during the war. Thus, in most of the European countries for which adequate data are available and in the United States as well, the percentage share of the consolidated debt in the total public debt has shrunk since 1938-39.

By 1943-44 the proportion represented by the floating debt had reached 76% in Turkey, 70% in France, 59% in Denmark, 57% in Germany, 54% in Finland, 40% in Belgium and the Netherlands, 27% in the United Kingdom, and 25% in the United States and in Sweden. The proportion of short-term debt remained practically unchanged in Switzerland at about 27% and in Canada, the Union of South Africa, Australia and New Zealand at 10% to 15%. Japan reports practically the whole of its public debt as consolidated.

Means of Payment

The amount of notes in circulation is still increasing unchecked in all parts of the world. By the end of October note circulation in the United States had reached $24,387,000,000 and in Canada $1,012,000,000, increases of 27% and 21%, respectively, since October, 1943. In the United Kingdom note circulation in October had reached £1,164,000,000, an increase of 16% over October, 1943.

In continental Europe the same general trend is apparent. Figures for the latest months available in 1944 compared with the same month in 1943, show the following percentage increases in note circulation: Rumania, 73% (June), Hungary, 70% (August), the Netherlands 54% (August), Denmark 41% (September), Germany 39% (September), France 35% (June), Belgium 26% (August), and Portugal 23% (August).

Neutral Sweden and Switzerland show the smallest percentage increases during the past year of all the countries covered, with Sweden's note circulation increasing by only 9% (September), and Switzerland's by 14% (September).

A significant increase of 87% in note circulation in Japan during the 12 months ending September, 1944, suggests a rapid acceleration of the pace of inflation in that country.

Production

Iron and steel production in the United States and Canada in the course of the summer and early autumn has fallen off a little from the top levels reached in the spring of this year. Output in the first nine of ten months, taken as a whole, however, equaled or exceeded that of the corresponding months of last year. Production of certain non-ferrous metals, on the other hand, has been reduced below last year's volume, as shown herewith:

	Period Covered	Thousands of Metric Tons 1943	1944
Pig Iron			
United States	Jan.-Sept.	41,631	42,447
Canada	Jan.-Sept.	1,372	1,408
Steel			
United States	Jan.-Oct.	67,325	67,736
Canada	Jan.-Sept.	2,031	2,030
Copper			
United States	Jan.-Oct.	898	819
Canada	Jan.-Sept.	168	169
Lead			
United States	Jan.-Sept.	325	331
Canada	Jan.-Sept.	156	96
Zinc			
United States	Jan.-Oct.	734	693
Canada	Jan.-Sept.	146	115
Nickel			
Canada	Jan.-Sept.	99	95

Boston Terminal Has Appreciation Possibilities

Boston Terminal 3½s of 1947 are bonds with appreciation possibilities via reorganization and back interest, according to R. F. Gladwin & Co., 115 Broadway, New York City. Interesting details on this situation may be had from R. F. Gladwin & Co. upon request.

Firm Name to Be Richards, Heffernan & Benedict

H. Guion Benedict, member of the New York Stock Exchange, will become a partner in Richards, Hume & Heffernan, 14 Wall Street, New York City, members of the Exchange, on Jan. 1st, and the firm name will be changed to Richards, Heffernan & Benedict. Mr. Benedict has been an individual floor broker, and in the past was a partner in Richards, Hume & Heffernan.

Sifts Market Forecasts

Alfred Cowles Finds That a 40-Year Record Shows That They Fail to Disclose Evidence of Ability to Predict Successfully the Future Course of the Stock Market.

Writing in the July-October issue of "Econometrica," a magazine dedicated to the advancement of economic theory in relation to statistics and mathematics, Alfred Cowles, of the Cowles Commission for Research in Economics of the University of Chicago, makes a statistical and analytical study of the records of eleven of the leading forecasters of stock market fluctuations for the past 40 years.

The method used by Mr. Cowles in this analysis was for each of two readers to grade the forecasts independently according to the degree of bullishness or bearishness which he thought they contained. The average of the two interpretations was used as the basis for computing the record. It was assumed that the reader, if the forecast was 100% bullish, would invest all of his funds in the stock market; if the forecast was 50% bullish, he would put three-quarters of his funds in stocks; if the forecast was doubtful, he would put half of his funds in stocks; if 50% bearish, one-quarter in stocks; and if 100% bearish, nothing in stocks. The forecasts thus tabulated have been tested in the light of the fluctuations of the stock market as reflected by the Standard & Poor's average of 90 representative common stocks. If the forecast is 100% bullish and the market rises 10%, the forecasting score is 1.10. If the forecaster is doubtful, the score is 1.05, reflecting one-half of the market advance, on the assumption that the investor, being doubtful, would place one-half of his funds in stocks and hold one-half in reserve. If the forecast is 100% bearish, the score is 1.0, regardless of the subsequent action of the market, on the assumption that the investor would have withdrawn all of his funds from the market. If the forecast is 100% bullish, and the market drops 10%, the score is 0.90, and if the forecast is doubtful and the market drops 10%, the score is 0.95. The compounding of the weekly scores for each agency gives its forecasting record for the whole period. These results are compared with a figure representing the average of all possible forecasting results, arrived at by compounding one-half of the percentage change in the level of the stock market for each period, which hereafter for convenience will be referred to as the "random forecasting record." The results presented, called the "index of performance," are derived by dividing the actual compounded record of each forecaster by the random forecasting record referred to above and subtracting 1.

The conclusion Mr. Cowles draws from the study is summarized as follows:

(1) The records of 11 leading financial periodicals and services since 1927, over periods varying from 10 to 15½ years, fail to disclose evidence of ability to predict successfully the future course of the stock market.

(2) Of the 6,904 forecasts recorded during the 15½-year period, more than four times as many were bullish as bearish, although more than half of the period was occupied by bear markets, and stocks at the end were at only about two-thirds of their level at the beginning.

(3) The record of the forecasting agency with the best results for the 15½ years since 1927, when tabulated back to 1903, for the 40 years showed results 3.3% a year better than would have been secured by a continuous investment in the stocks composing the Dow-Jones industrial average. Under present laws the capital-gains tax might wipe out most of this advantage. While prospects for the speculator are, therefore, not particularly alluring, statistical tests disclose positive evidence of structure in stock prices which indicates a likelihood that whatever success may be claimed for the very consistent 40-year record is not entirely accidental. A simple application of the "inertia" principle, such as buying at turning points in the market after prices for a month averaged higher, and selling after they averaged lower, than for the previous month, would have resulted in substantial gains for the period under consideration.

Additional Promotions By Stock Exchange

Emil Schram, President of the Exchange, announced on December 18 the following additional promotions in the executive staff of the Exchange:

"George A. Cuff, Assistant Treasurer, has been appointed Chief Examiner and will directly supervise the Exchange's staff of field examiners. He has been connected with the Exchange since 1928.

"Ronald R. Westwood, Assistant Treasurer, has been named Assistant Chief Examiner. He has been with the Exchange since 1928.

"Leonard G. Bedarf has been made Assistant Treasurer. He has been with the Exchange since 1926."

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.

Wm. Titus Jr., V.-P. of F. J. Young Co.

William A. Titus, Jr., who has been placed on inactive duty after two years service as a Lieutenant in the U. S. Naval Reserve, is returning to F. J. Young & Co., Inc., 52 Wall St., New York City, as a Vice-President. Mr. Titus served as Provost Marshall and Security Officer at the United States Naval Air Station in Grosse Ile, Michigan.

Prior to entering the service, Mr. Titus had been prominently identified with security trade associations, having been a director of the Security Traders Association of New York and a governor of the New York Security Dealers Association. In addition, he was formerly a director of Claude Neon Lights, Inc., and of the Scullin Steel Company of St. Louis.

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.

Ohio Municipal Comment

By J. AUSTIN WHITE

The Ohio municipal market continues to demonstrate a strong undertone. Quiet strength of prices was apparent throughout the Sixth War Loan drive and during the past week or two prices have move somewhat higher.

It is interesting to note that in each War Loan drive to date the Ohio municipal market has held quite firm and prices have risen slowly toward the end of each drive. The period of the Sixth War Loan has been no exception, despite the fact that at the outset of this latest drive few opinions were heard that it would be as well received as were the previous loans—not to say that probably very few investors expected, at the start, that the Sixth Loan would be so heavily oversubscribed.

J. Austin White

The current strength in municipal prices is the more significant in that only a week intervened between the close of the War Loan drive and the Christmas holidays. Despite the fact that the drive carried practically into the holiday season, and the year-end period, the Ohio municipal market is more active, at slightly higher prices.

Recent Sales Indicate Strength of Market

A few recent sales demonstrates this strength in prices. Perrysburg School District, in Wood County adjacent to Toledo, sold an issue of $387,000 due from 1946 through 1968 as 1½s at a net interest cost of approximately 1.38%. Columbus School District sold $174,000 due 1946-55 as 1s at a net interest cost of .91%. Cuyahoga Falls School District sold $225,000 due 1946-65 at a worthwhile premium for 1½s.

The Perrysburg and Columbus school sales represent about as high a price as such issues have ever brought in Ohio. The price at which the Cuyahoga Falls issue sold probably represents an all time high for an issue of this category.

Yet all three issues were quite well received when reoffered, despite the fact that in some cases the top bid for the bonds represented a sizable cover over the second bid, and also despite the fact that reoffering of the bonds was made just before the Christmas holidays. But there is always a keen interest among Ohio buyers for bonds of the character of Perrysburg School District. The market has been barren of any bonds of such character for some months, and the continuing strong appetite among investors for such names is indicated by the reception this issue received. Columbus is enjoying well merited favorable consideration among municipal buyers over the nation, and obligations of the school district are both scarce and of high quality. The favorable reception given the Cuyahoga Falls school bonds can be ascribed largely to the general demand for municipals.

The success of these offerings speaks well for the underlying demand for Ohios, and augurs well for the prospects of more activity after the holidays.

Possible Large Cincinnati Revenue Issue

Recently there has been talk of a possible large issue of Cincinnati gas and electric revenue bonds that could run into many millions of dollars. The SEC has just decreed that the Columbia Gas and Electric Co. must divorce itself from the Cincinnati Gas and Electric Co. (and from the affiliate serving the northern Kentucky communities just across the river, the Union Light, Heat and Power Co.). As a natural result of this decree, there is some talk that the City of Cincinnati should buy the Cincinnati Gas & Electric Co., of course, with the proceeds from the sale of a mortgage revenue bond issue.

The talk is simply in the first stages as yet, and apparently is being given its greatest impetus, to date, by one of the local political parties, the Charter group. The governing officials of this group are advocating that the City of Cincinnati investigate the advantages and disadvantages of municipal ownership of the Gas & Electric Co., and representatives in city council of this group have introduced a resolution to make such an investigation (which investigation the chairman of council's finance committee is reported to have stated would cost the city $100,000).

There is no public demand for municipal ownership, at least not at present. Nor is there any public dissatisfaction with the service given by the private company, nor with the rates charged by the company. Moreover, Columbia Gas & Electric officials are reported to have decided to distribute Columbia's holdings of Cincinnati Gas and Electric stock to Columbia stockholders.

It is hoped that any further discussion of municipal ownership in Cincinnati will not be allowed to drop into political harangue.

Ohio Municipal Price Index

Date—	*	†	‡	§
Dec. 20, 1944	1.34%	1.50%	1.18%	.32%
Dec. 13	1.34	1.51	1.18	.33
Dec. 6	1.35	1.52	1.18	.34
Nov 15	1.36	1.53	1.19	.34
Oct. 18	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.36
July 12	1.31	1.43	1.15	.33
June 14	1.31	1.46	1.16	.30
May 17	1.31	1.45	1.15	.30
April 12	1.32	1.43	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Nov. 17	1.39	1.57	1.22	.35
Jan. 1	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

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

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

Cleveland Exchange Nominating Committee

CLEVELAND, OHIO — Rules and arbitration committee of the Cleveland Stock Exchange reports that Russell I. Cunningham of Cunningham & Co., president of the exchange; Edward E. Parsons Jr. of Wm. J. Mericka & Co., and Lloyd O. Birchard of Prescott & Co. have been elected as the nominating committee to select candidates for offices of the exchange.

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.

Ohio Brevities

Dr. Leonard Spangenberg, Vice-President of Babson's Statistical Organization, Wellesley Hills, Mass., told a Babson Field Conference at Cleveland that the "volume of business activity in Cleveland is holding well above normal and the underlying trend is still upward. This is in direct contrast to the basic trend in most major cities, including those with a large concentration of war contracts.

"The peak in Cleveland business volume so far this year was reached in June. However, a projection of present trends indicates that another new peak is likely to be witnessed this month. Consumer spending here during the holiday season now can be expected to set a new record moderately above last year's high level.

"Inasmuch as we are expecting business nationally to fall between 5 and 10% during the first half of next year, it can be seen that Cleveland business relative to the rest of the country will be excellent," he declared.

* * *

Waid V. Clark, prominent in Cleveland business and banking for a number of years, has been appointed Controller of Thew Shovel Co., of Lorain, O., President F. A. Smythe, announced.

Mr. Clark left the post of Assistant to the President of Glenn L. Martin & Co., Baltimore, to take his new position. Before going to Martin he was employed for five years with the Cleveland Railway Co. in various official capacities. Prior to that he was associated with Union Trust Co., Cleveland, and later was active in the liquidation of the Guardian Trust Co.

* * *

McDonald & Co., Cleveland and Smith, Barney & Co. headed the underwriting group that offered 60,000 new common shares of Thompson Products, Inc., priced at $47.50 per share.

The company announced negotiations are in progress for the purchase of land and buildings comprising the company's plant in Euclid, Cleveland suburb, now leased to Thompson Aircraft Products Co. by Defense Plant Corp.

Net proceeds will be added to funds available for general corporate purposes. Thompson Products intends to make substantial expenditures for purchases of machinery and equipment for the manufacture of new products, enlarging productive capacity and effecting cost savings.

Outstanding funded debt and capitalization as of last Aug. 31 and after giving effect to this financing, will consist of $2,700,000 notes dated Feb. 24, 1941, payable to banks maturing in equal annual instalments of $450,000; 45,000 shares of 5% cumulative preferred stock, par value $100 and 359,737 shares of no par common stock.

Net profit amounted to $2,304,148 for the year ended Dec. 31, 1943, compared with $2,051,417 for 1942. For the eight months ended last Aug. 31, net profit was $1,474,869; total current assets $21,479,198 and liabilities $9,472,694.

Thompson manufactures and sells a wide range of engine and other parts of automobiles, truck tractors and motorized military equipment; parts and accessories for aircraft and aircraft engines; parts for marine and industrial engines and, at present, certain ordnance items.

* * *

Ball, Burge & Kraus of Cleveland, was a member of the Goldman, Sachs & Co. group which offered to dealers approximately 1,100 shares of Cleveland Trust Co. stock at 207½, ex-dividend $2.50.

* * *

Edward E. Helm, district sales manager in Philadelphia for Reliance Electric & Engineering Co. since 1928, is the new general sales manager of the company, President James W. Corey announced. He has been with Reliance since graduation from Pennsylvania State College in 1924. Kenneth S. Lord, another Reliance veteran who served as chief of the electrical section of WPB's tool division during 1942-43, was named to succeed Helm at Philadelphia.

* * *

Central National Bank, third largest in Cleveland, has announced that Loring L. Gelbach, Vice-President in charge of loan administration, will be made President of the bank next month, succeeding Brigadier General Benedict Crowell, who is to be made Chairman of the Executive Committee of the Board of directors.

John C. McHannan, Chairman of the Board, in a statement on the changes, said:

"Because of the pressure of duties, General Crowell has asked us to relieve him of the activities of President upon the expiration of his term of office in January, and we have asked him to take the position of Chairman of the Executive Committee. According to our plans, Gelbach will be made President at the expiration of General Crowell's present term of office.

"The bank has enjoyed perhaps its greatest period of growth since General Crowell joined us as president in 1938, and it is with a feeling of success and gratitude that we accede to his wishes in relieving him of administrative responsibilities in order to have him continue with us in the new capacity.

"We are very happy having in Gelbach, a man whose experience in the banking field has been a great contribution to our growth. He is perfectly qualified to assume his share in the leadership of this bank," he said.

Mr. Gelbach came to the bank in September, 1938, having been elected a director and member of the executive and trust committees in 1937. Before coming to Cleveland as manager of the Reconstruction Finance Corp.'s local loan agency, he had been cashier of the First National Bank of Ellwood City, Pa., and assistant chief examiner of the R.F.C., and had helped establish the Virgin Islands National Bank, Virgin Islands, as well as working on banking matters also in Puerto Rico. He was born in Butler County, Pa., in 1892, attended Penn State College and served in the Army during the last war.

Otis & Co. was a member of the winning syndicate that bid 100.73 for $274,500 City of Kansas City, Kan., general obligation bonds, maturing from December, 1945 to 1954. Bonds were reoffered to yield from .40 to .90 per cent. Northern Trust Co. of Chicago was second with a bid of 100.69.

* * *

An underwriting group of Wm. J. Mericka & Co. of Cleveland, Fox, Reusch & Co., Cincinnati, and Ryan, Sutherland & Co. of Toledo, was awarded $280,000 Cuyahoga Falls, O., school district 1½% bonds on a bid of 100.30. The bonds, due Nov. 1, 1946 to 1965, were reoffered to yield .70 to 1.50 per cent.

Stranahan, Harris & Co. of Toledo, was second, bidding 101.37 for 1¾s and Pohl & Co. and associates of Cincinnati, placed third with a bid of 101.31, also for 1¾s.

Mericka, Fox, Reusch and Pohl & Co. were successful bidders for $500,000 2 to 2¼ waterworks bonds of Bucyrus, O., due 1954 to 1973. Bonds are optional in 10 years at par.

(Continued on page 2824)

Business and Financial Outlook For 1945

(Continued from first page)

ing cut back and this reduction will rapidly continue through 1945. Even those railroads and industries which expect to benefit from a long war with Japan will be disappointed.

3. The reconversion of industry from war to peace business will increase during every month of 1945. Furthermore, time required for reconversion will not be as great as most people believe.

4. Inventories quoted at their price values, rather than volumes, will continue, as a whole, during 1945 about as during 1944. Raw material piles will be larger, but manufactured goods will be smaller.

5. Population increases in the United States during 1945 will be about 700,000, but the birth of new babies will fall off somewhat.

Retail Commodity Prices

6. Rationing will continue through the most of 1945. During the early part of the year, I expect to see further restrictions especially in connection with meats, canned goods, etc.

7. The retail prices of most necessities and some luxuries will be higher during 1945 than at present. The prices of some of the luxuries, such as furs, have already collapsed.

8. Steel prices of goods needed for peacetime manufacture should be a little higher, but prices of the heavy war goods will decline. This applies also to the heavy chemicals.

9. The wholesale prices of raw materials in general may decline during 1945, but most consumer goods will hold firm or sell at higher prices. For both gasoline and bituminous coal, there may be price concessions.

10. The great question mark of 1945 will be how, to whom and at what price the Government will dispose of its billions of dollars worth of unneeded supplies.

Farm Outlook

11. The weather will be the greatest factor in farm production and prices during 1945. The weather has been exceptionally good on the whole for the past few years; but sooner or later we will have a severe drought or an early freeze.

12. Pending a weather upset, more bushels of corn and wheat and more bales of cotton will be raised in 1945 than ever before in our history. Although some prices may slide off, the total farm income for the first half of 1945 should hold up.

13. There should be a 15% decline in hog slaughter and a 5% increase in cattle slaughter.

14. Dairy products will continue to increase both in volume and in price. I am forecasting at least a 3% rise in volume.

15. Farmers will start in 1945 to work again for legislation on their parity program, due to fear of a collapse in all farm prices after the war.

Taxes

16. Taxes will not be increased during 1945 and some will be reduced; in fact, some nuisance taxes will be eliminated altogether.

17. The Federal debt will continue to increase during 1945.

18. Whatever is done about taxes, the cost of living will continue to rise during 1945.

19. Providing jobs for returning soldiers will be the big political football of 1945. I am not now prepared to forecast what will happen in this connection.

20. Through a coalition of Republicans and Conservative Democrats, we should have a "do nothing" Congress during 1945.

Retail Sales

21. The *volume* retail sales will show a decline during 1945. Prices of ladies' apparel and general luxuries will suffer, while grocery sales should be higher.

22. The total *dollar* retail sales should be about equal to 1944 with an increased demand for woolen and cotton textiles for civilian use.

23. The best cities for 1945 business should be:
Altoona, Pa.
New York, N. Y.
Cleveland, Ohio
Davenport, Iowa
San Jose, Calif.
Wichita, Kansas

24. There will be a great stampede in 1945 to get rid of the make-shift ersatz goods which have been made to take the place of good merchandise. Thus, 1945 will witness many "mark-down sales" of unrationed merchandise.

25. Wise will be those manufacturers, merchants and consumers who realize that post-war competition will be terrific and, therefore, withhold purchases until 1946.

Foreign Trade

26. The United States will own over 50% of the world's ships in 1945.

27. There will be an increase in free exports with the "Freed Countries," but Lend-Lease exports will decline.

28. We will make England and Russia large post-war loans provided they spend the money in the United States.

29. Both the British Empire and Russia will go into the competitive foreign trade market during 1945; many cartels and Government monopolies will be in operation. I, therefore, forecast higher prices for coffee, cocoa, sugar and many other articles for which we are absolutely dependent upon foreign countries.

30. No central bank will be organized nor will the stabilization of foreign currencies be attempted in 1945.

Labor

31. The Little Steel formula will be amended during 1945.

32. Industrial employment during 1945 will be off 7% in hours and off 10% in payrolls.

33. The building of a few new autos and new houses will be resumed during 1945.

34. Many industries, now operating on a 48-hour-week, will return to a 40-hour week during 1945.

35. Wage rates will not decline, but "take-home" income will be less.

War Outlook

36. The greater part of Germany's army will collapse before the German planting season opens in the spring of 1945. Before surrendering, Germany will try poison gas.

37. Japan will not hold out as long as most people think. Japan will collapse within six or 12 months after Germany collapses.

38. If Stalin's health continues, he will be the world's most powerful man in 1945 and may dictate the peace terms, especially for the Pacific.

39. Sometime after April, 1945, Russia will join (or threaten to) the Allies against Japan but only after the promise of territory privileges and a huge loan.

40. The markets may witness a "communistic scare" during 1945; but they should soon recover thereafter.

Stock Market

41. The rails will show the greatest decline during 1945, because the airplane and shipbuilding stocks are already pretty much deflated.

42. The heavy chemicals, steels and motors may hold their own during 1945; but consumer goods will do much better.

43. The safest stocks to buy—considering value, income and safety—will be the merchandising stocks, especially the chain store stocks.

44. 1944 saw a large increase in the demand for peace stocks with a decline in war stocks; but 1945 will witness them both moving more or less together. Switching has been over-done in most cases.

45. 1945 will continue to witness creeping inflation, although the big movement toward inflation will not take place until the next business depression which will follow the post-war prosperity.

Bonds

46. Though bank loan rates should continue to have an upward tendency, interest rates in general will remain low through 1945, since the money supply is now 20% above normal and Government controls will continue.

47. Anticipating the expected decline in Federal taxes, 1945 should surely see a falling off in the price of most municipal and probably other tax-exempt bonds.

48. The highest grade corporation bonds will decline during 1945.

49. Investors will give much more attention to diversification and staggered bond maturities during 1945.

50. More public utilities will be taken over by municipalities and "Authorities" during 1945.

Real Estate

51. Suburban real estate will be in much greater demand with higher prices during 1945.

52. City real estate should hold its own, excepting in the congested war areas where declines may set in.

53. Small productive farms will continue to increase in price; but large farms may sell for less in 1945 than in 1944.

54. Building will show a considerable increase. Contracts will be up 25%, but prices may be a little lower due to increases in lumber and cement production.

55. There will be no changes in residential rents during 1945.

56. Real estate will be helped by Congress ceasing to induct any more men into the armed services after June 30, 1945.

Politics and Post-War Peace

57. The uncertain political factor of 1945 will be Mr. Roosevelt. People will soon fear that he may resign before the next Congressional Elections either on account of ill health or to become head of a Peace Commission or new World Organization.

58. Our foreign headaches will becomes worse and more frequent during 1945. What we are going through to reorganize Italy will be repeated in many other countries.

59. The Latin American honeymoon has passed its peak. The attitude of Argentina will extend to other countries and our South American troubles will increase during 1945.

60. 1945 will see more religious interest, including more churchgoing, than did 1944. People gradually are realizing that without a Spiritual Awakening no peace or other plans will be much good. Nations cannot be depended upon to cooperate and stick to their agreements unless they recognize God as their real Ruler and Guide.

Canadian Securities

By BRUCE WILLIAMS

During the past year Canada met many serious challenges both at home and abroad, but living well up to its reputation for courageous capable handling of difficult problems, the Dominion finished the year strongly and confidently.

On the economic front, production was maintained at the extraordinary war-time peak levels and a record total of field crops was established in 1944 which almost doubled the 1939 figure. Governmental controls continued to operate in such a manner that Canada still leads the world in successful management of the overall economic machine.

Social legislation was introduced during the year which aimed at correcting dislocation caused by war exigencies and the preparation of a stable foundation for the postwar era. Last but not least, in no other country in the world has postwar planning been more systematically conceived without detriment to the war effort.

In the political field, threats to stability from many directions have been successfully and constructively circumnavigated by the Mackenzie King Administration and at no time has Canadian prestige abroad stood at a higher level. During the year Canadian representation on world councils has consolidated the position of the Dominion as a world power in its own right.

Perhaps the political situation has been the outstanding problem but it can be conservatively stated, on the eve of a national election, in view of the fact that so many issues embarrassing to the Government have been successfully thrashed out, the Liberal Administration now can face the country's decision with quiet confidence.

The apparent triumphant upsurge of the C. C. F., highlighted as a result of the Saskatchewan elections earlier in the year, waned obviously from that point onwards. Similarly, the Progressive-Conservative effort in recent months is likely to prove the swan-song of that party. Thrust out of its apathy following these challenges, the Liberal party although likely to lose its overwhelming majority support, stands on its successful war record, and offers the electorate its best chance of a stable government best fitted to consolidate the country's wartime gains.

In the securities market, the tone was strong with little activity in the high grades. Abitibis were again a center of interest and there was a brisk turnover with prices finally higher.

Although there was no improvement pricewise in the Montreal issues, there were indications of underlying strength. Any practical demonstration of institutional interest in this section could now rapidly correct the existing price lag.

Internal bonds were traded on a small scale but there was a resurgence of activity in gold shares with the Yellowknife issues commanding the most attention on reports of favorable drilling results.

With regard to possible future prospects, the only doubtful factor in the situation is the Federal election which is likely to be called at any time in the next few months. Otherwise, the market is in such a strong technical shape that any favorable interpretation of the political developments could readily set the trend in an upward direction.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

"Leverage" is a most important factor in bank earnings. It is usually measured by the ratio of deposits to capital funds. This ratio, however, neglects cash items, including reserves on deposit with the Federal Reserve Bank. A more realistic and practical "leverage" is the ratio of earning assets to capital funds. The following table compares these two "leverage ratios" for a group of 15 prominent Wall Street banks, as per balance sheets of Sept. 30, 1944. It will be noted that the second ratio is approximately 10% lower.

	Deposits to Cap. Funds	Earnings Assets to Cap. Funds
Bank of Manhattan	19.6	16.9
Bank of New York	14.7	14.1
Bankers Trust	12.1	11.0
Central Hanover	14.4	12.8
Chase National	15.3	13.4
Chemical Bk. & Tr.	14.2	12.6
Corn Exchange	16.6	13.6
First National	7.9	7.7
Guaranty Trust	9.9	9.3
Irving Trust	10.8	9.5
Manufacturers Tr.	18.6	17.6
National City	16.0	13.8
New York Trust	13.6	12.3
Public National	18.1	15.8
U. S. Trust	3.9	4.3
Average	13.7	12.3

As was pointed out two weeks ago in this column, deposits and earning assets have expanded during the war years far more rapidly than have capital funds. At the same time net operating earnings have shown a substantial year by year increase as a result of this growing volume of earning assets and of increasing "leverage." However, by reason of higher operating expenses and taxes, combined with a preponderance of low yield Government securities, net earnings have not kept pace with the expansion of earning assets; on the other hand, though, they have more than matched the expansion of capital funds. This situation is brought out in the accompanying tabulation, which shows the percent earned on capital funds (book value) and the percent earned on earning assets, by 15 banks for the year 1943 compared with 1939.

	1939 Rate Earned on:		1943 Rate Earned on:	
	Capital Funds	Earning Assets	Capital Funds	Earning Assets
Bank of Manhattan	4.8%	0.61%	8.2%	0.54%
Bank of New York	5.3	0.68	8.1	0.64
Bankers Trust	6.7	0.98	7.7	0.80
Central Hanover	5.4	0.91	6.8	0.55
Chase National	5.8	0.76	6.9	0.49
Chemical Bank & Trust	4.2	0.73	8.4	0.72
Corn Exchange	4.6	0.82	7.3	0.62
First National	8.7	2.22	8.6	1.21
Guaranty Trust	4.3	1.01	5.5	0.61
Irving Trust	2.3	0.65	4.7	0.59
Manufacturers Trust	9.5	1.05	13.0	0.74
National City	7.3	0.85	7.0	0.52
New York Trust	6.4	0.87	7.8	0.71
Public National	7.0	1.02	7.0	0.55
U. S. Trust	5.3	2.32	5.8	1.46
Average	5.8%	1.03%	7.5%	0.72%

It will be observed that whereas the average rate earned on earning assets declined from 1.03% to 0.72%, a drop of 30%, the average rate on capital funds increased from 5.8% to 7.5%, a gain of 29.3%. In 1939 the rate on capital funds was 5.6 times the rate on earning assets, while in 1943 it was 10.4 times.

It is also of interest to note that the average "leverage" exerted by earning assets on capital funds was 6.2 in 1939, compared with 11.4 in 1943 and 12.3 on Sept. 30, 1944. Since deposits and earning assets are still expanding more rapidly than are capital funds, it follows that "leverage" will continue to increase and thus earnings. It is not possible at this time even to guess when this process of growth will come to an end.

Alfred Benjamin to Be Spencer Koch Partner

Alfred Benjamin will become a partner in Spencer B. Koch & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Benjamin was a partner in Benjamin & Sternbach which is dissolving.

Charles G. Stachelberg, general partner, and Marion E. Cohn, limited partner in Spencer B. Koch & Co., will retire on Dec. 31.

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.

The Enforcement of the Public Utility Holding Company Act

(Continued from page 2802)

various other system relationships and activities. Our powers here are not limited to requirements of disclosure. They include regulatory authority and duties, the most important of which is the duty of requiring geographic integration and corporate simplification of public utility holding company systems.

In administering this statute we have been bending our efforts to the development of compact and efficient operating systems with conservative corporate and capital structures. I am going to talk about those things tonight, because the engineers and technologists who conceive and supply the method of operations of our industries have deep interest in the development and maintenance of prudent corporate financial policies.

The growth and the development of the electric utility industry in America represent an unparalleled achievement from an engineering standpoint. It would be presumptuous of me to suppose that I could describe those advances to you. They are the accomplishment of the men of your profession and have been set forth and discussed in the technical papers of your society. Unfortunately, however, the financial and corporate practices of many of the public utility holding company systems stand—or once stood—in striking and unfavorable contrast to their technical and operating methods and standards. Because the Congress recognized that imprudent and improvident financial policy could impede and had impeded the use of sound techniques in the development of the industry, it directed the SEC to do a financial engineering job in the public utility holding company field. The magnitude of the assignment, as you know, is tremendous. It involves reshaping the corporate structures and control relationships in the various holding company systems. Its completion will result only from long and painstaking effort of ours and of the companies subject to the Act. But even though the job is a long-protracted and difficult one, I believe that the benefits that will flow from it are more than worth the effort and will survive long after it has been completed.

To a large extent the conditions that we have been directed to correct resulted from the mushroom growth of holding company systems in the '20s, when holding company promoters, sometimes working on a shoestring investment, used the public's money to acquire properties, frequently at highly inflated prices. Insofar as holding company control brought about the coordination of capacity and the formation of strong, interconnected regional power systems, it very definitely served the public interest. During the boom, however, a substantial part of the empire-building was in direct conflict with sound principles of engineering efficiency and regional power planning. In their eagerness to accumulate properties, holding companies vied with each other in acquiring operating utility companies all over the country—and even in foreign countries. This extension of holding company control had little or no relation to economy of management and operation or to the integration and coordination of economically related operating properties.

A casual glance at the National Power Survey Map, published by the Federal Power Commission in 1935, which shows the service areas of the principal electric systems in the United States at that time, will reveal the extent of the scatteration of holding company operating properties. It shows how these properties, owned by separate holding companies sprawled across territories in a veritable crazy quilt with no relation to regional power needs or other basic elements of electric power economy. For instance, look at the State of Ohio. In 1935 you could count on the map close to 50 different islands of operation properties controlled by holding companies. As many as 15 holding companies controlled properties in Ohio, and in several other States the local utilities are controlled by as many as 10 or 12 holding companies. The properties of one system are often separated by the properties of another system, with the result that the power requirements of many areas are not planned or served as efficiently and cheaply as basic economic conditions fully realized upon would permit. Such apparent uneconomic developments flowed from the strategy of immediate expediency, nurtured by individual system rivalries. We can understand how they happened without accepting the necessity of their indefinite continuance.

Congress determined that they should not continue and, in the Holding Company Act, directed us to limit each holding company system to a single integrated public utility system, with provision for the retention of additional utility systems and related incidental businesses under appropriate circumstances. We are also directed to require the simplification of holding company structures, including the elimination of unnecessary holding companies and the reorganization of holding companies which are unduly complicated and over-capitalized.

In accordance with these Congressional mandates the Commission has proceeded to rearrange the holding company systems and to effect needed reorganizations. Initially, every effort was made to encourage the companies to file voluntary plans. However, the companies by and large neglected the opportunity to follow the route of voluntary compliance and chose instead to play a waiting game. They responded to the Commission's invitation by submitting tentative plans which on examination appeared to be impractical and not in conformity with the statute. In general, their plans amounted to little more than attempts to justify retention of existing scattered holdings. It thus became clear to the Commission that compliance with the Act could be achieved only through the institution of affirmative proceedings to compel compliance. Accordingly, in the Spring of 1940, the Commission instituted its first Section 11 proceedings. Since that time most of the hearings to determine the nature of the Section 11 questions in the various systems have been held, problems of interpretation have been settled, procedural patterns have been established, and many of the more important orders, particularly as regards divestment of properties, have been issued. Time is running on those orders and now it may be supposed that the stream of applications by holding companies to give effect to the terms of those orders will continue and perhaps grow in volume. From the progress so far made, it seems clear to me that the end of the job of integration of holding company systems is in sight.

Even though it may be an old story to some of you I would like, because others of you may not have heard it, to give a brief description of what has occurred under the Holding Company Act. The Commission described it in its last annual report to Congress and I call your attention to that report. In that report we listed the electric, gas and non-utility properties which had been divested by the various holding companies. The list has expanded considerably since then and at the end of June, 1944, 266 separate companies, with total assets in excess of $3¾ billion, had been divested. Let me summarize a few of the more important cases to illustrate to you the practical operations of the statute in the way of divestment of properties by holding companies. In November, 1943, Cities Service Power & Light Company sold its entire common stock interest in Public Service Company of Colorado to an underwriting syndicate for $20,453,000. Public Service Company of Colorado, with consolidated assets of $105,000,000, in good financial condition, is now an independent operating unit, and is no longer subject to the Holding Company Act. In September, 1944, Cities Service Power & Light Company also sold its entire common stock interest in Empire District Electric Company to an underwriting syndicate under competitive bidding for $4,711,000. The company which was sold resulted from a merger of separate operating units in the Power & Light system. Substantial contributions by the parent company, together with operating advantages arising from the combination, produced a company which was stronger financially and better able to serve consumers than any of the constituent parts.

