JAN 12 1945

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Winthrop Aldrich Favors Strong Western Europe

In his annual report to shareholders on January 9th, Winthrop W. Aldrich, Chairman of the Board of Directors of the Chase National Bank, expressed the belief that the main objectives of American foreign policy should be the restoration of democratic and economically strong governments in Western Europe, and that the United States should take the initiative "in realizing a broad program of political and economic solidarity under the system of free enterprise."

W. W. Aldrich

"There have been many conferences and much debate during the year," Mr. Aldrich remarked, "in which postwar plans were considered and blueprints made for the political, social, financial and economic reorganization of the world. Some of them, as we now see, were conducted in an atmosphere of unreality, assuming at once a prompt conclusion of the war and a set of economic conditions abroad that are not likely to be

(Continued on page 178)

Index of Regular Features on page 184.

One World—Its Sales Significance

By JOHN ABBINK*

President, Publishers International Corporation
Executive Vice-President, McGraw-Hill Publishing Co.

Mr. Abbink Expresses the Belief Our Industrial Supremacy Will Enable Us to Compete in Exports With Other Nations Having Lower Living Standards and Cheap Labor. Fears Renewed Trade Barriers Against Us, Such as the British Empire Preference, and Questions the Practicability of Disposing of Surplus Equipment and Increasing Sales in Undeveloped Countries by Rapidly Raising Living Standards, But Holds We Must Have Post-War Exports Up to $10 Billions to Maintain Prosperity. Looks for Large Foreign Buying Because of Cash Balances Accumulated Here and Urges Heavier Imports for "Stockpiling" Purposes. Calls for Assumption of Responsible Role by U. S.

Those who plan programs for meetings such as this often have made me envious. They seem to have the uncanny faculty of posing questions difficult to answer, and of coercing some luckless commentator into a discussion of them that he hesitates to undertake if he is to be completely candid.

John Abbink

It is in this frame of mind that I face you today. An experience of more than a quarter century in foreign trade warns me that in the short time available I can hardly trace the outline, even, of a problem which has many facets; much less deal completely with any of its aspects.

*An address by Mr. Abbink at the Luncheon Session of the Marketing Conference, American Management Association, Waldorf-Astoria Hotel, Jan. 5, 1945.

(Continued on page 174)

"Let Each Transportation Agency Stand On Its Own Feet"

By F. G. GURLEY*

President, Atchison, Topeka & Santa Fe Railway

Railroad Executive, After Describing the Difficulties of War Time Railroad Operation, Due to Labor Shortages, Inadequate Equipment and Heavy Traffic, Condemns the Action of the Justice Department's Western Railroad Anti-Trust Suit and Urges That Legislation Be Enacted Giving the ICC Exclusive Jurisdiction Over the Carriers in Rate Matters. Recommends That Either the Federal Government Let Each Transportation Agency Stand on Its Own Feet, or If Subsidies Are Given to Competing Transportation Systems, the Railroads Receive Tax Exemptions to the Extent That They Make Permanent Improvements. Holds Railroads Indispensable Transport Agency in War and Peace.

In the very beginning I want to express our thanks and appreciation for the many things you have done to help the railroads.

Nowhere in our country is there a group of men which is better informed or knows more about transportation, and especially railroad transportation, than the members of the Chicago Traffic Club and the Mid-West Shippers Advisory Board. No group personifies more the understanding, sympathy and co-opera-

Fred G. Gurley

*An address by Mr. Gurley before a joint meeting of the Traffic Club of Chicago and Mid-West Shippers Advisory Board, Palmer House, Chicago, Ill., Jan. 5 1945.

(Continued on page 168)

Holding the Price Line

By CHESTER BOWLES*

Administrator, Office of Price Administrator

OPA Head Lists Five Principal Problems in Holding the Price Line, to Wit: (1) Equitable Food Rationing; (2) Control Organization Efficiency; (3) Price Policies Applicable to the Distributive Trades; (4) Lowering of Clothing Prices and (5) Reconversion Pricing. Advocates Post-War Retension of Price Controls on Consumer Durable Items Which Have Been Off the Market and Expresses Belief, Without Over-Confidence, That a Stable Economy Can Be Maintained and Prices Kept In Check During War and Reconversion Period; Says OPA Will Be Faced With Still Greater Problem When War With Germany Ends.

Chester Bowles.

I am very glad of an opportunity to speak to the members of the American Management Association here in New York City. I'd like to use this opportunity to tell you about some of the management and policy problems we must solve if we are to win our wartime struggle to hold the price line and assure fair distribution of scarce supplies.

*An address by Mr. Bowles before the American Management Association, at the Hotel Waldorf-Astoria, New York City, Jan. 3, 1945.

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Are Americans Isolationists?

By ALEXANDER WILSON*

A Candid Statement of an Isolationalist; Historic Facts Why Americans Are Isolationalists; Our Country's Major Wars, Hatreds and Friendships; An Isolationist Pleads for Sanity and Understanding in Our International Relationships and Against Emotionalism in Planning a Second League of Nations With the Great Imperialistic Powers.

I believe at heart the United States of America is a pacifist country in peacetimes.

Alexander Wilson

The American is by nature and choice an Isolationist. He loves his family, his home, his friends, his garden, his sports; his politics are national not international. He wants to worship with freedom, speak his opinions at will without let or hindrance and he stands for a free press, for liberty of enterprise and individual initiative and is by temperament an individualist who wishes to live and let live in his own little world whether it be a country hamlet, a small town or a big city.

Has the Isolationist A World Complex?

As a cosmopolite in peacetimes, he is not much interested in the affairs of other nations; he is not world-minded of all things. The American desires peace most of all; peace of mind; peace in his own country and peace abroad.

The American is insular; he prefers most of all to mind his own business; he is not an imperialist; he does not wish to meddle in the affairs of Europe, the affairs of Asia, the affairs of Africa.

His Feeling Towards Small Nations

More than anything else, the

*Writer of "Why a New League of Nations Will Not Ensure Permanent Peace," in The Chronicle, March 9, 1944 (p. 1017), and a "Reply to Critics" of this article March 30, 1944 (p. 1330), and "Peace by Force In An Uncivilized World," Nov. 16, 1944 (p. 2130).

(Continued on page 166)

Hercules Mottino With Harris, Upham & Co.

As of January 15th, Hercules Mottino will become associated with Harris, Upham & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading Exchanges, in their trading department. Mr. Mottino was with the Credit Suisse.

Congress Awaits FDR Message On Peacetime Training Issue

Views Program as Indispensable Factor in Maintaining World Peace and Looks to Congress to Pass Appropriate Legislation. Additional Comments Received in Connection With Our Survey on the Proposal Given Here.

In his State-of-the-Union message to Congress on Jan. 6, President Roosevelt declared that the country must have compulsory military training in peacetime and declared that he would shortly advise the lawmakers of his views on the subject in detail.

In connection with the proposal, we are able to give in today's issue some more of the previously unpublished comments received incident to our symposium. Others have been carried in earlier issues beginning with that of Nov. 23. The final group of expressions will be published in next week's issue.

As previously pointed out, there appeared in our issue of Oct. 26 several siginificant discussions of the subject, reflecting the opinions of, respectively, members of the New York Synod of the Presbyterian Church, a prominent Catholic educator and the President of a prominent educational institution.

C. C. COTTING
Lee Higginson Corp., Boston, Mass.

I think one will have to reserve his opinion on compulsory military training until one sees what peace is brought out of the present conflict. In principle I am in favor of some kind of military training. I believe that this war will show, as the first war did that our greatest difficulty has been the lack of knowledge on the part of the officers, from major, and mostly from captain and first and second lieutenant in the Army. I believe the Navy has been able to overcome the lack of experience of its officers better than the Army.

Hon. CLYDE M. REED
United States Senator from Kansas

I am of the opinion that no legislation with respect to compulsory military training in peacetime will be acted upon until we come to the end of the war. Then our military and civil authorities can determine just what preparations America must make to protect herself from future enemy aggression. We may have to adjust ourselves to permanent military establishments far greater than was believed necessary before the present war. It is too early to forecast in what strength these military establishments might be maintained, and how the personnel would be trained and maintained.

Clyde M. Reed

I doubt that any of us need be concerned about any immediate

(Continued on page 176)

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Some Current Problems Of Federal Regulation

By JAMES A. TREANOR, JR.*

Director, Trading and Exchange Division, Securities and Exchange Commission

Holding That the Securities Firm is Typically "in a Professional Relationship With Its Customer," Mr. Treanor Argues That the Security Dealer Should Be Required to Inform His Customer of the Market Value of the Security in the Transaction. The Opposition to This Principle, He Claims, Is Due to Dealers' Fears That They Cannot Justify Their Charges and Is therefore an Admission That "the Added Amount Above Market Value Is More Than the Traffic Should Bear." Mr. Treanor Stresses the Alleged Ignorance and Incapacity of Individuals as Investors as a Reason for Requiring "Full Disclosure" and Contends That in Making Retail Sales, the Firm Usually, in the Eyes of the Common Law, Is an Agent for the Customer. Urges the SEC Be Granted Same Powers in Over-the-Counter Trading as in New Security Offerings and Registered Securities on Exchanges. Maintains Full Disclosure Rule Will Improve Confidence in Security Dealers.

Both the courtesy of your president and the title given to my remarks on the program give me considerable latitude to select my own subject.

J. A. Treanor, Jr.

I am going to take advantage of the opportunity to give you my views concerning some current problems arising out of the regulation of the securities business. These views are my own and should not be taken as a statement of the views of the Commission. Although my remarks will not be specifically limited to dealings in any particular type of security, I do not intend to include in them dealings in government or municipal securities, which are classified as "exempt securities" by the Securities Exchange Act of 1934.

Many of the problems which currently confront both the regulator and the regulated arise from the failure of some of those engaged in the securities business to recognize the responsibilities which they have created and fos-

*An address made by Mr. Treanor before the annual convention of the National Association of Securities Commissioners, Denver, Colo., on Dec. 12, 1944. The views expressed by Mr. Treanor are his own and should not be taken as those of the Securities and Exchange Commission.

(Continued on page 164)

Edward Brown Named Chairman of First National Bank, Chicago

At a meeting on Jan. 9, the Board of Directors of the First National Bank of Chicago elected Edward Eagle Brown as Chairman of the board and chief executive officer. Mr. Brown was formerly President of the institution and has been succeeded in that capacity by Bentley G. McCloud, who was previously a Vice-President. Mr. Brown was one of the American delegates to the Bretton Woods Monetary and Financial Conference.

Edward E. Brown

Provincial Securities Company Formed in NY

Robert A. Ridley has formed Provincial Securities Co. with offices at 70 Wall Street, New York City, to act as dealers in Government, municipal, railroad and corporate bonds. Mr. Ridley was formerly with the Bank of the Manhattan Co.

Unlisted Trading Privileges

Last week under the same heading, we dealt with the "Application of the New York Curb Exchange to Extend Unlisted Trading Privileges to Six Securities."

Amongst other matters discussed in that editorial, we summarized what we believe to be the relevant issues in such an application. As we outlined some of them, they consisted of

a) The contrast between the functions performed by the different markets;

b) An explanation of those functions;

c) The general fitness of the particular securities involved for auction trading;

d) The extent of distribution, size of the issue, the meeting of statutory requirements; and

e) The desire of the issuer of the security.

In fact, however, an entirely different spirit and argument crept into the hearing before the Commission. We quote from the oral argument of William A. Lockwood, who represented the New York Curb Exchange:

"* * * What was left which should be a test as to whether or not the public interest and the protection of investors required this Exchange market, despite the absence of Sections 14 and 16? It would seem that the only

(Continued on page 180)

Proposes Investigation of SEC

Rep. Dirksen of Illinois Calls for a Bi-Partisan Committee to Conduct Hearings on Securities Acts. Questions Whether Activities of SEC Do Not Impede Flow of Capital.

Representative Everett M. Dirksen, Republican of Illinois has reintroduced in the House of Representatives his resolution which he had submitted in the last session of Congress (November 16, 1944) calling for the appointment of a committee of five members of the House of Representatives, no more than three of whom shall be from the same political party, to conduct a complete and thorough examination of the actions, conduct, and policies

Everett M. Dirksen

of the Securities and Exchange Commission. Mr. Dirksen maintains that, as a member of the House subcommittee on appropriations for the independent agencies of the Government, which includes the SEC, he has had occasion to pursue the activities of the Commission as it relates to the free flow of capital, the modification of proxy rules, the burden imposed upon free private enterprise by the requirement of so many forms and statements by the Commission and its administration of the various acts which come before it and he thinks that the whole matter is worthy of a thorough investigation. It is his contention that in the post-war period the kind of a job that free

(Continued on page 182)

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The First Ten Years After the War

By DR. CHARLES F. ROOS*
President, the Econometric Institute, Inc.

Dr. Roos, After Taking Into Consideration Population Growth, Income Changes and Increased Living Standards, Predicts a Post-War Rise in Production, Even if Deep Depression Should Develop. Holds There Will Be No Need for Deficit Spending During the Post-War Decade, As the Hoarded Bank Deposits and Outstanding Government Bonds Will Be Converted Into Current Purchasing Power, and This, Together With the Deferred Demand for Durable Consumers Goods, Guarantees High Levels of Production. Sees a Heavy Decline in Ship Building and Airplane Manufacture More Than Offset in First Three Post-War Years by Industrial and Public Construction to Satisfy Needs of Expanded Economy

Increase in population during the war period and the likelihood of further increase after the war ends seem to guarantee that the perishable goods portion of the Federal Reserve Bureau Index of Production will represent at least 16 points of the total index in each of the years 1945 to 1950, even if deep depression should develop. The huge volume of war savings, our system of unemployment insurance and soldier bonuses suggest that likely levels will be 3 to 6 points higher.


Dr. Charles F. Roos

Semi-durable consumers' goods production, production of shoes and leather products, cotton, wool, rayon and silk textiles, clothing, stationery, and similar products, likewise depends in considerable degree upon population. Here, however, national income or purchasing power plays a more important role. As a general rule, one can say that the longer the life of a product and the higher its price, the greater is its response to changes in income. For instance, the number of cheap handkerchiefs or men's socks consumed (purchased) shows very little response to changes in income, whereas the number of women's and misses' 25-dollar to 35-dollar dresses shows considerable response.

It is the sensitiveness of demand for semi-durable consumers' goods

*Views expressed by Dr. Roos in an address before the Marketing Conference of the American Management Association, at the Hotel Waldorf-Astoria, New York City, Jan. 3, 1945.

(Continued on page 178)

Elisha Walker Heads Beekman Hospital Fund

Elisha Walker, partner of Kuhn, Loeb & Co., 52 William Street, New York City, has accepted the chairmanship of the Beekman Hospital 1945 Maintenance Fund, according to announcement by Howard S. Cullman, president of the hospital.

Mr. Walker is a director of Diamond Match Company, Armour & Company, Tidewater - Associated Oil Co., Westinghouse Elyectric & Manufacturing Co., Hat Corporation of America, U. S. Lines, Petroleum Corporation of America, and for the past several years has served as chairman of the hospital.

The maintenance fund drive, which seeks $125,000, will be launched at a luncheon meeting to be held in the near future.

Beekman Hospital serves a major portion of the downtown district south of Canal Street, with an estimated daytime population of nearly one million people.

For the year ended November 1944, there were 7,859 emergency room cases treated at the Hospital; 19,387 laboratory tests were made; 39,562 physiotherapy treatments were given; 11,939 X-Rays were taken; 27,071 out-patient visits, and patients remained in the hospital for a total of 25,653 days.

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.

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Wm. E. Pollock Co. Adds Three to Staff

Ashmore L. L. Mitchell, formerly of Harvey Fisk & Sons, Inc., and C. F. Childs & Co., has become associated with Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, as Assistant Vice-President, according to announcement by William E. Pollock, President.

Edward J. Ryan, formerly of Harvey Fisk & Sons, Inc.., and Salomon Bros. & Hutzler, and Milton T. Goldman, recently discharged from the U. S. Army and who was with Salomon Bros. & Hutzler prior to that time, have also become associated with the company.

Situation Looks Good

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

Attractive Situations

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

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Johnson Heads Group Of Controllers Inst.

The Controllers Institute of America has announced the appointment of Riche H. Johnson as Chairman of its Committee on Cooperation with the Securities and Exchange Commission. Mr. Johnson is Assistant Comptroller of the Socony-Vacuum Oil Co., New York City. The Institute also announced the reappointment of Archer E. Church as Chairman of its Committee on Publications. Mr. Church is Controller of Weekly Publications, Inc. (Newsweek), New York City.

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National City Bank Reports 1944 Net Operating Earnings of $15,355,511; Gain Over 1943

While describing the war activities of banks as "less spectacular than those of industry, transportation, and agriculture," the report to the shareholders of the National City Bank of New York on Jan. 9 states that "nevertheless the demands made upon them have presented just as urgent a challenge." The report says "in volume of operations the increase has been not unlike the increase in traffic over the railroads. The number of checks to be cleared, the currency to be paid out and received, the tremendous volume of Treasury savings bonds to be issued and redeemed, the ration banking program, all of these have constituted an operating problem that had to be met."


Gordon S. Rentschler

The report, presented by Gordon S. Rentschler, Chairman of the Board; W. Randolph Burgess, V.-Chm. of Board, and Wm. Gage Brady Jr., President, indicates that "the combined net current operating earnings of the National City Bank and the City Bank Farmers Trust Co. for the year, after provision for taxes and depreciation, were $16,443,035, compared with $15,151,756 in 1943. This represents earnings of $2.65 per share, compared with $2.44 per share for 1943 on the 6,200,000 shares outstanding." The report adds:

"Total earnings, including profits from sales of securities, were $23,914,374, or $3.86 per share, compared with $17,559,390, or $2.83 in 1943. Profits from the sales of securities in the bank were used to increase the surplus account, as were also a part of the year's recoveries. The balance of recoveries was transferred to reserves. Security profits and recoveries of the trust company for the year and its current operating earnings up to June 30, 1944, were added to its reserves.

"For the bank alone, net current operating earnings were $15,355,511, compared with $14,345,950 in 1943. Total earnings, including net profits from sales of securities, amounted to $22,498,206, compared with $16,436,666 in 1943.

"A further increase in interest on securities reflects, as last year, a larger total of investments in Governments, and also a further increase in the average yield, which, after amortization, was 1.41% in 1944 as against 1.24% in 1943. The difference in rate reflects the reduction in holdings of partially tax-exempt securities and their replacement by taxable issues at higher gross yields, and a slightly lengthened average maturity. Interest on loans remains substantially unchanged. Other current operating earnings were up $1,348,490, due principally to increased foreign branch earnings.

"Current operating expenses are up $6,942,196, of which $4,503,641 represents provision for taxes and assessments. The balance of the increase is accounted for by $462,679 in interest paid on deposits, $546,317 in salaries and wages, $72,142 in operating cost of domestic premises, and $1,357,417 in other current operating expenses (including payments for funding in connection with the retirement plan).

"Dividends were paid at 50 cents a share for the first half-year and declared at 65 cents for the second half-year on the 6,200,000 shares outstanding.

(Continued on page 180)

Winners in Hugh Long Selection Contest

Vincent Tolan of Nugent & Igoe, investment dealers of East Orange, N. J., won first prize, a $500 War Bond, in Hugh W. Long & Co., Inc.'s 1944 Industry Selection contest, it is announced. Second prize ($250 in War Bonds) was won by Robert L. Cooke, Jr. of Ballou, Adams & Co., Boston.

Third, fourth, fifth and sixth prizes, $100 each in War Bonds, were won by Rowlett Williams, the Pacific Company, Los Angeles; Gustav P. Heller of Nugent & Igoe; O. P. Liscomb of George A. Cooley & Co., Albany, N. Y. and Hunter Breckenridge of McCourtney-Breckenridge & Co., St. Louis.

In March 1944 Hugh W. Long & Co., Inc. asked investment dealers to indicate which industries, as indicated by the market action of the 20 Industry Series of New York Stocks Inc. for which the firm is national distributor, would do best for the 1944 calendar year. A total of $1,150 in War Bonds was offered as prizes. Most dealers indicated railroad stocks as the probable leaders, their next choices, in order, being those of the rail equipment, steel, public utility, automobile, aviation and agricultural industries.

Subsequent market action proved that investment dealers were right in choosing railroads as best 1944 performer. Furthermore, their selections included four of the leading seven Series of New York Stocks Inc. for the calendar year just closed.

Hugh W. Long & Co., Inc., has its main office at 48 Wall Street, New York City.

New York Stock Exchange Weekly Firm Changes

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

William Schoellkopf, limited partner in Doolittle, Schoellkopf & Co., Buffalo, became a general partner effective January 4th.

John L. Loeb, special partner in Carl M. Loeb, Rhoades & Co., New York, became a general partner as of January 1st.

Florence M. Charavay, general partner in Stevens & Legg, New York City, became a limited partner on January 1st.

Vernon C. Brown, limited partner in Vernon C. Brown & Co., died on December 30th, his interest in the firm ceasing as of December 31st.

Interest of the late W. Arthur Stickney in A. G. Edwards & Sons, ceased December 31st.

A Lawrence Pierson, limited partner in Goodbody & Co., New York, died on December 27th.

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United Corp. Consummates Exchange Plan

Despite opposition before the SEC and the Courts by Randolph Phillips, United Corporation succeeded in consummating its plan for retirement of 45% of the $3 preference stock. As for Dec. 5, the company had advised holders of the preference stock that they could exchange each share for 1.8 shares of Philadelphia Electric Co. common stock and $6 in cash, the offer expiring Dec. 19. So much preference stock was tendered that it was necessary to cut down the allotment of shares in excess of 100 each.

While the exchange plan was in progress, the preference stock advanced to 42, since the "package" of Philadelphia Electric and cash would have been worth 43 or more; but on the announcement that the exchange offer had been over-subscribed the stock broke several points (it is currently around 39). The decline may also have been due to the company's announcement on Dec. 19 that it had been notified by the New York State Tax Commission that the company would be liable for franchise taxes for the period 1929 to Oct. 1935 or later, the aggregate amount being nearly $3,400,000. This tax would, of course, somewhat deplete the company's cash, which, at last reports, was around $9,000,000 (after allowing for the payment to preference stockholders).

Following consummation of the plan United Corporation's assets, based on values of June 30, 1944, amounted to $56.12 per share on remaining preference stock, compared with $48.89 before execution of the plan (the increase of over $7 was due to retirement of 45% of the stock with assets then worth about $42, so that the remaining stock obtained the advantage of the saving). As of recent date, due to a moderate advance in market prices of some of its holdings, the liquidating value had advanced to $56.73.

At present the price is about 39% below liquidating value—a fairly heavy discount if the company be considered as an investment trust. However, while ultimately it may achieve that status, at present it is considered by the SEC to be a utility holding company. Based on prices of last June (which have not changed substantially in the interim) the company's assets of $76,625,017 are invested about as follows (all stocks held are common shares):

	Amount (Millions)	Percentage
Cash assets (less debts)	$8.8	11.5%
Stocks of "Subsidiaries":		
Public Service of N. J.	25.4	33.2
Columbia Gas	11.5	15.0
United Gas Improvement	9.9	13.0
Niagara Hudson Power	7.0	9.1
Delaware P. & L.	4.5	5.9
Other Companies:		
Consolidated Edison	4.9	6.4
Consolidated Gas of Baltimore	2.2	2.9
Commonwealth & Southern	1.3	1.7
American Water Works	.6	.8
Lehigh Coal & Navigation	.5	.6
Total (including miscellaneous items)	$76.6	100.0%

Regarding the company's future plans, it will be necessary to dispose of most of the remaining holdings in the so-called "subsidiaries" in order to escape SEC jurisdiction as a holding company. But evidently United (and the SEC also) would like to see the subsidiary holding companies placed on "an investment basis" before making further exchange offers of portfolio assets for United's preference stock. Presumably the next offer might consist of Public Service of N. J. with the possible addition of United Gas Improvement and/or Delaware P. & L. and cash. The combination of the three stocks would be sufficient to retire over half of the remaining preference stock.

Before this is done, it seems probable that Public Service of New Jersey may effect (under SEC direction) some sort of a recapitalization plan, possibly merging with its subsidiary, Public Service Electric & Gas. The two companies have a number of noncallable security issues outstanding with high interest and dividend rates. Public Service Corporation's four issues of preferred stock (paying $5, $6, $7 and $8) can be retired at 100 in dissolution, but no similar provision has apparently been made for the 6% perpetual debentures (secured by 7% preferred stock of Public Service Electric & Gas along with other securities). It might prove necessary to "take care of" bondholders by giving them 150% in new mortgage bonds which would normally sell around 100 (the debentures are currently around 152); but this is a legal problem which may require court interpretation. In any event, "streamlining" of the combined operating companies' capitalization might work out favorably for common stockholders, since there would be a substantial reduction in the present heavy payments to preferred stockholders. While no definite move has been made toward initiating such a plan, it is conjectured that progress may be made during 1945.

United Gas Improvement has made very substantial progress toward completion of its integration program, and Delaware P. & L. is an operating company. Niagara Hudson Power's status may depend substantially on the outcome of the present contest between rival plans for recapitalization of Buffalo Niagara and Eastern. Columbia Gas has recently presented to the SEC a recapitalization plan, but the Commission has not indicated its reaction. It seems possible that any modification of the plan might be at the expense of the common stock.

Summarizing, United Corporation has made good progress thus far with its integration program. If Public Service Corporation of N. J. can be successfully recapitalized, this might substantially benefit United; on the other hand the eventual recapitalization of Niagara Hudson and Columbia Gas might prove somewhat disappointing. At present United's assets just about cover the amount to which preference stockholders would be entitled in liquidation. Eventually, some asset value may be built up for the common stock, but the principal obstacle lies in the huge number of shares—14,529,492.

* * *

In the last issue of this department, reference was made to a "black market" in the old Long Island Lighting stock. It is understood that the transfer books were closed by the company because of an order of the Circuit Court of Appeals. The whole question may be cleared up shortly by Court proceedings, which will determine whether the SEC has jurisdiction. It is understood that some, at least, of the brokers whose names have appeared "in the sheets" recently have no intention of establishing an over-the-counter market in the old securities, but merely wish to advertise their interest and advise customers regarding the situation.

Chas. F. Henderson Sons To Admit G. J. Falk

George J. Falk will become a partner in Charles F. Henderson & Sons, 29 Broadway, New York City, as of January 18th. Mr. Falk will acquire the Exchange membership of the late Charles F. Henderson.

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Carroll S. Bayne, formerly a partner in Luke, Bank & Weeks, will become a member of John H. Lewis & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. Mr. Bayne holds a membership in the Stock Exchange.

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.

Leslie Comptroller Of Bank of Manhattan

Following a meeting of the board of directors of the Bank of the Manhattan Company, F. Abbot Goodhue, President, announced the appointment of Richard H. Leslie as Comptroller, effective Jan. 1, 1945.

Richard H. Leslie

Mr. Leslie started his banking career with the Bankers Trust Company. In 1924 he joined the International Acceptance Bank and in 1929 became Auditor of that institution. The International Acceptance Bank was merged with Bank of the Manhattan Company in 1932. Mr. Leslie was appointed an Assistant Cashier in November 1932 and in 1937 Assistant Vice President.

Reports on Status of Dominion of Canada

Dominion government direct and guaranteed debt has increased from about $400 to $1,180 per capita, while gross annual carrying charges have increased 2¼ times, according to a survey on Canada by Wood, Gundy & Company, Incorporated, 14 Wall Street, New York City. The weight of gross carrying charges, continues the report, is substantially reduced through the return upon government investments in active assets which amounted to $48,000,000 in the fiscal year ended March 31, 1944. A large part of these charges return to the government since interest on all bonds outstanding in Canada is taxable.

Through domestic financing for new money requirements and through repatriation of bonds formerly payable in sterling or in United States dollars, nearly 95% of the total outstanding direct and guaranteed debt is now payable in Canadian funds, in comparison to 64% at Sept. 1, 1939.

War production to Nov. 30, 1944, excluding food supplies and metals, exceeded $8,350,000,000, and agricultural production in 1944 was about 40% higher than that in 1939. More than 80% of the government's disbursements during the five-year period were for war requirements, including $2,300,000,000, in mutual aid to the allies.

Total assets of the chartered banks from Aug. 31, 1939 to Aug. 31, 1944 shows an increase of 76% from $3,548,000,000 to $6,261,000,000 with dominion and provincial securities at 52% of the total assets compared with 33% in 1939.

An analysis of 40 industrial companies each with assets over $25,000,000 showed an increase from about $420,000,000 to $670,000,000 during the period from Dec. 31, 1939 to Dec. 31, 1943.

Copies of this interesting survey may be had from Wood, Gundy & Co. upon request.

Tomorrow's Markets Walter Whyte Says—

Inflation fears bring jump in stock prices. Utilities may now take place of zooming rails. Public on verge of hysteric buying.

By WALTER WHYTE

In the past few days the market has begun jumping as if somebody had given it a shot in the arm. The fact that it's advancing is all to the good. It's a lot easier on the eyes to see them go up than to watch them do nothing.

* * *

The advance, although it's nice to see, has a touch of hysteria about it that, to say the least, is disquieting. That old boogy man inflation is being trotted out again to scare nervous traders into fits. But the fear—or the hope—of inflation (depends on what side of the fence you are on) isn't as disturbing as the rumors of "big moves" that are now beginning to sweep through customer's rooms. For inflation is a real possibility. So far it has been kept in bounds by various edicts and ukases. Though everybody knows that the laws governing price ceilings are honored more in the breach than in the observance.

* * *

But rumors of "big moves" are something else. Few people will listen to a factual story where the market is concerned. Main reason is that the facts are often so plain that the lack of adornment makes them uninteresting. A plain statement that a certain stock is selling for ten times its earnings will get you nothing but yawns. But change the story around and say you understand from very close sources that the stock will be taken up ten points and right away your listeners are all agog. If you want to add a little spice, whisper the stock will also be split two or three for one and you've gotten hold of something.

* * *

That there is a lot of loose

(Continued on page 181)

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The Securities Salesman's Corner

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By JOHN DUTTON

Many salesmen today are overlooking a real opportunity when they neglect to offer listed securities to their customers — and especially to their potential customers. It is true that one of the weaknesses in our present system of security distribution in this country is that SALESMEN CANNOT AFFORD TO SELL LISTED SECURITIES. No salesman, no matter how capable can afford to work for the small commissions allowed under present conditions. The commissions on listed securities were adopted to cover the cost of handling a volume of business and a volume of turnover. Commission rates now in effect are a throwback to the days when stocks could be carried on a 10% margin. "Speculation for a turn" cannot pay the higher SELLING COST, WHICH MUST BE COVERED, IF AN INVESTMENT ACCOUNT IS TO BE PROPERLY SERVICED. It is likewise a truth that the selling cost involved in handling an INVESTMENT ACCOUNT is much higher on a "per item basis" than in handling a trading account.

Because of this thoroughly unrealistic basis of compensation, which compels the security salesman to either sell listed securities on an "absolutely no profit basis," or on a very small mark-up, it is no wonder that salesmen SELL OVER-THE-COUNTER ISSUES. That is why the over-the-counter business has been growing larger every year. The over-the-counter firms are merchandising securities today. They are doing so because they have a product to sell that is in every way just as worthy of promotion and sale to their customers as listed securities — and they can operate at a profit when they do so.

However, listed securities can BE A VERY GOOD ACCOUNT OPENER. After all, there are a great number of investors who do read the papers, the financial items, and follow the quotations of many market leaders. There are also exceptional listed situations that have investment and speculative attractiveness of unusual interest. There can be no doubt that salesmen who sold reorganization railroad bonds to their customers during the past two years, have done a good turn for themselves, as well as for their customers. The majority of these issues have been listed and in most cases the salesmen who sacrificed their immediate profits by selling such securities on a very small "added commission basis" or "mark-up," have gained a great deal in customer good-will and confidence. The average security buyer (with few exceptions) wants profits. He may call himself an investor. He may tell you that he never looks at the quotations, and that it's safety of principal and income about which he is concerned, BUT HE REALLY DOESN'T MEAN IT. He means he wants all of these things — PLUS PROFITS!

So if you see a few listed securities that you really believe are attractive from a price appreciation, or an investment viewpoint, why not offer them EVEN IF YOU DON'T MAKE A DIME WHEN YOU SELL THEM? This is just good merchandising and sound sales psychology. It is based upon the same principle as "brand names." The customer who enters the little corner grocery store and picks up a can of Heinz's baked beans, does so BECAUSE HIS SALES RESISTANCE HAS BEEN REDUCED TO A MINIMUM. He isn't buying from John Jones the grocer, he's buying from Heinz. Someday, when he gets better acquainted with the grocer he'll buy some of his home-made pickles and maybe even his sauerkraut. But FIRST, HE MUST GET ACQUAINTED — THAT'S WHY IT PAYS THE GROCER TO SELL HEINZ, EVEN THOUGH HIS MARK-UP IS BETTER ON HIS OWN BRANDS.

In every list of recommended securities SOME LISTED, WELL KNOWN MARKET LEADERS, SHOULD BE INCLUDED. You may be surprised to see how sales resistance drops — especially in opening new accounts—if you follow this procedure.

Railroad Securities

It had almost become axiomatic that traders could liquidate stocks of railroads emerging from reorganization when such stocks were actually issued or when they were initially listed on the New York Stock Exchange, replacing them later at more advantageous prices. Settling up of when-issued contracts, sales by holders who did not wish to take up the actual securities, and the natural digestive process all combined adversely to affect the market action of the new stocks. Normally it has taken anywhere up to six months for these influences to run their full course. This tradition was broken last week with the issuance and listing of the new Western Pacific securities.

The new West. Pac. com. stock, which traded at 29¾ (ex a $9.00 dividend) the first day had advanced to 38 before the end of the first week. In fact the demand for the stock so far exceeded the supply that on some days it was an hour or more after the market opening before it was possible even to trade in the shares. Similarly, the preferred stock traded the first day at 64¼ (ex a dividend of $15.81) and had risen to 73 before the week was out. Rail men have long been pointing out the Western Pacific securities as being among the most attractive in the rail field. This has not been the only market factor, however. The small floating supply has also had an influence.

The new company has outstanding 318,502 shares of preferred stock and 319,441 shares of common. The floating supply, however, is considerably smaller, particularly in the case of the common stock. More than 7% of the preferred stock and about 28% of the common stock was allocated in reorganization to the RFC, the RCC, and the A. C. James Co. There were only 230,593 shares of the common and 295,741 shares of the preferred actually issued to the public, and a good share of this had been put away for more or less permanent investment.

The reorganization itself set up a very conservative capitalization and it is generally expected that this will be further strengthened in the relatively near future. Aside from equipments fixed interest debt is confined to $10,000,000 of 1st 4s which the court ruled had to be sold to the RFC to carry out the provisions of the plan. It is quite possible that this mortgage may be paid off in full in cash. If not, it is the general consensus that it could be refunded publicly at a considerably lower interest cost.

The only other debt is $21,219,000 of Income 4½s. This issue has a more liberal sinking fund than is general among reorganization issues. Aside from the usual ½ of 1% of the maximum face amount of bonds outstanding there will be added interest on the bonds retired by the sinking fund. The company came into existence with five years' accumulations in the fund. Moreover, if the company does not pay off the 1st Mortgage bonds it is considered quite possible that treasury funds might be used for additional retirements of the Income bonds. The bonds are not only fundamentally in a strong position, but, also, they have an added measure of speculative appeal on the basis of the conversion privilege. They are convertible into the common stock at $50 a share.

