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Bretton Woods Plans Vital For 60 Million Jobs: Morgenthau

Secretary of the Treasury Henry Morgenthau, Jr., spoke briefly over the coast-to-coast radio Blue Network hookup, featuring the weekly program "Labor—U.S.A.," sponsored by the Congress of Industrial Organizations on Saturday, Jan. 27, regarding the interest of labor in the Bretton Woods Proposals. His remarks, as released by the Treasury Department, follow:

Sec. Morgenthau

The CIO needs no reminder that the welfare of American labor is tied to the welfare of America as a whole. It demonstrated its knowledge of this fact last Fall by taking part actively —and, I may say, fairly effectively — in the political life of the Nation. It did so because it understood, as Sidney Hillman put it, that "The activity of such groups in shaping the course of their government is

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Future Problems of the Radionics Industry

With Special Reference to Television

By J. J. NANCE*

Vice-President, Zenith Radio Corporation

Radio Company Executive Predicts a Post-War Expansion in Most Branches of the Industry, Due to Post-War Replacement Demands and Additional Civilian Uses, but States That Although Television Is Already Accomplished, It Cannot Become a Great Industry Until Some Method Other Than Advertising Revenues Has Been Found to Offset the Heavy Cost of Providing Acceptable Programs. Points Out that Television Must Overcome the Competition of the Moving Picture Industry, Which Has Already Proven Its Popularity and Is Strong Financially.

In appearing before your organization I am conscious of the responsiblity shouldered by you in acting as investment counsellors to the public, which imposes upon you the responsibility of trying to forecast future trends and developments. I shall, therefore, attempt to confine this discussion of television and other branches of the radionics industry to the economic phases in which you are particularly interested.

J. J. Nance

First, it has always seemed highly important to me that to properly discuss any subject the speaker and his audience must fully understand each other's point of interest. Let us assume that an audience establishes its viewpoint by extending an invita-

*An address by Mr. Nance before the New York Society of Security Analysts, Jan. 24, 1945.

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An Open Letter to Congress On Monetary Reform

By ROY L. GARIS

Vanderbilt University

Urging a Speedy Restoration of the Gold Standard, Professor Garis Urges Ten Reforms to Place Our System on a Sound Basis. These Comprise, (1) An Enduring Peace; (2) the Removal of International Rigidities and Trade Barriers; (3) Free Gold Markets With Continuation of Stabilization Funds; (4) A Definite Gold Dollar-Pound Parity; (5) a Fixed Statutory Gold Price and Restoration of Gold Coinage and (6) the Control of Credit in the Interest of Economic Stability. Advocates Repeal of Laws Which Give the President Power to Issue Fiat Money or Establish Bimetallism and Recommends Replacement of Silver Dollars and Silver Certificates by One-Dollar Federal Reserve Notes.

The present Congress of the United States must devote much of its time to post-war reconstruction, both domestic and international. Fundamental to any consideration of such problems is the enactment of legislation by this Congress that will provide a sound monetary system for this country in which not only the people of the United States but all peoples will have absolute confidence. With the exception of the stabilization fund, the monetary "experiments" since March, 1933, must be considered as costly failures that would have proved fatal to a nation with a less rugged financial and economic physique. Just as George Washing-

Roy L. Garis

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The Bretton Woods Agreements

By EDWARD E. BROWN*

Chairman of the Board, First National Bank of Chicago

Delegate to the International Monetary Conference States That the Agreements Necessarily Represent Compromises and Were Entered Into in Order to Prevent Post-War International Monetary Chaos. Refutes Arguments That the International Fund Is Premature and That Its Size Will Encourage Countries to Delay Balancing Their Foreign Payments. Contends That the Borrowing Rights of Members are Restricted and That the Fund Does Not Set Up a Fixed Gold Standard. Holds That Although There Will Be a Large Demand for Dollar Exchange, if the U. S. Recognizes That, As a Creditor Nations, It Must Ultimately Accept Payment in Goods, a Scarcity Will Not Develop. Urges Radical Change in Our Tariff Policy and Says Restrictions on International Bank Make Its Debentures Safe.

Edward E. Brown

The United Nations Monetary and Financial Conference, held at Bretton Woods, N. H., for three weeks in July, was attended by the representatives of 44 nations. The Conference met on the invitation of the United States and was the

*An address by Mr. Brown before the Chicago Association of Commerce, Chicago, Jan. 17, 1945.

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Foreign Investment In The Post-War Period

By ROBERT K. McCONNAUGHEY*
Commissioner Securities and Exchange Commission

Mr. McConnaughey, After Reviewing American Experience With Foreign Investments, Points Out the Special Hazards "Which Cannot Be Eliminated Even by the Most Scrupulous Fair Dealing." The Protecting of the Investor, He Maintains, Is the Joint Responsibility of Investment Bankers and Security Commissioners, and He Calls for Full Disclosure of Facts Relating to Foreign Offerings. Holds New Investment Abroad, Wisely Placed, and Carefully Administered, Can Aid in Maintaining Full Employment, but Stresses the Need of Reduction of Trade Barriers and the Balancing of Our International Payments. Approves International Bank, and Warns Against Dependence on Continuous Foreign Investments Unless Our Imports Grow Faster Than Our Exports. Concludes That the Safety and Expansion of Foreign Investment Lies in International Peace.

Anything involving foreign investments—particularly the sale of foreign securities in this country—is of more than casual interest to all of us as securities commissioners. Between 1920 and 1931 some 9.3 billion dollars of foreign bonds, both governmental and private, were sold in this country. With the bonds of some foreign governments yielding, or promising to yield, as much as 8%, American investors gobbled up whatever was offered. Investment bankers vied with one another for the privilege of thrusting American dollars upon prospective foreign borrowers.


R. K. McConnaughey
(c) By Harris & Ewing

There is not time here to attempt to analyze the overall economic consequences of the lending that was done in that period. Indeed, in view of the hypothetical estimates that would be involved, it might be extremely difficult to arrive at even an approximately correct analysis. The record is plain, however, as to the effect upon individual investors of some of the indiscriminate lending done during that period. Its almost inevitable consequence was that many of those who then

*An address by Mr. McConnaughey before the 27th annual meeting of the National Association of Securities Commissioners, St. Louis, Mo., Dec. 12, 1944.

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James D. Seaver Is With W. E. Hutton

(Special to The Financial Chronicle)

BOSTON, MASS. — James D. Seaver has become associated with W. E. Hutton & Co., 75 Federal Street. Mr. Seaver in the past was a principal of Bond, Judge & Co., Inc.; was with Burr & Co., Inc., and Harris, Forbes & Co.

Melville L. Moore With Finch, Wilson & Co.

Melville L. Moore has become associated with Finch, Wilson & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Moore for many years was in business for himself under the firm name of M. L. Moore & Co.

Some Consequences of A $300 Billion Debt

By ELLIOTT V. BELL*
State Banking Superintendent, New York

Prominent Bank Supervisor, Contending That Supply and Demand Factors No Longer Control the Interest Rate, Points Out That the Heavy National Debt Will Require a Continuation of Present Low Rates so as to Keep Down Government Expenditures and Prevent Bankruptcy of Banks Due to Decline in Bond Prices. Holds Federal Government Is Enabled to Offset Banking Conditions Affecting Interest Rates Through Its Power to Create Currency and to Alter Reserve Requirements. Sees the Enormous Available Purchasing Power as an Inflationary Factor, and Says That Post-War Regulation of Prices "Will Prove Far More Difficult Than Regulation of Interest Rates." Warns Savings and Loan Institutions Will Face Low Earnings With Increased Hazards.

As executives of savings and loan associations, all of you deal in credit. Credit by its nature always involves a wager upon future events. Every time you make a loan or an investment you have to [illegible] probable hazards of the future which will determine whether that loan is going to be repaid—whether that investment will pan out.


Elliott V. Bell

The outstanding economic factor in the world today is war. Wars invariably bring about [illegible] economic changes. We can be certain of the military future of this war. It is by no means over, yet victory is plainly in sight. The economic consequences are far less easy to foresee.

The National Debt

One obvious consequence is that we will emerge from this war with an enormous debt. The President in his recent budget message forecast a national debt

*An address by Mr. Bell before the annual meeting of the Federal Home Loan Bank of New York at the Waldorf-Astoria Hotel, Jan. 25, 1945.

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Post-War Tax Planning

By ROY BLOUGH*

Assistant to the Secretary of the Treasury

Stating That Tax Adjustments May Influence the Level of Employment and Business by Stimulating Private Investment or by Stimulating Consumption, or by Improving Competitive Relationships "to Grease the Wheels of the Economic Machine," Dr. Blough Points Out That the Application of Any or All of These Are Dependent On Many Imponderables, Chief Among Which Are the Scale of Post-War Government Expenditures and the Level of Post-War National Income. Holds That Attention Should be Directed More Toward Specific Reductions Which Will Afford the Maximum Support to Consumer Markets and to the Stimulation of Investment by Encouraging Risk-Taking and Improving Competitive Relationships Than Toward a General, Across-the-Board Reduction.

Even though the war is far from over, post-war taxes have been very much in the limelight during the past year. On every hand, interested groups in business, labor, agricultural and professional circles, as well as in the Government, have been developing tax plans. Clearly, I mean no disrespect when I call these groups, for short, "tax planners."

Roy Blough

I believe a great deal of value has been achieved by the discussion and debate of these post-war tax plans. The public knowledge and appreciation of the problems that must be faced and of the alternatives for solving them have been greatly enlarged. The process of discussion should continue, for on some of the major problems important differences of opinion remain to be reconciled within, as well as among, the interested groups.

It would be well to recognize that this widespread discussion of post-war tax plans has not been without its unfortunate aspects. Much of the popular attraction to

*An address by Dr. Blough the New School for Social Research, New York City, Jan. 30, 1945.

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The Birth and Development of a New Industry

By D. J. BUNNELL*

Vice-President, Central Soya Company, Inc.

Tracing the Growth of the Soybean Industry, Mr. Bunnell Points Out the Value of Soybean Products, Both as a Protein for Animal Feed and as Materials for Industrial Uses. Says Technical Improvements in Processing Have Enabled Soybean Production in the U. S. to Increase From 23,000,000 Bushels in 1934 to 193,000,000 Bushels in 1944. Notes New Interests Have Entered the Processing Field and Soybean Products Are Now Used by Food Manufacturers as Well as Industrial Producers. Observes Processors Are Operating Today Under Government Contracts But as the Industry Is Already Established It Faces the Future With Confidence.

Twenty-five years ago, here in the United States, the word "soybean" was known to only a small group of agricultural scientists and a limited number of early pioneer growers. The rapid increase in production, and the vast expansion of processing plant facilities which transformed an infant into a $500,000,000 industrial giant within the space of a few short years, have captured the imagination of the American public.

D. J. Bunnell

Today — whether it be in the desert of Arizona or the pine woods of Maine — at the mere mention of the word "soybean," a responsive cord is struck. No greater lack of understanding of the basic fundamentals which gave reason for the birth of this industry, could have been created. One even hears that automobiles and buildings of the future will be made from soybeans. Also, that many fantastic developments in the edible and industrial fields are about to take place, with soybeans as the background. Do not smile when I sug-

*An address by Mr. Bunnell before the New York Society of Security Analysts, New York City, Jan. 15, 1945.

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Hearing on Boren Bill Set for Feb. 20-22

Thomas Graham, vice president of the Bankers Bond Co., Louisville, Ky., and chairman of the Municipal Committee of the National Security Traders Association, has been informed by Representative Lyle Boren of Oklahoma that hearing on the Boren Bill by the House Interstate and Foreign Commerce Committee have been set for February 20-22 and may be extended to February 27th.

Thomas Graham

The Boren Bill covers the definition of municipal securities as related to the Securities Act of 1932 and the Securities and Exchange Act of 1934.

Ressler At Saranac

Ben C. Ressler, formerly head of B. C. Ressler & Co., New York investment firm, is at Saranac Lake, New York (P. O. Box 765) and would like to hear from the boys in the "Street."

Decision in Avery Case Pending

For a week ending on January 23, 1945, the case of Clarence F. Avery against Fred C. Moffatt, as Acting President of the New York Curb Exchange, was on trial at Trial Term, Part 6 of the New York Supreme Court, before Mr. Justice Shientag.

The litigation arose out of a disciplinary proceeding before the New York Curb Exchange, wherein Clarence B. Rogers and John M. Jones, general partners in Avery & Co. were charged with conduct inconsistent with just and equitable principles of trade as a result of executing an order with respect to shares of the common stock of the Quaker Oats Co.

Finding the former guilty, the Board of Governors of the New York Curb Exchange directed the dissolution of Avery & Co.

Avery Sues for Damages

Mr. Avery then instituted an action in the New York Supreme Court charging that at the Curb Exchange hearing, neither the persons directly accused nor any other partner of the firm was afforded an opportunity to examine or cross examine the witnesses.

He further charged that these partners were not given an opportunity to present proper testimony at the trial and that the acts of the Curb were wrongful, unlawful and malicious, resulting from an alleged conspiracy designed to prevent Avery & Co. from continuing in its business.

As a result of all of the above charges, amongst other claims, total damages were asked for in the amount of $868,000.

Testimony Highlights

At the inception of the trial, the plaintiff's attorney caused a surprise by calling the following witnesses: Charles E. McGowan, Sec-

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Final Group of Opinions On Compulsory Peacetime Training

The last of the previously unpublished expressions received in connection with our symposium on the peacetime compulsory military training issue appear today. The initial group of comments appeared in our columns on Nov. 23 last and others were given in succeeding issues with but one or two exceptions. As a background for this sampling of opinion, we published in our issue of Oct. 26, 1944, several discussions concerning the subject, which reflected the views of the Presbyterian Synod of New York; the Rev. Cyril F. Meyer, Dean of St. John's University, Brooklyn, N. Y., and Dr. Harvey N. Davis, President of Stevens Institute of Technology. The large number of expressions which came to hand as a result of our survey represented the views and opinions of various members of both houses of Congress, business and financial leaders, and other prominent individuals, also of educators, economists and members of different church denominations. As previously noted we are making room in this issue for the final group of comments that came to hand in response to our inquiry.

W. T. GRANT
W. T. Grant Co., New York City

I am against compulsory military training in peacetime for America because I think it is unnecessary. I believe sufficient men will join the forces voluntarily to take care of the situation. Besides, I am fearful that it would lead to too much control of education in this country by the Government.

P. E. HATCH
President, First National Bank, Springfield, Ill.

As shown in the "Chronicle" of Oct. 26, 1944, the resolution of the Presbyterian Synod of New York "hits the nail on the head" and the serpent in the neck.

Ed. Note—The resolution referred to condemned the proposal to initiate a system of compulsory peacetime military training in this country. The subject was discussed in the same issue of our paper by a prominent Catholic educator and the president of a nationally known school of technology.

E. F. GOSSETT
Chairman of Board, South Texas Commercial National Bank, Houston, Texas

I can't find any fault in the argument of Rev. Cyril Meyer ["Chronicle" of Oct. 26, 1944] in opposition to compulsory peacetime military training. Think it answers the question and am therefore opposed to such a program.

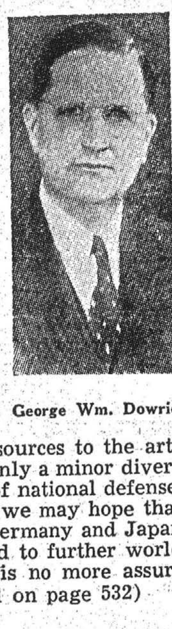
HENRY M. REED
Chairman of the Board and President, American Standard Radiator & Sanitary Corp., Pittsburgh, Pa.

I do not believe I am qualified to write on the subject of compulsory military training in peacetime America. Others were qualified, including the Father of our Country, who said, "in time of peace, prepare for war." I believe in that advice.

Naturally, if possible, military training should be arranged to interfere the least possible amount with the education and home life of our young men and women.

GEORGE W. DOWRIE
Professor of Finance, Graduate School of Business, Stanford University

Two world wars within a space of 25 years should make us take a realistic attitude toward the question of adequate preparedness for post-war America. After World War I we were lulled into a sense of false security. We believed that by some sort of magic the nations were suddenly through with the world-old method of settling their differences; that we could with impunity devote our talents and natural resources to the arts of peace with only a minor diversion in behalf of national defense.


George Wm. Dowrie

Fervently as we may hope that the defeat of Germany and Japan may put an end to further world conflict, there is no more assur-

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Edward W. Mundo With du Pont, Homsey Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—Edward W. Mundo has become associated with du Pont, Homsey Co., Shawmut Bank Building. Mr. Mundo for many years has conducted his own investment firm in Boston, under the name of E. W. Mundo & Co.

Should Corporation Taxes Be Abolished?

By SYLVIA F. PORTER*
Financial Editor, the New York Post
Editor of "Reporting on Governments"

While Advocating Reductions in Both Corporation and Personal Taxes After the War, Miss Porter Questions That the Abolition of Corporation Taxes Is the Key to Peacetime Economic Stability. Holds Cutting Corporation Taxes Does Not Lead Directly to Higher Wages or Lower Prices in Competitive Industries, and in Non-Competitive Industry It Is Not Taxes, but What the Traffic Will Bear That Determines Prices. Contends That in Non-Unionized Employment, Wages Do Not Go Up Merely Because Corporations Are Freed From Taxes. Points to Failure of Undistributed Profit Taxes As a Means of Preventing Avoidance of Taxes by Rich Shareholders and Concludes That Abolition of Corporation Taxes Is Politically Impracticable and Would Be "Taking a Tremendous Risk to Achieve a Doubtful Result."

It is my firm and reasoned belief that corporation and individual income taxes should be sharply reduced as soon as possible after the war. It is also my firm and reasoned belief that Congress will slash corporation and individual income taxes in the early post-war years; that it will eliminate the most restrictive of today's excise taxes; that it will repeal the excess profits tax. I do not argue, therefore, the necessity for wholesale tax reform. I do not question the advisability of lowering tax rates right down the line. And I certainly believe that important revision of our tax structure is essential at the earliest date in order to encourage business production, inspire risk taking by capital and increase employment.


Sylvia F. Porter

But I cannot go along unthinkingly with the proposition that abolition of corporation taxes is the key to peacetime economic stability. I question whether this tax change holds most of the secret to higher wages and lower prices, as has been so fervently argued by its supporters. On paper, I'll admit the points in favor of abolition of corporation taxes are deeply impressive. On paper, I'll be among the first to acknowledge the story appears most persuasive. But, gentlemen, we are not dealing simply with taxes-on-paper! We are considering the wisdom of a drastic tax step during a period of national economic dislocation and unsettlement. We are studying a move which undoubtedly would have widespread

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*An address by Miss Porter before a Forum of the Associate Members of the New School for Social Research, New York City, Jan. 30, 1945.

Says Foreign Trade Expansion Must Not Injure Domestic Economy

Dr. Calvin B. Hoover, CED Economist, Says Removal of Tariffs Under Present Conditions Are Not Feasible

In an address before the University of Cincinnati's Annual Business and Professional Men's Forum, held in Cincinnati, O., on Jan. 19, Dr. Calvin B. Hoover, Dean of the Graduate School of Arts and Sciences of Duke University, and an economist of the Committee on Economic Development, stressed the dangers of taking any steps to expand international trade that would have an adverse effect on the domestic economy. He cautioned that removal of trade barriers such as tariffs, must be done in such a way as not to disturb prevailing business, and stated that the removal of present tariffs would "simply not be feasible."


Calvin B. Hoover

"It is often alleged," Dr. Hoover said, "that we should increase our foreign trade because our productive capacity has been so greatly increased by the war that we must sell our surplus products to foreigners since we cannot hope to consume them ourselves. Economists for generations have pointed out, however, that we cannot sell goods and services to foreigners unless we are willing eventually to buy as much as we sell. Consequently, to count upon foreign trade as a means of getting rid of 'over-production' would be to embrace a complete delusion. *The really basic reason for foreign trade is, of course, to increase our national income by obtaining the largest possible value of goods*

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Nobiletti V.-P. of City Investing Co.

Robert W. Dowling, President of City Investing Company, 30 Broad street, New York City, announces the election of Caesar Nobiletti as a Vice-President of the company. Since 1932 Mr. Nobiletti has been a partner in the law firm of Bernard Remsen, Nobiletti & Millham (the former firm of Wayland & Bernard), specializing in the representation of savings banks and real estate practice. He will resign from this firm to enter City Investing Company. Mr. Nobiletti is also a Director of Home Title Guaranty Company.

Wm. Coe Killed in Action

Staff Sergeant William J. Coe was killed in action with the Ninth Air Force over France on Jan. 16, the War Department has notified his family. He was the son of Jacques Coe, of the New York Stock Exchange firm of Jacques Coe & Co. Sergeant Coe would have been 21 years of age in March.

Prior to his enlistment at the age of 19, Sergeant Coe attended the Collegiate School and Franklin and Marshall College in Lancaster, Pa. In addition to his father, he is survived by his mother, Mrs. Clara B. Coe; a brother, Jacques Coe, Jr., and a sister, Miss Jean Coe.

Public Utility Securities

1944 Utility Financing

The accompanying table analyzes the record of financing by the utility industry since 1919, when the Chronicle first began publication of the data. The most notable point about these figures is that, while the utility industry's proportion of total corporate refunding has been running higher than in the 1920's, most of this activity is refunding of old issues, due to the continued strength in the Government bond market. The amount of new capital financing by the utility companies (which in the period 1927-30 averaged over $2,000,000,000 a year) has dwindled to an insignificant $18,000,000 in 1943 and $43,000,000 in 1944. To some extent this can be attributed to the war; but even in 1938, the best pre-war year since 1932, only $271,000,000 was expended compared with $2,365,000,000 in the depression year 1930 (when President Hoover urged the utilities to combat the depression by construction activity).

At one time the Government thought it might have to loan substantial amounts to the utility companies to finance needed wartime expansion. This has proved unnecessary. The utilities have been able to take care of their own needs, because (1) the interconnection of facilities (largely brought about under holding company supervision) has permitted wide-scale pooling of power; (2) the big Government hydro-projects completed in recent years have furnished a large amount of low-cost power for producing aluminum, and other heavy war work; (3) the utilities have had available a considerable amount of depreciation funds available for construction work due to the substantial increase in appropriations as compared with the 1920's; and (4) a considerable amount of cash earnings have also been used for new construction which might otherwise have been disbursed to stockholders as dividends.

There has been very little money raised for new capital through common stock financing since 1931 (in 1929 over half of all utility financing was through stock issues). Last year only about 9% of all utility financing was in stocks and only $23,000,000 was "new capital" (nearly all this was preferred stock).

The figures presented in the table are for all utility companies—electric, gas, telephone, water, etc.

26-YEAR RECORD OF UTILITY FINANCING
(In Millions of Dollars)

Year—	All U. S. Corporate Offerings	Total Utility Issues	New Capital Utility Issues	Refunding Utility Issues	Ratio Utility to Total Corporate	Ratio Utility New Capital to Total Utility
1944	$3,113	$1,360	$43	$1,317	44%	3%
1943	1,081	399	18	381	37	5
1942	1,043	467	157	310	45	34
1941	2,619	1,383	399	984	53	29
1940	2,763	1,274	268	1,006	46	21
1939	2,196	1,327	61	1,266	61	6
1938	2,076	1,229	271	958	59	22
1937	2,436	828	154	674	34	19
1936	4,632	2,125	124	2,002	46	6
1935	2,267	1,284	84	1,200	56	7
1934	491	158	49	109	32	3
1933	382	93	34	59	24	37
1932	644	540	274	266	84	51
1931	2,589	1,539	949	590	60	62
1930	5,473	2,566	2,365	201	47	92
1929	10,036	2,443	1,932	511	24	80
1928	7,818	2,562	1,811	751	33	70
1927	7,319	2,977	2,065	912	41	69
1926	5,300	1,968	1,598	370	37	81
1925	4,738	1,710	1,481	229	36	87
1924	3,830	1,534	1,330	204	40	87
1923	3,220	1,139	888	251	35	78
1922	3,070	981	730	251	32	74
1921	2,401	670	490	180	28	73
1920	2,955	503	383	120	17	76
1919	2,730	455	275	180	17	61

The Securities Salesman's Corner

A Congressman Tells Us!

By JOHN DUTTON

A congressman came to Wall Street last week. He not only came to make a speech, but what he said was heard from one end of the financial community to the other. For years, bankers, brokers, securities men, stockholders of corporations, and businessmen in general, have had to sit patiently and listen to one tirade after another, about what they could not do, but this time it was different. THIS CONGRESSMAN TOLD THE BANKERS THEY SHOULD ORGANIZE AND FIGHT FOR WHAT THEY WANT—THAT BANKERS AND STOCKHOLDERS HAVE BEEN DOING "A GOOD IMITATION OF RIP VAN WINKLE"—THAT THEY SHOULD GO TO WASHINGTON AND MAKE THEIR VIEWS AND IDEAS KNOWN TO THE CONGRESS—THAT IF IT WAS GOOD FOR THE CIO AND THE AFL TO PUT PRESSURE ON CONGRESS IT WAS EQUALLY RIGHT FOR BANKERS TO DO LIKEWISE.

That's putting it straight. Time after time, experience has proven, that the only way you get anywhere in today's world is, first to organize, and then to apply pressure. The CIO has recently given us an example of mass pressure which was applied in a manner never known before in this country. As Representative Buck pointed out in his speech, the people who hold stock in corporations compare favorably in number with those who hold union cards but the Congress only hears from those with union cards.

For the first time in many years the financial community now has a representative in Washington who seems to believe that bankers and brokers are American citizens and therefore have a right to be heard in Washington. Now this can mean something to the securities industry if we are only able to shake off the lassitude and indifference that has characterized the attitude of the financial industry for years. Here is a Congressman, Representative Ellsworth B. Buck, whose district comprises about half of New York City's financial area, who has given the people of Wall Street an engraved invitation to COME TO CONGRESS IF YOU ARE NOT GETTING A SQUARE DEAL. Think back during the past twelve years and see if you can remember another invitation such as this being made. And listen to this, "from the date of my first election last June until now I have neither seen nor heard from any association of bankers; while both the Congress of Industrial Organizations and the American Federation of Labor made themselves known and **let us know how they want us to vote on important measures,"** so said Mr. Buck, and there it is!

Time and again securities men get together, and they talk, grumble and complain. Attempts are being made **now** to disrupt and disorganize the whole machinery of the over-the-counter securities business, which has been built up over a period of many years. Standard trade practice has been jeopardized time and again by such acts of the NASD and the SEC as the abortive "minimum capital provision," or the "5% ceiling on spreads," which was recently defeated by a small group of dealers who for once were able to organize and put up a fight on an issue of importance.

Threats, hastily conceived directives, arbitrary and opinionated statements that are meant to serve as trial balloons and to strike fear into the securities business, are constantly emanating from one spokesman or another at the SEC.

Instead of talking together, grumbling and complaining, if there ever was a time that was ripe to organize on a nationwide basis that time is NOW. And such an organization should have as its primary objective nothing else but THE PROTECTION OF THE VITAL INTERESTS AND THE WELFARE OF THE OVER-THE-COUNTER SECURITIES BUSINESS FROM EVERY ATTACK WHICH IS MADE UPON IT, EITHER BY THE SEC ITSELF, THE NASD, THE ORGANIZED EXCHANGES, THE CIO OR THE AFL, OR ANY OTHER ORGANIZATION, OR INDIVIDUAL, WHOM-SO-EVER THEY MAY BE.

Such an organization should mean business—it should set up a war chest—be nationwide in scope—the little fellow and the big should be represented AND IT SHOULD LEAVE THE FANCY LUNCHEONS, GALA SPEECHES, HILARITY AND SOCIAL EVENTS TO THOSE EXISTING ORGANIZATIONS WHO GO IN FOR THAT SORT OF THING. BUT IT SHOULD CONCENTRATE UPON BUILDING UP A PRESTIGE IN CONGRESS AND A FOLLOWING AMONG ITS MEMBERS SO THAT THE NEXT TIME SOME LITTLE BUREAUCRAT OVER AT THE SEC TRIES TO JAM ONE OF HIS PET BRAINSTORMS DOWN THE THROAT OF AN ENTIRE INDUSTRY, HE CAN BE TOLD WHERE TO GO TO—BUT GOOD!

Attractive Opportunity

Stock of Grinnell Corp. offers an opportunity to participate in the prosperity expected in the construction field, and in the meantime has an excellent yield amply covered by earnings, according to a memorandum prepared by Hincks Bros. & Co., Inc., 872 Main St., Bridgeport, Conn. Copies of this interesting memorandum may be had from the firm upon request.

Cashiers Ass'n Elects

At the annual meeting of The Cashiers' Section of the Association of Stock Exchange Firms the following officers were elected to serve for 1945: John McDonald, President; George Reiber, First Vice-President; Edward Crocco, Second Vice-President; Leslie Schoenhart, Second Vice-President; Harry Hemstead, Secretary, and Fred Gisi, Recording Secretary.

Tomorrow's Markets Walter Whyte Says—

Reversal of previous week's action turns picture from latent bearishness to bullishness. Ability of market to reassert up-trend is a good sign. Another week of the same and stocks should become a buy.

By WALTER WHYTE

Again the market saved itself. This time it managed it by lifting itself by the bootstraps. Last week when the column was written prices of too many stocks were teetering on the edge of a cliff. One little push was all that was needed for most of them to go head over rump. Just as it seemed that little could prevent it, that little came along and up they went again.

* * *

The fact that they did move up is interesting. It's even more than just interesting. It points to something fundamental that apparently lies just under the market. Last week wasn't the first that prices began to look pale. There have been at least three other instances when the action seemed to foretell a period of sickness. Yet every one of these times it came out of it as if somebody had given it a shot of penicillin.

* * *

What the nature of the news, actual or potential, that brings about this metamorphosis is difficult to determine. During the past few days the Federal courts ruled the Montgomery Ward seizure unlawful. The Henry Wallace nomination was turned down by the Senate committee. Both events were optimistic to stock market watchers. Yet by the same token if Wallace wins in the Senate, and the Supreme Court reverses the Federal court ruling, the assumption would be bearish. Actually I don't believe either are bearish or bullish. Newspaper headlines may be one thing. A logical interpretation of events, as weighed by those

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Confidence in Railroad Credit

By BRIG. GENERAL LEONARD P. AYRES*
Economist, Chesapeake & Ohio Lines

Contending That Fluctuations in Prices of Second Grade Railroad Bonds Measure the Degrees of Confidence in Railroad Credit, General Ayres Traces the Recovery in the Level of Prices of the Secondary Issues From Around 63% in 1941 to the Present 82% of the High Grade Issues. This Ratio, He Maintains, Is Nearly the Normal Relation That Indicates High Railroad Credit. Sees Need for Reconstructed Railroad Credit So That Rails Can Pay Dividends and Finance Capital Requirements Through Stock Issues

There is now good evidence that investors are regaining their old-time confidence in the soundness of railroad credit. A good many other kinds of confidence in the railroads have already been restored, but this one is new. During the war years shippers of freight have come to gain almost implicit confidence in the railroads as efficient and reliable carriers of goods. The public has come to look on the roads as the most reliable and safest transporters of passengers. The armed services agree in recognizing the railroads as constituting one of the top essential factors in the waging of war. Now the investors are registering their confidence in the soundness of railroad credit.