In April, 1943, the Commission approved a voluntary plan providing for the recapitalization of Puget Sound Power & Light Company. The plan became effective by court decree in September, 1943, leaving the parent, Engineers Public Service Company, with less than a controlling interest in the company; and Engineers subsequently sold that remaining small interest. Puget, with consolidated assets of $130,000,000, is no longer subject to the Act.

The State of Texas furnishes two examples of a somewhat different nature. The first is Houston Lighting & Power Company, with total assets of $67,000,000. The parent, National Power & Light Company, exchanged part of its common stock interest in Houston for its own outstanding preferred stock under a voluntary exchange plan; and, in May, 1943, sold the balance to underwriters for public distribution, and thereupon Houston was no longer subject to our jurisdiction. Naturally, we at the Commission were gratified to observe that Houston, although it was no longer subject to the Holding Company Act, nevertheless chose, as an independent company, to invite competitive bids for a recent issue of bonds, and to select a Texas bank as trustee under the bond indenture. The second Texas example is San Antonio Public Service Company. The parent, American Light & Traction Company, sold its common stock interest in this company to the city for $10,000,000 in October, 1942.

Another method of divestment is illustrated by The North American Company's distribution of its common stock interest in Detroit Edison Company as dividends to its own common stockholders in the years 1941-1943. The same holding company is now distributing its common stock holdings in Pacific Gas & Electric Company. A somewhat similar method was used by The United Gas Improvement Company when it distributed its common stock interest in Delaware Power & Light Company to its common stockholders in August, 1943. Previously, in March, 1943, the same holding company distributed most of its common stock holdings in Philadelphia Electric Company and Public Service Corporation of New Jersey to its stockholders as a partial liquidating dividend.

Beyond the methods I have mentioned there have been others which figured in the attainment of the Holding Company Act's objectives. These have taken the form of acquisitions of property by one holding company system from another. Among them was the exchange between The United Gas Improvement Company and the Associated Gas and Electric Company system, involving Eastern Shore Public Service Company and Erie County Electric Company. There was a similar exchange of properties between Southwestern Public Service Company and Continental Gas & Electric Corporation, involving properties in the Panhandle of Texas and in Kansas. The sale by Illinois Iowa Power Company of its interest in Des Moines Electric Light Company and Iowa Power & Light Company to Continental Gas & Electric Corporation is another example. Another important instance of integration resulting from Section 11 was the merger of Virginia Public Service Company, a subsidiary in the Associated Gas & Electric Company system, with Virginia Electric and Power Company, a subsidiary of Engineers Public Service Company, which occurred a few months ago.

Likewise, progress is being achieved in rearranging and correcting the complicated capital and corporate structures of the various holding company systems. In a number of systems there are holding companies which are merely pyramiding devices and perform no useful function. Many of these as a consequence of proceedings under Section 11 (b) (2) have been ordered to liquidate or dissolve. This is so with three of the large sub-holding companies in the Electric Bond and Share system—American Power & Light Company, Electric Power & Light Corporation, and National Power & Light Company—and 10 or 11 others.

The reorganization plan of Standard Gas and Electric Company, which we recently approved, is an excellent illustration of the use of the Section 11 procedures to accomplish recapitalization, involving retirement of nearly $60,000,000 of debt securities, and the conversion of $87,000,000 of preferred stock, on which dividend arrearages of more than $68,000,000 had accumulated, into common stock. An interesting feature of this plan is that the notes and debentures will be paid off partly in cash and partly in common stock of the operating subsidiaries. The plan as filed and approved eliminated the present common stock from participation in the recapitalized company. Our order in this case has been submitted to a Federal District Court for enforcement. This case, as well as many others of a similar nature, illustrates the fact that, with the cooperation of management, it is possible to work out fair and equitable plans of reorganization for the most complicated situations. It also illustrates the type of case in which steps taken for the purpose of corporate simplification will serve to carry out the divestment of properties which are unretainable under Section 11 (b) (1).

It is perhaps unnecessary for me to say that in our procedures and decisions under Section 11 we have exercised extreme care to accomplish the objectives of the statute without impairing values. That is not to say that we can create values where they do not exist, but it does mean that the job is being done with careful attention to the preservation of genuine interests of investors and the public.

Before I comment on the significance of this program, let me say a few words about the measures that have been taken in the last few years to improve the financial policies of the operating utility companies. By the end of June, 1944, the Commission had passed upon the issuance of more than $6,000,000,000 of securities of registered holding companies and their subsidiaries. The major part of this financing was for refunding purposes, to take advantage of lower interest rates. This large amount of refinancing afforded the opportunity to improve the financial structures and policies of the utilities. We, like the State Commissions and the Federal Power Commission, have required the elimination of write-ups from the plant accounts, either by direct write-off or by an amortization program. In this connection the operating utility subsidiaries of registered holding companies wrote-down their property accounts by more than $500,000,000 in the seven years ended Dec. 31, 1942. The process has continued since then at an accelerated rate as the companies' original cost studies have been completed.

We have also used every legitimate means to reduce debt and establish conservative debt ratios. The effect of that program is reflected in the comparative financial statistics of the electric utility industry for the years 1937-1943. There were gross property additions of nearly $2½ billion during the period and there was a net increase in plant account of more than a billion dollars after allowing for retirements and the elimination of inflationary items. Yet total outstanding debt decreased by more than $200,000,000. A substantial improvement in depreciation policy contributed to this result. In this period depreciation reserves increased by more than $1,000,000,000 and the annual depreciation accrual increased by over $100,000,000. Substantial improvements have also been incorporated in the protective provisions of bond indentures and preferred stock contracts. As a result of these policies, coupled with a steady increase in the use of electric energy, the electric utility industry today is in the strongest financial condition in its history.

The provisions of the statute which are perhaps of most interest to your group are those which establish standards for the regulation of system service companies and, in lesser measure, independent service companies. Service companies figure prominently in the history of the use of the holding company form of organization in the public utility field. The origin and history of service companies was so varied both as to their aims and practices that generalizations would be unwise. Yet, in many instances, the service company was as much an instrument of control and exorbitant profit as it was of service and, unfortunately, its potentialities of service to operating utilities were reduced because of its subservience to purely holding company concerns and aims. Aside from the factors which brought about the establishment of the service company in holding company systems, its use was widespread, and the final result was the suppression of competition. Competitive forces could not and did not have free play.

The non-independent character of system service companies was a matter of deep concern to the Congress. Congress learned in the course of its study of public-utility holding company systems that the system service company had become largely a control medium and a device to extract from the operating companies compensation and payments which could not have been taken off in any other manner. These practices were detrimental to consumers and investors of the operating companies. Therefore, Congress concluded that services to operating companies by system service companies should be rendered at cost. The standards governing the kind and character of services which may be rendered, the nature and scope of the relationship, and the methods of making reports concerning such services and relationships, are expressed in Section 13 of the Holding Company Act.

The Commission has required substantial modification of the service contracts which were in effect at the time the statute was adopted. In a number of cases the Commission has stated the principle that the compensation and collateral expenses of holding company officers and employees must be borne directly by the holding companies and not be shared by their controlled service companies and thus passed on to the operating companies. The Commission has also ruled that each service company should confine itself to functions and services which the operating subsidiaries cannot perform as efficiently and economically for themselves.

The administration of Section 13 is closely related to the enforcement of Section 11. The problem resulting from the joint impact of Section 11 and Section 13 upon a holding company system is one to which the Commission, the public utility industry and engineering firms generally have given considerable thought and study. The view has been repeatedly expressed to us by representatives of the industry and members of engineering firms that service companies have a real role to play in the operations of the public utilities industry after operating companies have been separated from holding company systems. Here I shall address myself to that question as distinguished from the functions of service companies within holding company systems. It is pointed out that one of the great benefits which flowed from the existence of service companies in their early days was their ability to make available on a wide basis technical knowledge and know-how which would have been enjoyed by only a few companies if the technicians had been distributed on an operating company basis. There were not at that time an adequate number of trained men to go round. Frankly, I do not know whether the use of service companies, in the light of the number of technicians which have since been trained, would have ex-

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Here Are Some More Expressions On Peacetime Training Proposal

(Continued from page 2802)

for their arguments in ideological concepts. While no one will contend that ideals are not desirable, I think that it is pretty well borne out that ideals which fail to take into account practical considerations are often of little value.

Human Instincts Ignored

Right at this time we hear a great deal of loose talk about a change in human behavior and human desire with regard to war. Those who believe that wars are going to be eliminated by round-table conferences expect an about-face in human psychology, and that we are going to accomplish over night what we have failed to solve since civilization began. My viewpoint is primarily personal, yet I believe that it would be far-fetched for any individual to claim the right to speak for any substantial group of the great unorganized mass of people who make up the world's populations and who in the final analysis are the ones who may be most easily led into wars against others under various pretexts.

There is nothing in the various conferences and meetings between the so-called allied powers to indicate that they are willing to abandon entirely the standards by which they have gauged in the past, the need for punitive action against other groups. It should be perfectly apparent that neither England, France or Russia have the slightest desire to relinquish their policy of national expansion.

Economic Expediency

We seem to feel that wars are the direct result of economic necessity, whereas, in truth, most of the wars in the past, as well as those that may be fought in the future, are more the result of what the warring nation might call economic expediency. A national unit which seeks an opportunity for expansion beyond its own domain to increase its sphere of economic domination easily finds a pretext for starting a war. These pretexts have been employed time and again to justify the invasion of other countries, the seizure of territory beyond their own frontiers and the exploitation of conquered people. This seems to be more or less inherently basic.

In the period following the present war, even though we may set up some monstrous super state, it is doubtful whether or not the members of such a state won't find it necessary to impinge on the rights of other states. For example, Russia might demand that the Dardanelles and Bosphorus be made open, free from Turkish dominance. It is not inconceivable that the nations of the world might gang up on our own country and insist that our Panama Canal be internationalized and controlled by a joint body rather than by our own Government. Just so long as these and countless other such issues are at stake there will be a basis for wars, and as long as there continues to be a basis for wars no nation has the right to jeopardize itself by failure to train its citizens for such emergencies as may arise.

Pearl Harbor an Example

Still another factor in determining the value of compulsory military training is the need for developing discipline among our younger people. There is no question but that if the United States had had a well-disciplined army and navy in keeping with its importance in the world we would not have sat by passively and allowed Japan to get away with the things it did during the many years that preceded Pearl Harbor. We invited that attack, and the war that followed through the supine attitude of our Government, which was largely based on the inadequacy of our defense against Japanese encroachments.

When Mussolini started on his ill-fated conquest of Ethiopia and later Albania and Greece, our economic sanctions made us appear utterly ridiculous. The absurd spectacle of a Neville Chamberlain, equipped with a bulging umbrella, at the Munich conference shows how completely ineffectual any argument can be when it is not backed up by the ability to take action.

Our own problem in juvenile delinquency and unemployment among younger people, which resulted in the CCC camps, shows that there is a definite need for a type of training in which we have been sadly deficient. Military training teaches obedience and respect for authority.

Protect Ourselves

Through a system of compulsory military training and a highly developed navy, this country can become the instrument whereby the sporadic outbreaks of aggressor nations may be quickly and effectively throttled. While we might like to feel that a coalition of nations acting in concert might obtain the same results, the writer is not naive enough to believe that there are many nations on the face of the earth who aren't so selfishly devoted to the aggrandizement of their own governments, that they might not use such an instrument for personal advantage rather than for the common good of the world. Therefore the choice to be made is whether or not we shall trustingly submit to the collective action of other groups of nations whose motives might be completely selfish or whether we had best make certain that our own ability to take care of ourselves is adequate for any occasion. The writer elects to believe that the latter course would in the long run prove more sound. Such a course would, of course, necessitate compulsory military training.

J. R. ROWLAND

President, The Mahoning National Bank, Youngstown, Ohio

We are in the midst of a war which we are told at the termination will be the last war. Hence, why the necessity of military training for our boys? I do not mean by this that physical training should not be indulged in their school operations. I most emphatically do not; but to make it a part of development of boys to train them in military tactics is not in keeping with my philosophy. This is one of the reasons, as I visualize the matter, that Germany is a military nation and has caused all the cataclysms we are passing through.

J. R. Rowland

Germany is not a commercial or industrial nation—she is a war nation. War is her business. This is brought about by the overtraining of youth in military tactics. In this country, if this were indulged, we would develop a military caste, and that is one thing we want to evade. Of course, in time of national emergency we should train; however, I do not see the necessity of going to the point of putting the country under a military basis. In any event I think this matter should be left open until the boys who are now in the front lines be permitted on their return home to express their opinion in the matter. Basic training for military purposes must come from our two schools, Annapolis and West Point.

I trust you will observe that I am against military training.

R. W. COURTS

Courts & Co., Atlanta, Ga.

I can appreciate the ideals of those who do not want compulsory military training in this country, particularly in peacetime. As a matter of preference, I would rather not have it. However, I do not think the matter of preference has anything to do with it. In the early history of this country we were a debtor country; we were busy shipping materials to the old world in payment of our debts, and it was to the interest of the old world to leave us alone and let us carry on and supply the things they needed and at the same time return their capital. Today we are the wealthiest country in the entire world. Furthermore, we are a creditor, which produces an itch for the debtor; and I think it is not only our duty but a necessity to be prepared to defend ourselves and protect our property. If we don't protect it, no one else will. I would prefer not to have a police force in my city, but I think it would be suicide not to have one, particularly in the residential section where I live, where property values are better than the average.

Richard Courts

Must Protect Our Freedoms

As long as human nature is as it is, namely, have-nots want things and are determined to have them, I think it is an absolute necessity for us to be prepared at all times. Furthermore, I think it is a necessity to be prepared to defend our ideals regarding liberty, freedom of speech, worship, etc., which ideals do not exist in many of the large countries of the world.

Furthermore, I feel that a short period of compulsory training would not interfere with our ideals. On the other hand, it would furnish a certain amount of physical training, education in hygiene, and certain disciplines that are well needed for the future building of youth. This country can certainly use a little discipline, particularly in peacetimes and particularly in times of prosperity. In spite of the splendid efforts of the Church, these efforts were not sufficient to produce that needed discipline.

If this country could bring itself to the point of importing from debtor countries in excess of exports, gradually producing a rising trend in living standards in those countries, making it possible for them to pay their debts to this country, and a definite and intelligent foreign policy adopted for this country, we might see a relationship among nations develop that would make this compulsory training unnecessary. At present I don't see that possibility and I feel that such training is a necessity, whether we want it or not.

C. R. GOSSETT

President, Security National Bank, Sioux City 1, Iowa

It has been my opinion for some time that compulsory military training for the youth of our country would be desirable. When the boys attain the age of 17 to 19 years, and they are not continuing their education after high school, this training could be given with their last year of high school. Or, if they are going on to college, this military training could be included in their first year. It would be a great help to the youth of our country to be taught that type of discipline, resourcefulness and to work with other men.

This is not a new thought in my case, for I have two sons and they both attended Shattuck School and obtained their military training before entering the armed services, and I can see the decided advantages of the results of their training.

HON. MERLIN HULL

Representative in Congress from Wisconsin

In my opinion, this matter of compulsory military training in peacetime should go over, and should not be considered at present.

Hon. Merlin Hull

CHARLES A. DICE

The Ohio State University, Columbus, Ohio

I quite agree with the point of view and the concrete opinions set forth by Dr. Harvey N. Davis in his address before the New Jersey Association of Colleges and Universities which appeared in the "Chronicle" of Oct. 26. While it is my opinion that we should have universal training for both men and women in peacetime, I believe that the kind of training should fit personal abilities and should be very flexible. Doctor Davis has stated this point of view very well, and I am in complete agreement with all of its essentials.

Charles A. Dice

HON. JOSEPH H. BALL

U. S. Senator from Minnesota

With respect to proposals for compulsory military training for all youths in peacetime, it is my opinion that the pending May Bill, H. R. 3947, is very badly drawn and I would oppose it under any circumstances.

I have been inclined to believe consideration of this question should be postponed until our international security picture is clearer. That might modify our needs considerably.

Senator Jos. H. Ball

So far I have seen no arguments that satisfy me that universal training is the best way to keep the United States strong to do its share in maintaining stability in the world. The health and discipline arguments are beside the point, and these ends could be served far better in other ways. Technical, scientific and industrial preparedness seem to me far more important than training millions of men in tactics that very likely would be obsolete in a few years. The one serious question in my mind is whether by volunteers we can maintain our armed forces at the minimum size necessary.

F. N. BELGRANO, JR.

President, Central Bank, Oakland, Calif.

It is the duty of every citizen of a free nation to help his government in the establishment of a sound military policy. The security of the United States should not be left to improvised measures in the face of emergency. No effective system of national defense can be established that does not rest upon the democratic obligation of all male citizens to be trained in arms to defend their country.

F. N. Belgrano, Jr.

Such equality of obligation also spells equality of opportunity among all who serve, to be instructed and advanced according to their capacities and qualities of leadership. It is indeed sound to mix young men from all parts of the United States and from all walks of life. Such equality of training lays a solid foundation of equality through service.

A citizenry trained in arms will supplement the regular forces, and would be preferable, both in principle and in cost, to the maintenance of a much larger regular Army and Navy. The equal imposition of the military burden upon all male citizens will maintain the principles of a free republic and help to avoid the creation of a militaristic spirit in the United States. Such training will greatly improve the physical and mental health of our young men, instill in them higher moral values and greater respect for law and order, and multiply their appreciation of their obligation as citizens, civil as well as military.

Guarantee Peace

Universal military training should establish peace and security for future generations of Americans and enable the United States, in cooperation with other peace-loving nations, to defend world peace. When every young American reaches the age when he may vote, inherit property, engage in business, choose his occupation, enjoy social benefits, he will have a greater appreciation of their worth.

Universal military training for all males between the ages of 18 and 22 should be integrated with their academic education. At this period in their lives it would be least apt to disrupt the normal educational and business life. For a reasonable period after his training he should serve in a component reserve. If universal military training is to be successful the proposal must have the wholehearted support of educational leaders. Education must accept military training as a part of a complete academic preparation for a useful life, and the teachers of America must help to shape the thinking of the young men of the nation, from grade school up, to want this training as a part of their education.

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The Enforcement of the Public Utility Holding Company Act

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panded or contracted if the closed type of economy represented by holding company systems had not occurred. It is only through the administration and enforcement of the Holding Company Act, particularly Section 11, that the answer will be supplied.

I believe there is an area—and I make no effort to describe it here except to point out that the size of the operating company may itself be a major factor—in which engineering and technical services may properly and economically be furnished to operating utility companies by outside service companies. But it is essential that holding company influence not permeate service relationships if the real economic value of such services is to be tested. In light of the fact that service companies have been an important medium for exercise of control, the problem of achieving an effective severance is an exceedingly troublesome one. Nevertheless, where real independence can be achieved there is no barrier in the statute against the continuation of these enterprises operating in a free competitive market and selling their services at arm's length as their economic usefulness may be demonstrated.

While our experience to date is insufficient to serve as a ground for a positive prediction, one or two situations which we have had occasion to consider tend to point their future. The first, and really the only case of this kind that we have had before us formally, involved the system service company of the Associated Gas & Electric system. In connection with the Section 11 (b) (1) proceedings directed against the trustee of Associated Gas and Electric Corporation, the Commission in its notice of and order for hearing tentatively concluded that no interest in Atlantic Utility Service Corporation could be retained.

In order to resolve the problems created by the administration of Section 11 and for the purpose of making available to the system operating companies if desired the services of the technical staff already familiar with their requirements a program was submitted which resulted in the formation of a new independent service company by the former employees of the system service company. The ownership of Gilbert Associates, Inc., the new service company, was vested in certain of the employees of the system service company.

This new company proposed to purchase the necessary office and other equipment from the system service company and to take over the technical staff of the service company. When the proposal came before the Commission it was recognized that one serious problem presented, in view of the past relationship of employees of Gilbert Associates to the Associated system, was the question of the maintenance of competitive conditions in connection with the contracts to be entered into between the various companies in the Associated system and Gilbert Associates. Accordingly, the Commission set the matter down for a public hearing and made that question one of the specific issues to be considered. At the hearing at which, of course, other service organizations were entitled to appear and be heard, it was disclosed that system operating companies were to be free to negotiate to their best interest as to required services from Gilbert Associates, Inc., or any other independent organization desired. Further, Gilbert Associates, Inc., stated that it intended to compete in the general market for non-Associated business and it was contemplated that business from the present system companies would eventually furnish but a small part of the business of the organization.

In this particular case, the fact that none of the employees of the former service company, who were to become owners of Gilbert Associates, had been in managerial positions in the Associated system and the further fact that the Associated system was being administered by court appointed trustees, made it quite clear that Gilbert Associates did not contain the seeds of a control device.

From all indications these changes have been very constructive both from the standpoint of the former employees who have been able to establish their own business in the field of servicing all types of companies and from the standpoint of the operating companies who can now obtain necessary services in a free and open market.

At the time the Commission considered and disposed of the plan of Standard Gas and Electric Co. for divestment of five of its subsidiary companies, jurisdiction, upon the request of Standard Gas and Electric, was reserved by the Commission to consider the service company problem at some later date. We were advised by Standard Gas and Electric that it was then in process of working out a plan of disposition of its service company. Public Utility Engineering and Service Corporation, to that company's employees. We have been recently informed that negotiations to that end are presently under way, and that the definitive proposal will be submitted to us.

Now, what are the effects of the over-all program that I have outlined and what does it mean to the engineers and the operators of the utility properties? The first effect will be to convert most of the subsidiaries of holding companies into independent operating companies. It will release these companies from remote holding company control and permit the local management to be more responsive to the needs of the communities served. Moreover, by increasing the responsibility and autonomy of local management officials it will promote their self-reliance and sense of responsibility. They will have better and more attractive jobs because they won't have to take orders from a high-salaried super-management.

Now let me say a few words about the financial effects of the Section 11 program. When we began administering the Holding Company Act the common stocks of utility operating companies, comprising about 75% of the electric utility industry, were in the portfolios of the holding companies. In turn, the holding companies had issued their debentures, preferred, and common stock, sometimes in a bewildering variety. Very few of the holding companies were in good financial condition and the securities of most of them were severely depressed and yielded no income to the investors who owned them. As I have said, under the Holding Company Act, these situations are being cleaned up. Complex capital structures are being replaced by simple capital structures. Holding company debts are being paid off, risky holding company preferred stocks, with their huge accumulation of dividend arrearages, are being converted to common stock so as to permit once again a flow of income to the security holders. But what is more important, the holding companies are going through a shrinking process. They are being reduced in size because they must slough off their scattered holdings and their security holders are receiving, either in exchange or as liquidating dividends, the common stocks of sound operating companies. This is a factor of great significance both to the operating companies themselves and to the investors who thought they had an equity interest in the utility industry but found that all they had was a speculative interest in a holding company. Under these conditions in the years to come, the operating utility industry will have a greater ability to raise equity capital on a sound basis to finance its ever growing needs; and the investors who furnish that capital will receive their dividends directly, without being subjected to the expense and the risk of supporting an outmoded holding company organization.

In my view these developments in the public utility field have real significance for the engineer. They will have important effects on the maintenance, expansion, commercial policies, and the public position of the companies. There is ample evidence that routine financial decisions such as the adoption of construction and maintenance budgets are more soundly and intelligently arrived at when an overburdened capital structure with its attendant pressures does not force a cramped judgment upon the managers. The ability of any business unit to adjust itself to the ever-changing circumstances of our economy rests in substantial degree upon a conservative financial and corporate structure which will permit free choice of action based upon considerations of the well-being of the enterprise rather than one of expediency which is compelled by financial stringency. The gains that have been made in improving the financial structures and policies of the industry must be maintained. Groups like yours have the responsibility of exerting your influence to insure a continuance of sound corporate financial policy. I believe you will discharge that responsibility.

Parmele to Head New Granbery, Marache Co. Branch in East Orange

Granbery, Marache & Lord, 65 Broadway, New York City, members of the New York Stock Exchange, will open a branch office in East Orange, N. J., on Jan. 2, 1945. The office, located at 538 William Street, will be under the direction of Edward A. Parmele, Manager. In order to take over his new position, Mr. Parmele has resigned as President of Williams, Parmele & Co., Inc., East Orange, an investment firm organized by him in 1937.

Mr. Parmele has been in the investment business for nearly 25 years, the last ten of which have been spent in the Oranges, where he is well known. From 1934 to 1937 he was with the Savings Investment & Trust Company, in charge of their bond account.

Interesting Rayon Stock

Delaware Rayon Co. Class A Stock offers an interesting situation with an attractive yield, according to a study prepared by F. H. Koller & Co., Inc., 111 Broadway, New York City. Copies of this interesting material may be had from F. H. Koller & Co. upon request.

Attractive for Investment

Great Northern preferred appears attractive for investment at this time 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 interesting memorandum may be had from the firm upon request.

Mutual Funds

Mutual Funds in 1945

1944 has been a good year for most mutual funds—a record year for some. Generally speaking, performance has been excellent and growth has been substantial. Aided by rising markets, the combined asset value of the industry has risen to within reasonable striking distance of the billion dollar mark.

The results for 1944 and the reasons for their achievement give some clue to what may be expected in 1945.

One of the major reasons why mutual funds have been so successful this year is because of the steady improvement in the management job they are doing. A few years back quite a number of funds found it difficult to equal the performance of comparable market averages. During 1944 the vast majority of funds have outperformed the averages, many by substantial margins.

This improved performance has not gone unnoticed by investment dealers throughout the country. As a result, many dealers who had not sold mutual fund shares before became interested in them and have added such shares to their lists of offerings.

It is also undoubtedly true that the uncertainties of the times are in part responsible for the increased popularity of mutual fund shares. Investors who in "normal" times may have been inclined to rely on their own judgement in the selection of individual issues, are now more conscious of the advantages and safeguards which the mutual funds afford.

Other factors which have helped the mutual funds (by mitigating their "outside" competition) are (a) the dearth of new security offerings; (b) the virtual "ceiling" levels already reached by certain classes of securities; and (c) the continued shrinkage in the total available supply. Coupled with these negative factors has been the mounting pressure of idle funds seeking refuge in sound, profitable channels of investment.

Another factor of perhaps greater importance than any thus far mentioned is the action of the market itself. It is hardly a betrayal of the industry to admit that mutual funds do better in buoyant, rising markets than in dead, sagging ones. And 1944 has been a year of rising markets.

What will 1945 bring? To answer the unanswerable question first, what about the market? The last time we referred to the Stock Price Trend Indicator occasionally mentioned in this column, was about four months ago (Aug. 24). At the time we reported a change in the shorter-term signal from down to up. We wrote:

"On Aug. 21 this short-term signal was reversed and both the shorter-term and longer-term indexes now point upward. This would indicate that while there may be another week or two of consolidation in the present trading range, the next significant movement should be upward."

As events have proved, the

(Continued on page 2819)

Municipal News & Notes

One of the most pressing problems confronting many of the nation's larger cities is the continued loss of population and tax revenue sources to suburbs, as a result of the failure of the metropolitan centers to correct the conditions which are largely responsible for this trend. Chief among the causes are the slums, decayed areas and accumulated obsolescence which pockmark substantial areas of these communities.

This situation has developed into a threat to the financial stability of the City of New York, in the opinion of Comptroller Joseph D. McGoldrick, who participated in the weekly Radio Business Forum of the Commerce and Industry Association of New York, Inc., over Station WMCA on Dec. 13. Others on the program, which was devoted to the "Possibilities of Urban Redevelopment in Post-War," included Robert W. Dowling, Association Director and Vice-President of Starrett Bros. & Eken, and Thomas S. Holden, Association Director and President of F. W. Dodge Corporation. The moderator was Neal Dow Becker, Association President and President of Intertype Corporation.

The blighted areas, Comptroller McGoldrick stated, represent the root of a great many municipal difficulties and are a problem much more serious than many of us understand. The cities, he said, must solve the problems involved in older areas or be strangled by them. In the solution, he pointed out, would be secondary value in the way of a vast opportunity for post-war employment.

Financing the Post-War Building Boom

(Continued from page 2804)

ready performed on mortgages which have resulted in foreclosure and loss as well as inspections of extant mortgage portfolios in which there still exists potential grief, have brought clearly to executive attention mistakes of the past. Similar mistakes may be avoided in the future if past experience is appreciated and digested thoroughly.

In former days the mortgage lender has used his resources and commanding influence in the house-building industry for the construction of homes for that small segment of our population which has needed financing the least. There are indications that this may be his approach in the future. Practically every other successful industry which has done much for the establishment and maintenance of a high standard of living and a prosperous, democratic economy has achieved this result by producing for the masses. Thus far the construction industry has failed in the accomplishment of this objective. The masses need the housing and are in sufficient numbers to provide the most secure base through boom and difficult periods. Furthermore, if the industry in which we are all so vitally interested is to contribute largely to the continuance of a high rate of employment, it can only do so adequately by reaching down into this vast potential market. There are many obstacles but it is only by conferences such as these that realization may be had of what these obstacles are and how they may be met.

Three hundred years ago an English poet said, "We live and learn but not the wiser grow." It sometimes seems as though no truer words were ever spoken. Yet, viewing history in perspective, we realize that they are not true, at least not entirely true. One sometimes is forced to think that the Statute of Limitations must bar human memory as respects missteps and disasters. The diary of Philip Hone, the New York merchant of the 1830s and 1840s, is almost uncanny in its record of human experience, human frailties and human reactions, so similar are they to those of our day and generation. There is a strong tendency for history to repeat itself and it is no credit to the human race that this is so.

The spirit prevalent today that all should benefit through the errors of yesterday and the hope that this will come about is based on confidence in the innate common sense of the average man who is believed to repeat mistakes not because he is stupid but because he is forgetful. "Lest we forget" might be a good slogan for the mortgage business.

This conference is made up largely of mortgage investors. The strength of a mortgage is the continuing value of the security back of it. Modern practice leaves the personal liability of the borrower largely one of form rather than one of substance. If a mortgage is to continue in good standing and the investment repaid in full, as every investor hopes and expects, there must be no temporizing with the fundamental security. This security must be sound in its inception and it must remain sound commensurate with the unpaid principal balance.

The quest for good mortgages calls for ceaseless toil and painstaking investigation. There is no easy way in which to conduct a sound mortgage business. There are plenty of unavoidable uncertainties as to real estate values which make mortgage lending a challenging financial activity. To add any avoidable hazards to the inherent risks will lead inevitably to losses which will naturally cut down the anticipated returns on a mortgage portfolio.

What is it that has caused so much mortgage security to fail of its full purpose? We are told that competition is the life of trade. It should never be lessened by agreements or understandings. However that may be, when quest for loans, as often happens, becomes so intense that it results in compromise of the integrity of mortgage security, then competition, instead of being life, proves to be just the reverse.

Many evils which have heretofore grown up in the mortgage field are in considerable part due to cut-throat methods brought in by a desire to put money at work. Nearly everything discussed on the program today probably will prove to be a by-product of an unrestrained and unhealthy rivalry for loans which blinds the eyes of those who may have set for themselves a quota of investment and are trying to reach it at any cost.

From the very nature of a mortgage investment it is believed that minimum standards of security should be accepted generally by investors everywhere recognizing that there is a vast field for intelligent competition and rivalry in the field of servicing of mortgages which are worth holding and can only be held through the good will of the borrower. Harold D. Rutan, Vice-President of the Bank for Savings, in a recent speech before one of the Junior Forums of the Savings Bank Group, spoke effectively on this point. Here is a field in which competition in service may develop far and wide in the public interest without jeopardy to investors and without discredit to mortgage finance.

Another of the by-products of unhealthy rivalry for loans is the acceptance of construction standards which have been lowered for the purpose of competitive sales prices. There is no field where shoddy goods serve any useful purpose, least of all in the field of improvements on land. Not only should construction be such as to serve its purpose with normal depreciation from reasonable wear and tear but it should be such as to give the purchaser what he may reasonably expect as to quality of materials and soundness of workmanship. Anything else would be a disservice to the public as well as to real estate and mortgage investment.

Every lending institution has had its share of imposition from jerry building. The famous Bronx case of 1936, involving the partial collapse of a 60-family apartment house in course of construction in which disaster 16 workers were killed and 12 injured, shocked the community and brought about the conviction for manslaughter of those responsible. In the course of the trial, which lasted a month and a half and during which 3,000 pages of testimony was taken, it was shown that old steel and an unusually large amount of second-hand bricks had been used, mortar had been mixed which was of poor quality and there had been lack of adherence to plans. It is a sad commentary that despite rigid building codes and inspections such a disaster could have occurred. Little was said in the press reports about the imposition and loss, if any, caused to those who were financing the project. It is true that possible financial loss sinks into insignificance as compared with the loss of human life and the injury to human beings. However, the mere fact that such building collapse due to inadequate materials and workmanship could occur in a city whose building laws were a model and a guide for other communities throughout the United States was sufficient to make lenders stop and ponder latent risks and dangers in construction.

Human nature cannot be changed over night. The chiseler and the cheater are apt to be with us for some years to come. The speculative builder and the speculative owner are alike responsible for much of the grief in real estate and mortgages. Sacrificing of light and air, the lowering of the quality of materials, inadequate inspections as well as deviations from architects' specifications all add considerably to the risk of real estate ownership and mortgage lending.

Deterioration of physical structure, due to inadequate or improper materials and poor construction, leads to deterioration of neighborhoods and then of areas. Every instance of this sort throws discredit on the future worth of what should be the most permanent and desirable of possessions and leads to public as well as private problems which affect the entire municipal structure.

It is a rule of ancient law that he who aids and abets an iniquity is in effect a partner in responsibility. Probably no mortgage lender ever means to aid or condone reprehensible practices. However, careless and improvident loaning always does so. It is well for mortgage lenders to be on their guard in this respect. The closing of one's eyes to poor specifications or deviations therefrom is stupid business and will be discussed in today's program. If anywhere building and construction codes let down the bars and permit any shaving process whereby builders have the right to erect structures which will not last their allotted time or serve their ostensible purpose then let it be hoped in the future to the credit of financial institutions that such structures will not be built because they cannot be financed. The old days when a loan could be secured on anything that went by the name of improved real estate, while only yesterday, should be regarded as an unfortunate and unrecurrable episode in mortgage financing history, never again to be accepted or tolerated.

It is further planned that during the day there will be discussion of that other by-product of boom days which has generally led to loss, if not disaster — the elastic or blown-up appraisal. Strange as it may seem, hard-headed men of good judgment, the mortgage lenders of America, have shown that they may be hypnotized by a word, the little word "appraisal," just as the investing public permitted itself to be lulled into a false sense of security by the word "guaranteed" in reference to mortgages. In few cases do those relying upon these simple words go behind the returns and ask, "How strong is he who makes the guarantee?" or "How competent is he who makes the appraisal?" Some day someone may write a book on the folklore of real estate appraisals or of mortgage guarantees. It will be interesting even though doleful reading. Already there is a resurgence of interest on the part of mortgage lenders in the whole subject of real estate valuation.

The appraisers themselves have much to do in improvement of technique and judgment and in avoiding the nefarious practice of adjusting their conclusions to clients' wishes. They will be stimulated to action if mortgage lenders demand it. An appraisal is the rock foundation of safe mortgage investment. It should be not just for the day but for the entire period of the mortgage duration. All too often it has been no more dependable as a buttress of safety than shifting sands or a piece of quicksilver. Hence it is thought desirable in this conference to have a discussion and reappraisement of appraisal methods and practice.

It is also believed by the committee planning this conference that some time during the day reference should be made to the responsibility of lending institutions in giving assistance to proper development or proposed rebuilding of our centers of population. On the one hand, there exist great aggregations of capital, the repositories of the savings of millions of people which must be put to work for proper return in accordance with established legal safeguards. To promote thrift this return must be kept adequate. At the same time, these funds should be used for the welfare of society which is their source. Not alone is there this well recognized obligation to the communities which produced and saved the funds. More and more investors are coming to realize that the soundness of investments generally has a direct relationship to the attitude of debtors toward their obligations and the conditions under which they live. Public and private morale depends largely upon decent living and working conditions in both rural and urban sections of our country. This interdependency of factors in our body politic is coming to have general recognition. The social responsibility of institutions, as of individuals, has the sanction of law as well as that of public opinion. There is a growing appreciation and acceptance of this responsibility.