The road has been completely rehabilitated physically during the bankruptcy period. Also, its prospects are brightened by secular growth of large parts of the service area, new traffic sources generated by the connection in northern California with Great Northern completed in the 1930s, and the transcontinental traffic prospects inherent in the increased use of the Dotsero Cut-off of the connecting Denver & Rio Grande Western. Earnings prospects will be enhanced considerably by expected completion this year of the large C. T. C. program. Thus even in normal times the new equities are expected to show highly gratifying earnings results. The preferred has one point of appeal not found in other railroad preferreds in that it participates equally with the common in additional dividends after the lateer has received $3.00 a share in any year.

Michigan Municipal Quotation Sheet

Crouse, Bennett, Smith & Company announce the release of their periodical Michigan Municipal Bond Quotation Sheet. Harold R. Chapel, Manager of the Municipal Bond Department who compiled the quotations, states that the publication is one of the most complete the firm has published. It shows a brief description of nearly all of the municipal bonds outstanding in the State including purpose, interest rates, maturities and the approximate market. Copies may be secured free upon request from Crouse, Bennett, Smith & Company, 280 Penobscot Building, Detroit 26, Mich.

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Speculative Potentialities

Boston & Maine Income 4½s of 1970 offer interesting potentialities, according to a circular issued by McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange. Copies of this circular may be had from the firm upon request.

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Boston Albany Interesting

Boston & Albany 8¾% stock offers an interesting situation according to a memorandum contained in the current issue of B. W. Pizzini & Co.'s "Railroad Securities Quotations". Copies of this publication, containing quotations on guaranteed stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks, and guaranteed telegraph stocks may be had upon request from B. W. Pizzini & Co., 55 Broadway, New York City.

Attractive Power Issue

Common stock of the Arkansas Missouri Power Co. offers an attractive situation, according to a memorandum prepared by Cohu & Torrey, One Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum may be had from Cohu & Torrey upon request.

Situation of Interest

Midland United preferred offers an interesting situation according to an analysis prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other principal exchanges. Copies of this study may be had from the firm upon request.

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Real Estate Securities

Each day brings higher and higher prices for real estate securities. This rise is mainly predicated on better and better earning statements being issued by the ownership corporations.

It is generally conceded that the improvement of earnings is occasioned, for the most part, by continued capacity occupancy rather than by increases of rent for the occupied premises.

As we pointed out in a former article, this capacity occupancy is radically different than normal operation of real estate. Before this current boom it was not unusual to expect from 10% to 15% vacancies and actual experience has shown as much as 45% vacancies in hotels, 25% vacancies in apartment houses and commercial properties.

Should this current capacity occupancy continue for any great length of time, it is entirely possible that the excess income of these properties will be used for amortization of debt-reducing real estate bond issues to a level where they may become prime investment material at prices even considerably higher than at which they are now selling.

It is, therefore, important to ascertain the duration of which we can expect continued good occupancy. Along these lines, it is interesting to compare the real estate experience of World War I.

In 1917 there was no serious housing shortage; it did not make itself felt until a year after Armistice Day. The percentage of vacancies in apartments throughout the city was 5.06% in 1916, 3.66% in 1917, 2.18% in 1919. By April, 1920, however, the percentage had dropped to 0.36 and reached the vanishing point (0.15%, to be exact) in February, 1921. For it was not until families began to unscramble themselves after their fighting men had been released, that New York developed a crucial housing shortage. A special session of the Legislature was called to enact drastic legislation for the control of rents and for the stimulation of new construction.

Today the percentage of vacancies in habitable quarters is down pretty much to the fraction of 1% that it reached in 1920. At the close of the war in Europe thousands of men who may not be needed to crush Japan or to complete the pacification of Germany will be released. These first large contingents of returning veterans will occasion a rapid increase in the number of reunited families acting on a long-frustrated homing instinct. It's then that the shortage will become intolerable.

No doubt this heavy demand for housing will inspire some new construction of apartment houses post-war. However, the probable increase in cost of this new construction will cause higher prices for the new housing accommodations as compared to the present structures covered by bond issues and will place these bond-issue properties in a very good competitive position.

All things considered, it probably looks as though present housing properties will have boom business for a great many years to come, which seems bullish indeed for bond issues covering living quarters.

We would suggest that special attention be paid to the various New York Title group issues, which will probably receive a maximum benefit from the current housing crisis in New York. Collateral securing these New York Title group issues, in many cases, consist of private homes, six-story elevator apartments and tenement houses. These group issues can be identified under the following titles:

New York Title & Mortgage—Series BK, Series C, Series C2, Series F, Series F1, Series Q, Series Q1.

1944 Steel Production Sets New High Record

For the fifth consecutive year, steel production in the United States established a new tonnage record during 1944, the American Iron and Steel Institute announced on Jan. 9. Total output of open hearth, Bessemer and electric furnace steel last year amounted to 89,552,961 net tons, an increase of more than 716,000 tons over the 1943 total of 88,-833,366 tons.

In 1940, the first of the five consecutive record years, steel production in the United States was 66,981,662 tons, or about two-thirds of the total for the latest year.

Steel output in December was announced by the Institute at 7,338,299 net tons, compared with 7,273,908 tons in the preceding month, and 7,255,144 tons in December, 1943.

During December operations averaged 92.3% of rated capacity, against 94.3% in November, a shorter month, and 94.2% in December, 1943. The average operating rate for the whole of 1944 was 95.4% against 98.1% of the smaller capacity in 1943.

Record steel tonnages produced in 1944 reflected expansion of open-hearth operations, more than offsetting declines in both Bessemer and electric furnace steels. Open-hearth output for the year 1943 totaled 80,354,771 net tons, compared with 78,621,804 for 1943. Bessemer steel production for 1944 was 5,040,150 tons, compared with 5,625,492 tons in the preceding year, and electric furnace steel output amounted to 4,158,040 tons, compared with the record of 4,-598,070 tons established in 1943.

Hervey Russell Vacationing

Hervey L. Russell has been vacationing in St. Petersburg, Fla. and will return to New York this week. Mr. Russell has been active in the investment business with particular interest in high grade bonds suitable for trust funds. During 1943 and 1944 he has devoted most of his time to renegotiations, serving war contractors as consultant. He will continue to act in this capacity during 1945. His offices are located at 10 Park Avenue, New York City.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

As a part of the Post-War Planning Program of the National Security Traders Association, a National Educational Committee has been established. It will be the function of this Committee to prepare and have put into operation as soon as feasible lectures and study courses for returning service personnel and others who wish to enter the trading division of the securities industry. It is expected that each of the twenty-four affiliates will, in their respective localities, sponsor and offer the course as planned and outlined by the National Committee.

Paul I. Moreland

Paul I. Moreland (Allman, Moreland & Co., Detroit), National Educational Committee Chairman, announced the completion of his Committee Membership as follows: Peter V. Feil, Vice-Chairman (Langill & Co., Chicago); Elwood S. Robinson (A. Webster Dougherty & Co., Philadelphia), Harry Reed (Loeb, Rhoades & Co., New York), Joseph Gannon (May & Gannon, Boston), Stanley G. McKie (The Weil, Roth & Irving Company, Cincinnati), John Latshaw (Harris, Upham & Co., Kansas City), Irving J. Rice (Irving J. Rice & Co., St. Paul), and John C. Hecht (Butler, Huff & Co., Los Angeles).

CINCINNATI STOCK AND BOND CLUB

At an election held recently the following officers were named by the Cincinnati Stock and Bond Club for the year 1945:

President—Clair S. Hall, Jr., Clair S. Hall & Co.
First Vice-President—W. Power Clancey, W. P. Clancey & Co.
Second Vice-President—Franklin O. Loveland, Field Richards & Co.
Secretary—Lloyd W. Shepler, Merrill Lynch, Pierce, Fenner & Beane
Treasurer—Clifford H. Grischy, Edward Brockhaus & Co.

Clair S. Hall

Lloyd W. Shepler

The following, together with the officers, compose the trustees of the Club:

Neil Ransick, Charles A. Hinsch & Co.
R. B. Isphording, Van Lahr, Doll & Isphording
Stanley G. McKie, Weil, Roth & Irving Co.
John E. Joseph, John E. Joseph & Co.
George C. Riley, W. E. Hutton & Co.
Retiring President—John G. Heimerdinger, Walter-Woody & Heimerdinger.

SECURITY TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

Ralf A. Crookston of Hornblower & Weeks, Detroit, Chairman of Membership Committee of Security Traders Association of Detroit and Michigan, reports an all-time high of 147 for membership in the Detroit and Michigan affiliate. The previous high mark was in 1937, when a total membership of 129 was reported.

Of the 147 active members, 10 are serving in the Armed Forces and are doing their part in all parts of the world. None have thus far been reported as casualties.

In addition to the active members, two associate memberships are also reported.

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.

Interesting Situation

Mid-Continent Airlines, Inc. has interesting possibilities according to a memorandum on the situation issued by Sulzbacher, Granger & Co., 111 Broadway, New York City, members of the New York Stock Exchange. Copies of this memorandum may be had from the firm upon request.

Joseph Meacham to Be Stevens & Legg Partner

Joseph Meacham, member of the New York Stock Exchange, will become a partner in the Stock Exchange firm of Stevens & Legg, 11 Wall Street, New York City. Mr. Meacham has been a partner in John H. Lewis & Co.

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Outlook For Rail Stocks

Roger W. Babson Fears They Are Too High

BABSON PARK, FLA.—Wall Street is always too bearish or too bullish. These brokers are honest, but very temperamental. Two years ago, when railroad stocks were selling for 30% of their present prices, the average Wall Streeter would not touch them. Today, at three times those 1942 prices, they are urging that rails be purchased.

Roger W. Babson

Advantages of the Rails

Many good things can be said for the railroads. They have done a wonderful job during the war and are entitled to much credit. Many of the roads have reduced their debt or now have large bank accounts. Also, they are benefiting from low interest rates. They have a better standing with the government because they have demonstrated they are essential to winning the war. The U. S. will henceforth protect its railroads as a part of any program for military preparedness.

It also should be remembered that the railroads must, to some extent, share with any prosperity ahead. If we are to have a post-war national income of from $100 to $120 billions a year, the railroads' postwar gross earnings must exceed their prewar earnings. This I believe is possible, but I ask, "Have the prices of most railroad stocks and income bonds not already more than discounted this?"

Disadvantages of the Rails

The **gross** earnings of the railroads will, however, **not** increase proportionately to the national income. The railroads will have much more competition after the war than before. The new great pipe lines which have been built will take away much of their oil business. The resumption of both coastwise shipping and river transportation should materially reduce the earnings of such roads as Atlantic Coast Line, Seaboard and Illinois Central. Southern Pacific, Atchison and other transcontinentals will suffer from the opening of the Panama Canal. Also they will have more airplane and bus competition.

Most railroads are today in poor shape physically. They must spend billions after the war, not only for new equipment but for maintenance of roadbeds, tracks, bridges, stations, etc. This maintenance is being greatly neglected today. Personally, I had much rather buy the stocks of companies which sell equipment to the railroads than to buy the stocks of the railroads.

Inflation and Labor

Some brokers claim that the railroads will profit from inflation, but I don't see this unless they get a greater increase in freight rates. All these must be approved by the I.C.C. and these bureaucrats act very slowly. Increased rates seldom keep up to the increase in the prices of the hundreds of things which the railroads must buy.

Inflation will result in higher living costs which will mean that railroad labor will demand increased wages. Railroad engineers, firemen, conductors, freight men, station agents and common labor are well organized. As soon as the war is over they will demand higher wages and will get them. In fact, during peacetimes, railroad labor has "skimmed the cream" about as fast as it rises, leaving only the skimmed milk for investors.

Net Earnings of Prime Importance

Although equipment concerns and railroad labor profit from large railroad **gross** earnings, yet we may see such greater gross earnings during the postwar period without investors profiting therefrom. Investors are interested only in what the railroads have left as **net** earnings **after** the increases in the cost of labor, equipment, supplies, etc. I now see little chance for increased net earnings. Most things point to **lower** postwar net.

Most holders of railroad stocks admit that lower net earnings and lower stock prices are ahead for the rails; but 90% of investors say: "We will wait until the war is over before selling." I reply: "Tell me who is going to buy the rails when all you present holders try to sell at one time?"

Conclusions

Begin now to unload rail stocks and income bonds. Don't try to "hit the top." The fellows who buy from you must have some chance for a profit in order for them to risk buying rails. Don't be a hog; but be satisfied with a fair profit. The longer we keep a good fish dangling on a hook, the better are his chances of getting off! Then we lose him altogether.

Lovett Abercrombie Opens in Houston

HOUSTON, TEX.—Lovett Abercrombie has formed Lovett Abercrombie & Co. with offices in the First National Bank Building, to act as participating distributor and dealer in Texas municipal bonds and corporate stocks and bonds. Mr. Abercrombie was formerly a partner in Gregory, Eddleman & Abercrombie.

Oil Earnings

In a current memorandum Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange and other principal exchanges, have prepared an interesting tabulation of earnings of certain oil companies. Copies of this information may be had upon request from Paine, Webber, Jackson & Curtis, 25 Broad Street, New York Ctiy.

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Municipal News & Notes

The second day of January, 1945, may well prove to have been the most eventful date in the history of State and municipal finance. For it was on that day, as was noted in this space briefly last week, that the issue involving immunity from Federal taxation of State and municipal bonds income finally reached the nation's highest tribunal. True enough the court, in merely refusing to review the Port Authority and Triborough Bridge Authority cases, obviously disappointed those who were hoping for a clear-cut adjudication of the question. This fact in no sense, however, dulls the significance and importance of its act insofar as the States and local governments, not to mention municipal bond dealers and investors, are concerned.

For the court, in refusing to take jurisdiction over a question that has long plagued all segments of the municipal bond market, may possibly have given its approval of lower court rulings in the case at issue. This, in effect, seemingly marks finis to the long-standing threat to the tax-exempt status of bonds issued by the States, counties, cities, districts, as well as "authorities".

The reaction of the Treasury Department to the court's decision may be gauged from the report that it has proceeded to remit the taxes and fines to the several Port and Triborough bondholders who were the apparent targets of the litigation.

The action of the Treasury, therefore, would seem to suggest that it is reconciled to the futility of pressing the matter further, in the courts at least. Furthermore, considering the repeated refusals of Congress to enact a statute, "short and simple", or otherwise, it does not seem logical to expect any further attempts in that direction. Accordingly, the action of the Supreme Court apparently marks the conclusion of the long fight waged by the present administration to end tax-exemption on local government securities.

While the basis of the litigation just ended dealt primarily with the tax-exempt status of Port and Triborough Authority bonds, this was but incidental to the Government's main objective. Actually the Treasury Department, which brought the action via the Internal Revenue Department, had made no secret of the fact that its avowed objective was to eliminate, by court action, the legal exemption from Federal taxation enjoyed by all State and municipal bonds.

The first round in the legal proceedings was contested in the Tax Court of the United States, with the Government contending that the above-mentioned authorities were not local subdivisions because of the so-called "proprietary" nature of their functions. Thus the Government argued they could not claim tax-exemption for their bonds under the provisions of the Internal Revenue Acts granting such immunity to bonds of States and municipalities. As a prelude to the suit, the Treasury had levied and collected taxes and fines on bond interest received by several holders of Port Authority and Triborough bonds.

The Port of New York Authority resisted the Government's claim in behalf of all of its bondholders. Joining in the defense was the Conference on State Defense, composed of innumerable State and municipal officials, which was created several years ago for the express purpose of combating the Government's program. It was this agency, incidentally, under the direction of Austin J. Tobin, who is also Executive Director of the Port of New York Authority, which was largely responsible for the successful fight waged on behalf of local governments both in Congress and the courts.

After lengthy hearings and the admission of voluminous evidence by both sides, the Tax Court handed down a decision on Jan. 28, 1944, ruling against the Government. In a 10 to 5 decision, the court held that both the Port and Triborough agencies were, in fact, political subdivisions of a State and their bonds accordingly tax-exempt.

The Government appealed the Tax Court decision to the Federal Circuit Court of Appeals and this body, in a decision on Aug. 24, 1944, again ruled in favor of the authorities. As was expected the Government carried the case to the United States Supreme Court and petitioned that body for a writ of certiorari, with a view to court review of the lower court decisions. This request, made by the U. S. Solicitor General, was, on Jan. 2 last, refused by the court, and thus ended, according to all indications, the final round in a dispute that has dragged on for more than a decade.

Attractive Equity

Common Stock of Bullock's, Inc. is one of the most attractive equities in the retail merchandising field, according to a detailed memorandum on the situation issued by Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles, Calif., members of the Los Angeles Stock Exchange. Copies of this interesting memorandum may be had from the firm upon request.

ADVERTISEMENT

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-one of a series.*

SCHENLEY DISTILLERS CORP., NEW YORK

From "Down Under"

From somewhere in the Southwest Pacific comes one of the most interesting letters from a lad who, too, has post-war plans. He addressed his letter to Schenley Distillers Corporation and says that, while he, along with millions of other American boys, is at present "employed", he is giving serious consideration to his personal post-war plans, "if everything goes as well as they have been going."

We have received a number of such letters from Australia, North Africa, "somewhere in Italy", "somewhere in France" and from way up in Iceland, but there is something unusual in this latest letter and we are going to quote a couple of paragraphs verbatim. Here they are:

"I can sum up my post-war aims very simply. I seek no special privileges, no public bounties, no paeans of praise. All I ask is that I be provided the opportunity to work in peace, to produce the many things that the pursuit of war necessarily denies us. All I want is the chance to earn a decent American living for myself and for the family I undertook to start—until the needs of our country demanded a temporary halt. I do not consider myself a special case. I quite well realize that many of my buddies are in exactly the same position as I. If I could, I would speak for them as well, but I am of no importance in that respect.

"I am twenty-five years of age, married and have a child of two. I realize that you have the problem of your own employees at present in the service, and I would be the last person in the world to wish to compete with them for their jobs."

This lad then hopes that he may have an interview "when I get my job done over here."

He closes his letter, "May I hear from you in this respect? I feel very grateful for your consideration and I pray and hope that I will be around to read your answer—in you answer."

Our answer? Well, that just doesn't belong here. But you can wager that *with* our answer goes our prayer that he be "around" when it arrives.

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Collom, Raffel & Co. Formed In Philadelphia

PHILADELPHIA, PA.—Charles W. Collom, William Raffel and Michael P. Rooney have formed Collom, Raffel & Co. with offices in the Fidelity Philadelphia Trust Building, to engage in a general investment business. Mr. Raffel was formerly with the trading department of Hopper, Soliday & Co.; Mr. Rooney was an officer of Philadelphia Acceptance Corporation; Mr. Collom in the past was with E. H. Rollins & Sons, Inc.

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Chicago Brevities

Pullman, Inc., is entering the petroleum engineering field. While the attention of followers of the company was concentrated on Pullman's disposal of its sleeping car business, the company was negotiating the acquisition of all the outstanding stock of M. W. Kellogg Co. of Jersey City, N. J., one of the largest engineering companies in the country in the petroleum, refinery and chemical construction fields.

Pullman will pay cash for the stock at a price to be determined, it was announced.

Meantime, M. W. Kellogg, president of the engineering firm, has been elected to the board of directors of Pullman, Inc. No executive changes in Pullman are contemplated, it is understood. The Kellogg company is to be operated as a separately incorporated member of the Pullman group of companies, and its activities together with those of its subsidiaries directed "toward intensive cultivation of their present industrial fields and possible further expansion in these fields."

As of Dec. 31, 1942, the privately owned Kellogg company had total assets $25,137,457 and current liabilities of $10,535,326. The outstanding stock was not reported.

* * *

With a view to making Chicago the air hub of the world, Gov. Green declared he would recommend to the Illinois General Assembly creation of a department of aeronautics to co-ordinate all State activities in the field of aviation.

Civic leaders and groups are united in their aim to make Chicago the air capital of the world although agreement on location, method of financing, and other important details are yet to be worked out.

* * *

A plan of reorganization for the Alton Railroad Company was filed by Henry A. Gardner, trustee, in the United States district count in Chicago on Jan. 2.

Both stocks and bonds of the company have been strong in recent trading. LaSalle Street sources believe, however, that this has been more in sympathy with the general rise and activity in rails, with prospects of continued good earnings now that hope of an early peace in Europe has diminished, rather than on the possibility of an early reorganization of the carrier.

* * *

The Pennsylvania Railroad Company and the Pere Marquette Railway are among carriers understood to be planning debt refinancing this year. The Pennsylvania may refund $56,000,000 of its general mortgage 3¾% bonds and the Pere Marquette, $21,500,000 of its first mortgage 4½s of 1980, $26,000,000 of its 5s, and $4,000,000 of its 4s of 1956.

Among utilities, Kentucky Utilities may refund $21,000,000 of its first mortgage 4s and approximately $5,500,000 of its 4½s.

* * *

Stockholders of A. G. Spalding and Brothers, Inc., will be asked on Feb. 20 to vote on resolutions amending the certificate of incorporation which would (1) change the name of the first preferred stock to preferred stock; (2) set the par value at $50 from no par; (3) increase the annual $2 cumulative dividend to $2.25 a share; and (4) reduce the number of shares of the issue which must be retired as a condition precedent to payment of a common dividend.

In addition, it is proposed to issue rights, expiring Nov. 1, 1949, to convert one share of preferred into four shares of common and to increase the authorized common stock from 500,000 to 750,000.

The steps proposed would clear the way for payment of a common dividend.

Edward Prosser to Be Hicks & Price Partner

CHICAGO, ILL. — Edward T. Prosser will be admitted to partnership in Hicks & Price, 231 South LaSalle Street, members of the New York and Chicago Stock Exchanges and other exchanges on January 18. Mr. Prosser has been with the firm for some time in charge of the statistical department.

Ernest E. Bell Joins Daniel F. Rice & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Ernest E. Bell has rejoined Daniel F. Rice & Co., Board of Trade Building, members of the New York and Chicago Stock Exchanges. Mr. Rice was recently with the Federal Reserve Bank in Chicago. In the past he was with Daniel F. Rice & Co. and was an officer of The White-Phillips Co., Inc.

Chicago Recommendations

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

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

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

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

Fred W. Fairman & Co., 208 South La Salle Street, have an engineering report on the **Garrett Corporation**, available upon request. Also ready for dealers is a brochure and statistical information covering the **Magnavox Co.**

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

Chicago S. E. Head Summarizes Results

Harry M. Payne, Chairman of the Board of Governors of the Chicago Stock Exchange, in summarizing the results for the year said:

"Nineteen hundred and forty-four has been an important year for the Chicago Stock Exchange. Approximately 20 new and substantial firms have been added to the membership during the year. This represented an unusual expansion not only in the sphere of influence of Exchange members but in the broadening of participation in markets on the Exchange itself. This expansion has taken place principally within the territory we seek to serve."

Mr. Payne added: "Improvement in Exchange trading and operating techniques has been inaugurated during the year, and our plans call for additional progressive steps during 1945. We shall continue to fulfill our patriotic duties while working in the interests of the industries and the public of a fast growing Middle West."

Lloyd & de Geus Form Investment Firm

(Special to The Financial Chronicle)

JOLIET, ILL.—Lester Paul de Geus and George Powell Lloyd have formed Lloyd & de Geus with offices in the Rialto Square Building, to engage in an investment business. Both partners were previously with the Illinois Securities Company.

Chase National Bank Announces Promotions

The Chase National Bank on Jan. 10 announced the following promotions in the official staff of the Bank:

As vice-presidents: Walter E. Dennis, Henry J. MacTavish, Harold F. Moeller, Leslie W. Snow and Joseph D. Whittemore.

As second vice - presidents: George W. Allen, John I. Brooks, Jr., Robert L. Cudd, John C. Holt, J. Frank Honold, Woodruff Johnson, J. Everett Kunzmann, William Lange, Jr., Frank N. Powelson, William A. Rawson, James J. Rogers, Andrew S. Ross, Alfredo N. Ruz, Lester E. States, Lowell E. Ullery and Cornelius Van Zwart.

Ove Vett Now With Paine, Webber & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Ove Vett has become associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. Mr. Vett for many years was with Stifel, Nicolaus & Co., Inc.

We have prepared a bulletin on

Matthiessen & Hegeler Zinc Co.

Copies available at your request

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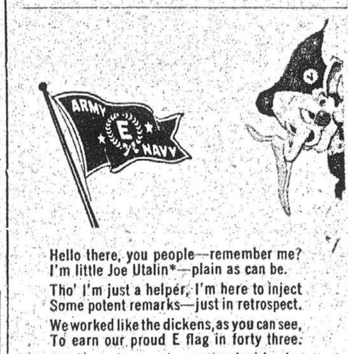

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Wisconsin Brevities

The Marathon Corp. for the fiscal year ended Oct. 31, 1944, reports the most successful year in its history. Not only were consolidated net sales the highest but the resulting profits show a decided improvement over past years' operations. Sales were $29,856,031, an increase of $4,471,771 or over 17% above 1943. Net earnings available to stockholders amounted to $1,603,016 as compared with $1,286,137 for 1943. This was an increase of $316,879, or 24%, after provisions for income and excess profits taxes aggregating $4,375,-628 as compared with $3,721,921 for the previous year.

Profits available to common stockholders were equivalent to $3.75 per share on the present stock outstanding, or $7.50 per share on the basis of the old stock of $25 par value, which compares with $6.08 per share for the fiscal year 1943.

Net working capital at the end of the fiscal year was $7,287,694 as against $6,104,316 at the end of the previous year.

* * *

The Wisconsin Bankshares Corp., for the ten months ended Oct. 31, 1944, reports a net income of $978,106 after Federal and State income taxes. This compares with $875,276 reported for the year ended Dec. 31, 1943.

* * *

A bondholders' committee submitted to the Interstate Commerce Commission on Dec. 27 a proposed reorganization plan for Wisconsin Central Railway, calling for a reduction in capitalization of $37,-305,880.

Submitted by the protective committee for holders of the carrier's first general mortgage 50-year 4% bonds, due July 1, 1949, the plan lists present total capitalization at $48,127,190.

Holders of general mortgage 4s would receive for each $1,000, $190 in cash, $450 in first mortgage 40-year 4% A's, and $626.40 in new general mortgage 60-year 4½% income A's.

For each $1,000, holders of Superior & Duluth Division 4's due 1936 would receive $1,001.97 in new capital stock; holders of first and refunding mortgage 4's, due 1959, would receive $1,359.95 in new stock, and holders of first and refunding mortgage 5's, due 1959, would receive $1,000 in new stock.

Present stockholders would receive nothing. Marshfield & South Eastern mortgage 4's, due 1951, and equipment obligations would be undisturbed.

* * *

Net income for the fiscal year ended Oct. 31, 1944, of $260,497 is reported by the Nunn-Bush Shoe Co. of Milwaukee. This profit compares with earnings of $266,-836 in the previous year. Henry L. Nunn, President, in his report to stockholders, said that out of every gross dollar earned during the year 57c went for taxes, 16c for the retirement fund, 5c to preferred stockholders, 11c to surplus and reserves and 11c to common stockholders.

Praising the employees for their work during the year, President Nunn went on to tell stockholders: "Figures could perhaps be supplied to indicate to stockholders the reasons for this expression of management's pride. But no figures can tell the story of high maintenance and quality standards in spite of very trying manpower and material shortages."

The statement revealed that gross profit on sales during the year was $3,245,000 against $3,-533,000 in 1943. The decline in dollar volume was due to a drop in sales to the Navy, independent wholesalers and the firm's own retail outlets which are located in the principal cities of the nation.

Carter With Nat'l Securities & Research On Pacific Coast

Douglas Laird, Vice-President of National Securities & Research Corporation, 120 Broadway, New York City, announces that Rufus Lee Carter has joined that organization as an addition to the wholesale staff on the Pacific Coast. Mr. Carter will be associated with Warren G. Harris, Resident Vice-President in the Los Angeles, California, office at 634 South Spring Street, and represent the company in the States of Colorado, Oregon, Utah and Washington. Mr. Carter has had considerable experience in the field of investment funds, to which he returns after several years in war work.

Interesting Situation

Lipe Rollway Corporation offers an interesting situation according to a circular prepared by Herrick, Waddell & Co., Inc., 55 Liberty Street, New York City. Copies of this release may be had from the firm upon request.

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Standard Silica Corporation

The operations of Standard Silica Corporation, with properties in Ottawa, Illinois, 85 miles southwest of Chicago, are unique among those of middlewestern companies in that they are primarily confined to the mining and processing of minerals. Aside from coal mining and oil production, Illinois and other midwestern States are generally not considered as important mineral producers. However, Standard Silica Corporation is one of the nation's leading producers of silicon dioxide, or silica, a highly important and widely used industrial mineral. Over 5,000 freight carloads per year of this essential mineral are mined and processed by the company, and shipped to customers in practically every one of the 48 States.

The company owns outright over 200 acres of mineralized deposits, and the operation is fully integrated from the raw material in the quarries to the finished product packaged and shipped in multiple-wall paper bags. The modern plant contains washing, separating, drying, screening, grinding and packing equipment all representative of the latest state of the art. The company is among the largest grinders of silica flour and pulverized quartz in the world. Three acres of the property are leased to Cargill, Inc., and improved by large grain elevators recently constructed by the Cargill company.

The material produced by this company is essential in the manufacture of steel, aluminum, magnesium, various electrical equipment, chemicals, glass, ceramics, and building materials. Major customers include such important manufacturers as Johns-Manville, Procter & Gamble, Allis-Chalmers, and the leading steel, electrical, and automotive manufacturers. Regular carload shipments are being made direct to both Army and Navy, for use in connection with the manufacture of various items of munition.

The company's record is one of steady growth during the past twenty-five years. A brochure published for the company by R. R. Donnelley & Sons Company, "Silica in Industry," is a veritable treatise on the subject of silica, one of the most important of industrial minerals. Replies to a recent questionnaire sent to customers of the company, indicate over 200 end-uses of the material in nearly every major industry.

Directors of the company include Max McGraw, President of McGraw Electric Company, and other corporations; E. Perry Holder, President of Wickwire Spencer Steel Company; H. E. Devereaux, Vice-President and Trust Officer, Lake Shore National Bank; R. L. Corey, principal of Northern Engraving & Manufacturing Co.; and the company's president, Hamilton Allport. Lieutenant Commander William S. Covington is "on leave" as a director of Standard Silica Corporation, is presently commanding officer of Navy Diesel Repair Station at a foreign base.

Mr. Allport, a graduate of Cornell University, received his early training with the General Electric Company and the New York Central Railroad, following which he became Assistant to the President and Chief Engineer of The Glidden Company, a number of whose products such as zinc, oxide, white lead, and lithopone are minerals which are generally similar to the products of Standard Silica Corporation. Mr. Allport is a member of the boards of directors of various other corporations, and of the leading engineering societies.

Other personnel associated with the company include William C. Cook, Vice-President, formerly Vice-President of the Central Trust Company; and A. D. Bryant, mining engineer, for many years with the New Jersey Zinc Company and the Cerro de Pasco Copper Company.

Firm Name Is Now Stoetzer, Faulkner

DETROIT, MICH.—The firm name of Stoetzer, Carr & Company, Penobscot Building, has been changed to Stoetzer, Faulkner & Company. Partners are Robert R. Stoetzer, a principal of the former firm, and George L. Faulkner, who was manager of the bond department.

Stoetzer, Faulkner & Co. are members of the Detroit Stock Exchange, with Mr. Stoetzer holding the Exchange membership.

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

New York City Bank stocks did well during 1944, though they did not close at their highs, which were reached earlier in December. As measured by the American Banker index, they closed the year at 45.8 compared with 38.0 on Dec. 31, 1943, a gain of 20.5%. The high for the year, however, was 46.8 on Dec. 9. By way of comparison, the Dow Jones Industrial Average moved from 135.89 on Dec. 31, 1943 to 152.32 on Dec. 31, 1944, a gain of 12.1%.

The average gain of 20 New York Clearing House banks, as shown in the accompanying tabulation, was 25.6%. This average, however, is distorted somewhat by the exceptionally high gain of 113.3% by Title Guarantee & Trust, which moved from 5⅝ to 12. Better than average gains were made by Continental, 39.1%; Public National, 37.5%; Bank of Manhattan, 32.4%; Fifth Avenue, 31.4%, and J. P. Morgan, 30.2%. The poorest showing was Bankers Trust with 6.5%, after adjustment for the 20% stock dividend. Other laggards were Chemical, 8.5%; Commercial, 11.2%, and United States Trust, 11.5%.

Comparative Analysis

New York Bank Stocks

1944

Available on Request

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Telephone: BArclay 7-3500

Bell Teletype—NY 1-1248-49

(L. A. Gibbs, Manager Trading Department)

	Asked Price 12-31-43	Asked Price 12-30-44	Per Cent Appreciation	Book Value 12-31-43	Book Value 12-30-44	Market to Book Value 12-30-44
Bank of Manhattan	21¼	28⅛	32.4%	$25.03	$26.20	1.07
Bank of New York	400	460	15.0	358.97	417.09	1.10
*Bankers Trust	51	53¾	6.5	50.15	45.78	1.17
Central Hanover	99¼	112¼	13.1	99.15	104.96	1.07
Chase National	37⅝	47	24.9	36.88	38.49	1.22
Chemical Bk. & Tr.	50	54¼	8.5	41.23	45.30	1.20
Continental Bk. & Tr.	18⅞	26¼	39.1	23.27	24.47	1.07
Commercial Nat. Bk. & Tr.	47	52¼	11.2	49.10	51.85	1.01
Corn Exchange	47⅝	57⅝	21.0	49.35	50.90	1.13
Fifth Avenue	700	920	31.4	1,052.85	1.119.52	.82
First National	1,485	1,845	24.2	1,246.60	1,290.87	1,43
Guaranty Trust	310	359	15.8	323.77	335.80	1.07
Irving Trust	14½	17¼	19.0	21.28	21.66	.80
Manufacturers Trust	47¾	57¼	19.9	41.75	44.60	1.28
Morgan, J. P.	222	289	30.2	215.51	222.15	1.30
†National City	36½	46	26.0	36.38	41.12	1.12
New York Trust	95¼	107¼	12.6	85.34	88.73	1.21
Public National	37⅝	51¾	37.5	48.30	51,27	1.01
Title Guarantee & Trust	5⅝	12	113.3	12.96	10.10	1.19
U. S. Trust	1,310	1,460	11.5	1,517.50	1,527.56	.96
Average of 20			25.6%			1.11

*2,500,000 shares, 12-31-1943; 3,000,000 shares, 12-30-1944. Market appreciation adjusted. †Includes City Bank Farmers Trust.

The tabulation also shows stated book values as of Dec. 30, 1944, compared with Dec. 31, 1943. The average increase for the 20 banks is 5.0%. However, this is distorted by reason of a 12% decline in the case of Title Guarantee. The average increase of the other 19 banks amounts to 6.0%. In the case of Bankers Trust, if adjustment is made to reflect the recent 20% stock dividend, the equivalent book value would be $54.94 instead of $45.78, and in arriving at the average increase for the group, this adjustment has been made. In the main, these increases in book values represent current earnings retained in excess of dividend disbursements. In a few instances, however, the increase has been augmented by transfers from reserves to capital funds, in other words, excess earnings over dividends of prior years.

