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The Commercial and FINANCIAL CHRONICLE

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Gustav Metzman Board Member of J. P. Morgan & Co.

At a regular meeting of the Board of Directors of J. P. Morgan & Co. Incorporated, on Jan. 3, Gustav Metzman was elected a member of the Board. Mr. Metzman has been President of the New York Central Railroad Co. since Sept. 1, 1944. He was born in Baltimore, Md., in 1886, and entered the railroad business as a copy clerk with the Baltimore & Ohio in 1903. He was on the staff of the Eastern Presidents Conference in 1916-17, and with the Railroad Administration during World War I. He joined the New York Central lines in 1920. In 1942 he served for some months as Chief of Rail Division, Transportation Corps, U. S. Army, at Washington, D. C.

Gustav Metzman

Delafield to Admit

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Clelia B. Delafield to limited partnership as of Jan. 11.

Pennsylvania Securities Section on page 66.

It's Your Money That's Involved

By WALTER E. SPAHR

Professor of Economics, New York University
Secretary, Economists' National Committee on Monetary Policy

Asserting There Is No Indication That the Policy of Polluting and Diluting the Monetary System Is to Be Curbed or Abandoned, Prof. Spahr Points Out the Following Monetary Problems With Which the People Are Now Concerned: (1) Greenbackism; (2) the Treasury's Power Over the Price of Gold; (3) the Power to Alter the Weight of Silver Coins; (4) the Manipulation of Federal Reserve Bank Notes; (5) the Allied Military Fiat Currency; (6) the Continued Suspension of the Gold Coin Standard; (7) the Confusion Regarding the Meaning of "Lawful Money" and "Legal Tender," and (8) the Effectiveness of the Bretton Woods Agreements in International Exchange Stabilization.

For a dozen years controversies regarding the virtues, defects, or dangers in our monetary structure have been agitating monetary economists, Congress, the Federal Administration, and others.

Dr. Walter E. Spahr

During this period a multitude of laws, Presidential proclamations, administrative rulings, unusual and unprecedented governmental actions, Congressional hearings, and criticisms and warnings by monetary economists and others have characterized the field of money.

Busy people, not specialized in these matters and with insufficient time to follow the various issues with care, have, of course, been confused. Some of them have been deeply disturbed, either because they have not been sure that they understood what was

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Restoring Stable Moneys And Foreign Exchange

By IVAN WRIGHT

Professor of Economics, Brooklyn College

Economist Stresses Need of Confidence in a Government's Stability to Maintain Monetary Stability and Asserts Mere Legal and Political Enactments and Promises Will Not Establish Sound and Dependable Currencies. Holds that Government Regulations, Such as Tariffs, Quotas, Two-Price Systems and the Like, Must Be Corrected Before Stable Currencies Can Perform Their Functions in International Trade and That Any Attempt to Superimpose New and Controlled Money Upon the Present Chaotic Currency Conditions Throughout the World Will Not Succeed. Advocates a Sound Convertible Currency With International Balances Payable in Gold or Its Equivalent.

It is the duty of the government of each country to provide an honest and dependable currency. Without a stable currency in which people can have confidence all credit transactions are restrained, and production and trade are subdued to a hand-to-mouth basis. When the value of money can not be counted on indefinitely, trade between countries is reduced to a cash or barter basis, and trade regulations are set up to protect the economies of the stable currency countries against the cheap money and cheap goods of the countries with unstable currencies.

Dr. Ivan Wright

Mere legal and political enact-

(Continued on page 68)

The Nature of the Distribution Cost Problem

By Q. FORREST WALKER*

Economist, R. H. Macy & Co., Inc.

Marketing Expert Stresses Importance of Improved Accounting in Measuring Distribution Costs. Points Out Opportunities for Economies in the Elimination of Time Wastes, Transportation Delays and Turn-Over Practices. These Wastes Are Found Throughout All Production and Distribution Processes and Are Particularly Important in Retail Marketing Where Expensive Customer Services Add Materially to Operating Costs. Warns Against the Indiscriminate Use of Statistical Averages in Measuring Costs and Asserts That Low Marketing Cost Is Not an End in Itself and Will Not Necessarily Produce Maximum Sales and Profits.

Q. Forrest Walker

Marketing or distribution is the secondary stage in the life history of every commercial product. Raw, semi-finished and finished products are produced, marketed and consumed. The

*An address by Mr. Walker at the Marketing Conference of the American Management Association, Waldorf-Astoria Hotel, New York City, Jan. 3, 1945.

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An Option On the Market

By ARTHUR WIESENBERGER*

Broker Reviews Development of Investment Companies at Home and Abroad and Points Out Their Past Errors and the Present Protective Measures to Insure Their Sound Operation. Contends the Price Record of Leading Investment Company Shares Show a Better Performance Than the General Market Averages and Demonstrate the Working of the "Leverage" Principle in Connection With the Purchase of Investment Company Shares for Income and Appreciation. Advocates the Use of Investment Company Shares by Small Investors for Diversification Purposes.

I want to thank my very good friend Beardsley Ruml, for his excellent introduction. I also want to express my deep appreciation for the invitation extended by your Association to talk on the subject that has so keenly interested me for many years. I am highly complimented by this large attendance.

Arthur Wiesenberger

Before the war my French banker friends were quite talkative in the best Oxford English, until we began discussing some specific business. Then they turned to their own language to be sure they made no mistakes. So, this afternoon, I would like to ask your forbearance for reading from notes. I, too, want to be sure to avoid mistakes. My objective is complete accuracy, and too many facts and figures are involved to trust to memory.

After a brief historical comment on investment companies I will take up three important aspects of the industry:

First: Factual proof that these companies show a better performance than the general market.

Second: An explanation of Leverage, the glamour aspect of investment companies, and why well chosen leverage shares appeal to either bulls or bears. This may sound like double-talk, but it is sensible double-talk. After you have heard it, I think you will agree that here is a case of having your cake and eating it too!

Third: The many practical uses

*An address by Mr. Wiesenberger, of Arthur Wiesenberger & Co., New York City, before the Association of Customers' Brokers at the New York Stock Exchange, New York City, Nov. 28, 1944.

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F. S. Moseley Absorbs Arthur Perry & Co.

BOSTON, MASS.—F. S. Moseley & Co., 50 Congress Street, announce the merger of the personnel, business and resources of Arthur Perry & Co., Incorporated, with their firm and will carry on the general investment banking business developed by the two organizations during many years of service to investors, in addition to their stock exchange commission business and commercial paper business.

F. S. Moseley & Co. hold memberships in the New York, Boston and Chicago Stock Exchanges and the New York Curb Exchange.

The merger unites two firms occupying positions of leadership in the financial field. F. S. Moseley & Co., organized in 1879 to deal in commercial paper, are prominent underwriters and distributors of investment securities in addition to their stock exchange business. Arthur Perry & Co., Incorporated, has been a leading Boston underwriter and distributor of corporate and municipal securities since 1916. The entire staff of Arthur Perry & Co., Incorporated, will be associated with the firm, which maintains offices in Boston, New York, Chicago and Indianapolis.

The partners of F. S. Moseley & Co., will consist of Neal Rantoul, Arthur Perry, Charles C Auchincloss, William Bayne, Hermann D. Boker, Alvah R. Boynton, Herbert F. Boynton, F. Wadsworth Busk, Leo F. Daley, F. Fletcher Garlock, Melville P. Merritt, Ben P. P. Moseley, Harry C. Robbins, Ernest L. Ward, Jr., and Ernest J. Woelfel.

Now J. A. Williams & Co.

EAST ORANGE, N. J.—Williams, Parmele & Co., Inc., 44 Brick Church Plaza, announces the change of firm name to J. Albert Williams & Co., Inc. as of Jan. 2nd.

O'Brien Quits SEC; Joins Paramount

PHILADELPHIA, PA.—Robert H. O'Brien has resigned as a commissioner of the Securities and Exchange Commission and is joining Paramount Pictures, Inc., as Special Assistant to the President. Mr. O'Brien was appointed an attorney in the Registration Division of the SEC in September 1934, and later served in the same division as Assistant Director. He was appointed a Commissioner by President Roosevelt on Feb. 3 1942.

Murray McConnel Is Hayden, Stone Partner

Hayden, Stone & Co., 25 Broad Street, New York City, members New York Stock Exchange, announce that Murray McConnel has been admitted to general partnership in the firm.

Murray McConnel

Mr. McConnel is a director of Julius Garfinckel & Co., Mid-West Refineries, Inc., and Dixie-Home Stores. He was formerly First Vice-President and a director of J. G. White & Co., Inc.

Wm. Cowan Is With Paine, Webber Uptown

Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange, announce that William H. Cowan has become associated with the firm in its uptown office at 745 Fifth Avenue. Mr. Cowan has been with Harris, Upham & Co. since 1939 and prior to that was associated with Munds, Winslow & Potter as Manager of their several uptown branch offices.

Now Frost, Read & Simons

CHARLESTON, S. C.—Effective Jan. 1, 1945, the firm name of Frost, Read & Co., Inc., 21 Broad Street, was changed to Frost, Read & Simons, Inc.

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

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

Unlisted Trading Privileges

As is generally known, there is now pending before the Securities and Exchange Commission an application by the New York Curb Exchange to extend unlisted trading privileges to the following stocks: Lukens Steel Company Common Stock, $10 Par Value; Merck & Co., Inc. Common Stock, $1 Par Value; Northern Natural Gas Company Common Stock, $20 Par Value; Public Service Company of Indiana, Inc. Common Stock, Without Par Value; The Warner & Swasey Company Common Stock, Without Par Value; Puget Sound Power & Light Company, Common Stock, $10 Par Value.

We wish that knowledge were considerably more widespread, and that dealers and brokers in securities had a more adequate appreciation of the significance of this and similar applications.

The matter came on for hearing before the Commission last November and oral argument was heard at that time.

The adversaries ostensibly were the New York Curb Exchange and the National Association of Securities Dealers. Yet, in the appearances, it is noted that Louis Loss appeared on behalf of the Trading and Exchange Division of the Securities and Exchange Commission.

We emphasize these appearances because here is yet another instance where the Commission, which sits in judgment, nevertheless, actively participates in the presentation of the case proper under the guise of allegedly protecting the public interest. We shall come later to the extent of that participation.

The argument before the Commission on behalf of the New York Curb Exchange was made by William A. Lockwood. The argument for the National Association of Securities Dealers was made by Stephen C. Thayer of Baker, Hostetler & Patterson.

Mr. Loss, in behalf of the SEC, commented upon the Commission's introducing in evidence "a good deal of statistical data." He further said:

"We made these studies in cooperation with both the NASD and the Curb, and if the results of those data point to a certain direction, and if that constitutes taking a position, again I say we will take a position."

In that statement lies the nub of our objection to the jurisdiction of the Securities and Exchange Commission. It can and does take a "position" in some matters which come up for its quasi-judicial determination, long before it is called upon to exercise such judicial duties.

The Curb Exchange and the National Association of Securities Dealers were and are amply qualified to state their points of view in connection with the pending controversy. These bodies were and are qualified to make any necessary studies which their representatives might

(Continued on page 63)

Sentiment For And Against Peace-Time Training Equally Divided

It would appear that almost an equal division of affirmative and negative responses were received in connection with our symposium on the question of compulsory military training in peacetime. The results of the inquiry have been appearing in our columns beginning with the issue of Nov. 23 and, at this writing, a considerable number of responses have not as yet been published. Some of these are given in this issue and it is our hope that the balance can be accommodated in the next two or three 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.

W. HARNISCHFEGER
Harnischfeger Corporation, Milwaukee, Wisconsin

I have been a member of a committee studying defense problems and matters of national importance and I am inclined to feel, at times, that we are prone to go from one extreme to another in this country. It is my theory that any good plant requires a watchman and by the same token I believe that this country, which at one time, at least, possessed a great portion of the wealth of the world (prior to the time that we became so liberal with our Lend-Lease policy), should certainly have an adequate military organization at all times. I believe, however, that it will be more necessary to have an adequate armed force in 10 or 20 years hence, rather than immediately after the end of the crisis that we are going through.

W. Harnischfeger

I also believe that there are some indirect advantages to having the youth of the country receive a brief training as they mature, and this training should include fundamental teachings which will help to make them good citizens and enable them to meet the problems of life.

I am also of the opinion that, in

(Continued on page 82)

E. G. Parsly Is V.-P. of J. G. White & Co.

J. G. White & Co., Inc., investment bankers, 37 Wall Street, New York City, announce the election of E. G. Parsly as Vice-President of the corporation. Mr. Parsly also is President of Allerton Corporation and a director of Allerton New York Corporation and of Alberene Stone Corporation. In 1939 he became Executive Vice-President of Kobbe, Gearhart & Parsly, of which he was one of the organizers. During the period 1919 to 1938 he was first a partner and later President of Parsly Bros. & Co., Philadelphia.

Elmer G. Parsly

Neergaard, Miller Has Admitted R. C. Albright

Neergaard, Miller & Co., 1 Wall Street, New York City, announces that Robert Copley Albright has been admitted to general partnership in the firm as of Jan. 1, 1945. Mr. Albright has been with the firm for some time in charge of the Binghamton, N. Y., office.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The National Committee of the National Security Traders Association will hold a meeting on Jan. 31, at 1 p.m., at the Palmer House in Chicago.

DALLAS BOND CLUB ELECTS DIRECTORS

At its annual meeting on Dec. 13, the Dallas Bond Club, Dallas, Texas, elected R. A. Underwood (R. A. Underwood & Co.), R. A. B. Goodman (Schneider, Bernet & Hickman), B. F. Houston (Dallas Union Trust Co.), and W. A. Jackson as directors for the coming year. Rogers Ray (Rauscher, Pierce & Co.), was reelected Secretary-Treasurer.

The retiring board consisted of Joe E. Callihan, George T. Hemmingson (Crummer & Co., Inc., of Texas), James F. Jacques (Dallas Rupe & Son), and Judson S. James, Jr. (James, Stayard & Davis).

John Rauscher, elected a governor of the Texas group of the IBA at the recent Chicago convention, gave a report of the meeting, discussing addresses by Secretary of the Navy Forrestal, Alfred P. Sloan, Jr., Chairman of General Motors, and Lord Halifax, Ambassador from Great Britain.

NEW ORLEANS SECURITY TRADERS ASSOCIATION

There was much less noise in the New Orleans Trading fraternity Christmas week due to the absence from the "Street" of Izzy Kingsbury of Kingsbury & Alvis. Izzy underwent an operation which, while rather painful, was not particularly serious, and has been convalescing rapidly. It was expected that he would be down to add to the fireworks of New Year's Eve.

Calendar of Club Events

National Committee of the National Security Traders Association—Meeting, Jan. 31, at 1 p.m., Palmer House, Chicago.

Baltimore Security Traders Association—Annual Winter Dinner, Jan. 26.

Boston Security Traders Association—Annual Winter Dinner, Feb. 21.

Chicago, Bond Traders Club of—Annual Banquet and Presentation of Incoming Officers, Jan. 30.

Philadelphia Investment Traders Association—Annual Winter Dinner, Feb. 9.

Commercial National Gives Statement of Condition

The Commercial National Bank & Trust Co. of New York reported as of Dec. 31, 1944, total deposits of $244,089,650 and total assets of $268,004,597, compared, respectively, with $220,909,473 and $244,143,490 on Sept. 30, 1944. The bank at the latest date held cash on hand and due from banks of $44,268,008, compared with $46,238,641 on Sept. 30; investments in United States Government securities of $178,102,283, compared with $145,983,580 three months ago. Loans and discounts of $40,897,679 compared with $46,206,423. Capital was unchanged at $7,000,000, while surplus increased to $10,000,000, and undivided profits were $1,148,851 against $1,900,415 on Sept. 30, 1944.

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.

Bernard Winkler Admitting

Bernard Winkler & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, will admit Ernest Stiassni to limited partnership in the firm as of Jan. 11.

Mellon Nat'l Bank of Pittsburgh Marks 75th Year

In recording on Jan. 1 the 75 years of its existence, the Mellon National Bank of Pittsburgh points out that that period "closely parallels that of the great Industrial Pittsburgh District it was destined to serve." The institution had its beginnings on Jan. 1, 1870, when Judge Thomas Mellon, who had retired from the bench, founded the private banking firm of T. Mellon & Sons. In 1880 when Thomas Mellon retired as head of the firm he was succeeded by his son, Andrew W. Mellon, who had served the Bank under his father's guidance for six years. Andrew was sole owner until 1887 when his younger brother, Richard B. Mellon, became his equal partner. At the turn of the century, with consolidations, mergers, incorporations, and large expansions requiring a broader financial service, the house of T. Mellon & Sons, to provide these banking facilities, was incorporated in 1902 as the Mellon National Bank. The new national bank began business with a capital of $2,000,000 and deposits of $8,491,947. The Bank's first board of directors, says a sketch of its history, "were men with vision and sound business judgment — representatives of Pittsburgh's important industry and commerce. Andrew W. Mellon was elected President, and his brother, Richard B. Mellon, Vice-President. Andrew W. Mellon served as President until 1921 when he retired to accept the portfolio of Secretary of the Treasury of the United States. Richard B. Mellon was President from 1921 until his death in 1933, at which time his son, Richard K. Mellon, succeeded him to this office."

Eleven months after its incorporation the Mellon National Bank's deposits had increased to $20,981,377 while its resources were $24,342,258. In 1924 the Bank moved into the new home which had been erected as a monument to its founder's unfaltering faith in the future of the Pittsburgh District. On June 30, 1944, the Bank's deposits amounted to $570,172,814 while resources were $627,200,527.

Wm. A. 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 Street, New York City, as a Vice-President. Mr. Titus served as Provost Marshal and Security Officer at the United States Naval Air Station in Grosse Ile, Michigan.

Wm. A. Titus, Jr.

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.

Mr. Titus' return to F. J. Young & Co., Inc., was previously reported in the "Financial Chronicle" of Dec. 28th.

Brown Bros. Harriman Assets at New Highs

For the eigthth consecutive year, new high records for total assets and deposits are reported by Brown Brothers Harriman & Co., private bankers, in their year-end financial statement of Dec. 30, 1944. Total assets amounted to $180,612,121, compared with $167,555,691 on Dec. 31, 1943, and $176,766,919 on Sept. 30 last. Deposits increased to $160,895,415 from $147,304,540 on Dec. 31, 1943, and $156,310,176 on Sept. 30 last.

Capital and surplus of $13,605,284 compared with $13,525,284 at the close of the preceding year and $13,585,802 on Sept. 30, 1944. Loans and discounts were $38,982,822, against $41,522,247 a year earlier and $41,555,915 at the close of the September quarter.

Other important asset items compare as follows with the figures of Dec. 31, 1943, and Sept. 30, 1944: Cash, $38,129,179, against $36,597,482 and $33,073,616, respectively; United States Government securities, $59,515,927, against $59,531,362 and $62,990,324; State, municipal and other public securities, $33,703,939, against $18,045,624 and $28,361,523.

Now W. J. Dunn & Co.

LOS ANGELES, CALIF.—Effective Jan. 1, 1945, the corporate name of Longan, Dunn & Philleo, 621 South Spring Street, was changed to W. J. Dunn & Co., of which W. J. Dunn is President.

Public Utility Securities

Long Island Lighting Recap Plan

Long Island Lighting Company is both an operating and holding company, controlling Kings County Lighting and Queens Borough Gas & Electric Co., while the latter in turn controls Long Beach Gas and Nassau & Suffolk Lighting Co. Being somewhat overcapitalized, both parent company and subsidiaries have had difficulties maintaining preferred dividends; the parent company has an accumulation of over $45 on its 7% preferred; Kings County preferred has $6; Queens Borough $42; and Nassau & Suffolk $65.

Long Island Lighting has made no payments since 1938, although dividend requirements were substantially earned in recent years, because the Public Service Commission has required the company to charge off certain "income appropriations," largely to retire securities. Share earnings on the preferred stock were reported at $4.21 for the 12 months ended Sept. 30, but would have been nearly double that amount if figured before the special appropriations.

On Feb. 11, 1944, a petition was filed with the N. Y. Public Service Commission proposing to write down the par or capital value of each class of stock, to create a reserve to be available when a final determination is made as to depreciation reserve. Under the plan the 7% and 6% preferred stocks would be reduced to $60 par value by over-stamping, thus reducing the dividend rates to $4.20 and $3.60 respectively, although the arrears would remain unchanged. As partial compensation, preferred stockholders would receive 1 share of new common for each share of preferred held. Common stockholders would receive 1 share of new common (no par, stated value $5) for each 12 shares of old stock. Preferred stockholders would own 553,800 shares of new common, and the common stockholders 250,000; preferred stockholders would thus have a majority vote. The plan was approved by stockholders on April 26 but approval of the Public Service Commission was not announced until recently. On Dec. 16, following this approval, the company filed amendments to its Certificates of Incorporation and on the 19th the New York Curb Exchange admitted to unlisted trading the new preferred stocks and the new common stock (the old securities being removed).

Meanwhile, however, trouble for the company had been brewing in Philadelphia. Some of the preferred stockholders, dissatisfied with the plan, had filed a petition Nov. 10 with the SEC, asking the Commission to assume jurisdiction over the company as a holding company doing inter-state business, and suggesting a recapitalization on the usual 1-stock basis. (The contention that it is interstate is apparently based on the fact that it supplies power to aviation or other companies which do an interstate business.) The SEC on Nov. 23 began proceedings against E. L. Phillips (Chairman of the Board) and several investment companies—Empire Power Corp., Eastern Seaboard Securities Corp., Lauridel Corp. and Delaware Olmstead Co.—to determine whether they exercise control over Long Island Lighting and are subject to registration under the Holding Company Act. A hearing was scheduled for Dec. 27.

Meanwhile, as noted above, the company proceeded to put its plan into effect, without awaiting the decision of the SEC as to its jurisdiction or any modification of the plan which it might wish to make. When the SEC discovered this, it quickly filed a complaint with the U. S. District Court, and a temporary injunction was issued by Judge Kennedy. After one day's trading in the new securities the N. Y. Curb Exchange ordered dealings suspended in the new (as well as the old) securities. On Dec. 21 the District Court changed its mind and denied the SEC petition, but the Commission immediately appealed to the U. S. Circuit Court of Appeals and won a second temporary stay. Hearings are now set for Jan. 8 in the Circuit Court.

According to a press report, the ban on dealings in all stocks of the company also applies to over-counter transactions, the transfer books having been closed pending outcome of the court proceedings. A "black market" appears to have developed over-the-counter (according to the daily sheets of the National Quotation Bureau) although there is apparently little, if any, trading.

On Dec. 18, the last day of trading in the old stocks, the 7% preferred closed at 80, the 6% at 73 (both up about 5 points), and the common at ⅞ths. On the 19th (the only day in which the new issues were traded on the Curb) the 6% preferred closed at 68¾ and the common 8¼, the combined value to the holder of old stock being 77, a 4 point gain and a new high for the year. Assuming that the plan should eventually be approved, the price of 68¾ would (based on the $3.60 dividend rate) return a yield of 5.27%. If a downward readjustment in income appropriations occurs (as seems likely in 1945) some earnings might be available for additional payments against the substantial arrears.

However, if the SEC is upheld by the courts and assumes jurisdiction, it seems likely that (based on previous plans approved by the Commission) any new plan might be on a 1-stock basis. In that event, it is possible that some further balance sheet adjustments could be made to eliminate part or all of the income appropriations and increase the amount of net income available for dividends. However, the New York Commission would doubtless retain jurisdiction also, which makes it hazardous to predict the outcome.

The Securities Salesman's Corner

1945 Should Be a Year of Opportunity For Securities Salesman.

By JOHN DUTTON

If there is one characteristic of the investment securities business that makes it stand apart from many other lines of endeavor, it is that when good years do come along they can make up for quite a number of slow ones. Other businesses also are subject to periods of extraordinary dullness and extremes of unusual activity — but few other vocations offer the salesman the opportunity to make up for lost time in a few good years as does the securities business.

Anyone who has studied the past, or who has lived through some of the lean years in the pursuit of a livelihood in this industry, understands only too well that good years don't last indefinitely. For that reason, the salesman who really knows something about past history, and has the correct outlook regarding his business, takes advantage of the good years in order to make up for those trying times which he has seen in the past, as well as those which may come again in the future.

Now, we are once again turning the corner, into a year that should be filled with increasing public interest in investment and the purchase of securities. For those who have really worked and put forth intelligent, constructive effort, the year 1944 seems to have been generally one of the best years in profits and sales volume, in a long, long time. Once again, public interest and confidence in the securities markets has been manifesting itself. A long period when most of the public stood aloof from investment in securities has now changed to a condition wherein an almost normal investment demand for securities is asserting itself.