The large-scale housing development of the past decade both in its private and public aspect is an appropriate illustration. Here is seen an evolutionary project almost revolutionary in its implications. It is full of hope and promise of a more wholesome, healthy and contented citizenry. It is a development which mortgage lenders may view with pleasure and respect. For any trend which makes for a more adequate and more constructive use of land enhances the value of land generally and makes more desirable the use of improved land as mortgage security.

Hand in hand with future land values goes the necessity of proper planning. This is a much misunderstood word. Planning in the sense of city orderliness and mortgage lending is not a blueprint. It is not planning in the sense of regimentation. It is simply a pattern for the discouragement of future mistakes which, if made, inevitably will deteriorate mortgage security.

Through bitter experience we have all learned the importance of the suitability of an improvement to the land. Through bitter experience we have all learned the tremendous loss in values from obsolescence, accelerated by the deterioration of neighborhoods. Through bitter experience we have all learned that intelligent thought in municipal action through city planning in approving subdivisions and providing proper and adequate zoning might have saved thousands of homes from blight and prevented a multitude of foreclosures.

Any movement which stimulates a sizable contribution to higher standards and eliminates long-standing abuses, all without substantial change in the basic economic concept, is entitled our respect and consideration as a guide for the future. A sound building, soundly financed, still has inherent . . . the seeds of premature decay with consequent loss to the mortgagee and the community if the structure is not viewed in its setting as a part of an over-all plan. There exists a time-worn formula of mortgage lending not to concentrate in localities on the theory that it is not wise to have all one's eggs in one basket. This theory without adequate community planning has resulted in an inability to exercise control over neighborhood obsolescence and all attendant evils. It is said that these same investors must sit idly by and see the cancer of obsolescence eating away the value of mortgage security with small hope of halting it. It is time that serious thought and consideration be given to this problem.

If a mortgage lender would realize that close cooperation between municipal, State and Federal planning agencies and private capital will result eventually in strengthened mortgage security then he will have gone a long way in stabilizing the value of mortgage security. A mortgage lender's foresight needs to be sharp and keen and constant to visualize fairly the future of the mortgage which he puts on his books. He must have a field of vision which is broad and distant.

In the past it has seemed as though every boom must have its following debacle. No boom lasts forever. However, excesses and violent reactions may be avoided if men put their minds to it. If houses for sale fit the pocketbooks of those who constitute the market a recession does not become a depression. Building should never exceed demand. Occupancy is the keystone of success and of value. Unless close attention is given to the need and

Capital and Prosperity

(Continued from page 2805)

ment on the new and busy docks of Dairen. I was astounded at the air-conditioned, streamlined trains operating on the South Manchuria Railway, but in contrast to this I could not help but be shocked to find nothing but hand labor by coolies in the great coal mine at Fushun. There, drudgery was at its worst and pay at its lowest.

What do these stories mean? The answer, of course, in its simplest form is easy. There was no road machinery in Greece or mining machinery at Fushun, nor, collaterally, were there in all probability the technical skills to use either of these. I mention skills because they invariably move hand in hand with the proper use of productive capital, by which I mean that capital which multiplies, directly or indirectly, the productivity of the individual. It is important, I believe, to understand not only that capital is absolutely essential for mass production, which has made this country great economically, but that with this process has gone the raising of knowledge and skill, as well as of living standards. In fact, a large part of the advance we have made, which we call progress or civilization, is based on the knowledge and skills which have accompanied our whole use of productive capital in our economy.

I must be quite blunt in saying that I am not solely and primarily interested in living standards nor in prosperity, as desirable as these are and as hard as all of us who are in a leadership position in the country must work for them. It is evident that businessmen throughout the nation are doing their level best to assure an adequate number of jobs in private employment after the war, both by planning their own future activities and by outlining the general conditions required for a dynamic and reasonably stable economy. Despite all this, when we as good citizens strip our thoughts down to what I term our prime objectives I think that all of you will agree that the maintenance of the maximum degree of individual liberty is after all that which we seek for ourselves and for all others. At the same time we should recognize that the use of capital and labor and, of course, all of the other productive forces such as invention and management, are so intertwined as to form a common web. We all realize that the tragedies of Europe have sprung from the acceptance of centralized governmental power which promised extravagantly but which usurped the liberty of people who little understood the eventual result. Every potential dictator has assured improvement for the masses, including an increase in the degree of personal liberty and freedom of self-expression, and yet the results have been such as to make us conclude with Ovid, "Deadly poisons are concealed under sweet honey."

Turning to the question of our own history, the trend of economic development is indicated by the following figures: In 1850 our population was 23,100,000; our national wealth was estimated to be $7,000,000,000 and our per capita wealth was $330, whereas in 1930 our population was 122,800,000; our national wealth was estimated to be $353,664,000,000 and our per capita wealth was $2,880. Based on these and many other figures known to all of you, no one here will controvert the fact that America has outstripped the rest of the world in economic development, not only in total but also in the distribution of its benefits to the masses.

The subject which I am asked to discuss today is the application of capital to our future prosperity. With the background of what I have already said, I can do this with a technical approach comprising a lot of statistics, 90% of which would almost surely turn out to be wrong. If I do not do anything else but get over to your minds the fact that estimates of future conditions in the United States, as necessary and as desirable as they may be in some instances, will probably in actual experience prove to be erroneous, I think I shall not have wasted your time. We need, I believe, more hard thinking based on skepticism. We need to work out the fundamentals rather than to put on paper the estimates of our dreams. I shall, therefore, with regard to capital in the post-war period draw your attention only to the very simple statistics of new corporate bond and note issues which took place in the United States during the decade of the twenties and which averaged about two billions of dollars per year as contrasted with the new corporate bond and note issues of the decade of the thirties which averaged only about $500,000,000 per year, i.e., 25%. The relative prosperity and depression of the two periods, when considered against the figures which I have just mentioned, form an interesting speculation. I do not mean to indicate that the situation with respect to capital formation was the only force applicable, since, of course, there were many differences as between the two decades. What I do believe very specifically, however, is that unless we are going to rely on a greater and greater extent on governmental financing, which per se is a trend toward dictatorship, we must make our plans for the future so as to induce private capital to flow into productive enterprise. Not only must we do this but we must set up a system which will generate from year to year more risk capital for such investment.

In order to prepare myself for this speech, I have discussed with a number of bankers and economists their views on capital formation in the post-war period. Quite frankly, each man has enunciated different assumptions and different conclusions. There is, however, a similarity of approach which I shall classify very generally by saying that the immediate post-war period will not in all probability be so difficult as the period which comes after the dissipation of pent-up demand and pent-up purchasing power, the latter of which, we must remember, will be augmented in all probability by the reinstitution in our system of time payments for all sorts of durable and semi-durable goods purchased by the public. I would be an utter fool if I were to attempt to translate this general statement which I have made into an accurate forecast as to years, amounts of purchasing power, numbers of jobs afforded, national income, etc., but you, I think, would be even more foolhardy in believing me if I did. What I can, however, give you is the second thread of thought which has run through all of the answers I have received, and that is, to afford sufficient private capital for a reasonably happy and dynamic economy after the pent-up demand and purchasing power are used, we must see that our Government is frugal in the extreme (for even with such care our national budget will be large) and that not only the use of present risk capital but the formation of new risk capital is encouraged. This means inducing corporate expansion through the use of present capital as well as through the accumulation of new capital. When we turn from the corporate form to the individual we find that exactly the same principle applies. There is, I maintain, only one approach which will solve the problem and that approach lies in what our Congress does with the tax problem plus what our whole national policy is toward the maintenance of a bullish rather than a bearish psychology. Men who think that the future is an expansive one with great opportunities will act much more aggressively with their capital than men who are pessimistic. In this there is no ground for argument.

In addition to the questions of national psychology and tax policy, I must at this point mention a governmental agency which may play a large part, i.e., the Securities and Exchange Commission. If that body continues the attempt to extend its function and in fact its control and thus disturbs the normal process of issuing new securities, the effect on our whole economy will be tremendously deleterious. Based on this statement, it is to the advantage of the American people that the whole status and function of the SEC be reviewed by Congress and outlined much more specifically. In this process, I think, furthermore, that issues up to $1,000,000 should be entirely excluded from SEC supervision.

There are two erroneous ideas which have plagued us for a decade and which, judging from many public statements of Government officials, economists, businessmen, labor leaders, writers and commentators, will, I think, plague us even more in the future. They relate specifically to the question of private capital formation which we are discussing and which is so vitally necessary if we are to have a dynamic, progressive economy. The first of these ideas is that the extent of our public debt is unimportant, since after all, it is internal, i.e., we owe it to ourselves. The only shred of true value in this statement resides in the incontrovertible fact that it is better that the debt be held by our citizens than by foreigners. We thus avoid such a broad question as the effect of the export of money for payments. On the other hand, internal debt is a burden on production (which means living standards) and on opportunity (which means freedom). The basic trouble with Government debt is that it represents no productive force. Bonds on a mill or factory should be self-liquidating through profits and are directly responsible for the buildings and equipment required for the production which flows into the economic system. Government bonds, however, represent, for the most part, money which has been spent without leaving any productive force behind. Sometimes these expenditures are for laudable and necessary purposes, such as the funds over and above tax receipts really required to win this war. Sometimes these expenditures are for experiments which imperil freedom and impede the operation of the economic system by which the American people earn their living. In any case, Government debt must be considered a dead weight in that it has to be paid by taxes. The only alternative to this is in the case where debt is wiped out by inflation. The rank injustice of such a process, especially to the older men and women of our population is, I think, appalling to everyone.

The second superficial and yet thoroughly dangerous idea is that the flow of purchasing power must be controlled and channeled by Government and, furthermore, that when there is an insufficient flow of purchasing power to assure living standards at the level thought proper it is the Government's function to generate purchasing power and to distribute it in the manner considered socially desirable. This process is the very one which inevitably drives private capital to some storm cellar and leaves the Government attempting to stimulate prosperity through deficit financing. We may rail against the flight of capital to security as much as we like but the sooner we realize that the very nature of capital funds is to seek shelter in a storm, and useful employment in fair weather, the better for all of us. Of course this is so because capital is but a tool of human beings and, therefore, follows the basic and unchanging nature of man, which is to protect not only himself but his possessions.

I have tried to state the foregoing erroneous thoughts clearly and dispassionately, together with at least some indication of the effect of such policies. It is essential, I believe, that all of us understand that a continuation of such policies in the future will be devastating. A projection of these thoughts means that instead of putting our house in order at any time when conditions are unbalanced or unstable or unsound, we return rather to deficit financing, which not only increases the public debt but brings into being all kinds of so-called social reforms which always, and inevitably, accompany the attempts of the Government to finance the economy. In other words, not only is involved the future of the so-called free enterprise system which affects labor and farmers just as directly as it affects the businessmen, but the continuation of liberty itself is threatened. I want, therefore, to ask that each one of you concentrate his thought on this essential interrelation of the encouragement of old private capital and the formation of new private capital not only with a prosperous society but with a continuation of what we and our forefathers have experienced as the basic freedoms of religion, speech and opportunity, which latter, of course, includes the whole concept of private property. Let us not fool ourselves, for it is absolutely inevitable that we face squarely in the post-war future of America the basic question of the relation of the individual to Government. On the solution of that question hangs not only our future prosperity but our future happiness. If this can but be believed firmly enough by a few and then spread broadly as a concept among our people, we have more than a fighting chance for success. As for all of us it is our duty not only as individuals but on behalf of the interests we represent to stand firmly against those trends which we know will eventually undermine opportunity and liberty.

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the demand the danger of over-production may be greatly accelerated as vast funds for investment plus Federal credit become available. It may be more difficult to loan money safely in the future than in the past.

We live and learn. Every boom must have its recession. Even so, the task of providing higher living standards and decent housing conditions for America is stupendous in size. It is believed that intelligent action and intelligent interpretation of the past can do much to prevent the historic panics and wholesale foreclosures. It is believed that intelligent planning can do much to avoid abnormal loss in the mortgage field. We want and welcome business confidence. Business confidence does not mean business folly.

Perhaps, after all, having lived and learned we may a little wiser be. It is hoped that this conference may help us to that end.

Charles Koch Heads Cuyahoga County Savings Loan League

CLEVELAND, OHIO — Charles F. Koch, executive secretary of First Federal Savings & Loan Association of Cleveland, became president of the Cuyahoga County (Cleveland) Savings & Loan League at the group's 44th annual meeting. He succeeded William E. Taylor of Security Savings & Loan Co.

Other new officers are: C. W. Grove, president of Second Federal Savings & Loan Association, First Vice-President; H. M. Aitken of Heights Saving & Loan Co., Second Vice-President; Charles H. Heintel, President of West Side Savings & Loan Association, Third Vice-President; and Paul L. Schneller of St. Clair Savings & Loan Co., Treasurer. William A. McMillen of Cuyahoga Savings & Loan Co., Secretary of the League for a number of years, was reelected.

N. Y. Savs. Loan Ass'ns Increase 13.9%

Savings by the general public in the 246 savings and loan associations of New York State increased $61,574,200, equivalent to 13.9%, during the first eleven months of 1944, it was announced on Dec. 21, by Zebulon V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations. According to the announcement the bulk of new savings is being invested by the Associations in United States Government bonds. This, it is stated, is evidenced by the fact that the proportion of total resources invested in Government bonds in savings and loan associations has increased from 23.1% at the beginning of the year to 28.2% on November 30th. From the advices we also quote:

"Mortgage loans granted by the 246 savings and loan associations of New York State during November, 1944, totaled $7,652,261, which represents an increase of 49½%, or $2,534,309, over November, 1943. $6,833,844 of these loans were for the purchase of homes, $471,637 for refinancing, $126,813 for repairs, $20,744 for construction and $199,223 for other loans.

"Total assets of the savings and loan associations reached an all-time high of $588,455,555 on November 30, 1944, according to reports submitted to the New York State League."

Klapper Co. in Boston

(Special to The Financial Chronicle)

BOSTON, MASS. — S. Peter Klapper has opened offices at 31 Milk Street to engage in a securities business under the firm name of S. Peter Klapper & Co.

NEP: The New Export Policy

(Continued from first page)

head of the WPA, writes:[1]

". . . we shall have to make further loans abroad . . . [to be] used exclusively to pay for food, goods and equipment grown or manufactured in the United States. . . . We should not again make the mistake of the twenties when we made loans to foreign governments which spent the money in their own countries instead of in the United States. If our loans are to be adequate to the dimensions of the world needs for reconstruction and development, they must be at least several billion dollars per year."

Consider this matter of our foreign loans. It was once a prominent political topic of discussion. The picture of American foreign investment of the 1920's as it used to be painted in Washington might be catalogued under the title, "Scene in Sombre Hues." Now, rather all of a sudden, we are hearing from Government officials on every side that "bold" post-war investment abroad is to be the dominant economic style for us, and an artistic retouching job is being done on the records of the period above alluded to.

Undersecretary of Commerce Wayne Chatfield-Taylor, in a speech distributed to the press, states that he sees "no fundamental reason . . . why well-conceived foreign investment may not proceed without definite limit, either as to amount or as to period, and with mutual advantages. . . ." Without pausing to explain what he would regard as "well conceived" investment, Mr. Chatfield-Taylor proceeds to attack the "misconception" that a creditor country in its foreign trade must always have an excess of imports in the balance-of-payments sense. This, he adds, "is obviously true of a passive creditor or 'rentier' country which is making no net new foreign investments, but it has no application to an active creditor country which is making new foreign investments."

Certainly. But one may wonder whether Mr. Chatfield-Taylor is just playing with words. Or does he mean what his speech as a whole seems to imply: that the United States should forget about how it is to be paid for American investments already made abroad and embark on a new and much vaster era of foreign investment without being too particular about whether it ever recovers payment on the new investments either? The latter, indeed, is precisely the sum and substance of the advice contained in testimony, speeches, magazine articles and other releases of high Administration spokesmen. This greater setting tends to absorb in its stride the Bretton Woods program for a mere $6,000,000,000 American subscription to an international Fund and Bank as just one step down a one-way street of "lending" contrary to the lessons of experience.

The effect of the coordinated current propaganda for new foreign loans and investments is already to be noted on Capitol Hill, where the writer was recently told frankly by one Administration supporter that it is not necessary for us to know, when making foreign investments, how or even whether we shall be repaid. The important point, rather, it was explained, is that through new foreign investments and the consequent exports of American goods and services, unemployment in the United States will be prevented. In short, an organized, Government-sponsored "favorable" balance of trade is to take the place of the WPA in future planning of the economy.

Undersecretary Chatfield-Taylor remarks that our investment experience has not been as bad as believed; that "service was maintained throughout the depression on approximately two-thirds of our total foreign bond holdings." Note the word "total."

The story looks very different, however, if our Canadian investments to date are separated from the rest of our investment experience. Generally, the record of our large investments in Canada is excellent, which makes a lot of difference in the "total" picture. Since Canada is expected to be a capital exporting country itself after this war, such investments and loans as we are now likely to be persuaded to make abroad will be to riskier borrowers than Canada. Therefore, we ought to cast an eye on the experience we have had in lending to non-Canadian foreign borrowers.

It is fair to assume that Mr. Chatfield-Taylor based the above-quoted statements on the data presented in the Commerce Department's monthly Survey of Current Business for November under the title "Foreign Trade in the Post-War Economy." There the reader may find spelled out in more detail the line of argument calculated to get Uncle Sam to put his hand "boldly" into his money pocket. In that article the Commerce Department cites figures to demonstrate that from 1920 to 1940, inclusive, the United States received from its private foreign investments $10,300,000,000.

This figure is arrived at by taking the best available estimates of our investments abroad at the end of 1919 (the war debt omitted, of course), adding net new foreign investments, and comparing the total of these two items with what this country received as income payments plus the value of our foreign investments remaining at the end of the period. Here is the Commerce Department's calculation:[2]

	Billions of dollars	
1—What the United States put in:		
Estimated investments abroad at end of 1919	6.5	
Net new investments abroad from 1920 through 1940 (gross new investments abroad of 11.8 billion dollars less amortization receipts on foreign dollar bonds and net resales of foreign securities to foreigners of 4.9 billion)	6.9	
Total		13.4
2—What the United States got out:		
Value of investments abroad at end of 1940	9.8	
Income payments received on investments abroad from 1920 through 1940	13.9	
Total		23.7
3—Excess of what the United States got out over what the United States put in		10.3

Without disputing the Department's arithmetic, let us see what happens to this rather attractive story when the figures for total foreign investments and investment income are divided into their two chief components, portfolio or securities investments on the one hand, and "direct" investments such as branch plants on the other. We then get this result:

TABLE I

Commerce Department long-term-investments figures broken down
(In millions of dollars)

Item—	Portfolio	Direct	Total	Commerce Department Totals
Investments abroad end of 1919	$2.6	$3.9	$6.5	$6.5
Net new investments abroad, 1920-40	*4.3	†3.4	‡7.7	6.9
Total invested	$6.9	$7.3	$14.2	$13.4
Value of invests. abroad, end of 1940	$2.2	$7.2	§$9.4	$9.8
Inc. payments rec., 1920-40, inclusive	6.0	7.9	13.9	13.9
Total "got out"	$8.2	$15.1	$23.3	$23.7
Exc. "got out" over amount invested	$1.3	$7.8	$9.1	$10.3

*Obtained from Commerce Department, The United States in the World Economy Economic Series 23, Table III, by adding new issues for foreign account minus the sum of amortization receipts from foreign countries and net transactions in outstanding foreign securities.

†From the same source, Table III, direct investments, net flow. For explanation of the difference between this figure and the $6.9 billions total of the Commerce Department, see footnotes 1 and 2.

‡The explanation of the discrepancy between this figure and the $6.9 billions shown in the Survey of Current Business is not known to the writer and he therefore has on way of further checking the breakdown against published sources. In any event the difference does not invalidate the conclusions of this article.

§The Survey figure of $9.8 billions apparently includes short-term investments, although the 1919 figure does not.

In Table I the last column repeats the already-cited Commerce Department figures. The first two columns of figures show the breakdown into "portfolio" and "direct," using Commerce Department data or its sources not specified in the Survey of Current Business article.

This analysis shows us that:

(1) The total net return on our long-term investment experience over the 21 years, 1920-1940, was $1,200,000,000 smaller than the Survey article reported: $9,100,000,000 instead of $10,300,000,000.

(2) The $9,100,000,000 came chiefly ($7,800,000,000) as a result of the direct investments, and only to a minor extent ($1,300,000,000) from investment in securities.

The governmental loans, including pre- and post-armistice war debts, are of course in a separate class.

If Americans are to consider again buying foreign bonds after this war, they ought to keep their eyes on the first column of Table I.

Let us analyze the data a bit further in Table II, so as to express in percentages the "profitableness" of our **total** investment experience.

Here is what we find: Our **total** foreign long-term investment during 21 years yielded about 4.1% per annum. Actually, those investments as a whole could not be repatriated today, or any time in the foreseeable future. They are not "yield" in the usual investment sense.

The 4.1% per annum "got out" of our investments was accounted for largely by direct investments such as factories and mines owned abroad. The foreign bonds and stocks we bought produced **on the whole** an average annual yield of only about 1⅓%, which is hardly a handsome return, considering the risks involved in long-term foreign investment.

Remember that the overall total in Tables I and II include our happier investments in Canada. Now let us separate from some of these figures the Canadian and non-Canadian experience, again using Commerce Department statistics.[3] At the end of 1940 some 31% of our holdings of foreign dollar bonds were partly or completely in default on interest. Another fraction of the bonds were being serviced on adjusted terms. Those not in default had a value of $1,966,000,000. Of these, $1,325,000,000 were Canadian bonds.[4]

The bonds of non-Canadian borrowers not in default in 1940 totaled only $641,000,000 out of our total foreign bond holdings of $3,141,000,000. The bonds in default included issues of countries which are now anxiously waiting to borrow here when new lend-lease contracts end and NEP becomes an actuality.

Since the 1.3% per annum return on our total portfolio investments during the period 1920-1940 includes the Canadian bonds, it is obvious that we should take with a grain of salt the Commerce Department's conclusions, arrived at after viewing the "substantial net return . . . as a whole."

Whereas Mr. Chatfield-Taylor's press statement informs us that "service was maintained throughout the depression on approximately two-thirds of our total foreign bond holdings," the reader will now appreciate how much our Canadian investments have to do with the record.

In this connection, the latest annual investments review of the Institute of International Finance is also of interest.[5] It reports that in 1943 debt service was paid in full on less than 49% of total publicly-offered foreign dollar bonds (including the Canadian). Of the total outstanding, 41.3% of the defaults were Latin American and 44.4% European. The average actual rates of interest return in 1943 based upon the nominal amounts outstanding, and compared with the average contractual rate due, was reported as follows:

Area—	Average contractual	Actual rate
Latin America	5.41	1.23
Europe	6.10	0.97
Far East	5.55	2.21
North America	4.13	4.03
Total	5.17	2.22

The 1940 official figures, it may be noted in passing, naturally take no account of bonds which governments in default repatriated at default prices, a practice that speaks for itself. This explains the difference between the above-mentioned 49% and Mr. Chatfield-Taylor's "two-thirds."

In this article we have examined only one of a number of current appeals for a bolder investment program hereafter. If past history is not totally worthless, these coming "investments" abroad under our Government's sponsorship may prove to be largely permanent exports of capital. In the end we may console ourselves by just saying: "We planned it that way."

TABLE II

American long-term investments abroad, 1919, 1920 and 1940
(In billions of dollars)

End of	Portfolio	Direct	Total
*1919	$2.6	$3.9	$6.5
†1929	7.2	7.8	15.0
‡1940	3.6	7.2	10.8
Total	$13.4	$18.9	$32.3
Average	$4.5	$6.3	$10.4
What we "got out" in 21 years (last line of Table I)	$1.3	$7.8	$9.1
Average "got out" per annum	$0.06	$0.37	$0.43
Average "got out" per annum as per cent of average investment as shown above	1.3%	5.9%	4.1%

*Dept. of Commerce, The United States in World Economy, Economic Series 23, p. 123.

†Dept. of Commerce, TIB No. 767, p. 8.

‡Dept. of Commerce, Economic Series No. 17, p. 52.

1 American Magazine, Oct. 3, 1944.

2 From Survey of Current Business, November, 1944, p. 11.

3 Foreign Commerce Weekly, July 19, 1941, p. 5, table.

4 Includes $3,600,000 of Newfoundland bonds.

5 See "Commercial and Financial Chronicle," Aug. 24, 1944.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS.—**Frances S. Wildes** is with **Frederick M. Swan & Co.**, 75 Federal St.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**William Arch Hoisington** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Board of Trade Building.

(Special to The Financial Chronicle)

CINCINNATI, O.—**Justin Meyer** is now connected with **Merrill Lynch, Pierce, Fenner & Beane**, 330 Walnut St.

(Special to The Financial Chronicle)

GRAND RAPIDS, MICH. — **Richard M. Gillett** has been added to the staff of **MacNaughton-Greenawalt & Co.**, Michigan Trust Building.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — **Anthony A. Gasser** has become associated with **Blyth & Co., Inc.**, Northwestern Bank Building. Mr. Gasser was formerly with E. J. Prescott & Co.

(Special to The Financial Chronicle)

RALEIGH, N. C.—**William H. Rawls** is now with **Kirchofer & Arnold, Inc.**, Insurance Building.

(Special to The Financial Chronicle)

St. LOUIS, MO. — **Ted John Brucker** has become affiliated with **Edward D. Jones & Co.**, 300 North Fourth St. Mr. Brucker was previously with the Boatmen's National Bank.

(Special to The Financial Chronicle)

ST. PAUL, MINN.—**Edw. G. Harding** has become connected with **Kalman & Co.**, Endicott Building.

(Special to The Financial Chronicle)

ST. PAUL, MINN.—**Gerald F. Oestreich** is now with **Park-Shaughnessy Company**, First National Bank Building. In the past he was with Wells-Dickey Co.

NYSE Entertains

Coincident with the admission to trading on Dec. 22 on the New York Stock Exchange of the common stock of Wyandotte Worsted Company, Emil Schram, President of the Exchange and Raymond Sprague, Vice-Chairman, entertained at luncheon N. H. Barrows, President of the company; Edwin W. McGowan, Vice-President, and Thomas H. McGowan, Jr., Treasurer; Paul V. Shields and Cornelius Shields of Shields & Co., and Carroll B. Alker and Louis D. Stern, specialists in the company's shares. The officials of the company also visited the trading floor.

Form Van Raalte & Barry

Benjamin Van Raalte and Edwin J. Barry, member of the New York Stock Exchange, will form Van Raalte & Barry with offices at 39 Broadway, New York City, effective Jan. 2nd. Mr. Barry has been active as an individual floor broker. In the past Mr. Van Raalte was a partner in Weingarten & Co.

Taxation for Prosperity

(Continued from page 2806)

$140,000,000,000 we must also assume one or more of the following conditions: mass unemployment, an average work week of less than 40 hours, or a price level lower than it is today.

It is clear that we cannot have acceptable economic and social conditions in this country except under a higher level of prosperity than we have even known. There are some very remarkable things about the present economic, productive, industrial situation. We have added $85,000,000,000 worth of war production on to a consumption level that is higher than it was in 1940. The elimination of war production must be followed by a still greater increase in the standard of living if we are to achieve and maintain a high level of employment. In the aggregate, we have nothing to make up; we can only move ahead.

The plain fact is that if we are to increase the standard of living by 40% to 50%—the amount necessary to sustain a high level of employment—we must increase the standard of living where the living occurs. This means that we must have a very substantial increase in the standard of living of the masses of the people. The over-all increase required is too great to be accomplished by improvements for particular classifications of our people or by feeding purchasing power stimulant at the top and letting it trickle down. We can and should encourage private investment and the flow of savings to investment, but without large increases in the standard of living of the masses of the people, other methods will be insufficient to do the gigantic job that must be done. Let us remember that the masses of the people are the poor; that in 1936 the families of the country had average annual incomes under $1,650, and though these incomes are certainly higher today than they were in 1936, they are still very low. Our national economic policies, including fiscal policy, including tax policy, must be realistically in tune with these facts. The reasons given need not be moral, political, or social welfare reasons; they are the consequences of inexorable arithmetic.

The two essentials of national fiscal and monetary policy are: first, to provide the means of meeting the financial requirements of the Government in such a way that we shall have a reliable money system—a money system that will give the people a stable medium of exchange and store of value; and second, to provide a system of financial institutions that will give the people a sound banking structure and a satisfactory credit mechanism.

These two essentials of fiscal and monetary policy are of themselves of the first importance to the maintenance of continuing high employment under a democratic private enterprise system. And so the question before us is: what fiscal, monetary, and tax measures, consistent with maintaining a reliable money system and an efficient system of financial institutions, would, in addition, promote high employment under private enterprise?

We must recognize that a sound fiscal and monetary policy is not the only condition necessary for attaining high prosperity. We must have government stability; satisfactory relations between costs and prices; confidence in the outlook generally for business volume and profits: clear and simple laws and regulations; protection against illegal acts of all kinds; fair access to markets, to processes, and to raw materials; and favorable terms on which loan and equity capital are made available. These, and other considerations, determine in any specific instance whether or not employment-creating activities will be undertaken. However, appropriate fiscal and monetary policies will aid strongly in achieving the conditions that will make for high employment.

Since taxation is one of the most important parts of fiscal policy, let us discuss basic policy for Federal taxation. The idea behind our tax policy should be this: that our taxes should be high enough to protect the stability of our currency, and no higher. Putting it another way, our taxes should be as low as they possibly can be without putting the value of our money in danger of inflation. The lower our taxes are, the more purchasing power will be left at home in the hands of the people—money that can be spent by them for the things they want to buy, or that can be saved and invested in whatever manner they choose.

Now it follows from this principle that our tax rates can and should be lowered to the point where the Federal budget will be balanced at what we would consider a satisfactory level of high employment. If we set our tax rates any higher than this, we are reducing unnecessarily the money that private individuals will have to spend and to invest; and, therefore, we make it more difficult for ourselves to get to high employment and to stay there. There is wide agreement that a satisfactory high level of post-war employment in the United States means a national income at present price levels of about $140,000,000,000, and so we should set our tax rates to balance the budget at a national income of $140,000,000,000, and not at $120,000,000,000 or some lesser figure. We do not want our tax system to work against us all the way up to high employment — in fact, we may never reach high employment if we set our tax rates too high.

Obviously, taxes should be reduced where it will do the most good in creating consumer demand and in encouraging private investment.

From these principles some specific inferences can be drawn.

First, no general sales tax should be imposed. It would be a burden on the standard of living.

Second, all excise taxes, except those on tobacco, alcohol, and perhaps on gasoline, should be abolished.

Third, and to many this seems at first a curious conclusion, the corporation income tax should be abolished, provided that measures are adopted at the same time to prevent the use of the corporate form of doing business as a device to avoid payment of individual income taxes, as a means of building up unneeded and unused corporate surpluses, or to secure tax advantages over unincorporated businesses.

As a matter of fact, after sales taxes and excises, the corporation income tax weighs most heavily on the standard of living of the people, and at the same time it obstructs the flow of savings to investment.

The corporation income tax results in either higher prices, lower wages, reduced return on investment, or all three in combination. When the corporation income tax was first imposed it may have been believed by some that an impersonal levy could be placed on the profits of a soulless corporation, a levy which would be neither a sales tax, a tax on wages, nor a double tax on the stockholder. Obviously, this is impossible in any real sense. A corporation is nothing but a method of doing business which is embodied in words inscribed on a piece of paper. The tax must be paid by one or more of the people who are parties at interest in the business, either as customer, as employee, or as stockholder.

Suppose the corporation income tax were removed, where would the money go that is now paid in taxes? That depends. If the industry is highly competitive, as is the case with retailing, a large share would go in lower prices, and a smaller share would go in higher wages and in higher yield on savings invested in the industry. If labor in the industry is strongly organized, as in the railroad, steel and automotive industries, the share going in higher wages would tend to increase. If the industry is neither competitive nor organized nor regulated—of which industries there are very few—a large share would go to the stockholders.

Can the Government afford to give up the corporation income tax? This really is not the question. The question is this: Is the corporation a favorable way of assessing taxes on the people—on the consumer, the workers and investors—who, after all, are the only real taxpayers? It is clear from any point of view that the effects of the corporation income tax are bad effects. The public purposes to be served by taxation are not thereby well served. The tax is uncertain in its effect with respect to the stabilization of the dollar, and it is inequitable as part of a progressive levy on individual income. It tends to raise the prices of goods and services. It tends to keep wages lower than they otherwise might be. It reduces the yield on investment and obstructs the flow of savings into business enterprise. The elimination of the corporation income tax from the tax system will increase the effectiveness of our fiscal and monetary policies and, by broadening markets for goods and services, will strengthen business for its task of producing goods, providing employment, and giving the people a place where their savings can be invested.

If we have no sales tax, no corporation income tax, and eliminate most of the excises, will we not have to put an intolerable burden on the individual income tax? The answer is "No." Under the tax policy which we have suggested, the individual income tax can be reduced by an aggregate of 30% and still we can balance an $18,000,000,000 budget at high employment. A 30% cut from the present income tax is a substantial reduction. But there are some people who want more. They feel that a 66% top rate is too high and that a $500 exemption for dependents is too low. They would use the invisible and widespread burden of the corporation income tax on the standard of living to enable them to give alternatively visible and specific benefits in higher exemptions for dependents and lower surtax rates, benefits that will not increase the purchasing power of the poor except perhaps at second or third hand.

Personally I agree that for the long pull and in an orderly world, the high bracket rate of 66% is too high and the $500 exemption is too low. But we are not yet in an orderly world. Provision of $5,000,000,000 in a peace-time budget for armament is a symptom of this disorder. When peace is at last organized and this item can be cut in half, then we can reduce rates and increase exemptions in the individual income tax to reasonable levels that we might be willing to live with.

For the present I think we should be satisfied with a 30% cut in the individual income tax. We should avoid the use of indirect regressive taxation, although it can probably be made politically acceptable.

It is inescapable that the Federal Government, through a clear and workable fiscal and monetary policy, must complement and supplement the activities of private business in the maintenance of high production and high employment.

We have been told that it is too early to prepare the details of Federal tax measures suitable for peace-time requirements. Of course we know that this is true. The speed and course of events will affect many decisions that some day must be made. But it is not too early for the Government to adopt and to disclose certain broad policies that underlie any Federal fiscal and tax policy, whatever the details may finally be.

There are five basic questions of policy that should be settled without delay. These are:

1. Will tax rates be cut to balance the budget at high employment, or will the Administration attempt to get as much revenue as possible from year to year according to its ability to induce Congress to tax?

2. Will the public works program be thought of as a means of leveling out the peaks and valleys of the business cycle or will public works be designed to help stabilize the operations of the construction industry, and if so, at what level?

3. Will we make commitments for the regular, annual retirement of a percentage of the national debt, or will we manage the national debt with some reference to the level of production, prices, and national income?

4. Will we continue to finance our social security system by building up reserves, or will we get these programs on a current pay-as-you-go basis?

5. Will we reorganize those branches of the Federal Government that have to do with fiscal policy so that we can have clarity in policy, consistency in administration, and cooperation between the executive and legislative branches, or do we believe that present arrangements are satisfactory for the task that lies ahead?

These five points of policy present alternatives that must not be evaded and on which decision need not and should not be postponed. Until we know what these policies are to be we cannot know what direction our own individual planning for the future should take. If these decisions are evaded, then we are left in confused uncertainty and we cannot plan at all, except on a short-time basis.

We cannot reach high employment and a high standard of living in this country on the basis of short-time planning. Americans have never been short-time planners. The country was not settled nor developed by short-time planners. The American ships that sailed the seven seas were not sent out nor manned by short-time planners. Short-time plans are not congenial to the temperament of a people that want to build for a long-time future. Short-time plans and high employment are incompatible.

Long-time plans require firm decision on basic policies, confidence in the direction in which we intend to move. We do not require nor do we want regimented planning by an all-watchful national Government. But we do want basic policies clearly formulated and democratically approved.

Business wants a Federal fiscal policy that will help it create good products, good jobs, and good investments. Business does not expect a national fiscal policy to do the work of business for it. It does ask for cooperation in maintaining a flow of purchasing demand that will have some general correspondence to what agriculture, labor and business are able to produce and to distribute.