The last column in the tabulation shows the ratio of market to book value for each stock, as of Dec. 30, 1944. It will be noted that 17 out of the 20 banks are now selling at a premium to book value, ranging from 1.01 for Public National to 1.43 for First National. On the other hand, Irving Trust is priced at only 80% of book value, Fifth Avenue at 82%, and United States Trust at 96%. The average ratio for the 20 banks is 1.11.

It is not possible at this time to report fully on 1944 earnings, since in only a few instances have operating results been published as this is written, and "indicated earnings" as calculated from balance sheet changes are not always reliable. Annual meetings, however, are scheduled for Jan. 9th, 10th, 11th and 17th, at which time fairly complete reports, in many instances, will be rendered to stockholders.

Such figures as are available, however, indicate that 1944 net operating earnings were quite substantially above those of 1943. For instance, net operating earnings of Chase National, exclusive of security profits, are reported at $2.54 compared with $2.33, a gain of 9%. Others are: National City, $2.65 vs. $2.44; Public National, $4.47 vs. $3.30, and New York Trust, $7.02 vs. $6.51. It seems fair to say that net operating earnings in 1944, exclusive of security profits, when finally collated, will show at least a 10% average improvement over 1943. Moreover, a continuation of this trend is likely to persist through 1945 and even longer.

New Jersey Municipal Bonds

Bank Stocks

•

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Some Current Problems Of Federal Regulation

(Continued from page 155)

tered. Let me be more specific. As you know, a number of persons who are engaged in the securities business and who are in fact brokers seek to do business with the public as dealers, and many dealers, by leading their customers to believe that they are disinterested brokers, seek to conceal the adverse interest which they have in every transaction. They ignore the judicial admonition of Justice Rutledge that "he who would deal at arm's length must stand at arm's length. And he must do so openly as an adversary, not disguised as confidant and protector."*

Everyone close to the securities business has frequently been confronted with this problem. John J. Bennett, Jr., when Attorney General of the State of New York, spoke out vigorously on the subject. He said:

> "Recent investigations have indicated a general tendency in the securities business to eliminate distinctions between brokers and dealers. In other words, dealers have purported to act as brokers when they, in fact, were dealers; on the other hand, brokers, or those who hold themselves out as brokers, have in fact acted as dealers. There are indications that this practice has become so widespread that the matter is now of grave concern."

The parallel problems created by brokers who would be dealers and dealers who would be brokers have a common origin in the fear of some professionals that their profits would be jeopardized by a complete and honest assumption of the responsibilities which the common law fastens on those who undertake to furnish expert counsel and guidance to the uninformed or uninitiated. That the public customers with whom the professional does business are usually uninformed and in need of expert advice has been emphasized time and again by persons engaged in the securities business. Indeed the enormous growth of investment companies is due in large measure to the success of hundreds of dealers who, in selling such shares, have persuaded investors of their inability to safeguard their own capital. Moreover, this disposition of the average man in the street to have others manage his own investment affairs is evidenced by the rapid growth of the trust departments of banks and other institutions whose business it is to guide the public in the complicated task of intelligent investment.

The reasons why some brokers seek to escape their responsibilities and why some dealers disguise their occupation is apparent from a consideration of the differences between the responsibilities of a broker and a dealer. Once a professional becomes a broker he can have no interest in the transaction which is adverse to the interest of his customer unless he makes the fullest disclosure of the nature and extent of that adverse interest. When the broker buys securities from others on the customer's behalf, he must disclose to the customer the price of the security and, as a separate item, the amount of the commission which he is charging the customer. When the broker sells securities to the customer which are his own property, he must disclose all the facts the customer needs in order to measure the extent of his agent's adverse interest in the transaction. In practice, this means that the broker has to disclose the profit which he makes and the market price of the security which he sells. A dealer, on the other hand, is not the agent of his customer. He may have an undisclosed interest in the transaction which is adverse to the interest of the customer. When he sells a security to the customer, he need not indicate to him the amount of profit which he makes.

I do not emphasize this difference for the purpose of criticising the dealer for making a profit. He is, of course, entitled to one commensurate with the value of his services and the risk he takes for the benefit of his customers. I point out this distinction only for the purpose of indicating the basis for the frequent preference of the professional for the dealer capacity.

Now many firms which in fact are brokers, in practice purport to act as dealers. Their explanation is simple. They say that if they were to act as brokers they could not make enough money to stay in business because if they revealed to their customers the amount of their compensation, the customers would rebel. The classic case that is usually presented is the one of the salesman who travels 50 miles out in the country to try to sell some securities to a customer. Says the firm which employs the salesman, "If we told the customer how much we had to charge him to cover the cost of sending our salesman out to see him he would not buy any securities from us. Since it would not be good business to tell him the amount of that charge we will act not as a broker in filling any orders which our salesman may receive, but will act as a dealer."

This explanation is understandable enough but it ignores the realities of the relation between the customer and the salesman. A salesman seeks to convince the customer of the expertness in securities matters of the firm which he represents. He invites the customer to disclose to him the state of his funds; the extent of his obligations both to his family and to others; the hopes and fears which he has for his future security—in general he invites and usually obtains an intimate picture of his customer's financial resources and needs. On the basis of such knowledge the salesman seeks to advise. This is as it should be, for usually the relative value and merits of the thousands of securities outstanding can be understood by the layman only if he has the advice and guidance of a professional. And it is just that that such a salesman and his firm become: a professional whose counsel is given as surely as is that of a lawyer. Such a salesman is not a purveyor of pieces of pretty paper any more than a legal draftsman sells the paper on which a will is written. By choice he has become the financial advisor of his customer; here the parties are not bargaining at arm's length. Rather one has become the agent of the other. In this setting the law makes plain the agent's duty. He must act with an eye single to the customer's welfare. Being human he must not be led into any of those human temptations which are so well-known and which the law recognizes by requiring the fullest disclosure of any adverse interest which he may have in a transaction. I know of lawyers who have so advised their clients. Moreover, I know firms who ignore that advice and seek to act as dealers when they are, and should act as, brokers.

It is unnecessary to labor the point any further that the securities firm is typically in a professional relationship with its customer. Before leaving the subject, let me point out, however, that brokers sometimes mistakenly assume that they can avoid the obligations of their position simply by confirming a transaction in language which technically discloses that the professional has acted in the capacity of a dealer. Experience has shown that the language of the confirmation slip is not understood by most customers. For that reason courts will usually disregard the technical language of the written confirmation and will look to other facts to discover the true relationship between the parties.

*Erroll vs. Picken, 113 Fed (2d) 150 (1940).

Royal Bank of Scotland

Incorporated by Royal Charter 1727

HEAD OFFICE—Edinburgh

Branches throughout Scotland

LONDON OFFICES:

3 Bishopsgate, E. C. 2

8 West Smithfield, E. C. 1

49 Charing Cross, S. W. 1

Burlington Gardens, W. 1

64 New Bond Street, W. 1

TOTAL ASSETS

£115,681,681

Associated Banks:

Williams Deacon's Bank, Ltd.

Glyn Mills & Co.

Australia and New Zealand

BANK OF NEW SOUTH WALES

(ESTABLISHED 1817)

Paid-Up Capital £8,780,000

Reserve Fund 6,150,000

Reserve Liability of Prop. 8,780,000

£23,710,000

Aggregate Assets 30th Sept., 1943 £187,413,762

SIR ALFRED DAVIDSON, K.B.E., General Manager

Head Office: George Street, SYDNEY

The Bank of New South Wales is the oldest and largest bank in Australasia. With over 800 branches in all States of Australia, in New Zealand, the Pacific Islands, and London, it offers the most complete and efficient banking service to investors, traders and travellers interested in these countries.

LONDON OFFICES:

29 Threadneedle Street, E. C.

47 Berkeley Square, W. 1

Agency arrangements with Banks throughout the U. S. A.

NATIONAL BANK of EGYPT

Head Office Cairo

Commercial Register No. 1 Cairo

FULLY PAID CAPITAL £3,000,000

RESERVE FUND £3,000,000

LONDON AGENCY

6 and 7 King William Street, E. C.

Branches in all the principal Towns in

EGYPT and the SUDAN

NATIONAL BANK of INDIA, LIMITED

Bankers to the Government in Kenya Colony and Uganda

Head Office: 26, Bishopsgate, London, E. C.

Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar

Subscribed Capital £4,000,000

Paid-Up Capital £2,000,000

Reserve Fund £2,200,000

The Bank conducts every description of banking and exchange business

Trusteeships and Executorships also undertaken

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This improper practice of some brokers to act as dealers is one which requires no new rules and regulations of the Commission because the common law is plain. It is fraud for an agent to sell his own property to his principal without the fullest kind of disclosure. Since it is fraud, those firms which follow that practice not only deceive their customers but also jeopardize their financial stability, for every transaction into which they enter on this fraudulent basis is voidable at the election of the customer. As a result, the contingent liabilities of these firms grow with every new transaction. The possibility of such contingent liabilities is one which is disturbing not only to the proprietors of a business which misinterprets its true relationship to its customers but also to those who by law are charged with a duty to take steps to safeguard the financial responsibility of brokers and dealers. It is a contingent liability for which it is difficult to make provision. The firm which does so in effect confesses that it is not doing business with its customers on a proper basis.

No rules or regulations of the Commission can speak any plainer to the agent of his obligations to his principal than does the common law. Yet in my experience no canon of the common law is more widely ignored by brokers than that which we have been discussing. When brokers generally recognize their responsibilities as brokers and when dealers seek to assume no other role than that of a dealer, a long step forward will have been taken in the protection of the public in matters involving securities.

Fortunately, there is evidence of a growing awareness of some firms of their obligations to their customers. This has been manifested in two ways. Some firms who until recently confirmed most of their trades as principals have given recognition to their true status by adopting a policy of acting only as brokers for their customers; others, although continuing to act as dealers, now undertake to advise their customers of the market for the security at the time the transaction is effected. These are some of the most wholesome developments which I have observed. In my opinion the agency method of doing business more nearly represents the true relationship which usually exists between a security firm and the average public customer. Nevertheless, market disclosure by a dealer is a long step forward.

Those of us whose duties require us to enforce the various statutes designed to protect investors know of the many fraudulent transactions between dealer and customer which were possible only because the customer was kept in ignorance of the market value of the security dealt in. Those among you who are in the securities business know how dealers have been plagued for years with the problem of what price to charge for a security. Those who have followed the administrative decisions of the Commission and the recent decision of the Circuit Court of Appeals in the Hughes case know that it has been held that a dealer must do business with his customer at a price which bears a reasonable relationship to the current market value of the security dealt in. You know also the difficulties which have been encountered in determining what is a reasonable relationship to the current market in a specific transaction. I believe that this is a matter which generally should be left to informed negotiation between the dealer and the customer. I believe that a dealer should be required to inform his customer of the market value of the security involved in a transaction so that the customer may have an effective voice in establishing the price at which the transaction is to take place. This is at once the most simple and the least meddlesome way of solving a complex problem. It is the very negation of bureaucracy because it requires nothing of the administrator. It would leave to an informed judgment of the parties to the transaction the determination of the price at which it would take place.

There is a discernible tendency toward making this kind of disclosure. This is a development which I believe should be fostered by the Commission by the adoption of a rule requiring that all dealers make such disclosure of market value in all transactions with public customers. I have had many discussions of the merits of a market disclosure rule. I have talked to professionals and non-professionals who favor it. I have talked with many professionals who are opposed. Fundamentally, the opposition springs from the fear of some dealers that they cannot justify to their customers the amount of their charges. This is an argument which will hardly commend itself to the customer whose money is at stake, nor is it an objection which impairs in the slightest the merits of the rule. On the contrary, I believe that the proposition that the customer will be unwilling to compensate some dealers in an amount satisfactory to them is one of the best arguments that can be made for such a rule. It is an admission that the added amount above market value which some dealers now exact from their customers is more than the traffic should bear. That the traffic will bear a reasonable charge is indicated by the example of those firms who do business with their customers on the basis of the fullest kind of disclosure.

I know that there are those who will say that the proponents of a market disclosure rule do not understand the over-the-counter business. Passing over the obvious answer that persons engaged in that very business can be found who are in favor of market disclosure, let's examine this argument and see where it gets us. We are told that we do not understand that the over-the-counter market is a negotiated market resulting from purchases and sales by informed individuals; that it differs from the exchange markets which operate upon the auction principle. It is said that in the over-the-counter market it is not a case of the best bid seeking out the best offer. Rather, we are told, it is a case of two informed individuals, one desiring to buy and the other to sell, who meet face to face and strike a bargain. This description of the over-the-counter business sometimes holds good when the professional bargains with the professional or with the institutional investor or with that rare bird, the sophisticated individual investor; that is, with those persons whose knowledge of the security and its market is equal to or approximates that of the professional. It is sheer nonsense when used to describe transactions involving those persons whom a market disclosure rule is designed to protect. What kind of informed negotiation can take place when only one party to the transaction has all the facts, or when the other party has only those facts which the first sees fit to give him? What kind of informed negotiation is there when a sophisticated dealer advises an inexperienced woman how her life savings should be invested? He who contends that the transactions which take place between a dealer and the average man in the street are the result of informed negotiation either does not speak from experience or ignores its teaching.

Consider for a moment the way the over-the-counter business is conducted with the public. There are, generally speaking, two types of orders received by dealers. There are some orders which are unsolicited; that is, persons desiring to buy or sell a security will go to a firm and seek to effect a transaction. Frequently such transactions are as a result of informed negotiation. Here disclosure causes no difficulties, for in such a setting the honest dealer's price deviates but little from the prevailing market price. Except for transactions with other dealers or with institutional investors, however, we know that most over-the-counter transactions are as a result of the solicitation of business by a firm. It usually works about this way. A firm learns of a particular security which it thinks would make an attractive investment for certain of its customers. Sometimes it spends a considerable amount of time and money in acquiring information concerning this security. Sometimes it will take a position. Sometimes, and probably more often, it will not take a position but will know where the security can be obtained. Salesmen representing the firm approach its customers and bring to their attention the merits of the security.

Frequently a customer will not have heard of the security before. Invariably if he had heard of it he knows little about it. He therefore depends upon the salesman to tell him all about the security and its issuer. Invariably the salesman will impart investment advice to the customer, sometimes voluntarily and sometimes in response to the customer's questions. The desirability of the investment will be stressed by the salesman, who for that purpose will draw on his knowledge of the customer's affairs and investment program. Now here is a situation in which the dealer has undertaken to bring to the attention of his customer a recommended investment. He undertakes to educate the customer concerning the desirability of that investment and to advise its purchase. He will seek to convince him of its value. In making the sale the salesman will present material facts concerning the security to the customer.

A disclosure rule would aim to give the customer material facts concerning the market's appraisal

(Continued on page 172)

New Issue

$114,000,000

Eight-Ten Year

Federal Land Banks

$2\frac{1}{4}$% Consolidated Federal Farm Loan Bonds

Dated February 1, 1945 **Due February 1, 1955**

Not Redeemable before February 1, 1953

Interest payable on August 1, 1945, and semi-annually thereafter on February 1, and August 1. Principal and interest payable at any Federal Land Bank, Federal Reserve Bank or branch, or other designated agency. Coupon and registered bonds interchangeable in denominations of $10,000, $5,000, $1,000, $500, and $100. Redeemable as a whole or in part on any interest date on and after February 1, 1953 at 100% and interest.

The Bonds are the secured joint and several obligations of the twelve Federal Land Banks.

The Bonds are eligible for investment by savings banks under the statutes of a majority of the States, including New York and Massachusetts. The Bonds are also eligible for the investment of trust funds under the statutes of various States.

This offering is made by the twelve Federal Land Banks, through

Charles R. Dunn, their Fiscal Agent, at:

$100\frac{3}{8}$% and interest, to yield about 2.20%

The undersigned have assisted in the formation of a Selling Group of recognized dealers in securities, including themselves. No sale of the Bonds in this State will be made by any of the undersigned except as permitted by law. Copies of the circular of the Federal Land Banks describing the Bonds may be obtained from such of the undersigned as may lawfully sell the Bonds in this State.

The Chase National Bank of the City of New York
The National City Bank of New York
Guaranty Trust Company of New York
Bankers Trust Company
Chemical Bank & Trust Company
Continental Illinois National Bank and Trust Company of Chicago
The First National Bank of Chicago
Bank of America N. T. & S. A.
Mercantile-Commerce Bank and Trust Company
American Trust Company

January 9, 1945

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WELLINGTON WF FUND
A MUTUAL INVESTMENT FUND
Incorporated 1928
Prospectus may be obtained through your investment dealer or from the distributor.
220 Real Estate Trust Building • Phila. 7, Pa.

COMMONWEALTH INVESTMENT COMPANY
A Mutual Investment Fund
★
Prospectus on Request
★
GENERAL DISTRIBUTORS
NORTH AMERICAN SECURITIES CO.
2500 Russ Building • San Francisco 4

Mutual Funds

Investment Prospects for 1945

Keystone Corp. surveys investment prospects for 1945 in the current issue of **Keynotes.** We quote in full:

"Victory over Germany and Japan is assured. Only the time element remains uncertain.

"**Business Outlook.** Germany is expected to be the first to capitulate. But so long as the war continues either in Europe or the Pacific, it is evident that heavy government expenditures will continue. When peace comes — whether it is in 1945 or later—it is equally certain that an enormous deferred demand will exist for all types of civilian goods. No less significant is the fact that the consuming public will have the money to satisfy these deferred needs. It may require several years for industry to fill its backlog of existing and pending orders for new homes, automobiles, radios, refrigerators, washing machines and a thousand other products. It is estimated that since 1939 savings by individuals have totaled about $130 billion, and this figure is rising by about $25 billion a year! When it is realized that the total national income in the 1930's averaged less than $60 billion a year, it becomes evident that a potential purchasing power of tremendous dimensions exists.

"In view of the continued government spending and the large national savings — it is difficult to visualize anything but a high level of business activity for an extended period ahead. It is probable that reconversion will proceed gradually while war goods still are being produced and that the transition can be accomplished with far less difficulty than anyone had reason to hope for six months ago.

"**Investment Outlook.** — The heavy volume of liquid capital seeking investment is a factor the importance of which could hardly be overstressed. These idle funds are exerting constant upward pressure on securities prices—not only on bonds but also on preferred and common stocks. The search for a better return on capital than is offered by the meager 2.53% on high grade bonds is a potent influence on all sections of the investment market. Other considerations also make carefully selected securities more attractive than cash. Sooner or later—and perhaps this year — Congress is expected to change the tax law so as to eliminate double taxation of corporate earnings. As the law stands now, such earnings are first taxed in the hands of the corporation, then taxed again in the hands of the investor when they are paid out as dividends. Elimination of this inequity would immensely enhance the attractiveness of stocks as investment media — especially for investors in the lower and middle income tax brackets.

"Prospect of tax relief, coupled with the fact that business activity both during the war and for several years thereafter promises to remain at a high level, warrants a good deal of optimism on the part of the investor who has a properly balanced and diversified investment position."

Railroad Equipment Shares
A Class of Group Securities, Inc.
Prospectus on Request
DISTRIBUTORS GROUP, INCORPORATED
63 WALL ST. • NEW YORK 5, N. Y.

Railroad Equipment Shares

In a current mailing **Distributors Group** examines the postwar outlook for **Railroad Equipment Shares.** The mailing consists of two folders and a covering letter in which the relative undervaluation of railroad equipment stocks is emphasized.

The large potential backlog of peacetime business for this industry, the lack of serious reconversion problems, and the current price levels of railroad equipment stocks in relation to their present and prospective earnings are stressed.

"Leading railroad equipment stocks are available today at less than ten times their current wartime earnings and at less than five times their estimated peacetime earnings."

"Beyond the Headlines"

Something new has been added to investment company literature with the publication of **Wellington Fund's** new management folder, "Beyond the Headlines."

We have seen a good many investment company booklets and management folders over the past ten years. This new piece by Wellington Fund will certainly stand comparison as one of the most striking and effective in the presentation of a mutual fund and its management record. "Beyond the Headlines" is a big, handsome, well conceived booklet with loads of eye appeal.

We suggest you write for a copy. Send your request to Walter L. Morgan, President of Wellington Fund, Real Estate Trust Building, Philadelphia, Pa.

New York Stocks, Inc.

The annual report of **New York Stocks, Inc.**, covering the fiscal year ended Nov. 30, 1944, reveals substantial gains in number of shareholders, in shares outstanding, and in net asset value.

NEW YORK STOCKS, INC.

	1943	1944
Total net assets	$5,974,300	$8,619,811
No. of shareholders	8,879	9,728
Shares outstanding	987,625	1,197,593
Dividends paid in year	$294,776	$404,899

Another interesting feature of the report was the recovery from an unrealized depreciation of $928,322 at the beginning of the fiscal year to an unrealized appreciation of $580,442 on Nov. 30, 1944.

3.76% After Taxes

In a new folder directed at corporation executives, **Distributors Group** describes how corporations can invest their reserve funds in "legal list" bonds to achieve a new return of 3.76% after taxes. This compares with a net return after excess profits taxes of only 6/10 of 1% on a bond investment yielding 4%.

Institutional Bond Shares is the solution offered. "Through Institutional Bond Shares a corporation can invest its surplus funds in a broad list of 'legals' and realize a net return—after taxes—of approximately 3.76%."

Institutional Bond Shares is the only investment available today through which corporations can obtain such a high yield after taxes from selected "legal list" bonds.

New High for Keystone

Combined assets of the 10 **Keystone Funds** now amount to more than $105 million, a new high record which compares with approximately $67 million reported a year ago and $42 million in Dec., 1942.

These figures were disclosed in conjunction with the release of the annual report on Keystone's Series "S-2." During the fiscal year ended Nov. 30, 1944, net assets of "S-2" increased to $16,053,326 from $5,682,474 a year earlier.

Mutual Fund Literature

Lord, Abbett—Current issue of **Abstracts,** giving 1944 tax information on **Affiliated Fund, American Business Shares** and **Union Trusteed Funds. . . . Hugh W. Long & Co.**—Revised prospectus on **Fundamental Investors** dated Dec. 20, 1944. . . . **Distributors Group** — Current issues of **Railroad News** and **Railroad Equipment News. . . . Keystone Corp.**—Current data folder for January on **Keystone Custodian Funds. . . . Hare's Ltd.**—A new folder, "Pertinent Facts to Remember in 1945," covering the offerings of **Institutional Securities, Ltd.**

Dividends

Manhattan Bond Fund, Inc. — Ordinary Distribution No. 26, amounting to 10c per share and an extraordinary distribution amounting to 5c per share, for a total of 15c per share payable Jan. 15, 1945, to holders of record as of Jan. 5.

Institutional Securities, Ltd. —

Keystone Custodian Funds
Certificates of Participation in Trust Funds
investing their capital as follows:
SERIES
B-1, 2, 3 and 4 IN BONDS
SERIES
K-1, 2 IN PREFERRED STOCKS
SERIES
S-1, 2, 3, 4 IN COMMON STOCKS
Prospectus may be obtained from your local investment dealer or
THE KEYSTONE CORP. OF BOSTON
50 CONGRESS STREET, BOSTON, MASS.

NATIONAL SECURITIES SERIES
Prospectuses upon request
National Securities & Research Corporation
120 BROADWAY, NEW YORK, (5)
LOS ANGELES, 634 S. Spring St., (14)
BOSTON, 10 Post Office Square (9)
CHICAGO, 208 So. La Salle St. (4)

Are Americans Isolationists?

(Continued from page 154)

American is a home-loving body who wants to be friendly with the peoples of all nations big and small, and if anything, his sympathies go out in full measure to the small and weak nations of the earth, especially if they are oppressed or harassed by the mighty armed powers of Europe and Asia. He has no designs on the territorial domains and colonial possessions of other countries.

As the son of foreign parents—this is the kind of an America I love because it is the America to which Washington, Jefferson, Madison, Lincoln, Theodore Roosevelt and Benjamin Franklin gave their best in order that our heritage of independence and liberty might be preserved free of imperialism, free of subversive foreign influences and insidious alliances with the great powers, which have but one motivating objective: their own selfish aggrandisement by unmitigated force, conquest and aggression.

Regrettable as it is, these nations bent on exploitation, have and will continue to turn this God-given world into a hell on earth, a morgue and graveyard for the honest, decent, inoffensive peoples of all races and nationalities.

When War Hysteria Subsides

When the passions of war have subsided, we will more calmly reflect on the status of our country with respect to a second League of Nations. Our future course should be to ultimately cooperate with the World Powers in an effort to secure a lasting peace if we can do so without involving our sovereign rights or sacrificing our freedom of action.

With faith in the checks and balances of our constitutional and representative system of government, the Isolationists of our country will act to see that in our effort to collaborate with Britain, Russia, France and the other powers to secure a lasting peace, we do not unduly place the United States in a position where, in endeavoring to frustrate the intrigues of these foreign powers, we will be drawn into a conflict not of our own making or choosing.

What It Means To Be An Isolationist

The Isolationist believes in leaving the settlement of purely European problems to Europe so that we will not become enmeshed in future wars; in a word —he believes that we should mind our own business as individuals and as a nation.

During these war-minded times the exuberant advocates of international alliances and power politics are unthinkingly castigating their fellow Americans as Isolationists because they dare to question the imperialistic records and objectives of Britain, Russia and the other great powers. Strange enough, the term "Isolationist" is now being used by the devotees of internationalism and foreign alliances as an opprobrious epithet to discredit the patriotism and courage of our citizenry who are opposed to seeing our country made a pawn in power politics.

So, may I say that it is not yet a disgrace for an American to be an Isolationist, or a Nationalist, or an American who loves this non-imperialistic country, its history and political institutions more than any country that has existed since the beginning of creation, any more than it is a crime to be an Internationalist or an Interventionist.

I am proud to be a Nationalist and not an Internationalist for no American has to apologize to any man if he has the strength of his convictions and principles and is sincere in his beliefs and professions. An Isolationist yields to no man in placing the national interests of our country first.

Sanity In Our International Relationships

The Isolationist believes that our country can collaborate in a sensible world movement to formulate practical ways and means to preserve peace but not to the extent of telling other nations how they should run their countries, whom they should trade with, etc. The Isolationist believes that if the United States joins a second League of Nations in the future there must not be any guarantee, implied or otherwise, of the present territorial boundaries and colonial possessions of the Great Powers.

Yes, our country should cooperate with a world peace organization but in so doing we must not under any circumstances surrender our sovereign powers or constitutional rights—such as vesting the decision of making war in the sole judgment of our representative (a Presidential appointee) on the Security Council of the proposed Dumbarton League.

The Isolationist is against entering any world commitments that will not leave our country free to determine future international relations with each country on its merits by and with the concurrence of our Congress.

What the Isolationist Knows

The Isolationist knows that the peace of the world would not be secure with two warlike nations like Germany and Japan **in or out** of the Second League of Nations; that the status of the Second League would still be the same as when Germany plunged Christendom into the first and second World Wars.

The Isolationist knows that World War III will result from a dispute or falling out of the Big Six: Britain, Russia, France, Germany, Italy and Japan; ultimate members of the new Dumbarton League.

The Isolationist knows why the first League of Nations, composed of 63 nations, failed and why we cannot hope or expect that a new League of Nations will ensure permanent peace while imperialism is the avowed policy of the Great Powers.

The Isolationist knows that the statesmen of the Great Powers are neither saints nor above suspicion and why they cannot be trusted.

The Isolationist knows that the great Imperialistic Powers do not possess a sincerity to fulfill their treaty obligations and that they do not have the moral character "to do unto others as they would that we should do unto them."

The Isolationist has no illusions about the Dumbarton Oaks League plan for he knows that Britain, Russia (and the other Great Powers which may sign up later) will **boss** the world and the effectiveness and permanency of the Dumbarton Oaks League will be short lived when one or more of these Big Powers have a falling out with the others. Do not forget that it took 12 nations to defeat Germany in World War I and after five long years of war Germany is still standing off three of the world's strongest powers (Britain, Russia and the United States) in this war.

The Isolationist knows that World War I and II have set back international morality for a hun-

A dividend of 37½c a share on Stock & Bond Group Shares payable Feb. 28, 1945, to holders of record Jan. 31.

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dred years and all the wishful thinking and ardent desire in the world will not establish a League of Nations which will ensure permanent peace as long as the Big Powers exploit the Small Powers and continue the curse of Imperialism.

It is a truism to asseverate tha' the survival of the fittest will still continue to be the badge of freedom for the offending and the unoffending nations of this earth. We have only to read the following record of our changing sympathies engendered by wars to realize what a peace loving and non-imperialistic nation like the United States of America has experienced in the past 189 years during which time it has been obliged to fight seven major wars:

Our Country's Friendships and Hatreds

1755—We loved the British and hated the French in the French and Indian War.

1776—We loved the French and hated the British in the American Revolution.

1799—We hated the French in the sea battles with France.

1812—We loved the French and hated the British in the War of 1812.

1846—We loved the Southerners and hated the Mexicans in the Mexican War over Texas.

1861-64—We hated the Southerners, and the British for aiding the South in the Civil War.

1898—We hated the Spanish in the Spanish-American War.

1899—We hated the Chinese and the Filipinos in the conquest of the Philippines.

1900—We loved the Japanese and hated the Chinese in the Boxer uprising in China.

1904—We loved the Japanese and hated the Russians in the Russo-Japanese War.

1914—We loved the Japanese and the Russians, allies in World War I.

1914—We hated the Mexicans when our Marines landed at Vera Cruz.

1914—We loved the British and French and hated the Austrians and Germans when World War I started.

1915—We loved the Italians; Italy joins Allies.

1916—We hated the Mexicans when Pershing invaded Mexico.

1917—We loved the Japanese and the Chinese, our Allies in World War I, but not the Russians when the Russian Bolshevik Revolution started.

1918—We loved the Italians and hated the Russians when our troops invaded Russia.

1927—We loved the Japanese and hated the Chinese when U. S. bombarded Nanking.

1935—We hated the Italians when Italy invaded Ethiopia.

1936—We loved the Chinese and hated the Russians when Communists despoiled China.

1939—We loved the British and French and hated the Germans and Russians at the beginning of World War II.

1939—We loved the Finns and hated the Russians when Russia invaded Finland.

1941—We loved the Russians and almost hated the Finns when Russia fights Germany and Finland.

1941—We loved the Filipinos and hated the Japanese in the war with Japan.

1941—We loved the British, Chinese, Dutch, Russians and hated the Germans, Italians and Japanese in World War II.

1942—We loved some French and hated others during the Vichy regime.

1942—We loved the Mexicans and other Latin Americans as our Allies in World War II.

1943—We love the Chinese, try to love Russians, British, as our Allies in World War II.

1944—We hate the Argentine for its pro-Axis activities and now we are trying to love Italy, France and Russia.

Why the Isolationist Distrusts the Imperialistic Nations

The Isolationist knows that wars will continue to the end of time unless the Great Powers abandon imperialism and that a new League of Nations by itself will not succeed in enforcing a permanent peace in an uncivilized world.

The Isolationist knows that the principal causes of World War I and II were Imperialism and Pan-Germanism and that the casualties totaled 37,508,686, or 57.6% out of a total mobilization of 65,-038,810 men on both sides of World War I.

The Isolationist knows that League or no League the only thing the "Big Powers" respect is force and therefore the best insurance protection the United States of America can buy against future wars is to maintain in peacetimes a two-ocean navy equal to the combined navies of any two powers and an air service equal to the combined forces of any two powers.

With the sagacity and wisdom that almost transcends human experience, George Washington uttered this truism: "To be prepared for war is one of the most effectual means of preserving peace."

The Isolationist is a Realist who does not live in Dreamland. He knows things as they are. He has his feet on the ground and his head is not in the clouds. He knows that the British, Russian, French, Netherland, Portuguese, Belgian and the Japanese Empires were founded on predatory conquest. The day for fables and illusions is over. We must give up our pipe dreams that a League of Imperialistic Nations will ever be a panacea for war.

The World In Perspective

All the Isolationist asks of his fellow Americans is to view the world situation in its correct perspective. In the recent political campaign, no truer words were spoken or written than those which appeared in the New York "Sun," one of this country's finest newspapers. In its editorial, "Peace At Home First," Nov. 9th issue, the "Sun" states the case for the internationalist and isolationist with a clarity which can hardly be excelled:

"In this November, 1944, campaign there was entirely too much talk about **"internationalists"** and **"isolationists."** Taken as a whole, the American public is neither one nor the other. It is **internationalist** to the extent that it is willing in the making and preserving of peace for our country **to work in harmony with other countries provided we shall work in harmony also with our own constitutional forms.** It is **isolationist** to the extent that **it puts the interests of the United States ahead of those of any other country."**

An Internationalist Begins to See the Light

Republican Senator Joseph H. Ball, of Minnesota, who espoused Roosevelt's fourth term election campaign because of his international policy, has made the following admissions, viz.:

"I, for one, am prepared now to admit that injustices and departures from principles repugnant to me and to America are inevitable in the peace settlements. To expect anything else out of the seething caldron of hate brewed in Europe and Asia is to expect the impossible."

This one is also from Senator Ball's pen:

"What a rich hunting ground the peace settlements after this war, or even what we can now guess about them, will provide for the isolationists when they try to turn America away from the world in despair and fear! Probable Russia annexation of the Baltic states, the Russo-Polish boundary, pig-headed British imperialism in the Far East, the row between the Communists and the Central Government in China, the trend toward socialism in France, the harsh terms to Germany (which will make Versailles look like a pink tea), arrangements on air bases, communications and oil (which may be unsatisfactory to America) and the misuse and abuse of lend-lease inevitable in such a program—these are a few of the questions which will provide the isolationists with ammunition far superior to what they had in 1919."

Historic Facts Why Americans Are Isolationists

It is in no controversial spirit that I would invite my countrymen, who may be confirmed Internationalists and Interventionists, to ponder well the following historic facts which explain why so many of our fellow Americans are Nationalists and Isolationists:

The Isolationist knows that, irrespective of the first League of Nations and the Kellogg-Briand Pact to outlaw war, 2,500,000 men were actually killed (according to our War Department records) in warfare in various countries between the signing of the Armistice in 1918 and the outbreak of the present World War II in 1939.

The Isolationist knows that Russia was one of the first signers of the Kellogg-Briand Pact and one of the first to break the Pact in its armed struggle against China in 1929 over the Chinese Eastern Railway. Russia's broken treaties with Finland, Latvia, Lithuania, Estonia and Poland are also matters of record.

The Isolationist knows that Great Britain declined to join our country in the moves to block Japan's depredations in China.

The Isolationist knows that Italy, a member of the League of Nations, ravished Ethiopia, another League member.

The Isolationist knows that Germany walked out of the League of Nations in 1935 because the Powers in the Disarmament Conference refused to grant her equality in arms.

The Isolationist knows that Russia was expelled from the League because of her aggression against Finland.

The Isolationist knows that Japan withdrew from the League of Nations because the League adopted the report of the Lytton Commission reaffirming Chinese sovereignty over Manchuria and condemning Japan's aggressive action.

The Isolationist knows that Italy quit the League when economic and financial sanctions were applied against her because of her conquest of Ethiopia and because her sovereignty over that helpless country was refused recognition by the World Powers in the League.