Since it is the easiest thing in the world for any of us to let up and coast when the going gets good again, possibly this is as good a time as any other to resolve not to do it. Let us assume that the next twelve months will be months of continued and growing investment activity — if so, why not go to work and even beat last year's records. There is more to it than just increasing income, although that is important, as we all know. There is also the important matter of building a larger and more productive clientele. THE YEARS WHEN THIS CAN BE ACCOMPLISHED — WHEN REAL RESULTS CAN BE ACHIEVED — ARE THE GOOD YEARS. You can build a better clientele in one good year of investment activity than in three or four years of sub-normal business, such as existed back in the thirties. When people are in a buying mood—when they show an interest and have a desire for the product you are selling, THAT'S THE TIME TO GO OUT AND DO A JOB.

Building a clientele in the right way, planning your way ahead, doing a good job for your customers — that's the answer to what can happen as far as success goes in 1945, for every securities salesman in the business. Intelligent, constructive work can make this one of tthe best years we've had since 1936.

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.

Tomorrow's Markets Walter Whyte Says—

Market still affected by New Year hangover—lots of things in the wind but market seems disinterested. Hold on until new signs appear.

By WALTER WHYTE

The New Year is a few days old and I just realized that I never told you about what the market will do for 1945. Thoughtless of me. Should have done it last week. But the fact remains, and I'll probably be barred from the prophets' union for this, I don't know.

* * *

I've taken a half dollar and tossed it a dozen or so times. Heads it's up; tails it's down. First I made it one toss. Then I made it two out of three. Finally it became four out of five. I practically came to a conclusion when it rolled into a crack in the floor. If you don't believe it I'll show you the crack.

* * *

So here I am with all of 1945 before me and without an idea of whether to buy, sell or go fishing. Except it's too cold for fishing. And anyway I don't fish.

* * *

I could write a couple of thousand words about eco-

(Continued on page 86)

Unlisted Trading Privileges

(Continued from page 59)

care to present before the Commission as part of the data to be considered in the pending proceedings.

For the Commission, independently to prepare studies and present them as part of the evidence to be considered, we believe to be wholly unjust.

Again, there is the unfortunate condition wherein the Commission is compelled to pass judgment on a cause that by its attitude, is being espoused by its representatives. Until a division of duties is created which will make it impossible for the Commission to act as a judge in a matter to which it is in effect a party, there can be no guarantee of just and equitable results.

At this time we wish to commend the excellent effort made by the NASD in protection of securities markets generally.

Mr. Thayer's argument, we believe, was a particularly masterful one. It highlighted the distinctions between over-the-counter trading and trading in listed securities. Its explanation of the functions of the over-the-counter market is a fine example of a succinct, clear and comprehensive statement. He laid emphasis on secondary distribution, a trading market that stretches over the entire country, maintenance of a dealer market, the merchandising of securities (finding of buyers and sellers to take the securities bid and offered) and sales and customer relationships.

We believe this part of his argument dealing with the subject of over-the-counter functions should be in possession of every dealer and broker in securities.

Where attempts are made to encroach upon the over-the-counter market, by extending to any of its securities the "privileges" of "unlisted trading," these, in our opinion, should be some of the guides in determining the issues: (a) the general fitness of the particular securities involved for auction trading, this to include amongst other considerations, those of extent of distribution, size of the issue, the meeting of statutory requirements; (b) the desire of the issuer of the security. If the issuer of the security prefers that the same be traded in over-the-counter that should have an important bearing upon the determination; (c) the entire nature and in many instances, the contrast of the services rendered by the respective markets should be constantly borne in mind as well as the fitness of the particular securities for the appropriate markets.

We are deeply concerned in, and opposed to, the incursions attempting to circumscribe over-the-counter activities.

We believe these attempts pose a real danger to the retail market.

We believe that unless retailers and over-the-counter dealers and brokers generally adopt some protective program which will continue to segregate the markets and keep their respective functions independent, the time will come when there will be no over-the-counter market in the true sense and small business will no longer be able to raise capital through the sale of securities. The approach to such a condition, the direction towards it in which we seem to be heading, in our opinion, constitutes a disservice and is against the public interest.

Railroad Securities

The railroad industry has closed another record year in point of freight ton miles, passenger miles, and gross revenues. Net profits, however, ran consistently month by month behind the levels of a year earlier. Taxes took a mounting toll, material costs continued on the upgrade, and the full impact of the wage increases was felt. Nevertheless, the net results were highly satisfactory by any standards. The Interstate Commerce Commission has estimated that net income amounted to approximately $667 million, compared with $874 million in the preceding year and the peak of more than $900 million realized in 1942. Dividends continued modest in relation to earnings, with most of available income again diverted to the reduction of debt. It is possible that as much as $500 million of debt may have been retired in 1944, which would bring the aggregate to below $9 billion.

Congenital bears on railroad securities have for more than a year contended that it was impossible to have advancing prices in the face of declining earnings. What they failed to take into consideration was that by and large railroad securities had never reflected the peak earnings at the time they were being reported, and that even with earnings declining there was sufficient net left to continue with the program of rapid financial improvement and debt retirement. In any event, in the face of lower earnings railroad securities in the past year have scored almost unbelievable price advances. From the end of 1943 to the close on December 29, 1944 the Dow-Jones average of rail stocks rose 44% to 48.30, second grade rail bonds rose more than 35% to 91.44 and defaulted rail bonds rose more than 35% to 45.43. Individual advances were much more spectacular. In the same period the Dow-Jones industrial average advanced less than 12%, to a close on Dec. 29 of 151.93.

The past record is gratifying to those who for many years have been urging a more realistic investment and speculative attitude towards rail securities. There is little profit, however, in looking back and dwelling on the past. The important question now is, Where do we go from here? To the extent that markets will be influenced temporarily by the trend and duration of the war the question is unanswerable. That fundamentals will justify further substantial price enhancement, particularly in the stock group, is, however, not open to question. Aside from the credit improvement that has already taken place, and which has been pretty fully reflected pricewise by second grade bonds but not by stocks, the railroads are still faced with at least a number of months of peak business. On the basis of present indications this period should continue, even with highly favorable war developments, through most, if not all, of 1945.

If business remains high, rail earnings will remain high. For the most part the maximum tax influence has been felt in 1944. Unless there is a change in the law, which is considered unlikely, taxes should not cut any more heavily into 1945 net. Increased wages have also been fully reflected in 1944 results. At the present time there appears to be a pretty good chance that another increase in wages will be requested. Whether or not it will be granted depends largely on general Government labor policies. In any event, however, any increases that may be granted will not be an earnings influence for some months to come. If they are finally granted they will come mainly from taxes and not out of net earnings. On this basis it seems conservative to estimate minimum 1945 net earnings at around $500 million (about the same as in 1941) with a strong possibility that they may amount to between $650 million and $675 million.

As it appears virtually certain that 1945 earnings will remain at high levels it is reasonable to assume that debt retirement and financial strengthening will also continue. To this will be added the influence of fixed charge reductions through debt refunding. These factors would alone warrant a more liberal market evaluation of an unchanged earnings level. Finally, with finances and debt structures so vastly improved there is every prospect of more liberal dividend policies this year.

Railroad Stocks Should Follow Railroad Bonds

Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange, have prepared reprints of an address by Patrick B. McGinnis entitled "Railroad Stocks Should Follow Railroad Bonds." Copies may be had from Pflugfelder, Bampton & Rust upon written request.

Wm. Rex a Partner In Clark, Dodge & Co.

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, announce that William M. Rex has become a member of the firm. Mr. Rex has been associated with Clark, Dodge since December, 1935, as manager of the bond department. For thirteen years prior to that he was with the Continental Illinois Co. of Chicago and its predecessor organization.

Mr. Rex's admission to partnership was previously reported in the "Financial Chronicle" of December 21.

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.

Real Estate Securities

BROADWAY MOTORS BUILDING CORP.
(General Motors Building, New York City)

First Leasehold Fixed & Cumulative Income Bonds Attractively Priced for Yield & Appreciation

The original $6,000,000 issue on the 25-story General Motors Building, having a net rentable area of 473,435 square feet, occuping the entire block bounded by Broadway, Eighth Avenue, 57th and 58th Streets, New York City, has been reduced to $3,232,000. The operation of the $100,000 primary annual sinking fund for 1944 will in all probability result in a further reduction to about $3,100,000, or to about 50% of the original issue.

These bonds pay 4% fixed interest plus contingent cumulative interest payable Feb. 1 each year at the rate of 2% per annum. At the present time, unpaid accumulations total $6.60 for each $1,000 bond. The amount of interest payable Feb. 1, 1945, totals $30 ($20 fixed and $10 contingent). According to our analysis of this situation, we believe the total payment per $1,000 bond will be $36.60 as we expect earnings for 1944 to be sufficient to clean up the unpaid accumulation of $6.60. The earnings for 1944 would only have to exceed 1943 by about $18,000 in order that this payment can be made. We believe it quite possible that an additional amount above the $100,000 primary sinking fund might also be available.

The property has the benefit of the General Motors Corp. lease covering 13 floors and running to 1948. The assessed valuation of $6,975,000 is considerably in excess of the bonded debt of about $3,100,000. Ground rent now payable in the amount of $260,000 annually will be reduced $50,000 as of Oct. 31, 1945. This reduction will have a favorable effect on the total annual amount available for sinking fund.

In view of conditions it would appear that these securities around the current market are underpriced and are worth consideration on a yield and appreciation basis.

Morgan Stanley Partner

Walter W. Wilson

Walter W. Wilson who, along with John Story Wright and Herbert S. Hall, was admitted to general partnership in Morgan Stanley & Co., Two Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1. Mr. Wilson became associated with Morgan Stanley & Co. in June, 1937. He is a graduate of the University of Pennsylvania and the School of Business Administration at Harvard University. Formerly he was associated with the Continental-Illinois National Bank & Trust Co. in Chicago.

Reference to the admission of these new partners to the Morgan Stanley firm was previously made in the "Financial Chronicle" of Nov. 30.

Cannon Trading Mgr. For J. W. Gould Co.

Frank Y. Cannon is now associated with J. W. Gould & Co., 120 Broadway, New York City, in charge of their trading department.

Mr. Cannon was for some years a partner in the firm of J. K. Rice, Jr. & Co. He was President of the Unlisted Security Dealers Association of New York from 1931 to 1933 and later served as Vice-President and a member of the Board of Governors of the New York Security Dealers Association.

G. W. Walker in Boston

(Special to The Financial Chronicle)

BOSTON, MASS. — Guy W. Walker Jr. is engaging in a securities business from offices at 53 State Street. Mr. Walker in the past was a partner in G. W. Walker & Co.

Municipal News & Notes

The new year gets off to a flying start in the new issue municipal market, with the opening weeks scheduled to be punctuated with a degree of activity not witnessed in quite a spell. Highlight of the business in prospect is the New York City offering of between $60,000,000 and $70,000,000 bonds, bids on which will be opened Jan. 16.

This will be the city's second appearance in the market since January, 1942. On the previous occasion, in August of 1944, the municipality awarded $13,740,000 Idlewild Airport bonds as 1¾s to a syndicate headed by the Chase National Bank of New York City. The bonds, due serially from 1945 to 1974 inclusive, were re-offered by the underwriters from a yield of 0.40% to a dollar price of 99.50.

Proceeds of the forthcoming large-scale financing, according to City Comptroller Joseph D. McGoldrick, will be used to pay for the completion of projects which had been in progress before the war began. Thus none of the fund is intended for projects and improvements included in the city's program of post-war construction. The bond issue in question will be in serial form, the maturity range being from 2 to 40 years. Average life of the loan will be 15 years.

The New York City offering, which will constitute the largest piece of municipal financing since Pearl Harbor, will be preceded by several other issues of substantial amount and of equal general market interest.

The initial transaction was completed yesterday (Wednesday), when the City of Roanoke, Va., sold $1,585,000 water bonds to a group headed by Shields & Co., New York City. The bankers named a combination of interest rates and the accepted bid figured a net interest cost to the city of 1.3629%. Re-offering was made from a yield basis of 0.30% for the one-year maturity to a dollar price of 96.25 for the 1975 series. The issue consists of $1,015,000 non-callables, maturing from 1946 to 1974 inclusive, and a block of $570,000 maturing in 1975 and optional Jan. 1, 1965, at 102 and interest.

The City of Edmonton, Alberta helped to maintain the tempo of activity which has characterized the Canadian municipal market in recent months, having sold on Wednesday an issue of $3,500,000 refunding bonds. Not having been registered with the Securities and Exchange Commission, interest in the offering was confined exclusively to Canadian dealers.

Among the sales scheduled for today are the New York State portfolio offering of $5,676,000 local municipals now held by various State sinking funds and the $2,214,000 Rochester, N. Y., issue. The latter consists of relatively short-dated paper, the maturity range being from 1946 to 1951 inclusive.

The next substantial deal on the calendar consists of the $15,600,000 Loup River Public Power District of Nebraska, Eastern Division Electric Revenue bonds, proceeds of which will be applied to the redemption of an equal amount of outstanding district notes.

The bonds, bids on which will be considered Jan. 9, will mature semi-annually from July 1, 1945 to Jan. 1, 1951, and contain an optional provision.

The scheduled passing from private ownership of the Omaha utility system, incidentally, will complete municipal acquisition of all of the electric utility systems in Nebraska. The State of West Virginia will also be in the market on Jan. 9, having requested bids on an issue of $1,000,000 road bonds.

The next important item on the January list will be contributed by the City of Miami, Fla., which will consider bids Jan. 10 on an issue of $10,000,000 water revenue and revenue refunding bonds. The city was previously in the market on Oct. 26 last, when it disposed of $7,600,000 refundings to the Chase National Bank of New York and Associates. Purpose of this borrowing was to provide for the redemption of $7,623,000 3¾s of 1940 which have been called for payment on July 1 next.

On the same day of the Miami deal, Harris County, Texas, will open bids on an offering of $9,050,000 bonds for new construction, of which $3,800,000 will be for account of the county's Flood Control District.

Other material loans now in prospect for the rest of January include $1,500,000 Lebanon, Pa., water on the 15th; the New York City item of $60,000,000 to $70,000,000 on the 16th; $593,000 St. Clair Shores, Mich., also on the foregoing day; $500,000 Charlottesville, Va., on the 17th; $716,000 Union City, N. J., on the 18th; and the $1,500,000 Pittsburgh, Pa., refunding on Jan. 22.

U. S. Supreme Court Refuses To Review Port Authority-Triborough Bridge Cases

The United States Supreme Court on Jan. 2 refused the request of the U. S. Solicitor General for review by the court of lower court rulings which held that the Port of New York Authority and the Triborough Bridge Authority and, inferentially, similar other agencies, are political sub-divisions and that their bonds are, accordingly, exempt from Federal income tax laws. Immediately after the court's action was announced, over-the-counter quotations on bonds of the above-mentioned units advanced substantially. This was also the case with respect to obligations of the Pennsylvania Turnpike Commission, Delaware River Bridge Commission and the California Toll Bridge Authority.

A. P. Montgomery Co. Formed In New York

Announcement of the re-establishment of the firm of A. P. Montgomery & Co. at 150 Broadway, New York City, has been made by Austin P. Montgomery and Harvey G. King, who have been associated for many years as general partners. The firm was originally formed in 1926 and expects again to furnish the type of unlisted brokerage service rendered in the past, with special attention being given to the execution of orders in new issues of corporate bonds and preferred and common stocks.

Arnold Feldman Now With Hettleman & Co.

Hettleman & Co., 52 Wall St., New York City, members of the New York Stock Exchange, announce that Arnold Feldman has joined their organization as Manager of their Investment Department. Mr. Feldman for many years has been head of his own firm and has been in the investment business for nearly 25 years.

Kendrick Taylor With Journal of Commerce

Kendrick W. Taylor has joined the advertising staff of the New York "Journal of Commerce" effective Jan. 2nd. Mr. Taylor will cover the industrial advertising field. He was previously with Albert Frank-Guenther Law, Inc.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Despite a deficit for the calendar year of 1944, estimated at $52,000,000,000, a sharp increase in currency in circulation and three War Loan Drives, the Government bond market closed the year with practically all of the obligations on the plus side, except for the shorter-term issues which declined due to approaching maturity or call. . . . This should be evidence enough of the controls that the Government has over the money markets. . . .

With considerable financing yet to be done, it seems reasonable to assume, based on the action of the Government bond market in 1944, that interest rates will remain as they are, or go to somewhat lower levels. . . . It may be that the Treasury, by the use of the 0.90% Notes and the 1¼% Notes, is preparing the market for a change in the rate of financing the war, which is entirely within their power. . . . Also the Secretary of the Treasury has indicated that the use of short-term obligations with low rates is suitable to their needs. . . .

PRICE RECORD FOR 1944

Price changes in United States Government bonds, during the year, were as follows:

		Closing Bid Price 12-31-43 in 32nds	Closing Bid Price 12-31-44 in 32nds	Price Changes in 32nds
2¾%	*9-15-1945-47	103.12	101.18	—1.26
2½	*12-15-1945	103.13	101.28	—1.17
3¾	*3-15-1946-56	106.7	103.25	—2.14
3	*6-15-1946-48	105.7	103.13	—1.26
3⅛	*6-15-1946-49	105.16	103.18	—1.30
4¼	*10-15-1947-52	111.25	109.18	—2.7
2	*12-15-1947	104.4	103.20	—0.16
2	3-15-1948-50	102.0	101.27	—0.5
2¾	*3-15-1948-51	106.20	105.31	—0.21
1¾	6-15-1948	101.8	101.8	---
2½	*9-15-1948	106.8	106	—0.8
2	*12-15-1948-50	104.8	104.10	+0.2
2	6-15-1949-51	101.16	101.24	+0.8
2	9-15-1949-51	101.11	101.22	+0.11
2	12-15-1949-51	101.8	101.20	+0.12
3⅛	*12-15-1949-51	110.4	109.23	—0.7
2½	*12-15-1949-53	106.17	106.29	+0.12
2	3-15-1950-52	100.30	101.16	+0.18
2	9-15-1950-52	100.20	101.8	+0.20
2½	*9-15-1950-52	107.1	107.13	+0.12
2¾	*6-15-1951-54	109.0	109.10	+0.10
2	9-15-1951-53	100.4	100.24	+0.20
3	*9-15-1951-55	110.31	110.26	—0.5
2¼	*12-15-1951-53	106.0	106.29	+0.20
2	12-15-1951-55	100.7	100.24	+0.17
2½	3-15-1952-54	103.18	103,31	+0.13
2	6-15-1952-54	Issued 5th War Loan	100.15	+0.15
2¼	6-15-1952-55	101.19	102.3	+0.16
2	12-15-1952-54	Issued 6th War Loan	100.10	+0.10
2	*6-15-1953-55	104.21	105.24	+1.3
2¼	*6-15-1954-56	106.21	107.23	+1.2
2⅞	*3-15-1955-60	111.16	112.22	+1.6
2½	3-15-1956-58	103.7	103.23	+0.16
2¼	9-15-1956-59	Issued 4th War Loan	100.24	+0.24
2¾	*9-15-1956-59	111.6	112.2	+0.28
2¾	*6-15-1958-63	110.28	112.2	+1.6
2¾	*12-15-1960-65	111.12	112.14	+1.2
2½	6-15-1962-67	100.12	100.25	+0.13
2½	12-15-1963-68	100.3	100.15	+0.12
2½	6-15-1964-69	100.0	100.11	+0.11
2½	12-15-1964-69	100.0	100.11	+0.11
2½	3-15-1965-70	Issued 4th & 5th War Loan	100.10	+0.10
2½	3-15-1966-71	Issued 6th War Loan	100.12	+0.12
2½	9-15-1967-72	100.10	100.20	+0.10

*Partially Tax Exempt.

TRADING FRATERNITY ACTIVE

Price movements during week were rather moderate in the Government market, although a good demand was noted for the long 2½s, the June 2% due 1952-54 and the new 2% due 12-15-52/54. The long-term partially tax exempts were firm with some interest being evidenced in the certificates of indebtedness. It is indicated that the dealers are carrying large positions over the year-end in anticipation of higher prices during the early part of 1945. . . .

Loans to brokers and dealers for purchasing or carrying Government obligations increased by $22,000,000 for the week ended Dec. 27, which seems to bear out reports that the "Trading Fraternity" have been adding to their holdings of these securities. . . .

It was reported that there was a substantial order in the market for the 2¾% due 6-15-51/54, with a large trade in this issue having been consummated near the end of last week.

FEDERAL'S HOLDINGS AT NEW HIGH

The year 1944 closed with the holdings of Government securities by the Federal Reserve System at an all time peak of $19,064,404,000. This represented an increase of $7,449,515,000, or 65%, over the figures reported at the end of last year. The largest gain took place in the system's holdings of bills, which went from $6,906,175,000 at the close of 1943 to $11,520,617,000 at the end of last year, an increase of $4,614,442,000, or 66%. Certificate holdings of the Twelve Federal Reserve Banks were up from $2,407,150,000 at the end of 1943 to $4,732,140,000 at the finish of 1944, an increase of $2,324,990,000, or 96%. Note holdings increased by $891,321,000 to $1,568,221,000 at the close of this year, a gain of 132%.

The system's holdings of Government bonds was the only classification to show a decrease during the year, and these securities declined by $381,238,000 to $1,243,426,000 at the end of 1944. This was a decrease of 23%. . . .

At the close of 1944, 85.3% of the total Government security holdings of the Federal Reserve System had a maturity of one year or less, with 8.2% in notes and balance of 6.5% in bonds. . . .

REESERVE BALANCES LOWER.

During the year just closed, money in circulation increased by $4,907,000,000 to an all time peak of $25,335,000,000, while gold holdings decreased by $1,365,000,000 to $20,639,000,000 from $22,004,000,000. Excess reserves of the system increased from $1,126,000,000 to $1,400,000,000. As is indicated by these figures, the increase in the volume of currency in circulation, and the decrease in gold holdings have tended to reduce reserve balances of the member banks during the last year. However, the Reserve authorities following the policy adopted at the outbreak of the war, of keeping the Government bond market orderly through open market operations, made reserves available to the member banks in 1944, through the acquisition of a considerable amount of Government obligations, notably short-term securities. . . .

RESERVE BANKS' CONTRIBUTION

In fact, at the end of 1944, of the total volume of Treasury bills outstanding, the Federal Reserve banks held $11,520,617,000, or 70%. Purchases of Government securities by Federal during 1944 amounted to $7,449,515,000, which made credit in that amount available to the System. This compares with the increase in money in circulation and decrease in gold holdings totalling $6,272,000,000, which took credit out of the system to that extent. . . .

Thus during the year purchases of Government securities by the Federal Reserve banks were $1,177,000,000 greater than the credit withdrawn from the System by these two factors, and was mainly responsible for maintaining excess reserves of the System. It is indicated that during the war the Federal authorities will continue this policy of furnishing member banks with the necessary reserves. . . .

New York City reporting member banks, during the year 1944, showed increases in their holdings of Government bonds of $1,498,000,000, with Treasury notes up by $1,729,000,000, while certificates gained by $253,000,000, with Treasury bills down by $654,000,000. The trend of investments in Government securities by these institutions during the year was decidedly toward the longer maturity, higher income obligations.

H. Fisk Consolidating With R. W. Proctor

A new chapter in the history of one of the oldest banking houses in America, identified with U. S. Government financing since Civil War days, is written in the announcement of the consolidation of Harvey Fisk & Sons, Inc., 40 Wall Street, New York City, with R. W. Proctor & Co. as of Jan. 2, 1945. The business hereafter will be conducted as a partnership under the name of Harvey Fisk & Sons, dealers in U. S. Government securities and State and municipal bonds.

Harvey Fisk & Sons dates back to 1863. R. W. Proctor & Co. has been active in the Government and municipal field since 1933. Partners in the new firm are Martin G. Grunwald, Ralph W. Proctor, J. Ryan Smith and Harrison M. Haverbeck. Edward F. Wrightsman, active in municipals for the past 11 years, is manager of the municipal department.

Harvey Fisk & Sons traces its history back to Fisk & Hatch, organized in 1862, the name Harvey Fisk & Sons being adopted in 1886, following completion of the Central Pacific Railroad in which financing the firm took a leading part.

It was in the dark days of the Civil War that Harvey Fisk, then junior officer in a small bank, became associated with A. S. Hatch. In its early years the firm was prominent in financing U. S. Government requirements in the Civil War, when President Lincoln turned to the firm, and later in refunding Civil War loans and in financing the Spanish-American War.

Harvey Fisk & Sons also was active in financing not only the Central Pacific, first rail route across the Continent, but also many other principal trunk lines. In later years the firm financed American Locomotive and the Hudson Tubes.