With such a flow of purchasing demand we can avoid regimentation, maintain a high level of employment, and raise the American standard of living to new heights for all the people.

Mutual Funds

(Continued from page 2815)

"period of consolidation" was of somewhat longer duration than anticipated. But the "next significant move" has been upward and less than a month ago the venerable Dow Theory confirmed the resumption of the current bull market.

As we enter the New Year, both indexes remain upward as they have been since Aug. 21. How long or how far the market will continue toward higher levels is anybody's guess, but it seems evident at this point that the bull market is still in force.

As to the other factors, 1945 promises a continuation of current trends. The managers of mutual fund portfolios may be counted on to do a bang-up, professional job; the number of dealers participating in the distribution of mutual fund shares will undoubtedly increase; and there is small likelihood of a diminution in the seriousness of the uncertainties facing the investor.

Competition from new security offerings should remain unimportant; the total supply of investment media (aside from Government bonds) should continue to shrink; and the pressure of idle funds should continue to mount as the volume of such funds increases and the end of the war draws nearer.

No matter how soberly one views this overall picture, it is difficult to be other than optomistic concerning the outlook for mutual funds during 1945. The industry should equal, if not better, the record for the past year. Combined net assets should cross the billion dollar level. And managements with their feet on the ground and their eyes on the future should more than justify any reasonable expectations of their shareholders.

Attractive Amusement

For dealers interested in low-priced amusement issues Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared a memorandum on United Artists Theatre Circuit describing the activities of the company, commenting on its experienced personnel and the consistent improvement in operating results. The memorandum calls particular attention to the building-up of values behind the common stock, reduction in funded debt and extinguishment of over half the preferred stock issue. Copies may be had upon request from Townsend, Graff & Co.

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.

New Chauncey Partnership

Effective Dec. 31st, the present partnership of Chauncey & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will be dissolved. On Jan. 1st a new partnership will be formed consisting of Raymond Chauncey, member of the Exchange, James F. Pierce, member of the Exchange, William Raymond, Jr., general partners, and Madalaine C. Elliman, limited partner.

Railroad Stocks Should Follow Railroad Bonds

(Continued from first page)

industrially from 1938 on, the railroad securities became a bit more popular, and I talked about other phases such as the solvent carriers and their bonds and stocks. And over the last three and one-half years we have seen a tremendous resurrection of interest and of prices in railroad securities.

The subsequent recovery in railroad securities I tried to forecast at these meetings. You may remember that two or two and one-half years ago I said that railroad credit had been re-established, yet not recognized, and in the last two and one-half years that recognition, so far as bonds are concerned, I think has substantially arrived.

I think that over the next 18 months to two years the fundamental spread between railroad and industrial stocks is going to close. At the present time, for example, in the Dow-Jones industrial averages and the Dow-Jones rail averages there is a spread today of over 100 points. I am going into that in some detail in a minute, but one of the things I am going to try to show you today is that that tremendous difference between industrial prices and railroad prices should close over the next few years, no matter what happens.

After all, there are very few persons in the room, certainly not I, who can predict to you what is going to happen in Europe or Greece or Asia over the next few years. So, in trading and recommending securities, it has to be done relatively. And as I have done in the past, I say that if the Dow-Jones industrial averages can justify their present price of over 150, then the railroad averages should not be selling 100 points away. If the Dow-Jones industrial averages generally are not able to justify, because of conditions in the world or in the country, their prices, naturally it will have some effect on railroad prices, too. But if we worry constantly about what is going to happen in Europe and Asia and Greece, etc., and use that as an excuse not to do anything in the securities market, I think it is rather useless, because there is very little we as individuals can do to control those world events.

New Competition

The appraisement of railroad securities involves a great many factors, both financial and otherwise. All of you have heard me discuss those factors before. The financial factors are more easily discussed than the others, but I am not going to repeat them. I am going to try to review briefly the changes that have come about in the railroad industry, not so much from the viewpoint of the lack of decreased transportation in this country, but from the tremendous increased transportation.

In the last 25 years the railroads, which formerly carried practically all the ton miles and passenger miles in this country, now are only a part of the transportation industry. In the last 25 years we have had tremendous development of waterways and highways, private automobiles, pipe lines and air lines. The tremendous railroad plant is still by far the largest private investment in transportation in this country. Today the railroads own and have built with private capital about 230,000 miles of roadbed, and almost 400,000 miles of track. They still have about 37,000 passenger cars and about 1,800,000 freight cars. And they have about 40,000 locomotives. This represents a private investment of about 26½ billion dollars.

In the last 25 years the municipalities, States and the Federal Government have built about three and one-quarter million miles of road, half of which are macadam or cement, and the balance just good enough, perhaps, to travel on with automobiles. That represents, according to the Public Roads Division, an investment of about $20 billion, all public funds, and in the last 25 years we, as individual citizens of this country, in normal times, got to the point where we operated on those highways about 26,000,000 automobiles, and if you figure an average of about $1,000 apiece, it represented a private investment of around $26 billion.

The trucking industry in the meantime came in to compete with the railroads, and at one time they had 4,500,000 trucks operating, and almost a million trailers, representing a private investment of about $5¼ billions.

Then, too, in the last few years, particularly in the last 15 years, we have developed the Mississippi and the Ohio and a lot of other inland waterways, so that excluding the Great Lakes we have now about 27,000 miles of inland waterways in this country, representing an investment by the Government of about $3 billion.

The pipe line is the only other privately owned transportation industry. In the last 25 years there have been built about 126,000 miles of pipe lines, representing an investment of $840,000,000, all of which was invested privately.

We now have, or did have before the Army took over, 46,000 route miles of air lines in this country, and up to the time the Army took over we were operating 452 commercial planes in this country. That was as of July 1, 1941.

These planes and the beacons and the airports as of July 1, 1941, represented an investment of $516,000,000, but out of that the cities and taxpayers contributed $451,000,000. The total private investment by the commercial air companies in the United States representing all domestic commercial air lines as of July 1, 1941, represented an investment of but $65,000,000.

Looking at it from the railroad standpoint, the total investment in these 452 planes was less than the taxpayers of New York City have invested in one airport, La Guardia Airport.

But in any event, this transportation industry has grown tremendously, so that publicly and privately it represents an investment of about $82 billion.

Now, despite all that increase in transportation, the intercity ton miles carried by the railroads in the years 1939, 1940 and 1941, in those years the railroads carried an average of about 63% of all freight transported between cities. Now, the next largest competition for the railroads, if you want to call it that, in volume is not the trucks nor the waterways, the inland waterways. It is the Great Lakes. Now this traffic on the Great Lakes has been there almost as long as the railroads, but about 98% of all the traffic on the Great Lakes is also handled by rail. It is either rail-water-rail, or rail-water or water-rail. In other words, they bring the ore down, for example, on one of the ore carriers like the Great Northern, to Duluth, take it by water to Cleveland or Toledo, and ship it to Pittsburgh by rail.

Now these carriers in 1939, 1940 and 1941 carried about 17% of all the ton miles transported intercity, so that these two carriers, the Great Lakes and the railroads—this is before the war, and in years that were not good, like 1939 and years that were fair, like 1941—the Great Lakes carriers with their rail-water-rail operation, and the rails carried about 80% of all the potential intercity freight business in this country. That figure is now up close to 97% of all the intercity freight, but, of course, that is due to the war.

Railroad Debt Reductions

The railroads practically rebuilt themselves after the last war, all with private capital. They spent about $10 billion building up this plant after the last war, and continued it until the depression hit in 1931. They invested about $10 billion building up the plant which, after depreciation and obsolescence of around $4 billion, made a net investment of around $6 billion.

This $26½ billion is represented, or was represented, by about $10 billion worth of bonds and about $7 billion worth of stocks. All the figures I give you on the bond issues exclude equipment, for the reason that I have yet to meet a railroad that cannot meet the interest and maturity of their equipment from their depreciation of equipment cash. In any event, it represented a capitalization of about $17 billion.

The Interstate Commerce Commission valuation, which was used in the rate cases, gave the railroads as of 1941 a valuation of $19½ billion. But this $26 billion investment which the ICC says is worth about $19½ billion is selling as recently as a month ago for $10 billion, represented by the bonds and stocks, 98% of which are traded on the New York Stock Exchange.

The capitalization of $17 billion was handled satisfactorily by the railroads until 1930, and at that time and subsequently the railroads suffered from this influx of transportation which took away most of their passenger business. The trucks operated for almost 20 years without regulation. They took away a lot of the creamy business, but more important than that, they reduced the rates. So among these railroads carrying this $18 billion worth of capitalization, there were many who, when called upon to produce earnings on the bonds and stocks from reduced rates in combination with the greatest depression we ever had, could not survive.

Thirty-seven railroads went into bankruptcy. They represented about 30% of the mileage, which doesn't mean very much, but, more important, they represented about 30% of the gross business. But, unfortunately for them, they also represented $5 billion out of $10 billion of fixed interest-bearing bonds. The other railroads, about 100, carried 70% of the gross business, but only supported $5 billion or 50% of the total outstanding debt.

Now what has happened to this $18 billion of capitalization? First, through the reorganization of these 37 railroads, that $5 billion worth of fixed debt will be reduced to $2 billion in fixed debt, a billion and a quarter in contingent income debt, and $2¾ billion in stock. Those 37 roads that went into bankruptcy, supported, as I said, $5 billion of the bonds, tried to support it, and they had $3 billion worth of stock. In other words, their bonded debt was way out of proportion to the amount of stock outstanding, and they were what we used to call leverage roads.

You remember Rock Island. It had a debt of 70%, with stock of only 30%. It didn't leave any substantial protection for the debt.

Therefore, you are losing about $2 billion worth of stocks, because they were eliminated as being worthless by the ICC, and you are changing this $5 billion worth of fixed debt to $2 billion fixed debt, a billion and a quarter income bonds, and $2¾ billion of stocks.

In the meantime, these other 100 railroads in the United States that survived the depression, some of them with excellent credit, some with fair credit, and some because of loans from the RFC; in the last four years they, too, have been reducing their debt. In 1942, by about $300,000,000; in 1943, by about $700,000,000; in 1944, and my estimate of 1945, by taking the actual debt reduction and by capitalizing the difference between the old coupons and the new coupons, they will have, in effect, reduced their debt over that period 1942-1945, inclusive, by about $2 billion.

So there again we are going to end up when this is all over in a reduction of $10 billion worth of bonds to $5 billion fixed interest-bearing bonds, and a billion and a quarter of income bonds, which I estimate today is selling for, that total capitalization, including the stocks of solvent carriers, at about $10 billion.

Higher Yields of Railroad Bonds

This search for yield that I have told about so often, which is now as you can see, each day going more and more into railroad securities, that is one of the causes of it, because utilities bonds, as we all know, any of them worthy of the name, are selling to yield 3% or 2.75, and most of them are selling at the call price. Industrial bonds are selling to yield even less. This vacancy in yield eventually forces investors into the railroad bond market. This fact that you are going to lose half of the fixed interest-bearing bonds will accelerate that, and I can show it to you in another way.

We have on the New York Stock Exchange, as I say, about 98% of all railroad bonds, no equipments but about 98% of all railroad bonds. We have about 585 railroad issues on the New York Stock Exchange, including registered bonds as separate issues. Out of those 585, 20 are foreign bonds, so there are about 565 domestic railroad bond issues.

Of those 565, 178 are the obligations of railroads in bankruptcy, actually in bankruptcy today. 258 issues are now selling above par. In 1942, of these 258, 38 were selling above par. 258 of the issues are selling above par, which leaves a balance of 129 issues selling at a discount, of which the obligations of the Illinois Central and the New York Central represent about 50%.

What is going to happen to it? The 178 defaulted issues over the next two years will be changed into about 40 railroad issues. The 258 issues, you will have to take my opinion for this, which are currently selling at par or above, in my opinion 85 will disappear over the next two or three years, either through refunding in combination, or by maturities which are not refunded by different issues.

As I said, we have 129 selling at a discount, about 50 of which are obligations of the New York Central and Illinois Central.

But anyhow, let us go back to sum up. Out of these 565, the 178 in default will become 40. The 258 will become 173. The bonds that are selling at a discount, in my opinion, will be reduced to 95. So we are going to lose 45% of the actual issues, a reduction from 565 actual issues to 308. So both qualitatively and quantitatively you are going to lose railroad fixed interest-bearing bonds at the very time when they are the only corporate bonds in this country that yield anything, looking at it from the individual standpoint or the fiduciary standpoint.

As a result of this situation you now have, for example, Atlantic Coast Line bonds selling at 98½, which in 1942 sold at 57½; B. &O. bonds at par, which sold at 52½. This is only two years ago. Central Pacific 5s, at 98, against 49. Burlington 4½s at 112, against 62.

Big Four 4½s at 87, versus 42. Cleveland Union Terminals 4½s at 104, versus 53. D. & H. 4s at 98½, versus 51. Great Northern 3¾s at 106, versus 69.

Illinois Central ref. 5s at 95, vesus 48. K. S. U. 5s at 96, versus 65. L. & N. 3¾s at 106½, versus 80.

New York Central 5s, at 87½, versus 46. Nickel Plate 4½s at 103½, versus 58. Northern Pacific 6s at 104, versus 57. Pennsylvania debentures at 104, versus 86.

Southern Pacific debentures at 91, versus 46. Southern Railway 4s at 97½, versus 60. And Tex.-Pac. 5s at 101½, versus 50.

That is what has happened. I am not picking out the best issues. I am picking out junior and senior bonds of those systems. That is what has happened to railroad bond credit, leaving you only two large systems, the Illinois Central and the New York Central—I mean tremendously large systems—at big discounts, with the exception, naturally, of the B. & O., which is going through the McLaughlin Act.

This change in railroad bond credit I have already predicted to you. When those bonds were selling where they were in 1942, and were lower than that in '41 and '40 and '39, I can remember talking to savings banks up here, and I said, "There isn't a bond that I am going to mention this afternoon that you can buy, but don't sell what you have."

Railroad Bonds Should Be Held

I said that on three different occasions, and I say it again, I wouldn't sell a single railroad bond unless it was selling at the call price, because I think most of them will get there over the next 18 months, almost regardless of the credit, in the next 18 months or two years.

As far as fiduciaries are concerned, naturally they can decide then what to do, but speaking for myself, when a bond gets to a price where it can no longer go any higher, I will let somebody else keep it, providing I can buy some selling still at a discount, which, in my opinion, are as attractive and more so.

There isn't a single bond on that list I just read you—they are all selling at par or within a couple of points—there isn't a single bond on there, with the exception of the B. & O. first 4s, possibly Great Northerns and L. & N. that are as good in my opinion as Wabash incomes or Erie incomes or Seaboard incomes or St. Paul incomes, all of which are selling today at large discounts from 100.

The last time I was up here I gave you a comparison between the eight largest railroads in this country. We have 137 railroads, but eight of them do about 40% of the business, year-in and year-out, eight railroads in this country. And they also produce about the same net railway operating income, indicating that as two groups they have about the same quality of management. The first group is the Atchison, L. & N., Union Pacific and Pennsylvania.

Take a year like 1941, they had gross revenues—those four railroads—of $1,176,000,000.

The next group, New York Central, B. & O., Southern Pacific and Southern Railroad, had gross revenues in 1941 of $1,113,000,000, almost the same gross revenues. And it doesn't vary much whether you go down to 1938 or up to 1941.

Now originally this group on the top, this group of Atchison, L. & N., Union Pacific and Pennsylvania, they were called upon to support $1,938,000,000 worth of fixed debt and, furthermore, did successfully support that debt all the way through the depression, despite the lowering of rates and loss of almost 50% of gross revenue because of the depression.

The other four, the N. Y. Central, B. & O., Southern Pacific, Southern Railroad, they supported a debt at the same time, or tried to support a debt of $2,657,000,000. You can see the subsequent difference. These roads, doing about the same business, and one attempting to support almost a billion dollars greater in fixed interest debt. Now what happened?

These four roads that retained their credit, they were not satisfied with it. They reduced their debt $300,000,000 since the peak of the 30s. So they now support a debt of $1,650,000,000.

What did the others do? These roads, the N. Y. Central, Southern Pacific, B. & O. and Southern Railroad, at the beginning of this year, they had reduced that $2,657,000,000 down to $2,176,000,000, a reduction of $481,000,000.

Now this year, 1944, with the B. & O. reducing its fixed debt by over $100,000,000 through the McLaughlin Act, and reductions in Southern Pacific and the New York Central and the Southern Railroad, in my opinion they will end up this year with fixed debt of $1,770,000,000, which is about the same as the Atchison, L. & N., Union Pacific and Pennsylvania supported all during the depression, never needed or asked for any loans of any kind, and, as a matter of fact, L. & N., Union Pacific and Pennsylvania paid dividends nearly every year all through the depression. The L. & N. skipped, I think, once.

Therefore, these four roads which have been problem children, New York Central, B. & O., Southern Pacific and Southern Railroad, our biggest problem children, now have their debt down in my opinion at the end of this year equivalent to the debt that these four good roads carried without any difficulty.

Position of Railroad Stocks

Now go over to the stocks and see the reflection in the public minds of that, because, after all, you make money discounting things. You don't make money after you can prove that these four roads have got their debt down to depression-proof levels. Stocks will be up where these other stocks are at that time. Right today the public evaluates the stocks of the Atchison and L. & N. and Union Pacific and Pennsylvania at about $1,210,000,000 and stocks of the New York Central, B. & O., Southern Pacific and Southern Railroad, including the preferred in each case, at $406,000,000.

Sometime in the next 18 months or two years, when the people realize that this second group of roads is eventually going to be as good as the first group of roads, you are not going to gave $800,000,000 market value difference between the first four and the second four.

Now people say, "Well, you don't include the other income of Union Pacific," so I will give you the amount of money available for interest, dividends and surplus of these two sets of four roads. The amount of money available for interest, dividends and surplus in 1941, which is my conception of a normal year in the prospective future, for that group led by the Atchison, L. & N., etc., was $222,400,000, and for the other group, $223,000,000.

While I have mentioned L. & N. a minute ago, I can't help but think that L. & N., with the record it has, still selling to yield 7%, with their bonds selling to yield 3½%; it never happened in normal times and it is not going to continue in my opinion. In other words, either the bonds are too high, or the stock is cheap. 5% yield on L. & N is 140, and it closed today, I think, around 101. But I only mention that to say that I think the stock, in my opinion, is attractive.

Yet the situations of L. & N. and Rock Island are somewhat akin, not far apart. The market value of L. & N. bonds and stocks, tonight, is about $300,000,000. The market value of the Rock Island tonight is about $150,000,000.

Those are things you have to discount in advance. Rock Island income bonds are not going to continue to sell at 73, and the preferred stock at 50, and the common stock at 19, when they handle $100,000,000 worth of gross revenue as well as the present management has been handling it.

Question of Railroad Wages

On numerous occasions before I have given you my conceptions of the problems of wages on railroads. I claim that wages will remain a definite proportion of gross revenues in normal times. In modern times, they always did and I think they will. I think that the present efficiency and prospective efficiency of railroads can more than overcome increased wages as they have in the past.

But let me tell you something about wages. We always hear something about wages on railroads, nothing much about wages in other industries.

This wage thing, if it becomes insurmountable in the railroads, it is going to become insurmountable in Allied Chemical and American Telephone and all the rest of your industries. So if you are really worried about the wage problem, then go seek governments or municipals or cash, because I don't think in the corporate field you can isolate the wage problem to one group and not to the other.

Take the airlines that you hear so much about. The CAB report for the year ending July 1, 1944, compared with that ended July 1, 1943, all domestic airlines, the revenues were up $21,827,000, and the operating expenses were up $24,531,000, and yet you hear so much about the railroads' wage problem and you hear little about the others.

Take the utilities industry. The Federal Power Commission just issued its report, 1937 to 1943. The amount of money left for interest, dividends and surplus of all the utilities reporting to the Federal Power Commission for the year 1943 compared to the year 1937—and you all know about the kilowatt production being way up, just like ton miles are way up—was an increase of $10,000,000. The income available for interest, dividends and surplus of all the utility operating companies reporting to the Federal Power Commission in 1937 was $749,359,000 and in 1943 it was $759,359,000, an increase of only $10,000,000.

Another thing—I don't think I have mentioned this to you before—is that for a long time our wages were not competitive with new industries, such as automobiles and the chemical industry and various others. If you worked on the railroad in 1916, you received 28 cents an hour, and an annual wage of $891 a year. That figures out around $17 per week, a 60-hour week, a 10-hour day.

If you worked for the railroads last year—this is the average man, understand, this is not the engineer; this is the average for the whole 1,400,000 employees—you got $2,605 for the year, 92½ cents an hour, and you worked a 54-hour week, which is about $50 a week.

So don't let anybody tell you that railroads are no longer competitive with industry generally. I don't mean the shipbuilding industry, but I mean industry generally in normal times. So we are no longer, in my opinion, vulnerable to attacks by wages, relatively.

The Dow-Jones Averages and Dividend Prospects

Going back a minute to the Dow-Jones industrial averages and the railroad averages, which closes today at a spread of over 100 points. First, the 20 railroads in the Dow-Jones averages comprise about 66,500,000 shares of stock, but five railroads make up 44,500,000 shares out of the 66,500,000 and you obviously can see the influence of the Pennsylvania and the Canadian Pacific in the Dow-Jones averages, because they alone represent 26,600,000 shares.

Next is the Chesapeake & Ohio, 7,700,000 shares. Then the New York Central, 6,400,000 shares. Then the Southern Pacific with 3,800,000 shares. Those five railroads comprise about two-thirds of all the shares in the Dow-Jones averages. The average number of shares outstanding for the balance of those 20 railroads in the Dow-Jones averages is 1,300,000 shares, which is a leverage situation by comparison with most industrials.

In the period 1937 to 1943, inclusive, the Dow-Jones Industrial Averages, 30 stocks, earned $68 per share, and paid $47 per share, or they paid about 70% of what they earned. The railroads in that period, these 20 railroads in the Dow-Jones averages, earned $37 per share and paid $12; 32% was paid out in dividends.

In 1943, last year, the Dow-Jones industrial averages earned $9.66 and paid out 65% of it. They paid out $6.30. The railroad averages earned more last year than the industrial averages. They earned $10.19, and paid $2.63, or about 25% of what they earned.

Obviously, rightly or wrongly, if the railroad averages had paid out two-thirds of what they earned, they wouldn't be selling at 45. Would they be selling at par? Then they would be war babies. Would they be selling at 125? Then they would be war babies. But they are not selling at those prices. What did they do with the money?

The difference between $37 and $12 is $25, and you multiply $25 by 66,500,000 shares, and you produce $1,600,000,000 that went to surplus into these 20 railroads in the period 1937 to 1943. That is where you get your bond reduction. That is why you have had a restoration of bond credit, and that is why the public has not as yet been willing to assume that some day when the bond program is completed, this earning power will be given out to them in the form of dividends. And I think that time is fast approaching. It has approached in numerous situations and I think it will become greater the next quarter and the next half of next year.

Don't think that I am recommending the sale of industrials. I am not. I am recommending the purchase of rails because in my opinion they are out of line with the industrials. I don't say that the industrials won't go 40 or 50 points higher, but I do know one thing, you have no insurance in the industrial averages. And, if we are going to hit a depression, they all go down. They always did. My sales resistance now is that after the war, why, all the rails will go right back to where they were in 1938, but the industrials will stay where they are. Well, it never happened yet.

Let me give you a few prices between 1937 and 1938. At one time in 1937 Allied Chemical sold at 258. In 1938, at 124. American Can, 121 to 70. I am reading the stocks in the Dow-Jones industrial averages. American Smelting, from 55 to 28. American Telephone, from 187 to 111. American Tobacco, from 99 to 58. Bethlehem Steel, from 105 to 39. Chrysler, from 135 to 35. Corn Products, 71 to 53.

In other words, pick out the one that resists a severe business decline. Which is the one that stays up there? I am emphasizing this because I say if they can justify those prices for the Dow-Jones industrials, railroads are cheap. They have to be. And if you think there is great risk in the railroads, then there must be great risk in the industrials.

But just to continue to prove to you that nothing escapes if we are going to have ruin and stagnation in this country. DuPont, 180 down to 90. Eastman, from 198 to 121. General Electric, from 64 to 27. General Foods, 44 to 22. General Motors, from 70 to 25. Goodyear, from 47 to 15. International Harvester, from 120 to 48. International Nickel, from 73 to 36. Johns-Manville, from 155 to 58. Loew's, from 88 to 33. National Distillers, 35 to 17. National Steel, from 99 to 44. Procter & Gamble, from 65 to 39. Sears, Roebuck, from 98 to 47. Standard Oil of California, 50 to 25. Standard of Jersey, from 76 to 39. Texas Company, from 65 to 32. Union Carbide, 110 to 57. United Aircraft, from 35 to 19. U. S. Steel, from 126 to 36. Westinghouse, 167 to 61. Woolworth, from 65 to 36.

That is the last depression we had. What industry escaped? None of them. The rails won't, either. Don't worry about that. They go together. But we have got rid of the bankruptcy risk in railroads. That is why these stocks have never really recovered, first because the bankruptcy fear eliminates a great many people buying; and, second, because the railroads had to use their surplus to get rid of that bonded debt, which caused and created the danger of bankruptcy.

These 20 stocks in the Dow Jones railroad average are compared with the 30 stocks in the industrial averages. There isn't a non-dividend paying stock in the industrial averages. There isn't a stock in there that has not consistently paid dividends. They are all big dividend payers, witness the fact that they pay out 65% of everything they take in.

Now let's go to the rails and pick up five, if we can, of a similar nature. There are only five. There are only five rails in the Dow Jones averages that have paid dividends each and every year of the last 11 years, and they are the C. & O., Union Pacific, Norfolk & Western, Pennsylvania and L. & N. But they don't sell at 45. The average, the comparable average of the railroads, that is, the five dividend-paying railroads which have paid dividends as consistently as the Dow Jones industrials, are selling today at 105, not 45. That is the price, if you added it up, of C. & O., Union Pacific, Norfolk & Western, Pennsylvania and L. & N.

Now what is next in the Dow Jones rail averages? Great Northern and Atchison. Why? Because they paid dividends irregularly. But first, in those first five railroads, last year they earned $12.21 and they paid out $5.80. They paid out 47% of what they took in, against comparable stocks, industrial stocks, paying out 65%.

Now in this next group of two, Atchison and Great Northern, irregular on their record of dividend payments, but high grade, never having been in any real trouble, last year they earned $15 and paid $3.66. They only paid out 24% of what they earned, in both cases using their earnings, their surplus earnings, to pay and reduce their bonded debt. They sell today at an average price of 61½.

Now we come to the nominal group; that is, those paying nominal dividends, the group that last year earned $10.18 and only paid $1.30. They paid out 12% of what they took in. Canadian Pacific, New York Central, Northern Pacific, Southern Pacific, Southern Railroad and Atlantic Coast Line. They are selling today at an average price of 29.

Then we come down to the non-dividend group, which last year earned $10.47 and paid nothing. B. & O., D. & H., D. L. & W., Illinois Central, Nickel Plate and Boston and Maine, selling at an average price of 20. That gives you a much better idea of forecasting what these stocks can do, because if Atchison and Great Northern can reduce their debt as they have done, there is no reason why they can't move into the next group; into the L. & N., Union Pacific group of stocks. And likewise, the progress that the Coast Line has made will move it into the Atchison group. And as Southern Pacific, Southern Railroad and the rest of them go along, they will do likewise.

Then in your non-dividend paying group such as D. & H., it has already resurrected its bond credit. There is no reason that I can think of why that shouldn't go into the dividend-paying class next year.

The Nickel Plate has resurrected its bond credit. It had one more problem to do, the adjustment of its preferred. If it does that, there is no reason why that stock can't come out of the non-dividend paying class.

Likewise for the B. & O., D. L. & W., Illinois Central and B. & M.

The greater your problem, the heavier your debt, the slower you were, the faster you are, determine the timing. As I have always said, the bonds will tell you, as they did in D. & H., when to buy the stock.

Railroad Stock Yields

Now let's look at the yields. L. & N. bond credit tonight yields 3⅜%. Why?

L. & N. stock yields 7%, 350 basic points. 100% difference in yield between the bond and stock of the same company. They paid their dividend every year but one. They have paid their interest every year. Now something is wrong. It is not going to stay that way.

Five per cent yield, as I said before, in L. & N. stock is a 140 price.

Take Pennsylvania. Pennsylvania bond credit is yielding about 3.50%. Their underlying credit is certainly worth 3% and general credit worth about 3½%. Yet you can buy the stock tonight to yield 8%. 5% yield in Pennsylvania is 50, and the stock closed at 32.

Take Great Northern. Their bond credit is on a 3.40 basis, and if you figure a four dollar dividend, which the stockholders are certainly entitled to in 1945, the stock tonight is on a 9½% basis against 3.40% for the bonds.

Take Atchison. The bonds are selling at 126. What yield is that—less than 3%, about 2.97, and the stock at 78, yields 8%. 5% yield on Atchison is 120.

Take Southern Railway. The 4s at 98 yield almost 4%. I am picking out the junior bonds here. And yet the stock, if you figure it on a $3 basis, at 33, yields close to 10%.

Atlantic Coast Line. Bonds on a 4.50% basis, and if you figure at least a $5 basis, the stock is yielding over 10%. 5% basis on that would be $100 a share.

Southern Pacific bonds are close to 4.90 basis, and if you figure the stock on a $3 basis, it is close to 9%.

You can go on down in that manner and follow the other ones to see that as the bond credit improves, stock prices improve, and through this payment of debt, it will allow dividends. And they will have the earnings and have the dividends if you can justify 150 or 155 in the Dow Jones industrial averages.

You can see, as I have said before, how stocks follow bonds. It was only 21 months ago when D. & H. sold at 51, and the stock sold at 9. They solved the bond problem. The bonds are 98½, and the stock at 34½.

I can give you similar examples in other roads where you have to discount what is going to happen, and not wait until it has happened, and you can follow it by following these plans of reorganization, not only the ones I am particularly interested in, such as the Rock Island and Seaboard and St. Paul, but in the B. & O., the D. L. & W., Lehigh Valley and some of the others—Nickel Plate. Take Nickel Plate, bonds 21 months ago sold at 55 and they are called. The stocks sold at 11, and it is now selling at 34.

Illinois Central, the debenture bonds, the 4¾s of 1966 were selling at 38, and the stock was at 6. The bonds have made a partial

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Railroad Stocks Should Follow Railroad Bonds

(Continued from page 2821)

recovery to 78. The stock is at 20. Do you think the stock will be at 20 when the bonds sell at par? Of course not.

The B. & O. the same way. These B. & O. incomes, 4½ of 1960— when they sold at 18, the stock was at 2. The bonds are now at 50, and the stock at 10. Do you think when those income bonds sell at 80 or 90, do you think the stock is going to sell at 10 then? No. I don't think so.

Take the Erie. When the new first mortgage bonds traded at 1942 prices—I am not using 1938 prices—I am using 1942 in all my past comparisons. The first mortgage bonds sold at 86, the incomes at 45, the preferred at 30, the common at 5. Now today the bonds, first mortgage bonds sell above the call price, the incomes at 85, and could go to par. The preferred at 69. If the incomes go to par, the preferred should go to 90, and the common will not be at 13, on the 8% basis with a dollar dividend, and if you can figure a $2 dividend, on a 16% basis—that too will follow the model of the others.

You saw the same thing happen in Wabash. 2½ years ago I recommended Wabash incomes to you at 23. They closed tonight at 88. And they incidentally are the Bs, not the As, which closed at 92. You can't have the model for the common, because the Pennsylvania owns it all. But what happens to the preferred? It was then at 13, and it closed today at 67.

These are not rank speculations as some people think they are. They are only discounting what is going to happen, war or no war, when you resurrect credit. One way as in the Erie and Wabash, through reorganization, another way, through reduction of debt in the open market.

Railroad Reorganization Bonds

Now if you believe any of this that I am telling you, you get back again to defaulted railroad bonds, because you can still create income bonds of the new systems and preferred and common for almost nothing.

Take, for instance, the Seaboard 1st 4s of 1950. When I was here on May 19, they closed at 63. They closed tonight around 82. And as I have told you before, they get $137 in first 4s, which I claim will sell at par, and I am not claiming very much. They are 98½ bid.

The income bonds, I claim, will sell at 85 or 90, but I will use a price of 85. They are selling at 68, one of the cheapest income bonds on the market, Seaboard incomes at 68.

Forget your prejudice. You know, if you traded your prejudice for the last five years in railroads, you would still be waiting to buy them.

But now to continue, Seaboard 4s of 1950 get $137 in firsts, $700 in incomes, 4.6 shares of preferred, which I think will sell at 70. It is selling at 51 now. And 3.7 shares of common, which is selling at 20. I put a price of 30 on that. I think it will sell higher than that, because in my opinion there will be at least two roads in this country that are being reorganized that will be run by the stockholders. One is the Rock Island and the other is the Seaboard. And for the benefit of the stockholders. I don't mean they are going to waste this money, but I mean if you earn $15 and you are reorganized, if you have no problems, there is not going to be an argument about whether you are going to get $5 of it.

Now if you add those up at my prices, bonds are worth, including the cash you are going to get, the bonds are worth about $1,300. They closed tonight at 81. And they closed May 19 at 63.

St. Paul gold 5s, 75. I would recommend the Generals to you at 95, but I don't think you will buy them at that price. So we will take the St. Paul 5s at 75, selling tonight about 65. You get $180 in incomes. I put a price of 85 on that. You get 9.2 shares of preferred. I put a price of 70 on that. One share of common, 25. Cash of $306, and the bonds would be worth $1,150. Closed tonight at 65.

MOP 5s selling around 70, $400 in 1sts, $520 in incomes, 2.2 shares of preferred, and cash of $100, which adds up to around $1,200, against their present price of around 70.

Without giving you the details, there is still that same approximate capital appreciation in Rock Islands, New Havens, St. Louis-San Francisco, and some of the others.

I have indicated to you in that first group of 5 stocks that I think L. & N. common is cheap. I indicated that Atchison and Great Northern will move out of that group into the next group. In the next group I can't recommend them all, but I certainly would Coast Line, Southern Pacific, Southern Railroad.

In the next group Illinois Central, Nickel Plate, D. L. & W., D. & H., B. & O. I believe they will all get out of that non-dividend group some time.

Now just to mention a few other things. You know, for the last two years I have been talking on some of the borderlines, that for example Nickel Plate was going to resurrect their credit, that Pere Marquette was. Now the Nickel Plate has restored their bond credit. They are doing it. The banks and insurance companies and fiduciaries now buy Nickel Plate bonds. It is unfortunate that they have to wait, when they could have bought them at 59 some 21 months ago, as 5½s and 4½s. I can't change the rules. Apparently they can't either, but we as individuals can discount it, and we as fiduciaries can hang on until the call price with all of our discount bonds.

Stability of Railroads

I have tried on numerous occasions to tell you that the railroad industry sells nothing but service, ton miles and passenger miles, yet people will try to tell me that it is the most unstable industry in the United States. Now a service industry can only be as unstable as those who use and buy ton miles and passenger miles. Therefore, I think, relatively, the railroads, forgetting the financial angle, are just as stable as industry is generally. You can find exceptions, naturally. But that is one of my thoughts that I want to leave with you.

Now I claim that railroads are going to be up and down with industry generally. They will go up and down with this country. I have tried to show you that even at this point they are not war babies, they are not discounting the war earnings, because you are not getting much of it in dividends. The bond market has rightly discounted it, because you are losing half your bonds, and 47% of your bond issues.

They have no maturities in the reorganized companies, and through this B. & O. thing, and somewhere along the line the Illinois Central, those maturity problems will be taken care of. There is no danger of bankruptcy. You are going to have good capitalizations. You are going to have a net working capital position of over two billion dollars to start off whatever we have to start off.

Rates are regulated for railroad competition. Management for the first time is out trying to sell railroad service and trying to improve their efficiency, and they have done so. We have no more wage problems than industry generally.

The dividends, or lack of them, will be corrected, I think, in each case when these bond problems are solved. I don't know—I have never been able to develop any kind of a formula which I could use as a yardstick to tell you when they are cheap as compared to last week or next week. I don't think any man will ever be able to do that. In other words, I don't think you would ever be able to figure out just exactly at some particular moment what any stock is worth. I have never been able to do it.