The Isolationist knows that Germany took armed possession of the Ruhr region in defiance of the Treaty of Versailles, and without Great Britain or France raising a hand to protect the Rhineland.

(Continued on page 181)

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"Let Each Transportation Agency Stand On Its Own Feet"

(Continued from first page)

tion which are so essential to our war-time job. In fact, without the sympathetic understanding and help from such groups as yours, we could not have functioned as we have, and when we consider what lies ahead we realize more and more how much the continuance of your co-operation and assistance means to us. The committees which strive for greater car efficiency have been especially helpful. My experience with the manpower situation on our railroad has given me knowledge of some of the problems confronting these committeemen in getting cars released.

While you represent freight shippers more than you do passengers, you know and appreciate that new passenger cars cannot be obtained and why it is that passenger trains are carrying more people than anyone likes to crowd onto them, and why they are doing more local express and mail work than good practice would suggest.

Quite unfortunately there have been some accidents and we are asked questions about the safety of railroad travel. Safety is the watchword of the railroads, and despite the stress of war-time transportation and thousands of new employees, the facts are that during the first eight months of 1944, which are the latest months for which full statistics are available, the passengers injured or killed per million passenger-miles were approximately 60% less than in the normal year of 1940.

Undoubtedly the task ahead is hard—maybe harder in many respects than what we have come through. You may recall, however, that some four years ago there were doubts in some quarters about the then existing physical capacity of the railroads to meet war requirements and their financial ability to expand sufficiently. No one knew then just what would be the transportation requirements of the nation during this war. All we need to say now is that with your help and the assistance of the Office of Defense Transportation and others we made expansions which enabled us to meet the necessities of war transportation.

I shall however mention some phases of the Santa Fe expansion program, because they are somewhat unusual.

For many years our capacity and our efficiency had been restricted artificially. Under Arizona law we were prohibited from running freight trans in excess of 70 cars, or running passenger trains consisting of more than 14 cars. Under an agreement with the trainmen made more than forty years ago we were prohibited from handling more than 50 loads into San Bernardino, California, from the east. This rule had persisted despite many improvements in the art of braking during those forty years and despite other improved facilities. Under another agreement with the train crews we were prohibited from hauling more than 2,900 tons with doubleheaders between Needles, California, and Winslow, Arizona.

Our yard tracks, our passing tracks and the pulling capacity of our locomotives throughout a period of years had been attuned to these artificial restrictions. Following the outbreak of war, the Federal Government, functioning through the Interstate Commerce Commission, issued orders which resulted in our being freed of these artfiicial restrictions for the duration of the war.

The important point about it, however, is that until we could get locomotives with greater pulling capacity and build longer sidings and extend our yard tracks, we were not in position to do much about increasing our efficiency and our capacity. So while we were moving the heaviest transcontinental business we ever had experienced, it was necessary for us to build these longer and additional tracks and to acquire the locomotives as quickly as possible. This we succeeded in doing.

The State of Oklahoma also passed a 70-car limit law in 1937 and that too was set aside for the duration of the war, but in Oklahoma we were able to return immediately to an efficient method of operation. The difference between Arizona and Oklahoma being that the Oklahoma law was passed after we had built up an efficient transportation plant.

If it had not been for the removal of these artificial restrictions and the enlargement program which was adopted immediately, Santa Fe could not have met the war demands as we have.

No one claims we have done a perfect job and yet we believe we have measured up. It is in the light of the experiences we have had that we express the conviction that we will continue to meet the necessities of the war load.

Manpower Problem

In my opinion the question of manpower is the most perplexing question which confronts us. There have been many times when we were hard pressed to move business because we didn't have enough men at the moment.

The great bulk of our older employees are working steadily and putting in long hours, and yet despite that the facts are that turnover and absenteeism have reached the highest peak in the history of the Santa Fe. Notwithstanding new eating places and improved housing, and also the labor stabilization plans adopted pursuant to regulations of the War Manpower Commission, it is extremely difficult to develop effective procedures to overcome the inclination of many new workers to shift from one job to another, or from one part of the country to another.

One of the great difficulties confronting the railroads in securing needed personnel is the inability to secure from the War Manpower Commission the right to compete with certain so-called war industries on an equal basis. Some relief was afforded in October, 1944, in respect to three occupations, viz., brakemen, switchmen and firemen. For these three classifications our railroad and twelve others were given a class "A" priority rating.

The fact that our overall shortage was greater in these three occupations sixty days after the issuance of the class "A" priority rating than it was when the priority was granted, is evidence of the terrific turnover in force and demonstrates the weakness of a plan which tries to maintain a sufficient force through what may be termed "piecemeal" offerings by the War Manpower Commission.

The railroads do not have as high a priority rating as other industries engaged in war production in spite of the fact which everyone should recognize, i.e. unless the transportation systems can transport the raw products to the war plants and the finished products from such plants, there is no need for giving the war industries a higher priority than that accorded the railroads.

Prior to the German breakthrough of Dec. 16, 1944, there were reasons to believe that 1944 would be the peak year in freight transportation on a national basis, but I think no one can now forecast what effect that breakthrough will have upon national transportation requirements. It is rather obvious though that it will call for materials and men not previously contemplated.

We of the Santa Fe have thought that our maximum load will result largely from the traffic stimulated by the West Coast war industries and the off-shore military movements from California ports. These off-shore movements are expected to be heavier as the war against Japan is intensified. We have confidence that our plant capacity will measure up to the maximum requirements. We have met some substantial increased demands already. For example, our west-bound transcontinental freight traffic in December was 46% heavier than a year ago.

Because we have not been able to obtain new passenger cars, it is doubtful if there is much reserve in our passenger carrying capacity. In recent months military travel on the Santa Fe has declined, but civilian traffic has increased to an extent greater than the decline in military travel. According to our present understanding, we may anticipate our greatest passenger transportation problem when large numbers of the military forces are returned to the country and are given a furlough of a month or such a matter. All of them will want to go home. We will then be confronted with requests for transportation from thousands of individual passengers whose mission and very nature are such that they are entitled to preferential treatment.

Transportation Prospects

Now about the future: there are many interesting phases of rail transportation prospects in the postwar period. New technologies are developing. Our people possess the "know how" and earnestly desire to give an improved service. The extent to which engineering developments and new technologies will be employed and the degree of other improvements in rail transportation will be affected greatly by circumstances which create the atmosphere of transportation. For that reason it is my purpose to use the short time available here today to discuss a few of the problems which if handled properly will be beneficial in creating a favorable atmosphere.

As a people we have not yet disposed of the land grant question, about which I am sure all of you are pretty well informed. A brief history of the attempts to do something about the land grant situation is interesting and may be helpful.

A bill was introduced in the House on Dec. 2, 1941, the effect of which was to abolish land grant rates on Government traffic. The House Committee on Interstate Commerce reported the bill without amendments on March 18, 1942. The bill was debated in the House in the spring of 1942 and was recommitted to the Committee on Interstate Commerce.

Finally in February of 1944 another bill was introduced which was identical to the bill of December, 1941. The bill passed the House in May, 1944, and was messaged over to the Senate. There it was referred to a sub-committee of the Senate Interstate Commerce Committee which for various reasons functioned rather slowly but finally on Nov. 14, 1944, the sub-committee made its report to the full committee and the full committee on November 28 reported the bill favorably with certain amendments.

These amendments contemplated when difference between full commercial rates and land grant rates exceed $68,272,770 (claimed to be value of granted lands now held by carriers), the Interstate Commerce Commission would proclaim full commercial rates effective. Further, the $68,272,770 was to be set aside as "Veterans' Farms Fund" to be administered by the Secretary of the Interior. The fund was for purchase and improvement of lands in Bureau of Reclamation projects suitable for division into farms for veterans and for construction of irrigation projects in seventeen western states. My understanding is no one opposed these amendments.

Nevertheless, the bill never was considered by the Senate as a whole and of course the bill died when Congress adjourned. The necessity now exists for introducing the bill again in the new Congress and that action is contemplated.

There is no good reason why the bill should not be enacted into law, and despite the buffeting we have experienced we still hope that the equities of the bill will prevail. We have had the support of such organizations as yours and we hope to continue to merit your support in the enactment of the proposed legislation.

The Western Anti-Trust Suit

In my opinion one of the most unwarranted attacks ever made upon a great American institution is the so-called Western Railroad Anti-Trust Suit. It is not my purpose here today to try this anti-trust suit, but I must devote a few minutes to discussion of the philosophy which inspires it, the stubborn disregard of both history and public need which that philosophy indicates, and the blind reverence for out-moded court decisions, such as one in 1897 identified as United States v. Trans-Missouri Freight Association, in which that philosophy finds its support.

That decision pronounced the rule of cutthroat competition, but not the wisdom of it. As to that the court stood neutral. It said:

"It may be that the policy evidenced by the passage of the act itself will, if carried out, result in disaster to the roads and in a failure to secure the advantages sought from such legislation. Whether that will be the result or not we do not know and cannot predict. These considerations are, however, not for us. If the act ought to read as contended for by defendants, Congress is the

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New York, January 9, 1945

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body to amend it and not this court,"

but it also said:

"It may be entirely true that as we proceed in the development of the policy of public control over railway traffic, methods will be devised and put in operation by legislative enactment whereby railway companies and the public may be protected against the evils arising from unrestricted competition and from rate wars which unsettle the business of the community."

That may have seemed cold comfort in 1897, but as the years passed the implied prediction came true.

Many of you are traffic men, and you know perhaps better than I the d e v e l o p m e n t of public thought, public regulation, statutory provision, and judicial decision, in respect of transportation during the last forty-eight years.

The Hepburn Act of 1906, giving the Commission power to fix maximum rates; the Mann-Elkins Act of 1910, giving it power to suspend them; the Court's discovery of the rule of reason in the Standard Oil case in 1911; the concept of the Shipping Act of 1916 whereby the shipping industry was made exempt from the anti-trust laws, and regulation by a public administrative board was substituted; the Transportation Act of 1920 giving the Commission power to fix minimum rates; the emergence of the concept of a national transportation system evidenced by that Act, and its new philosophy of transportation and regulation; the Commission's investigation of conference rate making and its publication of the facts in 1923, followed by twenty years of apparent acquiescence on the part of both Congress and the Department of Justice; the Emergency Transportation Act of 1933 with its recognition of necessity that carriers act in concert for the protection of the public as well as their own protection; the 1935 Motor Carrier Act with its declaration of policy to foster sound economic conditions in highway transportation and among highway carriers and to avoid unfair or destructive competition; the Civil Aeronautics Act of 1938 adopting the same policy in respect of air carriers and creating machinery and procedure for its fulfillment; the Transportation Act of 1940 announcing that policy for carriers by rail, highway and inland waters, and confiding its administration and accomplishment to the carriers themselves as well as to the Commission. This partial recital should suffice to show how times and laws have changed.

All these things you know; only the Department of Justice is unmindful of them. The ancient decision of United States v. Trans-Missouri Freight Association is the anti-trust Bible of the Department of Justice. It contains only an Old Testament.

The Attorney General and the Assistant Attorneys General all ignore the promises of even their own sacred text and the fact that those promises have been kept, and worship according to a ritual of retribution that disregards all that has come to pass, building their altars for living sacrifice long after their temple is destroyed, and lifting up their voices for fire to descend and consume unbelievers.

The best minds of this nation have worked for a half century on the perplexities originating in the Trans-Missouri case, and they have produced a sound philosophy for carrier regulation, which is commonly if not universally accepted. It may be stated thus:

Among carriers subject to the Interstate Commerce Act, and included in the congressional concept of the national transportation system, cooperative action is so necessary and so complex. It so frequently involves competitive stresses among shippers, markets, regions and commodities, as well as among the carriers themselves, that its governance should not depend upon individual predelection but should be orderly and systematic, and yet should be upon investigation, case by case, according to practical public interest in the light of actual needs and conditions. Only the Interstate Commerce Commission has the equipment, the experience and the guidance of elaborate statutory instruction which are indispensable for the exercise of the regulatory function. The Department of Justice has not; and neither its attitudes nor the decisions of the courts in particular cases could possibly be so coordinated as to preserve the predictability which is so essential to sound and just public regulation. Congress never intended to entrust that function to the Department of Justice or to the courts; the courts have always disclaimed it.

To carry this philosophy into effect, or, better stated, to clarify the intent of Congress and facilitate its accomplishment legislation probably will be proposed at this session of the Congress committing this whole matter to the Interstate Commerce Commission and endowing its decisions with finality which will put them beyond the reach of interference under the pretext of anti-trust law proceedings. It well behooves all who depend upon transportation, and all who conduct it, to give active support to sensible legislation of this sort.

Government Subsidies

Then there is another question of national policy which I think should be examined closely and considered earnestly—the policy of contribution of public money for the benefit of other forms of transportation.

As you consider what I have to say on this subject please keep in mind the high ratio of railroad property investment to gross revenue. Some studies made about four years ago showed that the ratio of property investment to gross revenue was:

$5.91 for the railroads
$1.66 for water carriers
69 cents for the air lines
72 cents for intercity bus
35 cents for intercity truck

In all instances the figures do not include depreciation or inventory.

It would seem to be so nearly axiomaitc as to require no argument or debate that one form of transportation agency will be seriously disadvantaged if competing forms are aided by the general taxpayers. It is as if two boxers were put into the ring, one with both hands free and the other with one hand tied behind his back.

All transportation agencies other than railroads in one form or another are the beneficiaries of public funds. In the case of the water carriers the public expenditure is for improving the streams on which they operate, and furnishing freight and passenger terminals for their use.

In the case of airways it is for air terminals, beacons and other safety devices.

In the case of highway carriers it is for building new highways and improving old.

On December 20, 1944, the President signed an Act which provides that the federal government will expend a half billion dollars per year for three years for highway construction purposes on the promise that the various states will put up an equal amount. The bill, therefore, contemplates that there will be a highway building program to the extent of a billion dollars per year for three years. Not more than ten per cent of the sums apportioned to the state may be used for railway-highway projects, i. e., relocation of grade crossings, grade crossing separations, and signal protection.

These improvements will result in better and faster highways than we have had before. Hills will be cut down and curves will be flattened. Apparently it is the thinking on the part of the federal government that for the benefits which come to the nation by reason of improvements in this one part of our transportation plant, tax monies should be used.

The railroads have been reducing grades and curvature for years, but they must get their capital for new improvements from rates charged for services rendered. If those revenues are adequate, they can meet their payrolls, meet their bills for materials and supplies, and may be lucky enough to have some money over for a return to investors.

Perhaps the question of national defense influences these expenditures on the part of the federal government. If so, I think it fair to say that if anything has been learned by the American public during the last few years, it is that the railroads are absolutely necessary for the transportation of men and commodities during a period of war. They have learned unmistakably that, notwithstanding the growth of other and competing forms of transportation agencies, the railroads are still the one indispensable part of our national transportation system.

I have thought that the most logical and most equitable policy to pursue would be to let each transportation agency stand on its own feet. Let each agency derive its revenues and its financial needs through its own private enterprise, and forego these payments from the pockets of the taxpayers. Is this too much to ask? Perhaps it is in this day of ours. If there is no escape from such an era, and if the public expenditures for the development of waterways, airways, and highways are to continue, then in all fairness let us see what this means to the railroads and what, if anything, can be done about it.

First I want to say that for my part I want nothing to do with anything which even approaches putting the government in the railroad business. I don't believe in it and I cannot express myself too strongly on that point. But if as a people we believe that for purposes of national defense and other benefits there should be a continuation of the use of tax monies for improvements in other systems of transportation, then let's consider something like this:

To the extent that the railroads decide to make permanent roadway improvements, especially line and grade changes, let them receive tax exemptions.

In other words, why not allow us a tax credit to offset a part of the cost of these improvements in our roadway in keeping with the policy under which the federal government matches dollar for dollar the money advanced by the individual states for improvements in highways.

The exemption from some or all federal taxes is not a new or unheard of thing. The provision for exemptions in whole or in part in order to further some alleged public good is well established as a principle of federal taxation policy. I only need to mention the total exemption of cooperatives by the way of example. The different tax rates or tax levels for different net incomes is another example. The difference between corporations and individuals is still a third.

My first thought and my first hope would be against all federal aid. This suggestion of a tax exemption is made only in the thought that in the light of current events governmental expenditures during the postwar period appear to be an inescapable part of our economy.

Please keep in mind the fact that the amount of money railroads may spend for improving their plant is dependent, among other factors, upon the volume of business. To the extent that improvements in other forms of transportation at taxpayers' expense result in a service disability to the railroads with its consequent shrinkage in railroad volume, the railroads have a lessened opportunity to obtain money for improvements.

Believing as I do in the necessity for preserving a healthy and aggressive railroad system and believing in the fairness of the American people, I recommend careful consideration by our people of the equity of this plan, to be effective during the time when money is being expended by the federal government for the betterment and improvement of the other systems of transportation.

Attractive Situations

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

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New York, January 10, 1945.

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Holding the Price Line

(Continued from first page)

There are five major problems which we must lick if we are to win this fight.

Food Rationing

OPA problem number one involves food rationing. A week ago today we announced a series of fundamental changes in our food rationing system. We invalidated surplus sugar stamps covering over **250,000 tons** of sugar. We invalidated nearly **seventeen billion** blue ration points, covering processed foods; and over **ten** billion red points covering meats, fats and oils.

We placed back on the list of rationing products 85% of all meats sold in the average grocery store. We restored five canned vegetables to rationing.

The invalidation of ration stamps was one of the toughest decisions we have ever had to make.

When we originally said there would be notification in the case of invalidation of stamps, we did not estimate properly the number of stamps which would accumulate nor the serious effect the spending of these stamps could have on reduced supplies.

We were wrong. We should have foreseen these possibilities. However, I was not willing to cover that mistake by working a hardship on the great majority who need their stamps to get their fair share of food.

Our choice was simply this: First, we could allow the old stamps to remain valid and cut the value of the new stamps, or second: we could cancel the old stamps and give everyone his fair share of 1945 supplies. The first plan would have allowed one comparatively small group of families a substantially larger share of 1945 supplies than the majority of families. That would have been unfair.

When we asked women who had extra stamps why they had not spent them, the large majority told us "Because we did not need them." Most of them, I am sure, will tell you that it would be unfair to cut the rations of those who have spent their stamps promptly in order to allow an extra share of scarce foods to others who were able to save stamps when food was more plentiful. It was the hardest decision we ever had to make. We knew some people would be mad and with many of them I really sympathize. That is no reason, however, why we should not insist on a fair share of 1945 supplies to each household, particularly when the supplies of these foods are lower than they have been at any time during the war.

Very frankly, these changes in our food rationing program, unwelcome though they be, should not be postponed longer.

It was evident then that meat supplies were likely to be substantially below last year's level. We knew that billions of unused sugar stamps and blue ration points, representing inflationary ration currency, were a threat to the proper working of our whole food rationing program. We knew that the supply of canned foods alloted to civilians was unlikely to be sufficient to meet civilian demand.

The food requirements of the armed forces must be met.

The guns in Europe are still roaring today and all of us realize that we are up against a tough struggle both in Europe and in Asia.

In many sections of the country, meat has been scarce. Distribution has been dangerously uneven. Three weeks ago, for example, 35% of all stores were out of butter; 31% had no rationed beef; 32% had no veal; 45% were out of ham; 66% were out of bacon.

The Army's meat requirements have increased sharply. For the coming three months there will be 15% less meat available for civilians than we had a year ago.

We are faced with the problem of distributing very carefully our available supply of canned vegetables for civilian use until the new pack is completed next summer.

Needless to say, the decision to restore more rigid food rationing was not an easy one. We dislike the necessity for additional red tape and inconvenience to our housewives and grocers.

But facts are facts. And in wartime in particular, they must be met honestly and fairly. The food rationing program which we launched last week will serve, over a period of time, to see that every family in the land gets a fair share of meat, canned vegetables and sugar. If we had failed to meet this issue squarely, we would have failed to carry out the responsibility with which we have been entrusted.

So much for the policy aspects of the rationing situation.

Administrative Problems

I think you may be interested, however, as management specialists, in the administrative problems of carrying out such a policy decision. Let me list some of them.

There are eight OPA Regional Offices, 93 District Offices and about 5,500 local OPA boards—each one of which has to be given instructions for applying and interpreting the regulations.

There are about 8,000 wholesalers and 600,000 retailers of meat, processed vegetables or sugar. Each one of these has to be notified of the basic decisions and provided with a poster showing the point values to be charged for each type of rationed food.

There are some 550,000 hotels, restaurants and other institutional users of rationed foods, including schools, hospitals, asylums and jails. Each one of these has to prepare ration-point inventories by the end of the year.

In addition, there is the problem of issuing new quotas to about 125,000 industrial users of rationed food products.

Moreover, there are about 1,500 newspapers and radio stations to be notified of the essentials of the program so that the buying public and food retailers may suffer as little inconvenience as possible.

Finally, in the case of rationing changes, there is the special problem of maintaining complete secrecy while making preparations to carry out the administrative details. The printing of instructions and regulations, the notification of Field Offices, the necessary consultation with specialists in different parts of the Washington office and with officers of other agencies involve so many people that the maintenance of secrecy is very difficult indeed. And yet, if we are to avoid advance buying of newly rationed items or more tightly rationed commodities, it is essential that there be no advance notice to the general public. We have never succeeded in doing a one hundred per cent perfect job.

On several occasions we have had to advance the effective date of ration changes because leaks had already occurred. Naturally, this leads to confusion, since we are then not able to put out the necessary instructions on time. However, during the last three years, we have all learned a good deal about the administrative details of rationing. The public is much better informed. The trades involved are very cooperative, and our own specialists have been trained in the hard school of experience. We can look forward, I think, to a much smoother operation of all rationing programs in the future.

OPA problem number two, for which we shall have to find some solution, is control over livestock prices. For many months now, live cattle has been almost the only basic commodity, either agricultural or manufacturing, on which there has been no price ceiling.

We have encountered difficulties in administering ceiling prices at wholesale and retail levels because the price of the original product is not under control. But control over livestock prices involves serious technical difficulties.

In tightening controls over the top prices in livestock we would be taking a step which, to many cattle raisers, would seem to be a drastic one. There is considerable resistance to it.

We in the OPA have felt for a long time that such controls are inevitable. If the authority should be delegated to us by the Stabilization Director, we would act promptly.

We feel we would be better protecting the public against overcharges at the retail level.

But, again, it will be a tough decision, and it would not be an easy program to manage.

Since the quality of beef cannot be accurately graded on the hoof, it has to be graded after slaughtering. There are about 20,000 slaughterers, ranging from very small operations, employing a few men, to the huge, integrated companies making the fullest possible use of all by-products. These slaughterers must be inspected by a very limited staff of skilled people. The specialized knowledge required for proper inspection and grading of dressed beef takes many years to acquire.

In addition to the slaughterers, there are about 10,000 meat wholesalers and more than 500,000 meat retail outlets. Compliance with ceiling prices at each level of distribution must be achieved if the consumer is to be protected at retail. If there are violations at any level of distribution, it produces squeezes at later levels which make the elimination of black markets extremely difficult, if not impossible.

To secure compliance with retail ceiling prices, more than a million meat price charts for different price zones have to be prepared and distributed in retail stores and to the Price Panels of local Boards. Members of Price Panels must be recruited and trained to organize and administer the work of Price Panel Assistants who help butchers abide by price regulations and take care of reported violations.

Success in carrying out this tremendous management task depends, to a very large extent, upon the understanding and cooperation of both the trade and the housewife. This, in turn, involves an information program to trade associations, trade papers, general newspapers and consumer organizations.

It's not an impossible job, but we're going to have our hands full.

Pricing For Distributive Trades

OPA problem number three, to which we must find a fair and practical answer lies in our pricing policy as it applies to the distributive trades: sales agents, jobbers, wholesalers and retailers. In justice to the consumer and to other segments of our economy, I believe we have no alternative but to apply the principle of cost absorption to the distributive trades we have so long applied to producers.

The Price Control Act states only that the ceiling prices set by the Office of Price Administration should be "generally fair and equitable." It was up to us to determine what those words mean in actual practice. To carry out the purpose of the Act we established pricing standards which required the absorption of certain increases in cost before price increases were allowed. If it had not been for this principle the level of all prices would be far higher than it is today. We might well be headed toward a dangerous inflation.

In spite of the fact that we have insisted that manufacturers absorb increased costs as long as their overall earnings were satisfactory, business in general has been far more prosperous than in any other period in the history of our country.

These principles of pricing were fully explained to Congress last Spring. We spent many days before Congressional committees with charts and graphs, explaining our standards for price increases both as a general matter of policy and in specific individual cases. Since Congress extended the Act without any changes in these standards, it thereby expressed its approval of them. In a case decided in August, the Emergency Court of Appeals upheld their validity.

Even after reasonable cost absorption, however, price increases to manufacturers and other producers are some times necessary according to these standards. When those occasions occur (and I hope they will not be too numerous) it seems only fair and just that we apply the same accepted, tested principle of cost absorption to wholesalers, retailers, and other distributors.

As in the case of other groups, the distributive trades have been very profitable during the war period. Large department stores on the average are making nearly seven times as much and small department stores are making about nine times as much on net sales as they were in 1936-39. The hardware retailers are making nearly three times as much on net sales as they did in 1936-39. The hardware wholesalers are making nearly twice as much. Greatly increased profits are also true of music stores, dry goods wholesalers, etc.

As long as these wartime profits remain high, it is only reasonable for the distributive trades to help share cost increases. It is only proper that the consumer should be protected against increases in the retail price on those occasions where some increase is necessary at the manufacturing level. The pricing standards which we have developed are, I believe, entirely fair.

However long it takes to win the war, our pricing standards will leave the distributive trades, with rare exceptions, in a more profitable position than they have ever been in peacetime.

Again, I believe there is no question of the rightness of our stand. And again I am confident that the vast majority of store owners, wholesalers, and other merchants will cooperate with us to the hilt. But there will be some, of course, who will attempt to apply pressure and who will complain bitterly, even in wartime.

Clothing Situation

OPA problem number four lies in the clothing situation. Clothing, as you probably know, is one of the three principal items in the cost of living which has risen in the last year and a half. The level of average rents throughout the country is exactly where it was thirty months ago. The index of individual food prices, according to the Department of Labor, is actually five per cent lower than in the Spring of 1943.

But clothing prices have climbed steadily. The climb has been only a portion of the increases we had during the last war, when clothing prices increased more than **200 per cent** but the price has risen steadily. The increase this time has amounted to something like **eight per cent** in the last twelve months. But this increase has bothered us a great deal and in

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WILLIAM TUNIS, Comptroller

STATEMENT

at the close of business, December 30, 1944

RESOURCES		LIABILITIES	
Cash on hand	$2,242,190.54	Capital	$500,000.00
Cash in Banks	25,077,819.85	Surplus	6,500,000.00
U. S. Government Bonds	30,118,830.89	Undivided Profits	821,545.55
N. Y. State and City Bonds	5,712,006.17	Due Depositors	66,110,741.35
Other Bonds	6,969,431.74	Checks Certified	11,747.04
Stocks	845,054.70	Unearned Discount	2,660.78
Bonds and Mortgages	1,586,632.60	Reserves for Taxes, Expenses and Contingencies	1,018,660.92
Loans on Collateral, Demand and Time	880,450.22	Official Checks Outstanding	66,877.87
Bills Purchased	430,878.71		
Real Estate	822,610.41		
Other Assets	346,227.68		
	$75,032,233.51		$75,032,233.51

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fact has threatened our whole anti-inflation program.

We have been further disturbed by the deterioration in clothing quality and the disappearance of low-price lines. These difficult problems must be met. And again the solution is bound to be disturbing to some groups.

The War Production Board has already taken steps to eliminate or curtail the use of fabrics for non-essential purposes. WPB is taking further steps to allocate fabrics to basic uses for which there is the greatest need.

The OPA in turn has taken strong measures to eliminate over-finishing and over-fancying of materials. We are now taking additional steps on finished clothing.

I am afraid some of the moves which we will make will not be greeted by cheers from some of those in the clothing field. But again, I can only point out that the production of textiles and the manufacture of clothing has been very profitable during the war. Already we are open to grave criticism for allowing prices in this field to rise even to the extent to which they have risen.

If we failed to correct this situation now, we would be failing to carry out a major part of our difficult wartime responsibility. I am sure the steps which we must take during the next thirty days to bring clothing prices and quality under better control will be welcomed by consumers and will be conceded to be fair by all the responsible members of the textile and clothing industry.

It's not going to be easy, however, as I think you can judge from the administrative problems involved. There are 3,500 textile manufacturers; 650 converters of textiles; 5,500 wholesalers and jobbers; 1,900 apparel manufacturers and 200,000 retail clothing stores. The trade channels through which textiles and apparel move are probably more complex and varied than those of any other industry. New firms are constantly entering the field while others disappear.

Continual changes take place in style and in the actual processes of manufacture. There are few satisfactory quality standards to which specific prices can be attached. There is so little uniformity of business practice that it is very difficult to draft satisfactory general rules under which we can operate.

We must have fairly accurate information on which to base decisions. We cannot play by ear without becoming arbitrary. If we are to have information, questionnaires must be carefully prepared which will cause the least inconvenience to business. The results of these questionnaires must be put in usable form.

After general regulations have been drawn, there must be provision for meeting the particular circumstances of individuals or special groups. Thousands of applications have to be processed. New prices have to be set on new goods.

Compliance with regulations must be secured at each level of manufacture and distribution through the cooperation of the trade press, trade associations and individual businessmen. Compliance meetings have to be organized, and permanent compliance committees set up.

Specialized information in the form of press releases and easily readable trade bulletins have to be prepared. Enforcement investigations have to be undertaken. Legal actions must be instituted and court cases presented.

For this stupendous job we have available two or three hundred price specialists, about 370 enforcement investigators and fewer than a hundred attorneys for the entire country.

It is pretty clear, therefore, that even though the original policy decisions may be tough, the actual administration of these decisions involves a good many headaches before the results begin to show up in the cost-of-living. Such a program can't be carried through without error, without strain, irritation and difficulty. But I believe that every month we stay at this our efficiency improves. We're a lot better at it now than we were two or three years ago. And none of us will be content unless we can continue to show improvement.

Reconversion Price Policy

Finally, on our list of OPA problems, there is the question of reconversion pricing. When the happy day eventually comes when our factories once again hum with the manufacture of such consumer goods as automobiles, vacuum cleaners, washing machines and radios, we shall be faced with the problem of reviewing ceiling prices in these fields—most of which reflect March 1942 prices.

Our policies in this field have already been stated on other occasions. Let me repeat them here. It is our belief, based on preliminary studies, that with relatively few exceptions the consumer durable items which have been off the market during the war years can again be placed on sale at the same prices which were charged the consumer during the first quarter of 1942.

There have, of course, been some increases in wage rates and some increases in raw material prices. But for all these products there will be an almost unlimited demand once the war has been finally won. Big volume makes for lowered costs. Selling costs will also be lower, and overhead charges will be reduced. We believe that these reduced costs will go a long way toward offsetting such increases in wage rates and material prices as there may have been. When cost increases cannot be absorbed by the manufacturers, we shall ask, within reason, that they be absorbed by those who distribute the product to the final consumer.

If we are to meet squarely our aim of a stable peacetime economy, if we are to hold the line vigorously and courageously against inflationary forces, retail prices on these products must be firmly held. This, I believe, can be accomplished with full allowance for generous profits, in most cases, to manufacturers, distributors, wholesalers, and retailers.

Our American economy runs on the profit motive. A fair and just profit at all levels of production and trade should be maintained. But we must appreciate, too, that while some costs go up, other costs go down. And if we are really determined to control the forces of inflation, we must be willing to forego the chance for inflationary profits, which, pleasant though they might be for the moment, could only lead to disaster.

I have listed just a few of our problems. Most of them are not easy. I can assure you that the handling of them is not a pleasant task. In seeking their solution, we are certain to make some mistakes. In any such vast operation as this, some errors and some irritations are inevitable.

As I have said so many times before, we will work constantly to eliminate such mistakes as fast as they occur, and to provide the fairest possible administration of the law which Congress has placed in our charge.

We all know that wartime controls are difficult and unpleasant. But we will accept them, I believe, with relative cheerfulness as long as we have reason to believe they will fulfill these objectives.

Postwar Inflation Checks

Can we actually hold inflation in check? Can we maintain a stable economy? Can we avoid the skyrocketing prices which historically have always gone with war? Frankly, I believe we can. But let me quickly add that I am not **over-confident**. So far our record has been reasonably good. The level of wholesale industrial prices is only three percent above the prices of thirty months ago . . . that is, the spring of 1942, when OPA price control first went into effect. During the last eighteen months the average of these prices has been held almost exactly even. That means millions upon millions of dollars already saved in the cost of fighting the war.

The cost of living since the first days of price control has increased only **nine per cent.** Since our OPA controls have been perfected—that is, since the spring of 1943—the increase has been only **one per cent.** As I pointed out, we have been weak on clothing, but that weakness has been largely offset by our record on food and rent. I believe that our new clothing program will put an end to price increases in the clothing field.

But we cannot afford to be over-confident. It would be folly to make promises in a field as difficult as this. We should remind ourselves that once before we met the problem and fumbled it rather dismally. After the defeat of Germany, in 1918, prices for a while fell off. From one end of the country to the other, it was said that the danger of further inflation was over. But in March, 1919, prices started upward, and a wild scramble for inventories developed. Prices higher and higher with wages tagging along behind. The white collar worker—as usual—faced special difficulties.

In June, 1920, the inflationary boom collapsed. In a single year eleven billion dollars in inventories were wiped out. Substantial business profits turned into losses. Net farm income dropped by **62 per cent.** Factory payrolls dropped **44 per cent.**

If our price structure were again to get out of hand, the consequences would be far, far worse. The amount of inflationary pressure in this country today is unbelievably great. If those forces are not firmly and courageously controlled, neither you nor I nor anyone else can estimate the chaos which could result.

The war in Europe today is a long way from being won. Those who are in a position to know say that many months of hard fighting lie ahead of us. During those months, we who are responsible for the control of prices and those who are responsible for production, both in our factories and on our farms, will be faced with problems that will be staggering.

But when the German war is won, we in the OPA may be faced with problems which may be even greater—for, as I pointed out, it was **after** the Armistice of 1918 that the greatest price increases occurred after World War I. For this reason we must hold the price line firmly not only until V-E Day, but for some time thereafter.

Many of us feel that the greatest inflationary threat will come from four to seven months after the Germans finally give in. It will be then that the first consumer durable products come into the market in quantities far below the effective demand. It will be then that our workers will regain their confidence with jobs in peacetime industries. It will be then that our savings will come out of our banks and war bonds. It will be then that the terrible threat of an inventory boom will be most potent. In this period we shall all be called upon for our greatest efforts—if inflations is to be finally licked.

But there will come a time when supplies again begin to approximate demand. At that time price controls will be eliminated first from one field and then from another. I can assure you we are only too anxious for that day to come.

In the intervening months, our task will be great. Without the vigorous support of farm groups, labor groups, our Congress and the people in general, we in the OPA cannot hope to accomplish our task. Without such support, we will be swiftly swept aside and the flood gates of inflation will open.