Outlook Attractive

Grinnell Corporation, formerly General Fire Extinguisher Company, offers an attractive outlook, with no reconversion problem, according to a detailed study of the situation prepared by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of this interesting study may be had from G. A. Saxton & Co. upon request.

Kimm & Co. to Admit

Kimm & Co., 120 Greenwich Street, New York City, members of the New York Curb Exchange, has admitted Walter E. Kimm, Jr., to partnership, as of Jan. 2nd.

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

Post Bellum!

This recorder has received a copy of a letter addressed by the chairman of the board of this company, Schenley Distillers Corporation, to its president, vice-president in charge of production and vice-president in charge of sales. His letter states in part:

* * * * *

"Our first obligation is to give the returning veteran who left his job with Schenley to join the Armed Forces, full opportunity of reemployment with the company. Our next obligation is to give every returning war veteran every possible opportunity of employment with Schenley consistent with fulfillment of our responsibility to present employees of other than war replacement status.

"Every available position should be earmarked for the returning veteran, whether it is in Sales, Production, Research, New Products, Office—the entire gamut of our business.

"When this tragedy of war is over . . . it should be the aim of Schenley, in its every component part, to be staffed by veterans in every possible position, so that this company will be an organization willing to give veterans every possible, true opportunity.

"I would like to see a policy adopted which accords with the foregoing for the guidance of the entire Schenley company. This policy should be so broad, so human, so attuned to the times, that it will merit the respect of everyone in our present organization, of the returning veteran, of the Government, and of the public, and gain happiness for us, through its accomplishment."

* * * * *

The statement above was not intended for publication, but it is too good to withhold. It is an expression of the spirit of modern American business which augurs well for the future well-being of our country.

It bears the label "MADE IN THE U. S. A."

MARK MERIT
of SCHENLEY DISTILLERS CORP.

FREE—*Send a postcard or letter to Schenley Distillers Corp., 350 Fifth Ave., N. Y. 1, N. Y. and you will receive a booklet containing reprints of earlier articles on various subjects in this series.*

Aircraft and Radio Situations of Interest

Fred W. Fairman & Company, 208 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, have prepared interesting analyses of Interstate Aircraft & Engineering Corporation, Garrett Corporation, and also have for distribution a brochure on the Magnavox Company. Also available is a recent analysis on the Columbus Venetian Stevens Building 3%-5%. Copies may be had from Fred W. Fairman & Company upon request.

Now Clayton Securities

BOSTON, MASS.—C. Comstock Clayton has formed the Clayton Securities Corporation, 82 Devonshire Street, succeeding to the business of C. C. Clayton & Co.

Pennsylvania Brevities

Outlook for 1945

Pennsylvania securities dealers and distributors, not unlike those throughout the country, look forward with confidence and optimism to operations in the New Year. It is pointed out that national income in 1945 is not likely to vary greatly from record breaking 1944 figures. While not much may be expected in the way of tax amelioration, either individual or corporate, it is conceded that no increases are anticipated. Thus funds seeking investment will continue to constitute a steady, upward pressure on security price levels. New financing has been and will continue to be largely in the form of refunding operations. Equity financing on a substantial scale is out for the duration. Under these circumstances, the quest for equities establishes a demand which exceeds the diminishing supply.

Analysts are quick to point out, however, that as the war approaches its final and decisive stages, the necessity for careful selection becomes of increasing importance. Tremendous stockpiles of war materials and supplies are an inevitable necessity. In fact, they constitute a vital factor in bringing victory closer. Despite careful and intelligent fore-planning, a European peace is bound to bring about major dislocations in labor and industry. Virtually all war production has useful peace-time application, but the problems of reconversion will not fall equally upon all elements of individual industries.

Thus the investor is in particular need of sound guidance. Properly advised, he will likely find, in 1945, a continuation of the specialized advances witnessed last year.

York Corporation

Continuing to forge ahead in the field of refrigeration and air conditioning, this Pennsylvania manufacturer is engaged in capacity production, almost all of which is directly or indirectly related to the war effort. Yet its reconversion problems are considered negligible since less than 2% of its productive floor space has been converted to the manufacture of equipment extraneous to its peacetime activities.

For the fiscal year ended Sept. 30, 1944, the Company's annual report disclosed the following highlights:

Sales qualified for profit, $34,106,874, compared with $31,393,281 in 1943.

Net earnings, $729,838, or 78 cents per common share, after $240,000 special reserves and $2,386,083 Federal and State taxes on income.

New business booked, $41,435,415. Preceding year, $34,462,556.

Uncompleted orders at year end, $27,139,922, compared with $24,683,556.

Net working capital at year end, $13,703,595.

Last week, the U. S. Circuit Court refused to review the case of three minority dissenting holders of York Ice Machinery Corp. 7% preferred who sought to invalidate the company's plan of reorganization and merger, consummated last year. The dissenters will be forced to accept the previously determined appraisal price of $90 per share for their holdings.

John B. Stetson Company

Operations for the fiscal year ended Oct. 31, 1944, showed modest gains over 1943 results. Consolidated net sales were $16,850,819, compared with $16,251,831. Consolidated net income, after reserves for depreciation, contingencies and Federal, State and Canadian income taxes, was $458,731, equivalent to approximately $1.14 per share.

During the year the company acquired by purchase, 6,805 shares of its 8% preferred stock and 13,873 shares of common. The preferred so acquired has been cancelled and the common shares are held in the treasury at cost.

In the last quarter of the 1944 fiscal year, the company completed all contracts for various types of heavy webbing and other war materials, and, on Oct. 31, had no contracts or inventory of raw materials or finished goods for the armed services. Because of difficulties in obtaining materials and in maintaining an adequate working force, the company has not been able to meet the greatly increased demand for Stetson hats. Distribution in the United States and in foreign markets continues to be on an allotment basis.

Penroad vs. Penna. RR.

At the next meeting of Pennroad directors, Jan. 10, it is expected that company counsel will advise on a future course of action in respect to a judgment of $22,104,515 awarded Pennroad against Pennsylvania Railroad by Federal Judge George A. Welsh and now set aside by the Circuit Court of Appeals. It is pointed out that Pennroad can ask the Circuit Court for a reargument, ask the U. S. Supreme Court for a review, or seek to retry the case in the Delaware Court, where it originated.

The ruling setting aside the $22,104,515 award has no effect upon the financial statements of either company, since both carried the item in their annual reports as "pending litigation."

Pittsburgh Railways Company

In an action taken to speed up reorganization proceedings of the Pittsburgh Railways Co., but which may serve only to further complicate matters, eight bondholders of underlying companies last month petitioned Federal Judge R. M. Gibson to have Philadelphia Company, traction company parent, barred from sharing or participating in the assets of Pittsburgh Railways Co. and its underliers. The petition also asked that the underlying companies, net at present under court jurisdiction, be made a part of proceedings.

Neither of the petition's aims are particularly new. The City

(Continued on page 67)

Pennsylvania Municipals

By EDWARD W. KLING

The new year seems to be getting under way with a more optimistic tone than has prevailed for the last three or four months. The market at slightly lower levels appears to be strong and most of us hope and expect that the period of lethargy we have witnessed will soon end and normal trading ensue.

In the Pennsylvania municipal mart very little money was made by buyers of new issues during the last half of 1944. After a period of waiting some dealers reduced prices on their holdings and disposed of the bonds with slight losses. Others are still hopeful and some made a little money. Nevertheless bidding is still very brisk and municipalities are obtaining exceptionally favorable prices.

Edward W. Kling

The Over-the-Counter market was somewhat more lucrative, however, particularly with respect to Authority obligations. These afford a much better yield than the general obligations and, in a majority of cases, in our opinion, the spread is much greater than the risk.

The Pennsylvania Authority Act permits the creation of such bodies for certain specified purposes. Three issues predominate in this field at the present time and have a far-reaching market namely the Pennsylvania Turnpikes, the Philadelphia-Camden Bridge and the Easton-Phillipsburg Bridge. With these exceptions, almost all of the other authorities created have been for either water or sewer purposes.

Unlike other States, the Pennsylvania Act does not provide for the establishment of agencies to acquire gas or electric properties. However, it is not only possible but distinctly probable that these fields will be included within the scope of the Act in the future. In some States these utilities operate in comparatively restricted areas, or in fairly large areas serving a relatively small population.

In Pennsylvania, however, almost all of the electric and gas properties serve large areas and embrace several counties and a great volume of consumers. While it may be true that this State has not pioneered in this field, it is not unlikely that taxpayers will benefit to an even greater extent because of this fact.

Tennessee has been a notable example in the creation of successful authorities services by the earnings of electric properties. An outstanding example has been the City of Chattanooga. As a municipal credit, this city, with a Moody Rating of Baa on its general obligations, is only fair. In 1939 it acquired from Commonwealth and Southern the electric properties serving the city and to finance the acquisition, sold $13,200,000 bonds. Of this amount, $6,040,000 of the bonds were redeemable at a premium. As of Dec. 1, 1943, the bonds were called and refunded with a new issue at a considerable saving in interest.

The market being favorable and the operations of the property so profitable, they were again able to call these latter bonds on June 1, 1944, and again refund with further saving in interest.

Nashville and Memphis have also done well in this respect. The results, of course, will be in a few years the elimination of utility debt and either very cheap utility rates or reduction in other forms of taxation, any or all of which will be beneficial to the citizen.

Brown Bros. Harriman Century in Boston

BOSTON, MASS.—Brown Brothers Harriman & Co., private bankers, observed the 100th anniversary of the founding of their Boston office on Dec. 31, 1844, by Thomas B. Curtis, grandfather of Louis Curtis, the present Boston partner. The firm had been established in Philadelphia in 1818 and in New York in 1825.

The history of the firm in Boston covers a period during which the city has grown from a mercantile and shipping center with a population of about 100,000 to become a leader in the financial and industrial development of the nation.

Shortly after the opening of the Boston office, now located at 10 Post Office Square, and soon after the British Government had established the Cunard Line, the firm placed in operation the Collins Line of steamships, the first trans-Atlantic line set up in the United States. As business developed, it financed the shipments of other merchants. After a time, this phase of its operations expanded to such an extent that it sold its merchandising business and confined itself thereafter to the financial field. As private bankers, it accepts deposits, provides checking facilities, grants commercial loans, issues commercial and travelers' letters of credit, does a general acceptance business, and deals in foreign exchange. It acts as fiscal agent for corporations and governments, holds securities in custody for others, maintains an investment advisory service, purchases and sells securities for others, as broker for a commission, but does not engage in the underwriting business or in the sale of securities to the public.

The latest published report of Brown Brothers Harriman & Co. showed total assets on Sept. 30, 1944, of $176,766,919. Deposits aggregated $156,310,176 and capital and surplus amounted to $13,585,802.

Post-War Job Requisites

Guaranty Trust Company Formulates Specific Measures Required for Full Employment. Calls Measures of the Nineteen-thirties Unsatisfactory.

Calling jobs the most important post-war business problem, the Dec. 27 issue of the "Guaranty Survey," published by the Guaranty Trust Company of New York, reviews the pre-war efforts in creating jobs and concludes that the results of these measures were complicated and obscured by the numerous types of social reform and experimentation upon which the Government embarked and holds that the method of supplementing the supply of jobs during the nineteen-thirties by the expenditure of large amounts of public funds was unsatisfactory and should be avoided in the post-war period.

"In one important respect," continues the "Survey," "the war marks a continuation and intensification of the pre-war trend. Employment is still supported by the Government, through wartime activities, and to a vastly increased extent. It is not strange if there are misgivings as to what may happen when this support is withdrawn.

"It seems to be generally agreed that the readjustment to peacetime conditions and needs will be difficult and may involve a considerable amount of temporary unemployment. There is a widespread support also for the view that, once the major phases of the reconversion are completed, the deferred demand and the accumulated purchasing power of wartime will be powerful stimulants to production and employment. These war-created influences, however, will pass off, leaving government and business face-to-face with the crucial question: Have the conditions that prevented recovery in the nineteen-thirties been removed, and if not, is there a clear and early prospect that they will be?

Continuing Obstacles

"It would be pleasant to answer this question in the affirmative, but difficult to support such an answer in the light of the available evidence. This is not because, as some commentators assert, ours is a 'mature' economy in which scarcity has given way to abundance and free private enterprise is no longer capable of providing adequate employment. As far as we know or have any reason to believe, private enterprise is as inherently capable of providing employment as it ever was. It is because there has as yet appeared no prospect of substantial change in the public policies that created such an uncongenial economic environment during the pre-war decade, and that may well have been, as so many business men and economists believe, the decisive factor preventing our economy from reestablishing itself on a prosperous basis, as it has so often in the past.

"It is true that some Congressional leaders are insisting on the necessity of reducing taxes and balancing the Federal budget as soon as possible after the war. More convincing evidence, however, is the fact that Federal, State and local governments are already planning to spend billions of dollars for public works, and that no serious effort is being made to repeal or amend the legislation, or to abandon or modify the administrative policies, that business men hold responsible for the lack of economic vitality exhibited during the nineteen-thirties. On the contrary, political commentators declare that the post-war era is likely to bring renewed emphasis on the 'Leftist' tendencies that, in the aggregate, spell the very environment of which business men complain.

"If such predictions are true, it is much to be feared that the efforts of private enterprise to furnish jobs will encounter the same obstacles after the war that they did before the war, and that the Government will again consider itself obliged to fill the gap by spending billions of borrowed dollars. No one doubts that jobs can be provided in that way, if enough money is spent. In fact, we are now seeing the most convincing proof ever offered that governmental borrowing and spending on a large enough scale can raise employment and national income to almost any level within the physical capacity of a country. The essentially temporary character of this process, however, would seem too obvious to require emphasis. If long continued, the practice must lead either to political and economic disorder or to increasing regimentation, merging by perhaps imperceptible degrees into totalitarian control.

"This is certainly not what the American people want. They want jobs under a system of free enterprise. But they do not yet realize, apparently, that free enterprise can give jobs only if it is truly free—free to prosper, free to expand, and free to manage its own affairs.

Specific Needs

"When business men are asked what specific measures should be taken to set up an environment in which they can operate successfully, as they have in the past the individual answers vary to some extent, but the list is substantially as follows:

"Wartime taxes and restrictions should, of course, be abolished. The double taxation of corporate dividends should be eliminated. Surtaxes on individual incomes in the higher brackets should be drastically reduced. The capital gains tax should be repealed. The Federal tax structure as a whole should be simplified and stabilized. Taxation should be used solely as a means of raising revenue, not as an instrument of social reform. The theory of compensatory Government spending—spending not to provide relief but to create prosperity—should be abandoned.

"The National Labor Relations Act should be amended to prescribe equal treatment for management and labor. Regulatory policies tending to force the 'closed shop' on business should be abolished. Labor unions should be subject to public regulation, as corporations are. Regulations in the field of wages and hours that tend to discourage individual initiative should be modified.

"All rulings of administrative boards should be made subject to court review. The practice of delegating legislative power to administrative agencies should be discontinued.

"The granting of credit and other forms of governmental competition with private business should be reduced to a minimum.

"The gold standard should be promptly re-established, particularly for international transactions.

"The regulation of new security issues should be liberalized.

"Public policy in general should reflect an attitude of impartiality as between groups of citizens, and of respect and sympathy for honest business, whether small or large.

"These are the principal steps that business men generally consider necessary to enable them to fulfill their public obligations. They are the answer to the statement, so fashionable in recent years, that, if private enterprise cannot provide jobs, government must. Private enterprise believes that it can provide jobs in abundance if it is given a chance. And if the American people want both jobs and freedom, they must give private enterprise that chance."

Pennsylvania Brevities

(Continued from page 66)

of Pittsburgh, in October, 1942, filed a petition with the District Court seeking to have the court assume and exercise jurisdiction over all the underlying properties. To date, no action has been taken on this petition, which, in some legal circles, is held to involve points of new and unwritten law.

In respect to subordination of its holdings by court order, the Philadelphia Company is prepared vigorously to oppose such procedure, possibly for fear of being "Deep Rocked" out of its very substantial investment. There are strong indications, however, that Philadelphia Company may be willing voluntarily not to press its claims against Pittsburgh Railways Co., provided an otherwise satisfactory solution may be found.

Following last month's decision of the Pennsylvania Supreme Court, directing Philadelphia Company to pay income taxes, theretofore disputed, in connection with its guarantee of performance in respect to certain leases, Monongahela Street Railway Co. and Pittsburgh & Birmingham Traction Co. have mailed checks to stockholders for one year's accumulated unpaid dividends at the rate of 4½% and 5%, respectively. Directors of two other "guaranteed" companies, Suburban Rapid Transit Co. and Pittsburgh Incline Plane Co., are withholding dividend declarations pending assurance that the respective tax bills have been paid.

It is reported that Kuhn, Loeb & Co. and Smith, Barney & Co. are forming an investment banking group to bid for any new securities that Philadelphia Company may offer for sale in connection with a refunding of its higher coupon obligations. Present funded debt is represented by approximately $48,000,000 collateral 4¼s, 1961.

Testimony on the SEC-approved Standard Gas & Electric Co. reorganization plan was heard before the Federal Court in Wilmington on Dec. 20. Objections were voiced by the Guaranty Trust Co., as trustee for the company's debentures, and by an independent debt holder. It was pointed out that since no elements of bankruptcy are involved, Standard Gas & Electric debenture holders are entitled either to retain their investments or to receive the call price, in cash. Compliance with the provisions of the Holding Company Act, under which the reorganization plan was deemed necessary, does not invalidate the simple, fundamental laws of contract. The court granted opponents two weeks in which to prepare and file briefs. The S.E.C. will not file a brief but will have until Jan. 15 to answer opposing briefs.

Pennsylvania Public Utility Commission has approved sale by Metropolitan Edison Co. of its gas properties to Allentown-Bethlehem Gas Co. and Harrisburg Gas Co. for $1,425,000. Allentown-Bethlehem Gas Co. has been authorized to issue a $600,000 5-year 4% note and $600,000 in common stock.

Settlement of when distributed contracts in Philadelphia Electric Co. common stock, postponed from Dec. 27, will be made on Jan. 5.

The S.E.C. has approved the purchase by John H. Ware, III, Oxford, Pa., for $250,000, of Consolidated Electric & Gas Co.'s holdings in two subsidiaries, Bangor (Pa.) Gas Co. and Citizens Gas Co. of Stroudsburg.

Hajoca Corp., manufacturers of plumbing supplies and fixtures, announces the purchase of James Supply Co., Chattanooga, bringing to 31 the number of Hajoca distributing branches. The firm operates three manufacturing plants on the Atlantic seaboard.

As of the first of the year, changes announced by the Federal Reserve Bank of Philadelphia are as follows: Resigned, Philip F. Coleman, assistant vice president, to become vice president, First National Bank of Phila.; James M. Toy, assistant cashier, retired. Appointed, William D. Cobb, head of transit department, to succeed Mr. Toy; Walter H. Wray, to succeed Mr. Cobb.

Baldwin Goodwin With Stein Bros. & Boyce

BALTIMORE, MD. — Baldwin Goodwin became associated with Stein Bros. & Boyce, 6 South Calvert Street, members New York Stock Exchange, effective Jan. 2, 1945.

Mr. Goodwin has for many years been connected with the investment banking business in Baltimore, having served as Manager of the Baltimore office of W. E. Hutton and Company prior to entering the armed forces in April, 1942.

Mr. Goodwin served as a Major in the U. S. Army Air Force both in the European theater and this country.

Thayer, Baker & Co. Appoints Officers

PHILADELPHIA, PA.—The investment firm of Thayer, Baker & Co., Commercial Trust Bldg., announces the appointment of John E. Fricke as Vice-President and John M. Hudson as Assistant Secretary. Mr. Fricke, who has been with the company for the past 14 years, is in the sales department, while Mr. Hudson has been with the company for 17 years and is in charge of their trading activities.

Restoring Stable Moneys And Foreign Exchange

(Continued from first page)

ments and promises will not establish sound and dependable currencies. Efforts to legislate or decree monetary values by governments have a complete record of failure. The entire records of coin clipping and stamping coins and paper moneys with values which they did not represent fails to reveal a single case of either legal or economic success.

Functions of government in restoring stable moneys seem to be that of first establishing a government in which both the governed and foreign peoples have confidence in its integrity. Such a government can then proceed with the cooperation of the people to set up dependable standards. One of these standards will have to be money. A money must have a unit measure of some well known and universally accepted value such as so many grains of fine gold. The number of grains of gold in the money unit should be adopted to custom and convenience. For foreign exchange purposes the size of the unit is of no importance. In free markets two moneys will exchange for each other in the same ratio as their physical contents, varying only to the amount of the costs of other means of delivering cash payments. The laws of the countries of the respective governments can fix the size of the money units and help create the confidence whereby the currencies of the countries will maintain the value of the standards into which they are convertible. But the laws of any country can never maintain the value of a currency once the people either at home or abroad have lost confidence in its conversion value. While it is the function of law and government to do what it can to maintain the economic and social conditions in which sound money can live, at times these conditions may be outside of the powers of the best informed economic management. Wars, foreign crises, domestic revolutions, famines, and foreign trade barriers may upset the currency stabilization of any country. Restoring stable moneys under these conditions may have to be delayed until these conditions are righted. In fact what people mean when they speak of the gold standard or the foreign exchanges breaking down in 1914, or in 1930 or 1939 is that the world economic conditions were in such undependable relations that the gold standard and the established foreign exchange systems could not function. This of course resulted from war upsetting contract performances, and over extended debtor obligations which could not be met under the economic and political conditions of the times. Instead of the exchanges breaking down, law, order, integrity, and governments had broken down. Once order, integrity and simple honesty have been restored in governments and social institutions the establishment of sound and dependable moneys can easily follow as a matter of routine and square dealing.

There are of course other matters or legal and government regulations which must be corrected before stable currencies can perform their functions in international trade. To establish sound or convertible currencies will not restore free markets between countries unless the other major barriers are removed. Here are conditions which are mainly the work of misguided law and government and only the correction of these unfortunate laws and directives can restore the conditions in which the international exchanges can functions smoothly. Among these unfortunate laws are such as extraordinary and unnecessary tariffs, both government and private cartels, two-currency systems, dual-price systems, quotas, bilateral trade quotas, and a host of other legalized practices far more damaging than tariffs. Most people seem not to know about other ways of restricting trade in addition to the tariffs. A devaluation of the currency has the same effect as a proportionate tariff against all foreign goods. A two-price or two-currency system may discriminate only against such countries as allow these arts to be practiced upon them. But the restoration of sound moneys, stable exchanges, and free markets which will provoke increased production and trade all over the world can not take place until many other legal and government barriers are removed. Some of the conditions necessary within the domestic economy of each country for restoring sound currency and exchange conditions are balanced budgets, the eradication of inflated currencies and credits, free markets, eliminating of deficit financing, debts refunded into the hands of investors and out of the currency and credit collateral use now being made of government debts, and free interest rates governed only by the conditions of free money markets and the demand and supply of capital. Any attempt to superimpose new and controlled money upon the present chaotic currency conditions in the money markets throughout the world will only result in another demonstration of the power of Gresham's Law, an economic law, over any legal or political rule or regulation—

that bad money drives out the good money.

An International Money

The many suggestions and legal and international documents propounding ways and means of setting up an international currency or a scheme of international currencies which can be juggled at will all seem to lose sight of the fact that the world has had an international money that has worked rather well so long that history is not able to establish the date of its origin. We have very good records of the use of gold for both domestic and international exchange purposes in ancient Egypt, Assyria, Greece, Babylon and other countries. The use of gold and silver as money is found throughout the Old Testament, and as early as 550 B.C. records of coining gold and silver into money are well established. Nothing else seems to have functioned successfully as a means of international payments or measure of values. This appears to be because there are few if any other metals or commodities of such universal acceptability, and available in supply needed with such large value in small bulk and other characteristics adaptable for money use. Paper money, government credits and promises have a notorious record of failure in general acceptability for any very long period of time. Until governments and their legal systems establish a reputation for dependability, and until their credits and their bonds become as dependable as gold, it seems that gold will continue to be in demand for international exchange purposes. It would seem from the present state of government paper moneys and debts that gold will hold the preferred place in international money values for some generations to come.