Leonard P. Ayres

There exists a method by which the confidence of investors can actually be measured. It is done by comparing the market prices of the railroad bonds of the highest quality with those of second-grade bonds having the same maturities and having the same coupon payments. There are always some railroad bonds of the highest grade which are so well secured by the value of the property pledged to insure them, and so well supported by sinking funds, that they are almost riskless in nature. Investors feel complete confidence that their coupons will always be paid when they are due,

*Reprinted by permission from the February, 1945, issue of "Tracks," published by the Chesapeake & Ohio Lines.

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Lanston of First Boston Corporation Analyzes Future War Bond Drives

Presents a Plan to Segregate Sales to Individuals, to Institutions and to Commercial Banks, and to Make Offerings to Each on a Varying Interest Yield Basis. Holds Banks, Verging Upon Excess Profits Tax Liability, Will Ignore Interest Yield and Continue Purchase of Bonds.

Analyzing the problem of stable interest rates and the results of the Sixth War Loan Drive, Aubrey G. Lanston of the First Boston Corporation, in a memorandum points out "that the combination of a large dollar success in the drive, and the lack of success in achieving the anti-inflationary goals—seem to inspire a desire to review the old and to seek new methods for Treasury drives."


A. G. Lanston

In line with this statement, the memorandum outlines a scheme which would encourage larger bond purchases and at the same time permit a lower pattern of income yields and generally lower interest rates, "which now most observers are convinced are actually in the offing."

"Many students of Treasury financing," the memorandum states, "have long advocated that the drive to achieve individual sales

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Hirsch Co. Announces Luongo Promotion

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announces the appointment of J. Edward Luongo, Jr., as Assistant Manager of their Commodity Department. He was formerly the company's representative on the floor of the New York Cotton Exchange and will assist Harold W. Murphy, Manager.

Dick & Merle-Smith Admitting Callaway

Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, are admitting Trowbridge Callaway to limited partnership in the firm, effective today. Mr. Callaway has recently been with Hornblower & Weeks. Prior thereto he was a partner in G. M.-P. Murphy & Co. and Callaway, Fish & Co.

Railroad Securities

It is the consensus among railroad analysts that at least one major railroad reorganization now pending will be completed this year. That is the Seaboard which is in equity receivership rather than under Section 77 of the Bankruptcy Act. There are a few groups still dissatisfied with the treatment proposed for their securities but even if these can not be quickly settled the plan as a whole need not, under its terms, be held up indefinitely while the fate of these appeals is being determined. One group, which lost its appeal in the Circuit Court, has already been denied a writ of certiorari by the Supreme Court.

The plan was declared operative early in January, at which time more than two-thirds of the bonds held by the public had been deposited. It is believed that the assents have since been increased to about three-quarters of the outstanding bonds. With this background it is expected that application will soon be made by the trustees for the various bond issues for foreclosure decrees. Such a step has presumably been held up until after expiration of the time when assented bonds could be withdrawn from deposit, February 3. Steps necessary to complete the reorganization from here on are largely mechanical, and these mechanics should not take so long as in Section 77 proceedings.

With the progress being made towards consummation of the reorganization, and expectations that the new securities will actually be issued before the year-end, there has been a mounting investment and speculative interest in the new securities which are now traded on a "when-issued" basis. The first mortgage 4s are accepted as truly sound investment media. Selling at a slight discount, the bonds are very attractive in comparison with other new reorganization first mortgage bonds. The only trouble is that they will have the lowest call price of any of the new bonds (callable at 100) and it does not appear likely that they will be outstanding very long after issuance.

Statistically, and merely in taking the past record of actual reported earnings, it is not so easy to make out a case in favor of the income 4½s. On the average for the 10 years, 1932-1941, there would have been a small deficit before income bond interest. This record, however, does not reflect the physical improvement in the property during receivership and the consequent greater operating efficiency of the lines. Allowing for this factor, and the secular growth characteristics of parts of the service area, there is reason for confidence that the company should be able to support this contingent interest during normal business cycles.

Coming down to the equities it is difficult to justify any particular bullishness as to their standing except under real boom conditions. This is particularly true inasmuch as such a large share of the war rise in traffic and revenues may be attributed directly to distortions rather than to expansion in the available business. This is reflected in the very sharp expansion in passenger business and in the movement by rail of a large volume of freight which normally moves by boat. Competitive influences will again cut heavily into this business once the war is over—in fact, competition for passenger business may be even more acute after the war than it was before. On this basis, the road is apt to be faced with a considerably sharper drop in revenues than the industry as a whole.

In this era of record earnings many are inclined to forget that roads such as the Seaboard are being reorganized because under normal conditions they were consistently unable to support their old fixed charges. Old charges of Seaboard, including a nominal amount of contingent interest, amounted to $8,882,000. Basing the capital fund on average 1936-1940 revenues the new fixed and contingent charges will amount to roundly $6,100,000. Preferred dividends will amount to $750,000 and will not be deductible before income taxes. Allowing for a 40% income tax rate the total requirements ahead of the new common will amount to some $7,150,000, or only about $1,732,000 below the old charges. In other words, under conditions under which the company would have been able to support its old debt it could now earn approximately $1.22 on its new common with a 40% income tax rate. It was the consistent inability to earn that much money which precipitated receivership in the first place. A return to such earnings would hardly be calculated to support recent prices in the middle 20s.

Harris, Hall & Co. Official Changes

CHICAGO, ILL.—Promotion of two officers and the election of two new ones by the directors of Harris, Hall & Company, 111 West Monroe Street, Chicago and New York investment banking house, are announced.

Duncan M. Rowles, formerly Secretary and Treasurer, was elected Vice-President, to be in general charge of sales. Rowles has been an officer and director of the company since 1937 and prior to that had been in the bond department of the Harris Trust and Savings Bank since 1913.

William P. King, head of the company's New York office, 14 Wall Street, was elected a Vice-President.

Hempstead Washburne was elected Secretary and Charles W. Carlson, formerly Assistant Treasurer, was promoted to the office of Treasurer.

The Board at the same time accepted with regret the resignation of Julien H. Collins as Vice-President.

Form Einstein & Stern

Herbert G. Einstein, member of the New York Stock and Curb Exchanges, and Richard H. Stern will form Einstein & Stern with offices at 14 Wall Street, New York City, effective Feb. 13. Mr. Einstein has recently been active as an individual and prior thereto was a part in H. G. Einstein & Co.

Real Estate Securities

Peak occupancy of the Broadway Barclay Building would indicate extra interest payment this coming June and also an operation of sinking fund. Excess income over 2% fixed interest requirements are divided three ways—⅓ for extra interest, ⅓ for sinking fund and ⅓ for the owners. Bonds are selling below 40.

* * *

Reduction of tax assessment will further help the earnings of London Terrace first mortgage. Present peak occupancy, if continued, should permit the management to clear up accrued cumulative interest (approximately 3%) this year, and permit operation of a sinking fund next year. Bonds paid 5% int. during 1944. Bonds are fixed at 3% with additional 1% cumulative interest payable June 1. Earnings after 4% interest are applied to sinking fund to extent of 1% of $5,500,000 with the balance divided 25% to income interest, 25% to sinking fund and 50% to corporate purposes. Each bond carries 10 shares of stock, represented an equal share in 62% of the ownership of the property.

* * *

Recent reduction of $1,500,000 in real estate assessment should add about $45,000 per annum to the income of 165 Broadway. Paying fixed interest of 4½%, the first mortgage bonds of this building, selling in the low 50's, offer a yield of almost 8½%—the highest of any real estate bond in the downtown section of New York.

* * *

New York Title C-2 issue, which paid 4% in interest and 10% in amortization during 1944, appears as if it will shortly again make a substantial amortization payment. Trustees received $325,000 from sale of one of their properties and momentarily expect some $600,000 additional from the satisfaction of one of their mortgages. Amortization is paid in cash pro-rata to each certificate holder. Each $1,000 certificate has already been reduced to $820 and sells at about 56% of reduced par.

* * *

New York Athletic Club showed excess earnings of $32,000 over fixed interest requirements for year ending November, 1944, indicating a possible extra interest payment of about ¾ of 1% this coming June. First mortgage bonds are selling at 36%. Gross revenue increased in 1944 to $1,958,010 from $1,595,000 in 1943. Members in February, 1944, totaled 4,757 against 4,127 a year earlier. Increase in membership by returning soldiers should aid future income. Market of bonds places a value of only $1,637,496 for the first mortgage, compared to assessed value of $4,015,000 for the 22-story city property. Additional security for the bonds is the 17-acre country club at Travers Island (Pelham, N. Y.) which has been leased for the duration to the U. S. Navy.

NSTA Notes

R. Emmet Bradley

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association at its annual meeting elected R. Emmet Bradley of Mackubin, Legg & Co., President, to succeed Preston A. Taylor of Meade, Irvine & Co.

Edward B. Freeman, Lockwood, Peck & Co., was chosen Vice-President; E. Elwood McClure, Stein Brothers & Boyce, was elected Treasurer, and William F. Coleman, Harry M. Sheely & Co., Secretary.

New members of the Board of Governors are: J. Creighton Riepe, Alex. Brown & Sons; J. Gardner Lawlor, E. R. Jones & Co., and Mr. Taylor, the retiring President.

BOSTON SECURITY TRADERS ASSOCIATION

R. B. Elwell, Edward W. Lawrence and Wallace L. Mossop are now serving in the armed forces, it is learned through the Boston Security Traders Association.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York has announced the appointment of the following Committees for 1945:

Arrangements—Chairman, John F. McLaughlin, McLaughlin, Baird & Reuss; Michael J. Heaney, Joseph McManus Co.; William T. Schmidt, Laird, Bissell & Meeds; Gustave J. Schlosser, Union Securities Corp.; John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane; Leslie Barbier, G. A. Saxton & Co.; Frank H. Blair, Allen Co.; Harry Arnold, Paine, Webber, Jackson & Curtis; Joseph C. Eagan, Frank C. Masterson Co.; John C. Blockley, Harris Upham Co.; George V. Hunt, Starkweather Co.; Wellington Hunter, Hunter & Co.; Jack McLean, Laidlaw Co.; Abraham Strauss, Strauss Bros.; Jack Sammon, J. F. Sammon Co.

Publicity—Chairman, T. Geoffrey Horsfield, Wm. J. Mericka & Co., Inc.; Roald A. Morton, Blue List Publishing Co.; Eliot H. Sharp, Investment Dealers Digest; Louis Walker, National Quotations Bureau; Herbert D. Seibert, Commercial & Financial Chronicle; Ray Trigger, Investment Dealers Digest.

Auditing—Chairman, David R. Mitchell, Blair F. Claybaugh Co.; Lee Sherman, L. D. Sherman Co.; Harold Brown, Cohu & Torrey.

Reception—Chairman, John Kassebaum, Ingalls & Snyder; Harold Smith, Collin, Norton Co.; Benjamin Van Keegan, Frank C. Masterson Co.; Walter F. Saunders, Dominion Securities Corp.; Wilbur R. Wittich, Maxwell, Marshall & Co.; Stanley Roggenburg, Roggenburg & Co.

Membership—Chairman, Michael J. Heaney, Joseph McManus Co.; D. Frederick Barton, Eastman, Dillon & Co.; Cyril Murphy, Mackubin, Legg & Co.

Tax and Legislation—Chairman, P. Fred Fox, P. F. Fox & Co.; E. Everett Van Tuyl, Van Tuyl & Abbe; Walter Mewing, D'Assern Co.; Irving Koerner, Allen & Co.; Benjamin H. Van Keegan, Frank C. Masterson & Co.; Willis M. Summers, Troster, Currie & Summers.

Municipal—Chairman, Harry J. Peiser, Ira Haupt & Co.; John Gertler, Gertler Stearns Co.; Roald A. Morton, Blue List Publishing Co.

Forum—Chairman, John Kassebaum, Ingalls & Snyder; Harry Arnold, Paine, Webber, Jackson & Curtis; Joseph Janareli, O'Connell & Janareli.

By-Laws Committee—Chairman, Stanley Roggenburg, Roggenburg & Co.; Walter F. Saunders, Dominion Securities Corp.; John S. French, A. C. Allyn & Co., Inc.; William K. Porter, Hemphill, Noyes & Co.

Employment—Chairman, T. Frank Mackessy, Abbott Proctor & Paine; Wilbur R. Wittich, Maxwell Marshall & Co.; Willis M. Summers, Troster, Currie & Summers.

Sports—Chairman, John J. O'Kane, John J. O'Kane, Jr., Co.; William Kumm, Dunne & Co.

War Veterans—Chairman, Elmer Myers, B. W. Pizzini & Co.; Harold Brown, Cohu & Torrey; William Titus, F. J. Young & Co.; James J. McLain, Thomson & McKinnon; Harry Hardy, Hardy & Hardy; Irving Manney, L. J. Schultz & Co.

TWIN CITY BOND TRADERS ASSOCIATION

Kenneth B. Sorum of the Twin City Bond Traders Association reports that Bernard Decheine, formerly trader in the St. Paul office of the Milwaukee Company, sends regards from his station with the Air Transport Command.

Calendar of Club Events

Boston Security Traders Association—Annual Winter Dinner, Feb. 21.
Twin City Bond Traders Club—Annual Winter Meeting, Feb. 21.

No Philip Morris Stock Left for Sale to Public

Lehman Brothers and Glore, Forgan & Co. announced Jan. 31 that on the basis of information furnished by Philip Morris & Co., Ltd., Inc., none of the 199,847 shares of the company's new $100 par value cumulative preferred stock, 4% series, will be available for public offering by the underwriting group. The new preferred issue was offered by the company to its common and preferred stockholders for a period of 13 days ended on Jan. 29. Approximately 103,000 shares were subscribed for at $105.50 per share upon the exercise of subscription warrants issued to common stock holders, and approximately 139,000 shares of the company's old preferred stock were tendered in exchange for shares of the new stock pursuant to the company's exchange offer. Since the exchange offer to preferred stockholders was subject to the preemptive rights of common stockholders, allotments of the new stock against the old preferred stock tendered in exchange will be made on the basis of approximately 68%.

Net cash proceeds from the sale of the new stock will be used by the company, to the extent necessary, for the redemption of the old preferred stock not exchanged and any balance will be added to general working capital. Old preferred stock not exchanged is to be reedemed on or about Mar. 5, 1945.

Wallace Calls RFC an Octopus

In New York Address He Likens It to the United States Bank of the Eighteen Thirties and Says He Could Do a Better Job as Commerce Secretary if Financing Agency Bank Was Placed Under His Control. Asserts Senatorial Rejection Will Enhance His Prestige.

Speaking at a Testimonial Dinner, given in New York City on Jan. 29, under the auspices of the Union of Democratic Action and the weekly, "The New Republic," former Vice-President Henry A. Wallace expressed profound concern "for my country and the world," because "of those who are attacking me." He denied enmity to private enterprise and private financing and, referring to the Reconstruction Finance Corporation, stated that it "is the most tremendous financial power the world has ever seen," and was "an octopus." His address follows:

Henry A. Wallace

My dear friends, to you who are drawn to me because we serve the same humanitarian objectives with all the passion of our hearts, I wish to say that for me this is a most heart-warming and soul-stirring occasion. Never have I been so deeply moved.

The current situation is not one of personalities, neither is it one of personal prestige. My good friend, Senator Bailey, knows that Senatorial rejection will enhance my personal prestige. So far as I know, the Senators who are most vigorously opposing me like and esteem me as a man. As Senator Bailey knows of his own personal knowledge, I have no bitterness in this controversy concerning anyone. But men represent issues and the issues are so important that all of us sooner or later will have to stand up and be counted.

In this audience are representatives of many groups which fought for Roosevelt in the last campaign. Roosevelt could not have carried New York State without you. The Democratic party could not have carried Pennsylvania or Michigan or Minnesota or the Far Western States without you and groups like you. You were the balance of power and without you the Democratic party would have been defeated. You have done your part to make the Democratic party into a strong, forward-looking constructive, progressive, united party. Unfortunately, powerful interests are boring from within and striking from without, striving to make it impossible for a liberal, united Democratic party to remain in national power.

The one outstanding domestic issue in the campaign was set forth by Roosevelt last October at Chicago—sixty million jobs and an "Economic Bill of Rights." Those who voted against me in the committee, either believe in policies which will make sixty million jobs impossible, or wish to destroy all possibility of a progressive Democratic party as a national force.

Senator Bailey, after the close of the hearing said to a New York "Times" reporter:

"I am not going to vote to put any man in charge of a department of this Government who is going to bring in the millenium by handing out money in all directions."

Senator Bailey's remark is not warranted by the study of my complete statement and replies to Senatorial questions. The Senator will find that I repeatedly emphasized the need for getting the sixty million jobs so far as possible through private enterprise and private financing. The Senator will find that I referred to the desirability of examining the proposals of Ferdinand Eberstadt for governmental stimulation of the maximum flow of private equity capital as an alternative to excessive debt increase whether private or public.

As I look toward the future, first through the eyes of those who are attacking me and then through my own, I am overcome with a feeling of profound concern for my country and the world.

Frank Vanderlip, a New York banker, after World War I, spoke of the creditor position of the United States and the need for action in conformity therewith and then went on to say that we were a nation of economic illiterates. Our economic illiteracy after World War I gave us the smash of 1921, the crash of 1929, and economic conditions abroad, which inevitably led to the rise of fascism and nazism.

Economic illiteracy is not dead. It can, if not remedied, cause a greater disaster after this war than it did after World War I.

We may be entering into a period now which politically is somewhat like that of the United States Bank in 1832 when Andrew Jackson, Nicholas Biddle and Daniel Webster were involved. Concentration of financial power is always a dangerous thing. The RFC without Government audit or check has been built up into the modern equivalent of the United States Bank of the 1830's. The RFC is the most tremendous financial power the world has ever seen. Modern Daniel Websters have defended it.

The measure of the power of this octopus is the extraordinary attack which is going on against me right now. With regard to financial power let me quote from a very experienced observer:

"In our days not alone is wealth accumulated, but immense power and despotic economic domination is concentrated in the hands of a few; and those few are frequently not the owners, but only the trustees and directors of invested funds who administer them at their good pleasure. This power becomes particularly irresistible when exercised by those who, because they hold and control money are able also to govern credit and determine its allotment, for that reason supplying, so to speak, the life blood to the entire economic body, and grasping, as it were, in their hands the very soul of production so that no one dare breathe against their will."

This is from a statement by one of the world's great leaders and I shall be interested in discovering which newspaper or radio man is the first to identify the author. The analysis, which was made in 1930, still fits. I have pondered many times on the significance of the statement as I have sat in the United States Capitol and watched the economic forces at work.

The RFC is certain to be a headache for anyone. Even with all the Government auditing I have asked for, even with the Congressional investigation I hope for and which the public has long been entitled to, I can well realize that the tremendous ramifications of the RFC are such as to involve a succession of controversial problems as soon as the war is over. Commerce is the staff agency. RFC is in some measure the front-line action agency. While the Senate would relieve me of a great burden by giving me Commerce without RFC, I feel that from the standpoint of the sixty million workers, the profits of business, the income of farmers, the welfare of the country as a whole, and the protection of the United States Treasury, I could do a better job if the two were combined than if they were separated. Undoubtedly many good men can be found to head the loan agency, but I wish to make it clear to you that if there were serious danger of a "too-little" and "too-late" man being appointed, I would prefer not to be Secretary of Commerce.

The nation must not be subjected to an economic Munich or Dunkerque. To have 10,000,000 men unemployed is as dangerous to the nation as it was for the British to have 250,000 men on the beaches at Dunkerque. Kaiser, Higgins and a multitude of industrialists like them know the answer and it is the same answer I gave to the Senate committee—full production, full use of all resources. We must give these production-minded men a chance. They must not be ruined by financiers, seeking control through scarcity. Neither must the genius of these men be killed by the end of the war. New Kaisers, new Higginses, new Fords and new Edisons must be given a chance, and small business must be given an opportunity, if the 60,000,000 are to be put to work.

The people who are fighting against me know that they are not fighting a starry-eyed liberal or mystic. If they really thought that, they wouldn't be worried. They are fighting against sound principles upon which America can survive as a great and prosperous nation. They know that with me in Commerce there would be a continuous campaign for maximum production, maximum sales, maximum exports and imports. They know I would rally business support behind the Department of Commerce to make it the great service institution it ought to be.

What these people don't realize is that in fighting me they are fighting you and millions like you to the third and fourth generations. Without realizing it, they are fighting against the survival of capitalism and free enterprise. The time has come to fight back.

I still hope and pray for a united, progressive Democratic party. The strategy of the enemy is to break the Democratic party in two. They want to push you and me into the futility of a third party. I don't think we shall have to have a third party. I think we can win within the framework of the Democratic party; I hope that we are not now in for a political realignment like that which substituted the Republican party for the Whig party nearly a century ago.

There will be far less trouble in this country if the progressives can find full and free expression in the Democratic party.

You represent many groups here tonight. You have had your differences. But in the pinches you have fought shoulder to shoulder. The day will come when you will federate together. Already you are agreed on a legislative program. In the "Economic Bill of Rights" you have something specific to sell. Prior to this campaign progressives have been "long" on words and "short" on action. If we really believed in our campaign of last fall, we must get to work to organize nationally behind President Roosevelt's eight-point "Economic Bill of Rights." We must organize and keep organized, ready for action every month of every year. The "Economic Bill of Rights" must be made to live. Those who fight this issue must be defeated in 1946. To do this strong candidates must be agreed on as long in advance of the 1946 campaign as it is possible to get agreement.

What a swell job you did here in New York for Roosevelt last fall! You sense the trend of the times and you do something about it.

We welcome the future joyously. We shall organize an America worthy of our returning heroes. We shall transform our liberal words into concrete action. We shall do something about it when the veterans can't get jobs. Approaching the business, the farm, and the labor problems under the charter of the "Economic Bill of Rights," we shall prove that our idealism is more practical in life than that curious mysticism which is called hard-headed common sense.

By blood and tradition I am an Anglo-Saxon with all the inhibitions these words imply. But I do have enough Irish blood and enough exposure to Latin American customs so that I would like to give you all an "abrazo." You are all "simpatico" to me. We believe in the same things. We are headed the same way. And that way is upward toward a better America, victorious in war, just in peace, producing ever more abundantly for all our people the good things of life.

There are two issues in this fight. The first is jobs for all after the post-war boom is over. And the second is like unto it—the Common Man of America can and therefore must be better off in time of peace than he was in time of war.

Pennsylvania Brevities

Philadelphia Investment Traders

The Investment Traders Association of Philadelphia, in recognition and support of the movement to discourage unnecessary travel, has given no general publicity to its 21st Annual Winter Dinner which will be held Feb. 9, at the Benjamin Franklin Hotel. The attendance of out-of-town guests is not solicited, but those whose business brings them to Philadelphia on that date are welcome to "drop in."

Very recently, whilst junketing in Baltimore, Charles L. Wallingford, E. H. Rollins & Sons, not unreluctantly yielded to the beguilements of a professional dancing partner. At the conclusion of a breath-taking whirl around the floor, the danseuse whipped off a wig and other accessories and asked, in a deep bass voice, "How're we doin', Bub!"

Jimmy Duffy's Walnut Street Cafe remains the most popular 5 O'clock Trading Post in the financial district. At an early date, one of the Street's amateur "shudder shutter" addicts is planning to shoot up the works with his candid camera. Results will be made publicly available and negatives will be donated to the Philadelphia Zoological Society.

Old Dog Brought to Heel

On Monday, February 12, Miss Marie Zavorski, formerly of J. Arthur Warner & Co. and Buckley Brothers, will become the bride of Edmund J. Davis, vice president of Rambo, Keen, Close & Kerner. Eddie, who had become increasingly active during the last year of his courtship, has suspended his blood-donor appointments for the duration of the honeymoon.

"Happy Harry" Fahrig, Reynolds & Co., is even more so since the advent, last Friday, of another Income Tax Exemption. Miss America, 1963, otherwise known as Frances Baldwin Fahrig, weighed 7 lbs., 2 oz. Mother and daughter are doing well.

Central Iron & Steel

Local interest has recently broadened in the 224,500 shares of common stock of this long established Harrisburg (Penna.) company. Results for 1944 are estimated to have brought net quick assets per share to approximately $8.50, with a book value of about $19. A "price-ceiling" squeeze which caused some concern in the early part of the year is reported to have been satisfactorily adjusted. Current earnings are equivalent to about $1.00 per share, out of which the management declares irregular dividends. The company manufactures sheared, stamped and pressed steel plates. Currently available under $6, the shares appear attractive.

Peoples Pittsburgh Trust Co.

With total resources at the year end of $211,624,517, and net operating income for 1944 of $1,168,365, Peoples Pittsburgh Trust Co. has transferred $688,365 to reserves after paying out $480,000 in dividends.

Earnings per share in 1944 were $3.89 compared with $3.50 in 1943 and $2.87 in 1942.

Total customers exceed 200,000, a new high and 3[illegible]% more than

(Continued on page 523)

Model & Roland Admits Stone; Name Changed

The firm of Model & Roland announces that Herman H. Stone was admitted as a general partner effective today (Thursday), and that the name of the firm has been changed to Model, Roland & Stone.

Mr. Stone was associated for many years with Wertheim & Co., specializing in corporate financing, recapitalizations and reorganizations, and in the investment banking business. He has been active as an officer and/or director of a number of corporations and as an adviser on matters of corporate finance.

Model, Roland & Stone will continue and increase the scope of the domestic and foreign securities business of its predecessor in enlarged quarters at its present address, 76 Beaver Street, New York City. In addition, the new firm will conduct a general investment banking business.

Supreme Court Decision And Public Utilities

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared a memorandum on the Supreme Court decision and the public utilities. Copies of this interesting and informative memorandum may be had from the firm upon request. Also available is a circular on Hudson Motor Car Co., which offers attractive prospects, according to Ira Haupt & Co.

Pennsylvania Municipals

By WILLIAM F. MILLS

The Dun & Bradstreet Pennsylvania Municipal Service, in addition to the booklet form of report on the larger issuing units, includes a one-page report on the finances of a number of the smaller political sub-divisions in the State. Besides the usual data on assessed valuation, debt, tax collections, etc., these reports give the figure showing the percentage of the population making Federal income tax returns in 1942. This figure is an interesting example of how the very same statistic can indicate one set of conditions at one time and almost exactly the opposite at another.

Ten years ago, in studying the financial data on a given municipality, if a high percentage of the population was shown as making Federal income tax returns, the justifiable conclusion could be drawn that, in all probability, the community in question was predominately residential in character, the family group considerably above the average in income, the homes owner-occupied and of relatively high unit value.

With drastically lowered exemptions and equally drastic increase in rates, the same statistic today most often indicates a community of almost exactly opposite characteristics. This is concluded from an examination of the reports on the smaller political subdivisions mentioned above. Forty communities are included in the list having a population range from 9,900 to 47,600 and representing geographically all sections of the State.

The percentage of population making Federal income tax returns in 1942 in this group ranges from a low of 17.66% to a high of 49.74%. Only three of the 40 communities in the group show figures below 20% and these three are located in the anthracite coal mining regions whose economy has shown a declining trend for many years and even now under war stimulation has not been brought up to the average in the State.

Fifteen communities of the group of 40 show percentages from 30% to 40% and seven are above 40%, reaching a high in one instance of 49.74%. All of the communities showing above 30% are largely industrial in character and the seven showing above 40% are the most highly industrialized of the entire group, engaged largely in the manufacture and processing of metals and machinery.

Thus, in ten years time, a high percentage of population making Federal income tax returns, instead of indicating a predominately residential community of higher than average income and home unit value, with only the head of the family group providing the income, has come to indicate a highly industrialized community with nearly half the members of each family group working at daily wages and the bulk of the residences being the modest homes of the factory wage earners.

Julien Collins Forming Own Investment Co.

CHICAGO, ILL.—Julien H. Collins is retiring as Vice-President of Harris Hall & Co. to form Julien H. Collins & Co., which will open about Mar. 1. Offices of the new firm, which will conduct a general investment banking business, will be at 105 So. La Salle St.

Julien H. Collins

Mr. Collins will be President of the new firm. [illegible] S. Emrich, also of Harris, Hall & Co., will be associated with him as Vice-President and Secretary. Robert A. Podesta of Kebbon, McCormick & Co. will be Vice-President and Treasurer.

Mr. Collins is a Vice-President of the Investment Bankers Association of America.

Prosser Nominated by Cleveland Exchange

CLEVELAND, OHIO—Guy W. Prosser of Merrill Lynch, Pierce, Fenner & Beane has been nominated for President of the Cleveland Stock Exchange to succeed Russell L. Cunningham. Mr. Prosser, who is unopposed for the office, will be elected at the annual meeting to be held Feb. 21.

Candidates named to fill two vacancies in the board of governors for three-year terms are Norman V. Cole, Ledogar-Horner Co.; Douglas P. Handyside, H. L. Emerson & Co.; Alvin J. Stiver, Saunders, Stiver & Co., and Theodore Thoburn, Hayden, Miller & Company.

W. Yost Fulton of Maynard Murch & Co. is an unopposed candidate for the place on the board of governors for non-member partner or officer of member firm, a new position on the board. E. E. Finley of Finley & Co., and Charles B. Merrill of Merrill, Turben & Co. are candidates for a vacancy in the board of governors for an unexpired term ending in 1946.

Mr. Prosser is Chairman of the Cleveland Exchange's public relations committee, is a member of the Bond Club, and Cleveland Security Traders' Association.

The Cleveland Exchange will hold a dinner in connection with its annual meeting, a custom of former years.

Municipal Finance in 1944

A Review and Forecast

By LOUIS S. LEBENTHAL

Author of "The A, B C of Municipal Bonds"

The dearth of new issues, coupled with the broadly increased financial strength of municipalities produced in 1944 a new high for the Bond Buyer's Index of 20 municipals. The highest price for all time was reached in August, when the yield was 1.59. The 20 bonds at the start of the year showed a yield of 1.77 and closed at 1.63.

Long-term municipal financing for the year was about $700 million, more than two-thirds of which was for refunding at a lower interest rate.

Louis S. Lebenthal

The year will of course be remembered as the first in which three highly successful War Loans were floated by the Government. Municipal dealers cooperated with the financial fraternity in giving impetus to the three drives. The curtailment of municipal financing during these periods made active cooperation possible.

The year 1944 was marked by a distinct trend toward centralization of municipal services. The tendency is to place greater reliance on State and Government for the financing and collection of revenues for highways, schools, water supply and social security. A case in point was the approval by the U. S. of a three-year billion-and-a-half post-war highway bill calling for matched funds with various States.