In the struggle to maintain a stable price level, our whole economic future may be at stake. If rents should start up; if food, clothing and raw material prices should start up, the rise would gain in speed and soon be beyond our powers of control.

We would again face economic disaster and collapse—collapse from which our economy could recover only with great difficulty and after widespread suffering.

When the war is won, our hearts are set on a new and vastly more prosperous America, with plenty of jobs at good wages; with good income for our farmers; with reasonable profits for our business men.

The world we live in, when the peace finally comes, will be an unsettled world—potentially a revolutionary world. If we in America are to know full security, full prosperity and full opportunity, we must make our economic system work effectively and efficiently in the interest of all of us.

We must fully employ all our resources and all our manpower to raise our standards of living to provide good jobs, a good education, decent medical care, vastly improved housing and a generally higher standard of living for every family in the land. If we fail to meet this test our system will have failed. We will have failed and America will have failed. The price control program, for which we in the OPA are responsible, is a basic part of this fight for a finer, more prosperous and more democratic America.

We will need your help, your understanding and your support if we are to succeed in meeting our responsibilities in the difficult months that lie ahead.

Interesting Rayon Stock

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

Fashion Park Attractive

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

THE PUBLIC NATIONAL BANK
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Main Office, 37 Broad Street

CONDENSED STATEMENT OF CONDITION

December 31, 1944

RESOURCES

Cash and Due from Banks	$75,955,664.66
U. S. Government Securities	257,941,963.78
State and Municipal Securities	4,093,843.72
Other Securities	2,756,766.07
Loans and Discounts	96,041,907.73
Customers' Liability for Acceptances	1,095,754.41
Stock of the Federal Reserve Bank	480,000.00
Banking Houses	1,981,646.44
Other Real Estate	45,143.66
Accrued Interest Receivable	948,360.03
Other Assets	267,792.79
	$441,608,843.29

LIABILITIES

Capital	$7,000,000.00	
Surplus	9,000,000.00	
Undivided Profits	4,508,039.51	$20,508,039.51
Dividend Payable January 2, 1945		150,000.00
Unearned Discount		233,959.37
Reserved for Interest, Taxes, Contingencies		3,498,108.87
Acceptances	$2,643,492.46	
Less: Own in Portfolio	1,183,561.87	1,459,930.59
Other Liabilities		233,697.48
Deposits		415,525,107.47
		$441,608,843.29

Securities carried at $60,187,309.73 are pledged to secure U. S. Government War Loan Deposits of $58,146,632.47 and other public and trust deposits, and for other purposes as required or permitted by law.

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Canada and War Finance

Our new pamphlet entitled "Canada and War Finance, September 1, 1939—November 30, 1944," provides an interesting survey of many salient features of the Dominion's wartime economy.

Among the topics dealt with are government debt and interest charges, bank deposits and security holdings, national income, war production, and industrial company reserves.

Copy of this new pamphlet gladly furnished upon request.

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Canadian Securities

By BRUCE WILLIAMS

Recent events, notably the Chicago Air Conference, indicate that the Great Powers of the world are not yet ready to arrive at harmonious agreements on post-war economic matters.

This would appear to preclude the "Key Countries" approach to the stabilization of world currencies. And, incidentally, the possibility of the relinquishment by Canada of an export advantage in the shape of the 10% discount against the U. S. dollar is now more remote.

Therefore, although the Bretton Woods plan has many obvious imperfections, it offers nevertheless the only existing basis of general agreement on the international monetary stabilization problem. Of still greater importance in the light of recent experience, it would be a tragedy lightly to abandon a world plan which in spite of its complexity was approved by 44 nations, the delegates of which were able to work together in a spirit of friendly cooperation.

The many critics of the plan, however, would be less skeptical if it were clear that the management of the Fund would be entrusted to a body composed principally of bankers and business men with wide experience of international commerce and finance.

With regard to the favorable aspects of the scheme, it does offer a possible solution of that most knotty monetary problem, namely the gradual liquidation of the vast accumulation of blocked sterling. And, from the Canadian point of view, the ready convertibility of sterling into U. S. dollars is of vital importance.

Moreover, the fear that an overwhelming pressure will be placed on the supply of U. S. dollars is likely to prove unfounded. On the cessation of hostilities, there will be a universal demand primarily for basic items of food and clothing and materials for building reconstruction. At that time, as soon as world trade is diverted into normal commercial channels, buyers will purchase in the cheapest markets. For instance, wheat and lumber will be purchased from Canada in view of the wide differential in the prices of these commodities here and in the Dominion. Likewise in the case of cotton another outstanding example is provided.

However, it must be emphasized that before any normal resumption of foreign trade will be possible, it will be essential to have a multilateral scheme for the convertibility of world currencies and it now appears that the only hope remaining for its realization is to adopt the Bretton Woods plan. If it is entered into in a spirit of cooperation and determination to make it a success, it will not be surprising if its former critics will become its foremost advocates.

Turning to recent developments, the call for payment at 102½ of the $18,000,000 Shawinigan Water and Power 4½s of 1970 came as no little surprise to the market. The issue will be refunded internally, and the new financing for the same maturity will be effected at 3½%. Thus Canada continues to repatriate its external debt, and this latest demonstration of this policy leads to the consideration of the possibility of a further similar refunding of the $34,000,000 4½s of 1967 which are callable at 102.

During the past week, the market in general fully justified previous anticipation. The first investment order in Montreals of any size duly materialized and the abnormal lag in this situation now appears well on the way to correction. Albertas were also in confident demand in spite of the lack of definite news regarding an early settlement of the provincial debt problem. It now appears more than ever possible that the previously mentioned suggestion that the Government of Alberta might ultimately make a direct approach to the bondholders, will be eventually borne out in fact.

All the other sections of the market also moved in accordance with expectations. Prices were higher throughout the list and dealers were willing to replenish depleted inventories. Internal issues were in steady demand and free funds continued strong at 10⅛% discount. It is becoming increasingly apparent, however, that the market's principal problem is the growing scarcity of supply of high-grade securities, apart from the internal issues.

With regard to the possible future course of the market, there is little reason to anticipate any early reversal of the present strong trend.

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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.

Berrien Securities Inc. Formed In Michigan

(Special to The Financial Chronicle)

BENTON HARBOR, MICH.—Berrien Securities, Inc. has been formed with offices at 805 Pearl Street, to engage in a securities business. Officers are Carl F. Thiel, president; Lewis W. Lawrence, secretary and treasurer; and Vera J. Yerington, vice-president.

Mr. Thiel was formerly with H. H. Diffenderfer & Co.; Mr. Lawrence was with Schouten, White & Co.

Some Current Problems Of Federal Regulation

(Continued from page 165)

of the value of the security under consideration. While it would require that the current quotations be given the customer, it would not prevent the salesman or his firm from giving more detailed information concerning the size of the market, its availability, or such other facts as may be deemed material.

Now I believe that in making retail sales to a customer the firm in the eyes of the common law is usually an agent for the customer.

Let us pass over the delicate question of agency, however, and concede for argument's sake that in the kind of transaction which I have just described the firm is a true dealer; that is, that it is selling its merchandise in a genuine arm's length transaction. If the customer is informed on security matters I am sure that one of the first questions which he will ask is, what is the market value of the security? I take it that no one will dispute that he is entitled to an honest answer to that question. Let us assume, however, that the prospective buyer is not fully alive to the situation and is ignorant of the factors which enter into a determination of the price which he should pay for the security. Again I take it that no one will be found who will argue that the dealer should take advantage of that ignorance. Should the uninformed customer be kept in a poorer position to protect himself than his more sophisticated brother? Not if the theory is sound on which our Federal securities legislation is grounded. As a Commission we are dedicated to the disclosure principle. We believe that there are no material facts which should be withheld from investors or potential investors.

Indeed, in connection with those offerings of securities as to which registration is required under the Securities Act of 1933 disclosure of the market quotations prevailing at the time of registration is always required where the terms of the offering make such disclosure material. Moreover, as you know, detailed information is always contained in such statements concerning the extent of the interest in the distribution of underwriters and all other persons who are participating therein.

Moreover, it is unlawful under Section 17 of the Securities Act to omit to state a material fact if the omission makes misleading the facts which are stated. Value is, of course, a material fact. Every time a dealer makes a sale of a security he places a value on it and if that value is at material variance from the market value, the dealer is under an obligation to disclose that market value. If the failure of the dealer to make disclosure becomes the subject of litigation, what is a material variation will usually be a question of fact for the jury. It is not too much to suggest that a jury might find any variation a material one. As the Second Circuit Court recently stated in the Hughes case:

"The essential objective of securities legislation is to protect those who do not know market conditions from the overreachings of those who do. Such protection will mean little if it stops short of the point of ultimate consequence, namely, the price charged for the securities."†

Apart from legal arguments, however, everyone is agreed that the dealer should not take advantage of his customer's ignorance. This would seem to destroy the validity of one of the most common objections urged against a disclosure rule, namely, that customers if informed will not pay more than the current market price. For if it is true that customers who are informed of the market value would refuse to pay a higher price, then it must follow that the dealers who charge more than the current market are taking advantage of their customers' ignorance.

Another objection which is urged against a market disclosure rule is that it will put some dealers out of business. If you go back into history, this argument has been brought out whenever anyone proposed that the investing public be given a break in security matters. Originally it was urged against the state blue-sky laws. It was urged against the Securities Act and the Securities Exchange Act. It is getting somewhat shopworn. Nevertheless, there may be something to it. A market disclosure rule may put some firms out of business. I am told that the blue-sky laws did. I am sure that the Securities Act and the Securities Exchange Act did. I have no reason to believe that a market disclosure rule will not. However, I cannot lament the firms which were closed down by the blue-sky laws, the Securities Act and the Securities Exchange Act; and I cannot mourn those who, it is said, will not survive if they take their customers into their confidence to the extent of informing them of the market value of the securities which they are solicited to buy or sell. There are, and will remain, hundreds of firms who make an even more complete disclosure to their customers.

No one who is familiar with the work of the state securities commissions or with the work of the SEC can fail to be impressed by the value of the legal safeguards which have been devised for the protection of investors since the sad experience of the late 1920's. In the federal field, however, these safeguards are most in evidence with respect to new offerings and to those securities which are listed upon national securities exchanges. In spite of the various provisions of state laws and of the Securities Exchange Act and the adoption of rules and regulations relating to the over-the-counter market there is not yet adequate regulation of that market, nor will such regulation come with the adoption of a market disclosure rule alone. The same spotlight of disclosure which did so much to restore public confidence in our exchanges and in the securities listed thereon should be placed upon the over-the-counter market as well. This spotlight should be upon those securities which are not listed on a national securities exchange as well as upon the transactions which are effected in the over-the-counter market.

As you know, the Securities Act requires the registration of new offerings and the Securities Exchange Act the registration of those securities which are listed on national securities exchanges. There are thousands of securities now outstanding, however, as to which registration is not required and concerning which little public information is available. Most of these securities are traded exclusively in the over-the-counter market, although there are some which are admitted to unlisted trading privileges upon national securities exchanges. Here is a unique opportunity for all brokers and dealers to serve the interests of the investors of America. This they can do by promoting standards of disclosure to which unregistered issuers of corporate secur-

†Charles Hughes & Company, Inc., vs. Securities and Exchange Commission, 139 F. (2d) 434, 437 (C. C. A. 2d, 1943).

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ities must adhere. In this connection there comes to my mind at once the example of the New York Stock Exchange which many years ago began to insist upon certain disclosures by issuers whose securities were traded on its board. Those familiar with the pioneering work of the New York Stock Exchange in this respect agree with Adolph Berle who has stated that the most forward looking steps taken in Wall Street during the late 20's were taken by the Listing Committee of the New York Stock Exchange in order to promote the public disclosure of material facts concerning the issuers of the securities listed on that exchange.

Much of the work of that committee has been superseded and augmented by the registration requirements of the Securities Exchange Act of 1934. The Senate Committee which reported favorably on that statute said of its registration requirements that they contain the minimum protections which security holders are entitled to receive. These requirements plus other statutory protections have combined to increase the faith of the American investor in the operation of certain segments of our securities markets.

It is a matter of concern to those of us who represent agencies of the government that the minimum protections afforded by these registration requirements are not available to all investors. It should be of even greater concern to those whose responsibility it is to supervise the investments of their clients. Just as it is true that confidence cannot exist in a market in which values are concealed, so it is also true that public confidence cannot long continue in those issuers of securities who pursue a policy of withholding material facts from their public security holders. It is difficult to understand how a broker or dealer can advise the purchase of the securities of an issuer which does not give recognition to its obligations to its security holders by keeping them fully and fairly informed at reasonable intervals concerning the progress of the enterprise. Not only is there little basis for confidence in the securities of such an issuer, but also there is bound to be some lessening of public confidence in a security firm which encourages its customers to invest their funds blindly. It must be borne in mind that in times of stress the public often lays the acts of an issuer at the door of the firm which underwrote or otherwise sponsored an interest in its securities.

It would seem to be both appropriate and feasible for professional organizations of brokers and dealers to establish high standards of disclosure for all issuers of publicly-held securities, and for the individual members of those organizations to enforce observance of those standards by refusing to recommend to their customers the securities of those issuers who fail to comply. Those standards should strive to approach those required of registered companies by Federal law, for, as I have already remarked, the Senate Committee on Banking and Currency, after months of hearings and study, stated that the registration provisions of the Securities Exchange Act represent the minimum protections which stockholders should have. Those issuers of publicly-owned securities who studiously sidestep their obligations to their shareholders will have no just ground for complaint if they find their securities ignored by responsible brokers and dealers. History has recorded too many instances of tragic consequences to investors by reason of the failure of those managing an enterprise to take its owners into their confidence concerning the progress of the business.

The inauguration of a program to compel such disclosures cannot help but raise the confidence of investors in those engaged in the securities business. I do not mean to suggest that brokers or dealers can, without the aid of additional legislation, achieve for their customers who buy unregistered securities protections equal to those now enjoyed by the owners of registered securities. I do mean to say, however, that because there is so much room for improvement in the field of unregistered securities, brokers and dealers can greatly advance their interests and the interests of investors by promoting more adequate disclosure by the issuers of unregistered securities pending the adoption of appropriate legislation, the need for which is pretty generally recognized.

I believe that it is of paramount importance for those of us in Government as well as for those who are in the securities business, and investors generally, to promote the observance of those standards of corporate morality which are embodied in the State and Federal laws relating to securities. To the extent that issuers or transactions are not covered by these laws it is in the self-interest of brokers and dealers to seek to extend the wholesome benefits of the disclosure statutes to all issuers. I know that this philosophy runs counter to the current thinking of some professionals engaged in the securities business. I know some who see in the current disparity of responsibility between registered and unregistered companies an opportunity to build a business confined to dealing in unregistered issues. I know of professionals who to promote their own self-interest have sought to persuade issuers to avoid or escape the responsibilities of registration, and to withhold from the American investors those protections which the Senate committee described as minimum protections. These are the professionals who mistakenly believe that they are in competition with their customers and who find in public ignorance an opportunity for profits based upon inside knowledge of the affairs of an issuer. Such professionals are blind—blind to their own responsibilities to their customers and blind to the responsibilities of the securities business to that segment of our national economy which it professes to serve.

In making the suggestions which I have advanced here today I have been influenced by the conviction that those engaged in the securities business are not hucksters. It is not doing violence to the truth to state that the public relies upon them for investment advice, largely because of the efforts of those engaged in the business to achieve that objective. Moreover, this reliance of the individual upon the professional is the natural result of public bewilderment in the field of finance, a bewilderment which is born of a recognition that the choice of proper investments from the thousands of securities outstanding is one which can best be made by experts in the field. Since the securities business has successfully sought to foster this dependence of the public customer on the professional with whom he deals, it is time for all those engaged in that business to give recognition to those responsibilities which spring from that dependence.

The true role of persons engaged in the securities business is one of service—service to the issuer who needs capital as well as to the investor who has capital seeking employment. To suggest that persons engaged in work of such importance to our economy should depend for their livelihood on the concealment of material facts is to underestimate their place in the field of modern finance as well as to belittle the dignity of their occupation. An enormous amount of our savings is invested in securities. That dealers, by concealing markets, should seek to withhold from the public the most practical gauge of the value of these investments is as short-sighted as it would be for a bank to seek to conceal the facts concerning its ability to repay its depositors. Confidence exists when facts are known. Confidence, however, must be earned, and to be earned must be deserved. It is not deserved by those who would make market value a trade secret.

If they have not already attained it, persons engaged in the securities business approach a professional standing, and as professionals or quasi-professionals must be judged by standards worthy of their status. It is not consistent with the public interest or their own pretensions to judge them by any other standard. They must not compete with their customers for trading profits, for such competition would be so weighted against the individual as to be unfair. They must not be permitted to take a hidden toll of that part of the public's savings which is invested in securities. They are of course entitled to profit from their calling by being fairly compensated for their services. But that compensation should not come from hidden charges which are made possible by the concealment of material facts. As Congress said in 1934:

> "There cannot be honest markets without honest publicity. Manipulation and dishonest practices of the market place thrive upon mystery and secrecy. . . ."‡

The laggards in the securities business must quicken their pace and fall in step with the progressive elements which correctly interpret their obligations to their customers and to the nation. In the long run this is the only way to retain the public confidence on which the securities business depends.

Because of the concealment of material facts from investors, that confidence was once lost. It can be lost again.

‡H. R. Rep. No. 1383, 73d Congress., 2d Sess. (1934).

Louisville & Nashville Bond Issue $53,835,000 Oversubscribed

A nationwide syndicate of 145 investment houses, headed by Halsey, Stuart & Co., Inc., won the award, Jan. 4, of $53,835,000 Louisville & Nashville RR. first and refunding 3⅜% bonds, series F due April 1, 2003, on a bid of 104.66. The successful bidders immediately reoffered the bonds at 105.88, subject to approval of the Interstate Commerce Commission and the issue was quickly oversubscribed.

The road will use the proceeds from the financing, together with other funds, for retirement or redemption, on or before April 1, 1945, at 105 and accrued interest of the following first and refunding mortgage bonds: $14,000,000 series B 5s, $31,000,000 series C 4½s and $8,835,000 series D 4s, all maturing April 1, 2003.

Through the call for redemption on Jan. 1, 1945, of $11,000,000 bonds and the payment of certain equipment obligations, the road reduced its funded debt, including equipment obligations, by $14,514,566 in the past year. Interest requirements for one year on funded debt and equipment obligations as of Dec. 31, 1944, after giving effect to the Jan. 1 redemption and the present financing, amount to approximately $6,959,989, or 31.9% lower than in 1933.

As long as any of the new series F bonds are outstanding, there is to be an annual sinking fund payment, commencing with Oct. 1, 1945, of $269,175. The bonds are redeemable, as a whole or in part, at prices ranging from 110⅞ to par, and through operation of the sinking fund, at prices ranging from 107⅞ to par, plus accrued interest in each case.

Attractive Possibilities

Standard Stoker and United Printers and Publishers common offers attractive possibilities, according to memoranda issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York Stock Exchange and other national Exchanges. Copies of these memoranda may be had from Buckley Brothers on request.

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.

Servel, Inc., Preferred Shares Publicly Offered

An offering of a new issue of 60,000 shares of $4.50 cumulative preferred stock (no par), of Servel, Inc., made Jan. 9 by a group headed by Kuhn, Loeb & Co. The issue, priced at $105 per share plus accrued dividends, was quickly oversubscribed.

Other underwriters are: Blyth & Co., Inc., Coggeshall & Hicks, The First Boston Corp., Glore, Forgan & Co., Harriman Ripley & Co., Inc., Mellon Securities Corp., A. G. Becker & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp., A. C. Allyn & Co., Inc., E. H. Rollins & Sons, Inc., Slade & McLeisch, Tucker, Anthony & Co. and G. H. Walker & Co.

The proceeds to be received by the company from the sale of these shares will be added to general funds, to be used for a tentative reconversion and postwar program. The company also has outstanding 1,726,926 shares of $1 par common stock.

The new stock is redeemable at prices ranging from $110 for redemption on or before Oct. 31, 1949, down to $107½ for stock redeemable after Oct. 31, 1953.

O'Connell & Janareli Form Brokerage Firm

Homer J. O'Connell and Joseph Janareli announce formation of the firm of O'Connell & Janareli, to conduct a general brokerage business, specializing in railroad securities.

Mr. O'Connell was for many years Manager of the railroad bond department of Adams & Peck. Mr. Janareli has been associated with Freeman & Co. for 20 years, specializing in railroad securities.

The new firm is to be located at 120 Broadway, New York City.

MELLON NATIONAL BANK

PITTSBURGH

STATEMENT OF CONDITION AT THE CLOSE OF BUSINESS
DECEMBER 30, NINETEEN HUNDRED FORTY-FOUR

RESOURCES		LIABILITIES	
CASH AND DUE FROM BANKS	$ 120,088,812.96	CAPITAL	$ 7,500,000.00
U.S. GOVERNMENT SECURITIES	445,361,765.51	SURPLUS	35,000,000.00
OTHER BONDS AND INVESTMENTS	13,258,331.80	UNDIVIDED PROFITS	4,239,400.15
LOANS AND DISCOUNTS	35,803,574.19	RESERVES	11,609,582.87
BANKING PREMISES	2,722,703.70	DEPOSITS	558,886,205.14
	$617,235,188.16		$617,235,188.16

DIRECTORS

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One World—Its Sales Significance

(Continued from first page)

Nor does it help that we are at a period when only one thing is certain, and that, uncertainty—universal confusion of thought exists and increases because conditions under which people have lived in the past, here or overseas, are being affected profoundly by military campaigns whose end is nowhere in sight, and whose impact extends far beyond immediate battlefields. The turmoil that has followed the liberation of Italy, Greece, Belgium, France and parts of Poland is but a foretaste of what probably will be repeated in other parts of Europe and in the Far East as war-imposed compulsion is relaxed. Quite literally, we shall face a new world when the fighting ceases, and none can tell what code of commerce then may be written.

What I propose to do in the circumstances is to present for your consideration some reasoning I have applied to the solution of problems in foreign trade that have arisen in my own business, and to those of others that have been presented to me for advice. In the course of my remarks I shall endeavor to answer the questions your committee has postulated as best I am able, although I may have to be much less positive in my conclusions than either you or I will like.

Misconceptions of Foreign Trade

There is probably no phase of business that is less understood, or about which there is more misconception, than our commercial relations with other countries. People fear what they do not comprehend, and readily attribute to it blame that belongs elsewhere. Because of this benightment, foreign trade has been used as a national political football for decades, and many a pompous nit-wit has taken his seat is Congress as the result of party dogma or pressure-group misrepresentation that inspires emotionalism when the need is for sober judgment.

Usually this perversion has taken the form of solicitude for labor, and a comparison of wage rates existing here and in one or another overseas country is offered as conclusive evidence of the need to protect the workers in our factories and on our farms. There was some of this specious presentation even during our most recent election campaign, though the argument has lost much of its appeal excepting in sections where intense political prejudice or low levels of education persist. Comparison between the income of a laborer in the United States and that of a Chinese coolie will not serve much longer as a shibboleth for office seekers when the production records we are now making become increasingly available.

Unfortunately, it has taken the bloodiest war in history to demonstrate to ourselves as well as to others what a marvelous protion machine the United States has become. Our consistent policy of constantly increased wage levels has forced us to widespread adoption of labor saving methods and devices, until it is duction machine the United States four to ten times as much invested in plant and machinery per worker as do any of our past or prospective competitors overseas. As a result we have been able to control labor costs to a degree that compares favorably with those in low-wage countries, and to expand output beyond anything the world has known.

This revelation of our productive might and its post-war potential seems to me to pose two dangers to our foreign trade.

Dangers to Foreign Trade

The first is that other countries, quicker than we to perceive the reasons for our industrial supremacy and their own inadequacies, and forced to protect themselves against our efficiency, may promote a nationalism that will make the past hysteria of the isolationist here at home seem reasonable by contrast. Persistence in such a campaign might easily result in the political conviction throughout Europe, particularly, that only some form of State socialism could possibly provide the capital necessary to establish an economy comparable with ours.

There are disturbing indications already that one or the other of these alternatives is being seriously considered, or both of them, even among our allies. One need only read the reports to the British Board of Trade by various English industrialists who have visited this country recently, to realize how profoundly our production records, both in manufacturing and in agriculture, have affected thought in Great Britain, and inspired fear of the future. In many applications British methods are far behind our current techniques, and the amounts of capital are staggering that will be required to modernize production facilities there if Britain is to be a competitor in world markets when peace comes. This realization has provoked a reexamination of the possibilities for trade advantige to be obtained for England from an extension of the system of Empire Preference, whose restrictions in the past have so adversely affected our business relations with various of the Commonwealth nations. The conviction grows in many British circles, as it is widespread in France, that only by recourse to the public treasury can the funds be obtained that will be required to make it possible for them to rebuild and reequip so as effectively to meet our challenge in overseas markets.

It is one of history's great anomalies that the United States, which once professed to fear a flood of cheap imports, and erected ever higher tariff barriers against them, should in turn be feared as a threat to the economic stability of the rest of the world. Some of the apprehension that is expressed may be in the nature of shadow boxing, whose progress should warn us of the feints we may expect in the coming contest for world trade. None who would assess the prospects of future business abroad can afford to disregard the portent, however.

The other danger posed by the system we have developed of producing prodigiously while maintaining consistently higher wages than exist anywhere else, is that we will use the wealth and power it has given us improvidently and unwisely, once world reconstruction begins. In spite of what the star-gazers say, it is no more possible to raise the living standards overnight of the teeming millions of Asia or the blighted hordes of Europe, than it is to develop a championship strain of cattle from a bunch of scrubs in a single generation. None of us questions the necessity for relief in battle-scarred areas, but furnishing supplies beyond immediate necessities or at a level to which the recipient never before has been accustomed, is of doubtful judgment, however charitable our instincts.

An economic peril nearly as great is the grandiose assumption that all of the surplus equipment, much of it highly specialized, that we have provided for the war effort, can be disposed of easily abroad, and at some salvage value. Theorists grow lyrical over the opportunities in China, or India, or other remote lands for all manner of industries that only a highly integrated economy such as ours could operate or support. Civilization never yet has been transplanted; it is a product of uncertain and often tedious growth. As well send a giant bulldozer to the lone inhabitant of a desert isle who did not know the functions of a wheelbarrow as to dream of huge factories in many lands where little more than blacksmith shops have hitherto existed. More than just the desire for industries is required—there must be "know-how," not merely plenty of human hands that are parts of hungry bodies, as I have pointed out on a previous occasion. And "know-how" is acquired but slowly, as Russia has painfully discovered.

It will take generations of Mr. Churchill's "blood, sweat and tears" to attain the universal Utopia which the impractical project so glibly. To bring the rest of the world up to a standard of living that even approaches what we have achieved, slowly but surely, is El Dorado enough for those of us who plan with the knowledge that we will be judged by the results we accomplish. The world is no dumping ground for the surpluses that arise either from the exigencies of war, or the production gambles of peace-time. I do not mean to say that much of what we will have in over-supply cannot be disposed of overseas. But bargain sales rarely promote good-will, or result in satisfied customers, and our need will be for markets for things we will be producing as we begin our own reconstruction.

Perhaps you will consider that I am unnecessarily pessimistic. I assure you that I am not. What I am trying to do is to condition your minds for the job which lies ahead of you, because I am convinced that those who plan sales will be much the most important factors in the business world of tomorrow. Events have forced an emphasis on production during the past five years; marketing has been neglected, almost, and it is important, I think, that those who are charged with responsibility for the orderly disposal at a profit of the product of our vastly expanded industries, have a realistic appraisal before they blueprint their campaigns.

Importance of U. S. Exports

I have been asked frequently, of late, whether export markets are really necessary for the United States. Couldn't we get along, the query goes, without becoming involved beyond our borders, once we have made the readjustment to peacetime conditions?

My answer, hesitantly given because I am not sure, is yes, perhaps we could if we are ready and willing to face the inevitable consequences. There are a few things we do not produce, agricultural, mineral and scattered industrial specialties, that we could probably bargain for over a Chinese wall of seclusion, giving in exchange commodities that we could easily supply from our abundance.

The dilemma that then would confront us would be three-fold, in my opinion. The first would be the need for the maintenance indefinitely of an armed force sufficient to protect us against attack by any conceivable combination of world powers. The United States represents incomparably the greatest storehouse of wealth that history has known. The temptation to seize all or parts of it would be too great to resist for nations whose record for centuries has been one of plunder.

With a large military establishment unavoidably would go stringent and continued regulation by government of all business and other activity, whether in industry, agriculture or mining. This point seems so obvious that it needs no elaboration, though it might be illustrative to cite Germany during the past decade as an example.

The third consequence that rigid isolationism must bring would be unemployment compared with which our experience in the early thirties might seem like a week-end holiday if its consequences were not still so apparent. Recognized authorities estimate that our productive capacity has increased by at least a third since 1940, and there simply would not be warehouse space sufficient to house the commodities that would be in oversupply once war and lend-lease shipments were to cease, if production continued at its present rate. Unemployment means political paternalism, whose increase none that think will contemplate with peace of mind.

Not that I would have you believe that exports continued at levels we could reasonably expect under even the most favorable circumstances, would solve all our unemployment problems. But a liberal attitude in this country toward foreign trade, and a genuine appreciation of its place in our economy, will be indices of world prosperity, and therefore of our own ten years hence. Prior to the war some of our industries could not have been profitable without export markets. More will find themselves in that predicament when peace comes, and to force them to confine their sales within our boundaries means a national readjustment we can ill afford with our mounting debt burden, and if we ever hope again to be free from political controls. It is for this reason, if for no other, that foreign trade bears a relation to our well-being that is out of all proportion to the ratio between the number of workers employed in producing for export, and the total number of our workers.

A study by the National Planning Association indicates that exports from the United States post-war must be maintained at an average of about two and one-half times pre-war levels if reasonably full employment is to be achieved. If you are statistically inclined, that means between $7 billions and $10 billions of sales overseas, including invisible items such as freight, insurance, etc.

How, you may well ask, are we to be paid for such a volume of trade when there was sometimes difficulty in financing a much smaller total pre-war? The answer is not easy, because we have become cynical over the defaults of the past without analyzing the reasons for them. Just as many a bankruptcy occurs in this country through the pressure for sales by suppliers rather than dereliction of the buyer, so have we been partially, at least, to blame for the unsavory record we have made in international financial transactions.

Much of the volume of our exports will be paid for by imports of the thousand and one items that we have always drawn from overseas. In addition there are vast sums that have been accumulated, owned by foreign accounts and on deposit in our banks that will serve to finance a resumption of trade. Official sources indicate that such balances now amount to about $10 billions in cash and earmarked gold, and an equal amount in short-term dollar assets, a total of some $20 billions, up about $6 billions since Pearl Harbor day, and increasing at the rate of more than $3 billions a year at present. Sterling balances in London owned by non-British sources are in excess of $12 billions. Controls here and abroad are such that there is little possibility of these funds being called or used in a way as to embarrass our position or that of the British. They are more likely to be exported in the form of goods, than of money. The notion that the world is too poor to buy anything is misleading, whatever the "do-gooders" may say. Abnormally large amounts of liquid funds exist today and will be available as soon as there are ships to sail to supply post-war demands.

U. S. Capital in Foreign Developments

It is not in the immediate post-war or readjustment period that the crisis will come in our foreign trade accounting, but at the time we are faced with lending our capital for the development of resources in overseas countries. If we repeat the follies of the roaring twenties, when loans could be had for the mere asking, almost, our experience will be doubly disastrous. Just as some political subdivisions in our own West are still amortizing loans that were imposed upon them by ruthless pioneer exploiters shortly after the Civil War, so a number of overseas countries are saddled with obligations incurred by collusion between unscrupulous bankers here and local politicians, not one penny of whose proceeds reached the projects for which they were intended.

Again, in the early thirties, the funds which had been accumulated by Germany for reparations for damage during the first World War were remitted to her, without restrictions that could be supervised, when the Dawes Plan was discontinued. Germany promptly diverted the bonanza to a bedevilment of world trade practices, and to a furtive but effective armament program.

As the world's greatest reservoir of capital, there will be many appeals to the United States for funds, some flattering, some tragic in their implications. We will need to steel ourselves against some of them, and be prepared to investigate the rest much more thoroughly than the prospective borrowers will like. In a recent address before the National Machine Tool Builders Association I predicted that one of our chief exports in years to come will be human brains—skilled technicians who will be sent overseas to pass on the merits of the projects for which financing is required, and to supervise the operation of such establishments as are proven worthy, until we are sure the funds we advance will be used for what they were intended.

Under such a plan there is every reason why we should participate to the limit of our ability in the development of the resources of the world. Isolationists may protest that the money would be better spent at home, but the fact is that the standard of living we have achieved in this country cannot be maintained against comparative misery elsewhere. Two wars in a quarter century should have convinced us of that by now. Beggars cannot buy our surpluses, and malcontents abroad are as dangerous as they are at your factory gates. Until there is hope and opportunity abroad, we will ourselves never re-attain the standards we enjoyed only a few years ago when we were at peace.

Fear of Increasing Foreign Productivity

Nor need the prospect alarm us of increasing productivity overseas, so long as it is in pursuit of a higher and peaceful living standard. The record of 50 years in our exports proves that our best customers are the highly industrialized nations. It is interesting to plot the curve of shipments to Brazil over a long period for instance, and to note how it ranges upward as a measure of what is being accomplished in building a more stable economy there. To be sure, the character of exports changes as countries develop, but the totals invariably

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have increased. For proof I need only cite the fact that the United States is the greatest export market in the world to more than a hundred overseas countries, in spite of the degree of self-sufficiency we sometimes think we have attained. Nations, just like individuals, become better potential customers as their incomes and living standards increase.

Latin American Trade

Some there are who feel that we should blot out the rest of the world as an export market, and concentrate our attention on the Western Hemisphere. That suggestion tends to over-simplify the solution to our problem, and is subject to some suspicion as a deliberate isolationist diversion. Latin America will always be of primary concern to us, for security as well as business reasons, and, on balance, has justified all of the solicitude we have demonstrated in our hemisphere dealings. She has made a magnificent record in supporting our war effort, barring Argentina, perhaps, and has built credits much greater than at any time in her history for use post-war. Don't sell Latin America—even Argentina—short in your export planning.

But all of Latin America has only 125 millions of people; the whole Western Hemisphere, including the United States, has less than 15 per cent of the world's population. Latin America requires little from us in the nature of agricultural products, whose over-supply will continue to be our number one headache so long as our political and farm leaders stubbornly refuse to face facts; and the nations to the south of us will never be able to absorb all of our surplus of heavy industrial products. Besides, whatever good-will has been stimulated in Latin America through the "Good Neighbor" policy would be dissipated overnight if we indicated any trade imperialism whatever in our dealings on this hemisphere.

Our past record of exporting to Latin America is the best assurance I can give you of the ability of exporters in the United States to compete with the world in overseas sales. Taking 1938 as the last completely normal pre-war year, the statistics show that Latin America bought from us more than she did from Germany, Italy, Japan and England *combined*—34 per cent of her imports came from us, 20 per cent from the Axis countries, and 12 per cent from England, a total of 32 per cent from our principal competitors as a group. Germany's share alone was 14 per cent, less than 40 per cent of our volume. Remember that this was during a year when barter deals and pressure policies were at the height of their success. Whatever the competition, exporters in the United States have demonstrated conclusively that they can hold their own in markets that are open to all. They will be less apprehensive of the sales stratagems of foreign suppliers than of the rules politicians may write for the conduct of overseas trade.