In 1869 Walter Bagehot urged in numerous articles an international or universal money. He assembled some of these articles in a book called "A Practical Plan for Assimilating the English and American Money as a Step Toward Universal Money." He saw the advantage of a currency or coin that would have universal circulation in addition to the unifarmity brought about by the universal acceptability of gold in settling exchange balances. But in Bagehot's recommendations of a universal coin or international money he had in mind strictly sound money in the accepted sense. Bagehot's ideas of money had an integrity that would not fit into modern currency juggling or the proposed international schemes of reconstructing the currencies of the world. This paragraph seems to sum up his ideas of money:

"Money seems to do what nothing else will do. Those who have it need nothing else, for it will buy everything else; those who are destitute of it are eager to get it, for without it they may on occasions be unable to obtain what they most want. Money is the universal procurer, the one thing by which you are sure of everything, and without which you are sure of nothing. It seems proof against time, too; other things are less valuable today, though you only bought them yesterday; but money is never 'second hand.' You may hoard it for years, and be sure it will be as good when you extract it as it ever was at first. Government is the only maker of this magic and consequently the prerogative of making it seems half magical, too. As an impressive and penetrating advertisement of royal power the 'image and superscription' had, and even has, a curious efficacy."

Legal Rules and Government Promises Can Not Establish Exchange Relations Or Provoke Trade—But They Can Destroy Both

International exchange is governed by every definite economic laws or rules of value. Some of these economic rules may be mentioned here: (1) Exchange between two countries with currencies convertible into gold and with free markets, the price of the two currencies, one to the other can not vary more than the costs of shipping gold. (2) The exchange between a gold standard country and a silver standard country varies with the changing relative prices of gold and silver. (3) The exchange between the gold or silver standard and a managed paper currency standard varies with the changing price of the metal in terms of the paper money. This instability of paper money results from the fact that the money in itself has no value, but fluctuates with its buying power and every economic and political threat that occurs. It is provocative of instability, and foreign commitments in a country with an inconvertible currency will be limited to the speculative and large profit opportunities. Nothing could be more destructive of international trade. International trade depends on credit, and long term credit is not practical with uncertain values of money. (4) Exchange between two inconvertible currencies in free markets will be limited for the most part to cash barter trades and speculation in transactions with large enough profits to tempt extreme risks.

It seems quite possible that a country with sound economic conditions could manage its currencies within relatively stable limits of fluctuations and build up a measure of trade relations with the necessary credit terms. But a country with a sound economy suitable for these conditions will find it unnecessary to maintain an inconvertible paper currency. The trade advantages of a convertible currency or paying international balances in gold or its equivalent will be found so great that any country economically capable of meeting these conditions will cling to the international gold standard because of its commercial advantages. Laws and governments can be of great help in bringing about the economic freedom in which trade can flourish and sound money exchanges based upon gold can be maintained against all except the extraordinary crises. But to legislate or decree money values, and at the same time maintain unstable domestic financial conditions and controlled trade, price and currency relations with other countries will reduce foreign trade to the minimum on a cash and carry basis.

Bettman & Reilly Formed

The firm of Connell & Bettman has been dissolved by mutual consent, and a new firm, Bettman & Reilly, has been formed by Clarence A. Bettman and Joseph J. Reilly, to act as stock specialists on the New York Curb Exchange, of which both Mr. Bettman and Mr. Reilly are members. Offices of the firm are at 115 Broadway, New York City.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Two of the largest and strongest of American stock fire insurance companies are Home Insurance Company, New York, and Insurance Company of North America, Philadelphia. Both stocks are prime favorites with dealers and investors. Based upon their Dec. 31, 1943 statements (latest available), they compared in size as follows:

	Policyholders' Surplus	Net Premiums Written	Total Admitted Assets
Home	$66,563,000	$61,549,000	$132,10[illegible]00
Insurance of N. A.	88,900,000	39,256,000	136,346,[illegible]00

It will be observed that although total admitted assets and policyholders' surplus (i.e. capital and surplus) of Insurance Company of North America are larger than are Home's, yet the latter company writes between 50% and 60% more premium business than does the former. To put it another way and to be more specific, for each dollar of capital and surplus Home writes approximately 92.5 cents of premium business compared with only 44 cents for Insurance of North America. This difference in operating policy is very striking, and it seems worthwhile to inquire into the relative effect these two policies have on earnings, market and gain to the investor. Operations for the past five years will now be examined and compared.

HOME INSURANCE COMPANY

Year—	Net Underwriting Profits	Net Invest. Income	Federal Inc. Taxes	Total Net Oper. Profits	Dividends
1939	$3,268,000	$4,638,000	$1,458,000	$6,448,000	$4,800,000
1940	1,092,000	5,040,000	383,000	5,748,000	4,800,000
1941	1,896,000	5,432,000	34,000	7,294,000	4,800,000
1942	605,000	4,995,000	2,767,000	2,833,000	4,800,000
1943	5,613,000	4,504,000	3,392,000	6,726,000	4,800,000
Total	$12,474,000	$24,609,000	$8,034,000	$29,049,000	$24,000,000

INSURANCE COMPANY OF NORTH AMERICA

Year—	Net Underwriting Profits	Net Invest. Income	Federal Inc. Taxes	Total Net Oper. Profits	Dividends
1939	$3,245,000	$4,513,000	$750,000	$7,009,000	$3,000,000
1940	3,664,000	4,875,000	1,124,000	7,414,000	3,300,000
1941	4,253,000	5,327,000	1,258,000	8,322,000	3,600,000
1942	3,888,000	5,410,000	2,334,000	6,964,000	3,600,000
1943	7,934,000	5,676,000	3,504,000	10,106,000	3,600,000
Total	$22,984,000	$25,801,000	$8,970,000	$39,815,000	$17,100,000

These figures disclose some very interesting facts. In the first place it will be observed that the aggregate net investment income of both companies are closely comparable. Net underwriting profits, however, are far apart, those of Insurance of North America aggregating approximately 85% greater than those of Home, despite the fact that Home's aggregate net premium writings during the five years amounted to $318,050,000, against only $175,342,000 for Insurance of North America. In this connection, it is of interest to note five-year average operating ratios of the two companies, as follows:

	Loss Ratio	Expense Ratio	Combined Ratio
Home	54.3%	42.5%	96.8%
Ins. Co. of N. A.	53.9	40.1	94.0

It would appear, therefore, that Home's policy of going after large premium volume has not been particularly advantageous. True, it provides more funds for investment, but here, too, Insurance of North America makes a better showing for the five years, while in 1943 its net investment income represented 5.0% on invested assets, compared with 4.6% for Home.

It is important to note comparative dividend coverage for the five years, as follows:

Home: By investment income, 1.025; by total net operating profits, 1.21.

Insurance of N. A.: By investment income, 1.51; by total net operating profits, 2.32.

The question now arises, how does the market appraise these two stocks, relatively? In this connection, we will go back approximately four and a half years to the lows of May, 1940, at which time Standard & Poor's index of fire insurance stocks was 83.8 but has since risen to 119.2 on Dec. 15, 1944, an appreciation of 42.2%. Over the same period Home and Insurance of North America have performed as follows:

	May 28, 1940	Dec. 15, 1944	Appreciation
Home	27¼	29¼	7.3%
Ins. Co. of N. A.	56½	90¾	60.6

It will be noted that market action has outstandingly favored Insurance of North America.

But market appreciation alone is not of itself a sufficient test, for the investor's total gain over any period comprises both market appreciation and dividends. The comparison on this basis is as follows:

	Market Gain	Dividends	Total	Gain
Home	$2.00	$6.80	$8.80	32.3%
Ins. Co. of N. A.	34.25	13.00	47.25	83.7

Home is a relatively high yield stock among the fire insurance group, which presumably accounts in large measure for its popularity with dealers and investors. Currently it is priced around 27⅝ to yield 4.3%, compared with 89¾ for Insurance of North America to yield 3.3%.

It's Your Money That's Involved

(Continued from first page)

going on or because they have thought they did and have disapproved. Many if not most others, realizing that they did not know what it was all about, have seemed to ignore the controversies and have been apathetic, apparently trusting to luck and hoping for the best.

Out of this welter of monetary matters there stand out today certain issues or controversies involving the welfare of every citizen of this country. They reach now, and promise to reach farther, into his pocketbook in the years immediately ahead and for many to come.

Any mature person can understand the essence of the more important of these issues, and he can hardly afford to ignore them. It is his money that is involved—not the Treasury's money nor merely the money of other people.

With the ever-mounting Federal debt and with the continuation of heavy public spending, the volume of explosive agents, already great and steadily expanding, can be set off quickly and easily; and certain monetary factors, which can and should be eliminated, contribute greatly to the volume and explosiveness of these agents.

There is probably no way to demonstrate that a severe explosion will or will not come. But regarding its possibility and the continuous accumulation of explosive agents there is observable in the United States a most unhealthy psychological attitude at which all of us need to take a long and careful look. It is, briefly, what we commonly call a false sense of security, apparently resting chiefly on the thought that since there has thus far been no explosion, despite the many warnings that "it can and may happen," there is a decreasing probability, or no probability, that it will happen.

We see this attitude manifested not only toward the explosive monetary gases which economists have repeatedly pointed out but also in the amazingly widespread assumption that we are protected from catastrophe because the price level has been kept fairly steady.

We are again talking about the virtues of a stable price level, and we are showing about the same faith in its ability to protect us against a great economic upheaval that we manifested in the 1920's. In fact, we are talking, thinking, and reacting now very much as we did during the 1923-1929 period of a stable price level, and we are saying in a chorus now, as we did then, that "it" will not happen this time. When it did happen in 1929, there was a great cry as to "why we were not warned."

If it happens again, and there is nothing in the field of economic science that says it probably will not—on the contrary, what economic science teaches is that it probably will happen again—we can expect recurrence of the usual complaint that "we were not warned sufficiently about this possiblity or probability."

The characteristic thing about the common reaction to such warnings is the tendency to ignore or frown upon them so long as the possibilities or probabilities do not materialize, and this is done during the only period in which such warnings can be of value. We would do well, therefore, in respect to the prevailing notions of safety in a stable price level, to take a good look at ourselves in the mirror of the 1920's.

And as to the monetary issues which have been, and are, disturbing monetary economists so deeply, let it be said that a great number of these economists have been trying, day and night, to block the unnecessary creation of explosive monetary situations, while the American people, to a large degree, have been sleeping rather peacefully or in some instances even pooh-poohing the warnings and urgings and recommendations of the specialists in this field.

Some holes have been plugged; a few things have been stopped, but not nearly enough considering that the pressures arising from continued spending, ever-mounting deficits, unprecedented expansion of our currency, and a rapidly falling ratio of reserve in good money against our top-heavy structure of credit and inconvertible paper money are mounting higher and higher. The ratio of reserves to note and deposit liabilities in our Federal Reserve System has fallen so far that there is already talk of, and plans for, lowering or even removing the legal requirements. If this should be done, it will be unprecedented and will have a serious meaning for the people of the United States.

Since a nation at war must of necessity face many undesirable and dangerous things beyond its control—things that can bring economic ruin despite a government's best efforts—extraordinary care should be exercised in an effort not to inject dangerous or weakening factors into the social fabric where these can be avoided. Our Government has not shown even moderate care in this respect in so far as our monetary system is concerned—and a nation's money and credit are the bloodstream of commerce and industry. Our monetary system has been subjected to practically every disease germ known to monetary science; and there are no indications that this policy of polluting and diluting this vital agent in our economy is to be curbed or abandoned.

It needs to be emphasized that these are times for great concern in the monetary field and that there are no indications that the causes for concern promise to be less in the foreseeable future. Governmental and other talk to the effect that the American people can light up their pipes for confidence, watch with indifference as lighted matches are thrown about, and relax safely in the midst of the explosive agents that have been accumulated and are still being added to is not wise talk, and it rests upon no sound nor verifiable lessons of human experience.

Probably the most important monetary issues with which the largest number of monetary economists, and others, are most greatly concerned today, and regarding which the American people should stop, look, listen, and ask questions, are the following:

Greenbackism

On May 12, 1933, Congress passed what has popularly been called the Thomas Inflation Amendment (Sen. Elmer Thomas of Oklahoma) to the Agricultural Adjustment Act. This amendment provided that the President could issue enough greenbacks to make the total outstanding at any one time equal to $3,000,000,000. The present supply of greenbacks—$346,681,016—is secured by approximately $156,000,000 of gold held by the Treasury which, however, cannot use it for the redemption of these notes under the Government's policy of suspension of gold payments. The additional supply of greenbacks, authorized in 1933, would therefore be just that much more irredeemable paper money—a fiat paper money.

There is no valid defense for the issuance of such a currency and, from 1933 down to date,

large numbers of monetary economists have been urging the repeal of this amendment. The continuation of such a law on our statute books, particularly while the Treasury is at the same time asking people to invest their savings in Government securities, reveals, in the opinion of these monetary economists, an inexcusable piece of bad faith on the part of the Government in managing the people's fiscal and monetary affairs. All citizens should be concerned about the retention of this law.

Perhaps it should be pointed out in passing that it would be somewhat unjust to Secretary of the Treasury Morgenthau to hold him responsible for the passage or the continuation of this law. He has pointed out to a Committee of Congress that he did not pass the law, that Congress passed it and has the power to repeal it, and that he would be satisfied to have the law repealed. Just why Congress has shown reluctance to repeal this very bad statute is not clear.

Power of the President and Secretary of the Treasury to Alter the Price of Gold

The power of the President to alter the weight of the gold dollar—that is, the gold-dollar price of an ounce of gold—was permitted by Congress to expire on July 1, 1943. Monetary economists, outside the Government, had fought long and hard to persuade Congress to bring this power to an end. But the Gold Reserve Act of 1934 still permits the Secretary of the Treasury, with the approval of the President in Section 8, and without his approval in Section 9, to change the dollar price of an ounce of gold.

This was what the Administration did during the year 1933 and up to Jan. 31, 1944, under the so-called Warren gold-buying policy (the late Professor Warren of Cornell University's College of Agriculture). If the Administration should undertake such a policy again, as empowered under these Sections 8 and 9 of the Gold Reserve Act of 1934, it could force Congress into a position in which it would practically be compelled to devalue the dollar in the interests of stabilizing its then-existing foreign exchange value.

There are good reasons—and only good reasons—why our Government should not repeat the unwise experiment of 1933-1934, and, as a consequence, monetary economists have again and again urged the repeal of these sections of the Gold Reserve Act of 1934.

Power of the President to Alter the Weight of Silver and Other Subsidiary Coins

That same law, in Section 12, also retains for the President power to alter the weight of silver and other subsidiary coins to the same extent that he altered the weight of the gold dollar. This means that he has the power to devalue these coins by 41% (specifically 40.94%): Stated in other terms, he has the power to write up the silver-coin price of silver by 69%; that is, the silver-dollar price of an ounce of fine silver—$1.2929—could be raised to approximately $2.19.

The same principle applies to our other subsidiary currency. Since the face value of the silver and other subsidiary coins is, and generally has been, considerably in excess of the market value of the metal entering the coins, there is no reason why the value of this metal should be written up still further. Consequently, monetary economists have urged the repeal of this section of the Gold Reserve Act of 1934.

Our Silver Laws

The story of our silver laws—chiefly silver-purchase laws—is long and intricate, but in the main it comes under the heading of a national scandal. These laws, in general, have been the result of pressure from the silver interests to obtain a subsidy; that is, a price for their product considerably in excess of its value in an open market.

One of these laws is the Silver Purchase Act of June 19, 1934, which not only authorizes but *directs* the Secretary of the Treasury to buy all silver presented to him, at a price which he shall designate, until the supply of silver shall equal in value one-fourth of the monetary value of our stocks of gold and silver, or until the price of silver shall rise to $1.2929 per fine ounce. This law has been confined to the purchase of foreign silver. Prices of domestic silver between December, 1933, and July 6, 1939, were fixed by Presidential proclamation; since that time, by statute.

It has been the general practice of Secretary Morgenthau to maintain the buying price of the silver purchased from foreign sources above what would appear to be the competitive price in free world markets, the theory underlying this practice differing from time to time according to which group it was proposed to favor. Perhaps invariably the first consideration was to favor our own silver producers, whose silver prices were in general fixed by the President, until July 6, 1939, as high as, or higher than, the Treasury's artificially high prices for foreign silver. But in some instances foreign producers were also the objects of our favor, as, for instance when, in the case of Mexico, the OPA, in August, 1942, authorized a payment of 45 cents, instead of the preceding 35 cents, per ounce for Mexican silver. One reason given was that this would help Mexico collect more in taxes! During an early stage of this program, prices for foreign silver had been raised to "aid" China by giving her a high price for her silver. What we did was to drain her silver from her and throw her into a system of inconvertible paper money, thus weakening her greatly at the very time that she should have been strong in her fight against Japan.

With the entrance of the United States into World War II, silver became a strategic metal in our armament program. In order not to divert silver to the Treasury and away from the industries which needed it, Secretary Morgenthau discontinued buying silver for the Treasury in an effort to see that it flowed to the war industries. He took this step in the face of the Silver Purchase Act of 1934 which requires him to continue to purchase all foreign silver offered for purposes of adding to the nation's monetary supply of silver. As a consequence, the Secretary found himself in the awkward position of violating this law of Congress in an effort to do the proper thing by the war effort; yet Congress in deference to the pressure from the Congressional silver bloc—of which the spearhead is the Senate Special Silver Committee—failed to relieve the Secretary of the Treasury of this embarrassment by repealing that law.

More than once Secretary Morgenthau has recommended to Congress, and has told the press, that he would be happy to see all our silver subsidy laws stricken from our statute books, but thus far Congress has continued with its policy of kowtowing to the silver bloc. Large numbers of independent monetary economists have urged, again and again, the repeal of this law.

On July 6, 1939, Congress passed, in deference to the silver-subsidy bloc, what is known as a domestic silver purchase law under which the Secretary of the Treasury is required to purchase the domestic output of silver at 71.11 cents per fine ounce—a price far in excess, perhaps twice as great, as the value of silver in the world markets. This law, which replaced the fixing of subsidy prices for domestically-produced silver by Presidential proclamation, has been just as inexcusable as the Silver Purchase Act of 1934, the silver sections of the Gold Reserve Act of 1934, and the proclamation prices, and, as a consequence, monetary economists have repeatedly urged that it be stricken from our statute books.

The silver bloc has all along been so insistent on getting a subsidy from the United States Treasury, apparently regardless of social consequences, that for a period of approximately 19 months after the United States entered the war its members were able to compel the Secretary of the Treasury to hold out of war use most of the Treasury's huge hoard of surplus silver stored in its vaults at West Point and elsewhere, in an effort to give silver a scarcity value, despite the urgent needs of the war industries. In short, in so far as the members of the Congressional silver bloc were concerned, it appeared that the nation's boys and men were expendable in this war but not the nation's hoarded surplus silver! It was only after understandable exposures were made in some of the leading popular journals in this country in 1942 that Congress passed a law providing for the sale or lease of Treasury silver for use in the war (and civilian) industries.

But even under this law—the Green bill, effective July 12, 1943 (Senator Green of Rhode Island)—the silver was not to be sold to these industries except at the domestic subsidy price of 71.11 cents per fine ounce. Furthermore, the Green bill provided that silver held as security for the redemption of silver certificates could be leased to war industries and, at the same time, be counted as reserve against silver certificates outstanding. This meant, in practice, that if one wished to redeem a silver certificate secured by silver serving, for instance, as a bus bar in an electric plant, he could get his silver only by clipping off a part of a bus bar! In principle, it would have been just as defensible to authorize the issuance of silver certificates against silver in the silver mines, since the holders of the certificates could not in either case obtain the silver being counted as security. This Green silver law needs radical amendment.

These, briefly, are some of the chief characteristics of some of the very bad or defective silver laws on our statute books which monetary economists have urged Congress to repeal and amend. These economists want the silver subsidy abolished, they want to see silver put to proper use at natural prices, and they want to see silver certificates secured by silver actually held in trust by the Treasury. In short, they want to see honest silver and silver currency and silver certificates.

The Manipulation in the Issuance of Federal Reserve Bank ("National Currency") Notes

This manipulation of the people's money, which began in December, 1942, and which is still continuing, is probably the most outstanding piece of maladministration of this nation's currency on record; and yet, after the facts were laid before Congress, that body failed to take any corrective action in the matter.

These notes are a fiat money—they are secured by nothing but the promise of the Treasury to pay—and fiat paper money is the cheapest and poorest form of money known to man. Their issuance, which was completely illegal on every count, even involving the use of a false legend on their face, was doubly deplorable because it was done by an unprecedented and devious piece of manipulation—a sleight-of-hand performance.

To clarify this matter for the person not specialized in our monetary affairs, it is necessary to dip somewhat into some background regarding the nature and history of Federal Reserve bank notes and of this particular brand of notes which carries on the face of each the words "National Currency."

Federal Reserve banks are authorized by the Federal Reserve Act to issue Federal Reserve bank notes under certain conditions. The authority to issue them became effective in 1916. These notes are in general nature similar to national bank notes, issued, until 1935, by national banks. Under emergency provisions of the Federal Reserve Act, as amended in 1933, Federal Reserve bank notes may be issued by the Federal Reserve banks against a 100% security of any direct obligations of the United States and up to 90% of certain other types of paper which the Reserve banks may post with the Treasury as security. Since this authority continues until the President terminates the emergency recognized by the Presidential proclamation of March 6, 1933, it is still in effect for the reason that the President has not declared the emergency at an end.

By February, 1935, the Federal Reserve banks had retired, as their liabilities, all the Federal Reserve bank notes then outstanding by placing the required funds with the Treasury. At that time the notes still in circulation became Treasury liabilities and a part of what is called "Treasury currency"—that currency for which the Treasury is liable. By December of 1942, at which time the manipulation began, all but approximately $18,000,000 of these Federal Reserve bank notes had been retired by the Treasury.

Beginning on Dec. 12, 1942, the nature of our "Federal Reserve bank notes" underwent a radical and unprecedented change. The Treasury, announcing that it had a stock of $660,000,000 of unissued Federal Reserve bank notes on hand, part of the stock said to have been hastily prepared in 1933 to meet some of the currency needs of the depression and bearing the questionable name of "National Currency," decided, in co-operation with the Reserve authorities, to issue all these notes as a Treasury currency and as a liability of the Treasury rather than as a liability of the Federal Reserve banks. This transaction, without authority in the Federal Reserve Act, was carried out by a species of manipulation involving a sleight-of-hand performance called "retirement before issuance"—"retirement" by the Reserve banks which had not issued them before they were *paid out* but not *issued* by the Reserve banks which alone, under the law, may *issue* them, and their issuance by the Treasury which is not empowered to do so.

The Treasury began at once (Dec. 12, 1942) to deposit these notes, for which under the law it is a trustee not an issuer, with the various Federal Reserve banks in exchange for a deposit credit and, month by month thereafter, the

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amount of these notes put into circulation by the Treasury, through the Federal Reserve banks, mounted steadily until December, 1943, when the total outstanding as a Treasury liability reached $639,000,000, after which the volume in circulation began to decline slowly because of retirement due to the usual wear and tear or mutilation. On Aug. 31, 1944, the amount outstanding was $594,000,000.

As a consequence of the manipulation in the issuance of these notes, they are not only liabilities of the Treasury rather than of the Federal Reserve banks but they also serve as lawful money for reserves in the Federal Reserve banks. By this manipulation the Treasury improperly and illegally received a deposit credit on the books of the Federal Reserve banks to the extent that it deposited these notes with the Reserve banks; at the same time the Federal Reserve banks improperly and illegally added the same amount to their reserves of lawful money. In short, the Reserve banks converted what should have been a liability into a reserve asset—surely the acme of financial legerdemain.

Although there was a considerable rumpus in the first months of 1943, in Congress and out, when the nature of this transaction was pointed out publicly by some monetary economists, the administrators in the Treasury and Board of Governors of the Federal Reserve System were able to talk the majority of Congress into a state of inaction. Senator Taft introduced a bill on Feb. 4, 1943, in an effort to deal with the matter, and it passed the Senate on May 12 of that year after being mutilated until it was practically useless. It then went to the House where it died. Even when Under Secretary of the Treasury Daniel Bell admitted under questioning before a committee of the House that these notes were fiat money—that is, that no United States securities were posted with the Treasury and kept there as security against the issuance of these notes as required by law—no important reaction was stimulated among the people's representatives. Thus did Congress, as "watch dogs" over the people's money, deal with this unauthorized injection by the Treasury and Federal Reserve authorities of fiat money into the currency stream of this country.

Since the general public did not understand that these notes were outright fiat money and, since they were interchangeable with all our other currency, they did not depreciate in terms of gold. But they did dilute, as fiat money always does, the quality of our money, and they gave both the Treasury and the Reserve banks a purchasing power to which they were not legally entitled.

Congress was amply provided with suggestions as to the proper steps to take to sqeeze this fiat money out of our currency, but it simply was not interested in doing anything about the matter—and that still is the case.

The Issuance of Allied Military Currency

Another form of issuing fiat paper money without the authorization of Congress has appeared in the Treasury's printing and issuance of what has commonly been called "Allied Military Currency."