But my belief is that investment or speculation, call it what you will—you have heard me label it before—investment or speculation is nothing but enlightened attempt to forecast the future. You can't prove the future. You can only use this forecast, based upon your knowledge and the knowledge of other people, and their opinions as to what the conditions might be, particularly relatively. And if you have the thoughts—the thought that has always guided me is that the competition of the market never proved anything. When MOP's 5s sold at 10, it didn't prove anything.

Well, why—and I say this guardedly—why must I assume that somebody who pays par for a bond knows anything more about it when he sells it at 12 or 13? I don't assume it and I never will. I realize that there are compulsions and forcements and all kinds of regulations, but so far as being able to know more about the value, it isn't true.

So that prices don't necessarily prove anything.

Now, another thing, the conclusion I am trying to make is, what the crowd wants never establishes quality. That is really saying the other thing backwards. But those two concepts have always guided me.

Editor's Note—The foregoing address was sponsored by L. F. Rothschild & Co. in Boston.

Brazil's Attitude on Bretton Woods

Her Finance Minister, Who Was a Conference Delegate, Asserts the Agreements Attained "An Objective Indispensable to the Good Order of the World." Likens the International Fund to an Insurance Institution, and Maintains That Plan Does Not Eliminate National Exchange Controls, But Prohibits Restrictions on Payments Already Contracted to Be Made Abroad.

Brazilian Finance Minister Arthur de Souza Costa, in addressing the Commercial Association of Sao Paulo, Brazil, on Oct. 27, 1944, explained to his audience the provisions of the International Monetary Fund and the International Bank for Reconstruction, as set up under the agreements of the Bretton Woods Conference, and pointed out the importance to Brazil's future in the successful inauguration and operations of the proposed institutions.

"After a war like the one we are now going through, where thousands and thousands of lives pay the price for the indifference of some nations for others," the Finance Minister stated, "it would be a calamitous mistake to repeat the crimes of contraction committed in the decades prior to 1939.

"It becomes indispensable to create international organizations for the coordination of the monetary policy in relation to world trade and orientation of the flow of capital from some countries into others. We cannot count on a better world without planning for a permanent institution of re-equilibrium of balance payments by means of a methodical cooperation among the nations."

"With this in mind," he continued, "the Allied Nations—the United States and England especially—decided to hold the Bretton Woods Conference.

"You will recall, undoubtedly, that, when referring to this attitude of the United Nations, I considered it a movement of faith arising against the sentiment of distrust created by isolationism in the 1918 post-war period, a new outlook which it was hoped would impress itself upon the destinities of humanity.

"It was this ideal which animated the Bretton Woods Conference, in which I had the honor of heading the Brazilian delegation and regarding the work of which I am today seaking to you.

"We are convinced that, in order to assure good order in the world and continuance of an era of peace, it is necessary that all United Nations combine toward the creation of a monetary policy which will not permit, in the future, the renewal of the procedures previously used and by means of which there was conducted a real trade war, by means of exchange rate modifications.

"The 'International Monetary Fund' and the 'Bank for Reconstruction and Development' represent the possibility of this cooperation." . . .

Fund Is for Seasonal Use

Using the principle of mutual insurance as analogous to the Monetary Fund, Mr. de Souza Costa said: "By virtue of their nature, the Fund and the Bank may not offer immediate compensations to many of the participating countries. Some of them, in fact, foresee the hypothesis of being but contributors in favor of others, but such contribution is of advantage to all.

"What would happen to economic development if we were not able to create insurance institutions, with the idea of demanding from the majority of the insured indefinite contributions in favor of a minority which suffers injuries and damages?

"The Fund, in the final analysis, is an insurance institution against fluctuations in the balance of payments. If all contribute to this Fund we shall be able to diminish the harmful effects of economic disequilibrium in international trade to the benefit of all. . . .

"The International Monetary Fund is therefore an institution destined to aid the countries in maintaining the equilibrium of their balance of payments when it is affected by oscillations of a seasonal or cyclical nature." . . .

Necessity for Exchange Control Seen

The Finance Minister stressed the point that the Conference agreements do not prohibit national exchange control.

"Attention might be called to the fact," he said, "that an organization with the objective of normalizing the exchange situation should have permitted the existence of exchange control; however, one should not confuse exchange control with exchange restriction.

"It was fully agreed among all nations signing the Agreement that there would no longer be exchange restrictions with respect to payment of merchandise imported and the payment of interest service on capital investments within the country. There may only exist exchange control relative to the movement of capital. By virtue of the almost absolute impossibility of foreseeing the flow of movement of capital during the forthcoming years, the countries reserve to themselves the sovereign right of controlling capital.

"Relative to control over the payment of services on the public and private debt, or importation of merchandise, it was established that after the creation of the Fund there would not exist restriction of any kind, in any country, which would be a part of the new institutions." . . .

Brazil Needs a Healthy Europe

As to Brazil's interest in the success of the international agreements, the speaker said:

"With regard to the Bank for Reconstruction and Development, founded likewise with the collaboration of all the United Nations it has as its principal objectives the furnishing of credit for the reconstruction of the countries devostod by the war and attending to the necessities of the countries whose economies are in their primary phase and which are in need of resources.

"It may seem, at first sight, that an exaggerated importance is given to the reconstruction of the devastated countries. This was a point which gave rise to the greatest amount of discussion.

"I have the impression that the criterion which prevailed is the real one, as it has in view the reestablishment of world equilibrium.

"To justify this criterion it is sufficient to verify the importance of the European Continent in the economy of the world. Some figures will better express what I have said. . . .

"It was not possible, consequently, to think about the reestablishment of the economic order, leaving aside, whether because of its having been devastated by the war or for any other circumstance a conglomeration of such magnitude in the mass of the world. What it represents as a consumption market and as a force of production is highly important, especially for a country of the economy of the United States, a great producer and great creditor of other countries.

"If we examine the fact in relation to Brazil's economy, taking the 1938 figures, we shall likewise arrive at similar conclusions in regard to the importance of Europe as a market for our products and a source of supplies for our requirements.

"The Bank for Reconstruction, having as its principal objective the restoration of Europe and the reestablishment of the industrial and economic order, envisages, very appropriately, the solving of the economic problem and, more than this, the political problem, preventing unemployment." . . .

Bretton Woods an Achievement

The Finance Minister concluded his address by saying:

"Other international conferences —that of Brussels in 1920, that of Geneva in 1922, and even that of London in 1933—concluded by proposing this policy of cooperation, of wholesome and sund undertakings among men, but the Bretton Woods Conference went further; it studied and examined the interests at hand; it considered the prejudices of public opinion existing in England and in the U. S. A., as well as throughout the world, pondering them, making concessions on many points, even sacrificing solutions which in the technicians' opinion were considered excellent points; it tried to obtain adequate orientation to all practical aspects—finally it drew up a code, a regime, to make the world's monetary system function, assuring a relative stability in the value of the currencies.

"Bretton Woods, gentlemen, has therefore attained an objective indispensable to the good order of the world."

Here Are Some More Expressions On Peacetime Training Proposal

(Continued from page 2814)

Training Benefits

Valuable benefits will accrue to all youth through this training. A complete medical examination prior to starting their one year of training will expose visible and latent physical defects. Correction of these defects will follow, with the result that the health standards of our youth will be raised. Youth will learn self-reliance—leadership qualities will come to the front. Youth will learn not only to obey, but also how to command. At an early age they will learn the value of teamwork and they will learn to sacrifice. All of these qualities will build civilian and business leadership to strengthen their adult years.

In the next war it will be possible to bombard cities across the ocean by radar and electronic-controlled artillery, robot bombs and rocket planes. Vast armies will be transported in giant aerial troop carriers. Speed such as we have never dreamed of will mark the attack. It takes months to train men to operate a gun turret in a bomber, to drive tanks, to fly planes, to accurately fire artillery and to maneuver ships in battle. We shall not have time to mobilize and train after another Pearl Harbor—we must be ready to mobilize and fight. By saving critical time, universal military training may save our country.

There is no sacrifice too great to retain our free way of life.

H. M. KIRKMAN

President, The Tradesmens National Bank of New Haven, New Haven, Conn.

I feel very strongly about the subject matter of your symposium as I was born and raised in the Army, been in the service and been greatly impressed by the fact we have never had a war yet without being caught unprepared, and when the millenium is reached, and the lion lies down with the lamb, then only can we expect to have our country be able to take care of itself without a military organization.

H. M. Kirkman

I read with interest the Rev. Cyril F. Meyer's opposition to the program ["Chronicle" of Oct. 26], and the views expressed by him are similar to those expressed by the isolationists in Congress, and that is the class of people which found us unprepared at the time of the Pearl Harbor catastrophe. It is all very well to say we should so handle Japan and Germany at the end of the war that there will be no more aggression in those countries, but do not overlook the fact those are not the only nations in the world from whom we might expect aggression.

I believe events have proven that true military training for our young men undoubtedly results in physical training such as is needed for all young men, and you have only to see the results in the training camps after these young men have been there three months; they have a different setup of discipline, regular hours and the proper food, which results in making better men and men in a better position to take care of us when trouble comes.

Let us not be caught unprepared again, realizing, as we do, there is no such thing as peace on earth as long as war is popular, much more so than peace among a great number of strong nations from whom we could expect no mercy if we were caught unprepared.

H. H. DEWAR

Dewar, Robertson & Pancoast, San Antonio, Texas

I should like to go on record as favoring universal military training. I am not fearful, as some are, that the training which our men are receiving is going to endear them to either militarism or fascism. Rather it has the contrary effect on all to whom I have talked. The war came along at a time when the moral fiber of our nation had been considerably weakened through many applications of paternal government theories, and though the horror of war is a terrible price to pay, a corollary of our participation in it, namely, universal training, has restrengthened this fiber. I hope that it will never be pulled down again, and I think that universal youth training will be a tremendous factor in maintaining it. Furthermore, in helping maintain peace in the post-war world, it is second to nothing.

H. H. Dewar

JAMES B. TRANT

Dean, Louisiana State University and Agricultural and Mechanical College, College of Commerce, Baton Rouge, La.

I read the discussion [in the "Chronicle" of Oct. 26] on compulsory military training between Rev. Cyril F. Meyer and President Harvey N. Davis with a great deal of interest. My own reaction to the question of compulsory military training is:

James B. Trant

(1) I am favorable to it on the grounds that the physical training and the stress on leadership would be desirable for our young men.

(2) On the other hand, I do not believe that universal compulsory training will have much weight on whether or not we will have another war. Those countries which have had compulsory military training have become embroiled in war about as much as any other country. I think, however, that the compulsory military training in those countries was the result of a warring spirit and not the cause of the war.

(3) I do believe strongly in an adequate peacetime standing army and navy with adequate equipment and with a very large air force so that we may have protection at all times.

(4) Then, should we have universal compulsory military training, we should in case of war be able to mobilize more quickly our manpower and we should have a more vigorous manhood than we had at the beginning of this war.

FRANKLIN STEWART HARRIS

President, Brigham Young University, Provo, Utah

The proposal for compulsory military training in peacetime has been up a good deal during the past few years. I have made some study of it, and as a result of this and of my previous experience I am very much opposed to compulsory universal military training.

Franklin S. Harris

I have seen it in operation in European countries and countries like Iran, and I have come to recognize many very serious weaknesses. I thoroughly believe in a nation's being prepared for the eventuality of war, but I believe there are many better ways to get ready than to have all our boys spend a year in military training. I believe it would be expensive and inefficient. I am sure there are many better programs that could be devised for the young men.

I believe that we should devote almost unlimited means to scientific research that will keep us well prepared. One good scientific discovery is more valuable than a million men when it comes to real emergency in war.

I hope, therefore, that we as a nation will not be swept off our feet by the sentiment and pressure of war time and adopt some program that would not be in the interest of the people of the nation.

JOHN H. SCHOUTEN

(Brigadier-General, Retired) Schouten-White & Co., Grand Rapids, Mich.

I have read with a great deal of interest the various discussions pertaining to post-war military training organization, and so forth.

Whatever remarks or conclusions I am sending you is the product of 45 years' service in the Michigan National Guard, the same outfit—32nd Division—now serving in the Far East, and which Division made an enviable record in World War I.

Gen. J. H. Schouten

I am very well posted on the faults of our National Guard system, which can all be remedied by our Congress, and with proper action from the Administration. I am of the belief that it is vital to the future military welfare of our armed forces that no new laws should be passed until the numerous, well-qualified officers of the National Guard shall have had the full opportunity to appear before Congress and pass to it the details of their service during World War II.

I make the same remarks with reference to the National Guard service in World War I, which produced penalties on National Guard officers which has been duplicated in the present war and which should be eliminated for all time in the future.

No new laws are necessary. Our existing National Defense Act permits the reorganization of the National Guard immediately after peace is declared, and if Congress will pass the needed appropriation bills we can immediately take the steps to give Uncle Sam an efficient and effective land force that will serve as well as the regular army in any future emergency.

The new National Guard should not be under guardianship of the regular army but should be as free and independent as the U. S. Marine Corps.

We are face to face with the problem of paying off a stupendous public debt. I am, based on my 45 years' service, firmly of the opinion that we can create a National Guard that will deliver the goods in any national emergency without conscription and at a fraction of the cost involved in any national conscription act.

But to accomplish that, Congress must come clean in a determination to create a force comparable to what all of us have dreamed of for many years since World War I. No military force will be better than what the people want.

WILLFORD I. KING

Professor of Economics, New York University, School of Commerce, Accounts and Finance

With reference to your symposium on the subject of "Compulsory Military Training in Peacetime for America," I wish to preface my remarks by saying that I believe pacifism to be the height of folly. War is a terrible thing, but every nation must nevertheless be prepared to uphold the principles for which it stands, even at the price of war.

Willford I. King

I have always been very favorably impressed with the results of military training in our colleges. Such training makes the boys learn to be alert, teaches them to act promptly, greatly improves their posture, and provides them with some of the information concerning military matters which every citizen ought to have. It seems to me that the more of our young men that can be given such training the better it is, both for them and for the nation.

But military training in colleges usually requires not more than three or four hours of the student's time each week for two school years. Such training does not interfere noticeably with his education. The bill now before Congress proposes to keep every young man in the army for a full year. This program would obviously substitute military training for one year of our present voluntary system of education. The only other alternative is to take a year out of the man's working career. The question at issue is whether the game is worth the candle. What will the young man gain? What will the nation gain?

Discipline vs. Freedom

We are told that the young man will learn discipline and will be educated in many things which he needs to know. Discipline has long been highly prized in Germany and Japan. In the United States we have thought more of freedom. Do we now prefer to adopt the ideals of the enemy? As a matter of fact, is it not true that one of the principal reasons why our soldiers are superior even to the Germans is that our boys, being brought up under conditions of liberty, are superior in initiative? Instead of learning how to obey, they have learned how to take responsibility.

Recently most of the young men in the army have been experiencing the advantages of army training. Undoubtedly they have learned much. Have they really learned as much of what will be useful to them in later life, even in war, as they would have learned in the course of high school or college training? I seriously doubt that such is the case.

We are told that army training is necessary to build up the health of our young men. In support of this point of view, the superior health of the man in the army as compared to the man in civilian life may be cited. Obviously, such a comparison is entirely fallacious, for the army has carefully weeded out all of the candidates having any physical weaknesses of moment. Whether army training has actually improved the health of the young men in the services is open to question. Strenuous training undoubtedly hardens those receiving it. Does it really strengthen them physically, making them healthier in after-life? We have no proof that it does. Instead, various investigations show that college athletes excelling in strenuous lines of sports tend to have lives much shorter than do their classmates who avoid athletics.

It is said that a large part of the boys now in the army favor universal training. They are doubtless actuated by motives much the same as those making sophomores anxious to haze the freshmen. They want to even up matters by inflicting upon the freshmen the unpleasant treatment which they, the sophomores, had experienced earlier.

Theory and Practice

The hypothesis of those who favor universal military training is that it will prepare the nation for eventualities and that the danger of attack is so great that our country must be prepared at all costs. Is this hypothesis logical? Past experience seems to indicate that wars tend to be spaced some 25 years apart, and, if we succeed in defeating both Germany and Japan decisively, no other immediate potential enemy is in sight. The probability is, therefore, that the boys who take military training in 1945-46-47 will mostly be too old to make desirable soldiers for the next war. Moreover, most of them will have families and will on that account probably be excused from service. Their training will therefore help little in preparing us for war when it actually comes.

Moreover, modern war does not call for great numbers of non-specialized infantry. Instead, it demands a great variety of specialization. Men must be experts in their particular fields. Is there any probability that, in time of peace, universal training courses one year in length will provide the types of specialization actually needed in the next war?

It seems obvious that what we really need is not to prepare men for the next war but, instead, to prevent the next world war from occurring. Clearly, we need a world organization equipped with a highly efficient, modern army, small but well trained in all the latest technical devices. This is something very different from the citizen army which would be secured by training all the boys for one year.

Unpreparedness an Asset

A fact commonly overlooked is that our losses in personnel would have been much larger if our nation had been armed to the teeth in 1914 or in 1939. Had we been thus thoroughly prepared for eventualities, we would probably have gone to war earlier than we did, and would have hence greatly increased our casualty lists. From the standpoint of national welfare, unpreparedness has therefore proved to be an asset rather than a liability.

Had we maintained reserves in full readiness for the next war,

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Here Are Some More Expressions On Peacetime Training Proposal

(Continued from page 2823)

we would doubtless have accumulated great numbers of war planes and war ships, practically all of which would have been obsolete when war was actually declared. The naval holiday agreed upon after the last war saved us billions of dollars without putting us to any disadvantage in the armament race.

Expensive Process

Those who advocate conscription in time of peace say nothing about the fact that maintaining such a huge army will be a very expensive process. They do not mention the fact that we have a crushing war debt which should be liquidated as rapidly as possible, once the war is ended. Unless we reduce our military expenditures, is it likely that we will even balance the budget, to say nothing of paying off the debt?

As a matter of fact, is not this plan for universal conscription merely a part of a much wider program to subordinate the individual to the Federal Government? Do the people of the United States really want more and more regimentation? In brief, are we anxious to become a nation of robots, governed by the rulers of a Fascist or Socialist State? That seems to be the real question at issue.

A. C. WILLARD

President, University of Illinois, Urbana, Ill.

I am strongly in favor of compulsory military training. My conviction is based upon the previous experience of our country in attempting to expand our armed forces after war was declared in two world wars.

Arthur C. Willard

Millions of men had to be trained in a hurry to fight with the most complicated mechanized equipment the world has ever seen. Thousands of men were killed in training under such hurly burly rush conditions resulting from our gross unpreparedness to fight on land, sea, and in the air.

The next war will demand much more skill and there will be far less time to prepare for it. If we had been ready to fight a highly mechanized war, such an aggressor as Japan would never have attacked us. In my opinion, adequate preparedness (military training for all youth) costs far less than war in lives, treasure and social values resulting from unpreparedness.

In addition to the basic compulsory military training, presumably a one-year program, it will be necessary to train a large proportion of officers in a wide variety of highly technical and scientific fields at the college level. Such additional training can be given most effectively in State universities and land-grant colleges in which ROTC units would provide also for advanced instruction in military science. This would also make it possible for many thousands of young men to fulfill their basic military training obligations during summer periods, and to prepare themselves for service as officers with a minimum interruption of or interference with their academic or professional training. Such a program would in no way deprive those qualified men who are not going to college of the opportunity to enter officer-candidate schools on completing their year of basic training.

ROTC Important Factor

The former ROTC system, suspended during the war, made it possible for students in many colleges and universities to qualify for and secure commissions as reserve officers in the Army. No less than 50%, or about 75,000 of the officers in the United States Army during the initial stages of mobilization for the present war, were secured from the graduates of colleges and universities having ROTC programs. Just prior to the war the Army was receiving officers at the rate of 10,000 per year from the ROTC. It is obvious that without such a supply of officers, inadequate though it was for the present conflict, the mobilization would have been greatly retarded and we should not have been as far along as we are now. Such an important and highly valued system of securing officers should be an integral part of any national military training program.

I have read with interest the various articles which appeared in your issue of Oct. 26, giving other views, pro and con, on this subject.

DR. JOHN THOM HOLDSWORTH

Dean Emeritus, School of Business Administration, University of Miami

The only valid argument for a year's compulsory military training for all American youth is that if another world war should come, say, 20 years after we have finished this one, and we become embroiled in it, we should have a very large reserve of young men (and women) all ready to go places the minute the shooting begins.

John T. Holdsworth

Hitler's rapid overrunning of Western Europe and the near accomplishment of his satanic designs was due to long preparation, to the minutest detail, to the military and "master race" indoctrination of the entire German people and, above all, to the development and utilization of the most modern strategy and machinery of warmaking. The peace-loving nations of Europe, not thus prepared, fell one by one before the motorized Nazi juggernaut. In nearly every one of these overrun countries compulsory military service had been required for years. Against the mechanized, swift-moving might of the German war machine they might about as well have tried to defend themselves with their bare hands. If the civilized world fails to lay firm foundations for an enduring peace future wars will be still more mechanized and infinitely more destructive—witness Germany's belated robot bomb.

Pattern of Future Wars

Admitting the conception that yesterday's wars, and in large part today's wars, depended mainly for their outcome upon the foot soldier armed with gun and grenade, will that be true for tomorrow's wars—if they come? Unless men's capacity for thinking, inventing and planning become atrophied, future wars will surely be more and more scientific, mechanized, robotized and directed by highly-trained technicians, and less and less combat manpower will be needed. Why then take millions of our youth from peacetime pursuits and production to spend a year in the arts of destruction? A year taken out of the life of every 18-year-old boy to be trained for "the kind of wars we used to have" is a mighty serious business, a frightful waste of time and good stuff—unless demonstratably necessary.

So, retorts the militarist, you are opposed to regular over-all military training of our youth for the defense of our country and our liberty. **Most certainly not!** I am protesting, rather, against the assumption that the peacemakers cannot make a peace that will stick; and if this assumption be accepted we shall not make the mistake of looking backward instead of forward, of training our youth to fight yesterday's wars rather than tomorrow's. This is neither isolationism, defeatism, or smug contentness.

Training in Science of War

Assuming that future wars—if they must come—will be wars of chemicals, incendiaries, destructive gases and germs, and still newer weapons of destruction designed to annihilate whole populations, should not our defense program emphasize training in these new scientific, technical and engineering fields? And, if so, cannot this be done on a voluntary basis through West Point, Annapolis, and air schools, expanded and geographically distributed—and all consolidated under a Department of Defense? Thousands of young men now in the service and others coming up would elect to remain in it if assured of further training, and a career. Even with an assured peace there will be a wide and attractive field of service for the technically trained officer all over the world.

Supplementing these officer training schools, expand and modernize the ROTC in our colleges, with emphasis upon science, history, modern languages and business administration. Some part of this training might well reach down into our high schools and academies. Not, basically, for any special disciplinary value such training is assumed to have (physical, moral and mental discipline can be as well, if not better, inculcated through other channels —the home, school, church, clubs, etc.) but rather for its value in team work, unity and coordination, tolerance, and the give-and-take of competitive effort. And, for older men and those unable or indisposed to go on to college, technical and professional schools, invigorate and enlarge the home guard, State militia, and other military and semi-military organizations.

Draft Will Serve Purpose

Having thus provided for a continuous supply of well-trained, well-educated young men to serve as commissioned and petty officers and a volunteer reserve force of officers and men subject to call for short periods for special training to keep them abreast of changing war procedures, what if another war should come, and suddenly? Whence, then, will come the millions of youth to be quickly trained for the national defense? Answer: from the same source as yielded the 11 million to fight and, with our allies, to win the present war—enlistment and the draft. If, in spite of the assurances that the coming peace **must** provide against secret or open preparation for aggression, blind war-makers should march (better to say fly) again, the draft surely will have to be employed as in past wars. The youth being trained in the year the war breaks out would certainly not be adequate in numbers or military proficiency for this emergency. Granted that the preceding classes of trainees would augment the number having "rudimentary training," yet most of these would have to undergo refresher, up-to-the-minute training for the new type of warfare. What real advantage, then, in taking each year millions of our youth from preparatory and productive effort to prepare for a war which, if it comes, will certainly call for more and different over-all training?

Burden of Proof

The burden of proof rests on the militarists and those who have no confidence in the wisdom and foresight of those international statesmen who will write the coming peace in terms which will make aggression and war-making the most difficult and hazardous of all human ventures; or on those little isolationists who cannot visualize either a Supreme International Council or an International Supreme Court, as projected at Dumbarton Oaks, which would function in the arbitration of international disputes and the administration of justice among nations, great and small, as effectively as our courts and arbitral organizations function here at home; or, again, on those who scoff at the idea of an international patrol or police alert to prevent incipient war preparations or to quell the disturbance before it gains headway; or, finally, on those who have lost faith in the good, old, homely virtues of goodwill, live and let live, honest dealing and friendliness, the Golden Rule, and "the passion for peace" applied to international relationships.

And if the militaristic isolationist can prove his case before the bar of public opinion, if he can persuade the American public that compulsory military training is either necessary or wise, he must still justify the taking of a whole year for such training rather than, say, six months or less, broken into two stretches of three months each.

In any event, we should not be hurried into such a momentous decision. It will be better to wait until the emotionalism of this war has passed, and the probable effectiveness of the peace can be calmly appraised. In making this decision, not delay but precipitateness is dangerous.

ROBLIN H. DAVIS

President, The Denver National Bank, Denver, Colo.

I am thoroughly in favor of compulsory military training, with some modifications. I think that colleges, both State and private, should be required to include a one-year's course of military training for every student. This could be provided over perhaps two college years in order to give a full 12 months' training. I believe that students should be given credit for this training equal to those given for scholastic work. My reason for holding this view is that if a young man has to defer his college entrance for one year after presumably he is ready to go to college, it would operate, in my opinion, very adversely for the young men of this country.

Roblin H. Davis

Certainly we should have as many young men as possible enjoy the advantages of a full four-years' college course and, as I said before, to defer this, in my opinion, would be unwise.

Of course, there are many details which I might go into in connection with such a program, but, generally speaking, I am in favor of compulsory military training, with modifications.

Ohio Brevities

(Continued from page 2810)

Next highest bidders were Weil, Roth & Co., Van Lahr & Co., Dahl, Isphfording & Co. and Walter Woody & Heimerdinger, all of Cincinnati.

* * *

Elbert A. Carter, who joined the Federal Reserve bank of Cleveland as a teller 18 days before the bank was opened formally in October, 1914, is retiring as assistant vice president the end of this month.

* * *

Arthur W. Steudel, president of Sherwin-Williams Co. of Cleveland, one of the largest paint manufacturers in the world, has been renamed to the position and becomes chief executive of the company, formerly held by the late George A. Martin as chairman of the board. Due to changes in the company's regulations, the president is now the top executive and the office of chairman of the board can, in the discretion of the directors, be filled or left vacant.

M. J. Fortier was elected a director and vice president serving in the capacity of executive assistant to the president. Fortier has been vice president and general manager of the Acme White Lead & Color Works, Detroit, Sherwin-Williams' subsidiary. Gordon H. Robertson, general manager of industrial sales since 1937, succeeds Fortier at Detroit. The company reported sales of over $150,000,000 for the year ended last Aug. 31.

* * *

National Bronze & Aluminum Foundry Co. has declared a dividend of 50 cents a share, payable tomorrow.

In a statement, Board Chairman Donald W. Hornbeck said "earnings and financial position amply justify the dividend. The company's business is running at the highest level in its history with demand for aluminum castings continuing in heavy volume. The year now ending will show the best operating results the company has ever experienced."

* * *

S. K. Wellman, president of S. K. Wellman Co., Cleveland, has arrived in England on a trip requested by the British Ministry of Aircraft Production. Representatives of M.A.P. visited the Wellman plant earlier this year and at that time arrangements for Wellman's visit were made to assist in technical development of all-metal friction material for British aircraft.

NYSE Begins Drive For Paralysis Fund

Following an organization meeting of the New York Stock Exchange Committee for the Infantile Paralysis Fund and the development of plans therefor, the drive in the Stock Exchange community was begun on December 18. All members of the Exchange, partners and employes of member firms, and the personnel of the Exchange will be canvassed. Max Jacquin, Jr., Assistant Vice-President of the Stock Exchange, is Chairman of the Committee. Other members, who comprise members of the Exchange, partners of member firms, and presidents of the community's trade organizations, are: Walter J. Bassette, Robert J. Bee, Robert P. Boylan, Harry Bradbury, John L. Clark, Leroy Dando, Elliott D. Fox, James J. Gurney, Eugene A. Hayes, Roland L. DeHaan, Richard C. Horn, Lewis Levine, Peter P. McDermott, George J. Scully and Anthony J. Shields.

Small Mines Securities And Their Financing

(Continued from page 2803)

bonds as we are too prone to frown on mining as a medium of investment.

My memory is also alert to the billions lost in foreign credits sold to American investors by investment banking firms whose names and titles are still among the most widely known and best respected in their field of business. Yet we do not raise an eyebrow when these same dealers bring out an issue of any usual kind. Should these dignified names that grace the industry of securities distribution offer a mining stock, the shoulders of many of their competitors would shrug and some one might give expression to the thought many would entertain, "Has so and so gone nuts?"

I suppose the reason for the lack of realism concerning mining as an industry is based upon the negative virtue of ignorance. When the avaricious skeptic who lost his money in some mining venture later raised his voice in protest so the whole world would hear, others, too, joined their voices with his and the tumult and the shouting left an echo that still is heard the length and breadth of our fair land. The loser in real estate mortgage issues and foreign credits may have been sorry for his losses, but the credulous speculator in mining stocks in addition to his sorrow adds anger at the sacrifice of great promises of potential profits which he has thus been denied. In other words, his cry is louder because of the dashed hopes. He has little sympathy for the investor who only lost his money.

Last winter the Colorado Mining Association and the American Mining Congress held a joint conference in Denver. This meeting was attended by many whose names are prominent in politics and government. To this meeting was addressed a letter from the President of the United States. Over his signature Mr. Roosevelt wrote:

"During the past two years, the dependence of the Nation on many of its domestic ores has been amply demonstrated. Fortunately, the mining industry, with the help of Government loans, subsidies, price premiums, and other forms of aid, has been able to provide, during this extraordinary period, the metals and minerals that have made possible the record production of ships, guns, tanks, airplanes, and the other weapons of war. We will have to continue to produce the mineral raw materials essential to the prosecution of the war, laying aside all considerations not compatible with this prime objective until victory is definitely and irrevocably ours."

"Without losing sight of the arduous tasks ahead of us, we must bear in mind that the mining industry, like agriculture, is basic to the national welfare, in peace as well as in war. To exist and prosper, our Nation must have a strong and self-sustaining mining industry. The Federal Government should do all it can to foster its development on that basis."

Now, let us get the straight on this matter. To him who still thinks of mining as an industry that deals principally in gold and silver I will say, "Your are old fashioned! Mining today is a vastly different matter, and must be judged in the light of modern metal uses and industries, political and international implications."

Having in mind this new concept of the mining industry, let us give thanks that others realized the fallacy of deprecating the industry and to them give credit for the winning of our wars and for the making of our living standards what they are today.

Mines may be classified in three principal groups:

(1) Those producing basic necessities, coal, iron ore, copper, lead, zinc, clay, salt, potash, etc.

(2) Those producing strategic metals, and alloys, including molybdenum, manganese, nickel, bauxite, chromium, platinum, tungsten, vanadium, antimony, fluorspar and many, many others whose names and uses are all but unknown to most but needed and enjoyed by all.

(3) Those producing the so-called precious metals, gold and silver.

The economists are pretty well agreed that America stands upon the threshold of the greatest era in her glorious history. If this be true, and I feel confident it is, then a more realistic attitude toward the mining industry must prevail. All of our modern material ways of life depend upon machines and these machines are no better than the metals out of which they are fashioned. These metals come from the good earth herself, the mother of modern inventions. The union of her bounties with the genius of man's scientific mind gives the fruitfulness we all enjoy. We ride over shimmering steel rails reinforced with her elements. We drive along highways in machines where safety and precision of manufacture give to transportation a new meaning. We fly through the heavens in devices whose structure, control and directional apparatus are but the evidence of more of her bounty and generosity.

Vast accumulations of buying power and a pentup demand for consumer goods are but a signal of the greater need for these bounties of our soil.

The thoughtless say there are no new frontiers. Even if they refer to new acres of our surface earth they hardly tell the truth. For who knows, when some prospector's jackass pawing through the snow for grass to nibble on will uncover another priceless deposit of galena ore as happened when the great Bunker Hill and Sullivan lead mine was discovered in Idaho a few years ago.

But they forget the millions of cubic miles beneath the visible face of the land. There are yet to be found and developed vast treasures not even now known. Yes, these new frontiers are closer than many suspect, far closer than the distant mountains and stream beds where visible geology displayed its treasure to the unpracticed eyes of the covered wagon pioneer. While these early day prospectors were struggling to cross the prairies to the gold fields of Colorado and California, iron waited undreamed of in the Missabe Range, lead lay under the grass lands in Missouri, coal ripened in Illinois and the now known mineral deposits in Arkansas were seeking release from their prisons on the eroded slopes of the Ozark hills.

Who then is to say there are no new frontiers?

Who is there to say the mineral resources of our land are exhausted, just because they are not visaged by the naked eye?

To us who supervise the flow of capital into industry is thrown a challenge. The responsibility is ours to avoid the pitfall of the skeptic or the morass of the thoughtless. That challenge is to clear our heads of prejudice and aid in every legal way the encouragement of the economic welfare of an industry upon which our all depends.

There are among us those who stand in high places and urge the subsidy with American tax dollars of foreign sources of mineral wealth. They would stifle our own hard-rock miner into the abandonment of his hard worked mine and exploit the deposit of a neighbor nation whose labor cost of but a few cents per day poses a problem of unfair and unreasonable competition against our own citizens, and will if carried out to a conclusion tend to eliminate a means of livelihood for literally millions of our own people. Labor costs in American mines, I am advised, amount to 60% of production values, in addition to all the legion forms of taxes. In the interest of these men and their families, I ask why should our tax money be used to undermine their right to the American way of life?

It may be answered that the only way to balance foreign trade accounts due us or to settle lend-lease obligations owed us by foreign nations is to accept raw materials from these nations. But who would be so bold as to suggest that Americans drive cars only of Russian manufacture or dress only in fabrics from far Cathay? Yet this is what is being urged in high places against the mining industry, and in the name of good neighborliness. Would our farmers be content with a foreign policy that required turnips from Turkey or pork from Peru. Would they subscribe to a plan that required Americans to use only cotton from the land of Cleopatra or wheat from the down under continent of Australia.

We tried this plan once when Americans wanted oil from Mexico. There came expropriation.

We tried it again to gain tin from Bolivia. Then came revolution.

We tried it once more in depending on the Malay States for rubber. Then came the Japs.

Now let's use some horse sense. If we finance foreigners to our own cost, we will have to relearn the lesson that the best way to lose a friend is to lend him money. Many such friends in the past have defaulted against us. Some have simply said come and get it. But this we never do. Commissions of inquiry have inquired, but in the end we have always paid. Suppose for example we finance our foreign friends and some of them gang up on us. To say there will be no more wars is to speak with childish words. Two babies sucking at the same breast fight to be first if they are hungry. The effort of survival is primitive. Man in the last analysis is primitive. Realism rules. Where will our country be when we build stockpiles of foreign products, whether of mineral or of other materials and leave our domestic industries prostrate. Fair game for the aggressor of a coming generation.

Against these competing sources our miners will run in leaden shoes.

Friendly nations, Mexico, Bolivia, the British Empire Malay States failed to fulfill their contracts. What if they were unfriendly? I leave it to you gentlemen.

The mining industry has been called predatory. With this unfair and untrue statement I take emphatic issue. If, however, there is anything connected with the industry to which that term might fairly be applied, it would have to be those wolves and jackals who have seized upon its very essentiality as a basis for lurid promises and unreasoning and impossible assurances of gain. Against these prowlers of the public purse we wage relentless war. To be sure their ilk is found in other fields as well and we must hit this enemy wherever and whenever we can find him.