There was a decline in bonded debt, due primarily to better tax collections and larger receipts from tax sources coupled with wartime restrictions on the construction of improvements.

There was a continuance of liquidation of tax-exempt municipals by insurance companies and other institutions, as well as Municipal Sinking Funds. This liquidation was based upon no special advantage in tax-exemption and to make room for Government bond purchases. The National Committee for Economic Planning went on record for removal of tax-exemption from future loans without disturbing the exempt status of municipals presently outstanding.

The U. S. Tax Court held that there is no distinction between the Port Authority and any city in the United States with respect to classification of these local units as political subdivisions, and therefore the income received upon these authorities were exempt from federal income tax. The United States Supreme Court denied the petition of the Internal Revenue Department for a review.

Legislation which may become of great importance in the post-war years was a proposed amendment to the Federal Constitution limiting federal taxes in peace time to 25%. This proposal was approved by eighteen States; the State of Kentucky although approving has since rescinded.

Texas counties' call of bonds with no apparent optional feature is a blight to Municipal finance, especially in that State.

Much attention has been devoted by committees representing the Government and the IBA to the expected need for municipal facilities in the postwar period. These committees have contacted the authorities of every municipality with a population of 10,000 or over, apropos of expected costs, etc.

Heavy State and Municipal financing is expected to follow immediately upon cessation of hostilities. Estimates for the first five postwar years run to 10 billion dollars. The National and State Committees are investigating new sources of revenue with special emphasis on not only not increasing present real estate taxes, but if possible to even reduce them.

I predict a large volume of Revenue Financing over the coming years indicating a trend from general obligations and an attempt to have projects self-supporting. Individuals will continue to increase their holdings of municipals because of security and tax-exemption. Individual holders during 1944 increased 10%. That tax exemption will continue to be attacked by the Treasury Department without success. That eventually future municipal bonds will be taxable by a constitutional amendment is becoming, in my opinion, increasingly apparent.

Some of the Larger Bond Issues During 1944

$15,000,000	Los Angeles, Cal. Dept. of Wtr. & Pwr. Elec. Plant Ref., Rev. Issue of 1944
18,000,000	St. Petersburg, Fla., Ref. Issue of 1944
13,000,000	New York, N. Y. Airport
25,000,000	Sanitary Dist. Chicago, Ill., Const. Series H
22,000,000	Atlantic City, N. J., Ser. Ref. of 1944
31,000,000	Los Angeles, Cal. Dept. of Wtr. and Power, Elec. Plant Rev. Second & Third Issue of 1944
12,000,000	Portland, Ore., Sewage Disposal
14,000,000	Houston, Tex. Prior Lien Wtr. Rev.
17,000,000	Port of N. Y. Authority
56,000,000	Calif. Toll Bridge Auth., San Francisco-Oakland Bay Bridge Rev. Ref.
41,000,000	Consumers Public Power Dist. Neb. Rev.

Pennsylvania Brevities

(Continued from page 522)

the bank had in 1941. New accounts are averaging 1,400 per month.

Pennsylvania Railroad

Pride in its financial management policies may properly be accorded to Pennsylvania Railroad which, in a report to the Interstate Commerce Commission, stated that publicly held funded debt had been reduced by $163,065,539 in the last seven years. Retirement of $31,282,927 took place in 1944.

In addition the road reported that $31,185,000 had been spent since January 1, 1938, to purchase public guaranteed stocks of lessor companies. During the same period, property investment was increased by $196,-560,000 to a total of $2,-951,000,000.

Piper Aircraft Corp.

This Lock Haven (Penna.) manufacturer, well known for its light aircraft line of Cub Trainers and Cub Trainers used extensively by the armed forces, has turned an aggressive eye on post-war markets. Personal aircraft seating from one to four passengers are planned to sell from $800 to under $3,000. The one-seater Skycycle will have an aluminum and plastic fuselage, a cruising speed of 90 m.p.h. and a range of 350 to 400 miles. Power will be provided by a 40 h.p. Continental motor and its fuel capacity will be 10 gallons. The plane, empty, will weigh less than 400 lbs. The family edition has been named Skysedan. It will seat four, have a cruising speed of 125 m.p.h., a landing speed of 50 m.p.h. and a range of 500 miles plus a half hour reserve. Powered by a 165 h.p. Franklin engine, the plane will weigh, empty, 1,250 lbs.

The new models are adaptations of planes now made for the armed forces. The company is ready to start production when materials are available.

Pittsburgh Railways Co.

Under date of Jan. 15, a resolution was introduced in the Pennsylvania Senate requiring the State Public Utility Commission to furnish that body with a detailed report of the financial structure of the company and its underliers including inter-company financial and service relationships. The origin and purpose behind this step is not immediately apparent although it may be assumed that it is related to the activities of one or more groups of public holders of system securities who are currently endeavoring to expedite an end to the present receivership.

Cash or equivalent in the hands of the Trustees is now reported at approximately $17,-000,000.

Philadelphia Electric Co.

With indicated per share earnings of $1.52 for 1944, compared with $1.37 reported for 1943, Philadelphia Electric Co. has closed an encouraging year. Although it is not possible accurately to determine the percentage of output which is going into war production, it is assumed to aggregate from one third to one fourth. It is not thought, however, that "V-E" Day will bring any serious lessening of the demand for power.

It is expected that cut-backs and cancellations of Army contracts will precede those of the Navy, and that the interval will enable industrial users to turn to peace-time production on an orderly basis. Moreover, the area served is particularly well diversified.

City of Philadelphia

For the twelfth consecutive year, Philadelphia has reduced its net funded debt. It now stands at $324,594,500 compared with high of $445,410,500 in 1942. Retirements, net, amounted to $12,990,-260 in 1944.

Total income amounted to $86,695,263, compared with $85,-690,392 in 1943. Principal part of the increase was derived from collection of the 1% City wage tax.

Interesting Utility

Indiana Gas & Chemical common appears interesting according to a memorandum prepared by First of New York Corporation, 70 Pine Street, New York City. Copies may be had upon request from First of New York Corporation.

Hearing Postponed

The hearing scheduled to determine whether the broker-dealer registration of Oxford Co., Inc., of Washington, should be suspended or revoked, has been postponed by the Securities and Exchange Commission from February 1st to February 5th.

The Bretton Woods Agreements

(Continued from first page)

outgrowth of a series of informal bilateral discussions, beginning almost 18 months before the Conference met, between technicians of 30 different countries. The technical experts of a dozen or more of the larger and more important countries, including the United States, the United Kingdom and Russia, met at Atlantic City prior to the formal conference and discussed the matters to be considered by it. Nothing was settled at Atlantic City, but discussions there gave the principal countries concerned an understanding of each other's viewpoints and greatly facilitated the work at Bretton Woods.

The Conference produced two agreements for submission to the various governments represented, one providing for the formation of an International Monetary Fund and the other for an International Bank for Reconstruction and Development. Each of the two organizations as proposed is distinct and separate from the other, and each has a different purpose although the two organizations supplement each other. The International Monetary Fund is designed to assist the various countries of the world in settling balances due on current accounts, to promote exchange stability, and thus to facilitate the extension of a balanced growth of international trade. The Bank for Reconstruction and Development is designed to encourage the exportation of capital for productive purposes from countries which are in position to export capital to countries which need such capital either because they have been devastated by the war or because they are economically undeveloped. Both institutions represent a cooperative international effort to solve problems for the common benefit of all the nations of the world. The management of both institutions is to represent and to be elected by all the countries subscribing to them.

Agreements Are Compromises

No participant in the Conference or in the preliminary meeting of the experts could fail to be impressed by the real desire of all the United and Allied Nations to work together for the common good and in doing so to modify and compromise strongly held views and opinions. This is true of all the nations represented and not least of the two strongest nations after the United States, Russia and the United Kingdom. Both agreements as finally drafted necessarily represent compromises, as all international agreements must if the world is not to be dominated by a single power. The smaller powers in many cases were represented by delegates of great ability and technical knowledge, and they made important contributions to the Conference. Their points of view and special interests were always carefully considered and every effort was made by the Conference to recognize them when it was possible to do so.

Most of you, I am sure, recognize the fact that a country cannot create or maintain any considerable degree of internal economic activity without a currency in which its citizens have sufficient confidence to make them willing to take it in trade with each other and to make contracts running for at least short periods in terms of that currency. I am sure you also recognize that if trade is to be conducted between individuals of various countries and not through the medium of a state, or state-controlled companies, that the currencies of various countries must have at least relative stability in relation to each other.

Few of us, I think, realize how tremendous the instability of the currencies of many war-devastated countries and other countries not physically devastated, but whose economies have been disrupted by the war, will be when peace comes.

Threatened Post-War Currency Chaos

At the present time Lend-Lease and other devices give an artificial appearance of stability to many currencies. Once peace comes, unless something drastic is done to bring about currency stabilization, economic chaos is certain to result in many countries. Economic chaos means not only practically no international trade; it also means civil war and political unrest. Witness the case of Greece. Economic chaos in Europe would result in much of the continent either going communistic and tying itself up with Russia or trying some form of centralized state dictatorship of the type we are now fighting to destroy. In our own interest, not only because a good volume of foreign trade may mean the difference between reasonably full employment and depression at home but because of the greatly increased military and naval expenses to which we would be put if the rest of the world is in turmoil, it is imperative that we act to prevent post-war currency chaos from developing in the countries of the world.

The proposed International Monetary Fund is essentially a cooperative arrangement under which each country party to it agrees to make available to the other members an amount of its currency and gold equivalent to a given amount of American dollars, which amount is called that country's quota. In return, each country gets the right, subject to various limitations and conditions, to borrow money from the Fund up to the amount of its quota for the purpose of paying for imports and balancing its international payments, but with the proviso that no country shall have the right to borrow more than 25% of its quota in any one year. A country borrowing must pay interest at rates which increase progressively both with the length of time that the loan remains outstanding, and with the percentage of its quota borrowed.

One frequently heard criticism of the Fund is that it is premature and that the world is not ready for it. Even with the recent military setbacks, it is possible that the occupied nations of Europe may soon all be liberated and major hostilities in Europe cease. If the nations of Europe are to get on their feet and are not to fall into chaos, it is necessary that at the earliest possible date they have currencies with some degree of stability and which can be recognized and used as a basis for international trade. It is almost equally necessary that many other countries, which were neither devasted nor occupied and which are exporters of foodstuffs and raw materials, but whose economies have suffered from the war, should also have national currencies with some stability if they are to export or import. While some degree of economic reconstruction and rebuilding of destroyed facilities for production and transport will have to be done in the countries which were occupied by the enemy, before any considerable exports can be expected this reconstruction will be slowed to a snail's pace if their people lack confidence in their domestic currencies. Reconstruction and currency confidence go together. To say that one must precede the other is like saying the egg must precede the hen. To say that currency stabilization must be preceded by economic reconstruction, balanced foreign trade, and balanced budgets is to put off the possibility of all of these for at least a generation.

Peace Essential to Stabilization

All the nations represented at Bretton Woods realized that no currency stabilization was possible in the case of a country which was engaged in civil war, or in major hostilities in its home area, or in which any considerable and unusual segment of its population was starving. On the other hand, the need of starting up international trade in Europe, South America, Africa, Australia and the Middle East is too urgent to wait until the Japanese War is finally over.

The Fund Agreement provides that in no event shall the Fund engage in exchange transactions until after major hostilities in Europe have ceased and, further, contains provisions designed to keep the Fund from opening up its resources to a country engaged in civil war or to a country like China still fighting in its home area, or to one which has not passed the starvation stage which may in some countries temporarily follow this war.

It is also argued that the Fund is too large for stabilization purposes and will therefore encourage countries to delay the necessary steps to balance their foreign payments. However, it should be realized that the dislocations in trade caused by the war will inevitably lead to much larger fluctuations in the exports and imports of many countries than would normally exist, and that the amounts required to offset disequilibriums in the balance of payments in the first few post-war years are greater than would normally be the case. If one keeps these facts in mind, the total amount of the Fund ($8,800,000,000) and the quotas given the various countries of the world, including the United States with a quota of $2,750,000,000 and the United Kingdom with a quota of $1,300,000,000, do not generally appear to be too large.

Russia, with a complete system of state trade, does not require credit for strictly stabilization purposes, and it may be admitted that Russia will probably use up her quota in the first few years of the Fund's existence to pay for imported capital goods necessary for her economic reconstruction. It must also be realized that once her economy is reconstructed Russia, with her large population, with an unquestionably stable government, whether one likes it or not, and with natural resources second only to those of the United States, will be in a position to repay her borrowings from the Fund without difficulty.

It is difficult to see how any scheme for international stabilization of currencies could work with Russia not cooperating.

The most strongly urged criticism of the Fund Agreement is that it gives a country the right, subject to various restrictions and conditions, to borrow from the Fund up to the amount of its quota.

Borrowing Rights Restricted

It is argued by many that the Fund should be the sole judge of the credit worthiness of countries desiring to use its resources and should have absolute discretion in the matter of granting or refusing credit. The proponents of this view say that it is impossible to conceive a sound credit organization operating on any other basis than the normal basis between lender and borrower in which the lender is the sole judge of the credit. It should be borne in mind that the Fund is dealing with sovereign governments and their Central Banks who must know not only what their resources in hand are, but also what borrowing facilities they can count upon. A large corporation in this country whose operations may require it to use borrowed money almost always insists on its banks giving it lines of credit, which the corporation may not use, but which the management knows are available in case of need. Many large and very solvent corporations in recent years have gone further and are paying annual fees to banks in return for getting definite rights to borrow up to certain amounts over a term of years. The necessity of Central Banks and Treasuries knowing definitely what reserve credit they can count upon is much greater than that of a business corporation.

The Fund Agreement recognizes this fact, but at the same time the right to draw upon the Fund is a right subject to conditions, except as to initial borrowing which cannot exceed 25% of a country's quota. If the Fund finds that a country is using its borrowing power in a manner contrary to the purposes of the Fund, it may limit further borrowings or declare the country ineligible to use the resources of the Fund. Every country desiring to borrow from the Fund, including its initial borrowings, must represent that it presently needs to borrow in order to make current payments which are consistent with the provisions of the agreement. And, the Fund may postpone initial exchange transactions with a member country if it believes that country's condition is such that it cannot use the Fund for the purposes for which it is intended, or except in a way prejudicial to the Fund and its members.

Since voting rights in the Fund and control of its management are closely related to the quotas of various countries and since the United States has the largest quota I think it can reasonably be assumed that the American viewpoint will dominate the management of the Fund. Furthermore, if, as is certain to be the case, the American dollar is the currency most in demand after the war the knowledge on the part of other countries that the United States can withdraw if its viewpoint is flouted by the management should practically insure recognition of our views by the Fund.

Fund Does Not Set Up Gold Standard

The Fund is not intended to set up a fixed gold standard and tie all the currencies of the world to gold. Few, if any, countries in the world, consider such a tie-up desirable. Many, probably most countries, feel today that circumstances may arise which would make a change in the gold value of their currency imperative. But the Fund does make such changes more difficult, and does ensure that they will not be undertaken lightly. In the first place, every country must consult with the Fund before making a change. In the second place, it must make up any reduction in the gold value of its currency held by the Fund. After initial changes aggregating, up and down, a total of not more than ten percent, the Fund may object to a proposed change, and if the country over the Fund's objection changes the par value of its currency, it loses its right to borrow from the Fund. To be sure, it is provided that the Fund shall concur in a proposed change if it is satisfied that it is necessary to correct a fundamental disequilibrium, and it shall not object to a change because of the domestic social or political policies of a member country. It is unlikely, in view of these provisions, that in the case of any first class power the Fund would refuse its consent to a change in the gold value of a currency if after discussion and argument that power insisted on its necessity of a change. But a great power rarely changes the gold parity of its currency, in peace time at least, unless forced to do so by prior changes in the parity of the currencies of other countries which upset the relative value of its currency in international transactions.

The Fund would make gold the index of the value of a currency and would maintain the use of gold for the settlement of international balances. By so doing it would exercise a strong psychological influence on all countries to maintain the gold value of their currencies. Various countries at Bretton Woods argued that the Fund was too much of a gold standard plan, and most of the attacks upon it in England are based upon the fact that it will make changes in the gold value of Sterling too difficult. As a compromise between rigidity and flexibility the very fact that the Fund is being attacked both because it ties currencies too rigidly and too flexibly to gold indicates that it is probably as fair a compromise between two points of view as could be obtained.

In spite of the fact that the Fund provides for changes in the gold value of a currency and that many such changes may be made under its terms, the Fund should accomplish three very desirable results: first, end the nuisance of multiple currencies after the transition period; second, do away with competitive exchange depreciation; and, third, prevent the use of currency manipulation and depreciation for predatory political and economic purposes. Germany showed the danger to the world of allowing currency manipulation for such purposes.

The Fund is designed primarily to facilitate international payments on current account only, and its credit facilities are limited to this purpose. It had to be recognized that the post-war period is going to be one of difficulty and transition and that exchange controls even for payments on current account established during the war cannot be eliminated at once. No one can say how long the transitional period will last, but it is certain to be a matter of years. The Fund does provide that member countries shall take all possible measures, as soon as conditions permit, to facilitate international payments and progressively to do away with exchange restrictions. It must be admitted that the teeth given the Fund to enforce the withdrawal of restrictions on current payments now in effect are weak. But, realistically, one must remember that the maintenance of many of these restrictions for some years after peace is necessary to the economic survival of various nations, and that nations are sovereign and are naturally and properly very jealous of their rights when a question of their economic survival is at stake.

The Position of the Dollar

The objection to the Fund which has the greatest popular appeal in this country is the one that except for relatively small contributions of gold by other countries the United States is allegedly the only country which will put up currency that will be really in demand. Although the American dollar will be the currency most in demand, the currencies of other countries able to export large amounts of raw materials are also certain to be in demand. Canada, Cuba and some other Latin American countries are certain to be in this category. There will be a considerable demand for Sterling. The Fund will have a very considerable amount of gold contributed by countries other than the United States. Many countries have large gold holdings and dollar balances which they will presumably use before drawing on the Fund. The Fund Agreement provides that as the gold holdings or holdings of American dollars of a country increase it must repay part of its borrowings from the Fund. Bearing these facts in mind and also the fact that no country has the right to draw more than 25% of its quota in any one year, the dollars and gold in the Fund cannot under the most unfavorable circumstances become exhausted as rapidly as the objectors to the plan fear. If the United States recognizes the fundamental truth that a creditor nation must ultimately accept payment for its exports in goods, using the word "goods" to include services, the Fund should be able to work indefinitely without the dollar becoming scarce. If the United States insists on continuing to export more than it imports, dollars are bound ultimately to become scarce and other countries of the world will have to discriminate against American goods no matter how much they may desire them. We can postpone that time by accepting gold or loaning money abroad. But ultimately we shall get all the gold with which the rest of the world is willing to part, and we shall become tired of loaning money for the purpose of enabling borrowers to pay for goods which we currently export, as well as interest on the money they have already borrowed.

It is to be hoped that before the dollars in the Fund have become scarce the American people will have come to a greater maturity in their economic thinking and will radically change their present tariff policy.

While it would be highly undesirable to have the American dollar declared scarce and exchange restrictions imposed against it by other countries, it should be realized that if nothing is done the dollar is bound to become generally scarce throughout the world in short order and existing exchange discriminations against it are certain to increase.

Even though the dollar is declared scarce and remains so, our contribution to the Fund would not be lost. It would be frozen, to be sure, and we would lose interest on our contribution. But, barring another general world war, we could, over a period of years, convert our claim against the currencies of most of the nations held by the Fund into goods and thus get most of our money back. The Fund would still continue to function and the currencies of other countries would continue to be interchangeable at the parities fixed from time to time by the Fund even though not convertible into dollars. This would benefit international trade and thus our own trade. Meanwhile, by our contribution to the Fund we would have made possible currency stabilization in war-devastated countries and by thus helping them restore their economies we would greatly increase the chance of political stability, without which there is no chance for peace and general multilateral trade. And without these there cannot be continuing world prosperity or prosperity in this country.

All the critics of the International Monetary Fund realize that the United States must in its own interest help the rest of the world get on its feet after this war is over either by gifts or by furnishing credit and taking credit risks. No proponent of the Fund believes that it is a panacea, or that alone it will be sufficient to solve the economic problems of the world. Some considerable degree of currency stabilization is generally recognized as one of the indispensable things which must be provided for a reconstructed world economy.

No other plan has been suggested which involves less risk to the American people than the Fund, even assuming that we still continue our present high tariff policy.

The International Bank

The other plan drawn up at Bretton Woods is that of the International Bank for Reconstruction and Development. The argument for such an institution is based on two premises, both of which I believe to be sound. The first premise is that the export of capital by a country like the United States, which is in a position to do so, to countries which have been devastated by the war or are economically undeveloped and can profitably use such capital, is a benefit not only to the particular exporting and importing countries but also to the other trading nations of the world. The second premise is that after the experience of the 20's and 30's with foreign loans no considerable amount of money will be loaned abroad, by Americans at least, at reasonable rates of interest except under some adequate governmental guarantee. At the present time, for certain classes of loans the Export-Import Bank does give such a guarantee.

Since, however, the export of surplus capital by a country benefits not only itself and the receiving country but also all the other trading nations of the world, it is only fair that the risk involved in such lending should be shared by all such countries and not borne entirely by the exporting country.

The proposed Bank developed at Bretton Woods will have a subscribed capital of $10,000,000,000, of which the United States' subscription is $3,175,000,000. The subscriptions of other countries generally correspond to their quotas in the International Monetary Fund. The Bank will be governed by a Board of Directors representing the various countries, and the voting rights of these directors closely correspond with the subscriptions to the capital stock of the countries which elect them. As in the case of the Fund, this means that the United States, plus a few countries whose economic thinking is like ours, will at all times be in control.

Twenty per cent of the Bank's initial capital is to be paid in, 1/10th in gold or United States dollars and the balance in the currencies of the various members. The rest of the capital is to be called in only if needed to meet losses and must be paid in gold or American dollars or in the currency in which the obligation is to be met.

The Bank is designed to operate primarily by guaranteeing loans for specific projects such as railroads, harbor works and steel plants, although it may make such loans direct either out of its paid-in capital or from the proceeds of debentures which it may sell. If it borrows money, loans made with the proceeds of the borrowed money will be payable in the same currency as that borrowed by the Bank. Of course in the case of a loan guaranteed by the bank, the loan itself would be payable in the currency or the country from which the money was borrowed.

Every loan made must be for a specific project which has been investigated by the Bank as to its desirability and which it is believed will increase the productive power of the borrowing country. Due regard is to be given to the ability of the country to service the interest and amortization charges on the loan.

Every loan must be guaranteed either by the national government of the country in which the project is located or by that country's Central Bank or some comparable institution. The Bank will only make or guarantee loans for that portion of the cost of a project represented by imported material which has to be paid for in foreign exchange. The local expenditures on any project which can be met with the country's own currency must be raised by that country independently of the Bank. For instance, if the Bank made or guaranteed a loan to Brazil for the purpose of building a railroad, Brazil could borrow from the Bank or under the Bank's guarantee the money to pay for steel rails, locomotives, rolling stock, signal apparatus, etc. which would have to be imported. It would have to raise the money independently of the Bank to pay the construction labor and to pay for the local materials used.

No loan can be raised by the Bank or under its guarantee without the consent of the country in which the loan is raised or in whose currency it is payable. While this provision was inserted primarily for the purpose of enabling each country to protect its own money markets, it has the incidental effect of giving to the United States—the one country in which most of the loans made or guaranteed by the Bank will have to be raised—a continuing veto power on the Bank's operations.

The various provisions regarding the making of loans should prevent the improvident foreign lending which occurred in the 20's. A large portion of those loans was used to defray expenditures for which the money could and should have been raised locally and for purposes such as the construction of opera houses in Latin-America, planetariums in Germany, etc. Most of those loans were made without any consideration of the country's ability to provide the foreign exchange required to service them.

The amount of loans which the Bank can make or guarantee is restricted to its unimpaired capital. If one assumes that one-half of all the money loaned or guaranteed by the Bank was completely lost, an experience much worse than anything that has happened in the past in connection with foreign loans, and that only one-half of the various countries' subscriptions to the Bank's capital are good, the holders of the Bank's debentures or of obligations guaranteed by it would be assured of payment in full. If one considers that approximately one-third of the total capital is to be subscribed by the United States, 13% by the United Kingdom, 3% by Canada and almost equally large amounts by Holland and Belgium, it is most unlikely that over 50% of the subscription calls would not be met. There is no practical possibility of countries like England and Canada themselves borrowing from the Bank, as they could not be considered as either devastated or economically backward.

Bretton Woods No Panacea

In conclusion, I can only state that no one thinks that either the Fund or the Bank, or both together, will be sufficient in themselves to cure the evils of the world at the conclusion of the present war. They should, however, help tremendously toward restoring something like bearable economic conditions and reasonable stability throughout the world and in developing multilateral world trade. I am one of those who believe that the United States cannot in its own interest and with safety to itself remain isolated and apart from the rest of the world. If another world war should occur, we would not merely have another Pearl Harbor. Our industrial centers, such as Chicago and Pittsburgh, and vital communication and transportation facilities such as the Soo Locks would be destroyed before we would know what had happened. Apart from the question of military security, no considerable section of the world—not even the United States—can enjoy domestic prosperity if acute depression reigns throughout other large sections of the world. The two plans are not perfect. They both involve some element of risk of the money we put into them. But they represent not weeks but months and years of study and earnest effort, of collaboration and compromise made by different national interests to bring about the result which all the United and Allied Nations desire. I hope that the Congress of the United States will approve them.

Post-War Prospects

The Cross Company, manufacturers of machine tools, offers attractive possibilities for the post-war period as well as currently, according to a memorandum on the situation issued by F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y. Copies of this memorandum may be had from F. H. Koller & Co., upon request.

Future Problems of the Radionics Industry

(Continued from first page)

tion to a speaker to discuss a specific subject. There then remains the problem of having the audience understand the speaker's viewpoint. Unfortunately, the audience is always at a disadvantage on that score, because they are usually forced to select a member of an industry to discuss that industry. This necessary requirement that the speaker possess the intimate knowledge that comes only with association, works a definite hardship on the audience, because that intimate association makes it almost impossible for the speaker to discuss the industry without prejudice.

I admit to that quite frankly. Some prejudice will show as I bring you a glimpse of what is now taking place within the radio industry that may bring about certain developments in the post-war period. You will have to make due allowance.

From your standpoint, I am assuming that you gentlemen, as analysts, are not interested in just the favorable aspects of television but the fundamental problems that must be licked in order for television to grow into a substantial and profitable business. Therefore my remarks will be a sincere attempt to present the unfavorable as well as the favorable factors surrounding the post-war outlook. I hope that is what you want. With that mutual understanding, let's proceed with our discussion.

Post-War Viewpoint

There is perhaps another point of view that should be cleared up before we tackle our discussion of the subject at hand. You gentlemen necessarily are interested primarily in attempting to evaluate future happenings within an industry, which, of course, currently means "post-war." In this task, I have the deepest sympathy for you. Planning for peace in time of war is difficult, very difficult. There's something about war—the psychology of war—that is extraordinarily stimulating. Imagination, as well as our ability to think logically, is stimulated to above par levels.

Let's just check that point by briefly reviewing our first approach to war production. We glibly forecast our ability to produce as being limitless. We were going to start producing planes at the rate of 5,000 a month then step up to 10- 25- 50,000 planes per month. "One a Minute" was the production rate forecast for one plant, as I recall the newspaper headlines of four years ago.

The hard facts in the case proved to be that we found there is a limit to our resources of manpower, of raw materials, of food, and other basic commodities. Expediting, rationing, etc., have been rather a rude awakening to the realities of our limitations.

I mention this optimistic approach to our problems of war production only for the purpose of illustrating the stimulating effect of war on our normal processes of tackling the problems of business.

This condition is further aggravated by the natural optimism of the American people.

We Americans are great people to go "all out" in whatever we tackle and we are eternal optimists. This, I say, not critically. As a matter of fact, it is this characteristic that has contributed much to our achievements. But this natural attitude coupled with the vicissitudes of war make it very difficult to properly plan for the future.

Most post-war planning being done by many manufacturers appears to me to be figuring out how to get into the other fellow's business.

There are all sorts of rumors going around. Airplane companies are going to make automobiles; automobile companies will make airplanes; radio companies are going to make refrigerators, and vice versa. The list goes on and on. I haven't heard yet who is figuring on taking over your business.

Speaking for radio, all I can say is that she is a jealous mistress. It's been tried before. One manufacturer comes to mind who once was called the "Ford of Radio" at the time Ford was getting the lion's share of the automobile business. This radio manufacturer diversified with refrigerators, air conditioners, hair conditioners, automobiles, and what have you, to the point where he ceased to be a major factor in the radio industry or any other industry.

Insofar as we at Zenith are concerned we are "agin" diversification of that type. We feel that the field of radionics is large enough to challenge us to the utmost.

Radionics

Radionics is a vast and complex industry that has multiplied many times during the war years. It is an industry based upon a very simple device, the vacuum tube, which is the heart of every radio set, and which 20 years ago made the growth of radio broadcasting possible. Today, this little tube has assumed hundreds of different forms and is used in myriads of military, industrial and domestic devices. From these new applications of radio principles have emerged such industrial divisions as communications, radio, television, radar and industrial electronics. Lumped together, these and other allied branches comprise the great radionics industry which is destined to play an ever increasing role in human existence.

The most discussed branch of radionics is television, and since it is also the most misunderstood, it might be well for us to quickly run over the post-war possibilities of the other branches of the radionics industry before entering upon our discussion of television.

Home Sets

First, let's take a look at the post-war market for home radio sets. In the last 12 month period prior to April, 1942, when all production of civilian sets stopped, the industry sold 13½ million sets for a total volume of more than $500,000,000.

The normal replacement rate of sets which have been discarded is about 10% per annum, but conditions have not been normal in the past two years. Radio is still a young man's business. The overwhelming majority of competent radio repairmen were well within draft age, and were eagerly sought by the army because of their special skill. Consequently, the rate at which radio sets have been discarded and thrown out of service has increased to about 18%. That gives us a three year backlog of 40 to 50% plus the normal 10% of the current year in which production is resumed. That means 50 to 55%, if production were to be resumed this spring. And there were an estimated 45,000,000 radios in service at the outbreak of the war.

Now, add to that the additional buying stimulation that comes from the American people having money in their pockets: to say nothing of the unusually large replacement that will result from obsolescence due to the new developments that will appear in the radio sets of the post-war period. Every home in the country is a prospect for several radios—a combination radio phonograph for the living room; small table sets for the bedrooms and kitchen; and a portable for travel.

Export

And then there is the Export market. The Export market holds great possibilities. Think of the widespread education in the use of radio that the peoples of every country are receiving during the war. All peoples of the world are turning to radio for news and entertainment. It is becoming a part of the daily fabric of their lives.

Add to this increased usage the backlog of the past five or six years that naturally would accumulate from pre-war users.