In various theaters of this war, the United States Treasury and War Departments, acting together, have been utilizing this brand of money. The extent to which it has been, and is being, issued has not been divulged by the Treasury, not even to Congress, nor has the Treasury made clear the nature and extent of the liabilities which may have been, or may be, assumed by the Treasury as a consequence of such issuance. Scraps of information reveal, as samples of what is involved, that 80 billions of francs were printed for use in France and that several tons of paper lira went to Italy and Sicily. But accurate facts as to totals printed, issued, and used apparently are not available outside the Treasury.

The monetary and related sections of the Constitution of the United States, as interpreted by the U. S. Supreme Court, repose in Congress authority over the issuance of all United States money, but, in this case, the Treasury neither consulted with Congress about the matter nor asked it for authority to issue this money.

The procedure involved was unprecedented in this country, a fact recognized by the Treasury when it said on Aug. 2, 1943: "This is the first truly allied venture into the field of military monetary expedients and an undertaking without precedent so far as the United States is concerned."

The Treasury took these steps without Congressional authorization on the ground that the Constitution controlled the *regular* issuance of currency within the United States but that the rules governing the issuance of a special currency by the military authorities within the area under military occupation ". . . are those of the law of nations as established by international agreement and the usage of the world. Under international law, The Hague Conventions and the decisions of the Supreme Court of the United States, the Military Commander in areas occupied by the Forces under his command has all the powers necessary for the carrying out of governmental functions.

"These powers include the right to provide for the currency needs of the area occupied. . . ."

Congress raised no serious questions about this procedure, and apparently has no important knowledge of, and seemingly little interest in, what is taking place in respect to the issuance of such fiat money. Why it has not at least exacted reports from the Treasury is not clear. Nor have the Constitutional versus international law aspects of the question been explored by, or expounded in, Congress. The people's representatives have simply let the Treasury operate with a free hand in this matter, with the consequence that not only Congress but the American people know nothing of importance about what is taking place in connection with the issuance of this fiat money. Apparently only persistent questioning of Congressmen by their constituents or more active inquiries by the press can be counted on to prod them into what would seem to be appropriate action in this matter.

The Question of Returning to a Gold-Coin Standard

This nation has been living, since March, 1933, under a monetary system involving a suspension of gold payments. It has been next to the longest period of suspension of gold payments ever experienced in the history of this country. The longest was for 17 years—from 1862 to 1879.

Probably no one can predict with any accuracy how long a nation can continue a period of suspension of this sort without the non-gold currency depreciating in terms of gold. Presumably, it could continue until the gold reserve against the money and deposits declines to such a low point that people lose faith in the exchangeability of the domestic currency in terms of gold, at which time the domestic non-gold currency begins to depreciate in value in terms of gold.

A nation's monetary structure is a delicate mechanism, and various factors can precipitate a depreciation of an inconvertible currency in terms of a more valuable currency such as gold. The only certain way to prevent such depreciation is to provide for redemption. For this reason, not to mention various others of a more technical nature, many monetary economists have urged a speedy resumption of gold payments in the United States—that is, a return to a gold-coin standard.

There are some economists who object to such resumption on the ground that it might lead to hoarding of gold and a subsequent suspension of gold payments with the attendant upheaval. There are others who insist that "fire escapes" against hoarding can be provided and that if this were done there would then be overwhelmingly good reasons why the United States should return promptly to a gold-coin standard. There are still others who are willing to recommend a gold-bullion standard on the ground that hoarding would be relatively difficult. But some monetary economists object to this type of gold standard on the ground that the typical gold-bullion standard usually allows people to obtain gold only in relatively large amounts as a consequence of which it is really a rich man's standard. Finally, there are some who suggest some form of a gold-exchange standard which, apparently, might not differ greatly from the arrangements now in effect.

The issues here have many intricate aspects and they tax the judgment of the most experienced men in the field. But the point for the American people to bear in mind now is that, under our present system of maintaining an international gold-bullion standard and a suspension of gold payments domestically, every other nation can get our gold if we owe it anything, while our American people cannot—except in very small amount for industrial uses. Just why foreigners, but not American citizens, should have access to this nation's gold supply is a question to which the Administration has never attempted, so far as this author knows, to provide the American people with a satisfactory answer. Furthermore, just what foreign countries are getting it and how much goes to each is not revealed to the American people; that is a Treasury secret, and it has been a secret since December, 1941. Apparently this is another aspect of the Treasury's handling of the people's money regarding which Congress does not exact any reports nor keep itself informed.

The Confusion of Our Laws Relating to Legal Tender, Lawful Money, and Money Receivable for Specified Purposes

Some of our monetary affairs in respect to these matters were thrown into a sorry confusion by the Thomas Amendment of May 12, 1933, and the law of June 5, 1933, which made all our money full legal tender.

It is quite clear that the legislators did not know what they were doing when they enacted those laws. The legal and practical difficulties flowing from the confusion in these matters may seem technical to, and far removed from, the general reader. But the fact nevertheless is that they have a direct causal bearing upon some of the undesirable things that have been taking place in our money and banking structure, and every mature person should know that the laws relating to these matters require prompt attention and correction.

Essentially, the considerations involved relate to legal obligations of contract and to the use of appropriate assets against certain liabilities. For example, when a money is made full legal tender it, legally, can be used to settle any debt. Literally, this means that, in so far as law is concerned, Federal Reserve notes (not to be confused with Federal Reserve bank notes), which are full legal tender and yet liabilities of our Federal Reserve banks, can be used as assets by these banks to meet their deposit liabilities. Despite legal tender law

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this could not properly be permitted, and it has not been permitted. Or a debtor can now irritate his creditor by paying off a large debt with pennies, nickels, or dimes, since they are full legal tender. And, while gold and gold certificates are full legal tender, they can be used only in a most restricted way to meet debt obligations—American citizens cannot legally use them at all in payment of their domestic debts.

"Lawful money" in the technical legal sense refers to that money that is proper to use for certain purposes as, for instance, for reserves in Federal Reserve banks against their deposits. Fundamentally, it is a question of proper assets against certain liabilities, and does not necessarily involve the question of legal tender.

Money is sometimes made "receivable for certain purposes" to avoid difficulties inherent in the concepts of legal tender and lawful money. Prior to 1933, Federal Reserve notes had this legal quality, and it should be restored as promptly as possible.

These are merely a few samples of the chaotic mess in law and accounting that exists in our monetary structure because of the ill-advised legislation of 1933. Monetary economists have brought these things to the attention of Congress from time to time; yet that body has made no move to rectify the errors involved in that legislation.

The Matter of the Bretton Woods Proposals for an International Monetary Fund and Bank

At a meeting of representatives of 44 nations at Bretton Woods, New Hampshire, during July, 1944, two proposals were approved in principle for submission to the respective governments of the delegates who attended that conference. One involved a plan for an International Monetary Fund; the other a plan for an International Bank for Reconstruction and Development.

In principle, the program for the Fund involves contributions by the participating nations of a portion of their own currencies which they may exchange for the currencies of other nations desired for use in making foreign payments. The theory back of this proposal is that it would aid various nations in obtaining purchasing power in foreign currencies and in the determination and stabilization of the foreign exchange rates of their currencies.

Perhaps the chief criticism of this plan, up to November 20, has rested upon the fear of the probability that nations with weak currencies would soon exchange them for the stronger currencies—for instance, for the United States dollar—as a consequence of which the supply of dollars would be exhausted and the United States would have in exchange weak currencies which it might not wish to use or could not use with profit. Closely related have been criticisms to the effect that the proposed Fund would be in control of the debtor nations with power to milk the creditor nations thoroughly; that it would constitute an attempt to purchase the goodwill of nations now in financial difficulties—a policy notoriously unsuccessful—by an international distribution of checkbooks issued chiefly against the United States Treasury; and that it apparently was designed to operate in a vacuum since there was no assumption that an international government was necessary to supervise it or to provide the power to enforce the Fund's decisions or to compel a defaulting debtor nation to honor its obligations.

When the Department of State released, on October 9, "Texts of Statements on Dumbarton Oaks and Documents Giving Tentative Security Plan," no mention was made of the proposed Fund and Bank. In a "Text of State Department Review of Dumbarton Oaks Peace Plan," released on November 20, the proposed Fund and Bank were included by name—a fact that may bring greater assurance to those who, up to that time, could visualize nothing but two institutions designed to operate in a vacuum. Just how the apparent recognition by the Department of State of this situation may modify the criticisms of the Fund and Bank that had appeared up to November 20 remains to be seen.

Many if not most of the opponents of the Fund have thought that it probably would be best for each nation to stabilize its own currency with such help as it can obtain in the form of loans from nations willing to lend to it, and that each nation should be held responsible for maintaining the value of its currency.

There are many other aspects of this question which are too detailed and intricate for discussion here, but it is perhaps not too much to say that these are largely secondary to the issues just mentioned.

The plan for the International Bank provides that each nation shall subscribe to a certain proportion of the capital, and that the Bank can then lend, or guarantee loans made through other channels, to the various borrowing countries. Perhaps the chief question thus far raised regarding this proposal is whether it would not be best for each country to lend as it sees fit, thereby keeping control over the lending of its own funds, rather than have the control in the hands of some international board, not directly responsible to the people of the various nations whose funds are being loaned, and, up to November 20, apparently designed to operate without there being any international governmental organization with power to enforce its decisions.

It is probably accurate to say that many, if not most, of those who have questioned the value and soundness of the Bretton Woods proposals have believed that an international clearing institution, perhaps in the form of an international bank acting as a bank and clearing house for the various central banks, might accomplish all of a beneficial nature that can be accomplished by an international banking institution. Here, too, the issues are involved and technical, and the question of appropriate international governmental organization to control and enforce the decisions of such an institution would be as important a consideration as in the case of the Bretton Woods proposals.

There are those who think that these two proposed institutions would prove to be in the last analysis merely unusually intricate mechanisms by which United States funds would be drained off for a multitude of uses in foreign countries, either in the form of business loans, some or many of which may not be repaid, or in some other form of voluntary or involuntary charity. It has been suggested several times that if we are to engage in providing charity internationally it should be done openly and directly, not through any complicated, poorly-understood, or devious means, and, also, that if there are sound loans to be made we already have the banking institutions anxious and willing to make them. Therefore, say these people, there is really no good reason why the United States should participate in the proposed institutions.

The opposing view, in general, has been that the proposed Fund and Bank will enable us to provide proper aid to foreign countries with a consequence that they will get on their feet much sooner than otherwise would be the case, that international trade will then flow more quickly and more freely, that world stability will be hastened and encouraged in a manner and to a degree not otherwise possible, and that charity is not involved.

If it could be demonstrated that these assertions are accurate, then it seems highly probable that most authorities in the field of money and banking would be happy to endorse the proposals. The difficulty lies in the determination of whether or not these aims can be accomplished through the institutions recommended at Bretton Woods and as the picture has been modified by the Dumbarton Oaks Peace Plan announced, in review form, by the Department of State on November 20.

It may be supposed, at least hoped, that all these issues will be thoroughly thrashed out on the floor of Congress, and that ways will be found to extract as much reliable evidence as possible in order that the United States can determine the proper course to pursue, and, should it be decided that we are to participate in these institutions, to reduce to a minimum the risks involved because of the wishful thinking and the element of guessing inherent in the situation.

OUR REPORTER'S REPORT

For the time being at least, or, perhaps more correctly, until Secretary of the Treasury Morgenthau's legal batteries unearth a new premise upon which to base a new action, it looks as though the question of taxability of municipal bonds by the Federal Government has been cleared up in favor of the issuer.

At any rate, this week's action of the Supreme Court in refusing to review a decision of the Second Federal Circuit Court, which held that bonds issued by the Port of New York Authority are exempt from Federal taxation, is regarded as another important victory for those who have opposed Mr. Morgenthau and others who seem determined to obtain a ruling in their favor.

It should give new life to the municipal market, which has been rather laggard in recent months, partly, of course, because of the absence of any need to finance in the prevailing absence of materials and supplies needed for new projects.

The veritable dearth of new offerings in that direction seemingly stems in part, however, from a disposition to await the high court's action in the Port Authority case, since there have not been any sizable refundings of late either.

Frank C. Ferguson, Chairman of the Port Authority, said the court's action "assured financing of essential transportation and terminal projects planned by the agency," when the way is clear, naturally.

Rails Lead the Field

Railroads were the first away from the starting line as the New Year in corporate financing got under way. Bids were taken on two large offerings yesterday, subject, of course, to approval by the Interstate Commerce Commission of the new issues involved.

Presumably because of the size of the undertaking, the bidding for Lousville & Nashville's $53,835,000 of new first and refunding series F 3⅜s, due in 2003, was not aggressive from the standpoint of banking groups involved.

But, it was indicated by preliminary inquiry, that any new bonds of the road would move along in satisfactory manner.

Washington Terminal Co.'s issue of $11,000,000 of new first mortgage bonds, brought out a much more lengthy aggregation of bidders and likewise was seen assured of ready market.

Pennsylvania RR. Next

The next major undertaking is scheduled for next Tuesday, when the Pennsylvania RR. is due to open bids on an issue of $51,782,000 of general mortgage series F bonds due in 40 years.

In this large refinancing operation the road has specified that the bidders will name the interest rate which is not to exceed 3½%.

Here again it looks as though the scope of the issue involved will scale down the number of groups entering bids. Proceeds will be used to redeem an issue of outstanding 4-year 4½% debentures.

Two Stock Deals Due

Dealers were inclined to look for two sizable stock financing operations to reach market before the end of the week. Indications were that the group handling Monogram Pictures Corp.'s 100,000 shares of new 5½% cumulative preferred would bring that issue to market today.

This is largely new financing, since the company plans to apply $300,000 to reduce current liabilities and the balance to finance production of new pictures.

Meanwhile Servel, Inc., has 60,000 shares of $4.50 cumulative preferred ready for market, part to be applied to plant expansion, reconversion, etc., and the balance added to general funds.

Utility Offerings Ahead

While railroads were the first away in the market with the turn of the year, many prospective utility undertakings are shaping up for the weeks ahead.

Groups are reported forming to seek new securities which would be involved in any refinancing operation projected by Kentucky Utilities Co., which is said to be considering refunding $21,000,000 of first 4s and $5,500,000 of sinking fund 4½s.

And Potomac Edison Co. is reported looking over its outstanding preferred stocks which carry 6% and 7% dividend rates. The company would be expected to market an equivalent amount of new preferred, approximately $6,000,000.

Carr, Chapin & Co. Formed In Detroit

(Special to The Financial Chronicle)

DETROIT, MICH. — Carr, Chapin & Company has been formed with offices in the Penobscot Building, to engage in a securities business. Partners are Howard F. Carr, Roy F. Chapin, Valette R. Eis, general partners, and Seward N. Lawson, limited partner.

Mr. Carr and Mr. Lawson were formerly with Stoetzer, Carr & Co. Mr. Chapin was with Baker, Weeks & Hardin, and Mr. Eis with Hornblower & Weeks.

Customers' Brokers Get Group Insurance

The first plan of group life insurance instituted by the employees of the financial district has been announced by the Association of Customers' Brokers. According to President Richard G. Horn, the required 75% of membership have applied for the benefit under the Association's policy which will be written by the United States Life Insurance Company in effect Jan. 1, 1945.

An Option On the Market

(Continued from page 58)

of investment company shares for special or general needs for your clients, particularly when you are faced with the problem of new selections and there is nothing very alluring to recommend.

Our experience has been that we can satisfy almost any client's requirements—from the largest to the smallest—with some type of investment company security. For us, these shares have proved an ideal investment medium and our clients have benefited handsomely. After studying the subject, I think you will find these securities just as easy to use in setting up an investment program for **your** clients. Investment company shares are so varied in their application that you can fit them to your client's needs as easily as a tailor cuts and fits a custom-made suit. Once you become well posted, you should be able to show the much-better-than-average results such as we have experienced over a period of years.

There is a pre-war story about a worker at the Fritz Mandl Bicycle Works near Vienna. Each night he sneaked out a few parts, hoping that at the end of a month they would add up to a complete bicycle. But after two months of collecting, he finally gave up because he always got a machine gun instead of a bicycle.

So with us, in these days of rare bargains when looking for good buys in standard stocks, we always wind up with a better buy in some investment company share.

Historical Background

Investment companies originated in Scotland in the 1880s. The canny Scots found that large aggregations of capital **well-diversified** and **expertly managed** fared much better than individual efforts to invest or speculate. Hundreds of millions were invested through this medium and this money was put to work throughout the world.

Large Scottish funds went into farm mortgages in this country during the 1880s and 1890s. Some of the oldest companies still retain names descriptive of their original activies, such as Scottish American Mortgage Co., Scottish Investors Mortgage Co., etc., but now they are invested in securities instead of mortgages. As farm mortgage interest rates declined from the pioneer rates of 8% and 10% to 5%, most of the Scottish funds switched to securities offering better yields.

In the United States the investment company idea took hold slowly after the turn of the century. In the beginning our companies were patterned after their Scottish forebears. One of the oldest American investment trusts, Railway & Light Securities Co., was started in Boston in 1904. Its record has been a good one. Management has been conservative and not greatly publicized, but shareholders have fared extremely well. Preferred dividends have been paid without interruption for 40 years—and have been earned by a comfortable margin.

Unfortunately, the great expansion of American investment companies came at the top of the 1929 boom. They copied the British corporate set-up, but they overlooked the fundamental British policy of investing primarily for income. Most of our investment companies answered the public clamor for appreciation—appreciation regardless of income. They issued new securities right and left, invested the huge sums realized in common stocks at the market's top. Hundreds of millions were lost because of the then little understood leverage factor. The trusts were blamed for the huge losses that were inevitable for companies with highly pyramided capitalizations, organized at peak levels. In many cases managements were as ignorant about the hazards of leverage as the public, and many of them lost far more than the public.

Central States Electric

Most notable case is probably Central States Electric Corp. The market value of the company's issues at the peak was over a billion dollars. It shrunk to a low of less than a **million** dollars in 1942, a 1,000-to-1 shrinkage. Harrison Williams owned the majority of the stock, saw its value drop from over $800,000,000 to zero. This is the most horrible example of leverage in reverse.

After the 1929 cascade, investment companies benefited greatly by the errors of judgment which had been more or less universal. Since that time their management record deserves real recognition.

Lehman Corporation

A noteworthy example is Lehman Corporation, formed in October, 1929. Lehman shares **today** are selling about 5% higher than their 1929 offering price, and stockholders who still have their original shares have pocketed $17.69 in dividends. (3½% for the period on the basis of the original offering price.) How many private or professional investors have done so well? How many of us here have anything like this record for the same period?

Past Errors and Present Protective Measures

In a few moments I will present some surprising figures on management results for the industry as a whole, but to conclude my comments on the historical aspects, a few words must be said about past errors and abuses.

Just as in any mushrooming industry some investment companies were operated by unscrupulous individuals. Thousands of investors lost their savings. The whole industry received unfavorable publicity. Government investigations disclosed abuses similar to those found earlier in some insurance companies and savings banks.

Corrective legislation was

passed. Most of the investment companies voluntarily aided in the framing of the new laws. Today all investment companies operate under Federal regulation. They virtually live in glass houses and every possible safeguard has been provided against fraud and misuse of funds. The public's attitude towards these companies is steadily improving. Many investment company preferreds are rising in price. Some of them are selling at the highest prices on record,—even over their call prices.

Throughout this talk you may have noted that the use of the phrase "investment trust" has been omitted when referring to the present operations of these companies. The reason: this is a misnomer. The word trust implies a service not rendered by investment companies. It also implies the same restrictions on security transactions as those imposed on banks and trust companies. So the name was officially change to investment companies. Eliminating the word trust should do much to correct some of the erroneous impressions with the public about the true functions of these companies.

Performance

Our performance records on the 58 leading companies, published annually, show the good and bad management results of the inindividual companies. This is the standard reference data in the field.

In 1943, 58 combined funds showed a 32% gain in net assets while the Dow-Jones Composite Stock Average went up 28%. The better showing of the investment companies may seem small, but the Dow-Jones Average is a fully invested position whereas the investment companies had about 8% in cash and 15% in bonds and preferreds. At the same time wide diversification in the balance of the portfolios provided a large mmargin of safety.

The continuous expert supervision of these funds shows even more marked results over longer periods of time. During the past five difficult years in our warridden markets—net assets of 57 investment companies were up 29% compared with the Dow-Jones' 22%.

Some individual companies have shown more startling increases in assets over longer periods. Here is the record from 1930 to 1943:

Loomis-Sayles Mutual Fund, up 190%;

General American Investors, up 136%;

State Street Investment, up 122%.

Lehman Corporation, up 91%.

Thirty-nine companies as a group gained 29% during the 14-year period. Please note that these are all **gains**. During the same period the Dow-Jones Averaged **declined** 23%.

This should be proof enough that these companies do better than the market Averages. We report figures on all the individual companies in our year-book. I have a copy handy if any of you want to see it later. In passing

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An Option On the Market

(Continued from page 77)

on to a discussion of leverage shares all we need take for granted is that their portfolios will do as well as the Averages.

Explanation of Leverage

Leverage is a term often used by all of us. It is seldom understood by the layman and unusually difficult to explain to him. After years of study I have failed to find a simple explanation. Webster defines leverage as "the mechanical advantage gained by use of a lever." Applied to investments I would define it as "the speculative advantage gained by the use of senior capital." The result: a margin account minus the headache.

In investment companies leverage exists because of fixed senior capital such as bank loans, bonds, or preferred stock. Unless this senior capital has a participating feature only the common stock benefits directly from a rise in the company's assets.

The term leverage is generally confined to investment companies although margin accounts, collateral loans and industrial companies with senior capital provide similar situations.

This gadget demonstrates the principle of leverage better than anything I can tell you.

The black weight represents the total assets of a leverage investment company. The white weight is the senior fixed capital. The red weight is the common stock. The white weight is ten times heavier than the red weight. The combined weight of the red and white objects equal that of the black one. The scale represents the varying values in the market.

Moving the black weight (total assets) from 1 inch to 1½ inches on the scale is equivalent to an increase of 50% in its value. This is reflected in a 5½ inch movement of the red weight from 1 inch to 6½ inches.

This demonstrates a leverage factor of 11 to 1.

Now, let us see how this theory applies with some specific figures:

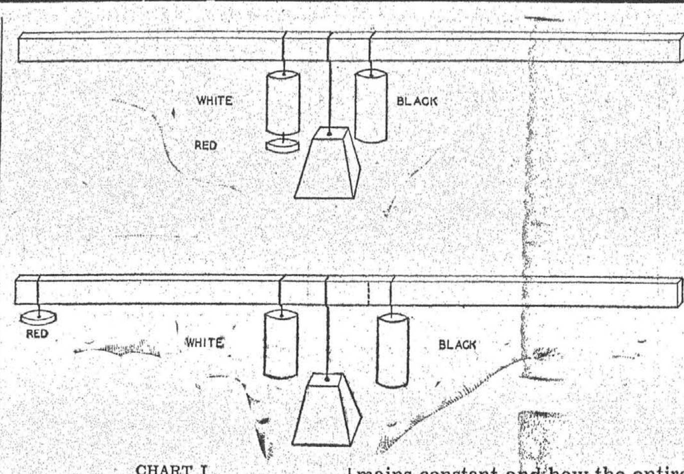

CHART I
TYPICAL LEVERAGE INVESTMENT COMPANY PERFORMANCE
Investment Company A
(000's omitted)

	Present Value	50% Increase
Total assets	$22,000	$33,000
Represented by:		
Preferred stock	$20,000	20,000
Common stock equity	2,000	13,000
Common stock outstanding (shares)	2,000	2,000
Common stock asset value	$1.00	$6.50

Here we have a similar case, a 50% rise in total assets. Note how the preferred stock obligation remains constant and how the entire appreciation accrues to the benefit of the common stock. In this case the common stock asset value has risen from $1 to $6.50—an appreciation of 550% while the total assets have only risen 50%.

Here again we see a leverage factor of 11 to 1.

This may all seem academic but this with preliminary I find it helpful to explain more easily the points which follow.

Here in Chart II we illustrate 2 companies with the same amount of assets but different **Capitalizations.**

CHART II
VARIATIONS IN LEVERAGE RESULTS
First Stage
(000's omitted)

	Company A	Company B
Total assets	$22,000	$22,000
Represented by:		
Preferred stock	20,000	10,000
Common stock	2,000	12,000
Common stock outstanding (shares)	2,000	12,000
Asset value of common	$1	$1
Working assets per common share	$11	$1.83

It will be noted above that the common stock of each company has the same asset value—$1.00 per share. However, Company A has $20,000,000 of preferred outstanding while Company B has $10,000,000 of preferred outstanding. Company A therefore provides greater leverage for its common stock. Futhermore Company B has 12,000,000 common shares outstanding compared with 2,000,000 shares of Company A. This adds to the leverage of Company A's common stock. Company A has $11 of working assets per common snare; Company B has

$1.83 of working assets per common share. Chart III shows what happened to both companies after a 50% rise in total assets.