Possibly one of the steepest hurdles exporters will have to face will be entrenched bureaucracy in Washington, with its skeins of theoretical dogma that snarl rather than help to solve problems. They are almost as bad as the "give-away boys"; in fact, between them the professors and the philanthropists seem to be engaging in a contest. There is hardly an agency in the capital that does not want some part of the control of export after the war, and the confusion has become so hysterical that I, for one, have become philosophical about it—they'll cancel one another, because if there is one phase of business that requires practical application it is foreign trade. We have too many tough, experienced trade adversaries overseas for the doctrinaires to face them alone. Soon or late, they'll turn for help to those who know what it's all about. I might go on indefinitely recounting difficulties we will face in foreign trade, but I would be taking your time and mine unprofitably. Because the hazards we fear today fade out as a new set looms tomorrow, and will until we are accustomed to peace once more. The questions asked about international trade are too often cynically rhetorical. They imply that the inevitable answers are damning to all hopes for a good volume of overseas business after the war. The trouble is, as I see it, that we have been bogged down with worries and anxieties, and haven't had time to think through.

Our Post-War Imports

One question your committee posed for me I do not propose to answer specifically; no human could and be honest. I am asked what will be the nature of the products that will represent an increase in our imports into the United States. I don't know. I could point out that there is general agreement that we must stockpile strategic materials so that we will never again face the dilemma that confronted us four years ago, when Japan cut us off from the source of vitally needed tin and tungsten and rubber and vegetable oils, and other commodities we had never expected to want for. Your reason quickly would reply that $10 billions might be all that we could prudently invest in such a venture, and while the expenditure of so vast a sum in addition to that required for imports currently consumed would stimulate a comparable amount of exports, it would not be a revolving fund, perhaps, that replenished itself periodically, and its impact would be temporary.

That is true; though stockpiling by the United States would greatly energize world trade during the first few critical years after the war, it is not a policy that would provide a permanent solution to the problem of increased imports.

But may I give you a little homework to do? If you will look through the Commerce Year Book for 1938, generally accepted as the last completely normal pre-war year, you will find that there were imported into the United States no less than 2,500 items, ranging in value from $138 million for a million tons of coffee, which was our largest single import, to $4 for two pairs of boxing gloves, which was one of the smallest items. An examination of these import statistics will give you a much better idea than could any words of mine as to the classifications into which our imports of the future will fall.

My guess would be that the increase in our imports post-war will range over practically all of the items we brought in prior to 1939, plus such specialties as have been developed since. I venture the statement, even, that we will lower our tariffs on many commodities still further in return for s i m i l a r concessions from others, once we realize how greatly we have reduced costs as compared with those existing elsewhere, and in the interest of a greater volume of total world trade.

Now that I have dealt, doubtless too superficially as I warned at the outset, with the questions your committee asked me to discuss and some others, may I take just a few moments to elaborate a thought that has troubled me greatly during the past few months? It has to do with a conviction I have that we are permitting ourselves as a nation to be placed in the same unenviable position that we found ourselves after the first world war. Others then proposed peace terms, and having none prepared ourselves excepting a nebulous "14 points" capable of various interpretations, we were at a distinct disadvantage. Eventually we found ourselves universally blamed for the failure of the peace treaty that was written.

America's Responsibility

The fact is that America has no choice but to assume leadership in world affairs. For the weight of our influence will be felt by other nations no less whether our attitude be positive or negative. And the cost to us of any international obligation which we might undertake must, in all fairness, be weighed against the equally real cost to us of dealing with measures that others may take to protect themselves against results of our non-participation.

We have tended in the past to approach international commitments timidly, fearful that we might be outwitted in a world battle of wits. And in so doing, we have too often ceded to others the initiative of suggestion, leaving to ourselves the thankless task of accepting or rejecting what they demand of us. Our greatest bargaining weakness stems from the fact that other nations, by contrast feeble in potential power, know what they want and are able to mobilize all their strength to achieve it.

The United States can be the most effective nation on earth in peace as well as in war—if only it knows what it wants. I am fully aware that no individual or group can speak authoritatively for the whole of our people. But I hope that an honest attempt to formulate sound concepts of national interest in crucial economic matters will help to crystalize American policy, both by focusing agreement and by eliciting dissent. There is time only to indicate in broadcast outline what I conceive to be desirable foundations for an economic policy for the United States:

1. The attainment of a high and sustained level of business activity and employment in the United States and in the world, with the minimum governmental participation possible.

2. Active and expanding markets for world trade based upon fair competition rather than upon bloc agreements, discriminatory preferences and cartel arrangements.

3. The encouragement of industrial development in nations which have been backward in that respect.

4. A recognition that hospitality to imports, rather than constituting a threat to national standards of living, offers in fact the most potent instrument for international bargaining that any nation can command.

5. A willingness to assume a responsibile national role in international arrangements designed to provide such financial stability as may be needed to support mutually advantageous world exchange of goods and services.

We must see to it this time that the end of military warfare does not merely open the door again to an era of economic warfare. To insure that result we have only to ask of all our people two questions that I now direct at you:

"What does the United States want out of this war?"

"Why not ask for it?"

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.

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.

NEW YORK, N. Y.—**Harry Dearie** is with **Tucker, Anthony & Co.**, 120 Broadway, New York City. Mr. Dearie was formerly with Hemphill, Noyes & Co.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Charles Sachs** has joined the staff of **Frederick C. Adams & Co.**, 24 Federal Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Madge Doe** and **Arthur V. Murphy** are with **Trusteed Funds, Inc.**, 33 State Street.

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — **Walter Myers** has become associated with **Louis G. Rogers & Co.**, Johnston Building. Mr. Myers was previously with Abbott, Proctor & Paine, and Goodbody & Co.

(Special to The Financial Chronicle)

CINCINNATI, OHIO — **Justin Meyer** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 330 Walnut Street. Mr. Meyer in the past with with J. S. Todd & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Irving D. Schnabel** has rejoined the staff of **J. S. Bache & Co.**, National City Bank Bldg. Mr. Schnabel has recently been serving in the armed forces.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **Robert M. Case** is with **Wm. J. Mericka & Co., Inc.**, Union Commerce Bldg.

(Special to The Financial Chronicle)

HARTFORD, CONN.—**Roswell J. Clapp** has become affiliated with **Mansfield & Co.**, 49 Pearl Street. Mr. Clapp was formerly with E. T. Andrews & Co.

(Special to The Financial Chronicle)

HARTFORD, CONN. — **Harold S. Greeley** has become connected with **Paine, Webber, Jackson & Curtis**, 43 Pearl Street. Mr. Greeley was previously with Fahnestock & Co., and F. L. Putnam & Co., in New Haven, Conn.

(Special to The Financial Chronicle)

JACKSON, MICH. — **Robert J. Potter** is with **H. H. Butterfield & Co.**, Jackson City Bank Building.

(Special to The Financial Chronicle)

RALEIGH, N. C.—**Charles C. Sikes** has been added to the staff of **Kirchofer & Arnold, Inc.**, Insurance Building.

IRVING
TRUST COMPANY
NEW YORK

Statement of Condition, December 31, 1944

ASSETS

Cash and Due from Banks		$212,081,108.37
U. S. Government Securities		747,793,042.01
Other Securities		5,913,418.41
Stock in Federal Reserve Bank		3,088,100.00
Loans and Discounts		267,469,809.96
First Mortgages on Real Estate		5,731,743.45
Headquarters Building		15,516,800.00
Other Real Estate		47,777.65
Liability of Customers for Acceptances		1,216,724.78
Other Assets		3,730,840.83
		$1,262,589,365.46

LIABILITIES

Deposits	$1,138,426,116.70	
Official Checks	2,615,095.97	$1,141,041,212.67
Acceptances	$4,081,078.30	
Less Amount in Portfolio	2,518,566.50	1,562,511.80
Reserve for Taxes and Other Expenses		4,142,482.79
Dividend payable January 2, 1945		1,250,000.00
Other Liabilities		6,289,830.21
Capital Stock	$50,000,000.00	
Surplus and Undivided Profits	58,303,327.99	108,303,327.99
		$1,262,589,365.46

United States Government Securities are stated at amortized cost. Of these, $302,175,003.00 are pledged to secure deposits of public monies and for other purposes required by law.

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Congress Awaits FDR Message On Peacetime Training Issue

(Continued from page 154)

legislation being passed providing for compulsory military training.

O. J. LACY

President, California - Western States Life Insurance Company Sacramento, Calif.

With reference to the subject under discussion I can briefly say that while I am very much in favor of a reasonably limited period of compulsory military training of **men only** during peace time, I am just as unalterably opposed to any program of training which smacks of governmental directed education under the guise of military training. When so-called governmental planners include young women in their courses of so-called preparedness (?) training, we may be certain that they have nothing other in mind than to train the next generation in their philosophy of life. This is exactly the program followed by Hitler, Mussolini and Stalin. Had he had time and the opportunity to do so, Franco would have followed suit. We want no part of such program in America.

O. J. Lacy

Democratic training, initiative and self reliance have made this country what it is; the leading nation on the globe. Let no screw-ball idealist be allowed to wreck the wonderful edifice initiated when the Pilgrim Fathers landed on our shores 324 years ago.

R. ROBINSON CHANCE

Attorney and Counsellor at Law, Jersey City, N. J.

My mind is not made up on where lies the weight of the argument on the subject: "Compulsory Military Training in Peace-time for America." Strong arguments are presented by those who favor as well as those who oppose. So far as I can be said to have a tentative opinion, however, it is that universal peace-time conscription is contrary to American tradition and I believe should be unnecessary for the national security if our foreign relations are properly conducted.

R. Robinson Chance

If we are to try to have a hand in the internal and external relations and arrangements of all nations, or to try to be world policeman, or to proceed on any notion that a policy of peace can be maintained successfully, with bluster or offensive talk about foreign nations and their rulers, we had better conscript and train everybody.

But I believe that if America could be guided in its foreign relations by the principles stated in Washington's farewell address, danger of future war for America would be reduced to a minimum. I commend to the attention of your readers the part of that address beginning with the sentence: "Observe good faith and justice to all nations," and continuing through the paragraph ending:

"There can be no greater error than to expect, or calculate upon real favors from Nation to Nation—'Tis an illusion which experience must cure, which a just pride ought to discard."

In the intervening paragraphs are several doctrines which I regard as of eternal soundness, notwithstanding the difference between America then and America now.

Incidentally that address also says that an interest in unity of all parts of America * * * "will avoid the necessity of those overgrown military establishments, which under any form of government are inauspicious to liberty." * * *

The views of professional military men in support of compulsory military training in peacetime, I discount, without impugning their sincerity. It is natural for man to favor the profession of his choice. For a military man to advocate a "stretch" in the Army is as natural as it is for a sucessful lawyer to want his son to be a lawyer, or a successful doctor to want his son to be a doctor. In short, the military men are interested witnesses.

"Futility of Fine Phrases"

In making the statements herein, I do not wish to be considered one who has much confidence in the preservation of peace by parchments. History bears witness to the futility of the hope that fine phrases on parchment will hold in leash the dogs of war. Nevertheless, it might be worth the attempt to try to get the nations to agree to a Code of International Law, among other things, outlawing all wars, and laying down principles and establishing tribunals for judicial settlement of international differences. The response to such an attempt might throw some light on whether we should have compulsory military training in peace-time.

As to the benefits to the individual which some say would follow from the discipline of Army life, I question if this is of direct enough connection with the legitimate function of the National Government to have great weight. After all, the home, the Church and the States have some functions. Moreover while military discipline is no doubt of benefit to some youths, to others a different regime may be more beneficial. All this also applies to argument based upon the health of the proposed conscriptees.

"Wait Until Boys Come Home"

Without discussing the other arguments that come to mind as directly bearing on the question, there is the thought that perhaps a decision as to what to do in peace-time better wait until peace arrives. I should like to have the views and votes on the question of those who are now on the far flung battlefields. I wonder if they will be as keen for military training for youth as some of the elderly gentlemen who will not have to fight. Especially should we avoid creating in their minds any thought that behind their backs we reversed any of the traditions of America without giving them a chance to be heard.

In a recent constitutional election in New Jersey: "Wait Until the Boys Come Home" proved a rather effective argument. I think it would prove the same on this question.

When asked about this question on the street some time ago by a party conducting a survey of the views of the man in the street, I said that I thought it would be better to devote a part of the time now devoted in the schools to mere athletic training to a sort of "boot training" in military matters. In this way some insight could be gained of what would be required in time of war, but regular peace-time pursuits of youths would not be unduly interrupted. I said also that girls might well be included in such a school part-time program, and that the traditions of the Navy should be taught in schools. I am not at all convinced that the impromptu view thus expressed without giving my name, would not be my definitive view. Perhaps part of the time ordinarily devoted to summer vacation could be utilized for short training periods.

A Debatable Subject

In closing I may say neither side should be too dogmatic. The subject is debatable. Moreover, dogmatic statement generally defeats itself. The question will have to be settled in time—let us hope it is settled right. In the meantime the attainment of Victory is much more pressing and imperative than what we shall do when peace comes.

Hon. HARRIS ELLSWORTH

Representative in Congress from Oregon

The legislation pending now concerning peace-time conscription will undoubtedly die in committee. The nature of any legislation taken up by the new Congress remains to be seen. My attitude would depend on the provisions of any bill brought before the House for action.

Harris Ellsworth

DENNIS J. DRISCOLL

Co-Trustee, Associated Gas and Electric Corp., New York City

While my opinion is not a carefully reasoned one, I have always felt that we should have compulsory military training in this country. I must say, however, that the article by Dean Meyer "Chronicle" of Oct. 26 against it is very persuasive. A study of it leaves me in the position occupied by King Agrippa on an historic occasion which you will recall.

Dennis Driscoll

Just recently, I received from the American Friends Service Committee of Philadelphia a little folder on the same subject. The Friends, of course, are opposed to such training.

MOST REV. W. B. STEVENS

Bishop of Los Angeles, Protestant Episcopal Church, Los Angeles, Calif.

I am sympathetic towards the suggestion of compulsory military training with this reservation — that the program should include as broad a general education as possible and should be varied sufficiently to provide for some such conservation plan as the old CCC and the equivalent of the college and university program of the present war. I would not favor the continental plan of taking **all** boys for the same routine of drill, etc.

LEROY E. COWLES

President, University of Utah, Salt Lake City, Utah

I feel that I could not add anything worthwhile or say anything that has not already been said regarding compulsory peacetime training. I sympathize to quite an extent, however, with the point of view taken by Rev. Cyril F. Meyer, Dean, St. Johns University, in the address published in your columns on Oct. 26.

HERBERT S. GOLDSTEIN, D.D.,

Rabbi, West Side Institutional Synagogue, New York City

I am personally opposed to military conscription because I believe that this is no way to bring about universal and permanent peace. God Almighty has shown us the way in the Bible in declaring that "the arts of war should not be taught anymore" and that "the sword should be converted into the pruning fork." In other words, the Bible indicates that the only way to peace is through universal disarmament. The quicker mankind realizes it the sooner will we have a real and lasting peace.

Rabbi H. Goldstein

It is interesting to note that the sword is to be turned into a pruning fork to increase the production of food and to save life, rather than to be a means of raising taxes and destroying life.

The observation I should like to make also is that the United States never had compulsory military service and thank God it has been successful in every war. On the other hand, the Germans and certainly the Japanese had military training at an early tender age. Compulsory military service robs one of the spirit that is within us when we go to war for a righteous cause as we have in the past.

EDWARD BALL

Florida National Building Corp., Jacksonville, Fla.

Compulsory military training in peacetime is a question which I have thought over a great deal, both before and during the time I was a soldier in World War I, as well as since.

In my opinion, universal military training is very desirable, as I do not believe we are ever going to have universal peace—not as long as human nature is what it is. The Bible tells us there will ayways be wars and rumors of wars, and until human nature changes, I thoroughly believe that what the Bible says with respect to this question is true. While I believe in and advocate universal military training, I do not believe in universal regulation and regimentation for the citizen outside of the period he is in military training.

If our form of Government is to continue, we must do away with arbitrary regulation and regimentation of the citizen by the bureaucrats, otherwise we shall wind up with a Fascist, Nazi or Communistic state. The name means little, as they all adopt the same method, which is depriving the citizen of the rights which we in America have enjoyed; and in the brief period of some 150-odd years we have developed the greatest economic system and the highest standard of living for the individual known in the world. In view of this, it is hard to understand why so many our our Americans are prone to follow the European theory of arbitrary Government, with a low standard of living for the individual.

REV. VINCENT J. RYAN

Bishop of The Diocese of Bismarck, Bismarck, N. D.

To enact a law calling for compulsory military training is entirely unfitting at this time when millions are absent from the nation in the service of their country. These millions have a right to be heard. Their opinions on compulsory military training should outweigh the opinions of those at home. The present selective service law takes care of the present emergency, and the question of military training in peacetime America should be postponed until after the war.

MAJOR A. L. BOYCE

Boyce's Tigers, a Pre-induction Free Military Night School for Civilians

New York, N. Y.

For over half a century I have been urging universal military training and have done what I could to bring about the adoption of a proper system in this country.

The purpose of military training is preparation for war. If there are to be no more wars we do not need a system of military training. But until we are perfectly sure that peace will last beyond the lifetime of anyone now living we will be foolish not to keep prepared for war. Our most farsighted leaders from George Washington to Leonard Wood, have urged universal military training.

Adolphe L. Boyce

Modern war involves all the citizens of any country engaged in it. It cannot be left to a professional army to supply adequate protection. It requires not only shock troops, combat troops, supply troops and training cadres, but also adequate home defense forces for internal security, which means that if a country is threatened with invasion, as England was in 1940, then practically every citizen must be part of the organization for defense.

This means that the whole population must be permanently organized, and to be properly organized it must have received individual training so that the individual may understand where he belongs in the organization and the Government through its War and Navy Departments may also know where each individual should be placed.

"Conscription" a Misnomer

It is confusing to call enrollment for training "conscription." Undergoing military training in peacetime is part of the education required for citizenship. It is no more a compulsory service than is compulsory schooling. One does not apply the word "conscription" even to enrollment for compulsory jury duty; and yet that is a service to the State. For the sake of clear thinking the word "conscription" should be kept to mean a draft for military service unwillingly performed and not used in this debate.

Also the words "military discipline" are often misapplied. Much argument has been based on an obsolete definition of them as "the unhesitating habit to obey." THIS is not the type of discipline needed by an American Army today. The purpose of discipline in our military training should be to develop leadership and organization.

Need Reserve Army

What we need is to have at all times, organized and prepared for war, an adequate Citizen Reserve

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Army composed of young men with proper leaders that need not be extemporized after the outbreak of war. Ingenuity should be used to effect the least possible derangement of our established customs and institutions. It need not lead to regimentation by the State.

In order that a Citizens' Reserve may be properly organized in advance for war there must be a sufficient period of training under the direction of the War and Navy Departments to give them an opportunity to know the material out of which they are to fashion our Citizen Army. Good organization is quite as important as the individual skills of its members to an effective army.

Many advantageous by-products can be derived from military training. Such are physical fitness, literacy, etc. HOWEVER, ITS MAIN PURPOSE IS TO DEVELOP leadership and organization for use in case of war.

MERWIN K. HART

President, National Economic Council, Inc.

In the first place, I do not think the Congress or the country should be asked to pass upon the question of compulsory military training until the war is over. Obviously we wish to have adequate defense in the future. But high military authorities, I believe, have said that the real need is for a highly efficient army of perhaps five or six hundred thousand men. That we certainly should have, and that of itself will be a financial burden upon the people, though an absolutely necessary one.

Merwin K. Hart

I understand that some of those who favor the passage now of a compulsory training bill, frankly say that their reason for pressing it now is that they feel public opinion would not support it after the war. If they are right in this, and I am strongly inclined to think they are, then that is a most excellent reason for postponing action at the present time.

The air is full now of plans, by our planners great and small, for assisting other countries to develop after the war. We know that we have got to do a lot of relief work. Some of the planning will — and should — mature into practical projects. But everything that could be postponed should be postponed until the war is over, and until we can see things in perspective. We are going to be poor when this war is over. The majority of Americans, I believe, will want to have some plan whereby they can eventually get back to a financially stable basis. That means that much of the planning must be most carefully sifted.

I think that I shall oppose compulsory military training after the war; but I am certain that I oppose our committing ourselves to it in the present atmosphere.

Rev. HERMAN R. PAGE, DD.*

Bishop, Diocese of Northern Michigan, Marquette, Mich.

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

*Due to a mechanical error in the original report of Dr. Page's views, which was given in our issue of Dec. 21, 1944, page 2730, the opening sentence of his remarks incorrectly read as follows: "Frankly I am not in favor of compulsory military training in peacetime." We deeply regret this error, particularly as the balance of his statement, which we reprint above, makes it absolutely clear that he unequivocally favors such training. In calling the mishap to our attention, Dr. Page makes the following comment:

"While my opinion does not carry any great weight, I feel it unfortunate that such an opening statement should appear to come from me. With my connection with the Army in this war, the last war and with the regular establishment at the close of the last war, those people whose reading limits itself to the first few lines of an article to see whether or not they agree, may radically misconstrue my position. Not only do I favor military training but I believe in it to such an extent that I have sent my own son to a military academy."

REV. BENJAMIN D. DAGWELL

Bishop of Oregon, Protestant Episcopal Church, Portland, Ore.

I am opposed to compulsory military training in peacetime. All of the evils that attend wartime military camps and recreational areas will be present and will be magnified because of the lack of incentive which exists in wartime.

REV. A. DANGLMAYR

Aux. Bishop, Roman Catholic Church, Dallas, Texas

I am opposed to compulsory military training in peacetime for America.

RUSSELL F. AUMAN, D.D.

Pastor, St. Peter's Lutheran Church of Manhattan, New York, N. Y.

I am opposed to any legislation now, setting up a program of compulsory peacetime military training, for the following reasons:

(1) It takes for granted that, of course, any world organization of nations that may be set up cannot possibly create a post-war world order that can guarantee lasting peace. I would not want my country to enter such world organization with that prior assumption. There will be plenty of time to prepare for the third world war after it becomes apparent that our international peace machinery is beginning to break down.

Rev. Dr. R. F. Auman

(2) Such compulsory military training would have no long-term military value, and very little value so far as its contribution to the health, habits and character of youth is concerned. Having served in the U. S. Army during World War I, I know of how little value the training I had then would be to me in this war today. Military methods and techniques change with great rapidity and an army well trained today would be out of date ten years from now. There could be no military value to such peacetime training unless we took it for granted that we would be at war again within about five years. Even if the training techniques would remain the same, a thing I have not worked at for five to ten years would have been forgotten. It would have to be done over again. As a contribution to health, habits and character, it would have doubtful worth of any lasting kind. You never improve a man in health, habits or character by external compulsions.

(3) Military conscription except in emergency, impending or actual, is un-American. It is a violation of the best traditions of the American spirit. The nation that must wield its influence at the point of a pistol is a nation that has lost its influence. The nation which maintains a vast military establishment is either planning conquest of other nations or has grown old, selfish, smug, suspicious of others because suspicious of itself. America is not interested in the first. May the good Lord save us from the second.

Hon. COMPTON I. WHITE

Representative in Congress from Idaho

Judging from my observation and experience, I am opposed to enforced peacetime military training for the young men of this country.

You are, no doubt, cognizant of the burden which has been borne by the people of France and Germany over the years to support large standing armies, and the onerous duties that have been imposed on the youth of these countries by enforced military service. Now, after all the sacrifices which have been made by the people of these leading European countries to create and support their peace-time armies for the purpose of maintaining military preparedness, we find them facing the test of war in the abject position of helplessness and defeat, while the countries which fostered the education and freedom of action of their youth stand triumphant in their military might before the world.

Compton I. White

I stand for the principles of democracy and freedom that in the brief period of our country's history, have made our nation preeminent among the powers of the earth. I cannot bring myself to support the plan of peace-time military conscription and standing armies, which has proved such an abject failure and burden to the people of France and Germany.

ALFRED L. SAVAGE

President, Fishkill Savings Institute, Fishkill, N. Y.

I wish to state that I am opposed to compulsory military training in peace-time. In my opinion it is entirely un-American. I am not opposed to America being prepared; or of waging war if we find it necessary to do so; but compulsory training is not the American way of life; nor did this country grow to be as great as it has under that system. The result of such a system is clearly shown in Europe today. To adopt it here, I think will be a grave mistake. America can be well prepared without going to the extreme.

If this war is a war to end all wars, then why compulsory training? If the nations taking part in making the peace are at all honest they can at this time, if they wish to do so, assure that peace. Their first work should be to demand, and force if necessary, the total abolishment of military (compulsory) training in every country on the globe. Each country being allowed to maintain only a small volunteer army which, combined with the other countries, would have sufficient force to maintain peace.

The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of December 30, 1944

Member Federal Deposit Insurance Corporation
Member Federal Reserve System

RESOURCES

Cash and Due from Banks	$66,268,224.71
United States Bonds (direct and guaranteed)	112,246,465.67
Other Bonds and Securities	12,328,751.45
*Loans and Discounts	54,535,934.84
Federal Reserve Stock	345,000.00
Banking Premises Occupied	3,960,649.31
Customers' Liability Under Acceptances	60,234.91
Other Resources	708,135.05
TOTAL	$250,453,395.94

LIABILITIES

Capital Stock	$6,000,000.00
Surplus	6,000,000.00
Undivided Profits	1,187,395.82
Reserve for Dividends Payable	75,000.00
Reserve for Taxes	913,774.94
Reserve for Interest, etc.	119,912.42
Liability Under Acceptances	60,234.91
DEPOSITS:	
** Commercial, Bank and Savings	199,681,048.95
U. S. Government	36,305,007.14
Other Liabilities	111,021.76
TOTAL	$250.453,395.94

*In addition to this item as shown, we have unused loan commitments outstanding in the amount of $21,612,213.64 for war production and other purposes, if required.

**This includes $2,229,769.39 of trust moneys on deposit in the Banking Department, which, under the provisions of the banking law, Section 710-165 of the State of Ohio, is a preferred claim against the assets of the bank.

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY

OF CHICAGO

Statement of Condition, December 30, 1944

RESOURCES

Cash and Due from Banks	$ 502,196,051.50
United States Government Obligations, Direct and Fully Guaranteed	1,638,809,259.06
Other Bonds and Securities	55,938,824.93
Loans and Discounts	401,391,526.48
Stock in Federal Reserve Bank	3,600,000.00
Customers' Liability on Acceptances	743,038.28
Income Accrued but Not Collected	6,042,339.50
Banking House	11,100,000.00
	$2,619,821,039.75

LIABILITIES

Deposits	$2,447,740,085.79
Acceptances	765,474.98
Reserve for Taxes, Interest and Expenses	13,488,484.35
Reserve for Contingencies	18,109,934.35
Income Collected but Not Earned	247,880.55
Capital Stock	60,000,000.00
Surplus	60,000,000.00
Undivided Profits	19,469,179.73
	$2,619,821,039.75

United States Government obligations and other securities carried at $671,480,074.87 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Member Federal Deposit Insurance Corporation

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DIVIDEND NOTICES

COLUMBIA SYSTEM

COLUMBIA GAS & ELECTRIC CORPORATION

The Board of Directors has declared this day the following dividends:

Cumulative 6% Preferred Stock, Series A
No. 73, quarterly, $1.50 per share

Cumulative Preferred Stock, 5% Series
No. 63, quarterly, $1.25 per share

5% Cumulative Preference Stock
No. 52, quarterly, $1.25 per share

payable on February 15, 1945, to holders of record at close of business January 20, 1945.

DALE PARKER
January 4, 1945 *Secretary*

CANCO AMERICAN CAN COMPANY

COMMON STOCK

On December 26, 1944 a quarterly dividend of seventy-five cents per share was declared on the Common Stock of this Company, payable February 15, 1945, to Stockholders of record at the close of business January 18, 1945. Transfer books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

Spencer Kellogg & Sons, Inc.

A Quarterly Dividend of $0.45 per share has been declared on the stock, payable March 10, 1945, to Stockholders of record as of the close of business February 17, 1945.

JAMES L. WICKSTEAD, Treasurer

Winthrop Aldrich Favors Strong Western Europe

(Continued from first page)

revived in our generation. The Bretton Woods plan for an international monetary fund I have discussed in detail elsewhere, and more need not be said about it at this time beyond observing again that to achieve its aims one must count upon conditions far detached from the probable reality.

"The Dumbarton Oaks plan for a world organization to preserve peace was produced in the heat of the Presidential campaign, but by tacit consent there was no partisan discussion of it. Both candidates endorsed its objectives. The strength of the plan as well as its weaknesses came from the avoidance of issues likely to divide the conference. As a formal expression of the aspirations of the participating nations to achieve a workable organization for lessening the occasions for war, it deserves thoughtful support. When at last this plan or another to the same purpose becomes a matter for international agreement, it will have to commit us to active responsibility in maintaining peace in the world in the future."

Regarding the restoration of freedom to Western Europe, Mr. Aldrich said: "To be specific, it is my belief that one of the main objectives of American foreign policy should be the re-establishment in Western Europe of governments subject to popular will and of sufficient economic strength to maintain reasonable prosperity for their populations, and to join with other countries in realizing a broad program of political security and economic solidarity under the system of free enterprise. Such a policy can be made effective only on the initiative of the United States.

"Side by side with this policy I believe should be our acceptance of singularly intimate obligations with respect to Britain and the British Commonwealth of Nations.

"The American position in the world is such that we cannot avoid assuming the initiative for the restoration of free institutions in Western Europe, and we cannot pass this burden on to any one of our Allies. But the initiative presumes that we for our part shall act according to principles clearly defined beforehand, and not shirk obligations once assumed."

The First Ten Years After the War

(Continued from page 156)

that is the root cause of inventory cycles, because the average merchant is very inept in anticipating changes in income and their effect upon demand. For instance, the average merchant in the early part of 1936 completely missed the significance of the effect that the impending soldier bonus would have on the demand for semi-durable consumer goods; he continued for several months to place orders at a pace below that of a rising demand and so approached the fall months with inadequate stocks of goods. Later efforts to correct this error raised the levels of orders of manufacturers of semi-durable consumers' goods sufficiently to bring about capacity production. These manufacturers, in turn, were misled by this sudden influx of new business and embarked upon programs of excessive plant expansion. By December of 1936 the whole economy was geared up to the increased demands of the merchants and financial writers had brought out the inflation goblins. By March, 1937, the average merchant realized that he was over-extended and began to reduce his commitments to manufacturers who, in turn, realized that they had erred in expanding plant. A short time later commodity prices began to decline and by late summer the F. R. B. Index of Production, employment, payrolls, and other generally available indexes began to decline precipitately. Similar sequences in new orders, production, prices, and employment are likely to occur in the second and third post-war years.

However, production of semi-durable consumers' goods has fluctuated less than we have just indicated. The reason is that manufacturers have learned to expect speculation and are prepared to fill temporarily higher new orders out of stock. Therefore, production of semi-durable consumers' goods fluctuates only moderately about a trend indicated by population.

Even a cursory examination of the facts shows that the variable elements of production up to 1940 have been principally durable consumer goods and capital goods. The production of non-durable consumer goods has been relatively steady, but has shown a long-term upward trend. Prewar production exceeded this trend (the thin straight line) in 1919, 1929 and 1937, and each time subsequently dropped below. At the present time the civilian portion of non-durable goods production is about 90% of the trend value, but total production of non-durable goods greatly exceeds the trend because of high military demands accompanying high civilian demands.

Other goods production changed very little from depression to prosperity until 1940 when it became grossly distorted by production of minerals, synthetic rubber and other chemicals for wartime purposes. The interesting point is that other goods production in 1932 was almost as large as in 1929. Other goods production has also shown a long-term upward trend which is principally a growth in chemicals, printing and fuel.

We thus find three important long-term upward trends (1) in production of perishable goods, (2) in production of non-durable consumer goods and (3) in production of other goods. All these trends are in part reflections of population increase and in part of increased living standards. Cycles in production of durable consumers' goods and capital goods appear to be superimposed on these trends.

On a per capita basis industrial production as measured by the F. R. B. Index of Production or any other comprehensive index has tended to increase over the years.

Three trends of per capita production were examined. The first was maintained from 1919 to 1929, a period of 11 years containing two minor business recessions and one large one. This rate could presumably be maintained for a long time if major structural breakdowns like that of 1929-36 can be avoided. The second trend passes through the points for 1920 and 1940. It thus includes the effect of the depression of the '30's and gives a rate of expansion low enough to allow for major accidents to the economic situation. A third trend which is between the first higher trend and the second lower one shows the growth in capacities of our economy and appears to be an acceptable basis for projection. It shows a rate of increase of 1.9% per year.

The application of the projection of per capita production based upon the third trend to population forecasts gives a projected Federal Reserve Board Index of Production fluctuating from 125 in 1940 to 213 in 1955.

In both semi-durable and durable consumer goods fields there is an immediate demand for replacement of both consumers' stocks and merchants' inventory. For instance, based on income alone (ignoring savings) there is an immediate demand for 10.5 million passenger automobiles, or nearly three times the average annual prewar production. When we take into account the likelihood that some portion of war savings will be used for the purchase of cars and homes, it is clear that a very strong postwar picture is presented.

In peacetime years the recipients of income tried to save six to ten billion dollars per year, of which only a small portion represented liquid savings in the form of cash and hoarded bank deposits; the rest was used as purchasing power in the markets for durable consumers' goods and capital goods and services. The prewar incentive to invest in durable consumers' goods like housing or in new productive facilities was not sufficiently great to entice all savings into investment and deferred claims to goods were created.

During the first ten years after the war we probably will not have to worry about liquid savings either in the form of cash or hoarded bank deposits. A sufficient amount of Government bonds will be converted into current purchasing power to effect any likely tendency to hoard cash or deposits. Some of the 24 billion dollars of currency now in circulation will be used to buy goods and services. Thus, the prewar condition which led to deficit in Federal spending will not be present.

The vast amounts of Government bonds held by individuals, cash or currency in circulation and bank deposits, the increases in population that seems to be indicated, and the deferred demand for durable consumer goods guarantee high levels of production of both semi-durable and durable consumer goods.

The demand for capital goods depends upon the level of consumer goods demand or orders and the percentage of industrial capacity used. It would seem, therefore, that the levels of operation in the semi-durable and durable consumers' goods industries will place heavy demands on the capital goods industries. On the basis of wear and tear due to the level of civilian goods production alone and without reference to the capacity factor or need for plant expansion, the minimum level of capital goods demand would be about 70% above the 1935-39 average. Taking into account the capacity squeeze and need for expansion it is probable that the capital goods demand would drop only slightly below the 1941 level.

Although a merchant marine considerably larger than prewar and also a two-ocean navy will probably be maintained, to be conservative, shipbuilding and aircraft production have been dropped 95% in calculating the forecast.

In the conservative outlook presented it is assumed that public works will not be used to relieve unemployment at any time during the next three years, but rather that growth of the economy will require public investment for schools, hospitals, highways, streets, sewers, etc., at a rate above that of 1940.