I spoke a moment ago of man as a primitive animal. Nowhere is this more true than when man clothes himself with the garb of suavity and becomes a marauder of widows' mites and with a voluble vocabulary persuades the unwary that he has in his grasp the pot of gold from the end of a rainbow which he is now magnanimously offering for a penny a share, or what have you to trade. Such as these, to use a Freudian phrase, are morally unsocial. They lack the milk of human kindness and in the pursuit of that vicious vocation, exemplify man's inhumanity to man.

Fortunately, our laws, both Federal and State, now have authority to hold in check their depredations. Let us as enforcers of these laws, learn discrimination.

Securities Dealers Committee Plans Permanent "Counter" Group

(Continued from page 2803)

which is that of the complainant was also regarded by the Committee as the achievement of an important safeguard for dealers and brokers in the interest of a fair trial.

The Effect of the 5% Interpretation

During its consideration of the effect of that part of the SEC opinion which held that the "5% philosophy" was an interpretation within the powers of the SEC, and not a rule, the Committee was advised that such powers of interpretation were tantamount to the power to legislate, and that this was a dangerous precedent which, if permitted to stand unchallenged, would enable the NASD under the guise of an interpretation of the "Rules of Fair Practice" to place almost any restraint upon NASD members, and through SEC enforcement, upon the securities industry generally.

The Committee was further advised, however, that the favorable parts of the opinion placed dealers in a position to disregard the "5% philosophy" where the nature of the services rendered by them, and the taking of a reasonable profit, warranted a larger spread.

No Appeal

The question arose whether the failure to appeal from the SEC order would constitute a permanent bar and prevent future raising of the issue whether the "5% philosophy" constituted a rule.

The Committee was advised that such issue could be raised in any disciplinary proceeding wherein a "5% spread" was attempted to be enforced.

Thereupon a motion was made and unanimously carried that no appeal be taken from the Commission's order.

Over-the-Counter Association Projected

In an ensuing discussion the need for an organization of dealers and brokers whose business is exclusively over-the-counter was urged.

The Committee expressed its intention to write its eligible subscribers to form such an organization.

When interviewed, Edward A. Kole, of counsel to the Committee, said:

"Over-the-counter dealers and brokers have problems uniquely characteristic of the market in which they trade, and largely inapplicable to the auction market of listed securities, which latter market consists in the matching of orders, and is possible only where there is a large distribution.

"The over-the-counter market is being regulated by organizations, the bulk of whose members business is in listed securities. This is not just.

"It is also being invaded by exchange applications for temporary listing privileges.

"Unless over-the-counter dealers and brokers band together to protect their rights, in my opinion, the sphere of their activities will be continuously limited, until the over-the-counter market will be entirely erased.

"This attempt to organize is an imperative step in the right direction."

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Stock Exchange membership of Edgar Scott to Edwin George Thomas will be considered by the Exchange on January 4th. Mr. Scott is a partner of Montgomery, Scott & Co., to which Mr. Thomas is being admitted as of January 1st. Mr. Thomas' privilege to act as alternate on the floor of the exchange for J. Burr Bartram will be withdrawn as of December 31st.

Leeds Mitchell, general partner in Shearson, Hammill & Co., will become a limited partner, effective Jan. 1, 1945.

Radcliffe Cheston, Jr., general partner in Smith, Barney & Co., will become a limited partner effective January 1st, on which date Charles S. Cheston will retire from partnership in the firm.

Paul Felix Warburg, limited partner in J. S. Bache & Co., will retire from the firm on December 31st.

William H. Burnham will retire from partnership in Dixon & Co. on December 31st.

Richard H. Sprayregen, a member of the Exchange, will withdraw from Eisele & King, Libaire, Stout & Co. on December 31st.

Orville E. Babcock and Martin J. Murray will retire from partnership in Goodbody & Co. on December 31st.

Carroll S. Bayne, a member of the Exchange, will withdraw from Luke, Banks & Weeks, on December 31st.

Lloyd S. Miller will retire from Salomon Bros. & Hutzler on December 31st.

DeWitt J. Manheimer, a member of the Exchange, will withdraw from Spear & Leeds effective January 1st.

Benjamin & Sternbach will be dissolved effective December 31st.

Exhibit of Resources of the States on Display At Colonial Trust

Arthur S. Kleeman, President of the Colonial Trust Co., announced on Dec. 26 that the State of Oklahoma is now showing in the windows of the bank's Rockefeller Center office the second in the bank's series of exhibits described as "Resources of the States." The first display, arranged for the Department of Commerce of the State of New York, appeared a few weeks ago. The Oklahoma exhibit takes the form of murals, photographs and acutal materials, and embraces oil, minerals, livestock, agriculture and manufactured products. In commenting upon the display, Mr. Kleeman said: "We are offering the use of our windows to the Department of Commerce or the Industrial Commission of each of the 48 States and the Territories, because we believe such an opportunity to place before thousands of New Yorkers the resources of each Commonwealth will be beneficial to New York, the world's greatest market place, and will further peace-time trade throughout the country. Interspersed with the United States series, our Foreign Division is making available a like opportunity to the countries of Latin America, and to those nations in other parts of the world where we now maintain correspondent relationships."

Fraud on the Seller of Securities

(Continued from page 2803)

met a wide variety of fraudulent schemes designed to circumvent the obvious intent and wording of the Act.

You and we have found in our experience that the ingenuity of those who seek to promote worthless ventures for their own profit is not limited by any statutory attempt to prohibit their activities. As I recall it, we found that some modern promoters, superficially well-versed in the wording of the Securities Statutes, sought invariably to disguise their fraudulent sale of securities. However, at that time I limited myself to a discussion of fraud in the **sale** of a security. The anti-fraud section of the Securities Act proscribes fraud only in the sale of securities—that is, fraud on the **purchaser.** There is another class of persons, however, which needs protection from those who would take advantage of their position. This class consists of those who have a security to sell. It is about those persons I wish to talk to you today; specifically, I wish to discuss "Fraud on the Seller of Securities." It is a subject to which enforcement agencies have given thought, but a field in which we have not had an opportunity to explore to the same extent as in the field of fraud upon the buyer of securities. For that reason we do not have the same well developed pattern of corrective action and remedies that we are accustomed to in the other field.

As I see it you and we have conceived our duty as one of protecting the public from wasteful exploitation. Is there any difference in protecting people from purchasing securities from highly skilled promoters, who are pastmasters in the art of playing on the human foibles, than there is in protecting persons who have ventured into the securities field from selling those securities to persons who adopt almost as vicious a technique in persuading the sellers to give up their investment by nondisclosure and deceit? I think not.

Consequently, in today's discussion I will no more than briefly refer to a few provisions of the 1933 and 1934 Acts, solely in order to emphasize recent developments in the campaign against securities frauds.

Generally speaking, the first of the Acts, the Securities Act of 1933, was designed to bring about adequate disclosure of the nature of securities to be offered for sale to the public and to prevent fraud in their distribution or sale. Although certain securities and certain security transactions are exempted from the registration provisions of that Act, there are no exemptions from its anti-fraud section, Section 17(a).

The Securities Exchange Act of 1934 and its subsequent amendments were designed to regulate trading in securities—the purchase and sale of securities—on national securities exchanges and in the over-the-counter markets, and to regulate brokers and dealers. Also, they were designed to strengthen the fraud prevention and disclosure provisions of the prior Act. One step in that direction was the promulgation of a rule, by the Commission, now known as Rule X-15C1-2, adopted pursuant to Section 15(c) of the 1934 Act. That Rule prohibits fraud by brokers and dealers in either the sale or purchase of securities. Another loophole, however, was still to be closed in the protections administered by the Commission. The step to close that loophole was taken in May, 1942, when the Commission, acting pursuant to Sections 10(b) and 23(a) of the Act, adopted Rule X-10B-5. This Rule embodies the broad anti-fraud provisions of Section 17(a) of the 1933 Act, and specifically prohibits fraud **by any person** in connection with the **purchase or sale** of securities. The Rule reads as follows:

> "It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or any facility of any national securities exchange—
>
> (1) To employ any device, scheme, or artifice to defraud;
>
> (2) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
>
> (3) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,
>
> in connection with the purchase or sale of any security."

I choose to talk to you about this because many inquiries showing great public interest in the application of this rule have been sent to the Commission. I would like to present to you the facts of several cases. These are not hypothetical situations. I want to emphasize, however, that a recitation of the facts of these cases is not in any way to be taken as delimiting the extent of the rule. Fraud of itself is not a fact. It is but a conclusion to be drawn from facts. As Judge Lamb of the Supreme Court of this State said:

> "Fraud is kaleidoscopic, infinite. Fraud being infinite and taking on protean form at will, were courts to cramp themselves by defining it with a hard and fast definition, their jurisdiction would be cunningly circumvented at once by new schemes beyond the definition. Messieurs, the fraud-feasors, would like nothing half so well as for courts to say they would go thus far, and no further in its pursuit."[1]

A little more than a year after the adoption of the rule, the Commission published a report on its investigation concerning "The Repurchase and Retirement of Ward LaFrance Truck Corporation Stock." Therein, it also gave its opinion on the standards of fair play imposed by the rule. In that case two officers who were in control of the Truck Corporation entered negotiations with Salta Corporation with a view to selling their interest and merging the Truck Corporation and Salta. Those officers during the period of negotiation, after it appeared probable that the deal would be consummated, and well aware of the figures at which it would probably be made, authorized an employee of a registered broker-dealer to purchase in the over-the-counter market for the account of the Truck Corporation its publicly held shares. This increased the percentage of their outstanding holdings and the value thereof almost as if they had purchased the shares for themselves. During that period shares were obtained at prices ranging from approximately $3 to $6 per share. None of the stockholders who sold their shares were advised that the Truck Corporation was the ultimate purchaser. They were not told of the negotiations to sell the controlling shares at approximately $45 per share, and of the liquidation of the Truck Corporation. There was no disclosure of the amount to be paid on liquidation, approximately $25. Nor were they informed of the greatly improved earnings—although they had received financial statements in 1941 which showed earnings of $2.75 per share, they were not aware that earnings per share in 1942 were approximately $15.75.

After the contract was signed, the broker-dealer was authorized to cease purchasing shares for the Truck Corporation and to purchase for Salta. Between the signing of the contract and the closing date, Salta purchased shares at varying prices as low as $6 per share. But still no disclosure was made to stockholders of the identity of the new purchaser or of the other facts concealed prior to the signing of the contract.

After the closing date the officers, who were directors as well, caused the Board of Directors of the Truck Corporation to approve the plan of liquidation and then sent an announcement together with proxies to stockholders of the Truck Corporation informing them of the directors' action and of a stockholders' meeting to act on the plan of liquidation. Immediately thereafter, the controlling shares were transferred to Great American Industries, Inc., to which Salta had changed its name. The plan was accordingly approved by Great American as the majority stockholder.

It is clear that without the disclosure of the current operating results in 1942 which were known to those in control, and which were made available to Salta by them, stockholders could not have acted intelligently with reference to the sale of their stock. Moreover, to deal fairly with shareholders it was necessary to disclose the proposed liquidation and the approximate price to be paid to stockholders thereon upon that liquidation, which facts were known to the purchasers. Although shareholders were to receive the book value of their shares in liquidation, non-disclosure of the amount likely to be paid and actually paid those in control acted as a deceit upon shareholders by leaving them completely in the dark as to the real value of their interest in the corporation.

In order to conceal these facts, it was necessary that the identity of the purchasers should not be disclosed. This completed the abuse of the use of inside information by insiders, completely shutting off any light the shareholders might have had as to what was taking place in their corporation.

There was a clear necessity for the issuer and those in control to make timely and adequate disclosure of the facts I have mentioned. The Commission held that the purchase of securities under such circumstances unaccompanied by appropriate disclosure of material facts constituted a violation of Rule X-10B-5.

After the Commission brought these facts to the attention of the parties involved, arrangements were made by the two officers and directors, by the Truck Corporation and by Great American, to pay the public stockholders the difference between approximately $35.98 per share and the cost to those parties of the shares purchased from such stockholders or the amount paid public stockholders on liquidation. Such payments amounted to approximately $165,000 and insured shareholders participation in the benefits of their company's earnings.

This is the only case arising under the Rule in which a public release by the Commission has been issued. Although no publicity has been given as yet to the facts in the cases which I am about to present, I think you will find the requirements of the Rule well illustrated with respect to the standards of fair play it imposes. In all the following cases, of course, as in the Ward LaFrance case, the necessary requisite of jurisdiction, the use of the mails or instrumentalities of interstate commerce, were present.

Let me describe some of the cases. A director, who was also an officer and voting trustee of a corporation, knew that a very favorable contract for the sale of valuable assets had been consummated and approved by the Board of Directors and that a liquidating dividend was to be paid stockholders from the proceeds of that sale. He was advised by counsel to the corporation of the applicability of state law to dealings in stock of the issuer. Nevertheless, after the approval of the contract but before the announcement of its terms and of the imminent dividend to be paid shareholders many weeks later, he purchased a considerable number of shares from the outstanding public security holders. Purchases were effected at the prevailing low prices in the over-the-counter market through registered broker-dealers, some of whom circularized stockholders from a list which he supplied. The identity of the purchaser was concealed and purchases were made without disclosing the terms of the sale and of the fact of the imminent dividend. Of course after the company publicly announced those facts, the market price of the securities was greatly enhanced.

Regardless of this director's liability under applicable state law, our consideration was necessarily governed by Rule X-10B-5. Here, as in the Ward LaFrance case, the public security holders were taken advantage of. The director withheld facts which were essential to the formation of an intelligent judgment with respect to the value of their securities. Any clue as to the identity of the purchaser which might have led them to make inquiries of him or the company was effectively concealed. His failure to disclose his identity of course enabled him to abuse completely the use of inside information. It follows therefrom that the purchase of securities under such circumstances unaccompanied by appropriate disclosure of material facts was a fraud upon the seller and in violation of the provisions of Rule X-10B-5.

Hence, any broker-dealers who engaged in such transactions with knowledge of such omissions violate Rule X-10B-5 as well as Rule X-15C1-2.

I am glad to say that when these conclusions were called to the attention of the director, offers of rescission were extended to all stockholders from whom he had purchased stock.

Now, illustrative of cases involving the repurchase of securities by an issuer, this situation: A foreign municipality consulted with a registered broker-dealer with respect to the redemption of a bond issue which was in default as to interest. Arrangements were made with the broker-dealer to advertise for the municipality's bonds at a flat price considerably less than the face amount of the bonds and the past due interest thereon, and to indicate that purchases were for the account of certain banks. After a great many bonds had been so purchased the issuer, in accordance with the plan devised by the broker-dealer, redeemed the remainder of the outstanding bonds at the face amount plus the interest due thereon.

The fact that monies were available to enable the issuer to repurchase its bonds at a discount and subsequently to redeem them at their face amount plus the past due interest, was completely unknown to bondholders. The necessary non-disclosure of the identity of the issuer as the true purchaser prevented the bondholders from discovering that monies were available, thereby placing them at a disadvantage in dealing with the broker-dealer handling the transactions. But, here, not only was there a failure to disclose the identity of the purchaser, there was an affirmative representation that someone else was the purchaser which acted as a deceit upon the bondholders. There can be little doubt therefore that the purchase of securities by an issuer under such circumstances accomplished by a misrepresentation and a failure to state material facts was a fraud upon the seller and in violation of Rule X-10B-5. Furthermore, when affirmative misrepresentations and omissions to state material facts are made in furtherance of a plan or program of an issuer under such circumstances, it is my opinion that a scheme to defraud has been employed within the meaning of Rule X-10B-5.

Here is another situation involving the repurchase of securities by an issuer: A company in control of an issuer purchased units consisting of preferred and common stock of the issuer from its outstanding public shareholders. Purchases were effected in the over-the-counter market through a registered broker-dealer who circularized stockholders from a list supplied by the issuer. Disclosure was not made of the identity of the purchaser or of the fact that the shares were being purchased for the benefit of the issuer to whom they were resold at cost. Although financial statements were submitted to its stockholders annually, they were inadequate as they failed to reflect the outstanding number of shares, giving thereby no basis by which the book value of the shares could be determined and no indication of the repurchase program. Furthermore, without reference to a profit and loss statement which was furnished only upon request, shareholders had no indication of the improved earnings. And it was those earnings that supplied the monies for the repurchase of its securities rather than being distributed to shareholders as dividends, which, in this particular case, as I recall, were in arrears with respect to the preferred stock.

The security holders of this issuer could not have made an intelligent judgment with respect to the value of their securities without timely and adequate disclosure to them of the financial condition of their company, a disclosure which should have corrected the deceit inherent in the balance sheet and included an indication of its improved earnings. And, here too, the repurchase of its shares by the issuer with its own funds not only increased the percentage but the value of the outstanding shares held by the company in control. In addition, in order to circumvent inquiries by shareholders, it was necessary to conceal the identity of the purchaser and the fact that the purchases were being made for the account of the issuer. Consequently, not only was the fact that the issuer was repurchasing completely camouflaged but the identity of the company in control which made the purchases was also effectively screened. Thus, shareholders were at a complete disadvantage in dealing with their own corporation and those in control.

The purchase of securities therefore under the circumstances I have just described, unaccompanied by appropriate disclosure of material facts, constituted a violation of Rule X-10B-5. Furthermore, when such omissions of material facts are part of a plan or program of an issuer—and those in control—to repurchase its securities at prices which they have deliberately depressed by inadequate disclosure of the financial condition of the company and by withholding dividends, the retention of which could clearly serve no proper corporate purpose, at the same time using such surplus earnings to repurchase its securities to the disadvantage of the public shareholders and to the advantage of those in control, it is my opinion that a scheme to defraud has been

[1] Stonemets v. Head, 248 Mo. 243; 154 S. W. 108 (1913).

employed within the meaning of Rule X-10B-5.

There are now three cases that I would like to bring to your attention which also involved securities traded in the over-the-counter market. The first is this: A corporation issued calls for tenders of a portion of its bonds at a maximum acceptable price. Notices accompanying the requests for tenders gave certain information with respect to the value of the bonds. However, undisclosed to bondholders, the prevailing market price of the bonds was considerably higher than the maximum acceptable call price at the time tenders were requested.

In the second instance, controlling stockholders of a company, in accordance with the terms of the agreement whereby control was acquired, offered to purchase the shares of the outstanding public shareholders at the same price per share at which control had been acquired. Complete financial statements and a notice detailing the terms of the agreement accompanied the offer submitted to the shareholders. Again undisclosed to such shareholders, the prevailing market price at the time of the offer was substantially higher than the offering price.

The third instance involved an offer to purchase the securities of the outstanding public security holders of an issuer by a company which had recently acquired a large block of shares from former officers and directors. It was pursuant to the terms of the agreement for the purchase of that large block of shares that the same price per share was offered to stockholders. The offer set forth the details of the agreement of purchase and its time was extended in order to allow financial statements of the company to be submitted to its shareholders. And once more, undisclosed to the shareholders, the prevailing market price at the time of the offer was considerably higher than the offering price.

In such situations, shareholders are generally unaware of the higher market price. Since an offer to purchase securities at a price, accompanied by representations as to the value of the securities involved, contains an implied representation that such offering price is at least equal to the current market price, the failure to disclose the existence of a higher market price at the time the offer is made constitutes an omission to state a material fact in violation of Rule X-10B-5.

These matters were brought to the attention of the Commission after the offers had been submitted to security holders. However, the situation was rectified. All security holders who had tendered their securities and received payment pursuant to the offer were informed that a higher market price prevailed at the time the offer was made and were given an opportunity to rescind. The security holders who later tendered their securities were likewise informed and given an opportunity to withdraw.

Some of the cases I have discussed involved, among other things, the failure of an issuer to disclose that it was repurchasing its securities. We have been asked many times whether such failure is of itself a violation of the rule. Experience in such situations has shown that non-disclosure of the identity of the issuer as purchaser has generally been accompanied by other circumstances which make that omission material. Such non-disclosure, even though no affirmative misrepresentations be made, often activates schemes to defraud, particularly in those situations when the securities being repurchased are, for example, bonds in default as to interest or stock with dividend arrearages. Ordinarily, of course, disclosure that the issuer is purchasing might well be sufficient if made in annual statements to security holders or by reason of other publicly made statements. When considering such statments it would be well to bear in mind that it is imperative for them to be widely disseminated. In that, connection, I call to mind a situation where valuable ore deposits were discovered on the property of a mining corporation. Announcement was made in Western mining publications but received little notice in the east where several stockholders sold their shares at the prevailing low prices. So too much reliance should not be placed upon the mere fact that some sort of public statement is made.

It is apparent therefore that philosophical treatises could be written upon the subject of material facts, the omission of which would come within the Rule, as well as about the necessity for representations upon which to predicate such omissions. Sharp tongued intent to take advantage of security holders and to induce them to sell may well devise ways and means of avoiding any affirmative representations within the Rule. You can well see the closeness of such dealings to schemes to defraud. It appears to me, then, that the measure of protection Congress desired to afford the public investor can only be obtained under a flexible rule fraught with danger to unscrupulous devices of any person in connection with the purchase and sale of securities.

Although in several of the above cases the Commission took no action when rescission was extended shareholders by the violators of the rule, the need for more drastic action to protect the unwary and ignorant investor is more and more apparent. And in this connection, because of the constant increase in the number of cases, the Commission will be resorting to the remedies it has at its disposal, the injunctive process, broker-dealer proceedings and finally, criminal prosecution.

I wish to close with this statement of a jurist:

"We do not deem it advisable to lay down any hard and fast rule. * * * Were we to do so, a certain class of gentlemen of the 'J. Rufus Wallingford' type—'they toil not neither do they spin'—would lie awake nights endeavoring to conceive some devious and shadowy way of evading the law. It is more advisable to deal with each case as it arises."[2]

[2] State v. Whitaker, 118 Oregon 656, 247 Pacific 1077, 1079.

Brennen Elected By Mfrs. Trust Co.

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in the American Bankers Association for many years and was the first Chairman of the National Forum Committee of the American Institute of Banking which is a division of the American Bankers Association. While serving as Chairman of the National Forum Committee he established eighteen Bankers' Forums in leading cities throughout the United States.

Mr. Brennen comes of a family steeped in banking and finance. His grandfather, James Rodwell, was President of the Manufacturers National Bank of Brooklyn before that institution was merged with the Citizens Trust Company, also of Brooklyn, to form Manufacturers Trust Company. Mr. Brennen's father, the late John H. Brennen, was Treasurer of the City of Brooklyn before it was incorporated as one of the Boroughs of Greater New York.

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.

Venture Capital and Real Estate Development

(Continued from page 2808)

render the other almost, if not completely, ineffective. While we have had the underlying capital, we have, nevertheless, in recent years lacked venture capital—and that is, of necessity, of great concern to you.

The change in the income structure of the nation has had serious repercussions on equity investment funds—which may be called by another name, "Venture Capital." The recent studies of the TNEC indicated that 80% of the nation's savings came from those families which earned more than $5,000 per annum. And those earning $20,000—that is, gross—a year, or three-tenths of one per cent of the nation's families, saved one-half of their income, and accounted for 40% of the nation's total savings.

Now I will not try to explain what income taxes have done (and will continue to do) to people whose incomes are above $5,000 a year. While it is an admitted fact that the income pressure has been from the top downward, yet it has also been from the bottom upward; in other words, it has been the purpose of the government to raise the incomes of those who are in the lowest brackets.

But we must ask at this point, where do people place their investment funds? The man who has an income of five or ten thousand dollars a year—after taxes—is not essentially a venture investor; he places his money in life insurance, or savings banks, in building and loan associations, or in government bonds; he cannot afford the risk of equity investment.

On the other hand, we are decreasing the number of those who have high incomes. The net result is that not only is there less venture capital than existed some 15 or 20 years ago, but the risk of investment — what with excess profit taxes and what have you—is relatively greater than it ever was before.

In view of the present tax structure—and I quote here the words of Mr. Charles C. Abbott at a meeting of the American Economic Association in 1941—"... a new promotion must promise, quickly, an annual return of 15 or 20% in order to be attractive to persons with moderate wealth. And few promotions hold any such promise. Furthermore ... the more able a man is because of his economic status to afford the risks inherent in financing new industry" (and building is new industry) "the less likely is he, as he weighs the possible losses involved in failure against the tax bill certain in the event of success, to undertake the venture."

Consequently, we are all confronted with a serious factor which militates against the construction of new housing, because housing to date has involved not only risk, but considerable management and economic foresight as well.

While I shall not predict what the quantity of new homes to be produced annually in the United States after the war will be, nevertheless it could be greater if we would all, including those of you who are interested in building and loans, investigate the condition of the "horse" (if I may use this simile) instead of tinkering around with the buggy that has to be drawn by the horse. And the "horse" here is venture capital.

As you all know, the majority of builders have comparatively small business organizations. A large builder may erect 50 or 150 homes a year—but most of them do well if they put up 10 or 20. So builders as a whole do not have the organization or the economic background that many of you have.

Therefore, I would like to present this thought to you from the viewpoint of the realtor—that you make plans now for those areas where you think new homes should be erected, and that you be able to present to those who are interested in investing in venture capital, plans for the construction of new homes. The fact that you gentlemen invest in mortgages constitutes no reason for your neglecting the venture capital angle—for without the investment of venture capital, you will not only fail to grow, but you will inevitably decline

Another thought! The average real estate investor, particularly in the New York area, has been a "chicken today, feathers tomorrow" kind of a fellow. Few buyers purchase real estate from the angle of investment for a period of 20 or 30 years; most of them count on obtaining the return of their equity money within a period of from four to five years.

In the good years, these buyers take out all they can, and in the bad years they still take out all they can, and milk the properties at the same time. Truly, that is not a pleasant thing to contemplate—but it is a fact that nevertheless exists.

Moreover, coupled with that, we are confronted with changed social and economic conditions, wherein the overall size of multi-family dwellings, such as apartments, is increasing. In fact, a plot 100 x 100 in size, improved with a six-story elevator apartment, cannot compete either on the basis of cost or maintenance with an apartment covering an area several times that mentioned.

As a result of these and other factors, we have come to see in recent years, some of the large life insurance companies erecting PARKCHESTERS and other similar projects. These properties are not to be sold; they are to be operated by the life insurance companies until, due to age and obsolescence, they are demolished.

The savings banks, as you all know, are now planning to erect, either singly or in combination, large slum clearance projects. So I would like to ask, why is this not feasible from the viewpoint of building and loan associations? I think it would be extremely healthy, if two or three or even a dozen building and loan associations could combine and erect a large housing project—own that project, and operate it.

I will admit that legislation will probably have to be passed so that you can do this, but surely your position is no different from that (except in the matter of size) of large insurance companies and savings banks.

The redevelopment law of this State makes many things possible that were not possible before. So from the viewpoint of a realtor, I would like to offer this thought to you gentlemen, without prejudice—and even without charge!

I have read with a great deal of interest the report of your post-war planning committee. If the cover is eliminated, it is some eight pages in size. Having been the chairman of a similar committee of the New York State Association of Real Estate Boards, I would like to brag a little and say that our report, in fine print, is 38 pages in size!

To be serious again for a moment, though, I notice that you have planks providing for the promotion of savings, the promotion of mortgage lending, and mortgage servicing. As a rank outsider—and I guess you will be glad to get rid of me when I am through in a few moments—I would like to suggest a plank to you which might be labeled the "promotion of research." Research into post-war construction; the kind and type of building which should be erected; research into the best type of locality for homes; research as to what income group and on what price house you want to lend, keeping in mind that you gentlemen are not only in business to render a service to yourselves, but to the nation as well; research into the possibilities of expanding and increasing the amount of venture capital; and research into all those factors which will affect real estate in our world of tomorrow.

And as another plank, I would like to suggest to you the investigation of the possibility of construction by building and loan associations of muti-family housing that I mentioned before.

There are so many things to be done during the next few years that they seem almost endess in number; but to hope that we all can do business on the same old stand that we did business on during the 1920's is not only folly, but inconceivable. It is about time that we realized that it is not only the theses of the nineteenth century that are dead or dying, but the antithesis as well. Too many building and loan associations are living in the horse-and-buggy age—while the world of planes and helicopters is with us—now—today!

The British Government's white paper, released but a week or so ago, on the future of land in Great Britain, is mute evidence of changes that may be expected all over the world.

While we cannot anticipate everything, nevertheless there are broad economic movements that still can be discerned. The jobs that confront us in the future are tremendous, and it is about time we realized, to quote the words of Lewis Mumford, that "our task is that of replacing an outworn civilization. The question is not how much of the super-structure should be replaced, but how much of the foundation can be used for a new set of purposes and a radically different mode of life."

In respect to real estate and mortgage lending, we must turn our faces to new horizons. It is not enough that we should be satisfied with any hermaphroditic compromise which would only leave us as Disraeli is said to have remarked about the mule—without pride of ancestry or hope of posterity.

Frank Douglas Now Is Associated With Dunne

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Attractive Power Issue

Common stock of the Arkansas Missouri Power Co offers an attractive situation according to a memorandum prepared by Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum may be had from Cohu & Torrey upon request.

Attractive Rail

Boston & Albany Railroad offers an interesting situation according to a circular prepared by Adams & Peck, 63 Wall Street, New York City. Copies of this circular may be had from the firm upon request.

The Dumbarton Oaks Proposals

(Continued from page 2806)

and other problems affecting world peace.

Since the formulation of the American Federation of Labor plan for postwar security, representatives of the United Nations have met in Washington at the Dumbarton Oaks estate and have drafted proposals for the establishment of a general world-wide organization having for its aim the prevention of future international armed conflict.

The American Federation of Labor Committee on International Relations, of which I have the honor to be Chairman, wholeheartedly endorsed the principles of the Dumbarton Oaks proposals. We applaud every honest attempt to create a community of nations having for its aim the outlawing of war and aggression and the establishment of the rule of law in international affairs. We are pleased that the Dumbarton Oaks proposals included a plan for the setting up of a Security Council which is to have at its disposal all necessary means—including armed forces—for the prevention of aggression and for the maintenance of world peace. All this is in direct line with the Federation's postwar proposals made during our April forum, and it is not the first time that governments have looked to organized labor for workable plans in national and international affairs.

However, endorsement of the leading Dumbarton Oaks proposals by the American Federation of Labor does not necessarily absolve us of the responsibility of making justified criticism of the many omissions, failures and shortcomings of the draft in its existing form. President Roosevelt has wisely said the publication of the draft was made so as "to permit full discussion by the people of this country prior to the convening of a wider conference on this all-important subject."

While heartily endorsing the principles of the Dumbarton Oaks proposals, the American Federation of Labor, at its recent convention, held in New Orleans, approved the Committee's comments on Chapter IX, to the effect that this proposal "which arranges international Economics and Social Cooperation is couched in vague political terms that imply the designation of persons of political experience to this agency and which must deal with industrial and labor matters requiring specialized experience and competence." The convention approved the suggestion, if not demand, that the I. L. O. become an integral part of any new plan to deal with social and economic matters.

Then, too, the convention agreed with the thought that the international organization proposed should be universal in character and all-inclusive, that its assembly should be given greater and more important functions, and that the Security Council as at present projected is inequitable in its principal characteristic and most striking feature of organization to be created.

It is only fair to say that the powers which will have the greater responsibility for maintaining peace and of punishing aggressors should have greater influence in a Security Council, charged with these obligations and responsibilities. But the Dumbarton Oaks Conference proposals go much further. The draft constitution of the new international organization makes the General Assembly, the only agency in which the smaller nations are fully represented, a mere advisory body, deprived of any real importance or influence. The real center of gravity is transferred from the general community of all nations to a small body, of which four or five Great Powers will have sole, exclusive and absolute control.

More than that, one of the Great Powers has proposed the unbelievable provision that each of the so-called permanent members, that is, each of the four or five Great Powers, shall have the right to veto in cases were it may be accused of aggression, and that its own vote shall be sufficient to amend any complaint against it by another member of the community of nations. In practice such a provision would mean that each of the Great Powers would be free to engage in aggression whenever it felt itself strong enough to risk conflict. As small nations will never dare to attack a Great Power, nor involve themselves with a small nation allied by unilateral agreement with a Great Power, these proposals would leave the small nations entirely at the mercy of any or all of the Big Four or Five.

This is not the "rule of law" which was pledged in Moscow and Teheran. In this proposal there is no **equality of protection** for the large and the small, or rather there would be no protection at all for the weaker and smaller nations. The only acceptable aim of an international organization of states, the only aim which would justify its existence, is, in my opinion, to provide protection and security for all members of the organization.

It is true that small nations could strengthen their position by forming large regional federations and pooling their economic, strategic and military resources. But a certain Great Power has vetoed the formation of such regional units. Thus the small nations will enter the General International Organization as atomized small particles without real force, without legal protection against the arbitrary action of any Big Power or even of a Small Power which has a mighty protector in the Security Council.

What moral and practical authority would such an international organization command? Labor could never accept or endorse such a caricature of a new community of nations. Protection of the weak, especially protection of the national rights of small nations, has been the traditional policy of American and world labor since the very beginning of the labor movement. Shall we now revise our democratic and freedom loving traditions in order to obtain the very questionable guarantee of the Security Council, with its selfish domination by the Great Powers? Shall we trade the principles of national liberty, of the self-determination of all peoples, and the Atlantic Charter for the imaginary realism of the Dumbarton Oaks agreements in the form proposed by one of the Great Powers?

There are those who would like to reverse the traditional views of democratic labor on the problem of small nations. Organized labor has sponsored small nations in the past, had tried to protect them from enslavement by big empires, and even helped them to free themselves from the big multi-national empires of the Hapsburgs, the Turks, the Russian Czars. Now we are told that all this was part of the democratic concepts of the eighteenth and nineteenth centuries, and that those concepts are now out of date. It is said the time of small free democractic nations is gone. In the forties of the twentieth century there is no room for small nations. We are told: only big economic and military concentrations can survive; the small states are doomed, and there is therefore no sense in protecting them against the Great Powers.

There is some truth in the observation that the bigger a nation the better it can develop its resources and protect its borders. But even that is not always true. The question might well be raised as to whether France in 1940 was a very large empire. Or shall we admit that the rank of a Great Power can be attributed only to nations with populations of more than 130 millions?

What have been the "objective trends of history?"

One does not need to be an historian to realize that the whole history of the European continent, in marked difference from that of the New World, was the history of perpetual birth and downfall of great empires. The Roman Empire of the Caesars, the Empire of Charlemagne, the Spanish Empire, the Empire of the Mongols, the Turks and the Hapsburgs—all of them, after a period of flourishing, fell to pieces and out of their debris new, smaller and nationally more homogeneous states arose. Seen from this angle it can be said that the history of Europe is the history of the rise of national states. This development undoubtedly was a progressive one. In any case, that was the way Europe achieved its miraculous cultural and spiritual contributions to the progress of mankind.

The advance of modern industry and trade, the development of modern communication, railways, steamboats, airlines, the telegraph and the telephone, the progress of modern schooling, the evolution and rise of bookprinting and newspapers — all these achievements which made it possible for the first time in human history that millions of common people could share in the fruits of political democracy and cultural life, have lead, in Europe as well as in Asia, not to the formation of one uniform and universal culture and language, but to the development of a multitude of languages, cultures and states. This historical reality cannot be changed or be reversed. The problem is how to bring about more unity and harmony among the variety of nations and states in Europe and Asia.

It must be admitted that this is a very difficult problem. The nationalist evolution is a double-edged phenomenon.

As it often turns out in history, a really progressive process may at a certain state become more of a liability than an asset. The coexistence on the small continent of Europe of about 25 absolutely independent and sovereign states with divergent and, more often than not, contradicting interests, rivalries, economic competition, permanent border conflicts, etc., has gradually become a very real danger to the peace of Europe and of the world. How can the progressive and the dangerous features of modern nationalistic development in the Old World be reconciled?

Organized Labor has always sponsored the democratic solution of this problem. The British Labor Party, in its 1940 program, made constructive proposals to this effect. The creation of a European Federation, a kind of United States of Europe, would certainly be another way out. Such a federation would represent a concentration of economic, strategic and social resources which would, beyond any doubt, enable the European continent to reach a much higher degree of welfare and of political, economic and social security than Europe now possesses. At the same time, every European state, from the smallest to the largest, would enjoy in this federation an equal degree of freedom, and of cultural and national independence.