CHART III
VARIATIONS IN LEVERAGE RESULTS
Second Stage
(000's omitted)

	After an Increase of 50% in Market Values	
	Company A	Company B
Total assets	$33,000	$33,000
Represented by:		
Preferred stock	20,000	10,000
Common stock	13,000	23,000
Common stock outstanding (shares)	2,000	12,000
Asset value of common	$6.50	$1.91
% increase in value of common	550%	91%

While both common stocks have increased in asset value **more** than the 50% increase in the market, the common stock of Company A is up 550%, that of Company B is up a mere 91% in asset value. Company A's shares appreciated 6 times as much because of their greater leverage factor. This seems so simple you may wonder why I mention it.

The reason: Many investors overlook capitalization in leverage investment company shares and try to compare issues on a price basis. For instance, Adams Express and U. S. & Foreign have approximately the same amount of assets today — $35,000,000. Their shares sell at about the same price. Despite this the shares are totally incomparable because of the difference in capitalization.

U. S. & Foreign's preponderance of senior capital makes its stock far more volatile than that of Adams Express. In fact, U. S. & Foreign should move 3 times faster than Adams Express in any important general market fluctuation, (in both directions, of course).

Greater gains (and losses, too) will invariably occur in those issues with the greatest leverage factor.

To get the leverage factor we divide the total assets by the number of common shares. Thus, Company A (in Chart III) possesses a leverage factor of 16½ to 1.

But the market price must be related to the leverage factor to get **actual leverage**. Thus if common shares with working assets of $16½ are selling at $4, **the actual leverage** is about 4 to 1. If the shares are selling at $2, **the actual leverage** is 8 to 1.

Another important calculation necessary to establish actual leverage: eliminate cash, investments in high-grade bonds, non-speculative preferreds and other non-volatile assets in figuring per share **working assets**. This must be done because such static assets will not move with the general trend of the market.

Here are specific examples to illustrate my point:

RAIWAY & LIGHT SECURITIES CO., as previously mentioned, is a well managed leverage investment company. Its total assets are currently about $10,000,000. There are 163,140 common shares outstanding. The apparent leverage factor is high, with about $60 of working assets per share. However, $5,000,000 (or half of the total assets) are in cash, Government, and non-volatile securities. After eliminating this amount, the working assets per share of common are about $30, and when compared with the prevailing market of $15 per share, we find the **actual leverage** only 2 to 1, whereas on superficial calculation it appears to have an actual leverage of 4 to 1. ($15 of market price divided into $60 of working assets.)

On the other hand, 96% of AMERICAN CITIES POWER & LIGHT assets are invested in common stocks. This portfolio, is therefore particularly advantageous to its common stockholders in a rising market. Here one finds the full effect of leverage, and naturally the asset value of the common fluctuates sharply in any rise or fall of the general market. Talk of Railway & Light Securities Co. reminds me to warn you about investment company **names**. They are apt to confuse you if you are unfamiliar with their present operations. For instance, less than 7% of Railway and Light's total assets are railroad or utility common stocks. Adams Express is **not** a transportation company; American International, Tri-Continental, and U. S. & Foreign hold **no** foreign assets and haven't for many years; Carriers & General owns less than 12% in railroad issues; Utility Equities hold only about 15% in utility securities; and National Bond and Share has only 20% of its total assets in bonds.

This brings to mind an amusing experience of an investment counselor friend who was consulted by a rich widow. The charming lady knew nothing about investments so her advisor outlined a general program which included investment in securities of new and growing industries as well as of established, fundamental industries. He summed these up as (1) electronics and sound, (2) chemicals, (3) foods, (4) transportation. The lady thanked him for his advice, promised to return for specific recommendations. A month later my friend met her at a country club dance and expressed surprise that he hadn't heard from her. "Oh," she said, "I bought all those stocks. I picked them out of the paper. In the electronics field, I selected Howe Sound; for a good chemical stock I picked Chemical National Bank; my choice on the food stocks was Roan Antelope, and for that transportation stock, I got some Adams Express."

(Continued on page 81)

"The Gentlemen Talk Of Peace":

W. B. ZIFF

A new book from the pen of William B. Ziff on the subject of peace entitled "The Gentlemen Talk of Peace," has just been published by the Macmillan Company. The author poses this question: Are we, through ignorance and unfounded optimism, already sowing the seeds of an even greater and more devastating conflict than that from which we are about to emerge? The answer, Mr. Ziff believes, will depend on whether or not we can recognize and evaluate the dynamic and competitive power forces which are already shaping the world of tomorrow. He also believes that any settlements which may be reached, and any world organization for peace which is established, will be no better and no worse than the pacts, alliances, and arrangements of the past, unless the real nature of the present world crisis is analyzed.

With a realistic approach based on long familiarity with military and international affairs, Mr. Ziff analyzes the situation in which each of the major countries finds itself as the war draws to a close. Many of the facts he presents are already available to specialists, but this is the first time they have been so marshaled as to give the public an over-all picture of the world today with the contradictions and dangers it holds for the peace of tomorrow. The solution to our difficulties which Mr. Ziff offers is a drastic one; but in his opinion nothing short of drastic measures can maintain the peace in a world torn by social, economic, and political revolution.

This book is a brilliantly argued and powerfully written plea for intelligent thought and intelligent action. Mr. Ziff has had a wide and intimate acquaintance with diplomatic and military developments of the last decade, and has, it is stated, been consulted by both our own and foreign governments. He has also appeared before committees of both Houses of Congress as an expert witness on foreign and military affairs.

Mr. Ziff is the author of "The Coming Battle of Germany," a best seller of 1942 which, it is claimed with authority, had a direct influence on the conduct of the war. The author's earlier book entitled "The Rape of Palestine," is now regarded a standard reference in its field.

Mr. Ziff was born in Chicago 46 years ago, and served with the 202nd Aero Squadron in World War I. He spent several years abroad studying international affairs, and has written many general and special articles for technical and other magazines and journals.

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.—**Edward B. Watson** is now associated with **Paine, Webber, Jackson & Curtis,** 24 Federal Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Vincent Blake Allison** has become connected with **F. L. Putnam & Co., Inc.,** 77 Franklin Street. Mr. Allison formerly was with Tifft Brothers, and E. M. Dickinson & Co. In the past he was in business for himself in New Bedford.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Ernest S. Coletti** has been added to the staff of **Trusteed Funds, Inc.,** 33 State Street.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Leonard D. Dayton** is with **Holley, Dayton & Gernon,** 208 South La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**David W. Lindgren** has become affiliated with **E. H. Rollins & Sons, Inc.,** 135 South La Salle Street. Mr. Lindgren in the past was with Link, Gorman & Co., Inc., and Webber, Darch & Co.

No Early Prospect of Service on Peruvian Debt

Under date of Jan. 3, the Foreign Bondholders Protective Council points out that in the statement of the Council, issued June 20, 1944, it was stated that the negotiations in Lima looking to resumption of payment on the Peruvian dollar bonds had been unsuccessful but that a resumption of discussions in the Fall was contemplated. As the Council receives almost daily inquiries on the subject, a further report seems necessary, and in its Jan. 2 advices it says:

"It is disappointing to report no progress in Peru. Discussions have not been resumed and there is no early prospect of service on the debt. The situation will continue to receive the Council's constant attention."

An Option On the Market

(Continued from page 79)

How to Use Leverage Shares

Now we come to the dual-purpose aspects of leverage investment company shares. And here we talk out of both sides of the mouth at one time—but with complete sincerity. For optimists or pessimists can serve their purposes at almost any stage of the market by purchasing these shares. Here, as I said at the beginning, you can tell your customers that they can have their cake and eat it too.

There is the pessimist who has seen the market rise for several years, wants to sell out but can't quite make up his mind. We can show how he can liquidate 75% of his holdings in standard common stocks, place the remaining 25% in well chosen high leverage issues and benefit as much in a rising market as if he were fully invested.

For example, suppose an investor has 100 shares of A. T. & T. selling at about 160. If the Dow-Jones doubled, A. T. & T. might also double in value and sell at $320 per share. If pessimistic, this investor can sell his 100 shares of A. T. & T. for $16,000, invest $4,000 in a high leverage stock like U. S. & Foreign, and obtain the same dollar appreciation as if he continued with his $16,000 investment in A. T. & T.

The explanation lies in the fact that with the current position of U. S. & Foreign, we would expect this stock to move about 5 times faster than the general market, for its **actual leverage** is about 5 to 1. On an advance of 100% in the general market, U. S. & Foreign should advance from its present price of $10 to about $50 per share. Therefore, one can visualize this $4,000 invested in U. S. & Foreign, increasing in value to about $20,000, if the general market doubled in value. The net gain of $16,000 would be the same as that obtained by continuing with the $16,000 investment in A. T. & T.

In reverse, if the market declined sharply, say to 100 on the Dow-Jones—A. T. & T. might sell at about 100 with a loss of $6,000 from its current price. At that level, U. S. & Foreign might be selling at 2½ with a loss of $3,000 from the current price. The pessimist has lost about $3,000 less than if he had held his A. T. & T.

Thus he can release $12,000 from the market at the present time, and gain practically the same dollar profit in any sharp rise. In this example, he reduces his chance of loss to a maximum of about 20%, assuming a drop to 100 in the Dow-Jones Industrial Average. On the other hand, a 100% rise in the market would give him the same dollar result on the upside. This is almost the perfect speculation for the pessimist—he loses nothing if the market runs away; he saves 20% of his capital if the market goes to hell. In the meantime, he sleeps well, eats well and doesn't have to consult a doctor about his ulcers.

Now for the optimist: It is easy to see that the man who is bullish on the market can find a number of issues among leverage investment company stocks, where he can expect appreciation 4 or 5 times the amount of his commitment, and in some of the extreme "underwater" stocks, or option warrants, he can still find issues with a leverage factor of 10 to 1.

Of particular significance to the optimist, is the knowledge that he has the advantages of working on margin with none of the headaches. If he buys these leverage shares outright, he will never be wiped out by a margin call. A sold out margin account has no chance for a come-back. No matter how low the market goes, there will always be some value to these leverage stocks, for they are in fact perpetual options on the market.

In applying the principle of leverage, it is highly important to recognize **the ratio of leverage** possessed by the various investment company issues. As mentioned previously the price of a share is no indication of its volatility. Yet it is surprising how many people think that a low priced leverage share necessarily possesses high leverage. For instance, Blue Ridge Common selling at 2¾ appeals to many traders because it is a low priced stock and the name is reminiscent of high gyrations in 1929. As you will note in our leverage table (Chart IV), this stock currently has a leverage ratio of about 2 to 1. This low ratio is accounted for by the large number of shares outstanding, 7,500,000 shares. Here is our current "batting order" of all the leading leverage investment company issues:

CHART IV

VOLATILE WORKING ASSETS PER DOLLAR OF MARKET PRICE

Stock—	Current Price	Volatile Work. Assets Per Share Per Dollar of Mkt. Price
U. S. & International	1	$11.92
Selected Industries	1	11.48
Selected Indus. Conv.	8⅝	6.45
Utility Equities	1⅞	5.62
U. S. & Foreign Sec.	10⅜	4.87*
Tri-Continental Corp.	4½	4.48*
General Shareholdings	2	3.98
Central States Deb.	51¾	3.29
Capital Administration	9¼	3.29
Equity Corporation	1⅜	3.14*
Pacific-American Inv.	2⅝	2.86
General Public Service	1⅞	2.85
American Cities P. & Lt.	3⅜	2.28*
American General Inv.	7⅜	2.05*
American International	8⅛	1.99
Adams Express	12⅜	1.98*
Blue Ridge Corp.	2¾	1.98
Railway & Light Sec.	15¼	1.92
American European Sec.	10	1.75
Niagara Share Corp.	6¾	1.58
U. S. & Int'l Preferred	90½	1.37
Atlas Corp.	15½	1.23
General Amer. Investors	14¼	1.16
Chicago Corp.	7¼	.93†
Dow-Jones	146.53	

*Includes holdings in investment trusts at volatile working assets per share.

†Does not include $19,000,000 estimated value of oil and gas properties, equal to $0.93 additional.

These figures are adjusted by us as market changes affect the various issues. We also make adjustments as published portfolios of the companies show changes in volatile assets.

Special Uses of Investment Company Shares

I could continue talking a great deal longer on leverage as it is a fascinating subject to me with its many mathematical problems. However, the time is growing short and I would like to conclude with a few suggestions on the special uses of investment company shares.

It seems an economic waste for a broker to try to assemble a diversified list of stocks for the average small investor. There are millions of people who occasionally have a few thousand dollars to invest in securities, just as Mr. Ruml depicted his venerable father, an Iowa country doctor, faced with the problem of occasionally investing his modest savings. Why try to suggest 10 shares of General Motors, 10 shares of General Electric, etc., when such an investor can easily put his entire $2,000 in a soundly managed investment company issue—or 2 or 3 issues if you want to diversify managements. The investor is well served because he obtains far greater diversification than he ever dreamed was possible and what is more important he obtains continuous supervision of his investment. Furthermore, the final cost to the investor is less. Do you know that if an investor bought 1 share each of the 65 stocks represented by the Dow-Jones Composite Average it would cost him about $3,500 today, and the commissions and odd lot charges would amount to about $350 or 10% of his purchase?

By concentrating these smaller investment accounts in investment company shares you are relieved of the costly burden of assembling a proper list of recommendations, and of the moral obligation of attempting to supervise your selections. You can offer your clients any one of nearly 100 open-end common stock funds, 13 closed-end non-leverage funds, and 36 leverage issues if he is speculatively inclined. In addition there are 10 specialized preferred stock and bond funds available in the open-end companies and 24 preferred stocks in the closed-end companies. The long term records of these companies are available in our year-book and many are also published quarterly by Barrons so you can make your recommendations based on past records or other special features as you see fit.

Tax Sale Replacements

In effecting tax sales at this time, investment company issues offer numerous helpful ideas. If you are selling any of the high grade standard stocks and have no positive replacement suggestions to offer or if the sale represents a relatively small amount of money, a standard non-leverage open-end or closed-end common stock issue might be suitable.

If you are selling a high yield industrial preferred and require a replacement, some of the closed-end investment company preferreds, or one of the open-end specialty funds with an entire preferred stock portfolio might prove a practical replacement.

In certain industries, it is possible to find an investment company issue which can replace certain similar common stocks, viz:

Aviation—National Aviation.
Chemicals—Chemical Fund.
Insurance—Century Shares, Insuranshares.
Mining—Newmont.
Oils—Petroleum Corp.
Real Estate—Sheraton Corp.
Tobacco — Tobacco & Allied Stocks.
Utilities — American Cities, American Superpower.

There are also numerous open-end funds where almost all the major industries are represented by specialized group funds such as:

Agricultural Shares.
Automobile Shares.
Aviation Shares.
Building Shares, etc.

These provide simple replacement suggestions when you have nothing very special to recommend as a tax sale replacement.

I thank you for your very kind attention and I will now endeavor to answer such questions as you may wish to present.

Baldwin & Co. Merges With B. F. White Co.

BOSTON, MASS. — It is announced that effective Jan. 2, 1945, the business formerly conducted by Baldwin & Co., established in 1925, and B. F. White & Co., Inc., established in 1922, will be succeeded by the firm of Baldwin, White & Co.

Partners in Baldwin, White & Co., members of the Boston Stock Exchange, are Lester G. Bruggemann, Howard S. Harris, and Benjamin F. White. The main office is located at 30 Federal Street, Boston, a branch being maintained in Portland, Me., in the Chapman Building.

R. H. Woodward, Jr. Opens Advisory Office

Richard H. Woodward, Jr., has opened offices at 115 Broadway to engage in business as a registered investment advisor and financial consultant. Mr. Woodward was associated with Merrill, Lynch & Co. from 1919 to 1930; a general partner of E. A. Pierce & Company from 1930 to 1940; and more recently with Merrill Lynch, Pierce, Fenner & Beane.

Sentiment For And Against Peace-Time Training Equally Divided

(Continued from page 59)

view of the fact that our National Budget is so severely unbalanced, the cost of such an undertaking must have some consideration. Under the circumstances, I personally feel that a six months' period of training is sufficient at the moment and if, at a later date, it is desirable to increase this period, the time element could be adjusted. I am not unmindful that our military men have made a careful study of the time element and there, undoubtedly, might be certain groups which require a somewhat longer period in order to become more proficient.

REV. WILBUR E. HAMMAKER

Resident Bishop, Denver Area, The Methodist Church, Denver, Colo.

I am unalterably opposed to compulsory military training in peacetime. Many of my friends believe that it is good strategy to ask for the deferment of the consideration of this whole question until after the war ends. I heartily agree with that position. But I am not willing to have folks infer that I have suspended judgment. I am sure that no arguments will be likely to convince me to change my conscientious attitude. Of course, I do not want to lay myself open to the charge of having an absolutely closed mind.

Bishop Hammaker

Yet I am so basically convinced that military training in peacetime is a denial of all that we have been standing for in my generation that it seems to me to be utterly unthinkable. Before my time, the fixed thought of the American people was that the military system inevitably made for war. This nation prided itself on having its face turned toward peace. With a determination to escape the pitfalls of the military psychology, the United States steadfastly refused to entertain the idea of military conscription in peacetime. To depart from this tradition now would be so revolutionary in our own thinking, and so susceptible to suspicion on the part of other nations, that I cannot envision the possibility of a wise Congress enacting such legislation.

R. A. GEARY

President, The Merchants National Bank and Trust Co., of Vicksburg, Vicksburg, Miss.

With reference to the question of whether or not we should have compulsory military training in peacetime in this country, I can not believe that it is either necessary or essential. It seems to me if the present war has taught us on lesson it is that we have a very fine system of developing officer material in this country, both in the Navy and the Army. From my viewpoint, the logical thing to do would be to enlarge our standing Army and also enlarge our schools for training officers so that we would have a much larger nucleus of trained forces. This would seem to me to be far more desirable than compulsory military training and I think we would get much more benefit from such a program.

CHARLES R. HOOK

President, the American Rolling Mill Company, Middletown, Ohio

Under date of Nov. 1, 1944, I gave you my views with respect to "Compulsory Military Training in Peacetime for America."

Charles R. Hook

Since I wrote you in November I have had time to discuss the subject with others but more particularly with my son, 1st Lieut. George M. V. Hook, who is a Yale graduate and had three years of business experience before going into the Army in August, 1942.

He went through basic training at Camp Wolters, Texas, then received his commission at Fort Knox, Kentucky. He has been a member of . . . . Armored Division, went through desert maneuvers in California during the spring and summer of 1943, then maneuvers at Fort Benning, Georgia, until he went overseas the latter part of May, 1944. During the desert maneuvers he was on the staff of General Murphy, but upon arriving at Fort Benning, he asked to be transferred to the line. After a short period of time his request was granted.

I visited him at Benning shortly after his return from California and he told me that his reason for asking for transfer from staff to the line was because he felt that the only way to learn how to handle a job was to have had experience in doing it yourself, and that if he was ever given command of a group of tanks, he wanted to be able to operate a tank as well as his driver.

He apparently made a good record in France up to the time that he was seriously wounded at Metz on the 7th of September. He is now a patient at Nichols Hospital in Louisville as a result of shrapnel wounds and a fracture of the first and second vertabrae.

I tell you this so that you will know I have accepted his viewpoint, not because he is my son, but because he has had real experience, is very serious minded, and I believe competent to express sound opinion.

In my letter of Nov. 14th I said: "I do not feel competent to express a final and definite opinion with respect to the number of months of such training."

I feel now and very definitely that I was in error in saying that a period of nine months training would be sufficient. I am convinced that a full year's training is necessary in the interest of national defense.

There were a number of things which I did not understand and which require a lot of time and limit the period during which the boys have an opportunity to secure the kind of training which would prepare them for combat.

During the week of Dec. 4th I had an opportunity to talk to several of my business friends who had just returned from the Western Front and had accompanied General Browning on a tour of the entire Western Front area. I secured an understanding of what would probably happen if we ever got involved in another war. The development of the robot bomb and jet and other jet-propelled equipment brings about a situation which never before faced this nation. Distance will mean nothing and oceans will be no barrier with respect to immediate attacks. We will have no time to prepare and we must be ready without notice to defend ourselves.

(Editor's Note: Mr. Hook's previous comments appeared in our issue of Dec. 7, 1944, on page 2509).

L. A. USINA

President, The Florida National Bank and Trust Co. at Miami

I would say that America should by all means have compulsory military training in peacetime. There is some risk to this, of course; but it seems to me that the risk can better be taken because if the matter is dishonestly handled it would merely mean America provoking wars. On the other hand, if we do not have compulsory military service we are then not prepared to immediately cope with the situation when some other nation decides it beneficial to commence a war.

In the recent campaign for the Presidency, much has been said about isolation and it seems to the writer that both presidential candidates have sidestepped the issue and that many Americans to be diplomatic have likewise seen fit not to view the situation realistically. Between isolationism and internationalism there is the American Way of past generations and that way leads to what some would call Imperialism, and that is exactly what I am suggesting.

If America is financially able and fair enough to feed and arm the world, then why can't America arm herself and be fair enough to take a greater hand (alone) in seeing that the world is run with justice to all. Frankly, I do not think that we need Britain, nor Russia, nor China to help us. If we are strong enough and if we are fair and just we can be a power in the world, a power for good, and as a starting point we should ask our General Staff to recommend what strategic bases there are throughout the world that we would require and such bases should immediately be taken over by us, whether they presumably fly the flag of Britain, France, Holland, Japan or Germany.

It is high time for America, with the sense of fairness that I think is inherent in us, to take over in a world-wide manner and thus stop these European wars which are started every twenty years or thereabouts. It should not be nearly so costly in American lives, nor in dolars, and certainly a sufficient military force and all that goes with it should materially help reduce unemployment in America.

I do not see much difference between being an isolationist with a desire to live ostrich-like in America, and lining up with Britain and Russia who are our friends today but who tomorrow, for commercial reasons, might very well find it desirable to look the other way if we needed their help.

As I see it, we cannot make all foreigners love us, but it is certainly within our power to make all of them respect us.

BRADFORD H. WALKER

President, The Life Insurance Co. of Virginia, Richmond, Va.

Personally I think military training does a boy a lot of good. The question how young and how long the time he would serve would have a good deal to do with it. I can readily understand that many families would feel, if carried too long, it would affect and interfere with a boy's college education.

Bradford H. Walker

The whole thing in a nutshell, however, is being forewarned, forearmed, and I might say foretrained. This is one of the greatest safeguards these United States can have.

It is a terrible thing to say, but I do not think there is any chance of our ever being able to prevent future wars. We may be able to do so for a period of time, and then the changing political aspects and the desire for power and expansion may lead some country to start another world war. We must realize this when the Germans already talk about their starting the third war, right in the face of their defeat in this one.

I think it must have been a shock to this country to see the tremendous number of young men rejected.

It would appear to me that the young men I have seen, many of whom I know personally, have been wonderfully improved by the military training. They have learned how to receive and give commands; they have confidence in themselves, which demands respect from those with whom they come in contact.

I have the greatest respect for the opinion of the Church, but I cannot believe that this military training given to our young men will turn us into a militaristic nation.

This Country did one of the most astounding jobs in getting itself ready after the attack on Pearl Harbor that has ever happened in history, and my guess is if and when we have another world war, if we are not thoroughly prepared long in advance, the enemy will see that this Country never gets a chance to get started as we have this time.

HOWARD L. BEVIS

President, The Ohio State University, Columbus, Ohio

There is considerable question whether we may not be premature at this time in attempting an answer to the basic question: should there be universal military training? There is grave possibility of a kind of peace which would, in my judgment, make such training imperative. I am not yet ready, however, to surrender the hope that a better kind of peace may be made which would render less necessary so decisive a break in American tradition.

Howard L. Bevis

The object of universal training would, undoubtedly, be to give the "basic" training and indoctrination deemed to be necessary to military life in any branch of the service. This "basic" training is now given in 13 weeks. It is not quite clear why an entire year should be required to accomplish the same result after the war is over.

Future warfare will undoubtedly follow more and more the pattern begun in this war—a pattern which draws heavily upon scientific, technical, industrial, and commercial skills as well as the strictly military skills. Universal training, if allowed to crystallize into a pattern dating from the Civil War or even World War II, might become a positive danger to future defense if it established a "set" of mind unreceptive to the advances of science and appliance which future war will undoubtedly require. This is not an argument against universal training. It is a powerful argument in favor of fluidity of thought and practice.