American industry should, in the immediate post-war period at least, be in a favored position to supply this demand.

Automobile Sets—The outlook for automobile sets is good. Pre-war use of radio in automobiles was growing rapidly. It had reached 40%. It is obvious, therefore, that with the pent-up demand for automobiles this branch of the radio industry will prosper proportionately.

Transportation—Radio in the past has never been a necessary part of transportation. In automobiles it served as entertainment. Trains have not used it materially. In navigation, it has been helpful, but it has not been absolutely necessary. Now, comes aviation and with the new radionic developments such as radar, the radionic equipment in an airplane becomes as important as the engine.

Many railroads, as you know, are experimenting with radio communications in operations. The Federal Communications Commission has allocated wavelengths for use by the railroads.

Radar will undoubtedly be widely used in navigation. Think of the economic savings that can be made by equipping ships with radar which will permit their continued operations in all weather conditions, even in fog. Aviation will probably be the greatest beneficiary of radar.

Electronics—Industrial electronics is another field of radionics that undoubtedly faces expanded usage in the post-war period, although electronics in industry has played an important part in war production. This is, of course, a highly specialized field that will probably be engaged in by relatively few manufacturers of equipment.

Competition

The sales possibilities in the radionic industry post-war are so great as to stimulate the imagination. It is indeed a rosy picture. But I promised that I would give you both sides of the picture. So, what's wrong with the picture? It can't all be gold that glitters.

Competition is going to be terrific. Before the war there were 33 companies that held the necessary licenses to manufacture household sets. 87 companies have already announced their intention of competing in the post-war market.

You gentlemen, as investment analysts, are supremely well qualified to forecast the outcome. But I was interested in learning that back in 1920, following the close of World War I, 134 different makes of automobiles appeared on the market. By 1941, that number had dwindled to 13 makes, with only eight manufacturers. In 1920 the automotive industry was about 20 years old. When this war is over, radio will be in about the same position, both as to age and number of manufacturers.

To meet this situation there are, in our opinion, two ways open to the old-line manufacturer. The two ways are diametrically opposed to each other. One is to diversify into other fields—the other to concentrate his abilities in radionics. Which route would you choose? That's an interesting question to leave with you gentlemen, as investment analysts, I am sure. We at Zenith have made our decision. We have chosen Radionics Exclusively.

Television

Now, I am fully aware of the circuitous route by which I have approached the discussion of television and its place in the post-war picture. But gentlemen, I have done so with forethought. I do not believe that it is fair to consider television aside or apart from the radionics industry. Commercially, radio *is here*—where television is, is questionable. Or, to state it another way, if you are interested in the promotion of a company whose future is solely dependent on the development of television, and some are, then ignore radio. But if not, then evaluate television's immediate post-war possibilities in relation to the other branches of the radionics industry.

Now, let's look at this much discussed subject.

An article on the subject in "Fortune" in August 1943 began with this:

"One of the brightest stars in the heaven of the post-war planners is television."

I agree with that statement. In preparing this manuscript and looking over notes I have taken from newspaper stories, I was struck by the breath of optimism that surrounds the magic word *television*. Let me read you a few typical notes, all taken from one newspaper, the "Chicago Daily News."

Here is one that says, "Television is no longer an experiment today—it is a fact." The story goes on to say that a network is being planned.

The next one announces that a Farnsworth television set, using a new system with twenty pictures to the second, will be put on the market, and that it will cost $100 or less.

Then I read that The Jenkins Television Corporation was organized with one million shares of common stock.

A short time later is a story about a boy who won in a prize contest the first commercial type Jenkins televisor.

Here is a sober prediction that while the future of television is solved it might be another year before sets are on the market.

Technical progress appears in a story that describes the Sanabria system with a 12-inch picture equivalent in quality to a newspaper cut, and says that it can be put on a 2½ foot screen.

Another one says that it is "likely commercial television will be with us within a short time . . . much nearer than many pessimistic authorities are willing to admit."

To climax this series, I have *another* dated *August 27, 1931*, that predicts there will be one million sets in use by 1933 and eleven million sets in use by 1942. Yes, gentlemen, the dates of my last statement are correct. All of these rosy predictions, which read exactly like those we see in the headlines today, were published between the dates of April 30, 1928, and August 27, 1931. We are hearing the same old story.

Television broadcasting began in 1928, but in 17 years television has made less progress in public acceptance than radio did in its first year. The important question before us today is—why? And is it now ready? That's the $64 question. Or perhaps better stated the 64 billion dollar question, if television measures up to the billion dollar predictions made for it.

First, may I say this. From a selfish viewpoint, I, personally, and my company should hop on the television band wagon and lend our efforts wholeheartedly to the unlimited ballyhoo that is currently being let loose on television as the fair-haired industry of the post-war period. With our policy of radionics exclusively, no company stands to profit more proportionately from the growth of television. Also, we are *in* the television business. We have just been granted a construction permit for a new television transmitter which will be devoted largely to the development of color television in the ultra high frequency band. Our present transmitter, W9XZV, has been broadcasting continuously scheduled programs longer than any television transmitter in the country.

However, let's not indulge in wishful thinking but attempt to coldly and factually evaluate television's possibilities.

There is no question, in our opinion, as to the ultimate success of television. It is only a question of "when." But, to be practical, we must, of necessity, discuss it in terms of immediate post-war possibilities because it is on that basis that it is being publicized and, of course, that is your interest, business-wise.

While much publicity has been given the technical aspects of television, suffice to say that technically television is acceptable and has been for some time.

There are technical problems, of course, such as the best way of relaying programs across country, but technically, the industry is sufficiently far advanced as to be acceptable for practical purposes.

It is the economic aspect of television that presents the major problem. It is the economic riddle, that, in our opinion, has held back the expansion of television in the past, and that must be solved to assure its future growth.

And yet, if you have followed the discussion of television as it has been carried on in the public press and trade papers, you will recall that most of it has related to the technical aspects. Personally, I have found little, in fact, practically no discussion of the economic aspects of television. What little comment has been publicly made on the subject has been inclined to cut it adrift to shift for itself. Most commentators dismiss the problem of how television is to pay for itself with a shrug of the shoulder. They indicate by their actions that television is expected to duplicate the performance of Topsy in Uncle Tom's Cabin, who "just growed."

On Dec. 11 and 12, here in New York, was held the first convention of the Television Broadcasters Association. More than 1,000 attended. Perhaps some of you were in attendance. The feeling of confidence, optimism and enthusiasm regarding the *immediate future* of *post-war* television was prevalent throughout the entire proceedings, so it was reported. I was not there. It was a personal disappointment that other business made it impossible for me to attend.

Subsequently, however, I carefully scrutinized the convention reports for comment regarding the type of programs to be supplied the public and how the programs were to be paid for.

Frankly, I didn't find much recognition given the subject. Topsy was still an orphan when the convention was over. There was unlimited discussion and demonstration of the technicalities of television, but the comments on programming were meager indeed. Television was technically all dressed up—top hat and tails—but no place to go.

Let me repeat for you the following remarks gleaned from the convention report, related to this all important subject.

I quote first from the address given by the Vice President of a large corporation which has been very active in television experimentation for many years.

He said: "Skeptics who say television is not ready for public use are only right as far as programming is concerned—the public, not knowing technical problems, are satisfied with television *except for poor programs*."

An associate of this gentleman, from the same company, later on in his remarks, said: "We have produced over 900 programs in five years." So you see the first gentleman spoke from experience

—one of the fullest in the field of television.

Another speaker, representing one of the broadcasting companies, recommended that a code of ethics concerning programming be formulated. And in this connection he said, and again I quote —"Television is not a cheap game. We need plenty of blue chips to start."

The gentleman was absolutely right, insofar as he went. But I read on in vain, for never did he say who was going to provide the "blue chips." No speaker was articulate on this point.

Personally, I have no desire to catalog myself as a skeptic. It has been a part of my personal business experience to be "in on" the pioneering of several businesses. I have experienced the thrill of the pioneer but I have also sweat with the problems of *new* businesses—trying to "make it add up." As a result, I find it hard to hop on the bandwagon with the "televisionaries" off on a "blind date" to dash toward the pot of gold at the end of the rainbow. I prefer to have at least a faint idea of the road to take and the distance to be traveled. I prefer to make an attempt to assay the possibilities of success.

Economic Aspects

Now, gentlemen, let us take a good look at the basic economic problem facing television.

Television presents a vicious triangle. Advertisers can't profitably sponsor good television production until there is a mass audience. We can't get a mass audience until we have provided the American people with assured continuous entertainment, pleasing enough to stimulate the buying of receivers by the million. And that kind of entertainment can't be provided for a long enough period of time to build the audience, because there are no television producers financially big enough to pay for it.

Now, let's go back and analyze the elements of this economic riddle as I have just stated it. The whole thing reminds me of the ancient recipe for rabbit pie, which begins, with the statement "first catch the rabbit."

The crux of the problem, in my opinion, is in determining the *quality of entertainment* that will be pleasing enough to stimulate the buying of receivers by the million.

Since entertainment is the commodity in which we are dealing, then television is the show business. Entertainment is a risky business. No other business has as great a percentage of failures as show business. One of the country's leading dramatic critics, when questioned on the point estimated that four out of five shows fail. It is evident from the record that you can't fool the public on what it likes. Simply to televise what is going on in the studio with a cluster of performers around a mike reading their scripts is not enough. It is not what the public has been led to expect, nor what it wants from television. Oh, I grant you that the novelty of television might carry any kind of program for the first few times, but no business that attempts to entertain the public can last unless it gives the public what it wants.

What about sports and news events? All right—fine, insofar as they go. But the limiting factor is the scope of photographic lens. For this reason, boxing and wrestling lend themselves best to television. A fairly good job can be done on football—play-by-play. Baseball is difficult—from a photographic standpoint. The action is fast and distances great.

Spot news can cover only scheduled events; only in long continuous events like fires or prison riots can equipment be put on the scene in time to broadcast the unexpected.

Last year, the entire motion picture industry, with cameramen all over the world and with magnificent cooperation from the Army and Navy, produced only 508 eleven minute reels of news reels, less than two hours a week—and 90% of that without sound.

News events and sports offer the possibilities. But do they offer enough to support an industry? Obviously not; there must be other entertainment. To get a mass audience, television production will have to have eye appeal to catch and hold the attention of millions. That being the case, isn't it then logical to look to the experience of the people who have most successfully given the public what they want—the movie industry.

Television and Film Production

According to reliable sources, the estimated average cost of a feature film production is between $550,000 and $600,000 a picture. The average feature runs an hour and a half, so that means $370,000 to $400,000 an hour.

Now, what is the movie industry able to get from the public for this $400,000 per hour quality of entertainment? The average admission price for the movies is now 27½ cents, excluding tax, or 33 cents including tax.

The average show runs three hours and includes two features, so that on the average, for 33 cents, the public can see a performance which costs between $1,100,000 and $1,200,000.

Reducing this expense to the simplest form, the movie industry is able to get 11 cents an hour for their product.

If television programs are going to have to be comparable in entertainment value to movies—then the 64 billion dollar question is—who is going to provide the box office?

America's total advertising bill for 1943 was $2,130,000,000. That is the total spent in advertising by manufacturers, doctors, Chinese restaurants, etc. It was the total advertising box office collected by newspapers, magazines, trade publications, billboards, direct mail and radio.

The total box office of radio broadcasting was approximately $350,000,000. That is what the advertisers spent. For this $350,000,000 or 16% of the nation's advertising bill, radio provided entertainment for the public from four national chains operating 16 hours a day, or 64 hours a day of different entertainment, to say nothing of the hours provided by their independent radio stations, unaffiliated with the chains. The public paid a box office bill of more than a billion dollars in 1943 to the movies for that type of entertainment, and that billion dollars provided only 1½ hours a day of entertainment.

Knowing television programs will cost more than radio, I repeat—where's the box office coming from?

Certainly, we cannot expect the advertisers of America to pay the bill.

Many exponents of television will tell you that entertainment of a caliber comparable to that furnished by the movies will not be necessary. Fashion shows, demonstrations of products, how to cook round steak and make it taste like tenderloin, will not long hold an audience. Vaudeville acts and stock company drama will find little acceptance with the public that lost interest in them long ago in favor of motion pictures. Without appearing facetious, my reply to that premise is that anyone capable of producing entertainment will be a much sought after individual—by the movie industry.

Some propose films as the answer to the program problem of television. Don't you think the movie industry is going to have something to say about that? Sure, old films are now being used by television broadcasters, but do you think for one minute that the movie industry is going to permit the destruction of their box office at the theaters? The movie industry, with the control of talent they hold, and that includes the stars of radio also, are going to have a large voice in television.

At the convention of Television Broadcasters, to which I have previously referred, Mr. Lewis Allen Weiss, Vice President of the Television Association, apparently was conscious of this box office problem when he said, and I quote: "It is not necessary to worry about television in rural areas at present"—and further—"No city can support a television station with less than a population of one-half million."

Even though I don't know what method of raising revenue was in Mr. Weiss' mind, I don't think there is any question but what his statements will prove to be correct for many years to come.

You will, of course, have television here in New York long before the rest of the country gets it—no matter *how* television comes—because of the highly congested population and purchasing power. So you gentlemen will have the opportunity to observe television before the rest of the country. As a matter of fact, television was introduced in New York in 1938 and sale of sets continued right up to our entrance into the war. Total sales are optimistically estimated at five to six thousand. Not many—for a three year sales effort.

Now gentlemen, please do not misunderstand me, but this situation is rather ludicrous. Here I am, as a manufacturer standing to profit from the sale of television sets, conservatively pointing out the unsolved economic problems of a new industry, to a group of financial men. I hope my action does not appear presumptuous. But gentlemen, I think we can possess faith and still not be economic ostriches. Let's face the problem not with an air of futility, but with courage. Here is a new art that possesses great potentialities. Whether it will ever develop into an industry that will provide more than 4,000,000 jobs as predicted by some—you know the radio industry has never employed more than 250,000—or whether television will develop into a billion dollar industry, all is beside the point. We don't need to gaze into the crystal ball to know that it can be a great business.

"A Baby of Giant Possibilities"

It is that knowledge, gentlemen, that has prompted me to present for your consideration the economic problems of our baby of giant possibilities, and I might add, with a gargantuan financial appetite. It is deserving of better treatment than Topsy. It's about time that the problem of how to nurture this new business received attention. The technicians have done their job. The business men should now step in and do their part. This economic problem needs constructive thinking by the best business brains in the country. If television is left to daddle along it is again doomed to failure post-war. It will be just another false start. At Zenith, we have been for months trying to get some outstanding organization in the country to make an impartial study of how to provide the box office for television. As yet we have not been successful. Why don't you gentlemen do that job? It is a real challenge—and a great service would be rendered all parties interested. The public and investors alike—if the formula were developed that would point the way to the answer to the 64 billion dollar question of financing programs of quality that would build a market for millions of television sets.

Gentlemen, I have attempted to lay before you—not with cynicism but with candor—these problems of television. I feel confident that you will give them constructive thought. I am sure you can assist greatly in solving them. And they must be solved, or television is going to be permanently injured — perhaps fatally — with over-ballyhoo. It may be a weed instead of a fish that, after all our labor, we may at last pull up. And this over-dosage of ballyhoo is regrettable. It is so unnecessary. The radionic industry—of which television is but a branch—doesn't need this "Gilding of the lily."

There is no question but what the industry can be termed what you financial men would call "a growth industry." It has everything. It has been an industry of substantial proportions for many years; it is booming during the war, and during the war it is making engineering strides that hold great promise with the resumption of peace and normal living. Its post-war reconversion problem will be about as simple as could be, in a technical field.

Gentlemen, I have appreciated this invitation to appear before you and to have had this opportunity, not as an individual nor as the representative of an individual company; but as a member of a great industry, to give you a few highlights of what is taking place in the radionics industry *today*, so that you may better draw your own conclusions as to what *tomorrow* will bring.

Millard Jacobsen Heads Paine, Webber Department

GRAND RAPIDS, MICH.—Millard L. Jacobsen, formerly associated with the local office of Merrill Lynch, Pierce, Fenner & Beane as Account Executive, is now in charge of the Listed Stock Department of Paine, Webber, Jackson & Curtis, Peoples National Bank Building.

Mr. Jacobsen was employed by the local office of Logan & Bryan from February, 1932, to June, 1933, continuing his employment with Merrill Lynch, Pierce, Fenner & Beane upon merger of the two firms. Mr. Jacobsen left the employ of Merrill Lynch and joined the United States Naval Reserves in 1942 from which he was recently honorably discharged.

Mr. Jacobsen's association with Paine, Webber, Jackson & Curtis was previously reported in the "Chronicle" of Jan. 25.

Foreign Investment In The Post-War Period

(Continued from page 514)

invested their money abroad took a licking.

It has been estimated that, by 1935, some 37% of the foreign bonds outstanding in this country were in default and that by 1937 six or seven hundred thousand American investors were holding defaulted foreign bonds.

For their role in this debacle, investment bankers have been subjected to widespread and vigorous criticism. From our viewpoint the most significant of the various criticisms is the claim that huge amounts of the funds sent abroad were incompetently invested—that they were placed in enterprises which even a superficial inquiry by those handling their placement would have disclosed had little or no chance or ever repaying them. Had there been full disclosure many of these bond issues would never have been sold. Had there been full disclosure with respect to the asset values of issuing companies, with respect to their capital structures, their history of profits and losses, and the interest of promoters; had there been, in the case of foreign government bonds, full disclosure as to debt structures and revenues and the history of past defaults, we may be sure that American investors, who as a whole, are not so gullible as is sometimes supposed, would have been more discriminating in the purchases they did make, and that many of the losses that occurred would have been avoided. It is likely to be our responsibility to see to it that the excesses of the twenties are not repeated and that whatever new foreign issues may be sold are sold in accordance with standards of ordinary honesty and decency.

Hazards of Foreign Investment

At the same time it is essential that we realize, and American investors must come to understand, that a full and truthful disclosure alone is no assurance that any particular investment will be profitable. There are many elements of risk in investment that cannot be eliminated even by the most scrupulous fair dealing. This is particularly true in the case of foreign investment, where in addition to the ordinary risks that attend investment in domestic enterprises there are special hazards, different in kind and different in degree. Foreign investments cannot be profitable, for example, if world trade is choked by artificial tariff barriers; the principal may be wholly lost if there is outright repudiation. If there is war no one can foretell what may happen—many factors not directly significant in appraising domestic investment opportunities may enter the picture and cause losses.

Difficulties such as these do not merely melt away in the warmth of an abstract feeling of international good will. Experience has shown plainly enough that foreign investment is not a magic lamp that automatically invokes benign genii to insure safe profits to the investor and good works with the money laid out. Wisely directed, foreign investment can bring fair returns to the investor and great benefits to the people of his country and to those of the country in whose enterprise he invests. But foreign investment is a delicately complicated instrument. It has profound potentialities for good and for evil. It cannot safely be handled carelessly either as a general economic program or as an individual enterprise. It is subject to many collateral influences beyond the direct control of the parties to the lending contract. For relative safety to the investor and full economic effectiveness, foreign investments require a base of political and economic stability. They require a reasonable opportunity for the reciprocal interplay of those productive forces through which their usefulness may be realized. If foreign investment is to provide reasonably safe opportunities to put savings to remunerative constructive use, and is to play its proper part in the reconstruction and in the maintenance of a peaceful security of opportunity here and abroad, the nations of the world, for their mutual advantage must join in adopting and making effective wise economic policies that will forestall the disruptive forces which in the past have blocked these beneficial consequences. Enlightened public opinion must understand and support such policies.

Responsibilities of Security Commissioners

As security commissioners we are looked to in matters of investment primarily for protection against undue risks of loss. If we are not to be unduly parochial in our concept of the job we have to do it is essential that we ourselves understand the basic problems of foreign investment and that we help to foster a *general* understanding of them. A responsibility equally great, if not greater, rests upon the investment banking industry.

Because these things seem to me to be extremely important in connection with the more immediate problems likely to confront us as securities commissioners, I want to touch briefly upon some of the questions that bear upon any program of private foreign investment that may develop. In view of the experience of the past, should we get into foreign investments at all? Is it necessary? Is it desirable? Is it wise or foolish? What forms will it take? What conditions are necessary in order that it may be reasonably safe and effective as an aid in meeting the economic problems that will confront us after the war? Our most immediate domestic objective after the war will be the maintenance of full, steady employment for our labor force of 60 million. The President has set that goal. What bearing may foreign investment have upon its achievement?

According to an estimate in the Federal Reserve Bulletin of May, 1944, the resumption of peacetime production at the 1939 level—a gross national production of 108 billion dollars at 1943 prices—would leave us with from fifteen to twenty million unemployed. According to that same study if full employment is to be reached, the national production will have to exceed 170 billion dollars. That's a lot of goods.

At that level of production it has been estimated that annual savings would be somewhere between 25 and 30 billion dollars a year and that if the total amount of these savings were regularly reinvested, we could maintain full employment. If not, the phenomenon variously called overproduction or under-consumption would be likely to develop. We would come to have surplus goods on the market that could not be absorbed by the consuming public for lack of sufficient purchasing power. In these circumstances our industries would have no economic incentive to absorb them for use in the production of other goods. Such surpluses, unused, would give rise in turn to curtailment of production, to unemployment, to further lowered purchasing power and progressively decreasing incentives to make capital investment.

Foreign Investment and Full Employment

There are doubtless many who believe it is possible to achieve full employment on the domestic level, without foreign investment, and without foreign trade except for the minimum amount necessary to maintain a flow of indispensable imports. The experience of the past, however, suggests the contrary, and I believe it is generally recognized that the expansion of our foreign trade, coupled with new investment abroad, wisely placed and carefully administered, can play a highly important role in any program designed to maintain full employment in this country. Foreign investments competently placed can provide immediately broadened markets for our products and, through their contribution to to development of the countries in which the investments are made, can increase the purchasing power of those countries and further enhance their demand for goods produced elsewhere, including those produced in the United States. These are by no means inevitable consequences of any foreign investment, but they are probable consequences of a wisely and carefully administered program carried out under conditions that will permit the trade engendered to flow free of unduly arbitrary blocks and hindrances.

Foreign investments may take various forms. They may, for example, take the form of extension of credit by the Government itself, as we have done through the Export-Import Bank. The recent statement of Mr. Dean Acheson, Assistant Secretary of State, before a subcommittee of the Special House Committee on Postwar Economic Policy and Planing, suggests a greater role for the Export-Import Bank than it has had in the past.

We are not concerned here, however primarily, with Government loans, but rather with private ventures into foreign enterprise. These may take either of two general forms: First, the purchase of foreign securities by American investors.* Second, direct investment by American industrial enterprises, with the resulting establishment of foreign branches and foreign subsidiaries.

Apparently there are ample savings available for substantial investment of both kinds. According to computations of the Securities and Exchange Commission, as of June 30, 1944, individuals in the United States held 84 billion dollars in currency and bank deposits, plus 46 billion dollars in U.S. Government securities, a total of 130 billion dollars. Before we entered the war these figures stood at 51 billion dollars and 14 billion dollars respectively. In other words, there has been an increase of about 100% in these highly liquid types of individual saving.

As for corporations, on June 30, 1944, their net working capital reached an all-time high of 44.3 billion dollars, as compared with 32.1 billion in 1941. So there is likely to be an adequate supply of capital available for foreign investment if suitable opportunities arise.

The incentives to foreign investment are another story. It is at least conjectural whether there could be any immediate, substantial investment abroad without some measure of governmental or quasi-governmental guarantee for the safety of such investments.

The International Bank

The International Bank for Reconstruction and Development, whose structure and proposed operations were outlined at the Bretton Woods Conference, is designed to provide such a guarantee. The Bank would start out with an authorized capital of 9.1 billion dollars, to which the various member nations would contribute proportionately. The share of the United States would be a little over three billion dollars.

The Bank would be authorized to make, participate in, and guarantee loans to foreign governments to 100% of its capital, reserves and surplus. Direct loans may be made with 20% of its subscribed capital and with funds borrowed in the world money market.

The other 80% of the subscribed capital reserve and surplus has been reserved to guarantee loans made through private investment channels and to meet the direct obligations of the bank. The various members will be jointly and severally liable with the bank up to the amount of their subscriptions. However, calls to meet obligations through the Bank's guarantee operations will be uniform on all shares.

In addition, where the Bank makes or guarantees a loan to a private borrower in any country, the Government of that country or its central bank would be obliged to guarantee the loan.

The Bank would finance or aid in financing a project only if satisfied that the borrower, without its help, would not be able to get the loan on reasonable terms elsewhere, and only after investigation of the merits of the proposal and a favorable report by a special committee appointed for that purpose. The fact that the Bank would make charges for its guarantees would serve as an incentive to purely private unguaranteed lending.

If the Bretton Woods proposal for the International Bank should be adopted by the various conferees (and I believe it has not yet been submitted for approval by our own Congress), it seems highly likely that foreign investment from this country would be markedly stimulated, at least to the extent that the Bank may be willing to guaranatee such investments.

The extent of private foreign investment wholly independent of the activities of the Bank will depend, of course, on the possibility of safe returns in the absence of any guarantees. Prospects of a safe return will depend, in turn, upon the degree of economic recovery abroad, upon the stability and the policies of foreign governments, and on the degree to which sound and stable trade relations are achieved among nations. On these factors likewise will depend the extent and the success of direct investments that may be made abroad by American corporations. Indeed, the effectiveness and future success of the Bretton Woods Bank itself must depend upon world-wide economic recovery and stable trade relations, for if borowers cannot make repayment, any initial flood of loans would narrow to a trickle and finally dry up completely.

The International Trade Aspect

At the core of these possibilities is international trade. If we expect nations to buy from us, we must be willing to buy from them, unless, indeed, we are willing to add more gold to our 21 billion dollar hoard. And even if we were to do that, the fact is that the amount of gold in other countries is relatively limited and we couldn't go on long on that basis. If other nations are not only to buy from us but also to service our investments, they must acquire somehow the ways and means for doing so.

Theoretically, we can provide them with such ways and means by either of two methods. One would be to maintain an excess of imports over exports, which has been referred to traditionally as "an unfavorable balance of trade." This would provide foreign nations with a ready source of dollars to meet interest and [illegible] charges on their debt to American investors and to buy American goods. This has been the traditional Brithish method, and apparently the British experience with foreign investments has been far happier than our own. If such a balance were to be established suddenly, there would, of course, be grave dislocations in our domestic economy. It may be, however, that in time, especially if some of our natural resources become seriously depleted (and this is a prospect that cannot be wholly ignored in view of the hastening of that process by the inroads of the war), we may be in a position where it would be definitely advantageous to accept an excess of imports. At least we must face candidly the question whether that might not be a good thing for our economy and be prepared to answer that question, not by some momentarily expedient rationalization, but by a realistic appraisal of our own best interests for the long pull.

On the other hand, there is the possibility that the development of synthetics, such as artificial rubber and many similar synthetic products recently developed may prevent our ever having an excess of imports over exports.

Another methods whereby, theoretically, we might provide foreign debtors with the wherewithal to service our investments would be to maintain a continuing flow of investments abroad. In that way, too, dollar balances, over and above the amounts needed to pay for our exports, would be made available. But plainly continuous investment alone, without an increase in imports, could not afford a permanent solution. Because of the ever-growing servicing charges, the amounts necessary to keep the ball rolling would become increasingly larger and in time a crash, like the one of the early thirties, would be inevitable. At that point private capital would drop out of the picture, leaving the Government to continue the process, if it were inclined to do so.

It seems equally plain that continuous foreign investment, whether conducted through private or governmental channels, in the absence of a corresponding increase in the dollar volume of our imports, would come to amount in substance to a subsidy to foreign nations. We would be paying them for the favor of buying our goods. It is true that for a time at least jobs might be created that way. But we should consider whether there aren't other and superior ways of creating jobs. We might be far better off in the long run, for example, if instead of continuous foreign investment we were to devote our resources and our energies to the construction of schools and hospitals and playgrounds and to conservation projects—as we did in the great public works programs of the thirties.

Foreign Investments Means Greater Imports

The logic of the situation suggests that if we are to have a successful foreign investment program over the long pull sooner or later we must increase our imports, and, until such time at least as our imports exceed our exports, our foreign investment program must be a continuous one. This is not necessarily a grim prospect. On the contrary, the achievement of genuinely reciprocal foreign trade is rich in promise of sound benefit to our own economy.

The achievement of such trade relations, however, will depend unavoidably upon a mutual reduction of international trade barriers. The trade barriers of other nations must be lowered as well as our own. Removal only of the barriers we ourselves have erected, if others do not reciprocate in due course, would doubtless cause severe dislocations in

*Repeal of the Johnson Act, as urged by Mr. Acheson, would remove one obstacle to this type of investment activity.

our domestic economy. Moreover, reduction of only our own trade barriers would not be effective, by itself, to bring about that favorable condition of trade and prosperity among nations which alone can ensure the success of a foreign investment program. It seems probable that the removal of barriers to international trade could be accomplished most effectively through multilateral agreements, or short of that through an intensification and extension of our Reciprocal Trade Agreement program. Such dislocations as might be caused in our domestic economy would thus be largely compensated by the opening of new markets for our goods.

In shifting to a basis of freer international trade it would be necessary to give some thought also to measures that might need to be taken at home to make the adjustment easier during the period of transition measures such as financial aid to help farmers in switching to new crops, to aid displaced industrial workers in retraining for new tasks, measures to facilitate the transfer of capital investment from one industry to another.

High Industrial Activity Essential

Of course, one way that might be suggested for increasing imports without immediate substantial tariff concessions would be to maintain a high level of productive domestic industrial activity, which in turn would create a natural demand for foreign goods, particularly raw materials. If that could be accomplished a healthy employment situation in this country would make it easier to reduce existing trade barriers because the dislocations that such adjustments might cause could more easily be absorbed. But there might be serious hazards in depending solely upon the maintenance of an independently prosperous home economy to solve our international problems for us. The achievement of such a level of activity wholly independently even for relatively short periods presents tremendous problems. It would seem safer and more far-sighted to assume that the problem of maintaining full employment after the war will require all possible measures to increase the scope of our foreign as well as our domestic commerce. The reduction of trade barriers is one of the immediate essentials if that course is to be followed. We have the opportunity to assume the initiative. The influence and the strategic position of the United States should count heavily in making such a program a success.

Consequences of Freedom of Trade

Let's look briefly at some of the consequences that might be expected from increased freedom of international commerce and some of the basic conditions essential to their achievement.

The progressive elimination of obstacles to international trade would be likely to promote the development of areas now not highly industrialized. It would create new and greater purchasing power among millions of persons. It would permit the production of goods in those places where they can be produced most economically, with resultant economy in effort, and a higher standard of living for the peoples of the world, ourselves included. It should result in more stable and amicable relations among the nations of the world and lessen the basis of future conflict.