There is nothing in the existing conditions in Europe which would make it impossible for the individual states to form such a federation. Only selfish and imperialistic interests can or will prevent European countries from taking a course in that direction which, in my opinion is one which would be beneficial for all of Europe and the rest of mankind.

Apparently there would seem to be no real intention at present among some of the Great Powers to renounce their traditional power politics and their policy of dividing the world into spheres of influence.

But is that a sufficient reason for Organized Labor to abandon its democractic views and principles? Why should labor fallow imperialistic teachings and become an accessory to unilateral violations of the rights of small peoples?

Then there is another remarkable feature of this new philosophy. The prophets of this neo-imperialism accept without murmur and even with lively aproval the open annexation of the Baltic States by Soviet Russia, the transformation of Poland, Roumania, Bulgaria, Yugoslavia and perhaps also of Hungary and Austria into satellites of Russia as a progressive process. The very same people are violently opposed to any intervention by Great Britain in the affairs of Western Euroe, as in Greece, Belgium, Holland, etc.

May I ask why this difference, is the independent and sovereign existence of Belgium with her eight million souls and her microscopic army any more justifiable under the general viewpoint of the holders of this new philosophy than the independent and sovereign existence of Roumania, with her 18 million and her vast territory? Is the sovereignty of Greece, with seven million inhabitants, more justifiable that the sovereignty of Poland, with over 30 million and a strong army?

While speaking of Belgium, Poland and Greece, let me call your attention to the strange contradictions in the views of the so-called "realists" who advocate power politics and preach the new religion of helping the strong against the weak.

Our liberal "realists" are violently attacking Great Britain for her policy in Greece and Belgium. It is contrary to the principles of international democracy, they claim, to intervene in the internal policies of liberated countries. However, these same liberals have never uttered a word in opposition to the intervention of Russia in the internal affairs of Poland, Roumania, Bulgaria. More than that, every word of criticism on Russia issued by anyone, even by labor leaders, Socialists, or Democracts, is regarded as a major crime and the culprit is systematically smeared and labelled as a pro-fascist and pro-Nazi. Why this difference?

In Belgium and Greece, leaders of the resistance movement, who in most instances are avowed Communists, have refused to lay down their arms unless their political demands are met. In Belgium this has led to street fighting between the government and the Communist-led demonstrators. Our liberal "realists" are loud in their demands for national unity as long as their political demands are granted and as long as unity is consistent with the international policies of the Russian government. However, as soon as Soviet power politics are involved, national unity is cynically discarded, no matter what else is involved.

In Belgium, which is a hub for Allied communications and supplies for our armies now fighting on German soil, Communist disruption may well have a disastrous effect on our fortunes of war. Belgian Communists, in their desire to maintain a private army to be used against legally constituted Belgian government, are prepared to plunge that country into civil war.

It is the same in Greece. There, after nearly four years of all the horrors of German occupation—hungar, privation, disease, mass executions—no sooner were the Germans driven out than the Communist-dominated ELAS, with arms in its hands, attempted to overthrow the legally installed government. Athens is now a ruined and bloody battleground in a completely unnecessary armed struggle between the left-wing ELAS and the British troops and the forces of the Greek loyalists.

In Italy, one political crisis is followed by another. The shadiest sort of power politics is the order of the day. The Italian government dare not make public the terms of Italy's surrender, for fear of provoking civil war. The people of Italy are starving; there have been hunger riots in Rome, and unless there is a drastic change in policy on the part of the AMG, we may witness the most sanguine outbreaks on the Italian peninsula.

What should occupation authorities who are responsible for keeping order do in such cases? Just capitulate before the coup d'etat. And perhaps in a few weeks before a second uprising? Can an occupationary army confine itself to passive registration of armed revolts and surrender the occupied territory to the group which has at the moment more mortars and 75-millimeter guns than the other group?

If that be a real democratic policy, why does not Soviet Russia take the same course in Bulgaria and Roumania, in Poland and Hungary? The fact is that Russia is forming in Poland a government of her own, without any regard for the wishes of the majority of the population and for the legal Polish government in London. In Bulgaria a bloody purge was conducted by the occupying Red Army, a purge compared with which Greek bloodshed seems small, and Russia installed there a government of her own choice. But not a single liberal realist protested against Russia.

I hold no brief for the British Empire or for British imperial policies. Yet, it cannot be denied that Communist policy in the liberated countries has been divisive, provocative and dangerous to the cause of the United Nations. It is not difficult to agree with Winston Churchill when he says that "the last thing that resembles democracy is mob law with bands of gangsters, armed with deadly weapons, forcing their way into Greek cities, endeavoring to introduce a totalitarian regime."

If we analyse more closely these contradictions in the new theories, we will find underlying political motives which explain the inner inconsistencies of these trends apparently so realistic and objective.

Whether one agrees with the exact formulation of Churchill's strictures against the Communists or not, it is apparent that there is a vast inter-Allied struggle now going on in Europe. It seems that the statesmen have fallen out over the spoils—and the tragic aspect of it is that victory is by no means fully in our hands.

A few days ago, Ernest Bevin, British Minister of Labor, told his Labor Party colleagues that British action in Greece had been taken with the knowledge and approval of Russia and the United States. Russia, according to Mr. Bevin, had undertaken the main task of restoring law and order in Roumania and Britain had assumed a similar task in Greece. When the plan for dealing with Greece was agreed upon by the British Cabinet, it was taken to Quebec, and submitted to Presiden Roosevelt, who agreed to it and initialed it.

Needless to say, the turmoil and civil war now going on in the liberated countries has alarmed the American people—and with ample justification. American workers who are making sacrifices every day on the home front, whose sons are dying overseas in Europe and in the Pacific, are beginning to wonder whether the victory for which we are paying in blood and treasure is not being lost on the diplomatic front. And what is still worse, there is the growing suspicion that even before this war is over, the seeds of the next one are being sown in Italy, France, Belgium and Poland and in Greece.

It was agreed on all sides that the most outstanding result of the last Presidential election was the complete renunciation of isolationism by the American people. Spokesmen of both parties were in favor of intelligent, far-sighted international cooperation. But now, it appears that our fine glow of internationalism is in serious danger of fading.

The American people appear to be perfectly willing to support most of the Dumbarton Oaks proposals, consistent with the principles of the Atlantic Charter. But they will recoil, I am certain, from any participation in a struggle for naked power by one group of nations led by the British Empire and other group of nations headed by the Russian Empire.

Every American will readily honor England and the English people for their heroic, singlehanded stand against the Nazis in 1940. We will never forget that while we Americans were debating the question of isolationism, and while Russia was allied with Germany, the British people were enduring the terrors of the 1940 blitz. But no matter how great our admiration may be for England, it must be said with utter candor that we have not sent our boys overseas to fight for the British Empire. However great may be our admiration for Russia for its gallantry, it must be said with equal candor that we have not sent our boys overseas to guarantee Russia's territorial demands, nor the imperialist designs of any country in the world.

The problem of the small nations in the Dumbarton Oaks proposals cannot be divorced from the problem of a democratic peace on the basis of the Atlantic Charter. The paragraphs of this charter which deal with the rights of nations and the freedom of national self-determination are closely tied up with our general approach to the problem of democracy.

A new international organization based on the principle of unequal protection for the member states would inevitably become an instrument for the domination of the Great Powers and for the division of the world into spheres in influence with all the inevitable and tragic consequences of that course. An undemocratic peace which disregarded the principles of justice and liberty for all nations would be a very dangerous peace, a breathing spell for the preparation of new conflicts, rather than the lasting and democratic peace for which our sons and brothers are fighting and dying at the front.

America is in this war because we felt that our safety, our lives and our property were threatened by Hitler and his allies. The world could never have been safe from aggression and the constant danger to freedom and decency as long as Nazi and Japanese power was unbroken. We shall not recall our boys while that task remains unfinished. However, it is time that the American people, through the power of public opinion, made it known to both England and Russia, precisely how we stand on the question of imperialism and the old-world power politics.

There are certain pessimistic voices now heard in our country who declare that the Dumbarton Oaks proposals have been torpedoed by inter-Allied disunity in the liberated countries. They point to the secret understandings, such as was revealed the other day by Ernest Bevin. They comment on the de Gaulle-Stalin pact which seems to by-pass Dumbarton Oaks. They say that civil war in Greece and Belgium, and Soviet unilateral action in Poland, all indicate that the Big Three have no real faith in the proposals recently agreed upon in Washington. Cynically, the Washington Conference is referred to as the Dumbarton hoax.

Time is running out. And unless drastic action is soon taken, we may find ourselves partners to something resembling international chaos. If that happens the American people, in despair, may return to isolationism once more—and that would, I am inclined to believe, be ruinous. It would mean decades of suspicion, decades of almost unbearable armament, and ultimately another fruitless world conflagration. Whether the American people will continue to have faith in reasonable, cooperative international action, or whether they will return in desperation to isolationism—this time, a well-armed isolationism — depends on how speedily the United Nations resolve their difficulties.

Despite the setbacks which international cooperation has received during the past few weeks, it is still my firm belief that unity for world peace may still be salvaged. If this is to be accomplished, there must be an end to cynical power politics and to secret diplomatic maneuvers. The American people, who daily are making sacrifices in blood, toil and money, must be treated as adults, worthy of confidence. Of course, we do not expect military information to be divulged; but we have every right to know when American national power is being pledged, without having to wait for it until the statesmen of other countries fall out, as in the case of the knowledge of Bevin revelation.

The Dumbarton Oaks proposals should be amended in such a way as to provide international machinery to prevent precisely the sort of thing that is now going on in the liberated countries. Consistent with the pledges contained in the Atlantic Charter, the new international organization should be general in scope, unlimited by the present formula that "membership should be open to all peace-loving states." We of the American Federation of Labor feel that to exclude permanently any state is to endanger the new order. If we are to have peace in the future, all states will have to abstain from war and be peace-loving.

Under the present proposals, the projected Security Council grants excessive power to four or at the most five Great Powers. While greater responsibility should be matched with a proportionate share in the leadership of the new world organization and in the formulation of its decisions, this, however, should not exempt four or five Great Powers from the equal rule of law.

It is hardly equitable to allow any one of these powers to cast a vote in an instance where it is accused of aggression. It is even more inequitable to allow its solitary vote to nullify any complaint against it. If the Dumbarton Oaks proposals are to have any reality, it is necessary for the rule of unanimity to be replaced by a two-thirds majority of the permanent members of the Council.

There are other flaws, particularly in the absence of definite constructive proposals which are vital if we are to be ruled by law and not be force in the post-war world. There is no mention in the existing proposals for a lessening of the staggering burden of armament which now crushes humanity. There are no provisions concerning dependent peoples, the colonies of the Axis countries, and other backward areas, which will not be capable of self-government for some time to come. Some method of international trusteeship should be established for this purpose.

The future peace of the world will depend on whether we can create an international organization such as the world hopes for from the Dumbarton Oaks proposals. Men and women in every country of the world pray that this may soon come to pass.

Mankind is weary of war. Men are dying, women suffer patiently and in silence, in the hope that their children and their children's children will be spared the agony of still another world war.

It is true that the way to peace at present lies through Berlin and Tokio; it is also true that the American people are determined to fight on until victory. But there must be peace—world-wide peace—once this war is over. Our returning soldiers and sailors, our workers and all right-thinking people will demand it.

The American people will gladly join any organization which has as its honest aim the prevention of future wars; but they will not be parties to the age-old game of power politics. They will not support one imperial power in its designs against other nations.

The Dumbarton Oaks proposals, together with the suggested amendments, offer a hope to a world which is in danger of bleeding to death. If these proposals fail, and if no effective public opinion is aroused against the civil strife now going on in the liberated European countries, then the future for world peace is dark indeed.

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.

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.

Post-War Possibilities

Standard Stoker Co. common offers attractive post-war possibilities Otis & Co., Terminal Tower, Cleveland, Ohio declares in a memorandum on this situation. Copies of the memorandum discussing the issue in detail may be had from Otis & Co. upon request.

Attractive Ins. Situation

Stock of American Casualty Company affords possibilities for remunerative investment according to a memorandum discussing this situation in detail, issued by Huff, Geyer & Hecht, 67 Wall St., New York City. Copies of this interesting and informative memorandum are available to dealers upon request to Huff, Geyer & Hecht.

Speculative Possibilities

Common stock of Illinois Central Railroad Co. offers unusually attractive speculative possibilities, according to a study of the situation prepared by H. Hentz & Co., Hanover Square, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this study may be had from the firm upon request.

Attractive Situations

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

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2806)

this obstacle is negotiated, optimism rides free. Such optimism is nurtured by hopes and fears and and is often so ephemeral that the first clouds can send it scurrying for cover.

The one good thing about such a reaction is that it runs its course either within a few points or within a few days, depending on what factors obtain at the time.

* * *

The important factor at this time is news. The war is now the biggest breeder of potential news. And my hunch is that from now on the market will pay more attention to the military developments. This, too, is strictly a public phenomenon. The professional trader seldom pays attention to current news, unless it comes as a real surprise. The public, on the other hand, always has its nose buried deeply in the broad tape or the daily pages of newspapers. And whatever the news-trend is the direction the public is likely to take.

Right now the war news is bad. The current German offensive appears to have been dulled. But as we are at least 48 hours behind the news we really don't know for sure. We do know that the Germans have advanced some 30 miles and the damage cannot be shrugged off by false optimism.

* * *

Funneling all this into current stock market action means that the stops you have been told are important may gain new importance before the next issue of this column appears. It isn't necessary to repeat the stocks or their critical levels. If you don't remember them you can refer to last week's column.

There is the possibility that if this market doesn't react within the next few days, the chances are that another rally will take place. But the probabilities at this time favor a reaction first, then a rally.

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.]

Rail Yields

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, and other leading national exchanges, have prepared an interesting table of several preferred rail stocks yielding from 6¾% to 10%. Copies of this tabulation, additional information on the steel industry and a brief discussion of the market now, all contained in the same release, may be had from Paine, Webber, Jackson & Curtis upon request.

Outlook for Business And Securities in '45

(Continued from page 2803)

tinue on a substantial scale; no reduction is likely in corporate income taxes, except possibly some reduction in excess profits taxes, and any relief in individual income taxes will probably be confined to the lowest brackets in the latter part of the year, effective in 1946.

Early in 1945 the House-Senate Joint Committee on Post-War Taxation may recommend tax revisions to aid corporations during the reconversion period. A tax relief bill is contemplated with Treasury backing which would allow corporations to cash next year instead of after the war Government bonds representing the 10% post-war refund of excess profits taxes, of which $430 millions had been issued up to the middle of this December. The bill would also provide that "carry-back" refunds due corporations could be applied to reduce taxes being paid currently.

IV. Money and Banking

In view of the Government control of the money market and the need of additional war loans, little or no change is anticipated in long-term interest rates during the year.

If the Federal Reserve ratio, now slightly under 50%, should decline in 1945 to the legal limit of 35-40%, one or more of several remedial measures may be introduced, such as reducing the limit to 25%.

We look for an increase in the volume of new private capital financing, with corporations continuing to improve their capital structure by substantial refundings at lower rates of return on both bonds and preferred stocks.

Bank earnings are anticipated to show a small increase, with the foundation of the banks' large holdings of Government bonds. A number of banks will no doubt increase their capital in order to bring their capital and surplus in line with larger deposits.

Government bond flotations in 1945 will hardly be larger than the three war bond drives of 1944, and may be somewhat less, with no change likely in interest rates. War bond drives will be continued, since war spending may not show much diminution for several months after Germany is defeated and, as war contract cut-backs reduce tax proceeds from corporation and individual incomes, more borrowing will be necessary to press the war against Japan.

V. Agriculture

Although demand will continue high, increasing production may cause a lower trend in prices of agricultural commodities, except where Government support proves to be a factor.

Farm income should continue high even after a decline, forecast by the Bureau of Agricultural Economics, of 5% to 10% in cash receipts from farm marketings from this year's level of approximately $20 billions.

VI. Labor—Wages—Unemployment

Labor will be in a less advantageous position to bargain after the German war ends than at present, and accordingly will try to obtain all the concessions it can in order to maintain "take-home" pay as near as possible to present levels in the post-war period. A conspicuous threat to "take-home" pay, even with present rates maintained, would be reduction in the length of the work week from 56 hours and 48 hours to 40 hours.

The unions will press for higher hourly rates to offset loss of overtime, for annual pay, for a minimum wage, for a shorter work-week, and to convert maintenance-of-membership contracts into closed shop agreements.

In furtherance of such demands, especially after Germany is defeated, the number of strikes will increase and the unions probably will not feel a stringent obligation to continue their "no-strike" pledge made during the war.

Unemployment, now less than one million, may reach a peak of from 3½ to 5 millions following the end of the war with Germany, increasing possibly to 8 millions after Japan is defeated.

VII. Reconversion

While reconversion in its present stage represents progress from a year ago, it will continue to be slow so long as the German war continues.

The War Production Board has just issued an order freezing all civilian production at current levels indefinitely, i. e. probably until the German collapse. The order is designed "to prevent reconversion from interfering with production for military needs," and blocks plans hitherto made for expansion in 1945 in a number of durable goods programs. The ruling is expected to have a stabilizing influence on manpower, in particular assuring workers that not many peacetime jobs will become available while they continue in war production, and it may help transfer to critical armament needs more of the workers released by completion or cancellation of war contracts. WPB "spot" authorization, however, may be allowed to increase in areas which have relatively plentiful labor supply.

This slowing up, caused by recent war developments, has little or no bearing on many lines of activity and is a factor in maintaining national income at a high level. Reconversion will be greatly accelerated by Germany's defeat. A favorable factor of assistance in hastening reconversion and stimulating production should be the combination of the heavy accumulation of savings and the pent-up demand for goods due to shortages.

VIII. War Surplus Disposal

It appears that continued slow progress will be made in the disposal of war surplus plants and materials. The recent Surplus Disposal Act appointing a three-man board (of whom only two have been selected) instead of a single administrator contains a number of hampering provisions. In some quarters the belief is expressed that Congress early next year may revise and amend the law.

IX. Business

With activity declining to some extent as a result of war contract cancellations after Germany's defeat, the total volume of business in 1945 may be approximately 10% less than this year. Some easing of controls will probably be accompanied by higher costs.

Production.—The Federal Reserve Index has already declined from a war peak of 247 to the present level of 229, and probably will reach 225 at the time of cessation of German hostilities. Thereafter, depending on the success of the Japanese war, the decline should be accelerated, and in the latter half of 1945 the range of the Index probably will be between 185 and 200.

Distribution—While the dollar volume of retail trade in 1945 may be approximately the same as this year, the unit (physical) volume probably will be lower. The decline is expected to be in soft goods rather than in hard, which are already at a low level, with an early ending of the German war encouraging an increase in the latter.

Construction—Little increase is anticipated while the war with Germany continues; following its end, gradual expansion is logical although not sufficient to show appreciable results before the end of 1945.

Industrials—Further on we give a broad analysis of the 1945 outlook for the leading industries from the standpoint of business. On the basis of comparison with 1944 earnings the industries and their earnings prospects are divided into three categories—above, the same, and below.

Railroads—The longer war will result in the railroads maintaining traffic volume at a high level in 1945, with earnings on a seasonal basis comparing favorably with the latter part of 1944. The roads have greatly strengthened their financial position, and continued debt reduction is anticipated through 1945, with dividends maintained or even increased. The recent ICC ruling, while temporarily denying restoration of rate increases, left the matter open for reconsideration if and when conditions warrant.

Utilities—Continuation is expected of operating companies' present earnings for the duration of the war, with a decline of about 10% in the subsequent months of 1945. Liquidation of holding companies will continue, with market prices tending to approach liquidating values. The majority of holding companies are still selling at sizable discounts from estimated underlying values.

X. Commodity Prices—Inflation

Market prices of commodities should remain practically unchanged while the war with Germany continues, with a tendency for agricultural commodities at least to sag thereafter unless the Government holds up prices.

With declines in war production and employment and increasing supplies of civilian goods in prospect, combined with the maintenance of price controls, there appears no great danger of inflation next year.

XI. OPA

The OPA, due to expire on June 30, next, will probably be continued, with price support and control policies maintained during 1945, although food and gasoline rationing should be gradually modified after V-E day. The OPA may increase some price ceilings to reflect higher labor and material costs, but will try to keep prices close to 1942 levels.

XII. Cost of Living

The Government's index of the cost of living, made by the Bureau of Labor Statistics, appears to have successfully withstood concerted criticism on the part of the labor unions. This index has passed its peak, about 26% above the pre-war level, and begins to show a slightly declining tendency which is most likely to be continued next year.

XIII. Social Security

While Congress has "frozen" for another year the present rate of tax for old-age and unemployment insurance, it is expected next year to consider the broadening of these benefits and also the addition of disability insurance and insured hospitalization in a general program of expansion of social security.

XIV. Foreign Trade

The reorganization of the State Department, including appointment of several additional assistant secretaries, appears to indicate a determination on the part of the Government to do everything possible to stimulate foreign trade. No large increase in dollar amount is likely, however, because goods in volume will hardly be ready, although when the German war ends exports should begin to show an expanded scale. Extensive post-war loans and credits to Great Britain, Russia and other United Nations are likely to be made in an attempt at world economic reconstruction.

XV. International Conferences

Current problems of Russia in the Balkans, the Polish border, and Britain's relations with Italy and Greece, emphasize the necessity of an early conference between the heads of the three great Powers. It may be presumed that a definite understanding will be reached reconciling many differences in viewpoint.

The new Congress next year is expected to give consideration to matters that have been the subject of international conferences in 1944, notably the international monetary fund to stabilize currencies and the world bank, proposed at Bretton Woods, the international organization to perpetuate peace, outlined at Dumbarton Oaks, and the international civil aviation organization, discussed at Chicago.

While some progress has been accomplished in these conferences, so far the projects are in tentative rather than finished form, and in view of the conflicting views prevailing concerning them it is almost certain that they will undergo considerable revision before receiving final ratification.

XVI. Earnings and Dividends

Corporation earnings in 1945 are likely to be slightly less than in 1944 with dividends little changed. Some companies engaged heavily in war production may be expected to cut dividends, and inventory losses may be a problem for such companies. Industries that are not handicapped by serious reconversion problems should show the best results.

By reason of their experience with renegotiation, many corporations will be able to set up more adequate reserves than hitherto.

XVII. Bond Prices

With continued low money rates in the foreseeable future, high-grade bonds may be expected to remain at the present high price level. Medium-grade bonds under the influence of substantial earnings and retirements have advanced considerably and are expected to rise further, while low-grade bonds owing to the high level of industrial activity are tending increasingly to move upward into the price area formerly occupied by medium-grade bonds.

XVIII. Preferred Stock Prices

High-grade preferred stocks on account of low money rates have risen practically as high as they can go, in numerous cases reaching or even exceeding their call prices. Medium-grade, liberal-yield issues, while they have advanced substantially in 1944 in reflection of favorable earnings, have undoubted possibilities for further rise, which is also true of lesser-grade issues, especially those still having substantial dividend accumulations.

XIX. Common Stock Prices

We feel unwilling to hazard a prediction as to how much higher common stock prices will go in 1945. However, depending much upon the level at which prices stand as the German phase of the war ends, a period of reaction seems logical though it will almost certainly be not severe enough to merit being described as a bear market—and may be relatively unimportant and short-lived. After this we expect to see common stock prices, on the average, appreciably higher than the top prices reached in the bull movement that was interrupted by the "reconversion" readjustment, and, as usual, special situations must be independently appraised.

XX. Conclusion

The year 1945 promises to be even more eventful than 1944 has been.

Unfavorable factors include demands by labor for higher wages and shorter hours, with a sharp increase in the number of strikes; a delay in attaining reconversion; cut-backs in Government orders will cause increased unemployment.

Among the favorable factors that may be anticipated are that the end of the war with Germany seems probable by mid-summer; the cost of living as measured by the Government index probably will be slightly lower; no increase in taxes is likely, and some reduction, notably in the excess profits tax after Germany's defeat, is possible; production, national income and business activity, while somewhat below 1944, should still continue at a high level compared with pre-war; corporate profits should continue on a substantial scale, although slightly less than this year; there will be a further increase in the vast pent-up demand for goods combined with a high degree of purchasing power and constantly accumulating savings.

A highly selective stock market is anticipated, characterized by wider intermediate movements than were witnessed this year. The individual series comprising the "Investment Timing Index" should be watched for major changes in trends and particularly for any change in the signal of the "Index" itself as indicating a reversal of main economic trends.

(Foregoing article is reprinted from "Investment Timing" of Dec. 21, 1944, published by the Economics and Investment Department of the National Securities and Research Corporation, New York, N. Y. The survey reflects the consensus of the Department's staff, Dr. Fred R. Macaulay, economist, Dr. Max Winkler, consulting economist, and L. H. Bradshaw, Editor.)

1945 EARNINGS OUTLOOK FOR MAJOR INDUSTRIES

Above 1944		
Air Transport	Electrical Equip.	Railroads
Banks	Gold	Railroad Equip.
Can Mfg.	Paper	Sugar
Dairy Products	Printing & Pubg.	Wool
Same as 1944		
Auto Parts	Drugs & Cosmetics	Mail Order
Baking & Milling	Food Products	Office Equipment
Brewery & Dist.	Glass (Containers)	Oil
Building	Glass (Flat)	Rayon
Cement	Grocery Chains	Rubber
Chemicals	House Furnishings	Ships & Shipbldg.
Coal	Household Appliances	Steel & Iron
Copper	Insurance	Telephone
Cotton Textiles	Leather & Shoes	Variety Chains
Department Stores	Machinery, Agric.	
Below 1944		
Aircraft Mfg.	Finance Companies	Motion Pictures
Aluminum	Machine Tools	Utilities
Apparel	Machinery, Indus.	
Automobiles	Meat Packing	

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration tatements were filed less than twenty lays ago, grouped according to dates n which registration statements will n normal course become effective, un-ess accelerated at the discretion of the SEC.

MONDAY, JAN. 1

BUTLER BROTHERS has filed a regis tration statement for 100,000 shares of cumulative preferred stock, 4½% series. par $100. Of the proceeds $8,398,272 wil be used to redeem in February, 1945, at $31 per share, all of the outstanding shares o. convertible preferred stock of the company. Any remaining funds will be added to current working capital. Harriman Ripley & Co., Inc., heads the group of underwriter with others to be named by amendment Filed Dec. 13, 1944. Details in "Chronicle," Dec. 21, 1944.

TUESDAY, JAN. 2

EDWARD G. BUDD MANUFACTURING CO. has filed a registration statement for 297,500 shares of common stock, (no par). 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 297,500 shares of common stock, the options varying from 300 to 58,440 shares.

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 2,000 shares have resigned from the employ of the company and forfeited their options. Filed Dec. 14, 1944. Details in "Chronicle," Dec. 21, 1944.

SUNDAY, JAN 7

GENERAL AMERICAN INVESTORS CO., INC., has filed a registration statement for 220,000 shares of common stock (no par). The shares are issued and outstanding do not represent new financing by the company.

Address—44 Wall Street, New York City.

Business — Diversified, management investment company, of the closed-end type.

Underwriting — Lehman Brothers and Lazard Freres & Co., principal underwriters. Others will be filed by amendment.

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

Proceeds—The shares to be offered are part of the holdings of Lazard Freres & Co. and its partners who will receive the proceeds. The firm of Lazard Freres & Co. and its partners will still hold a substantial interest in the company after the offering has been consummated.

Registration Statement No. 2-5547. Form S-4. (12-19-1944).

NATIONAL PRESSURE COOKER CO. has filed a registration statement for 150,000 shares of common stock (par $2).

Address—Eau Claire, Wis.

Business—Normal business of the company is manufacture and sale of pressure cookers, aluminum ware and can sealers.

Underwriting—None.

Offering—The stock will be offered to common stockholders of record on Jan. 25, 1945, in the ratio of one and one-half shares for each share of stock held. The subscription rights expire Feb. 25.

Proceeds — Will be added to working capital.

Registration Statement No. 2-5543. Form S-1. (12-19-1944).

TUESDAY, JAN. 9

SERVEL, INC. has filed a registration statement for 60,000 shares of $4.50 cumulative preferred stock (no par).

Address—Evansville, Indiana.

Business—Peacetime production is manufacture of refrigerators.

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

Proceeds—Will be added to the general funds of the company. Part of the proceeds may be expended for plant expansion, reconversion and changes and for tools, machinery and equipment.

Underwriting—Principal underwriters are Kuhn, Loeb & Co., Blyth & Co., Inc., Coggeshall & Hicks, First Boston Corp., Glore, Forgan & Co., Harriman, Ripley & Co., Inc., Mellon Securities Corp., A. G. Becker & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp., A. C. Allyn & Co., Inc., E. H. Rollins & Sons, Inc., Slade & McLeish, Tucker, Anthony & Co., and G. H. Walker & Co.

Registration Statement No. 2-5549. Form S-1. (12-21-1944).

WEDNESDAY, JAN. 10

CANADA DRY GINGER ALE, INC., has filed a registration statement for 50,429 shares of cumulative preferred stock (no par). Dividend rate will be filed by amendment.

Address—100 East 42nd Street, New York City.

Business—Manufacture and sale of ginger ale and other carbonated beverages, etc.

Offering—The 50,429 shares of cumulative preferred stock are being offered by the company for subscription to the holders of its common stock at the rate of one share of preferred for each 12 shares of common held. The subscription price and record dates will be supplied by amendment, as will the offering price to the public of the shares which are not subscribed for by stockholders.

Proceeds—It is anticipated that in connection with the continuation of the expansion program commenced by the company in 1936 the net proceeds of the stock, together with other funds of the company, will be used for the establishment and acquisition of additional plants and warehouses, the purchase of new machinery and equipment for the proposed new plants, the purchase of additional delivery equipment, for the improvement and rehabilitation of existing plants, etc.

Underwriting — Union Securities Corp. and Hornblower & Weeks head the underwriting group.

Registration Statement No. 2-5550. Form S-1. (12-22-1944).

DATES OF OFFERING UNDETERMINED

We present below a list of issue 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.

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 account 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.

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. The SEC on Dec. 21, 1944, refused to release jurisdiction over the issuance, declaring that the Commission was not satisfied that competitive conditions had been maintained.

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 48,381 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.

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 56.53% 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.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceeds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

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.

Oct. Non-Farm Mortgage Recordings Higher

The Federal Home Loan Bank Administration announced on Dec. 9 that non-farm mortgages recorded in the nation during October totalled $422,800,000 — 2% over the September volume and 9% above the figure for October, 1943. Believed largely due to their present activity in the financing of sales of houses, mortgages recorded by individuals increased by 5% over September, reaching a total of $110,000,000 for the month. This is nearly equal to the combined October volume for banks and trust companies, insurance companies and mutual savings banks, said the FHLBA, which added:

"Recordings by mutual savings banks increased by 7% from September to October. A continued decline in recordings for insurance companies in the month is explained by the increasing practice of those institutions in recent years of purchasing mortgages already made, transactions which ordinarily are not recorded as new mortgages.

"During the first ten months of this year, recordings by all types of lenders aggregated some $3,850,000,000, a gain of 21% from the some 1943 period and practically equal to the volume for the entire year of 1943.

"These estimates by the Federal Home Loan Bank Administration are based on reports of mortgages of $20,000 or less recorded in counties having two-thirds of the nation's non-farm population. The estimated number and dollar amount of recordings in October. by type of lender, are as follows:

	Number	Amount	Per Cent
Savings and loan associations	47,176	$148,131,000	35%
Insurance companies	4,071	20,985,000	5
Bank and trust companies	22,145	76,181,000	18
Mutual savings banks	4,257	16,552,000	4
Individuals	42,172	109,767,000	26
Other mortgages	13,659	51,223,000	12
Total	133,480	$422,839,000	100%

Lustig to Be Partner

Jerome B. Lustig will be admitted to partnership in B. H. Roth & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, effective today. Mr. Lustig, a member of the Exchange, has recently been active as an individual floor broker.

OUR REPORTER'S REPORT

Quite in keeping with custom, this week, bringing the year to a close, passed without a single new issue reaching market. But the underwriting fraternity, far from being disturbed by the pause in offerings, was in a cheerful mood and more inclined to look back on the expiring 12-month as a good one, the best, in fact, in about eight years.

And in between times it had given unstintingly to the cause of war financing, virtually suspending the corporate new issue market on several occasions to pitch in and help the Treasury raise its needed funds.

The average firm, if the truth be known, was disposed to look upon the year-end lull as something of a blessing in disguise, since it afforded much needed time for cleaning up of the heavy bookkeeping operations which are involved in closing out. With most houses pinched for help it was easy to appreciate the benefits accruing to office personnel.

With the total of new issues brought to market running to approximately 3 billion dollars face amount, the year was the best since 1936 when the aggregate approached 4.7 billions, and it was approximately three times the turnover in the preceding year. About 25% of the total this year took the form of new capital.

What is more important, since it represents potential new business, is the huge roster of new issues ahead. While the estimates may be a bit on the roseate side, it is now calculated that something more than a billion dollars in new issues is on the prospective calendar.

Yields Still Shrinking

There is no gainsaying the fact that investors are finding it increasingly necessary to sacrifice yield where security is a major factor. The year now closing witnessed a continuation of the trend of shrinking return in spite of the sharp expansion in new offerings.

As measured by Moody's average of high grade corporate bonds, the indicated yield on such paper currently is around 2.98 per cent, which compares with a figure of 3.12 per cent on Dec. 30, 1943.

For high grade rails the average currently is about 3.24 per cent against 3.55 per cent a year ago, while for utilities, top grade, of course, it is now 2.96 per cent against 3.07 per cent and for industrials 2.75 per cent against 2.93 per cent at the end of 1943.

Rails Back in Picture

The resounding success of the recent Nickel Plate refinancing, involving $42,000,000 of new securities, evidently has lent a fillip to railway refundings generally.

At any rate it now develops that Nickel Plate itself may sponsor another operation, this time involving $60,000,000 of its outstanding refunding series "C" 4½s sometime around the middle of next year.

Meanwhile Louisville & Nashville's big refinancing is on the cards for early January, along with Pennsylvania, which will sell $51,782,000 general mortgage bonds on Jan. 9. Great Northern also is reported a candidate for another piece of bond revamping.

Seasoned Market Quiet

The seasoned bond market promises to be a quiet affair over the balance of the week what with institutional investors more or less disposed to forego new commitments in order to implement the task of closing their books for the year-end.

The speculative list, primarily the secondary and receivership rails, which have been in the van of the market from a standpoint of activity, could experience a bit of a rush. But by and large the Street seemed to have settled down to the idea of a quiet week.

And with only one or two exceptions a long list of recent new issues is closing the year with prevailing prices ruling above those at which the bonds were floated. In some cases substantial premiums are the rule.

January Active Month

With at least two large railroad issues and several public utilities counted on as almost certain to reach market next month, January promises to be a really active month.

One doesn't hear as much these days as in former years of the element of reinvestment demand, but evidently there is still some semblance of this buying in the early weeks of the year and it carries considerable weight.

Year-end corporate disbursements in the form of dividend and interest payments have bulked large, though not quite as heavy as at the end of 1493. Such funds naturally will be seeking new outlets.

The Business Man's Bookshelf

Housing News, A Preliminary Estimate — National Housing Agency, Superintendent of Documents, Washington 25, D. C.—paper—10¢.

Sickness Benefits and Group Purchase of Medical Care for Industrial Employees, A Selected, Annotated Bibliograph — Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—30¢.

Chase National Bank Semi-Annual Dividend

The Chase National Bank on Dec. 27 declared a semi-annual dividend of 70 cents a share on the capital stock of the bank, payable Feb. 1, 1945, to stock of record at the close of business Jan. 11, 1945.

Stoker Looks Good

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

"Our Reporter on Governments"

By JOHN CHIPPENDALE, JR.