By the third postwar year both industrial and public construction will have to rise substantially above the 1940 level in order to satisfy the needs of the expanded national economy of that time. By 1946, for example, population will have increased to at least 137.2 million and education, increased savings arising from the war and lack of strictly public construction during the war will have created a backlog of demand for essential public works, such as streets, sewers, roads, and schools. This is a supporting factor to an otherwise overexpanded section.

In brief, in the pattern offered it is assumed that production of other goods will be cut in half within nine months after the European War ends and that this production will drop to about one-third of the peak about 15 months after the war's end. If the Japanese War should end almost simultaneously with the European War other goods production might drop more sharply to the same level in nine months instead of fifteen. This would give a somewhat lower level of the F. R. B. Index of Production. Even in this case it is difficult to visualize an F. R. B. Index of Production for any month below 150, or 50% above the 1935-39 average.

In the adjustment period or the first three postwar years the strength of demand is such that the F. R. B. Index of Production is not likely to decline below 170, or 70% higher than the 1935-39 average, and it may not decline below 185, if we can develop export markets for capital goods. It will work upwards toward the 215 level expected in 1955.

We have forecast disposable income (national income payments less direct personal taxes) at $117.5 billion and $125.4 billion, respectively, for the first two postwar years (assumed to be 1945 and 1946). These forecasts are consistent with an expected pattern of production about midway between the limits of 170 and 185 presented here.

If by any chance the European War should not end before next spring, consumer shortages will grow and all of the above production figures must be raised slightly. Income will probably have to be raised sharply because inflationary forces will continue to operate. However, the real disposable income — income after taxes corrected for living costs— would not change materially from the pattern presented, except that it would have to be shifted forward by the number of months between the ending of the war and January, 1945.

Over-Counter Review

Bristol & Willett, 115 Broadway, New York City, have prepared the current issue of their "Over-the-Counter Review." Copies of the review may be had from the firm upon request.

With Cohu & Torrey

ST. PETERSBURG, FLA. — **George R. Davis** is with **Cohu & Torrey**, Florida National Bank Building.

Offering of Federal Land Bk. 2¼% Bonds

Public offering was made on Jan. 9 by the twelve Federal Land Banks through Charles R. Dunn, their Fiscal Agent, of $114,000,000 2¼% Consolidated Federal Farm Loan Bonds, due Feb. 1, 1955, and not redeemable before Feb. 1, 1953, at 100⅜% and interest to yield about 2.20%. Announcement of the closing of the books was made on Jan. 10, the issue, it is said, having been heavily oversubscribed. The offering was made by the banks with the cooperation of a banking group consisting of: The Chase National Bank of the City of New York; The National City Bank of New York; Guaranty Trust Company of New York; Bankers Trust Company; Chemical Bank & Trust Company; Continental Illinois National Bank & Trust Company of Chicago; The First National Bank of Chicago; Bank of America, N. T. & S. A.; Mercantile-Commerce Bank & Trust Company, and American Trust Company. Net proceeds from the sale, together with cash on hand, will be used to purchase and retire on Feb. 1, 1945, at par and accrued interest, approximately $116,841,000 of Consolidated 3½, 3¼, and 3% Bonds of the Federal Land Banks now held by the Federal Farm Mortgage Corporation; to reduce short term borrowings by approximately $21,707,000; and to retire approximately $19,355,000 of the capital investment of the United States in the Land Banks. The bonds are redeemable at 100% and interest, in whole or in part, on Feb. 1, 1953, or any subsequent interest date. The advices incident to the offering also state:

"The Federal Land Banks were organized in 1917 under the Federal Farm Loan Act for the purpose of making loans on the security of mortgages on farm properties. As of Nov. 30, 1944, the 12 banks reported aggregate capital stock of $195,676,556; paid-in surplus, all subscribed by the United States, of $125,874,406; legal reserve of $78,881,233, and earned surplus of $63,342,690, or a total net worth of $463,774,884. As of the same date, about 60.8% of the outstanding capital stock of the banks was held by the United States. Total assets were $1,460,369,878, and net profit after adjustment of reserves was $17,321,521 for the two years ended June 30, 1944, and $6,954,883 for the five months from July 1 to Nov. 30, 1944

"Although Consolidated Federal Farm Loan bonds are not government obligations, and are not guaranteed by the government, they are joint and several obligations of banks operating under Federal charter, and under the supervision of the Farm Credit Administration, which is under the general direction and supervision of the Secretary of Agriculture. The bonds and the income derived therefrom are exempt from State, municipal and local taxation, but since the effective date of the Public Debt Act of 1941 interest on bonds issued after that date is not exempt from Federal taxation. Gain from the sale or other disposition of the bonds and transfer of the bonds by inheritance, gift, etc., are not exempt from Federal or State taxation.

"The law provides that Federal Farm Loan Bonds shall be lawful investments for all fiduciary and trust funds under the jurisdiction of the United States Government, and they are also eligible as security for Government deposits and for Postal Savings funds. In the opinion of the Solicitor of the Department of Agriculture, the bonds are eligible for investment by savings banks under the statutes of a majority of the states, including New York and Massachusetts and are eligible for the

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Roosevelt's Tentative Budget for 1946 Fiscal Year Includes $70,000,000,000 War Outlay

Figure Represents Decrease of $19,000,000,000 From Present Fiscal Requirements of $89,000,000,000. Total Needs for 1946, Including $13,000,000,000 Non-War Expenses, Given as $83,000,000,000, a Drop of $17,000,000,000 From Current Aggregate of $100,000,000,000. President's Legislative Program Includes Adoption of Bretton Woods Monetary and Financial Agreements; Reduction of Gold Requirements of Federal Reserve Banks; Increase of Federal Debt Limit; Repeal of Johnson Act and Reenactment of Renegotiation Statute. Tax Reductions Held Not Justified While War Is in Progress.

In his message to Congress on Jan. 9 transmitting the Federal budget for the fiscal year beginning July 1 next, President Roosevelt stated that "I estimate now that $73,000,000,000 of appropriations and authorizations will be needed for war purposes for the fiscal year 1946," and he added "if the war develops favorably, unobligated balances of war appropriations no longer required for authorized purposes will be placed in reserve and reported to the Congress for repeal or other action under the provisions of present law." The President went on to say that "depending on various assumptions which may reasonably be made with respect to the course of the war, estimates of war expenditures for the fiscal year 1946 range from less than $60,000,000,000 to more than $80,000,000,000. I propose to use $70,000,000,000 as a tentative estimate of war expenditures for the fiscal year 1946. I repeat, however —the rate of actual spending must depend on developments on the battlefronts.

"For purposes other than war," said the President, "I am recommending appropriations, in general and special accounts, to cover estimated expenditures of $13,000,000,000." From the President's message we also quote:

"Total appropriations and authorizations (including reappropriations and permanent appropriations) for the war and other purposes reached a peak of $128,000,000,000 for the last complete fiscal year that ended June 30, 1944; $97,0000,000,000 have been appropriated for the current fiscal year; and I estimate now that $87,000,000,000 will be recommended to the Congress for the next fiscal year.

"Total expenditures for war and other purposes (in general and special accounts and net outlays of Government corporations, excluding debt retirement) were $95,000,000,000 during the fiscal year 1944; they are now estimated at $100,000,000,000 for the current fiscal year; and, on the basis of the tentative estimates of war expenditures, they will be $83,000,000,000 during the fiscal year 1946."

According to the message "war expenditures are expected to decline in the fiscal year 1946; our war construction and initial military equipment are substantially complete, and our supply lines have been filled. The extent of that decline depends on the course of the war. The composition of war expenditures will change considerably in any case."

The President stated that "expenditures for pay and subsistence of the armed forces still are increasing because of the higher pay for a larger number of soldiers and sailors stationed overseas. Expenditures for mustering-out payments are also increasing as a result of the considerable turnover in our forces." He also said that "our forces engaged in battles in Europe and Asia expend munitions at a prodigious rate. The main job now is that of replenishing equipment and supplies and of providing our fighting men with the most up-to-date weapons which can be contrived."

Stating that "actual expenditures of the Federal Government depend largely on the course of the war," the President added, "I have not made in the past, and I shall not now make, any prediction concerning the length of the war. My only prediction is that our enemies will be totally defeated before we lay down our arms."

Regarding the total estimated expenditures, the President said:

"Of the total estimated expenditures, including net oulays of Government corporations, of $83,000,000,000 for the fiscal year 1946, 84% are for direct war purposes; 12% are for veterans, interest on the public debt and tax refunds; and only 4% for all other activities of the Federal Government. Expenditures in this last group of "other activities" are estimated at $3,300,000,000, somewhat less than for the current fiscal year; they are only about one-half of what they were in the years before the start of the defense program—largely because of the reduction in work relief, aids to youth and general public works."

"Wartime taxes," said the President, "must be maintained as long as large-scale war expenditures are necessary." He continued:

"There is no justification for tax reduction as long as we are engaged in a major war. When a favorable development of the war allows a major decline in war expenditures, minor tax adjustments will become possible and desirable. I am pleased that the Joint Committee on Internal Revenue Taxation is studying the tax problems of the transition and post-war period."

Some of the chief items in the Government's budget for the fiscal year starting July 1, compared with estimates for this year and final figures for last year were summarized as follows in Associated Press advices from Washington Jan. 9, appearing in the New York "Sun:"

	1946	1945	1944
	——Millions of Dollars——		
War expends.	70,000	89,000	89,720
Total expends.	83,103	99,688	95,273
Net receipts	41,255	45,730	44,149
Public debt, start of year	251,800	201,003	136,696
Public debt, end of year	292,300	251,800	201,003
Debt incr. during year	40,500	50,797	64,307
Approp. and authorizations	86,767	97,211	127,956

From its Washington bureau Jan. 9 the "Sun" observed that in his budget message the President outlined a legislative program extensive enough to occupy the full attention of the 79th Congress for the entire two years of its life. The following, said the "Sun," is what the President asked Congress to do:

"1. Expand the borrowing power of the Farm Security Administration from $72 millions to $175 millions.

"2. Expand the borrowing power of the Rural Electrification Administration from $25 millions to $150 millions.

"3. Enlarge the borrowing power of the Community Credit Corporation by $2 billions.

"4. Increase the lending powers of the Export-Import Bank hugely.

"5. Extend the life of the lend-lease act, which expires June 30 next.

"6. Re-enact the renegotiation law which expires on the same date.

"7. Increase the Federal debt limit, which now stands at $260 billions.

"8. Extend the life of the Economic Stabilization Act under which wages are frozen.

"9. Extend and improve social security system to embrace among other things, a program of medical care.

"10. Repeal the Johnson act, which restricts loans to foreign nations in default on their World War I debts to the United States.

"11. Accept promptly the Bretton Woods agreement for an international bank.

"12. Establish the fund and the bank contemplated in that agreement.

"13. Reduce the gold reserve requirements of the Federal Reserve banks.

"14. Establish permanent legislation for a National Employment Service.

"15. Establish permanent machinery for the mediation of labor disputes in the post-war era.

"16. Increase the base pay of Government workers to meet the increased cost of living.

"17. Enact permanent legislation providing for the payment of overtime wages to Government workers at true time-and-one-half rates.

"18. Reorganize the basic structure of the Office of Education.

"19. Refrain from modifying the existing tax laws."

The advices to the "Sun" added: "In addition to the program outlined in his budget message today, the President promised to send a number of special messages to the Capitol at an early date asking for legislation on other subjects."

State Supreme Court Holds Building Law Of Newark Illegal

The State Supreme Court in Trenton, N. J., on Jan. 8 declared unconstitutional a City of Newark ordinance limiting the height of buildings within a two-mile radius of the Newark Airport, said the New York "Sun" in Trenton advices Jan. 8, which added:

The ordinance was attacked on the ground that it deprived owners in the restricted area of the free use of their land and that the act was an "exercise of the power of eminent domain without providing compensation" to the owners.

"The city may not, under the guise of an ordinance, acquire rights to private property which it may only acquire by purchase or by its power of eminent domain," Justice Newton H. Porter held in the court's opinion. "The ordinance under review will be set aside."

Suit was brought by the Yara Engineering Corporation of Elizabeth as owner of 16 parcels in the vicinity of the airport. Irving Riker, counsel for the corporation, contended that the ordinance limited the height of structures at points on the land to one and a half feet. He said the law made the property useless for industrial purposes.

Mr. Riker reported that the Newark City Commission had agreed to purchase the land for $264,444 before the passage of the act last March. Six days after the ordinance was enacted, the city canceled the contract.

Courses on Current Tax Problems at NYU

Two short courses which will afford attorneys, accountants and corporate executives an opportunity to refresh their knowledge of current tax legislation, Bureau rulings, and decisions in important cases were announced by the New York University Division of General Education, one to begin on Dec. 29 and the other to start on Jan. 8. The announcement was made by Prof. Paul A. McGhee, Director, on Dec. 23.

J. K. Lasser, nationally known tax authority and Chairman of the University's Institute on Federal Taxation, will conduct a nine-session series of lectures and discussions on the general topic, "Excess-Profits Taxes on Corporations," which will begin on Jan. 8 and continue to March 5. David B. Chase, member of the New York and New Jersey bars, and writer on tax problems, is slated to present a 10-session lecture course on "Income Taxes: A Functional Approach," beginning on Dec. 29 and continuing to Mar. 2.

Mr. Lasser's classroom discussion on corporate excess profits taxes will cover cases in practice; current interpretation of all sections of the law; plans for minimization of the taxes that are likely to have Treasury and Tax Court approval; and, in general, the facts and implications of recent research in decisions and the regulations. His lecture topics will include computation of excess profits income (Section 711); the invested capital credit (Section 718-720 and Supplement C); consolidated returns (Section 730) —last-minute changes in laws, declarations or decisions.

In the 10-week course on Income Taxes, Mr. Chase will consider specific problems found in everyday practice. By covering the entire law and the record of decisions, he expects to furnish the student with a functional approach to studying the tax problems inherent in particular cases of individuals and businesses.

investment of trust funds under the statutes of many states.

"By law, collateral security for the bonds consists of at least an equal amount of mortgage loans on farm properties, made in accordance with the provisions of the Federal Farm Loans Act, purchase money mortgages taken in connection with the sale of acquired properties. U. S. Government bonds, or Federal Farm Mortgage Corporation bonds. Of the total number of mortgage loans outstanding on Sept. 30, 1944, 93.5% had all matured installments fully paid, the highest proportion for any comparable date since 1929.

"It is the policy of the Federal Land Banks to provide for the retirement of the United States Government's investment in the banks as rapidly as their financial condition permits. In line with this policy the banks have repaid $69,184,474 into the revolving funds of the Treasury as of Nov. 30, 1944, and under the present plans expect to repay an additional $92,856,138 by May 1, 1946. Under this program the Government's investment in the banks, as of the latter date, would amount to approximately $151,959,388 of the aggregate $314,000,000 Government capital and paid-in surplus available to the banks."

Harris Trust and Savings Bank

Organized as N. W. Harris & Co. 1882—Incorporated 1907
HARRIS TRUST BUILDING, CHICAGO

Statement of Condition

December 30, 1944

Resources

Cash on Hand and Due from Banks		$137,640,242.31
U. S. Treasury Bills and Certificates		94,147,265.86
U. S. Government Bonds and Notes		114,558,789.11
State and Municipal Securities		32,900,904.53
Other Bonds and Securities		40,862,283.39
Loans and Discounts		119,381,374.41
Federal Reserve Bank Stock		600,000.00
Customers' Liability on Acceptances and Letters of Credit		394,071.11
Accrued Interest and Other Resources		2,090,683.38
Total		$542,575,614.10

Liabilities

Capital	$ 8,000,000.00	
Surplus	12,000,000.00	
Undivided Profits	1,395,789.04	$ 21,395,789.04
Reserves for Contingencies, Taxes, Interest, Etc.		10,107,989.24
Acceptances and Letters of Credit		394,071.11
Demand Deposits	$481,491,136.18	
Time Deposits	29,186,628.53	510,677,764.71
Total		$542,575,614.10

$123,129,000 of U. S. Government obligations and $300,000 of State and Municipal Securities are pledged to secure $103,899,054.17 of United States Government Deposits and $15,436,050.46 of Trust Deposits, and to qualify for fiduciary powers.

Member of Federal Deposit Insurance Corporation

Buy War Bonds

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Unlisted Trading Privileges

(Continued from page 155)

to the public over the counter was considerably less than the cost on the Exchange. In other words, that the excess possible case would be where it was shown that the cost cost was sufficient to cause the Commission to say that this situation is such that relief should be granted now."

He further said:

"The over-the-counter market, as you know, is a secret market. There are really two markets over the counter. There is the dealer's market and the customer's market. There are two series of prices, one in the interior market, one the customer's markets, but the only reports of these prices are those given in the National Daily Quotation Service, which goes only to members of the intervener and other dealers and the newspapers."

In our opinion, an attack upon any securities market had absolutely no place in this argument, and should never have composed any part of it. The price element, it appears to us, was wholly out of order.

The auction market and the over-the-counter market develop, and have for decades developed, according to their customary requirements and the respective functions which they perform.

The arguments quoted above, particularly because of what we deem to be their irrelevancy, would show an inclination to capture over-the-counter securities for unlisted trading privileges and decrease over-the-counter activity, not in the public interest, but for the sake of increasing the number of issues for Exchange trading.

We think this hunger, and intent at invasion for invasion sake, is best indicated by another part of Mr. Lockwood's argument, and we quote:

"Now, another thing which may interest you is the decrease since the time of the passage of the statute in the number of securities listed on Exchanges. It was the hope at the time of the passage of the statute that the listing would increase and the over-the-counter trading would decrease. As a matter of fact, the listings have decreased, the securities unlisted on the New York Curb Exchange have decreased by 50 per cent, and very few of those securities, if any, have gone on to be listed on any other Exchange, and the great increase, as I have said before, is in the number of securities which are dealt in over the counter and which are on no Exchange."

If securities are such that by the standards which the law sets, and the desire of the issuers and of the general trading public they are more suitable for over-the-counter trading than they are for auction trading, and as a result of the natural development of the respective markets certain issues are traded in over the counter, then we say so be it. The public interest is best served by these particular issues being traded in over the counter.

We think it shows a particular lack of good taste for the representative of the New York Curb Exchange to attack over-the-counter trading and we would feel just as strongly about any similar attack made against the Curb Exchange.

The real motive behind that type of argument was well recognized for thereafter the New York "Times" came out with a headline "Exchanges to Seek Counter's Trading" and the sub-heading "Curb's Application to SEC for Privileges in Six Stocks is Start of Campaign."

In our opinion service in the public interest played no part in the pending application.

A campaign to force over-the-counter securities generally on to the exchanges would clearly be contrary to the public interest as the vast majority of these securities do not lend themselves to listed or auction (matching orders of buyers or sellers) trading. Included in this category are the securities of the smaller corporations in the country. Equities of that nature, it must be kept in mind, are not sought after BUT HAVE TO BE SOLD to investors by the over-the-counter firms.

If it were illegal to buy or sell such securities other than through the medium of an organized exchange, they would become largely frozen and investors would, inevitably show little interest in providing capital for small corporations through the purchase of their securities.

DOES ANY ONE THINK THAT CONGRESS OR THE PUBLIC WOULD PERMIT SUCH A CONDITION TO PREVAIL? WE THINK NOT!

National City Bank Reports 1944 Net Operating Earnings of $15,355,511; Gain Over 1943

(Continued from page 157)

"During the year $12,500,000 was added to surplus, $7,500,000 in June and $5,000,000 in December. The total was made up of $7,142,695 net profits from the sale of securities, $2,357,305 from realized recoveries, and $3,000,000 transferred from undivided profits.

"At the year-end capital stood at $77,500,000, surplus at $122,500,000, and undivided profits at $28,610,465."

On the subject of reserves the report says:

"We continue to follow a policy of setting up reserves for specific items, and maintaining an additional fund of unallocated reserves. These unallocated reserves are deducted in arriving at the asset figures which appear in our published statement. The amounts so deducted at the year-end are approximately $29,000,000 against which there are no known charges at this time. Certain other assets are carried on the bank's books at figures under estimated liquidating values. Adding these values in excess of book values to the unallocated reserves, the total such reserves at the year-end, after the addition of $12,500,000 to surplus during the year, amount to approximately $40,000,000."

The bank reports that "at the year-end total deposits were $4,205,000,000, which is $471,000,000 more than a year ago, of which $335,000,000 is the increase in the Government war loan account. This total is a new high figure for any published statement in the history of the bank. This situation reflects the general expansion of bank credit due to Treasury financing referred to earlier. Our bank has continued to receive its share of the increase in deposits in New York City. At the year-end there were over 710,000 accounts of all types on our books here and abroad."

The statement is made in the report that "nowhere are present conditions reflected more dramatically than in those departments which actively serve the largest portion of the public." "These," it says, "are the compound interest and the personal credit departments. Thrift deposits at the branches increased $47,000,000 to a year-end total of $206,000,000. On the other hand, reflecting war conditions, small loans to individuals and neighborhood business in our personal credit department reached in May the lowest point since the beginning of the war, and thereafter rose slightly. Safe deposit business in our branch units is at an all-time high."

With respect to its foreign operations, the bank says:

"The 35 branches in South and Central America and in the West Indies have been very active in facilitating trade between these countries and the United States, as well as financing the movement of essential war materials for our Government. Many inquiries from American business concerns lead us to expect a further expansion in the usefulness of these branches with the end of the war.

"Our two London branches serve as bankers not only to American business interests in Great Britain but also to many members of our armed forces and to certain of our Government disbursing offices. The active staff of the two offices, numbering 139, have fortunately escaped severe physical injuries from the robot bombing, though some have suffered shock and there has been damage to the homes of several staff members. From these two offices, 70 people are serving in the British forces. Our premises in London so far have escaped any serious damage from enemy bombing since the repair of damage done in 1940."

Calls for Post-War Government Economy

First National Bank of Boston Says Present Tax Policy Stifles Business Initiative and Incentives to Risk Taking. Guaranteeing 60 Million Jobs, It Holds, Has a Medieval Tinge and Will Lead to Totalitarianism.

In its year-end "New England Letter," the First National Bank of Boston offers a realistic analysis of present and post-war tax policies, and severely criticizes the proposal of having the Federal Government guarantee 60 million jobs as leading the way to Government "taking charge of all our economic activities." It urges a post-war spending program that would cut all non-essential items to the bone, and that would eliminate deficits "for future generations to pay." The text of the bank's analysis follows:

Colossal Federal expenditures and onerous taxes during the war period are unavoidable, and we must brace ourselves accordingly. But the foundation must now be laid for sound post-war fiscal policies. As a matter of fact, several groups have been working for a year or more trying to draw up blueprints for fiscal policy. So far no program has been formulated that is satisfactory from both political and economic point of view.

There are two principal bases of taxation—purchasing power and business incentive. Under the former theory, it is held that those in the lower-income group —family income below $2,500— should be lightly taxed, or not at all, since this group accounts for a large proportion of the consumer buying, and by paying a minimum of taxes they will have that much more money to spend in the market place and thus provide for a high level of business activity and employment.

This sounds plausible and is politically popular. But there are unfavorable long-term consequences involved in this policy of taxation that should be given serious consideration. With prospects that Federal expenditures in the post-war period may be from two to three times the average annual outlay of the 1930's and at least six times as much as the average for the 1920's in order to cover the indispensable items, it is obvious that there must be a curb on all non-essential spending. The most effective brake is a tax-conscious public. Any tax plan, therefore, that would relieve a large proportion of the voters from a fair share of the burden would be unsound in principle and in practice as this would tend to remove any effective opposition to excessive public spending. It might also encourage heavy spending in the post-war period for the benefit of groups thus favored. On the other hand, the tax relief of the lower-income group would shift the burden to the middle class and to those in the upper-income brackets. If too large a burden is placed on the middle class, it might lead to the liquidation of a group that is the backbone of our private enterprise and democratic Government. Furthermore, it would tend to dry up the source of new venture capital, a steady flow of which is essential to a vital and expansive economy and for the creation of new jobs. It is estimated that on the average about $6,000 in plant, equipment and machinery is invested for each industrial worker. Should excessive taxes make unattractive such investment, then a blow would be struck at the source of job making. So by penalizing those who provide the job money, the workers would be robbed of jobs and thus create chronic unemployment, as prevailed in the 1930's.

In the past, when taxes constituted such a small proportion of national income, it did not matter so much—so far as our economy is concerned—what was the basis of taxation. But in the post-war period, with taxes absorbing a large share of income, it is of grave concern how the burden is spread.

The essence of the American system is the release of individual energy and intiative under adequate incentives in risk-taking enterprises. This system has demonstrated in peace and in war that it is far superior to any other yet devised. But the stage has been reached where the American people must decide whether they want to continue under this system or proceed blindly along a course that leads downward and backward toward a system of regimentation, the pattern of which was designed in the harsh and monotonous Middle Ages. So the plan proposed of having the Federal Government guarantee 60 million jobs has a mediaeval tinge. For the only way that the Government could make good on such a proposal would be by taking complete charge of all of our economic activities. The totalitarian powers of Europe promised their people security and jobs, but in carrying out their policies the governments concerned took the trail that led to dictatorship, militarism, imperialism and, finally, war. Such are the inescapable consequences of departure from the underlying principles of private enterprise.

Many of the planners are proposing post-war expenditures on the assumption that our national income in the post-war period will be at least $140 billion. This may prove to be entirely unwarranted. At any rate there is no justification for making plans on the basis of such a high level of income. National income cannot be raised to any given level by the pressing of a button or by Government decree, or because we need a prescribed amount in order to cover desired Federal expenditures. No, national income represents the aggregate output of commodities and services rendered under a system of exchange among the people of the country. Our concern should be that this system work smoothly and effectively and that fresh capital—the lifeblood of enterprise—constantly flow back into business so that we may have a dynamic and expansive economy capable of providing jobs and opportunities for all those willing and able to work.

When it comes to expenditures, a vast array of items can readily and easily be brought forward that aggregate staggering amounts. But it is a painful procedure to raise taxes in peacetime even for the inescapable items of the budget. A liberal attitude toward the spending of public funds is not peculiar to this country or this age. It has always been a human failing. Nevertheless, this country has never before in peacetime, except perhaps in its early days, been compelled to face such stern and difficult fiscal problems as it will in the post-war period.

Our stakes are now so high that no longer can we afford the luxury of wishful thinking, star-gazing and the blowing of bigger and

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bigger bubbles. The time has come for us to face the situation in a realistic manner, think through our problems and adopt sound measures all along the line.

The post-war tax policy can largely shape the destiny of this country. Hence, until we have some conception of the amount of post-war Federal expenditures and the tax-collecting capacity of the country, we cannot proceed very far with plans for the future.

Taxes in the post-war period will inevitably be high because of the heavy interest charges on the Federal debt and the large outlays for military purposes. But all non-essential items should be cut to the bone. If we are to attain national solvency after the war we must eliminate waste and extravagance, reduce Governmental bureaus and commissions, and abandon the philosophy of spending our way to good times. Common sense should tell us that we cannot continue after the war to pile up deficits for future generations to pay. A conscientious and determined effort should be made, therefore, to balance the budget when the emergency is over.

Congress Creates New Group to Investigate Un-American Activity

Without a dissenting vote, the House on Jan. 3 approved a resolution "impounding" the files of the six-year investigation of the special committee on Un-American Activities and directed that they be turned over intact to the new standing committee on Un-American Activities, created on Jan. 3 by the House by a vote of 207 to 186. Reporting this from Washington Jan. 4 special advices to the New York "Herald Tribune" said:

"The action was taken as opponents of the investigation, which had been conducted under the direction of former Representative Martin Dies, of Texas, began a fight to deny funds to the newly established committee and lay down standards for its procedure.

As a standing committee of the House, it will have to get money through the regular legislative appropriations and not from the contingent fund of the House administered by the Committee on Accounts. Representative John J. Cochran, Democrat, of Missouri, chairman of the Accounts Committee, an avowed opponent of continuation of the activities of the Dies committee, said today: "They will not get a dime from the Accounts Committee if I have anything to say about it."

A. B. A. To Hold Savings Conference In New York

Plans are in process for a savings conference for the bankers of New York, New England and Northern New Jersey, to be held at the Hotel Pennsylvania in New York City on March 16, it was announced in New York on Jan. 1 by H. R. Templeton, President of the Savings Division of the American Bankers Association. Mr. Templeton is Vice-President of the Cleveland Trust Company, Cleveland, Ohio. The conference program will be devoted to operation problems of savings banks and savings departments, and will include discussions of loan experience under the GI Bill of Rights. While the conference is being planned primarily for the bankers of New York and New England, and the northern half of New Jersey, bankers from other sections will be welcome.

Are Americans Isolationists?

(Continued from page 167)

The Isolationist knows that we signed the Lansing-Ishii agreement during Woodrow Wilson's Administration recognizing Japan's "special interests" in China.

The Isolationist knows that the failure of the League of Nations to prevent Japan's aggression in China in defiance of Article 10 of the League of Nations Covenant, which pledges each member government to "preserve" against "aggression" the "territorial integrity" and "political independence" of every other member government.

The Isolationist knows that the signatories of the "Nine Power Treaty" failed to take action against Japan's aggression in China after their meeting at Brussels in 1937.

The Isolationist knows that the signatories to the "Nine Power Treaty" of 1922 included Japan, Great Britain, France, Italy, Belgium, China, the Netherlands, Portugal and the United States, who pledged themselves to respect the territorial and administrative "integrity" and "sovereignty" of China.

The Isolationist knows that, incredible as it may seem in the light of today's events, Great Britain, a signatory of the Nine Power Treaty, signed an agreement with Japan in 1939 stating that **"the Japanese forces in China have special requirements for the purpose of safeguarding their own security; and His Britannic Majesty's government have no intention of countenancing any act prejudicial to the attainment of that object."**

The Isolationist knows that Germany's unwarranted invasion of Belgium at the inception of World War I in defiance of her treaty obligations is perhaps the most outstanding treaty violation in history. A treaty is the most solemn obligation a nation can assume but when Germany regarded its treaty obligations as "a mere scrap of paper," the respect of that nation and other nations for the sanctity of any international treaty to perpetuate world peace was fundamentally weakened.

If Great Britain, France, Germany, Japan, Italy, Russia and the other powers would forsake imperialism and had the character to sacredly observe their international agreements and treaties, the world would then be ready for a real League of Nations that might mean a lasting world peace for all humanity.

Without character and without spiritual values no man-made world peace organization will be more than a pretense and a magnificent gesture.

In this material age no human power or society of nations can restrain the Germans, French, Russians and British from fighting out their political and economic contentions in the next century or stop the smaller European nations from fighting for the right to exist independent of the big powers the same as the United States did in 1776 and 1812.

An Isolationist's Reflections Anent Present Day War Developments

To be told by President Roosevelt that the Atlantic Charter is an unsigned scrap of paper having no official standing, was distinctly as much of a shock to us as our diplomatic frictions with Britain, concerning Greece and Italy.

Not only the ditching of the Atlantic Charter by Britain and the United States, but Britain's acquiescent attitude with reference to the wholesale partitioning of Poland by Russia is something to cause grave concern to this country.

The present Russian military inactivity following Russia's unsuccessful efforts to capture Warsaw and the dormant Russian effort to invade Germany on the Eastern frontier through East Prussia, has given rise to disturbing doubts, while General Von Rundstedt's invasion of Belgium and Luxemburg is raging and our American forces are engaged in a life and death struggle to resist the Germans.

The thought arises as to whether the Russians, having accomplished the conquest of all the states on their western border, are not laying down and whether Russia has not been over-rated politically and militarily, since the march from Stalingrad—an achievement which might not have been successful without the vast amount of material and equipment supplied by the United States and Britain.

Now that Russia has conquered Poland, Finland, Latvia, Estonia, Lithuania, Romania and Bulgaria, who knows whether Russia will make a sudden peace with Germany before that country has been completely defeated by the United States and Britain?

Such a deal is within the range of possibilities if Germany were to concede Russia's enlarging sphere of influence and the right to control and dominate the Balkan countries in Europe.

This leads us to ask ourselves why is it the United States hasn't a real foreign policy, why is it that our peace aims and objectives are not given clear militant expression by our Chief Spokesman in language such as Woodrow Wilson used in his world-wide appeals to the peoples of all nations?

Secret meetings and secret conversations, of which our Congress and our people are barely informed, will not bring about the military, political and diplomatic results which will cement the United Nations into one endeavor to win the war and pave the way for a lasting peace.

The hour is ripe for a declaration of peace aims, principles and plans addressed to the World and to the German and Japanese people in particular, which will state what our position will be in the Peace Settlements and in the Post War era with respect to Germany, Italy, Japan, Britain, France and Russia.

Our primary purpose in fighting this war is the establishment of a friendly Peace that will be a lasting one, free from the horrors of War for the years to come.

In the Peace Settlements with Germany and Japan, we should be guided by Montaigne's transcendent wisdom that "there are some defeats more triumphant than victories."

Note—The writer wishes to acknowledge his debt to the publishers of The Commercial and Financial Chronicle for the use of the back volumes of the paper and its records for confirmation of many of the factual details used in the above article.

The views presented by Mr. Wilson are solely his own and are not to be considered an expression of the "Chronicle's" editorial opinion or policy.—Editor.

[The CHRONICLE invites comments on the views expressed by Mr. Wilson, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.]

Tomorrow's Markets Walter Whyte Says—

(Continued from page 158)

money around is no great secret. That some of it is coming into the market is also common knowledge. But the truth of the matter is that the great majority of present and potential stock buyers don't know what they are buying. And probably care less. This doesn't mean that stocks are going down. On the contrary, it's the other way around.

* * *

A public loaded with cash, each member eager to get aboard the gravy wagon, can make ordinary markets turn into hurricanes. It is particularly true if one or more of the current rumors happen to come true. A two-for-one split in one stock makes it plausible that the others will follow. An advance in one issue points the finger of plausibility at the others. The fact that a stock split is never bullish is blithely ignored. Stocks are created for only one reason—to be sold. What easier way to sell than to make them available to more people by reducing their price. Remember this: money is made by selling stocks; not buying them.

* * *

In the past few days stocks have moved up rapidly. Some of these are close to old objectives. For example, the rails appear to have a couple of more points left in them, but their action indicates tops in the making. Atchison may go to 90; Atlantic Coast Line to about 62; B. & O. to 16; Delaware & Hudson, 44; Great Northern, 52; N. Y. Central, between 26 and 26½, and Northern Pacific, about present levels or a point or so better. There's plenty of range in these figures for more profits. But waiting for the last point never pays off.

* * *

It is more likely that the utilities may get a ride from here. Public Service of N. J., North American and Consolidated Edison appear to be champing at the bit.

* * *

Plenty of industrials are also in the "Gee-we-want-to-go-up-too" class. Among these are American Crystal Sugar, American Steel Foundry, Baldwin Loco., Bendix, and most of the steels, to mention a few. If you buy any of them, remember that stops are a useful tool. Stop in Crystal Sugar is 18, Steel Foundry 27, Baldwin 25, Crucible 35, Steel 58.

* * *

American Smelters saved itself when it crossed 42 on Monday. It is now about 42¾. You bought it at 39½. Raise you stop to 42. Climax Molybdenum went out. You got it at 34½. Monday's price was 35½. G. L. Martin still acts okay. Keep your stop at 22. Purchase was at 21½. Timken Detroit Axle also is all right—yet. Stop is still 35. You bought it at 33½.