Obviously, such a world would have to be one where relations had been established on a basis of mutual understanding and respect. There could be no room for old-fashioned dollar diplomacy. Extraterritoriality would be dead. All nations would have to be Good Neighbors. The continued safety of foreign investments and profits from them would depend, not upon imperialist exploitation, but upon international good will, mutual recognition of the sovereign rights of all peoples, and the free interplay of industry and commerce based upon mutual advantage. Such a world could provide unparalleled opportunities for the American investor and the investment banking industry for a long, long time.

Obviously, this sounds like a brave and brightly burnished new world. It is the kind of world that's been promised thousands of times by those who have favored freedom in international trade. As far as I know it has never been tried, at least in modern times. There would be little sense in belittling the difficulties that are likely to beset any program for its achievement. The real difficulties are tremendous. They rest largely in human qualities that have persisted with little perceptible change from ancient times into the middle of this twentieth century. The arguments of expediency likely to be raised against almost every step towards its achievement are innumerable and in the main highly plausible. Doubtless in due course you will hear them all.

But I wonder whether it isn't about time—in the midst of this ghastly blowup that has followed centuries in which the nations of the world have haphazardly pursued various economic expedients and stopgaps—to stop and think that the alternatives are—to consider—getting back to foreign investments—whether there is any other kind of a world in which foreign trade and foreign investments can be expected to prosper over any extended period of time. We are approaching a crucial time for decision of issues that bear on these problems. I hope that we shall have the foresight, the judgment, the courage and sufficient historical perspective to make the right decisions.

Mr. Herbert Feis, formerly Economic Advisor to the State Department, has said in his recent book, "The Sinews of Peace":

"The people will understand, if political leadership does not bewilder them, that international order and peace cannot be bought by any country entirely at its own convenience and on its own terms. They will also know that although it will be wise and necessary to maintain military establishments of sufficient strength to protect vital interests and security, peace and commerce cannot indefinitely rest on force alone. They will accept the economic adjustments that may be clearly essential to create a firmly intimate basis for international relationship as they accepted the grim sacrifices of war."

The Requisite of International Peace

As securities commissioners you and I cannot change the world or greatly influence its change. That is not our job. But we are very likely to have a lot of proposals for foreign investment in our laps one of these days and we are going to have to know a lot about what chances they have of being successful investments. It is essential that we give thought to the general economic background against which we shall have to make our particularized decisions. It seems to me essential, also, that we aid those who look to us for protection in matters relating to securities and investments to understand those currents of present thought which, depending upon whether or not they are diverted, give some promise of leading towards cooperation and rational commercial intercourse among nations. Truth in securities, the regulation of exchanges, supervision of certain activities of investment bankers and brokers—these are immediate tasks and important tasks—but they fall far short of assuring profitable foreign investment. There is a fundamental truth, not covered by our statutes, that if foreign investment is to be secure, nations must contrive in some way to live together peaceably and prosper together.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS.—**John W. Eavitt** has joined the staff of **Kidder, Peabody & Co.,** 115 Devonshire Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Harold J. Mathews** and **Robert J. Sherman** are with **Trusteed Funds, Inc.,** 33 State Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Charles R. Wilson,** previously for many years with Glore, Forgan & Co., is now with **The Milwaukee Co.,** 135 So. La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Thomas M. Barry** has become associated with **Paine, Webber, Jackson & Curtis,** 209 So. La Salle Street. Mr. Barry was formerly with Leason & Co., Inc., and Thompson Ross Securities Co.

(Special to The Financial Chronicle)

HARTFORD, CONN.—**Myron H. Clark** is now affiliated with **Estabrook & Co.,** 750 Main Street. Mr. Clark was formerly with Cooley & Co.

(Special to The Financial Chronicle)

NEW HAVEN, CONN.—**Frank J. McDermott** has become connected with **Chas. W. Scranton & Co.,** 209 Church Street. Mr. McDermott was formerly with J. & W. Seligman & Co., in New York City.

(Special to The Financial Chronicle)

ORLANDO, FLA.—**Cecil A. Webb** has been added to the staff of **Thomson & McKinnon,** 18 Wall Street.

(Special to The Financial Chronicle)

OSHKOSH, WIS.—**George Greeley** has become associated with **The Wisconsin Co.,** First National Bank Building. In the past Mr. Greeley was with the First National Bank of Oshkosh.

(Special to The Financial Chronicle)

SAN FRANCISCO, CAL.—**Martin R. Herrick** is with **Dean Witter & Co.,** 45 Montgomery St.

(Special to The Financial Chronicle)

WORCESTER, MASS.—**Ernest W. Arnold** is now with **Tifft Brothers,** 332 Main Street. In the past he was connected with Fahnestock & Co.

Edwin Wilson Named Ambassador to Turkey

The U. S. Senate confirmed on Jan. 25 the nomination of Edwin C. Wilson of Florida to be Ambassador Extraordinary and Plenipotentiary of the United States to Turkey. The nomination was sent to the Senate by President Roosevelt on Jan. 15. At the time of the appointment the new Ambassador was Director of the Office of Special Political Affairs of the Department of State. Associated Press accounts from Washington, Jan. 15, state:

"Mr. Wilson, who was the President's representative at Algiers when that was headquarters for the French Committee of Liberation, subsequently served as a member of the Mediterranean Commission.

"The Turkish assignment formerly was held by Laurence Steinhardt, who was named Ambassador to Czechoslovakia some weeks ago."

Interesting Issue

Herzog & Co., 170 Broadway, New York City, have an interesting memorandum on Billings & Spencer, copies of which may be had from the firm upon request.

Illinois Co. Announces Election of Four

CHICAGO, ILL.—The Illinois Company, 231 South La Salle Street, members of the Chicago Stock Exchange, announces the election of R. F. Von Gillern as Assistant Secretary and Assistant Treasurer, and Paul A. Sellers, Clifton L. Nourse and Martin B. Olsen as Assistant Vice-Presidents.

All of these men are well known on La Salle Street, having been in the investment banking business in Chicago for periods ranging from 20 to 35 years. They have been with The Illinois Company since its organization or shortly thereafter and before that were with The Continental Illinois Company and its predecessors.

The Illinois Company's firm name was recently changed from the Illinois Company of Chicago.

Attractive Situations

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

Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hartford-Empire; Maine Central Pfd.; Purolator; Moxie; and P. R. Mallory.

Attractive Possibilities

Central Soya and Gruen Watch common offers attractive possibilities, according to circulars issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York Stock Exchange and other national Exchanges. Copies may be had from Buckley Brothers on request.

Rep. Buck Calls On Stockholders and Professional Workers To Organize Politically

Asserts Labor Unions, by Their Organizations, Exercise Political Influence and Are Doing a Legislative Job in This Country. Says Bankers and Brokers, as Far as Contact With Their Congressman Is Concerned, Are Doing a Good Imitation of Rip Van Winkle. Urges Legislation to Speed Victory, but Warns Against Sacrificing Ideals

Speaking at the Beekman Street Hospital Luncheon in New York City on Jan. 26, Congressman Ellsworth B. Buck, who represents the financial district as well as Staten Island, including the "shipyard workers along the Kill von Kull," urged stockholders, professional and other "white collar" workers to imitate the labor organizations and "do a legislative job." "I believe in labor unions," Congressman Buck began,

Rep. Ellsworth Buck

"I gladly pay tribute to their accomplishments in improving wages and conditions of work. But I am not convinced that everything labor unions do is good and right and altruistic and everything corporations do is evil and grasping and sinister. Yet I have found such characterization and discrimination common, popular and apparently believed by public officials both in the city school system and in Congress. Why should this be? The answer, in my opinion, lies in aggressive propaganda, aggressive public relations policy and aggressive legislative activity on the one hand, indifference, defeatism and lack of organization on the other."

Continuing, he remarked: "I dare say that people in this country who hold stock in corporations compare fairly favorably in number with people who hold union cards. But that fact never seems to be emphasized or even considered. Political office holders think of a labor union as so many thousand votes—of a corporation as no votes at all. Hence, the one should be catered to, the other may safely be ignored and the other is ignored. There is an organizational job to be done among corporate stockholders, and when that is accomplished, their organizations must become active legislatively. Both must be done soon or else it will be too late.

"There is another group of citizens equally unvocal. They probably outnumber the holders of union cards. They are the great group of professional people, white collar people, small storekeepers. Politically, they don't exist. They are unorganized. They should organize, or else.

"I like the advertising campaign currently being conducted by the National Association of Manufacturers. The Chamber of Commerce of the United States has from time to time carried on similarly. Those are steps in the right direction. But when NAM and the Chamber speak the voices are those of the predatory rich—the voteless corporations. Far more effective would it be if that money were spent in the names of 10,000,000 stockholders, or 20,000,000 professional and white collar people. Then votes would be speaking. That is the way labor speaks. That is the way labor is effective.

"In no time at all, after I got to Washington, both CIO and AFL made themselves known to me. They tell me how they want me to vote on important measures. And they justify their positions by skillful well-documented arguments which can only originate from competently manned legislative research bureaus. And then CIO and AFL watch how I vote and let me know they not only have watched but have recorded. Labor is doing a legislative job in this country. I salute them for it, as I salute any piece of work well done."

Referring to his own constituents, Congressman Paul stated that "until January 1 I represented all downtown New York—the greatest concentration of banking and finance in the entire country. Last fall Congress enacted the bills which are supposed to convert our economy from a war basis to a peace basis. From the date of my first election last June until now I have neither seen nor heard from any association of bankers. I enjoyed a lunceon last summer with the top officials of the New York Stock Exchange, but if the Stock Exchange as a body has had any views on legislation, they have kept those views a secret from their Congressman.

"I still represent half the financial district. Thousands of my Staten Island constituents work in downtown New York. My life has been spent in business, banking and finance. I am as eager to represent downtown New York in Congress as I am eager to represent the shipyard workers along the Kill von Kull.

"I'm sure I've done a better job, thus far, for the shipyard workers. The reason why is obvious. As far as contact with their Congressman is concerned, the bankers and the stock brokers are doing a good imitation of Rip Van Winkle."

Turning to the question of drafting labor, Congressman Buck closed his address by saying, "I wish to comment briefly on the work-or-fight legislation now pending in Congress. Directly or indirectly, it will affect every person in this room, every member of the armed forces, every person in America. Its import is sobering. Congress never had need for sounder judgment.

"When General Marshall and Admiral King say they need more men and more material to prevent prolongation of the war, I for one will vote to give them what they ask. I have confidence in their ability, in their character, in their leadership.

"And yet, in the enactment of work-or-fight legislation, we must not sacrifice the very ideals and traditions for which we are fighting. We want no slave labor in these United States.

"It is my fervent prayer that legislation will be devised and enacted which will at once speed the victory and preserve the traditions we hold dear."

Levin R. Marshall To Be Byfield Partner

Levin R. Marshall, member of the New York Stock Exchange, becomes a partner in the Stock Exchange firm of Byfield & Co., 61 Broadway, New York City, today. Mr. Marshall was formerly active as an individual floor broker, and was a partner in Dammes & Marshall and Draper, Williams & Co. He has been serving in the U. S. Army as a Lieutenant-Colonel.

So'western Pub. Serv. Issues on Market—Exch. Also Proposed

An investment banking group headed by Dillon, Read & Co. made a public offering Jan. 31 of $17,500,000 3⅛% first mortgage bonds, due in 1974, and 50,000 shares of 4¾% $100 par preferred stock of the Southwestern Public Service Co. at 103¾% and $110.50 a share, respectively.

The company simultaneously offered to holders of its $100 par 6½% preferred stock the opportunity to exchange it share for share for new 4¾% stock plus cash equal to the difference between the dividend rates to the date to be fixed for redemption of unexchanged old shares, which will be about March 20.

The underwriters have agreed to purchase any new preferred stock not issued under the exchange plan, which will expire on Feb. 14, and the offer by the group will be subject to such exchanges. The bankers will manage a nation-wide group of securities dealers which is being formed for the purpose of soliciting exchanges.

Southwestern Public Service is the first electric utility system to complete the simplification prescribed under the Public Utility Holding Company Act. It was registered under the Act until Dec. 5, 1944, when the Securities Exchange Commission ruled that it had ceased to be a holding company.

Associated with Dillon, Read & Co. in the underwriting are: E. H. Rollins & Sons, Inc.; A. C. Allyn & Co., Inc.; Auchincloss, Parker & Redpath; Bacon, Whipple & Co.; Baer, Stearns & Co.; A. G. Becker & Co., Inc.; Blyth & Co., Inc.; Boettcher & Co.; Alex. Brown & Sons; Brush, Slocumb & Co.; H. M. Byllesby & Co., Inc.; Central Republic Company, Inc.; Davis, Skaggs & Co.; Dewar, Robertson & Pancoast; Eastman, Dillon & Co.; Estabrook & Co.; Goldman, Sachs & Co.; Graham, Parsons & Co.; Granbery, Marache & Lord; Hallgarten & Co.; Harriman Ripley & Co., Inc.; Harris, Hall & Co., Inc.; Hayden, Miller & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Johnston, Lemon & Co.; Edward D. Jones & Co.; Kay, Richards & Co.; Kebbon, McCormick & Co.; Kidder, Peabody & Co.; W. C. Langley & Co.; Lee Higginson Corporation; Loewi & Co.; Laurence M. Marks & Co.; Mason-Hagan, Inc.; the Milwaukee Company; Newhard, Cook & Co.; E. M. Newton & Co.; Paine, Webber, Jackson & Curtis; Putnam & Co.; Rauscher, Pierce & Co., Inc.; Reynolds & Co.; Riter & Co.; L. F. Rothschild & Co.; Schwabacher & Co.; Chas. W. Scranton & Co.; Shields & Co.; Shuman, Agnew & Co.; I. M. Simon & Co.; Smith, Barney & Co.; Stein Bros. & Boyce; Stix & Co.; Stone & Webster and Blodget, Inc.; Stroud & Co., Inc; Spencer Trask & Co.; Tucker, Anthony & Co.: Union Securities Corporation; G. H. Walker & Co.; White, Weld & Co.; J. Albert Williams & Co., Inc.; the Wisconsin Company; Harold E. Wood & Co.

Net proceeds from the sale of the securities, together with general treasury funds and special funds of $4,875,763 received by the company from the sale of securities of the Gulf Public Service Co. and other properties, will be used to redeem $20,000,000 of first mortgage and collateral trust 4% bonds due in 1972 and the unexchanged shares of 6½% preferred stock. The 4% bonds will be redeemed at 110½ and accrued interest, and the old preferred stock at $110 a share and accrued dividends.

16 New Senators in Letter to President Advocated International Peace Organization

At the instance of Senator Connally a letter addressed to President Roosevelt by 16 so-called new Senators, relative to the formation of a United Nations organization along the general lines drafted at Dumbarton Oaks was inserted in the "Congressional Record" of Jan. 25. It was explained by Senator Connally that the 16 Senators were not members of the Senate when the so-called Connally resolution was adopted, but the other Senators were, and, said the Senator, "I regard it as particularly appropriate and particularly helpful that the new Senators have addressed to the President this great letter setting forth their views." In their letter the formation, at the earliest possible moment of the United Nations Organization, is advocated by the Senators. Their letter follows:

"United States Senate.
"Washington, D. C., Jan. 23, 1945

"Dear Mr. President: The undersigned new members of the Senate of the United States, conscious of the profound significance of the conferences soon to be held with our principal Allies, wish to convey to you for your consideration, some of our thoughts concerning the foreign policy of this Government.

"We realize that it is important for you to be advised of the views of the new Senators, who heretofore have not had the opportunity to make their position clear.

"I. We favor the formation at the earliest possible moment of a United Nations organization, to establish and preserve the peace of the world, along the general lines tentatively drafted at Dumbarton Oaks.

"II. We believe this Government should use all reasonable means to assure our Allies and the other nations of the world that we intend to share in the direction of and the responsibility for the settlement of this war and the maintenance of peace.

"III. We suggest that treaties among the major Allies be concluded as soon as possible, to demilitarize Germany and Japan and to keep them demilitarized.

"IV. We believe that this Government should, as soon as possible, arrange to participate affirmatively in all decisions affecting the establishment of law and order in the liberated or enemy countries.

"Trusting that these suggestions may be of assistance to you and wishing you success in the forthcoming conferences, we are

"Yours respectfully,

"Frank P. Briggs, Mo.; Homer E. Capehart, Ind.; Forrest C. Donnell, Mo.; J. W. Fulbright, Ark.; Bourke B. Hickenlooper, Iowa; Clyde R. Hoey, N. C.; Olin D. Johnson, S. C.; Warren Magnuson, Wash.; Brien McMahon, Conn.; Hugh B. Mitchell, Wash.; Wayne L. Morse, Ore.; John Moses, N. D.; Francis J. Myers, Pa.; Leverett Saltonstall, Mass.; H. Alexander Smith, N. J.; Glen H. Taylor, Idaho."

The new Senators, it is reported, in pledging support for participation by the United States in an international peace organization sought to strengthen President Roosevelt's hand in his meeting with Stalin and Churchill.

Lamson, Sessions Dividend

Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange, who recently published a comparative resume on Lamson & Sessions common stock advise us that the Company has just declared a special dividend of 10c per share in addition to the quarterly dividend of 20c per share. Both of these dividends are payable March 15th to stockholders of record March 5th.

Eisele, King Admit Two

Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will admit Charles H. Phillips and C. I. Sprayregen to limited partnership in the firm as of Feb. 9.

Mutual Funds

A Major Trend

In a letter to dealers covering the mailing of the Annual Report of **Group Securities, Inc.**, the sponsor, **Distributors Group**, suggests that the growth of this fund by geometrical progression in two successive years discloses a major trend.

"The record for 1943 and 1944 shows that—

"Mutual funds are the fastest growing section of the investment business;

"Specialty funds are the fastest growing section of the mutual fund business."

The **Group Securities** Annual Report reveals that in 1944 the company's net assets were increased to $40,750,669, a gain of 125%. In his letter to stockholders, Kenneth S. Gaston, President, comments: "This is the second successive year in which assets have doubled, a rate of growth which is outstanding in the mutual investment company field."

You Can't Pick the Winners

Keystone Corp., in the current issue of **Keynotes**, makes a forceful argument for the diversification provided by mutual investment companies. The 30 common stocks in the Dow-Jones Industrial Average are listed and their individual performance records for the year 1944 are shown. Although the average itself advanced from 136.20 to 152.32 during the year, for a gain of 11.8%, the 30 individual stocks in the average had a wide range of performance—from Union Carbide, off 0.2%, to Loew's, up 36.0%.

"This diversity in performance again emphasizes the difficulty of 'picking winners.' Which five stocks would you have selected for the year? Which would you select for the current year? The mathematical odds are 29 to 1 against your picking the 'best stock' in this list."

A Gauge of Rail Credit

Hugh W. Long & Co., in an attractive new folder on **Railroad Series of New York Stocks**, uses the performance of second-grade railroad bonds as a gauge of rail credit standing. These bonds have now returned to their 1936-37 levels, reflecting the public's growing confidence in the railroads. However, railroad stocks are still only 75% of 1937 highs.

"Comparatively low prices for railroad stocks create opportunity for profit, and owners of Railroad Series of New York Stocks, Inc., are in a position to benefit from such an opportunity."

Incorporated Investors

With an outstanding investment performance for 1944, **Incorporated Investors**, in its Annual Report to Stockholders, reveals total net assets of $57,235,622 at the year-end. This compares with $47,157,479 at the beginning of the year.

President William A. Parker, in his letter to stockholders, points out that, "The methods of professional management are not hidden mysteries. Every investor knows them — research, diversification and continuous supervision. Few investors, however, have the necessary time or training to apply them. . . .

"As of the year-end your company was practically fully invested on the basis of the outlook for earnings and the presence of inflationary factors which would be intensified by a Government debt greater than was expected until recently.

"The principal changes in the portfolio during the final quarter were a decrease in the percentage in railroad bonds from 9.4% to 7.8%, an increase in railroad common stocks from 13.8% to 18.6%, and the elimination of Celanese Corporation, Federal Water & Gas and Noranda Mines."

Investing Cost

Selected Investments Co. quotes the New York Stock Exchange firm of Arthur Wiesenberger in its current issue of **Selections** on the widely misunderstood and still somewhat touchy subject of investing costs in mutual funds.

"There is an erroneous but widely-held impression that selling charges of investment company shares are out of line. A few penny-pinchers have even been heard to remark that they 'would prefer to buy the individual stocks and save that money.' But could they save any money? The answer for the average investor who has $3,000 to $4,000 to invest is no."

Selections goes on to point out that, to purchase 100 shares each of the 65 stocks in the Dow-Jones Composite Average at current prices, an investment of $375,000 would be required. Hence, to purchase one share each would require an investment of $3,750 and the brokerage and other charges involved in such purchases would amount to 9.4%—a charge exceeding that of the average open-end investment company.

Whipsaw

Lord, Abbett makes a graphic and startling presentation of the "whipsaw" which investors in high-grade bonds have suffered as a result of the rising cost of living and the declining bond yields.

"The increasing cost of living, for instance, has had the result that it now takes $1,300 to buy the food and merchandise that cost but $1,000 a decade ago. This would be bad enough, but at the same time the yield afforded by an equal amount invested in best grade bonds would be only $680 now where it would have been $1,000 ten years ago. **The combined effect is that where a $25,000 investment in high-grade bonds ten years ago would have provided for an annual return of $1,000 worth of food, clothing, etc., today it would only buy $380 worth! Stated another way, it takes $65,000 invested in high-grade bonds today to support the**

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DIVIDEND NOTICE

New York Stocks, Inc.

The following distributions have been declared on the Special Stock of the Company, payable February 26, 1945, to stockholders of record as of the close of business February 5, 1945.

Agricultural Industry Series	$.07
Alcohol & Dist. Industry Series	.13
Automobile Industry Series	.06
Aviation Industry Series	.16
Bank Stock Series	.07
Building Supply Industry Series	.05
Business Equip. Industry Series	.11
Chemical Industry Series	.05
Electrical Equip. Industry Series	.07
Food Industry Series	.10
Government Bond Series	.00
Insurance Stock Series	.08
Machinery Industry Series	.10
Merchandising Series	.09
Metals Series	.10
Oil Industry Series	.08
Public Utility Industry Series	.03
Railroad Series	.06
Railroad Equip. Industry Series	.08
Steel Industry Series	.05
Tobacco Industry Series	.12
Diversified Investment Fund	.10*
Diversified Speculative Shares	.00

*Initial Dividend

HUGH W. LONG & COMPANY

Incorporated

National Distributors

48 Wall Street New York 5, N. Y.

Final Group of Opinions On Compulsory Peacetime Training

(Continued from page 516)

ance of this than there was when Germany was defeated in 1918. Selfish national ambitions will still persist and are likely to reassert themselves whenever those who cherish them think the rest of the world is sufficiently off its guard. Even though the present Axis powers may be rendered innocuous for generations to come, rivalries and quarrels among the present United and Associated Nations are liable to plunge the world into war. Admirable as are devices for international cooperation, reliance upon them alone is dangerous.

An adequate full-time army, navy and air force, supplemented by a reserve of millions of youth, each with a year or more of training in some field of warfare for which he was best fitted would have shortened the present war and saved thousands of lives. In fact, it may well be that with such establishments in the United States and the British Commonwealths our present enemies would never have entered upon their programs of aggression.

Not An Evil

Compulsory military service is not at all the evil that it is pictured by its opponents. In the present war, hundreds of thousands of undernourished, illiterate, untrained and undisciplined youths have been given a greatly improved outlook on life, and greatly enhanced prospects for success in the post-war world. In peacetime the unfortunately large percentage of young men rejected as physically unfit could be taken in hand in a way that is not possible in wartime. Examinations for admission to a year of service would serve to reveal physical defects and cause to be taken the steps necessary to their correction.

There is no evidence to support the view that a program of adequate preparedness fosters aggressiveness in a nation. In the United States hatred of aggression is deeply ingrained and not in the least likely to be lessened by the development of an adequate peacetime military establishment. We should continue to be just as peace-loving and much more likely to remain at peace.

RALPH SPAULDING CUSHMAN
Resident Bishop, The Methodist Church Saint Paul Area St. Paul, Minn.

I do not think that the Congress of the United States should enact a Compulsory Military Training Program for America until after the war with Germany and Japan has ended.

When that day comes we can review the story of the last ten years more fairly and with less emotion. This is too important a question to settle in the midst of our war time attitudes.

Even if this nation should decide for compulsory peace time military training, there are details to be worked out, which could be more easily accomplished in post war atmosphere.

RT. REV. MIDDLETON S. BARNWELL, D. D.
Bishop, Diocese of Georgia, Protestant Episcopal Church, Savannah, Ga.

I am heartily in favor of one year's compulsory military training for all of our young men. The reasons are so many and obvious that it would seem almost unnecessary to mention them.

I am a little surprised at the opposition to this program developing among church people especially among the Roman Catholic group.

J. S. DAVIS
Director, Food Research Institute, Stanford University, Calif.

The question [of compulsory military training in peacetime for America] is not yet ripe for effective public discussion or decision.

J. S. Davis

Thoroughgoing preparation for defense of the United States is certainly one of the essentials for the peace period ahead. As our delayed participation in two world wars has shown, adequate defense requires readiness to fight overseas, if need be, early rather than late. We have never had a good defense program. It is urgent that one be carefully drafted and adopted, after discussion in the Congress and by the public at large, without protracted delay. But what such a program should contain is quite beyond the power of the general public at present to judge.

The drafting of a well-rounded defense program is a proper job for a commission made up of our ablest citizens with the aid of experts in several fields. In a very different field, the Baruch Committee on rubebr showed what can be done. Compulsory universal military training, if included in the defense program, could at most be only a part of it. Another highly important part consists in our vigorous participation in the maintenance of world peace, to which both political parties and most of our people are committed even before details are worked out.

Value of Discussion

Such a commission might well have been appointed several months ago. Pending its investigation and report, the recommendations of President Roosevelt, if not those of General Marshall, were premature. So also are the Gurney-Wadsworth and May bills now before Congress. The best that can be hoped from them, and from such symposia as the "Chronicle" is conducting, is that they will lead to the early set-up of a suitable investigating body.

Meanwhile, I am not ready to go on record for or against compulsory universal military training or national service, of one year or less, for young men alone or for young women as well. If something of this sort is essential to adequate defense, I shall be for it. At present I very much doubt that it is. Decades of compulsory military service did not save Czarist Russia from defeat in 1917 or the nations of Western Europe from conquest in 1940, Switzerland alone excepted. Lack of it did not prevent Nazi Germany from vanquishing these nations, or bring the British Empire down to defeat in either World War. After fighting this war in unorthodox fashion, Americans can be pardoned for doubting whether our future preparatioins for defense must involve copying Continental Europe's old system in this particular.

In any event, I feel sure that a really competent investigation would reveal the great importance of other elements in a desirable defense program, some of them entailing much more brains but much less cost in human terms if not in financial burdens. The general public, even the more thoughtful portion of it, is in no way ready to pass upon the apparently simple but very complex question now being raised, out of any relation to other issues that are even less understood.

RUFUS S. TUCKER
Westfield, N. J.

Although all of us would like to see established such a firm foundation for world peace that military establishments of any sort would be unnecessary, that hope will remain for some years no more than a hope. If the United States must maintain an army and navy, the experience of two world wars has conclusively shown that no adequate force can be trained or maintained on a voluntary basis. Compulsory military training is necessary. It is important, however, to set it up in such a way as to involve the least possible interference with individual liberty and the greatest possible benefit to the nation.

In my opinion, more than one year's service would not be necessary or worth the cost, and there would be a great advantage in permitting that one year to be served at the option of the individual at any time between his 18th and 22nd birthdays, and either in one stretch or in two six-months' periods or in four three-months' periods. The four-period system would make it possible for college students to serve during their vacations and avoid retarding their education. The other system would make it possible for young men to serve at such times as there is little demand for their labor in civilian production and to postpone service if they are holding jobs that are expected to be temporary. This set-up would thus help greatly to reduce the fluctuations in unemployment that are necessarily connected with the business cycle. There would be a mobile block of about one million men who would automatically go into or out of civilian employment in response to changing demand.

This system would also be of great advantage in training the administrative staff of the regular army in transporting and supplying varying numbers of men, and would tend to keep them from falling into the rut which seems to be the usual fate of military men in times of peace

A Valuable Asset

Military training in the field is frequently of great physical and moral value to a young man, whereas military training in school is usually of considerably less value both to the individual and the nation.

Such a system as here suggested would imply that young men who wish to be officers would take appropriate courses in mathematics and engineering in college, but would not waste their time drilling and marching, since one month of field practice in those elements of military science is more valuable than four years of the ordinary ROTC type of training.

After each young man has served his prescribed 12 months, he would be enrolled in the reserves, his place in the organization depending primarily on his place of residence. Except at times when there seemed to be a threat of war, it would be necessary and undesirable to require further training except on a voluntary basis. But each man would be required to register his place of residence and occupation once a year and to report any acquired skills or disabilities in order that the roster may be kept up to date.

Professional Volunteers

As a background for organization and training there would be, of course, a regular establishment composed of professional volunteers. This establishment plus those who are in training who have had more than six-months' training would probably be enough to resist a surprise attack on our territory while the others are being mobilized, especially if we have a strong navy and air force.

I would be strenuously opposed to any system of compulsory training for any purpose other than strictly military or to any system that involved the compulsory training of women. Education is not a proper subject for control by the War Department nor, in my opinion, by the Federal Government. Non-military education should be left to educators and subject to the jurisdiction of States and localities, otherwise the system of military training would speedily degenerate into a system of totalitarian propaganda and control.

RT. REV. E. P. DANDRIDGE, D.D.
Bishop Coadjutor, The Diocese of Tennessee, Nashville, Tenn.

I am opposed to legislation providing for universal compulsory military training **at this time** for the following reasons:

1. Wartime psychology makes calm and balanced judgment difficult.

2. At the end of the war we shall have a sufficient body of trained soldiers to safeguard the country while we give the matter serious thought.

3. The method and extent of the training has not been thought through. The address of Dr. Harry N. Davis proves this—and is very worthwhile.

4. The danger of regimenting education is real.

5. It is a long step towards the totalitarianism against which we are fighting. In remedying some real ills, it may create greater ills.

RT. REV. E. C. SEAMAN, D.D.
Bishop of North Texas, The Protestant Episcopal Church, Amarillo, Texas

I am inclined to say, in the words which the late President Coolidge is reported to have commented on the preacher's attitude toward sin: I am "against it" when it comes to my attitude toward universal "compulsory military training in peacetime for America."

I feel that peace among the nations is the normal relationship, and that in time of peace we should prepare for continued peace, as a policy. The American Government has shown itself capable of almost instantaneous preparation for war when we find ourselves involved in it, and I believe that the American soldier and sailor and marine fight as they do because, for one reason, they want to get the job done and return to peaceful pursuits rather than continue war as a business or profession or a gruesome sport.

LEON R. CLAUSEN*
Racine, Wisconsin

No form of compulsory military training is safe, in my opinion, unless this United States of America is operating under a Constitution and under the American system of government with all of our Federal courts in full operation and absolutely independent of the Executive and Legislative branches of our Government. Also the three branches of our Government must be free to exercise their constitutional duties and must so exercise them. These conditions absolutely do not exist today.