The first week after the Sixth War Loan showed that all four of the marketable issues offered during the drive were selling at premiums. . . . The most widely favored issue, the 2% due 12-15-52/54, opened on Monday, Dec. 18, at 100 8/32 bid, and ended the week at 100 10/32 bid, in line with expectations. . . . The called 4s which were exchangeable for these bonds had indicated a premium of about 10/32 for the new 2s when they were available in the open market. . . . The 2½% due 3-15-66/71 were quoted 100 4/32 bid on the opening day, and advanced to 100 9/32 bid by the end of the week. . . . The 1¼% notes due 9-15-47 were 100 7/32 bid the first day of the free market, with the same price holding for the week. . . . The ⅞% certificates due 12-1-45 opened at 0.83% bid and finished the week with a bid of 0.82%. . . .

It was reported that considerable of the market activity in the new 2% bonds and the 1¼% notes was due to adjustments in portfolios by banks and other institutional buyers. . . .

ORDERLY MARKET

The government bond market following the ending of this drive, was much more orderly than it was after the close of the Fifth War Loan, and this was attributed to the practical absence of "joyriders." . . . Restrictions upon speculative subscriptions to the securities offered in the drive were strictly enforced and this had a favorable effect upon the market for these issues, when they were traded in, for the first time on December 18. . . .

PARTIAL EXEMPTS AT NEW HIGHS

Although there was substantial activity in the drive issues last week, the partially exempt obligations again held the spotlight with six of these securities making new highs for the year. . . . The 2% due 6-15-53/55, at 105 24/32 bid, and the 2¼% due 6-15-54/56 at 107 23/32 bid, were at all time highs since the date of issuance. . . . The 2⅞% due 3-15-55/60 at 112 23/32 bid, the 2¾% due 9-15-56/59 at 112 4/32 bid, the 2¾% due 6-15-58/63 at 112 4/32 bid and the 2¾% due 12-15-60/65 at 112 16/32 bid were at new tops for the year and only slightly under their all time highs made in 1943. . . . The partially exempt issues have improved substantially since the drive and are up sharply from the lows of the year which were made about three months ago on Sept. 21. . . . Many things have happened since these securities sold at their 1944 lows, the most important of which are probably, the changed war conditions and more realistic thinking on post war taxes. . . .

However, in some quarters, the opinion is held, that in view of the sharp advance in prices of the partially exempt issues, it is important for institutions to make certain that the tax advantages in these securities are sufficient, to offset the large premiums and the better return available after taxes, in some of the taxable securities. . . .

For institutions that do not need tax shelter, the taxable obligations as a whole are more suitable for their purposes. . . . All of the taxable securities maturing or callable from 1945 through 1951, give a better return after taxes than do comparable maturities of the partially exempted. . . .

NARROWING SPREAD

The taxable securities retireable in 1952, show a larger yield after taxes than is obtainable in the 1953 maturity of the partially exempts, with three of the 1952 taxables on a higher yield basis after taxes, than is available in the 1954 maturity of the partially exempts. . . . Only in the last four maturities of the partially exempts is a larger return available after taxes, than in obtainable in the taxable issues. . . . Also this advantage which the partially exempts have over the taxable obligations is narrowing to the point, where a not too substantial rise in these issues would eliminate the spread in yield after taxes, between the long partially exempt and the taxable issues. . . .

ALL ISSUES STRONG

The strength in the government bond market last week was not confined to the partially exempt issues, since several of the taxable securities also went to new highs for the year. . . . The 2% due 12-15-51/55, the 2¼% due 9-15-56/59, the 2½% due 9-15-62/67, and the 2½% due 12-15-63/68 all made new highs for the year with the 2½% due 9-15-67/72 equalling their old high. . . . The 2¼% due 9-15-56/59 have been looked upon as attractive for sometime, for institutions, that can purchase these obligations, and considerable demand came into the market last week for these issues. . . .

The New York City member banks, have been making full use of their funds and for the third successive week, these institutions have showed a deficiency in excess reserves. . . . It is indicated that these institutions have learned to operate without excess reserves, and have followed the advise of Federal that the banks should invest fully all available funds in government securities. . . . This has had a favorable effect upon the government bond market while at the same time it has improved the earnings of these institutions. . . . Excess reserves between Nov. 15, and Dec. 20, the New York City member banks have acquired $60,000,000 in bills, $214,000,000 in certificates, $680,000,000 in notes and $604,000,000 in bonds, while excess reserves have entirely disappeared with a deficit in these reserves of $60,000,000 being reported for the period ended Dec. 20. . . . The member banks outside of New York City, which have the excess reserves, are in a position to become very important in the government bond market, when they decide to put these funds to work. . . . Likewise full employment of these reserves will also have a beneficial effect upon the earnings of these institutions. . . .

SIXTH WAR LOAN TOTALS

Indications now point to a total of about $21,000,000,000 for the Sixth War Loan approximately $7,000,000,000 more than the goal of $14,000,000,000 and about the same as was raised during the Fifth War Loan. . . . Preliminary figures on the sale of Series "E" savings bonds, indicate that the quota of $2,500,000,000 will be exceeded. . . . Purchases of bonds by individuals have already amounted to more than the $5,000,000,000 figure set for the drive.

Adrian Frankel V.-P. Of Seligman, Lubetkin

Adrian A. Frankel has been made a Vice-President of Seligman, Lubetkin & Co., 41 Broad Street, New York City, as of January 2, 1945. Mr. Frankel, who has been with the firm for 15 years, will have charge of the firm's trading department.

Available On Request

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

Norfleet Opens Own Firm

(Special to The Financial Chronicle)

SHREVEPORT, LA. — John U. Norfleet is engaging in a securities business from offices at 1401 Abbe Street. Mr. Norfleet was for many years with Barrow, Leary & Co.

Youngstown Steel Car Div.

Youngstown Steel Car Co.—In addition to the regular quarterly dividends at the rate of 60c per annum, this company recently declared an extra dividend of 10c payable Dec. 26, according to Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange, specialists in the issue. Balance sheet Aug. 31, 1944 shows equity for the stock of $13.73 versus $12.43 last year. There has been an increased demand for the stock lately at rising prices. Last sale $10¾.

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Ohio Securities Section on page 2810.

Revenue Freight Car Loadings During Week Ended Dec. 16, 1944 Decreased 5.5%

Loading of revenue freight for the week ended Dec. 16, 1944 totaled 749,883 cars, the Association of American Railroads announced on Dec. 22. This was a decrease below the corresponding week of 1943 of 8,998 cars, or 1.2%, but an increase above the same week in 1942 of 6,822 cars or 0.9%.

Loading of revenue freight for the week of Dec. 16, decreased 43,671 cars, or 5.5% below the preceding week.

Miscellaneous freight loading totaled 377,381 cars, a decrease of 9,924 cars below the preceding week, but an increase of 28,720 cars above the corresponding week in 1943.

Loadings of merchandise less than carload lot freight totaled 102,058 cars, a decrease of 4,754 cars below the preceding week, but an increase of 3,328 cars above the corresponding week in 1943.

Coal loading amounted to 142,863 cars, a decrease of 26,842 cars below the preceding week, and a decrease of 34,216 cars below the corresponding week in 1943.

Grain and grain products loading totaled 44,678 cars, an increase of 4[illegible]8 cars above the preceding week but a decrease of 3,895 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of Dec. 16, totaled [illegible]1,343 cars, an increase of 1,646 cars above the preceding week but a decrease of 2,126 cars below the corresponding week in 1943.

Livestock loading amounted to 19,234 cars, a decrease of 873 cars below the preceding week but an increase of 2,215 cars above the corresponding week in 1943. In the Western Districts alone loading of livestock for the week of Dec. 16 totaled 14,628 cars a decrease of 791 cars below the preceding week, but an increase of 2,[illegible]68 cars above the corresponding week in 1943.

Forest products loading totaled 39,409 cars a decrease of 421 cars below the preceding week and a decrease of 2,370 cars below the corresponding week in 1943.

Ore loading amounted to 11,115 cars, a decrease of 1,069 cars below the preceding week and a decrease of 1,166 cars below the corresponding week in 1943.

Coke loading amounted to 13,145 cars a decrease of 216 cars below the preceding week, a decrease of 1,614 cars below the corresponding week in 1943.

All districts reported decreases compared with the corresponding week in 1943, except the Southern, Northwestern, Centralwestern and Southwestern but all districts reported increases compared with 1942 except the Allegheny and Pocahontas.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
4 weeks of May	3,44[illegible],252	3,363,1[illegible]5	3,311,637
5 weeks of June	4,343,193	4,003,393	4,139,395
4 weeks of July	3,463,512	3,455,328	3,431,395
4 weeks of August	3,579,800	3,554,694	3,487,905
5 weeks of September	4,428,427	4,456,466	4,410,669
4 Weeks of October	3,598,979	3,607,851	3,604,323
4 Weeks of November	3,365,925	3,304,830	3,236,584
Week of December 2	808,260	862,733	759,731
Week of December 9	793,554	823,311	744,183
Week of December 16	749,883	758,881	743,061
Total	42,737,534	41,776,644	42,234,992

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Dec. 16, 1944. During the period 66 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED DEC. 16

Railroads	Total Revenue Freight Loaded 1944	1943	1942	Total Loads Received from Connections 1944	1943
Eastern District—					
Ann Arbor	295	258	247	1,495	1,506
Bangor & Aroostook	2,404	1,826	1,616	572	214
Boston & Maine	6,511	6,629	5,450	14,772	13,722
Chicago, Indianapolis & Louisville	1,293	1,314	1,409	1,947	2,120
Central Indiana	24	33	31	56	48
Central Vermont	1,104	1,028	1,006	2,025	2,429
Delaware & Hudson	4,833	5,756	5,760	12,155	11,845
Delaware, Lackawanna & Western	7,218	7,250	6,779	10,029	9,956
Detroit & Mackinac	191	163	298	90	102
Detroit, Toledo & Ironton	1,584	2,033	1,544	1,227	1,654
Detroit & Toledo Shore Line	366	304	244	2,862	3,514
Erie	11,106	11,626	10,803	15,828	17,472
Grand Trunk Western	3,579	3,412	3,500	8,285	8,501
Lehigh & Hudson River	170	195	201	2,641	2,485
Lehigh & New England	1,858	1,400	1,687	1,235	1,565
Lehigh Valley	8,008	8,210	8,118	11,417	11,565
Maine Central	2,348	2,024	2,052	4,793	3,469
Monongahela	4,853	5,814	5,874	257	488
Montour	1,837	2,514	2,302	19	18
New York Central Lines	42,378	43,911	41,300	48,634	55,123
N. Y., N. H. & Hartford	9,869	9,008	8,165	17,966	17,908
New York, Ontario & Western	1,007	1,102	869	3,192	2,621
New York, Chicago & St. Louis	6,158	5,943	6,456	15,988	16,202
N. Y., Susquehanna & Western	517	606	407	2,455	2,522
Pittsburgh & Lake Erie	6,750	6,751	7,108	5,902	8,163
Pere Marquette	4,770	4,479	4,994	7,379	8,614
Pittsburg & Shawmut	503	863	717	7	10
Pittsburg, Shawmut & North	219	303	317	200	266
Pittsburgh & West Virginia	678	1,091	934	2,444	2,240
Rutland	363	325	271	1,073	1,015
Wabash	5,387	5,673	5,301	11,964	11,905
Wheeling & Lake Erie	4,158	4,513	4,[illegible]09	3,999	4,169
Total	142,347	146,362	140,674	212,908	223,431
Allegheny District—					
Akron, Canton & Youngstown	741	770	705	1,229	1,162
Baltimore & Ohio	34,583	38,352	35,286	26,661	26,093
Bessemer & Lake Erie	1,740	2,220	2,479	1,407	1,349
Buffalo Creek & Gauley	†	295	290	†	4
Cambria & Indiana	1,360	1,765	1,756	1	5
Central R. R. of New Jersey	6,602	6,513	6,344	19,842	18,132
Cornwall	475	391	624	52	53
Cumberland & Pennsylvania	126	219	231	12	10
Ligonier Valley	70	138	124	42	32
Long Island	1,2[illegible]3	1,188	1,013	3,710	3,404
Penn-Reading Seashore Lines	1,865	1,468	1,547	2,375	2,260
Pennsylvania System	70,390	74,282	68,696	57,511	62,062
Reading Co.	14,845	13,125	13,496	27,208	26,157
Union (Pittsburgh)	17,972	19,706	20,119	2,627	4,178
Western Maryland	3,120	4,2[illegible]9	3,538	12,470	12,232
Total	155,182	164,731	156,248	155,147	157,133
Pocahontas District—					
Chesapeake & Ohio	21,155	28,028	26,293	10,846	11,805
Norfolk & Western	15,879	22,619	21,260	7,415	7,165
Virginian	2,485	4,664	4,616	2,107	2,308
Total	39,519	55,311	52,169	20,368	21,278
Southern District—					
Alabama, Tennessee & Northern	313	298	404	346	387
Atl. & W. P.—W. R. R. of Ala.	716	714	691	2,657	2,593
Atlanta, Birmingham & Coast	745	711	659	1,370	1,458
Atlantic Coast Line	13,160	11,595	13,438	12,666	9,890
Central of Georgia	3,364	3,478	3,831	5,763	4,848
Charleston & Western Carolina	377	345	387	1,701	1,820
Clinchfield	1,330	1,708	1,303	3,317	3,152
Columbus & Greenville	304	257	372	255	262
Durham & Southern	154	107	92	706	802
Florida East Coast	2,769	2,404	1,967	1,510	1,408
Gainesville Midland	45	46	44	126	102
Georgia	960	1,023	1,312	2,818	2,306
Georgia & Florida	400	297	343	781	612
Gulf, Mobile & Ohio	4,401	3,649	3,798	3,799	3,885
Illinois Central System	27,266	26,552	26,378	16,250	16,131
Louisville & Nashville	24,826	24,706	24,442	11,555	11,50[illegible]
Macon, Dublin & Savannah	214	139	191	854	1,051
Mississippi Central	317	324	166	548	451
Nashville, Chattanooga & St. L.	2,996	3,243	3,137	4,480	4,61[illegible]
Norfolk Southern	844	881	824	1,883	1,75[illegible]
Piedmont Northern	428	394	334	1,348	1,38[illegible]
Richmond, Fred. & Potomac	411	459	363	11,126	10,137
Seaboard Air Line	10,256	9,916	10,396	8,852	9,06[illegible]
Southern System	23,326	22,119	21,518	25,183	24,751
Tennessee Central	659	739	552	807	844
Winston-Salem Southbound	179	128	127	912	954
Total	120,760	116,235	117,069	121,619	116,17[illegible]
Northwestern District—					
Chicago & North Western	15,054	14,241	14,319	13,836	13,74[illegible]
Chicago Great Western	2,474	2,574	2,456	3,239	3,18[illegible]
Chicago, Milw., St. P. & Pac.	21,978	20,129	19,385	10,553	10,13[illegible]
Chicago, St. Paul, Minn. & Omaha	3,945	3,939	3,754	3,898	3,49[illegible]
Duluth, Missabe & Iron Range	1,036	1,003	1,142	229	265
Duluth, South Shore & Atlantic	607	737	635	623	489
Elgin, Joliet & Eastern	8,496	8,125	8,078	11,803	9,675
Ft. Dodge, Des Moines & South	378	390	451	140	118
Great Northern	12,017	12,280	11,905	6,011	4,912
Green Bay & Western	474	545	445	902	801
Lake Superior & Ishpeming	287	243	243	56	45
Minneapolis & St. Louis	2,047	1,959	2,040	2,607	2,456
Minn., St. Paul & S. S. M.	5,357	5,444	4,944	2,858	2,949
Northern Pacific	10,774	10,560	10,690	6,031	5,438
Spokane International	183	100	122	569	691
Spokane, Portland & Seattle	2,612	2,397	1,851	3,825	3,266
Total	87,759	84,671	82,460	67,188	61,666
Central Western District—					
Atch., Top. & Santa Fe System	24,819	21,490	22,364	13,135	10,766
Alton	3,403	2,744	3,176	3,842	3,772
Bingham & Garfield	379	594	773	71	75
Chicago, Burlington & Quincy	19,243	19,263	17,882	12,855	11,703
Chicago & Illinois Midland	2,842	2,864	2,444	865	940
Chicago, Rock Island & Pacific	12,074	11,427	12,173	13,243	12,082
Chicago & Eastern Illinois	2,674	2,392	2,433	4,811	6,03[illegible]
Colorado & Southern	658	695	1,048	2,331	2,300
Denver & Rio Grande Western	4,017	4,089	4,142	6,273	6,26[illegible]
Denver & Salt Lake	628	867	749	20	1[illegible]
Fort Worth & Denver City	784	627	1,040	1,588	1,65[illegible]
Illinois Terminal	2,273	1,777	1,646	1,433	1,75[illegible]
Missouri-Illinois	1,018	1,002	977	575	462
Nevada Northern	1,613	1,741	2,152	114	132
North Western Pacific	785	853	995	940	754
Peoria & Pekin Union	11	16	11	---	---
Southern Pacific (Pacific)	32,047	27,967	28,537	15,003	15,40[illegible]
Toledo, Peoria & Western	341	293	434	1,693	1,705
Union Pacific System	17,492	16,887	15,716	17,464	15,97[illegible]
Utah	526	671	678	3	11
Western Pacific	2,165	2,026	2,488	4,077	4,72[illegible]
Total	129,792	120,285	121,858	100,341	96,533
Southwestern District—					
Burlington-Rock Island	303	367	164	570	184
Gulf Coast Lines	6,879	6,212	5,484	2,440	2 989
International-Great Northern	2,748	2,134	3,383	3,528	3,265
Kansas, Oklahoma & Gulf	234	271	450	1,002	1,092
Kansas City Southern	4 854	5,001	4,800	2,675	2,337
Louisiana & Arkansas	3,184	3,196	4,027	2,551	2,766
Litchfield & Madison	340	302	288	1,247	1,153
Midland Valley	616	778	856	474	193
Missouri & Arkansas	195	173	126	552	366
Missouri-Kansas-Texas Lines	6,352	5,795	6 296	5,666	5,711
Missouri Pacific	16,755	16,302	16,384	17,888	19,485
Quanah Acme & Pacific	80	69	114	303	218
St. Louis-San Francisco	9,227	8,107	9,007	8,132	8,448
St. Louis Southwestern	3,737	2,971	2,832	6,940	6,972
Texas & New Orleans	12,900	13,564	12,944	5,713	4,796
Texas & Pacific	6,011	5,939	5,328	7,468	7,207
Wichita Falls & Southern	78	83	86	51	139
Weatherford M. W. & N. W.	31	22	14	32	49
Total	74,524	71,286	72,583	67,232	67,370

*Previous week's figure. †Included in Baltimore & Ohio RR.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
September 2	173,065	155,820	549,114	97	94
September 9	131,988	123,758	554,352	80	94
September 16	129,481	158,178	525,730	97	94
September 23	125,258	161,114	486,818	96	94
September 30	160,952	159,114	482,896	95	94
October 7	217,096	158,946	541,424	96	94
October 14	139,347	154,719	523,875	96	94
October 21	133,028	156,269	499,929	94	94
October 28	146,003	157,806	486,882	95	94
November 4	207,817	157,644	535,745	96	94
November 11	141,154	158,266	515,738	96	94
November 18	135,644	156,667	494,062	96	94
November 25	110,144	149,062	450,898	91	94
December 2	189,731	154,682	484,811	94	94
December 9	173,669	154,822	501,946	95	94
December 16	137,936	152,695	480,929	94	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Chemistry Engineering Symposium at Columbia

Several hundred chemists and chemical engineers are expected to participate in the eleventh annual chemical engineering symposium of the Division of Industrial and Engineering Chemistry of the American Chemical Society at Columbia University on Friday, Dec. 29, it is announced by T. H. Chilton of E. I du Pont de Nemours and Co., Wilmington, Del., Chairman of the Division. "Absorption and Ion Exchange" will be the general theme. Sessions will begin in Brander Matthews Theater, 420 West 117th Street, at 9:30 p.m. with a paper on "Formation and Properties of Activated Carbon," by Ernst Berl and Walter G. Berl of the Carnegie Institute of Technology, Pittsburgh. John W. Hassler and William E. McMinn of the West Virginia Pulp and Paper Co., Tyrone, Pa., will report "Recent Studies on the Nature of Active Carbon." Other speakers at the morning session will include: Paul H. Emmett of the Mellon Institute of Industrial Research, Pittsburgh; Roger K. Taylor of the Davison Chemical Corporation, Baltimore; Walter A. Patrick of the Johns Hopkins University, and consultant of the Davison Chemical Corporation; George H. Scheffler, Darco Corporation, Wilmington, Del.

The afternoon session will open with a paper on "Base Exchange of Silicates" by Sterling B. Hendricks, Bureau of Plant Industry, Soils and Agrictulaural Engineering, Beltsville, Md. Other speakers at this session are: Ernest W. Thiele, Standard Oil Company of Indiana, Whiting, Ind.; Donald S. Herr, Resinous Products and Chemical Co., Philadelphia; and Sidney Sussman, Frederick D. Nachod, and William Wood of the Permutit Co., Birmingham, N. J.

Carter of Cleveland Reserve to Retire

Elbert A. Carter, Assistant Vice-President of the Federal Reserve Bank of Cleveland and widely known among bankers of northern and central Ohio, will retire on Dec. 31 after more than 30 years of service with the bank.

Mr. Carter joined the Federal Reserve Bank staff as a teller on Oct. 29, 1914. He joined the Army as a private in the first World War, rose to lieutenant and returned to the bank in 1919. A native of Defiance, O., where he was born Dec. 8, 1890, Mr. Carter obtained his A.B. degree at the University of Michigan and worked in the State Bank of Defiance, of which his father was President, before joining the Federal Reserve. Last June, when he was granted a leave of absence because of ill health, Mr. Carter was the oldest person in point of service in the bank's employ.

Exchange Colombia Bonds

Dr. Gabriel Turbay, Colombian Ambassador to the United States, is notifying holders of Republic of Colombia 6% external sinking fund gold bonds due Jan. 1, 1961, and 6% external sinking fund gold bonds of 1928, due Oct. 1, 1961, of an extension of time from Dec. 31, 1944 to Dec. 31, 1945, within which to exchange the bonds and appurtenant coupons for Republic of Colombia, 3% external sinking fund dollar bonds due Oct. 1, 1970. The notice adds:

"The period for exchange of convertible certificates for 3% external sinking fund dollar bonds due Oct. 1, 1970, in multiples of $500, has also been extended one year.

The exchanges are being effected through The National City Bank of New York, as agent; copies of the offer may be obtained from the Bank's Corporate Trust Department.

Items About Banks, Trust Companies

B. Earl Puckett, President and director of Allied Stores Corporation, was elected a director of the Commercial National Bank & Trust Company of New York, 46 Wall Street, New York, Walter G. Kimball, President, announced on Dec. 21.

The Twenty-five Year Club of Manufacturers Trust Company, at its annual dinner held at he Hotel New Yorker, Dec. 19th, inducted 19 new members. As the name implies, the Club is composed of employees who have been in the bank's service for 25 years or more. The total membership is now 219, the oldest of whom in length of service is Richard N. Cotter, Assistant Secretary, who has been in the employ of the bank since 1880. Edward J. Gresser, President of the Club, presided at the dinner. Henry C. Von Elm, Vice-Chairman of the Board of Manufacturers Trust Company and himself a member of the Club by virtue of his 41 years of service with Manufacturers Trust Company, extended his greetings to the members of the Club and their guests, and presented the membership emblems to the new members. In addition, Mr. Von Elm presented a fifty-five-year emblem to Julius R. Von Sternberg, Vice-President, who is the second oldest member in point of active service with the bank. A varied program of entertainment followed. Newly elected officers for the coming year are William Haas, President; Henry W. Becker, Vice-President, and Joseph C. McNally, Secretary-Treasurer. Richard N. Cotter is Honorary President of the Club.

The Fourth Avenue Office of Manufacturers Trust Company, located at the corner of Fourth Avenue and 27th Street, New York, is observing its 25th anniversary. Established in December, 1919, as the Industrial Bank, the institution was located at the southeast corner of Fourth Avenue and 27th Street. Three years later the bank was merged with Manufacturers Trust Company. In 1932 the office was moved to the northwest corner of Fourth Avenue and 27th Street where it has remained ever since. Raymond F. De Mott, Assistant Vice-President, is the officer in charge.

The transfer on Dec. 31, 1944, of $500,000 from undivided profits to surplus of the Lawyers Trust of New York was authorized by the board of directors, it was announced on Dec. 19. It was made known at the same time that the board of directors has declared the regular quarterly dividend of 25 cents a share, payable Jan. 2, 1945, to stockholders of record Dec. 23, 1944. Estimated earnings for the year were reported as most satisfactory.

John E. Bierwirth, President of the New York Trust Company, of New York, announced the election on Dec. 26 of Alfred Brittain, Jr., as a Vice-President. He will serve in the general banking department. Mr. Brittain, a native New Yorker, is a graduate of Phillips Exeter Academy and Yale University, class of 1918. His business career has been entirely in the banking field in Chicago where he was associated with the Central Trust Company as Assistant Vice-President and the Northern Trust Company. He was a Second Vice-President of the latter institution when he resigned to join The New York Trust Company.

Following the meeting of the Board of Trustees of The New York Trust Company on Dec. 26 President Bierwirth announced the appointment of six officers and one promotion. V. A. Wilson, formerly Assistant Secretary was appointed Assistant to the President. C. Barnwell Straut was appointed Assistant Treasurer and Milton A. Cole, James C. Crandall, Russell R. Johnson and William P. Kau, Assistant Secretaries and Frank A. Mutchler, Jr., Assistant Trust Officer.

Walter G. Kimball, President of The Commercial National Bank and Trust Company of New York, announced on Dec. 22 the appointment of Alexander Maximow as Assistant Manager of the Foreign Department and Paul R. Vervoort as Assistant Cashier.

James H. Allen was appointed an Assistant Secretary of the Brooklyn Trust Company of Brooklyn, N. Y., at a meeting of the Board of Trustees of the company held Dec. 21. Mr. Allen has been employed by the company since July, 1925, and in recent years has served in a supervisory capacity in the accounting division of the personal trust department.

The Dime Savings Bank of Brooklyn entertained their depositors and friends with a program of Christmas carols sung by The Dime Savings Bank Mixed Chorus at the Bank's Main Office, Fulton Street and De-Kalb Avenue, from 11:15 until 12 o'clock noon, on Saturday, Dec. 23rd. This year marked the 11th annual Christmas Carol broadcast from The Dime Savings Bank over Station WMCA, which was scheduled from 11:45 until 12 o'clock noon, during which Philip A. Benson, President of the Bank, extended Christmas greetings. Carl Gutekunst, former head of the vocal and choral work at Teachers' College, Columbia University, and present director of music at the Plymouth Church of the Pilgrims, is the newly appointed director of The Dime Savings Bank Glee Club. A special feature from 10 until 11 o'clock preceding the regular Christmas Carol Singing this year, was a medley of Christmas Carols played on Golden Hand Bells by Diana Day, from the balcony encircling the great dome in the Bank building.

The County Trust Company of White Plains, N. Y., has announced to its stockholders a plan for increasing the bank's capital in a move designed to enable the institution to keep pace with the anticipated growth of the County. The proposed action will bring its capital funds to approximately $2,700,000 with a large majority of the stock held by residents of Westchester. In his letter to stockholders, Andrew Wilson, Jr., President of the Trust Company, said in part:

"In view of the growth which seems inevitable throughout the County after the war, your Directors feel that it would be in the interests of the company and the community to have the stock widely distributed in the hands of individuals interested in Westchester. With this in mind, your Directors, in cooperation with Bank of the Manhattan Company, which has been the principal stockholder for some years, have worked out a plan to bring about the desired change in control and, at the same time, to provide more working capital."

Of the present 30,000 shares of $25 par value stock, 6,400 shares will be retired, according to the plan, after which the balance of the stock will be split two and one-half for one to create 59,000 shares with a par value of $10 each.

Rights to subscribe for additional shares of the new stock will then be offered to stockholders.

As an incidental step in the program to provide $400,000 of additional working capital, stockholders will be given an opportunity to participate in a limited issue of 15-year 3% debentures, either for cash or in exchange for stock.

Mr. Wilson's statement added that "when the plan is adopted, a person owning ten shares of stock will be entitled to 25 of the new shares in exchange, after which he will be given an opportunity to subscribe for one additional share for each two then held. In other words, a holder of ten of the original shares, which have become twenty-five of the new shares, may acquire twelve and one-half additional shares."

It is understood from reliable sources that upon completion of the plan a majority of the stock will be in the hands of individuals already closely identified with the present management of the Trust Company. No changes either in general policy or personnel are looked for. Based upon the figures for the last twelve months, officials of the bank estimate that the net operating earnings for 1945, after making provision for taxes, should be in excess of $3 per share on the new stock. It is expected that a limited amount of the new shares will be made available for purchase by the investing public in the latter part of next month.

The County Trust Company, which was founded in 1903, operates offices in White Plains, Scarsdale, Pleasantville, Mamaroneck, Hastings and Hartsdale. It claims to be the largest financial institution in Westchester County with total assets in excess of $40,000,000.

A plan has been worked out to transfer control of the County Trust Company of White Plains from the Bank of the Manhattan Company to a Westchester group, according to a statement recently released by Andrew Wilson, Jr., President of the County Trust Company. An increase in working capital is also in contemplation, Mr. Wilson said, and further details will be made public within a few days.

Ellis L. Spray, Vice-President and General Manager of Westinghouse Electric Elevator Company, was elected a director of the First National Bank of Jersey City at a meeting of the board of directors on Dec. 20. William G. Chapman, formerly President of the National Bank of West New York, was also elected a director. The National Bank of West New York was recently consolidated with the First National Bank of Jersey City, as was noted in our issue of Dec. 21, page 2752. Mr. Spray also is assistant to the President of Westinghouse Electric & Manufacturing Co., in charge of the headquarters manufacturing division of the parent company.

The Bank's board of directors also promoted the following: Clifford A. Spoerl, Vice-President to First Vice-President; Edwin W. Spoerl, Cashier to Vice-President and Cashier, Lloyd Clarkson, Assistant Vice-President to Vice-President; George D. Cherry, Trust Officer to Vice-President and Trust Officer; Herbert S. Croft, Assistant Trust Officer to Trust Officer (corporate division); Edward N. Dean, Assistant Trust Officer to Trust Officer (custody division), and A. E. Becker, Jr., who was made Assistant Cashier.

The retirement of Harry J. Haas, as Vice-President and director of the First National Bank, Philadelphia, Pa., who has been with the Bank 36 years, of which he spent 28 years as Vice-President, and 20 as director, was reported in the Philadelphia "Inquirer" on Dec. 18, which further said:

"During his banking career he has held many offices in banking groups. He was President of American Bankers Association, 1931-32; President, Pennsylvania Bankers Association, 1937-38; President and organizer of Bank Officers Club in Philadelphia; one of the original organizers of Reserve City Bankers Association."

The election of Vincent P. Schneider and Malcolm E. Lambing as Vice-Presidents of the Peoples Pittsburgh Trust Co., Pittsburgh, Pa., is announced, it is learned, from the Pittsburgh "Post Gazette" of Dec. 19, which said:

"Formally Manager of the real estate and mortgage department, Mr. Schneider will continue to direct such activities. Mr. Lambing formerly was trust investment officer in charge of the research and investment unit of the trust department."

William Sterling Linderman, for 53 years connected with the Duquesne National Bank, Pittsburgh, Pa., and Chairman of the Board of Managers of the Buhl Foundation, died on Dec. 19, at the age of 81 years. Mr. Linderman joined the Bank in 1880, and became its President in 1921. He was also from 1914 to 1932 a member of the Clearing House Committee of the Pittsburgh Clearing House Association, and for several years he served as a Trustee of the Dollar Savings Bank.

Pittsburgh "Post Gazette" advices of Dec. 20 further said:

For more than 15 years Mr. Linderman was a director and Treasurer of the Pittsburgh Chamber of Commerce, and for 19 years he served as a member of the Board of Managers of the Allegheny County Workhouse. He was appointed on a committee to organize flood relief for Mississippi, Arkansas and Louisiana by President Calvin Coolidge, and assisted in organizing the Allegheny County Emergency Association.

The election of Estes A. Chancellor on Dec. 13 as Assistant Vice-President of the Dallas National Bank, Dallas, Tex., by the directors of the Bank, was announced on Dec. 17 by the Dallas "Times Herald," which said:

"Mr. Chancellor, who has been connected with the staff of the Federal Reserve Bank of Dallas as Cashier in the Houston branch, will be supervisor and directing head of the credit department, according to J. C. Tenison. He has been with the Federal Reserve Bank since 1921."

A. D. Simpson, President of the National Bank of Commerce of Houston, Tex., recently announced that the directors of the Bank have voted to submit to the shareholders at the annual meeting Jan. 9 a proposal to increase the common stock from $1,000,000 to $2,000,000.

The Dallas "Times Herald" further reported on Dec. 17 that "the increase is to be accomplished by the sale of additional common stock at 50% premium, and, in connection with such increase, the reduction of the par value of the common stock from $100 to $20 per share."

Directors of the First National Bank, Houston, Tex., approved a proposal to reduce the par value of the stock from $100 to $20 and it will be submitted to the stockholders Jan. 9, F. M. Law, President of the Bank, announced. The $100 shares would be withdrawn and replaced with five $20 shares each, according to the Dallas "Times Herald," which added that "the common capital structure of the Bank was increased Dec. 5 in sufficient amount to retire in full the Bank's preferred stock, amounting to $800,000."

Following a meeting of the directors of the Citizens State Bank of Houston, Tex., W. N. Greer, President of the Bank, announced that an increase of $250,000 had been made in the Bank's surplus account. In reporting this the Dallas "Times Herald" likewise said:

"All officers and employees will be given one month's salary bonus and an 8% dividend was declared for all stockholders, Mr. Greer said."

The Board of Directors of the Republic National Bank of Dallas, Texas, voted on Dec. 19 to raise to $15,000,000 the capital stocks and surpluses of the institution, Fred F. Florence, President, announced. It was the bank's second increase within a year, said the "Daily Times Herald" of Dec. 20 which also stated in part:

"Shareholders will meet to ratify the directors' action on Jan. 4. The proposal submitted by a unanimous vote of the directors would increase capital stock of the bank from $6,250,000 to $7,500,000. The surplus would be increased by the same amount, bringing the total to $15,000,000.

"Present outstanding shares of common stock with the par value of $20 total 312,500. The proposal figures the issuance of 62,500 additional shares to be offered ratably to present shareholders at $35 per share. This measure would raise $2,187,500, of which $1,250,000 would be allocated to new capital stock, and $937,500 to surplus. An additional $312,500 would be transferred from undivided profits to the surplus, making the new surplus $7,500,000.

"In April, Republic's paid-up capital and surplus was increased from $10,000,000 to $12,500,000. The bank will celebrate its 25th anniversary in February."

New Greek Drachmas Are Convertible Into Gold

In advices from its London bureau the "Wall Street Journal" of Nov. 15 said:

"The psychological hold of gold on the people of Europe is again illustrated by the Greek monetary experiment.

"This experiment, it is now revealed, implies that the new drachma notes can be converted not only into paper or military pound sterling but also into gold sovereigns (£1 gold coins). The Bank of Greece has announced that it will both buy and sell these sovereigns at the rate of 2,400 new drachmas. This is quadruple the price at which the bank buys and sells paper and military pound notes.

"At the same time, the Greek Government has decided to replenish its Treasury and to absorb gold by the imposition of a tax of 1,500 gold pounds sterling on the 1,000 richest citizens. It is expected that this measure will be followed by the introduction of indirect taxes since the country is too disorganized to permit the collection of direct taxes.

"Prospects bolstering the Greek Treasury are considered to be fairly good since, at least temporarily, the cost of servicing the internal debt is negligible in view of the collapse of the old currency in which this debt is expressed. Service on the country's foreign debts remains suspended.

"The Government's intention is to issue up to ten billion new drachmas (50 billion old drachmas for one new), equivalent to barely half the pre-war circulation but sufficient to finance the existing reduced volume of business.

"So far, notes in denominations of only one, 50 and 100 drachmas are available for issue, but larger ones are reported to be en route by plane.

"Greece's main requirements are now food, raw materials and clothing which the Allies are shipping at the rate of 130,000 tons a month. But even this is said to be insufficient, Greek estimates placing the minimum needed at 200,000 tons."