Mature Economy Manifestation?

We ought to be sure that the urge for universal training is not another manifestation of the philosophy of mature economy—not, that is to say, simply a means of keeping a certain number of millions of man-hours out of the labor market. The subtraction of this quantity of labor power from production, if necessary, should be regarded as a necessary evil and not as an economic goal.

CLARENCE A. PETERS

Director of Research, America's Town Meeting of the Air

As my experience and training has been in the field of education, whatever value my opinion would have on the subject matter of your symposium is primarily educational. I do have these general convictions:

1. There must be compulsory military training at the end of this war for American youth. I should think its extent should be governed by the size of the agreed-upon military forces which form an integral part of the United Nations.

2. Any military training program for American youth should be confined solely to military training, and should be supervised by military experts, preferably the more enlightened personnel of the Army and Navy. American youth deserve better than routine drill by disintegrating sergeants and professional lieutenants.

3. There should be no attempt to combine military training and education. I am convinced that any educational efforts for American youth should be directed by men who have improved and built our educational system. One of the great mistakes we have made in this war is to assume that there is a kind of G. I. education which transcends tried and tested educational methods.

4. The period of military service should be confined to not longer than six months, occurring at the optimum time in the boys' educational program, preferably at the end of the normal high school course.

L. W. WILLIS

Secretary and Treasurer, The United Trust Company, Abilene, Kan.

It appears to me that any action that might be taken on this issue by the Congress before the war is over is certainly very premature.

At the present time it is not necessary that we have such a bill passed by Congress as the matter is entirely covered by selective service.

At the present time we have no idea what the peace terms might be after the war in Europe and the Far East is drawn to a conclusion.

It is very possible that any bill that might be considered at the present time would be out of date after the peace is made.

It also seems to me that it would be very unfair to our men that are fighting overseas if something was done on this question that will materially affect their families, and they certainly should have the opportunity to present their views on this question.

At the present time I am very much opposed to any kind of compulsory training in peacetime for America. This opinion, of course, could be changed depending on the peace terms.

It appears to me that if the salaries paid to soldiers in a peacetime army were of a sufficient amount to attract young men into the army for a career that the matter of available manpower would automatically be taken care of.

The plans of operation and methods of warfare have changed rapidly in the last 10 years and probably will change just as rapidly in the next 10 years, therefore the year of compulsory training that a man might receive would probably be obsolete by the time his services are needed in the armed forces.

Again I wish to express myself as being very much opposed to any action by the Congress on this subject until after the world has been restored to peace.

C. F. CUNNINGHAM

President, National Bank and Trust Co., South Bend, Ind.

Compulsory Military Training would unquestionably be good for our youth but I wonder whether it would result in an effective reserve inasmuch as enough time would not be taken, if the period were only one year, to develop specialists. In any event I think we will have to maintain a sizable army and navy on a permanent basis.

Mutual Funds

A Good Job

At the year-end, **Lord, Abbett** sent a special communication to dealers giving the final details on the special offering of **American Business Shares.** As reported previously in this column, the merger of **Quarterly Income Shares** and **Maryland Fund** into **American Business Shares** has now been effected.

Until Jan. 31, 1945, sales of **American Business Shares** will be made only against tender of the negotiable warrants which have been sent to the more than 40,000 shareholders in the combined fund. The warrants authorize purchase of up to 38% of the number of shares now owned at a discount of 1.6% from the regularly established offering price. After Jan. 31 the shares of American Business Shares will be available to the public through dealers in the ordinary way.

Accompanying the new prospectus and the announcement data is a new brochure entitled, "You Can Share in the Success of American Business with American Business Shares." A tabular record of performance covering three periods—from Sept. 1, 1939 (start of war), Dec. 7, 1941 (Pearl Harbor) and April 28, 1942 (market low)—compares the performance of American Business Shares with that of the Dow-Jones Industrial Average. In each of these three periods ABS outperformed the average.

General Investors Trust

An important announcement of policy with respect to future sales of **General Investors Trust** has been issued by John H. Sherburne, Chairman of the Board of Trustees. The Trust now having "reached a size where the costs of management in proportion to income is reasonable," the Trustees have decided to reduce the selling commission from a maximum of 7% to a flat 1% effective as of Dec. 30, 1944.

The announcement further states: "The Trustees themselves are directly, or indirectly through their clients, friends and members of their families, substantial holders of the Trust shares. They expect to acquire for themselves and for accounts they represent substantial additional amounts of the Trust shares. The Trustees believe that many present shareholders would like to increase their holdings, without paying a large premium or selling commission, and to participate further in the benefits of income and stability of asset value which **General Investors Trust** has afforded and which your Trustees are determined to maintain."

A Subscriber's Application Blank for additional shares of the Fund has been mailed to all present shareholders and **A. W. Smith & Co.**, general distributors, in its letter to shareholders states that: "If any of your customers send subscriptions directly to us, it is our desire to pay you ¾% commission on any such sales."

The **A. W. Smith & Co.** letter continues as follows:

"We call your particular attention to the action of the Trustees reducing the selling load to a flat 1% on all sales, effective Dec. 30, 1944. The dealer discount will be ¾%. With the selling load reduced to 1%, a new and profitable field of prospects and customers is open to you, for example:

"Employees' Pension Funds
"Trustees and institutional buyers
"Large investors accustomed to Stock Exchange Commissions
"The investor who doesn't want to be 'locked in' for the period of time usually necessary to wipe out a 7% load."

Business Man's Investment Program

Keystone Corp., in the current issue of **Keynotes**, sets up a $10,000 investment program for a business man. The division is as follows:

Medium-grade bonds	$1,000
Low-priced bonds	2,000
High return bonds	2,000
Income preferred stocks	1,000
Income common stocks	2,000
Speculative common stocks	2,000

In setting up this program, **Keystone Corp.** assumes "that this investor is primarily interested in creating an estate; that he has years of earning power ahead of him and that he has already accumulated a backlog of War Savings Bonds or other reserve funds for emergency purposes.

"In moving toward his long-range objective—he is, therefore, seeking the type of investments which will provide liberal return and opportunities for capital growth."

When $100 Is Worth $125

Hugh W. Long & Co. has published an interesting leaflet on **Diversified Speculative Shares**, one of the new series of **New York Stocks, Inc.**, recently made available for public distribution. The major objective of Diversified Speculative Shares is to achieve capital gains and the leaflet points out that, as a result of present tax laws, capital gains are worth more to the average investor than ordinary income.

For an investor in the $7,000 tax bracket, $100 of additional capital gains is worth as much as $125 of additional ordinary income.

"Tough Competition" is the unusual title of a new leaflet on Diversified Investment Fund. The folder contains a short discussion of how the competition of billions of dollars now seeking investment makes generous investment return difficult but still possible to obtain. Copies may be obtained from **Hugh W. Long and Company.**

Billion-Dollar Peacetime Industry

National Securities & Research Corp., in Letter No. 13 on **Industrial Stocks Series**, refers to electronics as a billion-dollar peacetime industry. New uses for electronics are listed and it is pointed out that a participation in this growing industry is available through Industrial Stocks Series.

* * *

Mutual Fund Literature

Distributors Group—Current issues of **Steel News** and **Railroad Equipment News.** . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **Calvin Bullock**—Current issue of the **Bulletin.** . . . **Hare's Ltd.**—Current copy of the memorandum "Current Considerations." . . . **Lord, Abbett**—New prospectus on **American Business Shares** dated Dec. 22, 1944. . . . **General Investors Trust**—Revised prospectus dated Dec. 30, 1944.

The Nature of the Distribution Cost Problem

(Continued from first page)

ends of production are finally attained by finding satisfactory markets. It is somewhat unfortunate that the word "distribution" has acquired such wide acceptance as a term to describe the economic processes that occur between production and consumption. Such usage tends to focus popular attention upon the ultimate distributor and to obscure the importance of prior costs of a like economic character. Undoubtedly, "marketing" is a better term than "distribution." The connotation is broader; and it stresses the functional character of these business operations.

The Scope of the Problem

Distribution, or marketing costs, are those costs that are incurred directly and indirectly in performing marketing functions. In the dull language of economics they embrace the wide variety of costs that arise in the creation of time and place utilities. They begin when raw materials are stored prior to movement, and they end when the final product is ultimately sold, delivered and perhaps serviced. They occur all through the economic system wherever goods of any kind are sold. They are costs of producers, wholesalers, retailers, and all others who may market goods. These costs are assessed and collected as constituent parts of the prices of commercial goods and to some extent as specific charges. This is the simple, *what, when, where, who, how* and *why* of marketing costs. The reduction of these costs is the broad question before this group.

The Need for Better Costing

Distribution cost accounting has been defined to include the costs of "sales promotion (including advertising), direct selling, storage, handling and delivery of the products being distributed, credit and collection activities, and all other office supervising and administrative activities necessary to a proper functioning of the distribution process." [1]

Progress in the reduction of these costs depends in no small measure upon the development and use of better costing techniques. We know a good deal about the natural divisions of marketing expense, but we know too little about functional costs, and we have made only scant beginnings in the determination of unit marketing costs. We have barely started to tackle these costs with the skill and ingenuity so widely in evidence in dealing with factory costs. As recently as 1941 the Federal Trade Commission commented:[2]

> "Distribution cost accounting is still in the experimental stage. Until very recently there was little urge to ascertain, analyze, and control costs of distribution. Even today relatively few business concerns, either large or small, find by routine procedure such costs by customer groups, or commodities, or other like cost classifications, where costs are incurred jointly in respect to such classifications; and not many ascertain such costs, even on periodic occasions after making special studies. The Commission's field survey . . . showed that out of 137 concerns of many types and sizes, selected because of a probability that they had developed a procedure of distribution cost accounting, only 34 had made any start in this direction and a much smaller number had made any substantial progress. A considerable number of these companies which have done little in this direction are large and nationally important firms."

Much credit is due the United States Department of Commerce for its pioneering work in this branch of accounting, especially for wholesaling.[3] The Federal Trade Commission has also long been interested in the subject; and since the enactment of the Robinson-Patman amendment it has had special reasons for promoting improvement of marketing costing.[4] Among trade associations of manufacturers and wholesalers, a few have made notable strides. For the retail trades, several associations and educational institutions have made significant approaches to the problem. Outstanding examples are the Harvard Bureau of Business Research studies of department and specialty stores' expenses, sponsored by the National Retail Dry Goods Association. Perhaps specific mention should be made of the Harvard compendium of distribution costs in this country and abroad.[5] While there are several reasons for the tardy development of interest in this kind of costing, there can be no doubt about its growing importance.

Marketing costing presents many more practical difficulties than factory or production costing; but solutions must be found if we are to achieve intelligent cost reduction and to defend many of these costs. The text books and official studies stress the need for a variety of classifications and commonly mention classification by commodity, channel of distribution, territory, quantity, size of delivery or sale, method of sale and method of delivery. Naturally the fineness of the classification depends on the nature of the problem.

The most difficult task is sound allocation of joint costs. In manufacturing and wholesaling this involves apportionment to functions and often to commodities of such expenses as sales supervision, sales offices, compensation of salesmen, advertising, warehousing, transportation, delivery, credit service and collections and general and administrative expenses. The justification of the costing expense must, of course, be appraised in relation to potential savings. Since many arbitrary decisions must be made in deciding the proper bases for expense allocations, some allowance or judgment must always be made for probable error. Cost account-

1 Federal Trade Commission: "Case Studies in Distribution Cost accounting for Manufacturing and Wholesaling," 77th Cong., 1st Sess. H. Doc. No. 287 (1941), p. 1.

2 *Ibid*, p. 21-22.

3 U. S. Dept. of Commerce, Bureau of Foreign and Domestic Commerce: "Distribution Cost Accounting for Wholesaling," (1939). See bibliography, p. 80-83. Also, "Effective Grocery Wholesaling," Economic Series, No. 14 (1941).

4 Federal Trade Commission, *op. cit.*, p. 14-15, 17-18.

5 Malcolm P. McNair, *et al.*: "Distribution Costs, an International Digest," Graduate School of Business Administration, Harvard University (1941).

Dividends

Keystone Custodian Funds—Series **B-3**, a dividend of 63¢ a share and **S-4**, a dividend of 10¢ a share payable Jan. 15, 1945, to holders of record Dec. 30. **Institutional Securities, Ltd.**—A dividend of 37½¢ per share payable on **Stock and Bond Group Shares** to holders of record Jan. 31.

ing, like other business devices, is a guide and not necessarily a substitute for business judgment.

It may frequently happen that the cost analysis will indicate that an item is being sold, or a service performed, at a considerable loss, but the item or service may nevertheless be necessary for competitive or other reasons. However, even in such cases the analysis may be helpful in bringing these costs under better control. Similarly, the sale of items in small quantities to large numbers of small dealers may not always be justifiable on a cost basis, but there may be other sound reasons for continuing the practice.

The retail trades have made considerable progress in classifying operating expenses by natural divisions, due perhaps in part to the pressure of determining net income for tax purposes. Among the larger and better managed concerns, functional expense analysis has been well developed. But not very much has yet been done in commodity costing. A pioneer preliminary study was made several years ago by the Department of Commerce for retail grocery and drug trades.[6]

Commodity cost analysis in the retail trades is complicated by several factors. The wide variety and number of items, and the relatively small quantities of individual items sold, may make extensive item costing in many concerns financially impractical. Obviously, there is a large sector of the retail trades that will never be able to undertake such costing. Department stores have done much work in departmental costing; but allocation of indirect expense upon the basis of sales, space occupied and other factors often affords an inadequate measure of true costs. There is need for experimental study of commodity costing. If practical ways of determining true selling costs for individual items could be developed, there would be much opportunity for more efficient merchandising. Where retail prices are fixed under fair trade laws, there is no possibility of passing on to the consumer any economies that more scientific costing might permit. As in manufacturing and wholesaling, tradition and the necessity of meeting ignorant and blind competition will frequently prevent full use of the results of better costing.

These comments indicate some of the difficulties that must be faced in securing better accounting of marketing costs. Yet no other single effort offers greater promise for intelligent cost reduction. Under the pressure of State and Federal laws, manufacturers and wholesalers must give these costing problems closer attention. Perhaps it is not too much to expect that these pressures and the need for reducing marketing wastes may cause trade associations and progressive companies to furnish vigorous leadership in this important work.

Reduction of Time Wastes

A second broad field for the reduction of marketing costs will be found in improved procedures for the prevention of time wastes in performing marketing functions. These wastes occur in all movement costs, whether they are charges for assembling raw materials or for retail deliveries. In manufacturing, particularly, they are often buried in production costs and their significance is, therefore, lost. New methods and better uses of existing methods to quicken product flow into consumption lowers interest, warehousing and many other marketing costs. A few illustrations will clarify the point.

A few years ago it was said that automotive castings were laid down on the Cleveland docks for shipment to Detroit while they were still warm; and similar rapidity of flow was often mentioned for rolling mill products. In such cases time delays in marketing are at a minimum. More extreme examples are commonly found in highly styled consumer goods when shortened time spans cut obsolescence and other costs. Perishable food products represent still another example.

We have learned something about efficient movement of goods during this war; and if we fail to capitalize on this experience, we shall miss an opportunity for important cost reductions. After this war our railroads will rehabilitate their ways and structures, and secure new high-speed motive power and other improved equipment. If they properly merchandise low cost, rapid freight movement, the marketing of goods will be accomplished at lower costs. The familiar cross haul question will doubtless engage again serious attetntion of many marketing students. Nor can we overlook the contribution of air transportation in particular cases. While it is difficult to differentiate properly between time and place utilities in marketing, this emphasis of the need for increased tempo in marketing is not intended to obscure the place savings[7] that improved transportation will also make possible.

Closely related to better transportation is the possibility of improved stock turnover for merchants now located some distance from their sources of supply. The false economies of extreme turnover need not concern us here; but there is much in the principle of sound turnover policies that can be adapted with profit in prior stages of the marketing processes.

Another time-saving in marketing is reduction of the costs of high seasonality of production and marketing. Some of these costs cannot be appreciably lowered, but no one can study these wide seasonal variations and still be satisfied that there are no practical remedies for some of the excessive business and social burdens they create. There is need for more complementary product selling and greater use of off-season price concessions.[8] These and other methods of effecting economies in marketing seasonal products may be explored with profit.

Additional time-savings will be realized by better adjustment of sales promotion expenditures to general business conditions; but, in a sense, this statement begs the question because business must create demand. Still, within short periods, there are right and wrong times to incur extra selling expense. Perhaps we can do more to avoid or at least minimize the costs of these timing errors.

Such are some of the approaches to a reduction of the time wastes in marketing.

Reduction of Wastes at Point of Origin

A third method of dealing with this marketing cost problem is to stop wastes at the point of origin. They often begin with top management in manufacturing. It is not enough to know what men and machines can produce, because that knowledge does not acquire high commercial value until it is known what can be sold profitably. It is a fair criticism that production-minded managements tend to neglect marketing costs. The easy part of the market is often saturated before the necessity of better selling methods to increase sales and maintain production costs is fully appreciated. Then, selling plans and costs get close executive scrutiny; and frequently the delay is extremely costly.

Many high marketing costs originate on the drafting table. The mechanical design may be so poor that the product has little chance of real commercial success. Designers often lack practical knowledge of the conditions under which products will be used. Frequently the users of important products draw their own designs to hasten the adoption of changes that should have been in the original plans. It took a long time for manufacturers of vacuum cleaners to be fully conscious of the urgent need of finding ways to reduce the weight of their products. Too often products are not designed to permit easy and inexpensive maintenance and service. Lack of standardization of parts is often a sales barrier that is later corrected at considerable expense. Poor styling, like poor design, may result in inadequate sales and high selling costs.

It is not unusual for an avalanche of customer adjustments to be precipitated simply by failure to furnish proper instructions for the care and use of the product. This is a perennial source of additional operating costs for retail mechants, especially in the case of textile products sold without washing and ironing instructions. It may be added that some textiles are often too poorly finished for ordinary consumer use.

In retail marketing, particularly, a number of expensive customer services add materially to operating costs. These services include free or ultra-liberal delivery service, the return goods privilege, open credit service and various other services for which no specific customer charge is made. Much has been written about these service costs and the need for some rational plan that will not require the cash and carry customer to pay for services he may not need and does not want. Chain grocery stores and some other types of retail outlets have met this problem by selling on a cash and carry basis at lower prices than full service stores. But as long as free competition prevails and consumers demand and get these services without specific charges for their performance, it remains difficult or practically impossible to make more than limited progress toward differentiated pricing plans[9] to recoup these service costs.

Responsibility for Cost Reductions

Perhaps a fourth method of

(Continued on page 86)

[6] U. S. Dept. of Commerce, Bureau of Foreign and Domestic Commerce: "Louisville Grocery Survey" (1930). Also "Costs, Sales, and Profits in the Retail Drug Store" (1934).

[7] Cf. Kuznets, Simon: "Commodity Flow and Capital Formation," National Bureau of Economic Research, Inc. (New York, 1938). Vol. I, p. 228-230 for interesting table of freight rates in percentage of value at the point of production.

[8] Cf. Kuznets, Simon: "Seasonal Variations in Industry and Trade," National Bureau of Economic Research, Inc. (New York, 1933), p. 13-30.

[9] Stewart, Paul W., and Dewhurst, J. Frederic: "Does Distribution Cost Too Much?" Twentieth Century Fund, Inc. (New York), 1939), p. 351-352.

Canadian Securities

By BRUCE WILLIAMS

In spite of the fact that Canada is still in a youthful stage of development, the Dominion finished the year as the second largest exporter in the world with industrial production and cash income at unprecedentedly high levels. Furthermore, owing to the excellent control of prices and wages and the fact that more than 50% of the enormous war costs are being covered by taxation, the purchasing power of the Canadian dollar has been maintained to a degree unsurpassed by any other belligerent.

It is opportune, therefore, at this stage when Canada has clearly consolidated her position externally as an adult power, that certain constitutional defects which impair internal cohesion, be urgently re-examined.

The clarification of the relationship between the Dominion and the Provinces, the uncertainty of which has been a bar to complete national unity and has led to economic disequilibrium in the Western Provinces, should not be further delayed. This question should be considered outside the range of party or provincial politics and should be raised to the plane of a national issue of paramount importance.

Much of the political unrest in the West is a direct result of the inability of the Dominion to act in times of crisis such as the depression and drought period of the early Thirties, the economic consequences of which were borne by the Prairie Provinces. The Alberta default and the willingness of the electorate in Saskatchewan and elsewhere in the West to listen to socialistic doctrines can be directly attributed to the same cause.

Therefore, it cannot be sufficiently emphasized that steps should be taken at the earliest possible date to implement the recommendations of the Sirois Royal Commission and thus remove a formidable obstacle in the path of the proper development of Western Canada, the materialization of which would be beneficially felt throughout the Dominion.

Turning to recent events, it is gratifying to note that the ratification of the new U. S.-Canadian tax convention for the elimination of double succession duties has been followed by an agreement between the Provinces of Ontario and Quebec for the same purpose. This should prepare the way for similar agreements between those Canadian Provinces and States in this country where the impact of the inequity of double taxation has been most acute.

With regard to the market for the past week, the long period of quietness with a strong undertone was continued up to the year-end. High-grades were scarce and there was a disposition to switch from direct Dominions to Nationals of comparable maturities.

In this connection, there still appears to be scope for profit in exchanging Dominion 4s of 1960/50 for National 5s of 1970/50 or 4½s of 1951.

There was a slight reaction in Albertas, but the recent buying interest in Montreals and Abitibis was still in evidence. Internal bonds were inactive but trading continued brisk in gold shares and the Canadian dollar in the "free" market finished firm at 10⅛% discount. The stability throughout the year of free funds has been remarkable, especially in view of the marked increase in the volume of transactions, and the Canadian dollar now provides the only important trading medium on the free exchange market.

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The Nature of the Distribution Cost Problem: Walker

(Continued from page 85)

making some progress toward lower marketing costs lies in a better public understanding of the nature of these costs. Too often it is blithely assumed that the responsibility for high costs rests principally upon the national advertiser and the retail and intermediate distributor. The service that the public demands, the necessary complexity of our economic processes and the costs of economic freedom are seldom properly appraised. Marketing is an intricate process with cost responsibilities that extend way back to the primary stages of production.

The relative distribution of these costs is not well understood. Primary, intermediate and final costs of marketing are not always separately distinguished in public discussions. In a notable study of marketing costs in 1929 it was stated: [10]

"Although retailing is the most costly single phase of distribution, the total of costs incurred prior to this final stage is about twice as large as retailers' expenses in selling finished goods to the consumer. . . . Manufacturers' distribution costs are estimated at about $9,000,000,000; transportation charges, most of which occur before the retail stage, account for $8,800,000,000, and intermediate or wholesale distribution costs amount to about $7,000,000,000. All these costs, together with national advertising and certain minor items, equal $26,000,000,000, as compared with less than $13,000,000,000 for retail trade."

While there are significant studies of the marketing costs of manufacturers, wholesalers and retailers, small progress has been made in determining total marketing costs for individual commodities. Where studies [11] have been made for individual products like automobiles, agricultural machinery, flour, bread, cereals and paint, the costing begins at the finished manufactured stage. It has generally been impossible to determine marketing costs through the prior stages; but all production costs contain some marketing costs of previous producers.

Critics are not always careful to judge marketing costs in relation to the specific functions performed. The high differentials in selling at wholesale and retail are frequently ignored, yet costs are functions of the quantities sold in the individual sale. Occasionally official studies [12] calmly prescribe elimination of intermediate marketing functions as remedies, with scant consideration to resultant transfers of costs or the social damage they may create.

The use of averages expressed as percentages of sales dollars serves business purposes when properly interpreted; but, in the hands of the unskilled, their reckless and unwise use perpetuates misinterpretations of marketing costs and promotes much naive and unjust criticism of marketing costs. In many cases indiscriminate use of averages constitutes a major statistical crime. National advertising [13] is the perennial target for criticism on the basis of the size of percentage expenses to total net sales; and retailing runs a close second. In the former case the percentage expense may appear high in relation to sales; but the absolute cost per unit of performing the marketing function may be trivial. In the latter case, the percentage cost of selling a particular item may remain constant or even increase; but if the retail price has gone down sharply, the absolute cost of performing the function may show astonishing decreases. In analyzing marketing costs, there is need for wider use of absolute costs and much more cautious use of percentages.

In short, if we are to make progress in reducing marketing costs, there must be broader understanding of the highly complex nature of the problem and relative responsibility of producers, distributors and consumers for these costs. There is need for more light on the economic character and significance of marketing, better studies of its costs and more intelligent cooperation of all factors in the marketing process.