If they would exist as they did for one hundred years or more, then, in my opinion, it would be proper and wise to have a training period of at least nine months a year for every one of our young men.

Until we can restore our country to the American conditions outlined, I think it would be unwise to consider universal military training.

*Mr. Clausen is President of J. I. Case Co., Racine, Wisconsin.

JAMES J. CARPENTER
Richmond Hill, N. Y.

Your symposium in connection with peacetime universal military training for American boys while interesting is unrepresentative. It is unrepresentative because American youth is being treated like the minority groups in Europe and Asia.

In our nation great emphasis has always been placed upon representative government, and yet twice within 24 years our so-called leaders, who actually lack leadership more than anything else, have pursued policies which have led the flower of our youth into disastrous wars. Our boys, who have had no representation, no voice in government, have been and are still being drafted to effectuate the assumed right of their elders to send them to the far corners of the earth to fight and die in support of ideas about which they have not been consulted. The least that the so-called leadership of America should do is to secure the right of suffrage for the preservers and protectors of America. Instead of this, 4-F non-combatants are furnishing their views pro and con concerning the question of drafting the group which has always been used as pawns to enforce the mistakes of their rulers.

I doubt if our elder spokesmen are aware of the mental calibre of our young men despite their scholastic accomplishments. It seems to me that it is high time that they gave some recognition to the thoughts and ideals of those whom we draft to do our fighting and dying. Let them cease regarding them as untouchables in intellect. Perhaps the old 4-Fs would learn something. Our virile young men could not do a worse job; perhaps they would accomplish a better one. It is at least worth trying. Let us demonstrate to our fighters that there is something to the phrase, "The American Way." And let us have no legislation on this subject until the boys come home and learn their reaction.

REV. JNO. B. BENTLEY
Bishop of Alaska, Missionary District of Alaska, Nenana, Alaska

I believe that we must have compulsory military training in peacetime. Such a program has my wholehearted support. I hope that the Congress will pass the necessary legislation now, and not wait until after the war.

IRVING W. LEMAUX
President, Security Trust Co., Indianapolis, Ind.

I think the plan for compulsory military training in peacetime is most desirable as it will improve the health of the American youth and, in the event of any future trouble for America, the young men, by having had previous training, will be better fitted to go into the armed forces of this country, and much quicker than they otherwise would. I do feel that it is a matter of such vital importance that it should be handled on a non-partisan basis.

CHARLES L. RAPER
Administrator, War Transportation Committee of Syracuse and Onondaga County, N. Y.

I have been too busy for more than two years, as the Administrator of the War Transportation Committee of Syracuse and Onondaga County, to give much serious thought to the proposal of compulsory military training after this war is over.

I am clear that we shall need a very considerable army during the period after peace comes. I am also clear that we shall need an army of size and importance for many years after this war is over unless some kind of a powerful world organization can be established and maintained which can prevent another World War.

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$30,000,000 Armour Issue Offered by Kuhn, Loeb & Co.

A banking group headed by Kuhn, Loeb & Co. offered Jan. 31 $30,000,000 Armour and Co. 4½% cumulative income debentures (subordinated) priced at 100% plus accrued interest. The debentures will mature May 1, 1975. Proceeds from the sale of these debentures, together with other corporate funds, will be used to redeem at 112½% and accrued interest, $33,199,600 7% cumulative income debentures (subordinated), due April 1, 1978, issued by Armour and Co. of Del. and assumed by Armour & Co. of Illinois.

Other principal underwriters include: The First Boston Corp.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Blyth & Co., Inc.; Goldman, Sachs & Co.; Lee Higginson Corp.; Lehman Bros.; Glore, Forgan & Co.; A. G. Becker & Co., Inc.; Kidder, Peabody & Co.; Ladenburg, Thalmann & Co.; Stone & Webster and Blodget, Inc.; Union Securities Corp.; White, Weld & Co.; Drexel & Co.; Hallgarten & Co.; Hayden, Stone & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Lazard Freres & Co.; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; E. H. Rollins & Sons, Inc.; A. C. Allyn and Co., Inc.; Eastman, Dillon & Co.; The Wisconsin Co. and Dean Witter & Co.

The debentures are redeemable at the option of the company, in whole or in part, on 30 days' notice, at 104% for redemptions made on or before May 1, 1946, and thereafter on a scale downward to par for debentures redeemed after May 1, 1973.

The company is engaged in the meat packing business, operating packing plants in North and South America for the slaughter of livestock and the processing of meats and animal products and by-products; also manufactures and prepares fertilizers, mining certain component materials thereof.

Net income of the company and subsidiaries for the fiscal year ended Oct. 28, 1944, amounted to $11,250,348, and compares with $11,445,500 reported for the previous year.

OUR REPORTER'S REPORT

The underwriting world enjoyed a fairly active new issue market this week what with two substantial offerings and two operations based on corporate offerings of new securities to shareholders making up their bill of fare.

From all indications investors are still well supplied with funds seeking employment. At least there did not appear to be any serious hitch in the financing operations which reached market.

Demand was reported brisk for the biggest of the several undertakings, that of Armour & Co., which involved the offering of $30,000,000 of cumulative income subordinate debentures maturing in 30 years.

Offered at par, with a 4½ per cent coupon, the debentures are being sold to provide funds for the retirement of an outstanding issue of 7 per cent debentures maturing in 1978.

The second new issue brought to market, Southwestern Public Service Co.'s $17,500,000 of 3⅛ per cent first mortgage bonds, due in 1974, likewise was reported meeting a good reception at the offering price of 103¾. But this issue was expected to require a bit more time than the packing company's debentures.

In addition to its bonds, Southwestern also was marketing 50,000 shares of $100 par cumulative preferred subject to prior exchange by holders of the outstanding 6½ per cent preferred on a share for share basis.

Morgenthau Plays Sphinx

Secretary of the Treasury Morgenthau would not commit himself on the question of interest rates on the government's next war loan operations, due in May, when questioned at his recent press conference.

But if he had not considered a downward revision in interest rates up to that time there is no doubt that such a proposal will be gone over carefully between now and the date for the opening of the new drive.

However, it is almost a safe bet that the Treasury has been scanning rates, what with the British and French governments having already taken steps to reduce the cost of their war and other financing.

And the market, itself, usually given to discounting such changes a bit in advance, has been saying for several months that a change was but a matter of time.

Delta Air Corp. Expansion Program

Paving the way for its post-war expansion, Delta Air Corp., operating as Delta Air Lines, announced Jan. 10 plans to issue additional stock, after paying a 50% stock dividend to its old stockholders. A prospectus and registration statement filed with the Securities and Exchange Commission covering the marketing of 102,424 shares of the company's $3 par value common stock, reveals that the new issue and the dividend will bring the total of outstanding shares to 400,000 of 500,000 shares authorized.

Courts & Co. of Atlanta will manage the underwriting group for the new stock issue.

Canada Dry Preferred

Judging by the current market, as quoted, for the new preferred, Canada Dry Ginger Ale Inc. received good response to its offering of 50,429 shares of $4.25 cumulative preferred stock.

Underwritten by a banking group the stock was first offered to common shareholders in the ratio of one share of preferred for each 12 shares of common held.

The "rights" expired last week, and bankers proceeded to offer the unsubscribed portion of the issue yesterday with the market quoted 112½ bid, 113½ offered.

A similar operation by Phillip Morris & Co., Ltd., Inc., was scheduled for today involving any unsubscribed portion of an offering of 199,847 shares of 4 per cent cumulative preferred.

Rights to common shareholders to subscribe in the ratio of one new preferred for each five common held, expired on Monday and public offering of the unsubscribed portion at 105.50 found the market quoted 106½ bid, 107 offered.

C. & O. Weighs Refinancing

The latest prospect for an extensive refinancing operation talked about in the railroad field is the Cheapeake & Ohio Railway. Conjecture has it that the big soft coaler is considering refunding its outstanding refunding and improvement bonds, Series D and E, due in 1996.

These bonds, now outstanding in a total of $65,616,000, of which $37,820,000 is Series D and the balance Series E, carry a 3½ per cent coupon. Both issues were marketed in 1936 by a banking syndicate headed by Morgan Stanley & Co.

Under the present setup, which makes it virtually incumbent on the road to seek competitive bids, it is expected that any such undertaking would stir up brisk competition among banking groups.

Canada Dry Ginger Ale Stock Sold

A group headed by Union Securities Corp. and Hornblower & Weeks announces that it has offered and sold 3,756 shares of Canada Dry Ginger Ale, Inc. $4.25 cumulative preferred stock (no par), representing the unsubscribed portion of a total of 50,429 shares offered to common stockholders of Canada Dry. Subscription rights to purchase one preferred share for each 12 shares of common held, expired on Jan. 25.

Other members of the underwriting group are: Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Lehman Brothers; Alex. Brown & Sons; Eastman, Dillon & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

In the winter issue of "The Index," published quarterly by the New York Trust Co., an interesting and comprehensive study is presented of the fire insurance business in the United States. The study is given in two parts: Part I is entitled "Historical Development and Financial Growth" and Part II, "State vs. Federal Regulation."

Although much of the information given is already well known to many students of fire insurance and fire insurance stocks, nevertheless the article is a well-rounded presentation and a worthwhile reminder of the fundamental position which fire insurance holds in our economy.

The author of the article, who is anonymous, limits his discussion to the operations of the 372 stockholder-owned companies which write about three-quarters of the property insurance of the country, the remaining quarter being written by mutual companies and other types of underwriters.

Historically, fire insurance is one of the pioneer businesses of the country, and has played a dramatic part in the economic and social progress of America. However, early American colonists insured in London and it was not until 1794 that the first stock fire insurance company was established in America. This was the well known Insurance Company of North America, now the second largest fire insurance company in the country. To quote from the article: "The first share capital fire insurance company was established in 1794, just 150 years ago. The new Republic was only five years old when two new companies owned by shareholders received charters from their home State of Pennsylvania to write fire insurance. Those companies are still in business and 24 other American insurance companies, active today, have been writing property insurance more than 100 years."

An interesting fact brought out is that the amount of fire insurance in force in the country today is estimated at 90 billion dollars, which is a peak figure and more than twice the amount in force at the close of World War I. However, since then the average cost of fire insurance to policyholders has declined about 40%, consequently premiums received from the public are not likewise at a peak. In other words, the public is being served today more economically by the insurance industry than ever before. In this connection it is of interest to pick a few illustrative figures, in round numbers, from a chart which accompanies the study, as follows:

Year—	Total Fire Insurance In Force	Total Premiums Received	Rate per $100
1921	$50,000,000,000	$600,000,000	$1.20
1929	78,000,000,000	790,000,000	1.01
1933	58,000,000,000	500,000,000	.86
1942	83,000,000,000	540,000,000	.65

An important factor in the lower cost of fire insurance has been the reduction in fire hazards. As the author states: "Much of the progress toward greater safety for life and property and lower average cost of fire insurance to policyholders is due to public acceptance of new methods of fire prevention that are constantly being developed. The companies have led in these fire preventive, legislative, safety, anti-arson and other movements that have cut the rate of loss by fire and made average cost reduction possible." The author pays tribute to the work of the National Board of Fire Underwriters, the Underwriters Laboratories, the National Fire Protection Association and the National Fire Waste Council.

Reference is made to the high degree of diversification and liquidity which characterize the invested assets of leading fire insurance companies. At the end of 1943 a group of 135 representative companies averaged 39.5% of total assets in bonds (29.6% in U. S. Governments), 41.7% in stocks, 3.1% in real estate and mortgages, 4.5% in agents' balances, 10.1% in cash and 1.1% in other assets.

With regard to earnings, the study points out that under normal conditions a well managed fire insurance company shows a total of investment income and earned premiums well in excess of losses and expenses. Furthermore, it states, that it is the usual practice to limit dividends to an amount not exceeding net investment income, while some of the more conservative companies hold dividends to approximately 75% of net investment income, which permits 25% plus all underwriting profits to be added to surplus for the protection of policyholders and stockholders.

That there continues to be a secular growth in the industry is brought out in the following quotation from the article: "In spite of the depression of the 1930's and in the face of continued lower average cost to the public, the fire insurance business increased its financial strength. In the 12-year period since 1932 total fire premiums showed fluctuations within a range of 90 million dollars, but

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Final Group of Opinions On Compulsory Peacetime Training

(Continued from page 532)

I believe that the army which will be necessary for this country after this World War is over can be secured on the voluntary basis, and that for some years such an army can be secured from the men who have had the experience of using the machines of war as they now exist or as they will exist between now and the time when this war comes to an end.

Compulsory military training of our young men when they arrive at the specified age after this war belongs to another category. Let us assume that we may not establish a powerful world organization to prevent another World War, and that the war might be over in 1945. What would be the value of a year's military training of our young men in, say, 1950 for a war that might come in 1970?

I cannot believe that the fighting machines and ideas will remain unchanged during the next 25 years. Training in the use of out-dated machines and ideas would have little value if the machines and ideas should greatly change. Fighting in World War I and fighting in World War II are in many aspects very different.

The military training for the fighting machines and ideas of 1918 has had little value in fighting the World War of 1942-1945.

In the fall of 1920, I set up the first college credit course in motor transportation ever offered, and I have watched the development of the motor vehicle ever since. In the spring of 1931 I caused to be offered the first college course in air transportation, and I have watched the development of airplanes ever since. No one can now deny that motor transportation on the ground and in the air has had vast changes since 1920. The changes between now and 1970 will, I am convinced, be large and significant—for fighting or for peacetime use.

ALEXANDER GUERRY

Vice-Chancellor, The University of the South, Sewanee, Tenn.

It is my opinion and conviction that action on compulsory military training should be postponed until we see the pattern of victory and peace and until many, if not most, of the young men now in the the Armed Forces have returned to America and can participate in the discussion concerning such an important matter.

If compulsory military training is a necessity, I am for it. If it is not, I am not for it.

REV. OLIVER J. HART

Bishop of Pennsylvania, Protestant Episcopal Church, Philadelphia, Pa.

The heading, "Compulsory Military Training in Peacetime for America?" is obviously worded so as to prejudice people against it. The editorial in the New York "Times" recently on Universal Training is sane and sensible and expresses my views. I am in favor of a year of training. The kind of military training involved in that period will vary with the different men.

H. B. WELLS

President, Indiana University, Bloomington, Ind.

I should be very happy to express a clear-cut view on the matter of compulsory military training in peacetime if I felt that I could formulate an intelligent opinion at this time. However, I feel that this question is far too important to decide now. I feel strongly that the nature of the peace and the international obligations of our country should be well understood before we attempt to lay down the lines of our military policy or of our policy on military education. Furthermore, I think it would be highly desirable to have the individuals at present in the armed forces give us the benefit of their experience and thought and, above all, to give them the opportunity of helping make the decision.

VIRGIL M. HANCHER AND E. T. PETERSON

The State University of Iowa, Iowa City, Ia.

The first question to be answered with respect to any program of compulsory military train-

E. T. Peterson Virgil M. Hanchei

ing for the youth of this nation is, "What are the objectives?" The second question, if the objectives be valid, is, "By what means shall it be achieved?"

The obvious objective is to create a reserve force with some military contact which will stand ready to serve the nation in times of crisis. But is this objective alone sufficient to justify the taking of a year's time from the individual's life to gain such training?

The activities and requirements of the armed forces involve every profession, skill, and activity known in civilian life. They require the services of the doctor of medicine, the lawyer, the chaplain, the logistic expert, the chemist, the physicist, the skilled craftsman, and all the rest.

It requires a minimum of three to seven or more years of intensive study beyond high school to prepare for the practice of professions such as medicine, engineering, and others in this category. The interruption of such preparation by a year of military instruction, disassociated from the continuation of such preparation, adds a year to the time required, already long, and delays by a year the usefulness of the person to the society which made his preparation possible. The same is equally true of those preparing for other activities and responsibilities of life.

National Pessimism

The most frequently proposed solution to the problem of compulsory military training is to provide one year of military training in army camps under army control somewhere between the ages of 18 and 23. This proposal could only be interpreted in the international scene as an expression of national pessimism of the effectiveness of post-war world organization. It would appear that we have every reasonable right to be optimistic concerning the prospects of setting up an effective world organization which will act as a deterrent to war.

Educational Defects

From the educational point of view, the proposal of one year of universal and compulsory military service is subject to the following criticisms:

(1) The technological nature of modern warfare makes impossible, if not fantastic, any attempts to train specifically for the next war. Even if war proves to be inevitable, there is universal agreement that the next war will not take place for 20 or 25 years. It is nonsense to train a boy at the age of 18 in 1947 for a war which may be fought in 1967.

(2) It is impossible to maintain a consistently wholesome living environment in army camps.

(3) Such a program would interfere seriously with the continuous educational development of youth. It would mean a further postponement of entrance into occupational life. A break of this sort following high school graduation would mean the failure of large numbers of youth to return to formal and organized education.

(4) This plan is so inconsistent with the fundamental thinking underlying the American way of life that even if it should be established under the emotional stress of this war, it is inconceivable that the American people would permit its continuation for a period longer than five years. This would mean the scrapping of an enormous investment in facilities and personnel and would create a very difficult problem of readjustment of educational institutions to the dislocations occasioned by such a nation-wide temporary venture.

(5) Justification for such a program would in the final analysis rest upon the generalized values. These include physical conditioning, the discipline which comes from systematic and regimented living, the improvement in health arising from controlled diet, identification and correction of physical defects, and improved personal hygiene, the development of such traits as coordination, alertness and quickness of reaction. In each case these generalized values can be developed as well or better in schools than in camps.

Training and the Schools

I am not unmindful of the fact that in the age groups currently considered as liable for a proposed compulsory military training program only a small proportion are enrolled in the schools. The 1940 census shows that of the total of 8.18 million males 18-24 years of age, 1.23 million, or 15%, were enrolled in the high schools, technological and vocational schools and colleges and universities. But the same source of information shows that of the total of 4.9 million boys 14-17 years of age, 3.86 million, or 79%, were enrolled in schools.

The age group 14-17 years generally represents those in the secondary or high schools of the nation. The post-war period will see the rapid achievement of universal secondary school attendance in this country. It is within these ages, the formative ages, that the boy ordinarily passes through adolescence to maturity and begins to lay plans for a life career. For many the high school is the terminous of formal education.

The central issue would therefore seem to be how much generalized education should be introduced into the camps or how many of these values can be introduced into the program of the schools. It would appear therefore that a reasonable alternative to army camps would be the incorporation into the public school program of certain aspects of military training. The best way this could be accomplished would be by the expansion of the ROTC program which was operating on a sufficiently large scale in American high schools and colleges before the war to demonstrate its effectiveness.

The Junior ROTC program was being conducted in 82 public high schools with an enrollment in 1941 of 56,672 cadets. The Senior ROTC operated in 103 colleges and universities with an enrollment of 72,000 cadets. Including certain other training programs, 150,000 youths were enrolled annually in programs of military training in educational institutions in this country. In addition there were being conducted two programs of summer camps. The Citizens Military Training Camps numbered 47 with an enrollment of over 30,000. This program involved a sequence of four annual camps of 30 days each. There were 42 ROTC summer camps with an enrollment of over 7,000.

ROTC Program Effective

The high school ROTC program operated on a sufficiently large scale to demonstrate its effectiveness. The testimony of those in charge of the secondary schools is uniformly favorable. The same is true of colleges. As far as can be ascertained, these programs have met with a favorable response on the part of the school boards, faculties, student bodies, parents, and citizens in the community. The high school programs demonstrated that the ROTC activities included were sound educationally and made an important contribution to the secondary school program. The major activities included physical education, map reading, camping, personal hygiene, rifle-marksmanship, leadership training, and physical conditioning. Everyone of these activities is educationally sound.

The school authorities of one secondary school having 25 years' experience with the ROTC emphasizes the following advantages of the program:

(1) It develops poise, physical bearing, fine carriage, directness in meeting people, and courtesy.

(2) It develops qualities of citizenship including a sense of responsibility, leadership, and self-discipline.

(3) It acts as a social equalizer.

(4) It operates as one of the regular instructional departments of the school with a definite educational content.

(5) Experience with the War Department in the assignment of military personnel with high standards and prospective influence has been satisfactory.

While the expansion of the Junior ROTC program on a universal scale would raise many difficult problems of administration, there is every reason to believe that these problems could be solved with reasonable satisfaction.

D. P. SHEEKS

President, First National Bank, Port Arthur, Texas

I believe wholeheartedly in peacetime compulsory military training.

WALTER G. LACY

President, The Citizens National Bank, Waco, Texas

I believe that American colleges and universities should make military training a compulsory course for their Freshmen and Sophomore students, and optional for their Junior and Senior years.

This is the plan adopted at Texas A. & M. College, and I don't believe it can improved on.

STANLEY KING

President, Amherst College, Amherst, Mass.

I have so much work on my hands that I must ask to be excused from writing a statement on the subject of compulsory military training in peacetime. My own judgment is in favor of such a proposal.

REV. GEORGE ARTHUR BUTTRICK

The Madison Avenue Presbyterian Church, New York City

I am emphatically opposed to compulsory military training in peacetime and regret that the pressure of other duties precludes my submitting an analysis of my views.

Clayton Quits Reserve Bd.; Enters Investment Business in Boston

BOSTON, MASS.—Lawrence Clayton, assistant to the Chairman of the Federal Reserve Board, has resigned his position and will leave Washington at the end of January to enter private business. Effective February 1 he will assume the Presidency of Clayton Securities Corporation, 82 Devonshire Street, which company he will operate jointly with his brother, C. Comstock Clayton, who since his graduation from the Babson Institute of Business Administration in 1922 has been a familiar figure in State Street.

Mr. Clayton has occupied his present position as assistant to Chairman Eccles since December, 1934, a period during which the Federal Reserve System has undergone momentous changes. Prior to that time, he was engaged for 10 years in commercial banking at Ogden, Utah, advancing from the ranks to the Vice-Presidency of the First Security Bank of Utah, N. A. This institution is controlled by the Eccles and Browning families of Utah and was headed by Chairman Eccles of the Reserve Board prior to his joining the Treasury in January, 1934.

A native of Utah and a graduate of Sanford, 1914, and Harvard Law School in 1917, Mr. Clayton is a veteran of World War I, in which he served as an artillery officer with the 26th Division. Through his residence in Boston during law school days and his subsequent association with many Bostonians in the 26th Division, Mr. Clayton has numerous friends and acquaintances in this city.

New York Stock Exchange Weekly Firm Changes

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

The Exchange membership of the late William Raymond has been transferred to William Raymond, Jr., partner of Chauncey & Co., New York City.

Edward L. Elliott, general partner in Van Alstyne, Noel & Co., becomes a limited partner, effective today.

Robert R. Diefendorf, limited partner in Delafield & Delafield, New York City, retired on Jan. 31.

Attractive Semi-Speculation

The new Delaware, Lackawanna & Western obligations to be issued in exchange for Morris & Essex stock will be semi-speculative in character, but should prove attractive to holders desiring a large income return with appreciation possibilities, according to a detailed memorandum issued by H. Hentz & Co., Hanover Square, New York City, members of the New York Stock Exchange and other principal Exchanges. Copies of this memorandum may be had from H. Hentz & Co. upon request.

Attractive Situation

Common stock of National Gas & Electric Corporation offers interesting possibilities according to a detailed report on the situation issued by Peter Morgan & Co., 31 Nassau Street, New York City. Copies of this report may be had from the firm upon request.

T. H. HESS

President, Security State Bank & Trust Co., Beaumont, Texas

I favor real, honest-to-goodness war training for our youth for modern warfare.

RAYMOND T. BYE

Moylan, Pa.

I am opposed to peacetime military conscription.

Mutual Funds

(Continued from page 531)
standard of living provided by $25,000 a decade ago. . . .

"There is a way to improve the situation, however, which does not increase risk in proportion to the increase in income, i.e., by investment in the shares of Bond Funds."

Electronics

National Securities & Research Corp., in a new memorandum on **Industrial Stocks Series**, discusses the broad expansion indicated for electronics in the post-war period. The estimated conversion time for manufacturers in this field and the estimated production of electronics devices in the first year following reconversion make interesting reading.

The various estimates add up to a combined total of television and radio billings of $1,442,000,000, compared with a retail value of approximately $620,000,000 in 1941.

In conclusion the sponsor states: "This indication of tremendous growth possibilities from within the industry itself is one of the reasons we have included a strong electronics representation in the National Industrial Stocks Series."

Diversified Speculative Shares

Investments of **Diversified Speculative Shares** as of Jan. 16, 1945, are listed on the revised folder, "They May Look the Same—but they're not," just issued by **Hugh W. Long & Co.** The folder deals with the tax advantages of capital gains over ordinary income.

The letter accompanying this new edition states: "It is too soon to say that Diversified Speculative Shares 'has a record.'" It was first offered for sale only six weeks ago. Thus far, however, it has advanced almost twice as fast as the Dow-Jones Industrial Average.

Selected American Shares

Asset value of **Selected American Shares, Inc.**, increased from $9.16 to $10.53 per share in the year ended Dec. 31, 1944, according to Edward P. Rubin, President of the company.

Asset value at the year-end stood at $10,863,942, compared with $9,179,481 on Dec. 31, 1943.

Dividends totaling 60¢ per share were paid in 1944, compared with 42¢ in 1943. Of this amount, 15¢ was capital profits distribution and 45¢ income dividend.

Fully Administered Shares

The five-year performance record of **Fully Administered Shares** is compared with the five-year results of BARRON'S eight prize-winning investment programs in a revised folder recently mailed to dealers by Distributors Group.

"The prize-winning programs were prepared by experienced investment analysts who have continued to supervise their original lists. Good results have been achieved—but notice how much better are the results achieved by Fully Administered Shares."

Massachusetts Investors Trust

The Trustees of **MIT**, in their 20th Annual Report, reveal total net assets of $164,314,002 on Dec. 31, 1944, compared with $138,370,263 at the beginning of the year.

Based on a recent analysis, over $8,500,000 of MIT shares are held in 1,760 trust accounts, almost $4,000,000 of these shares are held in trusts by over 220 banks located in 38 different States.

During 1944, the Trustees declared and paid out of investment income a total of $6,667,581 in dividends which amounted to 96¢ a share. The trust's ratio of expenses, including all taxes, to net assets was about 35/100 of 1% for 1944, the lowest percentage in any year since the fund was established in July, 1924.

* * *

Mutual Fund Literature

Selected Investments Co.—Current portfolio memorandum on **Selected American Shares** and the current issue of "These Things Seemed Important." . . . **Distributors Group** — Current issue of **Railroad News.** . . . **Lord, Abbett** —A letter to dealers instructing them on how to exempt their transactions in **Affiliated Fund, American Business Shares** and **Union Trusteed Funds** from Federal and New York State transfer taxes. . . . **Keystone Corp.**—A folder showing security market performance against the performance of the various **Keystone Custodian Funds** during 1944; Primary Lists off Keystone Custodian Funds as of Jan. 1, 1945.

Lincoln Tunnel North Tube Opened Today

The North Tube of the Lincoln Tunnel will open at 12:00 noon today (Feb. 1), furnishing two lanes for one-way west-bound traffic to Weehawken, N. J., from midtown Manhattan. At the same time the South Tube will become a two-lane one-way roadway for eastbound traffic from Weehawken to Manhattan. Chairman Frank C. Ferguson explained that, due to the war, The Port of New York Authority for the first time would dispense with all ceremony at the opening of one of its great bi-State transportation facilities.

Entrance to the new tube is in Galvin Plaza, between 39th and 40th Streets, and 10th and 11th Avenues, Manhattan. The Port Authority requests that trucks avoid traffic difficulties by using 40th Street or, if southbound, 10th Avenue. Overhead clearance is 13 feet. All tolls will be collected on the New Jersey side of the Hudson River, where the Weehawken Plaza is shared by both the North and South tubes.

The importance of the new roadway to war transportation in the New York Port area was emphasized during the past week when all of the top-flight Generals and Admirals in this area visited the trans-Hudson facility. Major General Thomas A. Terry, Commanding General, Second Service Command, and his aide, Major Thomas S. Tailer, were the first to inspect the North Tube. Lt. Gen. George Grunert, Commanding General, First Army, Governor's Island, and his aide, Lt. John B. Rogers, were guests of the Port Authority on one of the previews arranged for the high-ranking military and naval officers.

Brig. Gen. Ralph K. Robertson, Commanding General, Metropolitan Military District, and his aide, Major D. C. Weaver, Rear Admiral Monroe Kelly, Commandant, Third Naval District, and his aide, Lt. Commander Clement R. Hoopes, and Rear Admiral Stanley V. Parker, District Coast Guard Officer and Captain of the Port, Third Naval District, and his aide, Lt. Stuart Harwood, attended a preview in a group.

Civic and business leaders from New York and New Jersey formed several groups of visitors who had an opportunity to view the new tunnel previous to its opening, and who attended a luncheon party at the Hotel New Yorker, following the preview.

With the opening of the North Tube of the Lincoln Tunnel, the Port Authority will provide a total of eight lanes of underwater crossings of the Hudson River. The four-lane Holland Tunnel, extending from 12th Street, Jersey City, to Canal Street in Manhattan, was completed in 1927.

Chairman Ferguson, Vice-Chairman Howard S. Cullman, Commissioner Charles S. Whitman, Executive Director Austin J. Tobin, Director of Operations Billings Wilson, Chief Engineer John C. Evans, and General Superintendent C. F. Cahalane were among the official Port Authority hosts at the previews.

Canadian Industries Halt Reconversion

Reconversion plans which were either under way or contemplated by plants in numerous Canadian industries have recently been halted, the Bank of Montreal reports in its monthly summary dated Jan. 23, adding that "hopes that the serious shortages in certain types of consumers' goods, now causing great inconvenience, would gradually be remedied in the coming months must now be abandoned." The plants affected are those equipped to make ammunition and material needed for the kind of warfare now being carried on in Europe, and it is believed they will have to concentrate on this type of production until the struggle there ends.

The Bank describes as "an important and significant development" the announcement by the government of the establishment of an Import Division in the Department of Trade and Commerce. Its objective will be to encourage imports, especially from Britain, after the war. Canada's trade commissioners in the United Kingdom and other countries who heretofore have concentrated their energies on securing markets for the Dominion's exports will now be instructed to promote also the flow of imports.

Bank & Insurance Stocks

(Continued from page 533)
due to the steady growth of Allied lines there was almost an unbroken rise in the total of all kinds of premiums which were collected."

With regard to "State vs. Federal Regulation," a comprehensive review is given of the situation which culminated in the decision of the Supreme Court last June that insurance is subject to the anti-trust laws. The author comments that it is highly desirable that the sound condition which has prevailed under State regulation should not be impaired by competitive price cutting, which might well follow the strict application of anti-trust laws. In this connection it is reassuring to know that within the past few days the Senate has approved the McCarran Bill which returns jurisdiction to the States and thus will end the confusion caused by the Supreme Court decision. The measure now goes to the House of Representatives and indications are that it will be favorably acted upon.