* * *

A last word of warning: water may look fine, but don't wet more than your toes. And keep a towel handy.

* * *

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.]

New York Stock Exchange Weekly Firm Changes

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

Effective Jan. 1, 1945, C. O. M. Sprague, general partner in Wood, Walker & Co., became a limited partner.

Weston D. Bayley, general partner in Montgomery, Scott & Co., became a limited partner, also a trustee, under deed of trust dated Dec. 26, 1944, effective Jan. 1, 1945.

John L. Loeb, special partner in Carl M. Loeb, Rhoades & Co., became a general partner, effective Jan. 1.

E. W. Clucas, general partner in E. W. Clucas & Co., became a general and limited partner, effective Jan. 1, 1945.

Isabel P. McDermott withdrew from partnership in Raymond Sprague & Co. on Dec. 31, 1944.

Herbert A. Shipman retired from partnership in Richard K. Kaufmann, Alsberg & Co. on Jan. 1, on which date his privilege to act as alternate on the floor of the Exchange for Bernard J. Lasker was withdrawn.

Joseph M. Byrne Jr. retired from Emanuel & Co. on Dec. 31.

Chester B. Blakeman of Atlanta, Ga., retired from partnership in Dobbs & Co. on Dec. 31.

J. Henry Harper retired from partnership in F. S. Smithers & Co. on Dec. 28.

Privilege of Robert P. Cresci to act as alternate on the floor of the Exchange for Harold B. Blumenthal of Robert J. Levy & Co. was withdrawn on Dec. 28.

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Sees Inflationary Pressure Rising

National City Bank in Review of Business Outlook for 1945 Points to Steel Wage Increase as Leading to Upward Pressure on Prices of all Manufactured Goods.

The January issue of the "Monthly Bulletin" of the National City Bank of New York contains a brief analysis of the business outlook for 1945, in which it is pointed out that, because of the emphasis placed on increasing war production, there is little room for additional moves toward industrial reconversion, and that, apart from the need for increased war production, "the most urgent domestic problem of 1945 is to combat the inflationary danger through rigid economy."

"The emphasis on sustaining and increasing war production," notes the circular, "is the known element in the 1945 business outlook, and the uncertainty as to when the military situation will permit curtailment of war production is the unknown element. The pattern until Germany is defeated has been set; while war production is sustained employment, income and trade—to the extent that merchandise is available—will be sustained. The aim of the Washington agencies, above all else, is to increase production of critical items.

"Outstanding among recent moves is the decision to start construction of new plants for mortar ammunition and heavy tires, although the plants cannot get into production for a good many months. This typifies current policy, which is to be prepared even at the risk of waste. The Maritime Commission has reviewed ship construction plans for 1945, which originally called for a decline as the year went on, and has added 186 cargo ships to the program. Airplane production schedules have been moderately increased. The textile requirements of the armed services have been raised considerably above earlier schedules.

"To meet these needs and turn labor to production of critical items, the War Manpower Commission has tightened up its employment regulations and deferments from selective service of men above 26. The War Production Board has issued a variety of new regulations, particularly in the textile and apparel fields, to assure that requirements of the armed forces will have first priority. These controls apply to wool tops and cotton yarns, among others; they do not signify that civilian production will be stopped, as essential requirements will be given ratings, but they will reduce civilian supplies of worsted goods and such cotton products as drapery and upholstery fabrics, bedspreads, etc.

"Lumber controls apparently will be tightened. Supplies of rationed shoes will decline. The copper situation is tighter because of the tremendous demand for brass for ammunition, and limitations on the use of lead are being tightened. The output of civilian motor trucks will be reduced drastically; also commercial vehicles in use will get not much more than half the tires they need in the first quarter of the year, and production of civilian tires has been ordered cut. The steel situation has tightened considerably, and will be further affected by the enlarged ship program.

"Authorizations of new civilian production under the spot authorization procedure have virtually ceased, although still permissible in non-critical labor areas, and WPB has formally expressed its intention to hold civilian production in the first quarter of the year at the present level.

"For five months industrial production in the aggregate has been virtually unchanged, the Federal Reserve Board's index for November having been two points above last July. Evidently this figure, 232 on the basis 1935-39=100, represents an approximate ceiling, fixed chiefly by the present labor supply and by the difficulties incidental to shifts in manufacture from one product to another. Since more men are to be inducted into the armed forces, and highway transportation may give increasing difficulty, it seems unlikely that this ceiling can be raised; but the labor supply should be sufficient to maintain the present level of output if all concerned work with urgency and efficiency. November figures show that production of the critical war items was then making encouraging progress.

"This projection of the economic situation leaves little room for additional moves toward industrial reconversion. The official policy is to frown even upon discussion, for fear it may influence workers to leave war plants for civilian jobs. This policy obviously does not suppress all progress toward meeting reconversion problems, such as perfection of the contract termination and surplus disposal machinery of the Government and private planning by corporations where it does not interfere with the war effort. Business long has been on notice that the situation will change when the German war ends and naturally does all it can to prepare for the change. However, reconversion is put in the background, and appropriately so, in order to concentrate all energies on the urgent needs.

Combating Inflation

"Apart from the need to increase war production, the most urgent domestic problem of 1945 is to combat the inflationary danger through rigid economy, both governmental and private, through saving and investment in war bonds, and through cooperation in the stabilization measures. Commodity prices have been well stabilized during 1944, on the average, but the uptrend though slight has been persistent and the price indexes at the year-end are the highest yet reached. The actual price rise is less disquieting than other aspects of the situation. One is the heavy spending so recently in evidence. Another is the indication that supplies of some consumers' goods will be reduced rather than increased in 1945.

"Most disquieting of all is the resistance of special groups to stabilization measures applying to them. The Little Steel wage formula is being adhered to in name, but broken in practice. Increased wage rates so far have been absorbed largely by increases in volume and narrowing of profit margins, but with volume at the ceiling one way to absorb higher wages is already closed. If the decision of the War Labor Board to raise steel wages is followed as widely in other industries as seems likely, the upward pressure on prices of manufactured goods during 1945 will be greater than since the early stages of the war.

"The necessary precedent to adoption of sound policies, both in the public and private sphere, is sound analysis of the problem. People need to be reminded again that, despite the gratifying degree of price stabilization during the war, the inflationary forces are greater than ever known. If the war is protracted they will be raised to still greater heights and their pressure multiplied."

Proposes Investigation of SEC

(Continued from page 155)

enterprise can do will depend on the availability of capital and the preservation of the spirit of incentive, and he esteems it high time for the Congress to carefully explore this field in the hope that the free enterprise system will have full opportunity to perform the task which will be expected of it in the post-war period.

The text of Congressman Dirksen's resolution follows:

79TH CONGRESS, 1ST SESSION

H. RES. 14

in the House of Representatives
January 3, 1945

Mr. Dirksen submitted the following resolution; which was referred to the Committee on Rules:

RESOLUTION

Resolved, That a committee of five Members of the House of Representatives, not more than three of whom shall be from the same political party, be appointed by the Speaker, which committee is hereby authorized and directed to conduct a complete and thorough examination of the procedures, actions, conduct, and policies of the Securities and Exchange Commission created under the provisions of Public Law Numbered 291, Seventy-third Congress, approved June 6, 1934, which investigation and examination shall include but not be limited to—

(1) The administration of the Securities Act of 1933 and the Securities Exchange Act of 1934 and the effect of its administration upon the capital markets and upon small business;

(2) The administration of the functions of the Securities and Exchange Commission in connection with reorganizations under chapter X of the Bankruptcy Act to determine abuses of authority, if any, and whether or not there has been full, fair, and impartial administration of the duties of the Commission in those reorganizations and to determine the injury, if any, sustained by public security owners as a result of conflicting rulings by the Commission;

(3) The administration of the Public Utility Holding Company Act of 1935 and whether there has been proper and adequate protection of investors and parties in interest and a fair and just and equitable disposition of matters which have been brought before the Commission.

Sec. 2. The said committee shall from time to time report to the Congress the results of such investigations and make such recommendations as it sees fit concerning the actions of the Commission, and its personnel, or may recommend legislation or amendments to existing law.

Sec. 3. The committee or any subcommittee thereof shall have power to hold hearings and to sit and act at any time within or without the District of Columbia whether the House is in session or has adjourned or is in recess; to require by subpena or otherwise the attendance of witnesses and the production of books, papers, and documents; to administer oaths; to take testimony; to have printing and binding done; and to make such expenditures as it deems advisable within the amount appropriated therefor. Subpenas shall be issued under the signature of the chairman of the committee and shall be served by any person designated by him. The provisions of sections 102 to 104 of the Revised Statutes shall apply in the case of any failure of any witness to comply with any subpena or to testify when summoned under authority of this resolution. The committee is authorized to employ such expert, clerical, and stenographic help as may be necessary. For the purposes of this resolution, the committee is authorized to expend not to exceed the sum of $10,000, which shall be paid from the contingent fund of the House of Representatives upon voucher by the chairman.

AFL Aide Says Manpower Fears Overrated And That Problem Is Local One

Unwarranted hysteria over manpower was disturbing employers throughout the country, said Frank Fenton, American Federation of Labor representative on the War Manpower Commission's Management-Labor Committee, on Jan. 5, who contended that the difficulties were strictly of a local and specific nature. Advices to this effect were contained in a special dispatch from Washington to the New York "Times" on Jan. 5, from which the following is also taken:

"He (Mr. Fenton) also said that official figures refuted statements that unusually large numbers of workers had voluntarily left war production for peace-time jobs.

"Mr. Fenton said there is no general manpower shortage. 'I don't like substituting hysteria for common sense,' he said. 'This is disturbing all employers in the country, when the problem is specific bottlenecks. Our problem is the utilization of existing manpower and skills.'

"Mr. Fenton, who is director of organization for the AFL, said his entire organizing staff in the field is committed to the current manpower recruiting and channeling program. Labor did not subscribe to some of the Government's methods of attacking manpower problems by compulsory methods, he said, but 'we made up our minds we would obey our Government and go along and do the best we can.'

"As an example of compulsion he opposed, he cited, the enforcement of employment ceilings in less-essential industries. Mr. Fenton said that if an employer with 800 workers is ordered to cut his force to 500, most likely he will lay off his most inefficient help, or his oldest employes, or women. He contended that the result would be a pool of unemployed rather than an increase in the munitions labor force because many, if not all, of those laid off would not be useful in munitions.

"Instead, Mr. Fenton advocated that local management-labor committees tackle the problems. Employers producing less-essential goods would be called in and asked to lend a specific number and type of worker to plants critically in need of such help to meet munitions schedules.

"Referring to impressions that large numbers of workers were quitting munitions for peacetime jobs, Mr. Fenton cited findings of the Bureau of Labor Statistics which showed that the quit rate in all other manufacturing was at least 1 percentage point higher than in munitions every month of 1944 through September."

Denver IBA Group Plans Finance Program

DENVER, COLO.—A special post-war committee, headed by Canton O'Donnell of Garrett-Bromfield & Co., has been appointed by the Rocky Mountain Group of the Investment Bankers Association to plan for the financing, through regular investment channels, of new industries, both large and small, in the Rocky Mountain region. The committee, believed to be the first of its kind to be formed by a regional IBA group, will include a member from each of the local investment houses.

The committee, in cooperation with the Chamber of Commerce, plans first to contact all local and civic groups interested in the establishment of new industries after the war, to acquaint them with the willingness of the investment bankers to provide financing service for any sound, legitimate enterprise. Consultations will be held with those proposing to form new industries and businesses to determine their financial needs and how these may be met.

The IBA group is primarily interested in forestalling any proposal to set up some new Government lending agency to finance post-war projects, particularly for small businesses, since, officials believe, the existing investment banking system is capable of providing necessary finances from private investors for all sound and legitimate enterprises which may be proposed. The group is prepared to point to its achievements in handling such large transactions as that involving the reorganization of the Public Service Co. of Colorado as evidence of its ability to meet financing demands even if they run into millions of dollars. Any business or industrial proposals laid before the new committee will be kept in strictest confidence.

It is expected that other IBA groups throughout the country will follow the lead of the Rocky Mountain group in setting up similar committees to serve their own localities.

Heavy Canada Trading In December Reported

Indications are that Christmas trade in Canada has outrun that of last year by a substantial volume, and would have been even greater if supplies in some lines had been equal to the demand, said the Bank of Montreal in its monthly summary of Canadian business conditions released on Dec. 22, which continued in part:

Buying is reported to have been unprecedented in some quarters and on a very heavy scale generally. Last year December retail sales approximated $470,000,000, as compared with a monthly average of $340,000,000 for the year. This high mark appears to have been well exceeded in the Christmas trade of 1944. Helping to swell the volume of Christmas trade is the high level of the purchasing power of the farming community, which has been particularly noticeable in the Prairie Provinces.

The year is ending with business in general moving at very high levels. Official records show that in the first ten months of the year manufacturing production registered a moderate advance, even over the challenging record set in 1943, and all productive operatioins were slightly higher. A generally sound business condition is indicated in the comparatively low rate of commercial failures, the record in this respect having been better in the last two years than at any other time covered in official records. On the reverse side of the business picture is an employment decline of 1.2% in September, chiefly in the manufacturing and construction fields, this being the first downward movement in that month since 1931.

Canadian agriculture has written up a new record this year with the principal field crops valued at an estimated gross of $1,319,000,000. The figure is nearly double that of 1939, exceeds that of 1943 by $185,000,000 and that of 1942, the previous peak year, by $140,000,000. The 1944 increase reflects slightly higher prices received for better-than-average crops.

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Calendar Of New Security Flotations

OFFERINGS

AMERICAN HOME PRODUCTS CORP. has filed a registration statement for 98,535 shares of capital stock, par $1 per share. Holders of capital stock of record at the close of business Dec. 15 were given rights to subscribe to the new stock at the rate of one share for each ten shares held at $59 a share. Rights expired at close of business Jan. 2, the stockholders subscribing for 92,690 shares. The unsubscribed stock was offered by the underwriters. Net proceeds will be added to the general corporate funds of the company. Hornblower & Weeks, New York, head the underwriting group. Filed Nov. 25, 1944. Details in "Chronicle," Nov. 30, 1944.

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. 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. Lehman Brothers are principal underwriters. Filed Dec. 23, 1944. Details in "Chronicle," Jan. 4, 1945.

Offered Jan. 10, 1945 at $23.50 per share.

HANCHETT MANUFACTURING CO. has filed a registration statement for $450,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1945 to 1964, and 45,000 shares of common stock ($1 par). The shares are reserved for issue upon conversion of $450,000 first mortgage convertible bonds. Proceeds will be applied to the reduction of bank loans. Filed July 20, 1944. Details in "Chronicle," July 27, 1944.

Offered Jan. 9 by B. W. Brooks & Co., Inc., at prices ranging from 99½ to 102½ according to maturity.

MONOGRAM PICTURES CORP. has filed a registration statement for 100,000 shares of 5½% cumulative convertible preferred stock, par $10. Proceeds will be added to working capital. Company stated its present intention is to use such additional working capital for the reduction of current liabilities by approximately $300,000 and the balance in the production of its motion pictures. Filed Dec. 1, 1944. Details in "Chronicle," Dec. 7, 1944.

Offered Jan. 10, 1945 at $10 per share and dividend by Emanuel & Co., Buckley Brothers, Hirsch & Co., Johnston, Lemon & Co. and Straus & Blosser.

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.

Offered Jan. 9, 1945 at $105 per share and dividend.

NEW FILINGS

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

THURSDAY, JAN. 11

WEATHERHEAD CO. has filed a registration statement for 20,000 shares of cumulative preferred stock (no par). Dividend rate will be filed by amendment. The net proceeds will be applied to $1,600,000 outstanding promissory notes dated May 1, 1944, payable to banks. 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 general funds and may be used in connection with conversion from wartime to peacetime operations and the development of company's peacetime business. The underwriting group is headed by Merrill Lynch, Pierce, Fenner & Beane. Filed Dec. 23, 1944. Details in "Chronicle," Jan. 4, 1945.

GENII CORP. has filed a registration statement for 1,868 shares of common stock. Company plans to sell the securities registered direct to the public without the assistance of underwriters or dealers. Offering price to the public is $100 per share. Proceeds will be applied to building and improvements, machinery and equipment, etc. Balance will be used for working capital and reserve for contingencies. Filed Dec. 23, 1944. Details in "Chronicle," Jan. 4, 1945.

MONDAY, JAN. 15

DUREZ PLASTICS & CHEMICALS, INC., has filed a registration statement for 73,208 shares of common stock, par $5. Company is granting to holders of its common stock of record at close of business Dec. 27, 1944, rights to subscribe to 73,208 shares of common stock at $29 per share in ratio of 100/583rds of a share for each share held of record. 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. 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. Filed Dec. 27, 1944. Details in "Chronicle," Jan. 4, 1945.

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. Company is offering to holders of common stock rights to subscribe for 199,847 shares of preferred stock, at the rate of one share of cumulative preferred for each five shares of common stock held. 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. 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 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. Lehman Brothers and Glore, Forgan & Co. head the underwriting group. Filed Dec. 27, 1944. Details in "Chronicle," Jan. 4, 1945.

TUESDAY, JAN. 16

CENTRAL OHIO LIGHT & POWER CO. has filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment. The company proposes to invite proposals for services to be renedered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred, and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer. The 11,972 shares of new preferred are to be issued to retire the outstanding $6 preferred shares. The exchange offer is to be on a share for share basis plus a cash adjustment. Company will call for redemption the unexchanged shares, subject to the consummation of the sale to underwriters of the stock to be sold. The proceeds from such sale will be applied in part to the redemption of any such unexchanged shares. The redemption price of old preferred stock will be $110 per share plus accrued dividends. Filed Dec. 28, 1944. Details in "Chronicle," Jan. 4, 1945.

TUESDAY, JAN. 23

GROUP DISTRIBUTORS, INC., has filed a registration statement for 10,000,000 shares of capital stocks par one cent a share.

Address—No. 1 Exchange Place, Jersey City, N. J.

Business—Mutual investment company.

Underwriting—Distributors Group, Inc.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5560 Form A-1. (1-4-45).

THURSDAY, JAN. 25

SOUTHWESTERN PUBLIC SERVICE CO. has filed a registration statement for $17,500,000 first mortgage bonds, 3⅛% series due 1974, and 50,000 shares of cumulative preferred stock, par $100 per share.

Address—Republic Bank Building, Dallas, Texas.

Business—Public utility company.

Offering—Holders of the company's outstanding 6½% cumulative preferred stock will be given the opportunity to exchange the shares of old preferred stock for shares of new preferred on a share for share basis. Consummation of the exchange is subject to the authorization of the new preferred by common stockholders, purchase by the underwriters of the $17,500,000 new 3⅛% bonds and of such shares of new preferred as are not issued in exchange for old preferred. Offering price of the bonds and preferred stock to the public will be supplied by amendment.

Proceeds—Net proceeds from the sale of bonds and of new preferred stock if all is not issued in the exchange offer with proceeds from sale by the company of its interest in its former subsidiary, Gulf Public Service Co. and of certain other properties, amounting in the aggregate to $4,875,763, and general funds of the company will be used to redeem at 110½ and interest company's first mortgage and collateral trust bonds outstanding in the amount of $20,000,000, and to redeem at $110 per share and accrued dividends outstanding shares of preferred stock not exchanged for the new preferred stock proposed to be issued.

Underwriting—Dillon, Read & Co. is expected to head the underwriting group.

Registration Statement No. 2-5561. Form S-1. (1-6-45).

DATES OF OFFERING UNDETERMINED

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

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

AMERICAN PHENOLIC CORP. has filed a registration statement for $1,500,000 5% 15-year convertible sinking fund debentures due in 1959 and 345,000 shares of common, par $1 per share. The common stock is issued and outstanding and does not represent new financing by the company. Debentures are to be offered at 100. The common stock which will be sold for the acount of Arthur J. Schmitt, President and Director, is to be offered at $10 a share. Company will use its part of proceeds for working capital. Van Alstyne, Noel & Co. are named principal underwriters. Filed Dec. 6, 1944. Details in "Chronicle," Dec. 14, 1944.

ARKANSAS-MISSOURI POWER CORP. has filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974. Proceeds together with general funds of the company to the extent required, will be used to redeem, at 105, of $2,350,000 first mortgage bonds, series A, 4%, due June 1, 1965, of the company. The bonds will be offered for sale at competitive bidding. Filed Dec. 4, 1944. Details in "Chronicle," Dec. 7, 1944.

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 plants and warehouses, the purchase of new machinery and equipment for the proposed new plants, the purchase of additional delivery equipment, for the improvement and rehabilitation of existing plants, etc. Union Securities Corp. and Hornblower & Weeks head the underwriting group.—Filed Dec. 22, 1944. Details in "Chronicle," Dec. 28, 1944.

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. Samuel J. Briskin, Hollywood, Cal., and A. Schneider, New York, are named underwriters. 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. 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. Filed Dec. 22, 1944. Details in "Chronicle," Jan. 4, 1945.

EDWARD G. BUDD MANUFACTURING CO. has filed a registration statement for 297,500 shares of common stock, (no par). The shares registered are to cover options which were issued by the company on Jan. 3, 1944, to 163 of its administrative and executive officers and employees to subscribe to an aggregate of 299,500 shares of common stock, the options varying from 300 to 58,440 shares.

The options are exercisable at $7.50 per share, being 125% of the market price of the stock on Jan. 3, 1944 as evidenced by the last sale of the stock on the New York Stock Exchange on that day. Options are good for five years from Jan. 3, 1944. Since the issuance of the options two persons holding options to subscribe to 2,000 shares have resigned from the employ of the company and forfeited their options. Filed Dec. 14, 1944. Details in "Chronicle," Dec. 21, 1944.

CAPITAL TRANSIT CO. has filed a registration statement for $12,500,000 first and refunding mortgage bonds, series A, 4% due Dec. 1, 1964. The net proceeds from the sale of the bonds and from a $2,500,000 bank loan with treasury cash will be used for refunding purposes and to make payments on account of equipment purchases, etc. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

Issue awarded Dec. 18 to a banking group headed by Alex. Brown & Sons at 97½. The SEC on Dec. 21, 1944, refused to release jurisdiction over the issuance, declaring that the Commission was not satisfied that competitive conditions had been maintained.

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

THE EUGENE FREEMAN CO. has filed a registration statement for $300,000 trade acceptances. Proceeds will be applied to organization expenses, acquisition of motor trucks, real estate, buildings, machinery, etc. Filed Sept. 13, 1944. Details in "Chronicle," Sept. 21, 1944.

Registration statement withdrawn Nov. 15, 1944.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GENERAL AMERICAN INVESTORS CO., INC., has filed a registration statement for 220,000 shares of common stock (no par). The shares are issued and outstanding 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.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

LINCOLN PARK INDUSTRIES, INC., has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27, 1944. Details in "Chronicle," Oct. 5, 1944.

MOORE WINDSOR CORP. has filed a registration statement for 100,000 shares of 12½ cent cumulative dividend and participating preferred stock, par $1 per share. The net proceeds of approximately $200,000 will be used for working capital and expansion of the company's business. W. H. Cobb & Co., Inc., New York, is named principal underwriter. Offering price to the public $2.50 per share. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

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.

OHIO WATER SERVICE CO. has filed a registration statement for 80,880 shares of common stock, par $10. The shares are now outstanding and are being sold by Federal Water & Gas Corp. The shares registered constituting approximately 56.53% of the outstanding stock of the company, are owned by Federal Water & Gas Corp. which will receive the entire proceeds from the sale. On Feb. 10, 1943, the Securities and Exchange Commission ordered Federal to divest itself of its interest in Ohio, and Ohio stated in its registration statement it is informed that Federal is selling the stock in order to comply with that order. Otis & Co. are principal underwriters. Filed Dec. 7, 1944. Details in "Chronicle," Dec. 14, 1944.

THE OLD STAR DISTILLING CORP. has filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share; proceeds to company $100. Proceds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

SOUTH CAROLINA POWER CO. has filed a registration statement for $8,000,000 first and refunding mortgage bonds series due 1975. The bonds will be offered for sale under the Commision's competitive bidding rule. 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 reimbure the company for funds deposited for redemption on Jan. 1, 1945, of $641,500 Georgia-Carolina Power Co. first mortgage 5% bonds, for redemption on July 1, 1945, of $3,959,999 South Carolina Power Co. first lien and refunding mortgage gold bonds, for acquisition from Commonwealth & Southern Corp. and retirement of $3,411,000 South Carolina first lien 5s at Commonwealth's cost or $2,855,562, and for redemption of 23,023 shares of South Carolina $6 preferred stock. Total amount required, including premiums on bonds and preferred stock in the hands of public is $10,107,765. Filed Dec. 22, 1944. Details in "Chronicle," Jan. 4, 1945.

TIDE WATER POWER CO. has filed a registration statement for $4,500,000 first mortgage bonds series due Nov. 1, 1975, and $1,000,000 sinking fund debentures, due 1955 are to be offered for sale at competitive bidding as per amendment filed Dec. 9, 1944. Details of original filing in "Chronicle," Oct. 12, 1944.

Public invitation for bids for the purchase of $4,500,000 1st mtge. bonds series due 1975 and $1,000,000 sinking fund debentures due 1955 (interest rates to be specified in the bids) will be received up to 12 noon EWT Jan. 15 at room A 7th floor, 165 Broadway, New York.

The Business Man's Bookshelf

Business Leadership in the Large Corporation—R. A. Gordon—The Brookings Institution, Washington 6, D. C.—cloth—$3.00.

Democracy Under Pressure (Special Interests vs. the Public Welfare) — Stuart Chase — Twentieth Century Fund, 330 West 42nd Street, New York City — cloth — $1 ($5 for the series of six books on "When the War Ends," of which this is No. 4)—publication date Jan. 15, 1945.

Guide for Personal Income Tax—Peter Guy Evans and J. Stanley Halperin—paper—25c.

Notes on Utilities—Post-War—John C. Parker—Post-War Planning Committee, Commerce & Industry Ass'n of New York, Inc., 233 Broadway, New York 7, N. Y.—paper.

Railroads at War—S. Kip Farrington Jr. — Coward McCann, Inc., New York City—profusely illustrated—cloth—$4.

South American Handbook, The—(21st annual edition)—Trade & Travel Publications, Ltd., 14 Leadenhall Street, London, E. C. 3, England—New York agents, H. W. Wilson Co., 950 University Ave., New York 52, and Thos. Cook & Son, Inc., 487 Fifth Ave., New York 17—fabrikoid—$1.25.

Surface Carrier Participation in Air Transportation—William L. Grossman—New York University, School of Commerce, Accounts and Finance, Washington Square, New York—paper—$1.

Extend Mail In Italy

Postmaster Albert Goldman announced on Dec. 19 that information has been received from the Post Office Department at Washington that effective Wednesday, December 20, letters would be accepted for mailing to five additional provinces and two other areas in Italy. The provinces are Ancona, Arezzo, Livorno (Leghorn), Perugia and Siena. Service will also be extended to the cities of Firenze (Florence) and Pisa, together with those portions of the provinces of Firenze and Pisa south of the Arno River. The advices added:

"Mail for the places mentioned is subject to the same restrictions governing corresponce to other places in Italy to which mail service has been previously resumed. The weight limit for letters and letter-packets is two pounds, three ounces and the contents are restricted to personal or business communications which are not transactional in character. No merchandise of any kind may be sent. The service for parcel post packages containing merchandise is restricted to those addressed for delivery in Rome City, Naples City, Palermo City and Vatican City State. Registry service will be available. When facilities are re-established for the transmission of personal support remittances to individuals in these provinces and areas, the Treasury Department and War Department will make appropriate announcements."

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The New Year investment demand was very much in evidence in the government bond market last week, as the whole list moved up, with several issues again making new highs. . . . The continued increase in savings deposits, resulted in the Savings banks being in the market in an important way, with sizeable commitments being reported by these institutions in the 2¼% due 9/15/56/59 and the long 2½'s all of which registered new tops for the period. . . .

It was also learned that commercial banks with time deposits, were substantial purchasers of the 2½% due 1967/72, and this issue likewise went into new high ground. . . .

The partially exempt obligations were very well taken with practically all issues of this group on the plus side. New highs were made in the long and intermediate terms with the 2½% due 9/15/50/52, the 2¾% due 6/15/51/54 and the 2¼% due 12/15/51/53 showing the largest gains for the week. . . . The decision of the United States Supreme Court, upholding the tax exemption of the New York Port Authority obligations, undoubtedly had a favorable effect on the partially exempt government securities. . . .

TAXABLE 2s ADVANCE

The 2% group of taxable bonds advanced during the week with heavy trading being reported in the new 2% due 12/15/52/54, which closed the week at 100.13/32 bid, a rather substantial move since they were issued at par during the Sixth War Loan. . . . In fact some of the portfolio managers and dealers feel that this issue has gone ahead a bit too fast and believe that other issues in the 2% group are more attractive at present levels. . . .

The 2% due 9/15/50/52 at 101.9/32, the 2% due 9/15/51/53 at 100.27/32 and the 2% due 6/15/52/54 at 100.18/32 it was pointed out, appear to offer better appreciation possibilities, since these issues have not advanced as much as they should, when compared with the rise that has taken place in the 2% due 12/15/52/54.

One of the large Government bond dealers, near the end of last year issued a study of nine comparable issues of taxable 2% bonds from which commercial banks and others can select maturities for particular needs. . . . The following table gives a one-year projection for each of these issues, based on the assumption that interest rates will remain unchanged for the period:

Issue—	Present Yield %	Present Price	Projected Yield %	One Year Price	Change in 32nds
March 2% 1950-48	1.39	101.29	1.23	101.21*	—7*
June 2% 1951-49	1.59	101.24*	1.43	101.29*	+5
September 2% 1951-49	1.62	101.22	1.47	101.29	+7
December 2% 1951-49	1.66	101.19	1.50	101.29*	+10*
March 2% 1952-50	1.70	101.16	1.55	101.26*	+10*
September 2% 1952-50	1.77	101.8	1.63	101.21*	+13*
September 2% 1953-51	1.88	100.24	1.76	101.9*	+17*
June 2% 1954-52	1.93	100.14*	1.85	100.29	+14*
December 2% 1954-52	1.96	100.10	1.90	100.21	+11

*Plus 1-64th.

Since this compilation was made prices of some of these issues have advanced from 1/32 to 4/32, however this does not change the purpose for which the study was made. . . .

SIXTH WAR LOAN RECORD HIGH

Secretary of the Treasury Morgenthau announced last week that total subscriptions to the Sixth War Loan were 54% in excess of the 14 billion dollar quota, with sales amounting to $21,621,000,000. . . . This figure is a new record for the war financing and was nearly one billion dollars in excess of the $20,639,000,000 obtained in the Fifth War Loan, the previous high mark. . . . Subscriptions by individuals aggregated $5,900,000,000 compared with the figure of $5 billions set by the Treasury. . . . Sales of Series "E" savings bonds exceeded the $2,500,000,000 quota by 15% with purchases totalling $2,868,000,000. . . .

The total amount of money raised in the Sixth War Loan was probably in excess of $23,000,000,000 since it is indicated that the reported figure of $21,621,000,000 does not include subscriptions by Treasury investment accounts or the commercial banks. . . .

It has been estimated that commercial bank subscriptions to the Sixth War Loan amounted to about one billion dollars. . . .

Although no figures are available on Treasury investment accounts purchases, it is believed that they were at least equal to those made during the Fifth War Loan when they amounted to $593,000,000. . . . Based on available figures and estimates it is indicated that final results of the Sixth War Loan will be somewhat as follows:

Total subscriptions (exclusive of purchases by commercial banks and Treasury	$21,621,000,000
Commercial banks purchases (estimated)	1,000,000,000
Treasury investment account purchases (est.)	600,000,000
Total amount probably realized during Sixth War Loan	$23,221,000,000

BANK HOLDINGS UP $9 BILLION

The Federal Reserve Bank of New York estimates that for the banking system as a whole, including Federal Reserve Banks as well as all member and non-member commercial banks, the expansion in holdings of Government securities and in loans on such securities in connection with the Sixth War Loan aggregated more than 9 billion dollars. . . . These figures indicate that Federal and the commercial banks were very important in the last war loan.

The purchases by these institutions of Government securities together with the extension of credit to finance the purchase of Government obligations was equivalent to almost 40% of all of the funds raised during the drive.

Likewise it was 1½ times larger than individual bond purchases and more than three times subscriptions to the Series "E" savings bonds. . . . With public debt expanding at a rate of upwards of $50 billions yearly and additional war loans necessary with the prolongation of the war, more money must be raised from corporations and individuals and not indirectly in large part from the banks, if we are to avoid an inflationary expansion of bank deposits. . . . This will require in particular the sale of much larger amounts of Treasury securities to individual investors who are putting only a fraction of their new savings in Government obligations. . . .

Accordingly it is reported that recommendations have been made that a reconsideration both of the terms of the various issues offered in the War Loan drives and of the selling methods used, be made, so that a larger percentage of the War Loans will be sold to individual investors, who will use cash resources to pay for them. . . .

This will mean that less money will be obtained by selling outstanding securities to the banks or by borrowing.

Kuhn, Loeb & Co. Offers Pennsylvania RR Bonds

The Pennsylvania RR. on Jan. 9 awarded an issue of $51,782,000 general mortgage 3⅛% bonds, series F, due on Jan. 1, 1985, to Kuhn, Loeb & Co. and associates on their bid of 100.609. The banking group immediately reoffered the bonds at 101.68 and accrued interest. The award is subject to the approval of the Interstate Commerce Commission.

The railroad received two other bids for the bonds. Halsey Stuart & Co., Inc., bid 99.5799 with bonds having a 3⅛% coupon, and the Equitable Life Assurance Society, 99.675 for a similar interest rate.

Associated with Kuhn, Loeb & Co. are Blyth & Co., Inc.; The First Boston Corp., Goldman Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., Lazard Freres & Co.; Salomon Bros. & Hutzler, Stone & Webster and Blodget, Inc.; Union Securities Corp., A. G. Becker & Co., Inc.; Drexel & Co., Eastman, Dillon & Co.; Hallgarten & Co., Hemphill, Noyes & Co.; Hornblower & Weeks, W. E. Hutton & Co., Lee Higginson Corp., Merrill Lynch, Pierce, Fenner & Beane, F. S. Moseley & Co., Paine, Webber, Jackson & Curtis; R. W. Pressprich & Co., E. H. Rollins & Sons, Inc., and White, Weld & Co.

The proceeds to be received by the company from the sale of the bonds, together with company funds, will be applied to the redemption on April 1, next, of $60,000,000 of 40-year 4½% debentures now outstanding. In addition to the bonds awarded to the banking group, $8,218,000 of the same series have been issued to replace bonds in a similar amount, held by various companies in the Pennsylvania System.

The new bonds will be redeemable at 105 in whole or in part in amounts of not less than $1,000,000 on 45 days' notice from Jan. 1, 1946, through Jan. 1, 1958, and thereafter at prices ranging down to par after Jan. 1, 1983.

Attractive Rail Issue

Common and preferred stock of Terminal Central Railway offer attractive possibilities according to a circular issued by Adams & Peck, 63 Wall Street, New York City. Copies of this interesting circular may be had from Adams & Peck upon request.

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