Ideal Conditions for Economical Marketing Costs

Perhaps we can obtain a clearer idea of the methods for reducing marketing costs if we roughly sketch a series of conditions necessary for the ideal marketing of a product. We will begin with the earliest stages of its creation. The raw materials to be used in its manufacture are efficiently produced and marketed under stable price conditions. The manufacturing plant is scientifically located, permitting a proper balance between accessibility of raw materials and labor, and of markets for the finished product. The plant layout and machinery are the best that money and engineering skill can create. The labor force is well trained and available in adequate numbers; and labor relations assure efficient and uninterrupted production. The production organization is among the most competent in the field. The company is soundly financed; its accounting controls are highly developed and its costing systems represent the most improved techniques. It enjoys excellent trade and public relations. The management is able, alert and aggressive.

The product to be produced has been carefully selected. It will fill a customer need; and the potential demand is large. It represents the best in design, style and performance. It is pre-tested in the laboratory to determine maximum serviceability under rigorous conditions of consumer use. It is properly identified and tagged with appropriate instructions for care and use. All possible skill and ingenuity are used to make it an outstanding product. Moreover, it is soundly priced to afford assurance of maximum sales potentials under competitive market conditions.

The selling plans are carefully drawn with the best scientific aid that marketing research can give. Advertising promotion, dealer helps, and other sales aids are shrewdly devised by highly competent specialists. The plans provide for skilled selection of the best channels of distribution. Individual dealers are chosen for their outstanding competency in their respective markets. Their continued interest and loyalty are cultivated. The consumer markets are all pre-tested before final decisions. The discount and allowance system is soundly planned to promote orderly, effective distribution. The retailers of the product operate in areas where there is wide acceptance of differentiated pricing with specifc charges for expensive services. The selling staff is scientifically selected; salesmen are properly trained; and field work is planned to permit maximum concentration on intelligent selling. Expense control and marketing costing leave nothing to be desired. The sales quotas are realistic; and reasonably attainable despite seasonal and cyclical fluctuations in customer demand. The selling plan and quotas are so dependable that production can be planned for long periods; and the whole process of production

(Continued on page 87)

[10] Stewart, Paul W., and Dewhurst, J. Frederic, *op. cit.*, p. 171.

[11] Report of the Federal Trade Commission on Distribution Methods and Costs: Part I, "Important Food Products," Part III, "Building Materials"; Part IV, "Petroleum Products, Automobiles, Rubber Tires and Tubes, Electrical Household Appliances, and Agricultural Implements"; Part V, "Advertising as a Factor in Distribution."

[12] *Ibid.* Pare I, p. 15-16.

[13] Borden, Neil H.: "The Economic Effects of Advertising," Richard D. Irwin, Inc. (Chicago, Ill., 1942), p. 452, 453-459. Also Federal Trade Commission, *op. cit.*, Part V.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 62)

nomic trends, social and political changes. I could do it easy. For in the last few days every prognosticator in the United States has sent me an invitation to subscribe, inclosing a lot of valuable material which I can pass on to you as my "original" work. No one would know the difference unless they read the other guy's stuff first. It isn't ethics that stops me. I don't understand the stuff well enough to pass it on. And who knows maybe some reader may ask me to explain and where would I be.

* * *

So this year, dear reader, you'll have to get along without an annual forecast from me. Which, I may add, is quite a relief. For I have all I can do to work a week ahead without going off half cocked for six months in advance, not even talking about a year in advance.

* * *

I might point out that I have no secrets in how I decide on the market. All I do is let the market decide for me. So I'm wrong sometimes. Who isn't? But in the final run I'm still ahead of the game. Of course if you want to argue about it I'll refer you to the fifty-two columns I wrote in 1944. If after you find that I'm right, that's only to be expected. If I'm wrong it's because you don't understand the fine points of the stock market. And anyway those columns don't count.

* * *

But seriously the market has shown at least one thing in the past few days which is slightly encouraging. In last week's column I pointed out that a reaction was in the wind. I qualified it, however, by saying that reaction potentialities would be reduced if a rally occured in the next few days. (If that isn't a lot of double talk, brother, then I never heard any.) If they don't go down they'll go up and if they go up. . . . Stuff doesn't make any sense. Or does it. Must be the influence of the loads of market letters I just finished.

* * *

Here I was trying to become serious and give you some real solid advice and where do I find myself? Okay, okay, don't tell me. Instead of double guessing the stock market I should have been attached to G-2 (that's Military Intelligence, as if you didn't know). Could be the influence of the Johnny Walker n' soda. Always knew that soda didn't agree with me.

* * *

Boy, there's a lot of white space yet left to fill and I still haven't told the kind of things about the market you're probably panting to hear. Hmmm, let me see. You're still holding American Smelters at 39½, stop 38. Stock is asleep at about 40 and is beginning to look like it wasn't sleeping. Maybe it's dying. Anyway, if it isn't across 42 by the time you read this, better get out. There's no percentage being stuck with a sleeper.

* * *

Another cookie you have on your hands (on my advice) is Climax Molybdenum. You got this one at 34½, stop 33. After a lot of hemming and hawing it's still at 34½. If it doesn't get across 36 by Thursday (that's when you'll read this valuable column) give it back. Let somebody else worry about it.

* * *

Glenn Martin is a little better. You got it at 21½, stop at 20. It's now about 24½ and has been up to 25¾. Raise the stop to 22 and let it ride.

* * *

The last one is Timken-Detroit Axle which you took at 33½ and is now about 37 and has been up to 38. Put your stop up to 35 and sit back.

* * *

So far as any new stocks are concerned I'm still under the influence of that soda in that mixed drink. Knew I shouldn't have done it. Anyway here's the end of the page and you'll have to be satisfied until next week. 'py New Year!

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.]

The Nature of the Distribution Cost Problem: Walker

(Continued from page 86)

and sale flows smoothly with the minimum of time and other losses.

If such ideal conditions and many others that have escaped specific mention, are existent, then there is a high probability that the marketing costs will be at a minimum. But obviously all these ideal conditions do not prevail; and the degree in which they are present shows enormously large variation. Like other business costs, great differences in the nature of products, demand, markets, selling ability, managerial skill and other factors influence marketing costs. The ideal is perfection; but the actuality can only be slow improvement in the methods and mechanisms of marketing.

Marketing Costs and Total Costs

Perhaps one final comment will complete the background of this group discussion. The basic objective in a free economy is the maximum physical production consistent with the ultimate net profit necessary to maintain and stimulate the system. It has been well said that the final consumer price is all that counts, whether than objective is attained by high or low ratios of production and marketing costs.[14]

Low marketing cost is not always an end in itself, because the cheapest method of marketing an article will not necessarily produce maximum sales and profits. Like other costs, marketing costs are relative; and they must be judged on the basis of work done. At various levels of purchasing ability, there are differing ratios of costs: and they are incurred to meet the type of service customers demand and for which they are willing to pay.

Marketing costs are only about one-half of the whole cost problem; and the responsibility[15] for cost reductions is joint and several throughout the economic process. In a free economy where there is minute subdivision of labor and specialization, these costs are likely to absorb large and perhaps increasing parts of the consumer dollar.[16] We need not be too greatly disturbed if they are wisely incurred. After all, the costs of purely mechanical functions of production seldom afford a wholly sound basis for unremitting disparagement of the costs of the non-mechanical phases of the functions required to satisfy the needs, wants and whims of more than 138,000,000 individual customers. "Mass production requires mass distribution" is a pleasing euphonism; but actually the ultimate sale of a product is to an individual. We may not wisely confuse the enormous differences in the two processes.

14 Bower, Marvin: "Cutting Distribution Costs Through Integrated Cost Reduction." Proceedings of the Sixteenth Boston Conference on Distribution. (1944.) p. 27.

15 Engle, Nathaniel H.: "Distribution Cost Analysis by Commodities." Proceedings of the BostonConference on Distribution. (1937.) p. 46.

16 Clark and Clark: "Principles of Marketing." The Macmillan Co. (New York, 1942), p. 761.

Attractive Investment

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

Stevenson Admitted By Alfred L. Baker

CHICAGO, ILL. — Alfred L. Baker & Co., 111 South La Salle Street, members of the New York and Chicago Stock Exchanges, announce that John A. Stevenson, a former partner for many years, has been admitted to the firm.

C. J. Grate With G. D. B. Bonbright

ROCHESTER, N. Y.—Charles J. Grate, for fifteen years an officer and head of the investment department of the Union Trust Co., has become associated with the New York Stock Exchange firm of George D. B. Bonbright & Co., Powers Building. Mr. Grate will be connected with the bond department.

Marketwise Improvement in Nat'l Bank of Commerce in New Orleans, La.

Considerable improvement has resulted marketwise, it is reported, from the recent announcement of the directors of the National Bank of Commerce in New Orleans that the stockholders will have an opportunity to vote on an increase in the capitalization. Under the plan each holder of presently outstanding stock will be given rights to subscribe to two-thirds of one share at $27 per share for each share presently held. In addition, upon completion of this, a 20% stock dividend will be paid. Stockholders' meeting is scheduled for January to act upon this resolution. In the meantime the market has advanced from around 31 to 36.

New York Analysts to Hear

On Monday, Jan. 8th, the New York Society of Security Analysts will hear Leslie T. Founier, special assistant to the Securities and Exchange Commission, speak on "Economic Implications of the Enforcement of Section 11 of the Holding Company Act."

On Jan. 10th, Charles A. Higgins, President of Hercules Powder Co., will be speaker.

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

Post-War Prospects Good

The Peck, Stow & Wilcox Company offers an attractive situation with interesting post-war prospects, according to a memorandum issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this memorandum may be had from Amott, Baker & Co. upon request.

Ward Installs Wire to Kneeland Co., Chicago

Ward & Co., 120 Broadway, New York City, announce that they have installed a direct private wire to Kneeland & Co., in Chicago, Ill.

Canadian Securities

(Continued from page 85)

Looking towards possible future developments, an announcement with regard to a new public Quebec issue to refund the $15 million 4½s of March 1950/45 is shortly expected. At the present moment discussion centers on a 2¼% bond due in five years. As far as the general market is concerned, Canadian high-grades, especially in the 5-10-year maturity range, still appear attractive for institutional investment when contrasted with comparable domestic issues, and this factor, together with a probable early replenishment of dealers' inventories, should lead to the maintenance of a steady to firmer market.

Calendar Of New Security Flotations

OFFERINGS

BUTLER BROTHERS has filed a registration statement for 100,000 shares of cumulative preferred stock, 4½% series, par $100. Of the proceeds $8,398,272 will be used to redeem in February, 1945, at $31 per share, all of the outstanding shares of convertible preferred stock of the company. Any remaining funds will be added to current working capital. Harriman Ripley & Co., Inc., heads the group of underwriters. Filed Dec. 13, 1944. Details in "Chronicle," Dec. 21, 1944.

Stocks offered Jan. 4 by Harriman Ripley & Co., Inc., and Associates at $103 per share.

NEW FILINGS

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

SUNDAY, JAN 7

GENERAL AMERICAN INVESTORS CO., INC., has filed a registration statement for 120,000 shares of common stock (no par). The shares are issued and outstanding and do not represent new financing by the company. Lehman Brothers and Lazard Freres & Co., principal underwriters. Others will be filed by amendment. Filed Dec. 19, 1944. Details in "Chronicle," Dec. 28, 1944.

NATIONAL PRESSURE COOKER CO. has filed a registration statement for 150,000 shares of common stock (par $2). 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. Filed Dec. 19, 1944. Details in "Chronicle," Dec. 28, 1944.

TUESDAY, JAN. 9

SERVEL, INC. has filed a registration statement for 60,000 shares of $4.50 cumulative preferred stock (no par). 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. 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. Filed Dec. 21, 1944. Details in "Chronicle," Dec. 28, 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. The shares are being offered for subscription to the holders of common stock at the rate of one share of preferred for each 12 shares of common held. 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 plant 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. Union Securities Corp. and Hornblower & Weeks head the underwriting group.—Filed Dec. 22, 1944. Details in "Chronicle," Dec. 28, 1944.

WEDNESDAY, JAN. 10

SOUTH CAROLINA POWER CO. has filed a registration statement for $8,000,000 first and refunding mortgage bonds series due 1975. The interest rate will be filed by amendment.

Address—141 Meeting Street, Charleston, S. C.

Business—Public utility.

Underwriting—The bonds will be offered for sale under the Commission's competitive bidding rule and the interest rate will be named by the successful bidder.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds, together with the proceeds of bank loans aggregating $2,400,000 and $140,000 of funds on deposit with trustees will be used to reimburse the company for funds deposited for the redemption on Jan. 1, 1945, of $641,500 Georgia-Carolina Power Co. first mortgage 5% bonds, for the redemption on July 1, 1945, of $3,959,999 South Carolina Power Co. first lien and refunding mortgage gold bonds, for the acquisition from Commonwealth & Southern Corp. and retirement of $3,411,000 South Carolina first lien's 5s at Commonwealth's cost or $2,855,562, and for redemption of 23,023 shares of South Carolina $6 preferred stock outstanding in the hands of the public. Total amount required, including premiums on bonds and preferred stock in the hands of the public is $10,107,765.

Registration Statement No. 2-5551. Form S-1. (12-22-44.)

COLUMBIA PICTURES CORP. has filed a registration statement for 7,880 purchase warrants for common stock and 21,013 shares of common stock, without par value.

Address—729 Seventh Avenue, New York City.

Business—Production of motion pictures.

Underwriting—Samuel J. Briskin, Hollywood, Cal., and A. Schneider, New York, are named underwriters.

Offering—The price to public is estimated at $13.375 for the warrants and $21 for the stock. The shares of common stock covered by the prospectus are issuable upon the exercise of purchase warrants at any time prior to their expiration date.

Proceeds—The entire proceeds from sale of the warrants will be received by A. Schneider, the holder of the warrants. He is treasurer of the corporation and a director and vice-president.

Registration Statement No. 2-5552. Form A-2. (12-22-44.)

THURSDAY, JAN. 11

WEATHERHEAD CO. has filed a registration statement with the Securities and Exchange Commission for 20,000 shares of cumulative preferred stock, without par value. The dividend rate will be filed by amendment.

Address—300 East 131st Street, Cleveland.

Business—Manufacture and sale of numerous products for use principally in the automotive and aviation industries, etc.

Underwriting—The underwriting group is headed by Merrill Lynch, Pierce, Fenner & Beane.

Offering—The offering price to the public will be filed by amendment.

Proceeds—The net proceeds will be applied to the corporation's outstanding promissory notes dated May 1, 1944, payable to banks in the aggregate amount of $1,600,000. The statement said this amount was borrowed to assist the corporation in financing war production and the termination thereof. The balance of the proceeds will be added to the corporation's general funds and may be used in connection with conversion from wartime to peacetime operations and the development of the company's peacetime business.

Registration Statement No. 2-5553. Form S-1. (12-23-44.)

DAYTON RUBBER MANUFACTURING CO. has filed a registration statement for 60,000 shares of common stock, par $1. Of the total, 50,000 shares are being sold by the company and 10,000 shares by two stockholders.

Address—2342 Riverview Avenue, Dayton, O.

Business—Manufacture and sale of mechanical rubber goods and of pneumatic tires and tubes for passenger automobiles and trucks.

Underwriting—Lehman Brothers.

Offering—Offering price to the public to be filed by amendment.

Proceeds—The company will use the proceeds from the sale of 50,000 shares for the expansion of its Dayton, O., plant and for the acquisition and installation of additional productive facilities at its Dayton, O., and Waynesville, N. C., plants.

Registration Statement No. 2-5554. Form S-1. (12-23-44.)

GENII CORP. has filed a registration statement for 1,868 shares of common stock.

Address—211 Canby Building, Dayton, O.

Business—Genii was incorporated in Ohio in May, 1944. It has acquired from Cashly A. Henry an exclusive license to manufacture, and to sub-license others to manufacture, plastic materials, plastic homes and units.

Underwriting—None named. Company plans to sell the securities registered direct to the public without the assistance of underwriters or dealers.

Offering—Offering price to the public is $100 per share.

Proceeds—Proceeds from sale of stock will be applied to building and improvements, machinery and equipment, etc. Balance will be used for working capital and reserve for contingencies.

Registration Statement No. 2-5555. Form S-2. (12-23-44.)

MONDAY, JAN. 15

DUREZ PLASTICS & CHEMICALS, INC., has filed a registration statement for 73,208 shares of common stock, par $5.

Address—Walck Road, North Tonawanda, New York.

Business—Engaged in the manufacture and sale of phenolic plastics, certain related chemicals, and phenol.

Underwriting—None.

Offering—Company is granting to holders of its common stock of record at the close of business Dec. 27, 1944, rights to subscribe to 73,208 shares of common stock at $29 per share in the ratio of 100/583rds of a share for each share held of record. The company has entered into an agreement with the M. A. Hanna Co. of Cleveland, O., to purchase for its own account for investment purposes only all of the 73,208 shares, or such part thereof as shall not be purchased by stockholders, at the same price at which they are being offered to the stockholders.

Proceeds—The net proceeds will be used to provide additional funds to enable the company to participate in the developments which it is expected will take place in the plastics and chemical industries upon the return of peace.

Registration Statement No. 2-5556. Form A-2. (12-27-44.)

PHILIP MORRIS & CO., LTD., INC., has filed a registration statement for 199,847 shares of cumulative preferred stock, $100 par, and subscription rights for like amount. The dividend rate on the preferred stock will be filed by amendment.

Address—119 Fifth Avenue, New York City.

Business—Manufacturing and selling cigarettes and smoking tobaccos.

Underwriting—Lehman Brothers and Glore, Forgan & Co. head the underwriting group.

Offering—Company is offering to holders of its common stock rights to subscribe at a price to be filed by amendment for 199,847 shares of the preferred stock, at the rate of one share of cumulative preferred for each five shares of common stock held. The company also offers, subject to the subscription rights to the holders of common stock, to the holders of its outstanding 4¼% and 4½% preferred stock the right to exchange their shares of old preferred stock, share for share, for the new cumulative preferred stock, plus a cash adjustment. Such shares as are not issued under the subscription and exchange offers will be purchased by underwriters and offered to the public.

Proceeds—Net proceeds from the sale of shares not issued in exchange for old preferred stock will, to the extent necessary, be devoted to the redemption of the old preferred stock. The old preferred stock is to be redeemed in March, 1945, at $104 per share and accrued dividends for the 4¼% preferred and $107 and accrued dividends for the 4½% preferred. Any balance of proceeds will be added to the general funds of the company.

Registration Statement No. 2-5557. Form A-2. (12-27-44.)

TUESDAY, JAN. 16

THE NATIONAL COOPERATIVE FINANCE ASSOCIATION has filed a registration statement for $250,000 of preferred stock.

Address—343 South Dearborn Street, Chicago, Ill.

Business—Cooperative association.

Underwriting—None. The securities to be offered will be sold direct by the association to its stockholder-members for investment purposes.

Offering—Offering price to the public is $100 per share.

Proceeds—Total proceeds received by company in the sale of the securities will be used in making loans to members.

Registration Statement No. 2-5558. Form S-2. (12-28-44.)

(This list is incomplete this week)

Wm Gordon Partner In Coverdale & Colpitts

Coverdale & Colpitts, 120 Broadway, New York City, consulting engineers, announce that William A. Gordon has been admitted to membership in the firm. Mr. Gordon has been associated with the firm since 1930.

Year-End Valuations of Canadian Securities

Wood, Gundy & Co., Inc., 14 Wall Street, New York City, have issued a pamphlet containing year-end valuations of Canadian securities. Copies of this interesting material may be had upon request from Wood, Gundy & Co.

Now Bennett, Spanier Co.

CHICAGO, ILL. — Effective Jan. 1st the firm name of A. A. Bennett & Co., Inc., was changed to Bennett, Spanier & Co., Incorporated. There is no change in personnel of the firm, which maintains offices at 105 South La Salle Street.

Interstate Aircraft & Eng. Appears Attractive

Interstate Aircraft & Eng. Co. offers an interesting situation according to a circular being distributed by Hirsch & 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 a memorandum issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York Stock Exchange and other national exchanges. Copies of this memorandum may be had from Buckley Brothers on request.

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.

N. Y. Security Dealers Name Unterberg Pres.

At the annual meeting of the New York Security Dealers Association, held at the office of the Association at 42 Broadway, New York City, on Tuesday, Jan. 2, 1945, the following officers were elected for the ensuing year:



C. E. Unterberg H. R. Amott Herbert Allen

Clarence E. Unterberg, C. E. Unterberg & Co., President;

Fred J. Rabe, F. J. Rabe & Co., Vice-President;

Herbert Allen, Allen & Co., Vice-President;

Harry R. Amott, Amott, Baker & Co., Inc., Secretary;

Theodore C. Corwin, T. C. Corwin & Co., Treasurer.

The personnel of the Board of Governors is: Herbert Allen; Harry R. Amott; Philip Carret, Carret, Gammons & Co.; T. C. Corwin; James Currie Jr., Troster, Currie & Summers; Frank Dunne, Dunne & Co.; John J. O'Kane Jr., John J. O'Kane Jr. & Co.; B. W. Pizzini, B. W. Pizzini & Co., Inc.; Fred J. Rabe; Otto H. Steindecker, New York Hanseatic Corp.; Percival J. Steindler, P. J. Steindler & Co., and Clarence E. Unterberg.

The new member added to the Board was Mr. Pizzini; Alfred E. Loyd continues as Executive Secretary.

Announcement is made that all necessary plans and arrangements are well under way for the nineteenth anniversary dinner of the Association, to be held in the Grand Ballroom of the Waldorf-Astoria Hotel on Thursday, Feb. 15, 1945. It is planned to have this annual dinner the biggest and best in the history of the Association, with larger and more elaborate entertainment than heretofore, and good speakers to be headed by an outstanding personality whose name will be announced later.

These annual dinners are generally conceded to be the outstanding social events of the "Street," and always have been attended by a large and ever-increasing number.

Shields & Co. Will Admit Two Partners

Shields & Co., 44 Wall Street, New York City, members of the New York Stock Exchange and other leading Exchanges, will admit Theodore L. Crockett and John Jerome Reilly to partnership on Jan. 11. Both have been with the firm for some time, Mr. Crockett as manager of the investment advisory department.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was concluded Dec. 21 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $26,715,000 0.90% consolidated debentures dated Jan. 2, 1945, due Oct. 1, 1945. The issue was placed at par. The proceeds, together with $8,315,000 cash on hand, was used to retire $35,030,000 debentures due Jan. 2, 1945. As of Jan. 2, 1945, the total amount of debentures outstanding was $271,510,000.

Gillen & Co. To Admit

Gillen & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit James N. Slee to partnership on Jan. 11. Mr. Slee in the past was a partner in the firm.

O'Neil, Jasper V.-Ps. of Herrick, Waddell

Herrick, Waddell & Co., Inc., investment bankers, 55 Liberty Street, New York City, announce the election of John J. O'Neil and George M. Jasper as Vice-Presidents of the company. Mr. O'Neil is Sales Manager of the firm's New York office and Mr. Jasper is Manager of the office in Springfield, Mass., where he has been for the last three years.

J. P. Morgan Co. Reports Bank Condition

J. P. Morgan & Co. Incorporated, New York City, reported as of Dec. 31, 1944, total deposits of $756,549,777 and total assets of $816,596,609, compared, respectively, with $759,212,131 and $817,396,301 on Sept. 30, 1944. Cash on hand and due from banks is now $128,580,742, against $137,856,901; holdings of United States Government securities, $535,055,436 against $536,742,422, while loans and bills purchased are now shown as $116,959,509 against $100,798,734. Capital and surplus are unchanged at $20,000,000 each, and undivided profits on Dec. 31 are $4,429,102 against $4,095,419 on Sept. 30.

Phila. Nat'l Bank Profits Increase

The report of The Philadelphia National Bank for the year ended Dec. 30, 1944, made public today by Evan Randolph, President, shows an increase of $2,277,017 in undivided profits for the year, which compares with an increase of $1,812,018 reported a year ago.

Net earnings from current operations amounted to $5,920,247, against $5,870,116 in 1943. After adding profits on securities and other income and after deducting taxes, the amount applied to bond account, and miscellaneous charges, net income before dividends amounted to $5,777,017, compared with $5,312,018 a year earlier.

Capital, surplus and undivided profits amounted to $51,958,269, as against $49,681,252 at the end of 1943. During the year the bank increased its surplus account 33% from $21,000,000 to $28,000,000.

In his report, Mr. Randolph stated that the market value of investment securities shows a substantial excess over the figures at which they are carried on the books of the bank.

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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