All in all the study is as thorough as can be expected in view of the limitations of space, for adequate discussion would fill a book. One important omission, however, is any direct reference to the long sustained dividend payments of the old-line companies, and the wide coverage of these dividends, over many years, by net operating earnings. This factor, after all, coupled with the indispensability of the service rendered the public, is what makes their stocks such attractive and conservative long-term investments.

Canadian Securities

By BRUCE WILLIAMS

Contrary to the forecasts of most commentators on the Canadian political situation, Mr. King will not call an election at the end of the current session of Parliament and thus void the by-election at Grey North on Feb. 5. As previously anticipated the result of this contest will determine the timing of the Federal election.

If the Administration candidate, General McNaughton, is defeated, the Prime Minister will have no other alternative, as he has already indicated, than an almost immediate appeal to the country. On the other hand, if the Liberal representative is successful, such a decision can be deferred.

However, the Liberal leader is the most astute political appraiser in the country and, having in mind a broad line of policy, will not fail to follow through strongly his recent masterly parrying of the attacks of the Progressive Conservatives and the C. C. F. on secondary but nevertheless embarrassing issues. Therefore, he is likely to make an early play of the cards handed to him by his opponents.

Mackenzie King is not only an adroit politician, but he is also a statesman who has devoted himself to the task of achieving a great objective—mutual understanding between the peoples of French and English speaking Canada and elimination of the causes of disunity throughout the country.

Although the Dominion under his wise and able guidance has already become an adult power in its own right, its foundations can not be secure until Quebec and the rest of Canada work harmoniously together in a spirit of friendly cooperation, and until the thoughtful recommendations of the Rowell-Sirois Royal Commission are finally implemented. There is little doubt that on these sturdy planks Mr. King will, rather sooner than later, launch his great campaign.

Turning to a review of the market for the past week, the expectation of a continuance of a bull market was certainly borne out. There were boom conditions throughout and new highs were established in most sections. A large block of long term Ontarios changed hands on an average yield basis through 2⅞% but in general there was still a scarcity of supply. A welcome development, therefore, will be the announcement expected shortly on the new public issue to refund the $15,000,000 Quebec 4½s callable March 2.

Montreals, as anticipated, moved further along and the long term bonds are now on a 3.90% yield compared with 4.35% when previously pointed out as an attractive investment. Albertas, after lagging slightly, also justified earlier confidence and gained further ground. Although there was still a steady demand for internal bonds, the free exchange rate eased from 9⅝%. to 9 15/16% possibly on election caution. Golds were again a strong feature and the belief that the Yellowknife district will become a great Canadian mining camp received further confirmation.

With regard to the possible future course of the market, if the Federal election factor could be eliminated there would be a little doubt as to the persistence of a strongly bullish market. Investment markets generally are continuing to discount a further downward dip of the interest curve, the influence of which should be fully felt in the Canadian market, but until the political atmosphere is clear, some degree of caution should be displayed, although there is good reason to anticipate a favorable outcome.

An Open Letter to Congress On Monetary Reform

(Continued from first page)

ton was unable to survive the successive bleedings to which he was subjected by the doctors of his day as a cure for his illness, our financial and economic system cannot continue indefinitely to survive unless its life blood is safe-guarded from the practitioners who have sought and still seek to drain it away.

The first World War made certain changes in our monetary system. However, the standard unit of account and of value continued to be a fixed weight of gold of a specified fineness, which was full legal tender in the payment of debts. Free or unlimited coinage of gold was maintained and gold reserves were used for the purpose of maintaining free and unhindered convertibility of all forms of paper money and credit into gold at par. The free movement of gold from money into the industrial arts and from such arts into money continued as did the free international movement of gold. Even the hoarding of gold by anyone to any extent was permissible.

However, a fundamental change resulted from the fact that gold ceased almost entirely to circulate as a medium of exchange. Without the enactment of any legislation in this country it became, for all practical purposes, primarily a standard of value. Successive devaluations in certain other countries that had returned to a gold standard in the post-war period, especially in France, world wide speculation, an "ostrich" approach to the war debts, illusions of permanent prosperity, etc., subjected the new standard to critical tests. The practitioners who perpetrated these doctrines hoped to cure serious ills by a treatment of symptoms only. Instead of a major operation, they sought to evade and to postpone other essential adjustments, thereby hoping to have their cake and to eat it too. The gold standard could not be blamed for these successive "bleedings." Indeed, under the Tripartite Agreement of Oct. 1, 1936, between England, France and the United States, gold was well on the way to the reestablishment of itself as the standard of value when World War II swept over the entire World.

The Gold Standard Works

Although there are a limited number of persons in this country, mostly politicians, who believe that the gold standard is dead, virtually all monetary economists (doctors!), in the United States are convinced that an international gold standard must be set up officially if monetary stability is to be attained. None of these economists wish to return to the pre-World War I gold standard any more than they wish to own and operate a pre-war automobile. To argue otherwise is for the critic to build up a straw man in order to have the pleasure of knocking him down. Properly managed and made to serve as the means to an end and not as the end in itself, a gold standard has merit. For, in spite of the sins of the monetary practitioners, who have sought to shift the blame for their own mistakes to the gold standard, time and experience have vindicated its use and will continue to do so. Even the best of automobiles will fail to function properly if a drunken driver is at the wheel!

The monetary economists (doctors!) recognize that the post-war and present monetary ills of the world have been caused not by the gold standard, but rather by wars and by a wholesale abuse of sound, fundamental monetary and credit principles. These same ills would have existed and would undoubtedly have been **much more serious** under any other "standard." These monetary authorities who would treat causes and not symptoms know that it has not been the gold standard but War and the chaotic international political situation that have brought such cruel judgment upon helpless millions of people in all countries of the world. They know also that the related problem of extreme economic nationalism with its many rigidities has been another major cause of the numerous barriers that have been erected to restrict international trade, resulting in excessively high tariffs, import quotas, exchange controls, barter agreements and such.

While the world is confronted with such problems, the reestablishment of an international gold standard presents major difficulties. However, the task is not hopeless if we will only return to fundamentals.

A Managed Gold Standard

The following conditions seem essential to the establishment of a managed gold standard, which would give us and the world a monetary system in which everyone could have confidence:

(1) A will to peace. There is no hope for monetary stability in the midst of the conflicts of war. It is the prayer of every American that this time we shall not only win the war but also win the peace—a peace that will endure.

(2) The abolition of as many international rigidities as possible, such as excessive tariffs, exchange control, import quotas, and other impediments to international trade. This is going to be more difficult than is realized since every American business man is willing to lower tariffs on everyone except himself. The fallacious arguments in favor of excessively high tariffs still have a strong hold on almost every class of Americans—on laborers who believe it is the cause of high wages, on farmers who want it as a means of attaining a home market, as well as on business men who wish to exclude competitive articles from abroad. It will take a high degree of statesmanship to deal successfully with the abolition of such rigidities. It must be done, however, if we are to win an enduring peace.

(3) Free gold markets and the free international movement of gold, especially in Great Britain and this country. Actually very little gold need flow between the monetary centers. Furthermore, a free gold market can be maintained in London even if Great Britain continues its present monetary system.

(4) The continued use of stabilization funds, at least in Great Britain and the United States, until relatively normal conditions have been restored, or until the International Monetary Fund and the International Bank for Reconstruction and Development, as drawn up at the Bretton Woods conference, have been officially approved, **successfully** organized, and are operating on a **practical** basis. The author is skeptical concerning the successful administration of international financial affairs according to the plans agreed to at the Bretton Woods conference. It is to be hoped that Congress will resist all efforts to push through the Bretton Woods proposals by means of a joint resolution which requires only a majority vote for approval. Alternative proposals need full investigations, including the possible use of existing institutions and operations which are time tested. We must not let the advocates of these complicated proposals seek to "save face" by forcing us into the hasty adoption of schemes that could easily result in financial chaos.

The United States and some of the smaller nations can put their currencies on a gold standard basis even now. This should be their first step toward reconstruction. Other nations can "tie" their currencies to the gold standard until they have had time to build up their gold reserves in their own right. Stabilization funds can perform a vital service in these transitions. If there is the will to adopt such measures then the creation of elaborate international financial mechanisms will prove to be unnecessary. Common sense dictates that we should do it the easier and more practical way. Furthermore, it must be recognized that the British stabilization fund, which has pegged the £ at $4.02, has tied the British monetary system to the American gold dollar, thereby giving it much of its stability and acting as a major factor in whatever success the so-called managed currency system of Great Britain has enjoyed. The British may denounce the gold standard but it acts as a standard of value even today for all their financial transactions. If we cut the cloth foolishly we shall not benefit by destroying the only yard stick, in which we can have absolute confidence.

(5) Definite gold parities, at least for the dollar and the pound, with recognition of the relationship between purchasing-power parity and mint parity are essential. This is a factor we seem to be ignoring in occupied countries.

(6) A statutory price for gold. Since little, if anything, would be gained, but much lost, by a change in the present price of $35 per fine ounce in the United States, Congress should legislate accordingly. Without further delay the present Congress should enact legislation to carry out the recommendation of the Economists' National Committee on Monetary Policy, which it has been urging since 1939, to the effect that Congress withdraw the power it has delegated to the Secretary of the Treasury in Section 8 of the Gold Reserve Act of Jan. 30, 1934, to purchase gold "at such rates and upon such terms and conditions as he may deem advantageous to the public interest; any provision of law relating to the maintenance of parity . . . notwithstanding."

Failure to repeal Section 8 leaves the way open to further depreciation of our currency in terms of gold through institution by the Treasury of a gold-buying program such as that conducted by the Administration from Oct. 25, 1933, to Jan. 30, 1934.

Section 9 should also be repealed, for under its provisions it appears that the Treasury, by refusing to sell gold except at a price above $35 per fine ounce, can force a depreciation of our currency in terms of gold. Section 9 gives the Secretary the authority "to sell gold in any amounts, at home or abroad, in such manner and at such rates and upon such terms and conditions as he may deem most advantageous to the public interest."

The possibility of indirect devaluation under these two sections creates an uncertainty that this Congress should and must eliminate, if it expects to build a strong and sound post-war economy.

Restoration of Gold Coinage

(7) Congress should provide for the coinage of a portion—perhaps 20 per cent—of our supply of gold into gold coins of a single denomination, each to contain an ounce of pure gold. The said coin would. therefore, contain 480 grains of pure gold, troy weight, or 533⅓ grains of gold 0.9 fine, its value (price) to be fixed by law at $35. Provision should be made also for the "coinage" of a sufficient number of ten-ounce (pure) gold bars, the value (price) of each to be fixed at $350—the balance of the gold to be kept, as at present, in gold bars, properly assayed and stamped, these bars to range in value from $500 to $10,000. Convertibility of all forms of currency and credit into either these gold coins or into gold bars (bullion) on demand, should be permitted. As a corollary to this, the continuation of fixed gold reserves against all currency and credit issued or created by Federal Reserve Banks should be required.

(8) The free or unlimited "coinage" of gold into gold bars or/and into one-ounce gold coins is essential.

(9) The hoarding of gold should be permitted under proper government regulation. The amount of such hoarding would doubtless be almost nil due to the costs, losses and regulations involved. The gold in the United States Treasury, buried at Fort Knox, should be returned to the Federal Reserve Banks in exchange for the gold certificates now held by them to the extent desired by the Banks.

Credit Control Essential

(10) It is essential that credit be controlled in the interest of economic stability. In this connection the Board of Governors of the Federal Reserve System should be given the authority to fix the legal maximum reserves at any per cent up to 100 per cent deemed essential to the welfare of the American economy. The present minimum legal reserves should be maintained.

In spite of the criticisms directed at it, the gold standard is the trail over which this country and the world can travel within the shortest possible time from the existing financial chaos to monetary stability. Only those who seek to escape the penalties of their own mistakes, or who would befuddle the issue, or who are innocent of all knowledge of economic principles, argue to the contrary. We may not like it when the umpire calls us out on a foolish attempted steal, but the umpire is essential to a successful game.

To facilitate the return to a gold standard in this country as a means of assuring stability to our financial structure, Congress should withdraw the authority given to the President under Section 43b of the Act of May 12, 1933, to issue $3,000,000,000 of United States notes. There is grave danger in this authority of the President to issue $3,000,000,000 of fiat currency at his discretion. The Economists' National Committee on Monetary Policy has consistently urged the repeal of this authority of the President. It is difficult to understand how the Congress of the United States can continue to permit such delegations of its authority when such delegations are not only unnecessary, but are an ever potential danger to our economic stability and the confidence of the American people in their money and investments. Indeed, Congress should simplify our currency by eliminating the existing United States notes or greenbacks from our monetary systems, replacing them with Federal Reserve notes. There is no justification whatever for their continued circulation.

Danger of Bimetallism

The efforts of certain American politicians to rehabilitate silver as a standard money since March 1933, have been a complete failure in this country. Furthermore, these policies have caused serious difficulties in countries like Mexico, and among other things have brought China to financial disaster.

Under the Act of May 12, 1933, the President was given the blanket authority to put the United States on a bimetallic basis, at a definite fixed ratio to be determined by him. Fortunately, he never used this authority. But Congress has never withdrawn it!

Under the Silver Purchase Act of 1934, Congress authorized the payment of three separate prices for silver—three different prices for the same thing at the same time, and by the same buyer—the United States Treasury! In spite of six years of demonstrated failure of the silver purchasing program, the silver Senators, oblivious to the public welfare of this and other countries, wrote into law July 6, 1939, that the Treasury must henceforth purchase all newly-mined domestic silver at 71.11 cents per fine ounce. These same Senators have made it all but impossible for vital War industries to use silver essential to our military success. It is the most sordid story of political intrigue in the monetary history of this country. So complete has been its failure, that the Secretary of the Treasury stated on Aug. 8, 1941, at the hearings of the Senate Committee, "If you gentlemen want to strike all the silver legislation off the statutes, it is alright with me." Even though the Silver Senators may rave at the destruction of their vicious racket, that is exactly what this Congress should do!

Congress should:

(1) Repeal the authority of the President to reestablish bimetallism or otherwise subsidize the silver industry as provided for in the Act of May 12, 1933, and subsequent legislation.

(2) Repeal the Silver Purchase Act of 1934.

(3) Authorize and order the cessation of all purchases of both foreign and domestic silver by the United States Treasury at any price.

(4) Authorize the ear-marking of 10 per cent of the silver bullion now in the Treasury for coinage into subsidiary money over a period of years.

(5) Authorize the disposal of all of the balance of 90 per cent in the open market to our war industries that have such vital need for it and the resale of any remaining surplus after the war over a period of years, as advantageously as possible, but with the recognition that it can be done only at a loss. We can now be best compensated for this loss since it would help speed Victory by releasing this silver to our War industries. This should be done at the world price for silver.

(6) The immediate cancellation of the seigniorage against which additional silver certificates can be issued.

(7) The elimination of the silver dollar and silver certificate from our monetary system as rapidly as possible. Instead, Congress should authorize the issuance of one-dollar Federal Reserve notes to replace the one-dollar silver certificates as they are withdrawn from circulation, thereby simplifying our currency and contributing to its security and elasticity.

No longer should the selfish desires of a subsidized industry supported by greedy politicians seeking to promote their own political welfare be allowed to further their interests at the expense of the American Treasury and against the welfare of the American people.

The confidence of the American people and of all peoples in the world in our monetary system is so essential that no constructive post-war proposals—national or international—can hope for success and no enduring peace is possible without it. The American people and the peoples of the world look to the present Congress for that assurance.

It must not fail them.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Lutz Presents Eight Arguments In Favor of Retail Sales Tax

At a Forum of the New School in New York He Stresses Danger of Dependence on Income Taxes as Chief Revenue Source of Federal Government and Contends That Sales Taxes Furnish Greafer Revenue Stability.

Harley L. Lutz, Professor of Public Finance, Princeton University, and Economist of the Tax Foundation, presented to the fifth dinner forum on "Your Future Taxes" of Associate Members of the New School for Social Research in N. Y. City Jan. 29, eight arguments in favor of a Federal retail sales tax. These arguments, in essence are:

Dr. Harley Lutz

1. The most important requirement of a good revenue system is stability of the yield. Revenue stability will most completely assure a balanced budget and upon the maintenance of budgetary balance depends the future integrity of the public debt and the avoidance of inflation.

2. A diversity of revenue sources is essential to stability. The record of the income tax in the early 1930's reveals what is likely to happen when too great dependence is placed on one tax. In order to get diversity, it is necessary to use excises or similar taxes as well as income taxes. The remarkable stability of the British revenues between 1929 and 1939 may be attributed to the fact that about equal proportions of the tax revenue were obtained from direct and indirect taxes.

3. The broadest and, therefore, one of the most effective forms of indirect taxation is a general sales tax. Avoidance of pyramiding requires that this tax be imposed at the retail level and collected as an addition to the price from the consumer.

4. The urgency of the case for the sales tax will depend somewhat on the size of the postwar budget. I would advocate a sales tax at any budget level as the most effective insurance against repetition of the budget experience of the 1930's. Regardless of one's theory, it should be perfectly apparent that a large postwar budget cannot be kept in balance without a sales tax except by levying rates on income so high as to threaten the achievement of other goals such as vigorous private enterprise and high level employment.

5. A federal retail sales tax of 5% since the year 1929 would have obviated any sales of debt to the public through 1940, even under the scale of expenditures that actually obtained during these years. This appears from the following figures:

	Millions
Net deficit, fiscal years 1931-40	$28,449
Debt acquired by the public 1931-40	21,339
Yield of a 5% federal retail sales tax on sales. Calendar years 1929-1940	22,240

6. If this sales tax had been advanced to a rate of 10% beginning with the year 1941, the yield through 1944 would have been $24 billion.

7. The stock argument against the sales tax is its regression in relation to income. This argument loses its force in face of the steep progression of the income tax. The argument should really be directed against the system of market prices rather than against the sales tax. Opponents of the sales tax accept without question the fact that regardless of income, all must pay the same price for a given article. Here is the real regression. The addition of a moderate sales tax to the market price is only chicken feed by comparison. The parable of swallowing the camel, but straining at the gnat, is appropriate.

8. Another argument against the sales tax is that it reduces purchasing power. But it should be noted: First, all taxes reduce the spendable income of the taxpayers. Second, all taxation is a transfer of purchasing power to government. Third, if there be a deficit, the effect of any kind of taxation is deflationary because it involves less borrowing from banks, which is the real source of inflation. Fourth, if the budget is balanced, the effect of taxation including the sales tax is more or less neutral, since the spending which the taxpayers are unable to do because of the tax, will be done by government employees, government pensioners, government creditors, etc., rather than by the taxpayers.

Walsh New Pres. of First New Amsterdam

Thomas J. Walsh has been elected President and a Director of The First New Amsterdam Corporation, 120 Broadway, New York City, according to an announcement by Clarence Y. Palitz, Chairman of the board.

Thomas J. Walsh

Mr. Walsh is a director of Hummel-Ross Fibre Corporation, Butterick Company, and Eastern States Corp., and was formerly a director of Northern New York Utilities Co., Northeastern Power Company, and Power Corporation of New York. He was Chairman of protective committees of Intercontinents Power Co., Commonwealth Power Co., National Public Service Co., Missouri Public Service Co., and Butterick Company.

After graduating from Sheffield Scientific School Mr. Walsh became associated with Stone & Webster Engineering Corporation and later joined E. H. Rollins & Sons in 1911 as an engineer, reporting on and appraising public utility and industrial properties in connection with financing. In 1920 he became a director of that company and later was elected a Vice-President and member of the executive committee.

Stirling Manager of Eastman, Dillon Dept.

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that S. Logan Stirling has become associated with their New York office as manager of the Investment Research Department. Mr. Stirling was formerly with Delafield & Delafield and Alexander Eisemann & Co.

Wm. Draper on List for Army Promotion

William H. Draper, Jr., whose name appears on the list of 78 colonels sent by President Roosevelt to the Senate on Jan. 25 for promotion to the rank of Brigadier-General, before the war was a Vice-President of the investment banking firm of Dillon, Read & Co. In June, 1940, after the collapse of France, the firm granted him leave of absence for duty with the War Department General Staff.

Colonel Draper served as a member of the President's Advisory Commission on Selective Service and as General Hershey's Executive Officer in developing the National Selective Service system and the draft regulations, for which work he was awarded the Legion of Merit medal. Then for two years he commanded the 136th Infantry Regiment, 33rd Division, both in this country and the Central Pacific, until ordered back to Washington last March for duty with the Army Service Forces in connection with the growing problem of contract termination.

As Assistant Director for Contract Settlements of the Readjustment Division, Colonel Draper has staff supervision over the settlement of terminated war contracts, many billion dollars of which have been cancelled, as better weapons and equipment have been developed.

In World War I he rose from Second Lieutenant to Major of Infantry and commanded a group of five development battalions at Camp Upton. After the war he maintained his reserve commission and later as a reserve officer served four years as Chief of Staff of the 77th Division.

Foreign Trade Increase Must Not Injure Our Economy

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and services in the form of imports in exchange for those which we export."

"For generations also," he continued, "the one sovereign formula which was offered as a means for expanding foreign trade and for increasing the national income thereby was simply to remove national tariffs. It is still true that this is one of the most important means by which international trade can be increased. We now have come to realize, however, that a successful program for the expansion of world trade would have to be far more comprehensive than one which prescribed simply the removal of tariffs. Under present circumstances and modern conditions, lowering of protective tariffs by itself alone would probably simply not be feasible. Exchange control, import quotas, bulk purchases by Government, cartel arrangements and other devices have come to be more important as barriers to and controls of trade than are tariffs.

"A number of the most important nations now consider the attainment and maintenance of domestic full employment to be much more important to them than the advantages they might obtain through a removal of their controls of foreign trade, such as exchange control, import quotas, tariffs and the like, if to remove them would expose their domestic economies to unpredictable economic shocks. Consequently, these countries, of which the most important in international trade is Great Britain, are in effect now saying, 'We would like to have barriers to trade removed, if that is possible, but first we must be assured that the removal of these barriers will not seriously hamper us in carrying out our programs for domestic full employment. If there is a reasonable prospect that the United States will be able to carry out a program of full employment, if the United States indicates a willingness to lower her protective tariff, if the United States is going to join in setting up the international monetary and banking institutions essential for the revival of international trade, then we would be justified in relaxing our national controls of foreign trade and cooperating in a general program of international economic cooperation.'"

Dr. Hoover concluded that "any program for the expansion of international trade must embrace not merely provision for the removal of trade barriers but provision for doing this in such a way that the domestic economies of the various countries will not be adversely affected. For example," he said, "it would be almost useless to lower tariffs if countries were free to devalue their currencies whenever they liked. On the other hand, countries can not be expected," he continued, "to bind themselves under all circumstances not to devalue their currencies or to resort to exchange control, for by binding themselves they might be surrendering their power to maintain domestic full employment. This is why," he argues, "a modern program for reconstructing world trade cannot be simply the negative one of removing tariffs but must embrace plans for setting up international institutions for dealing with the complicated problems of international trade in a world which is far more complex than that of 1914.

"The International Monetary Fund and the International Bank for Reconstruction and Development," he remarked, "tentatively agreed upon at Bretton Woods, are two of such institutions, designed to deal with the problems which arise in a world in which international trade is no longer solely between individuals or even between corporations, but is often between governments themselves. If we are really going to participate in a general movement for the expansion of international trade through the relaxation of national controls we are going to have to participate in broad and often complex arrangements for international cooperation in facilitating foreign trade between nations."

The Birth and Development of a New Industry

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gest that some laymen may even have had the idea that he who is in the soybean business must and cannot help but drip gold.

Value as a Nutrient

What magic is there about soybeans that can possibly give reason for such exaggerations? I intend to present to you the facts simply and with stark realism. It is my purpose to treat you as laymen; to bring you down to earth, if it happens that you have been influenced to expect too much from an industry established so quickly that the accomplishment verges on the spectacular.

Mankind has always had an appreciation of the things which sustain life, aid health and add to the comfort of living. Three different materials are necessary for the maintenance of animal life. Other materials are essential, but the "big three" stand out in importance. The framework of the body and its tissues must be built —this is growth. After growth, the body must be kept in condition—worn out tissues must be replaced. Energy must be produced to sustain life, to provide motive power. Therefore, energy producers and tissue builders are necessary for the maintenance of animal life. We find these in the three materials: carbohydrates, fats and proteins. Certainly, they must be supplemented by small amounts of other substances but the bulk of our food, and that of the animal kingdom, is made up of these three. A clear understanding of the basic importance of these simple fundamentals lays the foundation for comprehension of the intrinsic value of the soybean and the possibilities of its application to the uses of man. For the soybean is rich in two of these essential nutrients. It contains an abundant supply of body-building protein and energy producing fat. In addition, it has four times as much potassium and sodium; five times as much calcium; three times as much magnesium, and twice as much phosphorus as wheat. Iron in soybeans is more available to the digestive system than that found in cereal grains; and—surprising though it may sound — is more available than the iron in pork liver. The carbohydrate fraction is not large amounting to about 10% and is distinguished from other carbohydrates in that it contains very little starch. This stands out in sharp contrast to the cereal grain carbohydrate, and is a characteristic of special interest to diabetics. This little child of nature has been endowed with most of the essentials of life.

Oldest Crop Grown

The soybean is one of the oldest crops grown. No one knows how long it has been cultivated by man for its history goes far back into that hazy period before written records. The first known record is a book on Materia Medica written by the Chinese Emperor Shennung about 3,000 years B. C.

So ages ago the Asiatic had a full appreciation of this unequaled combination of food values. The miracle bean, of ancient China, shed of all its present day glamor, was merely a cheap food that filled human needs more completely than anything else. Man could get this food direct from the soil. It was not necessary to take some other combination of things nature provided to feed some animal which in turn could become food for man. This was a great advantage to the Asiatic where population was crowded and food, for both man and animals, much of the time scarce. Soybean foods in Asia were prepared in the home, based largely on the principle of fermentation which resulted in the form of curds or cheese and which can very logically be termed soybean meat. A Chinese laborer would begin his day by eating some form of soy to get his protein. In the evening, he would do the same thing. Rice, added to his diet, was his principal food supply. He was largely a vegetarian. He lived cheaply because he had to. Enjoyment of food did not occupy a place in his life, as it does in ours. He ate to live.

These facts make it easy to understand why our agricultural scientists went to China, years ago, to study the soybean in their search for a new crop to meet a basic farm need, and at the same create wealth from the soil. They realized that an agricultural nation, such as ours, had to provide the American farmer a means to diversify his crops so that earning power could better be maintained. Varieties had to be selected which could be adapted to this country. Farmers had to be interested in the new crop; cultural practices had to be learned and so another agricultural experiment was on its way. This persistent, timely work of the United States Department of Agricultural and the State Experiment Stations, of educating farmers to fit soybeans into their plan of crop rotation, was started long before processing plants began to spring up over the middle west. In these early years, the crop was cut for hay; used for forage; plowed under as a green manure; threshed for seed, and fed to livestock. The progress was slow and some time passed before any thought could be given to processing for oil and protein. This could not be done until enough soybeans were harvested to create a surplus over and above seed requirements. Gradually, with each passing season the farmer developed a better understanding of the place soybeans would occupy in relation to other crops. For him this was a period of exploration and adjustment. His knowledge of planting, cultivation and harvesting grew; he was learning to include soybeans as a part of his regular rotation. The first milestone was passed. A new industry was about to be born. The next step was to develop plants which would provide a market: process the new crop, and sell the products.

Development in U. S.

From the beginning there was full and complete comprehension on the part of our agricultural scientists that usage in this country could never follow the pattern used in China where soybeans were moved from the field into the home and there consumed. The fact that a product is nutritious is not enough to gain acceptance. We will not eat it unless we like the taste; and I do not have to tell you that our tastes have been developed to a highly critical degree.

Therefore, the American way had to be through plants which would process soybeans into products that could be applied to specific uses. The first plants came into existence in the early 1920's. In the beginning, the task was a simple one of converting soybeans into only two products: soybean oil and soybean meal. The latter carries the protein fraction of the soybean. Then it was necessary to teach the farmer the value of soybean protein. Remember, we had to start by using the protein as animal feed for at that time no other acceptance was available to us. The human consumption angle had to await the time when diversification could find and develop new products. It was a slow, uphill struggle to introduce this new, valuable protein to farmers for they were experienced in and satisfied with the use of other products such as cottonseed and linseed meal as feed for their livestock. Even the farmer who raised soybeans hesitated to use something new when he, as a feeder, was having his needs filled through other channels. Gradually, after several years, it became recognized that soybean meal was a desirable and result producing feed for all classes of livestock. Once convinced of its value, the farmer has used it in ever increasing volume.

Expanding Markets

In addition to the problem of soybean meal distribution was the necessity of finding a market in the industrial and edible fields for soybean oil. Imported soybean oil had been used in varying degrees for industrial purposes long before soybeans were grown in commercial quantities in this country. Therefore, basic acceptance in this field was established and the problem was one of developing specific types of oil for specific purposes. There was no such experience to give impetus to the use of soybean oil for edible purpose. Its high iodine number, rightly or wrongly, gave soybean oil the reputation of being an oil not too desirable in the edible field. It was considered particularly adaptable to technical uses and to the paint industry because of its dying characteristics. The major objection to the use of soybean oil for edible purposes was its tendencey to revert and become rancid. It could not be satisfacorily stabilized for use in food products to insure keeping qualities. Without doubt, hydrogenation, the process of solidification, eliminated the objectionable characteristics of liquid soybean oil. This was rapidly recognized by the edible trade with the result soybean oil was used in increasing proportions in oleomargarine and shortening until a place was gained in the best quality and most highly advertised products on the market.

While these adjustments were taking place, facilities were being expanded and crushing machinery was being improved. The original equipment of the pioneer soybean processor was an expeller, really a screw-press, which squeezes the oil from the already cracked bean and expels the residue protein in the form of a hard, compressed cake. In twenty-four hours this equipment could convert only 150 to 200 bushels of soybeans into soybean oil and soybean meal. It can easily be seen that this crude type of machinery could not be the medium to handle ever increasing crops of soybeans. The early years developed a persistent search for more efficient equipment, for success could be gained only through larger capacity and higher oil extraction.

Processing

It was logical for the soybean processor to turn his eyes to Europe to study the solvent extraction methods used there in processing various types of vegetable oil seeds. Economics had compelled the European to develop oil extraction to the highest point of efficiency. This efficiency is best illustrated by the fact that the extraction process leaves hardly one per cent oil in the resulting meal, while expeller soybean meal will average an oil content of about five per cent. The importance of higher oil extraction is best illustrated by the fact that each pound of oil not allowed to remain in the meal has a value of four to six times greater than when left in the meal.

The first complete solvent extraction units were imported from Germany in the middle 1930's. It took only a few short years for the industry to recognize the innate advantages of the extraction process. Use of this type of equipment today approximates twenty-two per cent of the industry's capacity, and is still being expanded so rapidly that it can now be envisioned as the type of operation that shall dominate the industry in the future. While these changes were in progress, improvement of expeller machinery was not being neglected. Compared to the early, low capacity expellers, today's new models can carry a load up to one thousand bushels for each twenty-four hour period.

The development of our own company is typical of this rapid growth and persistent expansion which has taken place in the industry. In 1934, Central Soya Company started with six expellers which had a capacity of 2,400 bushels per day. In 1937, we imported from Germany an extraction unit having a capacity of 9,000 bushels per day. By this time we had also added four expellers to the original six. Our operation was carried on at one location, namely, Decatur, Indiana. Today we have three plants —one in Illinois, the original one in Indiana, and one in Ohio. We are operating thirty-eight expellers; the extraction unit has been improved and its capacity increased until now our company has a total daily crushing capacity of forty-four thousand bushels per day. This is a growth of 1,800 per cent in one decade.

Expanding Production

In 1934, soybean production in the United States was 23,000,000 bushels. In 1944, the production was 193,000,000 bushels. This is an increase of about 850 per cent. The soybean farmer also has progressed a long way since the year 1924 when he produced 5,000,000 bushels. This increase in production may be attributed to the many diversified interests who had faith in the possibilities of the soybean and its adaptability to their specific purposes. They had the couarge to venture their capital in plant facilities and research laboratories at a time when the country was in the grasp of a depression.

The reasons for the many interests to enter the field of soybean processing were divergent in accordance with the special activities of these firms. Old oil seed processors who dominated the technical oil field, such as Archer-Daniels-Midland Co. and Spencer Kellogg & Sons, approached soybeans to round out their complete line of technical oils. Another group which included Central Soya Company, Ralston Purina and Allied Mills had faith in soy protein as an important ingredient to round out their mixed feed manufacturing operations. A third group was made up of edible oil refiners and included A. E. Staley Mfg. Co., Swift & Company, Procter & Gamble, and Durkee Famous Foods, all of whom led the research which opened new uses for soybean oil for edible purposes. The last important group to have entered the soybean field have been large flour millers such as General Mills and Pillsbury Flour Mills who were drawn to soybeans now that soy flour is being accepted more generally by the bakery trade. Success in such a short period of time can be attributed to the fact that laboratory research was conducted from so many different viewpoints at the same time. Regardless of the fact all approached the research problem from different angles, it was soon learned that increased knowledge about soybeans led them into fields far removed from their original business. Here was a raw material — the more they learned about it, the more products they knew could be made from it. To make this clear to you, I shall again refer to Central Soya Company. We are producing lecithin and sell it all over the country. We manufacture many types of soy flour which we distribute to bakers, the candy trade, meat packers and other producers of food products. Our Research Department includes a thoroughly equipped bakery laboratory which is managed by an expert research baker. In our other laboratories there is constantly carried on an intensive study of soybean oil and soybean protein to determine new and better uses in the edible and technical fields. We have maintained an elaborate biological laboratory, where experts continuously seek improvements and new adaptations of soybean protein for better nutritional balance in the feeding of livestock and poultry—our original endeavor.

Central Soya Company's experience is typical of the diversifications which have developed in the operations of other leaders in the industry. Staley—originally oil refiners and corn processors—advertise soy flour in your New York subways. Archer-Daniels and The Glidden Company find themselves in the mixed feed business, while Spencer Kellogg —technical oil specialists—now distribute shortening to the bakery trade. These are but a few examples of the different avenues into which soybean processors have been led.

The Soybean industry—and my company in particular—has a feeling of pride in the results attained. This feeling does not spring from just the achievements as you see them. It comes from the fact that almost impossible problems—with which we lived daily—were solved and are now too easily forgotten, because they have been overcome. This is not an industry where you strike oil and then pump until the supply is exhausted. The mere fact that soybeans became more accessible through these years, was nothing but an increasing challenge to the most priceless asset of successful soybean operations, managerial know-how. The trying experience of handling bad quality crops; obtaining adequate supplies to keep plants running; adverse price situations where the value of products was out of line with what had to be paid for beans; problems of hedging; difficulties faced in finding profitable markets for ever increasing output from ever increasing crops. This was the school of hardship the industry had to endure.

Prospects of the Industry

Today we are operating under war-time conditions. We have filled the gap that developed when imports of foreign oils were denied us. We have produced the protein necessary to feed an unprecedented war-time population of livestock and poultry. We have produced hundreds of millions of pounds of soy flour for domestic consumption and Lend-Lease. War-time economics have fixed prices of soybeans and the major products: oil and meal. Processors, in their operations, are under contract with the government—for it is the only way to safeguard continuous production, regardless of rapidly changing economic influences—always present during a war period. It is not my purpose to go into a description of this complex relationship, for it is temporary. We look forward to a future which will return free enterprise to growers, to ourselves, and to our customers—for we are believers in the principles that established this industry in the beginning; in the time tried principles of individual initiative and fair competition.

Today we are an established industry. We have arrived at a period of transition, a natural growth development after intensive short pioneering years. Are we going to maintain the present status of rapid advancement and development or are we going to relax in order that we may view,

Should Corporation Taxes Be Abolished?

(Continued from page 517)

political and economic consequences.

I need not elaborate on these last points, for you are as aware as I of the political dynamite within our tax structure today. Let us be practical and realistic in our discussions, therefore, so that we do not run the serious risk of losing our objective in a labyrinth of political animosities.

To be specific:

(1) I doubt that cutting out corporation taxes will lead directly to higher wages and/or lower prices, as the proponents of this plan declare. On the contrary, I believe that if the desired result were to come, it would develop very gradually, indirectly and in only certain industries.

In a competitive industry, it isn't a tax law which fixes prices and wages. Demand and supply are the key factors. Competition is the crucial thing.

In a non-competitive industry, again, it isn't a tax law which fixes prices and wages. "What the traffic will bear" is the vital factor there.

In an industry that is not unionized, it is hard to imagine wages going up sharply just because corporations are freed from paying taxes.

In an industry that is organized, it is still hard to imagine an employer increasing his payroll to the exact same extent that he is given tax relief.

The attractiveness of the result promised by those urging the abolition of corporation taxes is impelling. But during the 1920s and 1930s, our country enjoyed exceedingly low corporation taxes. Yet, in the '20s, we went through a wild inflation and in the '30s, we went through the worst depression in history. The stabilizing influence of the program may be argued at length—but the records available do not bear out the argument.

Gentlemen, again, I repeat: if I really thought abolition of corporation taxes would lead directly to higher wages or lower prices, I would shout "bravo!" to the supporters of this tax scheme. But I cannot accept an on-paper calculation as a guide to America's future economic stability and presumably permanent tax policy!

And Congress cannot accept an assumption on a matter so vitally important and fraught with political, economic and social implications. Congress cannot experiment to that degree. Congress dare not, for its own future is involved.

(2) I think abolition of corpotion taxes would cut deeply into the Treasury's essential revenue collections and would force it to place heavier taxes on low income groups to get the money it needs. Let us be practical, I insist. At a minimum, our postwar budget will be in the range of $18,000,000,000, and in all probability, it will be closer to $25,000,000,000 than the above-mentioned figure.

Lower prices won't give the Treasury any extra money, of course, so it must count on the taxes to be paid by those receiving higher wages. That is the conclusion arising inevitably out of our on-paper reasoning.

But what if the higher wages don't come immediately and to the extent assumed by those who favor abolition of corporation taxes as a stimulant to prosperity? What if the funds needed by the Treasury aren't forthcoming on a broadened scale from the major taxpaying group? Then, the Treasury has only two alternatives. Either it goes along indefinitely with an unbalanced budget or it raises the cash from the low income groups, from the taxpayers admittedly least able to stand the additional burden.

We need quote only one statistic to back up this statement, gentlemen. More than 80% of the national income goes to people earning $5,000 or less. Thus, the tax money, in large part, must come from this income group.

I defy any tax expert to justify heavy taxation of the small wage-earner as a way to encourage a high level of prosperity!

(3) I believe the results mentioned above will dangerously restrict consumption, a most unfortunate consequence. Of course, our tax laws must be so molded that they encourage production and the investment of risk capital, reawaken the spirit of competitive enterprise in America.

I admit—no, I insist—that this must be a key consideration in our tax legislation.

But likewise, our tax laws must be so molded that they encourage consumption and allow Americans the buying power to absorb the goods produced. If we tax the little American heavily to meet Government revenue needs, we well may upset the whole economic apple-cart.

Yet, this will be inevitable, if higher wages and lower prices do not result immediately and automatically from the abolition of corporation taxes.

(4) I contend that the abolition of corporation taxes is politically impractical and thus, a harmful suggestion at this time. After this war, we must achieve a balanced, equitable and adequate tax system as quickly as possible, if we are to stimulate employment and attain prosperity. But do not the men who advocate abolishing the corporation tax start out by saying their proposal will change the wage and price structure in America? Do they not promise it will revolutionize our industrial setup? To accomplish what they wish will certainly mean months of economic dislocation, of uncertainty, of disturbance. Can we afford this during our critical reconversion period?

Can we take the chance of violent political splits on economic matters at that critical time? Are we not taking a tremendous risk to achieve a doubtful result?

You notice I am asking questions. I do that because the proposal is based on theoretical statements, can be proved as proper only by referring to on-paper estimates and calculations. I am given a proposition which appears persuasive and logical and yet, I have no proof that it will lead to the desired results. As a responsible citizen, interested only in the attainment of a sound, stimulating tax system and representing no special groups outside of the middleclass worker, I must ask questions. And I must receive satisfactory answers on all points before I can be convinced. This is a serious matter, gentlemen, which will touch the lives of 50,000,000 wage-earners directly and many more millions indirectly. So, I repeat, can we or need we take the chances involved?

(5) Most important of all, even if abolishing corporation taxes were a sound idea, no supporter of the scheme has advanced, to my knowledge, a satisfactory method whereby to capture the undistributed profits of corporations. I recognize that no one is even suggesting that corporations be allowed to keep tax-free income, but I have yet to hear a plan which will prevent widespread tax evasion by corporations, which will be fool-proof.

It is all very well to say that we will tax undistributed profits, but after our experience with the undistributed profits tax during the '30s and the many obvious failings of this tax, I contend the proposal is weakest on this most significant point. We cannot dismiss the problem by saying, "it will be difficult." We cannot wriggle out of the dilemma by passing along the responsibility for tax vigilance to the Internal Revenue Bureau.

Let us examine this last point in more detail, for it is crucial.

Some advocates of abolishing the corporation income tax suggest that income not passed on to stockholders be taxed at a rate of around 16%.

Upon analysis, that turns out to be grossly unfair, for it would mean that the retained earnings of corporations would be taxed at a 16% rate, while the distributed earnings of corporations would be taxed at a much higher rate.

Some advocates of the scheme suggest that income not passed on to stockholders be taxed at an extremely high rate.

Again, upon analysis, that turns out to be unwise, for it would mean that dividend policy would be vitally influenced by tax policy. And that well might have catastrophic results.

I might mention here that one important argument of the opponents of the corporation tax is that it determines business actions and influences business judgment. Well, again, I ask a question. If taxation becomes a factor in dividend policy, is not that as serious? Has not the evil been perpetuated rather than eliminated? I believe so.

I cannot conclude this discussion without at least mentioning the words "double taxation." Gentlemen, I will not defend double taxation. But I urge you to consider whether its disadvantages are so great that it must be eliminated at all costs. At a post-war corporate tax of, say, 30%, double taxation would not be a vital problem, I believe. I doubt whether it would prevent the investment of risk capital. I doubt whether it would interfere with the issuance of stocks.

There is a strong and powerful and justified case against the corporation tax and I will be quick to agree on that. But the case against the corporation tax is not the final point. The problem is, what can be substituted that will be satisfactory? And there is where the supporters of the scheme fail most, I believe.

We need not send a tax to the death house, just because it needs reforming, gentlemen. We need not risk national dislocation, just because we see the disadvantages and faults of one part of our tax structure.

In light of all the above, gentlemen, I submit that the most logical method of post-war taxation is distribution of the tax burden between corporations and individuals. And I submit that this division of the load will be found most reasonable and equitable.

with satisfaction, past accomplishments?

The record, I believe, entitles us to take a dynamic viewpoint toward the future. Research, now being conducted, is rapidly opening new horizons. We have arrived at the stage of specialization; the adaptation of new products to new uses. I shall not try to predict the problems which are to be faced—there are many. It can be stated without hesitation and without reservation that this newly established industry will face the future with confidence and serve the nation in the problems of peace with the same initiative and vigor it has shown in the problems of war.

Market & V-E Day

Paine, Webber, Jackson & Curtis, 25 Broad St., New York City, members of the New York Stock Exchange and other leading Exchanges, in a current bulletin discuss the position of the market now and the possible position of the stock averages on V-E Day. Copies of this memorandum may be had from the firm upon request.

Post-War Tax Planning

(Continued from page 515)

post-war tax plans arises from the promise they seem to hold for tax reductions, which occupy a prominent place in a number of these plans. We are still very much at war but this emphasis on tax reductions may well have set up a psychological barrier against higher wartime taxes, however badly they might have been—or might yet be—needed. Moreover, it may lead to public expectation of tax decreases much sooner than either fiscal or economic considerations justify and of greater decreases than can realistically be anticipated.

In all discussions of post-war taxes, it should be stressed that wartime is not the time for tax decreases and that even after the war Federal expenditures cannot be expected to decline to so-called "normal" post-war levels for at least two years. A country with a prospective national debt of some $300 billion should not anticipate tax reductions other than those necessary for the maintenance of high levels of business activity, production, and employment. Yet within the scope of those reductions and the adjustments which should accompany them, substantial reconstruction of our Federal tax system to serve the end of full employment will be both possible and desirable.

It is significant, and I believe salutary, that those to whom I have previously referred as tax planners are placing great stress on the promotion of high levels of production and employment in the post-war years. Production and employment are now at unprecedented heights under the forced draft of governmental expenditures for war. The problem will be to maintain a high level of production and employment when government spending is cut to a half or a third, or less, of its present level.

Let there be no misunderstanding on this point: a high level of employment will produce a high level of production, but there will be neither production nor employment unless the goods that are produced are purchased and taken off the market.

Many of the tax planners look on tax policy as having great, not to say crucial, importance in maintaining a high level of production and employment in the post-war years. It is only one among many factors, and by no means the only governmental policy, affecting production and employment. But it has a bearing, and it is this bearing of taxes on post-war production and employment that is in focus here tonight.

Tax adjustment may influence the level of employment and business in at least three ways. First, tax adjustments may stimulate private investment, or remove restrictions upon private investment, if you prefer to express it that way. In the light of present and prospective tax levels, I find little but semantic differences between those who talk of using taxes to stimulate and those who talk of removing restrictions which taxes impose.

Second, tax adjustments may stimulate consumption—or, alternatively, remove restrictions upon consumption.

Third, tax adjustments may improve competitive relationships in such a way as to grease the wheels of the economic machine, —or perhaps a better analogy would be, to cause the gears to mesh more effectively.

Now, as I previously pointed out, when people talk about post-war tax adjustments, they are talking mostly about tax reductions. Tax reductions may be general reductions straight across the board, or they may be specific and selective. To the extent that the post-war situation permits general tax reduction, the restrictions which taxes may place on consumption and investment are removed. But, if the situation permits little general reduction, the problem then becomes one of selectively making these reductions and adjustments which will provide the most stimulation to consumption and investment at the least cost in revenue.

I understand that most of the speakers this evening are going to discuss the second point, that is, the selective adjustments or reductions which they believe will have the maximum effect in stimulating production and employment. I have been asked to examine the general outlook for tax reduction—to consider how much leeway there is in which to make either general or specific reductions.

What shall we use as the level of post-war expenditures? That depends on many imponderables. To make a reliable forecast we need to know the answers to such questions as: How large must the armed forces be? What kind of foreign trade relations will we have? What will be the Congressional policy on aids to agriculture and aids to the unemployed? What will be the policy toward veterans? We cannot now answer these and many other related questions, and yet they have to be answered before anything like an accurate forecast of post-war expenditures can be made.

From this brief survey, it may be concluded that attention should be directed not so much toward general, across-the-board, reductions, as toward selective or specific reductions which will afford the maximum support to consumer markets and will stimulate investment by encouraging risk-taking and improving competitive relationships.

It may be unpalatable, yet it is nonetheless clear, that the American public will need to become reconciled to a high level of taxes after the war. But to admit this is not to rule out a very substantial reconstruction of our tax system to meet the post-war objective of full employment and production. On the contrary, the fact that taxes will be high makes that reconstruction all the more imperative.

Windels to Speak at State Chamber Meeting

Paul Windels, Chairman of the Citizens Transit Committee and former corporation counsel, will speak on "The Subways—Father Knickerbocker's Headache," at the monthly meeting of the Chamber of Commerce of the State of New York today (Feb. 1). Mr. Windels' address will follow a vote by the Chamber on a resolution urging the enactment of legislation to create a non-partisan Transit Authority to manage all city-owned transportation facilities and establish a self-sustaining fare. Leroy A. Lincoln, President, will preside at the meeting which will be held in the Chamber building at 65 Liberty Street at 12 o'clock noon.

All-Florida Developments

L. H. Rothchild & Co., 52 Wall St., New York City, have prepared a detailed resume of developments in the case of the Seaboard All-Florida. Copies of this interesting material may be had from the firm upon request.

Attractive for Investment

National Service Companies preferred stock, common stock and 6% bonds are very attractive at present prices, according to a brief statistical memorandum issued by Donald E. Shaw & Co., Inc., 617 Walnut St., Hartford City, Ind. Copies of this memorandum may be had upon request from Donald E. Shaw & Co.

More Production Means Better Living and Full Employment

By HENRY J. KAISER*

Leading Industrialist Asserts Industry and Trade Unionism Alike Are Dependent Upon the Survival of Private Property and That the Task of Converting Our Economy From War to Peace Is in Increasing the National Product Through Improved Technology, Reduced Costs, and Higher Living Standards. Says With Certain Exceptions, the Record of Organized Labor Is Noble and Strong in Human Aspirations and Represents a Struggle for Justice, but Warns That Labor Cannot Receive a Bigger Share of National Income by Merely Taking it Away From Other Factors in Production. Thinks Government Can Help by Easing the Tax Burden and Continuing Financial Aid Where Private Finance Is Unable to Take Risks.

The events of recent weeks have taught us that total war is more than a phrase. Never before have the battle lines of the nations been so far-flung, nor have they been held at such a cost. There is a new and compelling awareness that our effort on every front can be sustained only by devotion. All our thinking and planning for the future must give purpose and meaning to the statistics of death and destruction which are mounting hour by hour.

Henry J. Kaiser

It is man's hope that there is a new world in the making. He is too wise to hope for perfection, but he dares to have faith in improvement.

In a recent speech before the House of Commons, a British industrialist made this noteworthy statement:

"I have always been a believer in private property and private enterprise, but so long as there remain people who cannot have enough to eat, the possession of private property is a humiliation and not an opportunity——"

Industry and trade unionism alike are dependent upon the survival of the institution of private property. But its defense will not be accomplished by rehearsing its virtues or by wishful thinking. Unless there is a job for all who want to work and a willingness to make production abundant and efficient, our hopes for a rising standard of living will fade, and the institution of private property will fall.

The task of converting our economy from war to peace is not one for the timid or the cynical. Even if our country should decide to maintain a standing army of two and a half million men, more than fourteen million persons will have to be transferred from war to peace employment.

Reconversion Factors

In making this adjustment, there are some favorable factors, the most outstanding of which is a vastly improved technology. We have really learned how to produce. The national product is greater than anyone dreamed it could be.

The present vast volume of war production has been made possible by many factors.

1. Full employment.
2. Increased working hours.
3. Improved technology.
4. The fact that most of the labor force is working in heavy industry where large sums of capital are invested in machinery and therefore has a high output per manhour.
5. The patriotic desire to support the war effort.

It will be well to consider how each one of these conditions will be affected by the return to peace.

1. Full employment will still be a necessity.
2. Working hours will need to be reduced. Labor could not stand the strain which it now endures.
3. The improvements in technology will continue at a more rapid rate than ever before.
4. Hundreds of thousands of workers will go back to the service industries: Laundries, shops, service stations, and the clerical tasks which they left to engage in the production of ships, tanks, guns and ammunition.
5. The patriotic appeal of war will no longer prevail.

In peace time production we shall have to find equivalents for all the factors which are now making our war production the marvel of the age.

For a great many years I have watched the evolution of organized labor and the goals for which it strives. With certain exceptions, it is a record of much that is noble and strong in human aspirations. Fundamentally, it represents a struggle for justice; the rights which we all recognize as man's equitable due.

Living Standard Built by Effort, Organization and Saving

But there is a practical aspect to human rights. A standard of living is not achieved by demands or by talk. It has to be built by effort, organization and saving.

One of labor's just goals is a better standard of living. This is another way of saying that labor seeks to increase its return.

There are two ways in which this can be done, a right way and a wrong way.

The wrong way is to demand a bigger share of the existing national income. The right way is to seek every legitimate method of increasing the national product so that there will be more to distribute.

To put it another way, the wrong way is to demand a bigger share of a pie that has been baked. The right way is to help to make a bigger pie. In 1929 the national income was about $83 billions. Wages and salaries amounted to approximately 62%, or about $51 billions. In 1943 the national income was about $148 billions; wages and salaries were 71%, or a little more than $105 billions. I know you will object that salaries include the compensation of corporate executives, but in each case these were about 6% of the total.

In 1932 labor received its largest share. 79% of the national income in that year went to salaries and wages. But if labor had received 100% of the national income in that depression year it would have been scarcely any better off.

The problem of distribution is not so simple a matter as shares. The government takes a big slice of the pie in taxation. The savings which are called capital also require a share. Management and ownership claim a share. Labor requires its share. If the pie is always the same size, giving more to one means giving less to the others.

The problem is further complicated by the changing value of money. Prices are a major concern.

During the war every major nation has frozen wages, salaries, profits and interest in the effort to hold prices in check. Despite some injustices, the effort has succeeded.

It is easy to say that rents should be frozen because nobody loves a landlord. It is easy to say that interest rates should be frozen because nobody loves a money-lender. It is easy to say that the price of food should be frozen, because the farmers have rarely had much consideration as regards their standard of living. But under the limited production of things we all want, whoever gets a bigger share takes it away from someone else.

If anybody's search for a larger share simply results in higher prices, no special benefit will follow.

What I am saying is that claims for more should not be based *solely* on the rising cost of living. If we do nothing more than generate a spiral of rising prices, noboby benefits except speculators. All the people who live on pensions, life insurance or other fixed incomes suffer.

Now let's look at the right approach. Our hope for a rising standard of living lies in the increase of the national product. If we can increase the volume of goods and reduce the costs, there will be more to distribute and the threat of rising prices will be countered.

But I can hear the objection that you have no assurance that an increased national product will bring you an increased share. In this criticism you have history on your side. But competition for shares in the national product need not be destructive. Obviously, labor cannot compete on an equal footing without the power of organized bargaining.

Labor Relations Improved

With certain exceptions, I am justified by my own experience in the belief that labor relations with industry have vastly improved. I know we recognize our common interests. We can well be united against the threat of socialization. Neither industry nor labor could survive in the super-state. Therefore, I am ready to believe that we can work with any moderate government in solving the problem of distribution.

On the economic side, the starting point is increased output at reduced costs.

The government can help by easing the tax burden which is a cost factor, and by accelerating depreciation and obsolescence which would encourage improvement.

It can continue financial aid, where private finance is unable to take the risks.

Management should persue its search for improved technology, better methods and organization, and improved conditions in health and protection.

Labor should examine every trade practice and policy to be certain that they enhance rather than impede the prospects for increased production at lower costs. Economic expansion and in increased national product are in no small part in your hands.

I am fully aware of the objection that improved technology displaces labor. The sound answer is to be found in the vast untouched market in which between 600 million and a billion people have not yet enjoyed any of the products of machine production. If we have the courage to widen our markets in behalf of that section of humanity which knows nothing of a decent standard of living, technological displacement will take care of itself.

Results of Work Count

Before closing let me offer a new thought, or at least one which has had little emphasis. The current estimates of the need for 60 million jobs does not give sufficient weight to the fact that it isn't just work that men want. It is the results of work. If 60 million men had jobs at soldiering, they wouldn't give anyone a high standard of living. . . . It is loaves of bread, units of housing, wardrobes, schools, autos and radios that we need. When these things are produced at lower and lower cost, we make a frontal attack on the high cost of living, and consequently contribute to better standards of living.

It has been a privilege to meet with your Officers Institute. You bear a grave responsibility. Under the democratic process, the formulation of policies must express the hopes and desires of your vast membership. You, too, must feel the burdens of leadership which will call for humility more than the sense of power.

We can work together with government for the common good or we can engage in conflict which will destroy all our hopes for peace and progress.

Now is the time for decision. What we do today will profoundly influence the future.

It is heartening to note that you have invited men of all shades of opinion to speak freely in your forum. You may disagree and debate with your guests, but you are both fair and wise in making possible full and free discussion.

I believe we can succeed and I am ready to do all in my power to make a working accord possible.

*An address by Mr. Kaiser before the International Ladies' Garment Workers Union, Times Hall, New York City, Jan. 26, 1945.

Gus Muller With S. H. Junger Co.

S. H. Junger & Co., 40 Exchnage Place, New York City, announces that Gus Muller has become associated with the firm.

Phila. Transportation Co. Interesting Situation

Consolidated mortgage 3-6s of 2039, the 5% preferred, and the common stock of Philadelphia Transportation Co. offer interesting situations with attractive yields, according to a circular prepared by Stroud & Co., Inc., 123 So. Broad Street, Philadelphia, Pa. Copies of the circular on the company, which has reduced its debt $11,251,469 since its reorganization in 1940, may be had from Stroud & Co. upon request.

Excellent Opportunity

Graham, Parsons & Co., 1421 Chestnut Street, Philadelphia, Pa., members of the New York Stock Exchange, have prepared a study of the Pennsylvania Salt Manufacturing Co., which has paid dividends continuously for 82 years, and offers, the firm believes, an excellent opportunity to invest in an important growth industry. Copies of the study may be had from Graham, Parsons & Co. upon request.

Available On Request

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

Decision in Avery Case Pending

(Continued from page 515)

retary of the Curb Exchange, Fred C. Moffatt, President thereof, and David U. Page, Chairman of its committee on stock transactions. The plaintiff also called a number of the other Governors of the Exchange as witnesses.

Testimony was later given that since the dissolution of Avery & Co., part of its business found its way into the offices of some of the Governors of the Curb Exchange.

It was also testified that this was the first instance in which the penalty of dissolution was imposed by the Curb on such charges.

The court expressed the view that the penalty seemed to be unduly harsh.

Contention of the Defense

The defense was largely based upon the claim that the powers of the Curb Exchange with respect to disciplinary proceedings are expressed in its by-laws to which every member agrees when he acquires his membership; that under those powers the Board of Governors was fully authorized to take the action that it took and to order the dissolution which was subsequently effected. All this, it is asserted, was done absolutely without any malice.

Briefs

The Securities and Exchange Commission had its observers present throughout the trial and applied for leave to file a brief amicus, i.e., as a friend of the court. Such leave was granted. Mr. Justice Shientag directed that all briefs be exchanged within twenty days and that the parties have ten days thereafter for the exchange and filing of replying briefs, so that no decision may be expected before about the end of February.

Importance of the Issues

This case is being watched carefully by brokers and dealers in the securities field because it throws into sharp relief the extent to which disciplinary bodies which have the multiform functions of investigator, prosecutor, judge and jury, may go.

In view of the nature of the hearing before the Exchange, as developed by the testimony before Mr. Justice Shientag, it is expected that he will give serious thought to this subject and cover the same in his opinion.

The plaintiff's case was tried by William H. Friend, as counsel for Lowe, Dougherty, Hart & Marcus. William G. Mulligan, counsel for Reed, Truslow, Crane & De Give, tried the case for the defendant.

Arthur Tresch Co. Formed

(Special to The Financial Chronicle)

CHICAGO, ILL.—Arthur Tresch & Co. has been formed with offices at 209 South La Salle Street to engage in an investment business. Partners are Arthur Tresch and Bruce Krasberg. Mr. Tresch was formerly associated with Braun, Bosworth & Co.

Interesting Situation

The current situation in Foundation Co. offers interesting possibilities according to a circular prepared by J. F. Reilly & Co., 111 Broadway, New York City. Copies may be had from the firm upon request.

Promising Speculation

General Machinery common, at market, offers a promising speculative commitment on its post-war prospects, according to a detailed memorandum on the situation issued by Amott, Baker & Co., 150 Broadway, New York City. Copies of this interesting circular may be had from the firm upon request.

Confidence in Railroad Credit: General Ayres

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and that their face value will be paid on or before maturity.

A number of the bond issues of the Chesapeake & Ohio belong in this enviable first class. The financial services give them their highest ratings of A1, or of AAA, or of Aaa. Several grades down in the scale of investment quality are the best of the second-grade bonds which the financial services designate with ratings of B1, or BAA, or Baa. These are still good bonds, but they occupy a kind of midway position between the issues of true investment quality and the poorer ones that are somewhat speculative in nature. Of course, the bonds of the highest quality always sell for higher prices than do the second-grade bonds, even if both sets have about the same maturities and equally good coupon yields.

For many years prior to the period of great speculation of the late 1920s, the second-grade railroad bonds sold on the average at prices about 83% as high as those of the best quality issues. In times of depression they sold at lower per cents than 83, and in periods of prosperity they sold at higher per cents. Those fluctuations furnished a kind of measure of the degree of confidence that investors had in the future of the railroad industry. In times of prosperity they began to feel that the second-grade bonds were almost as desirable as the first-grade issues, and so they bid up their prices. In times of depression they began to worry about the railroads, and so the prices of the second-grade bonds fell further than those of the first-grade issues.

At the time of the great stock market speculation which ended in a sudden crash of prices in late 1929, many people had too much confidence in the futures of almost all sorts of business. They thought and proclaimed that we were in a new era in which we should not experience any more depressions. Investors felt so confident about the outlook for the railroads that the market prices of second-grade bonds rose until they were at one time 94% as high as those of the very best issues. Investors were wrong in their judgments about the railroads, and about business in general, but the heights to which they bid up the prices of the second-grade bonds furnished a measure of the degree of their confidence.

In 1930 the Great Depression got under way. Times were hard for almost all lines of business, and particularly so for the railroads. Market prices of almost all kinds of securities declined severely, and those of the second-grade rail bonds were particularly hard hit. By the end of 1932 they were selling for only 31% as much as the highest-grade rail bonds. The confidence of investors in the future of the railroad industry was badly shattered.

During the remaining depression years the market prices of the second-grade bonds remained low in comparison with those of the first-grade issues, and the cause continued to be lack of confidence on the part of investors. The per cent climbed up to 58 in 1937, and then fell again to 53 in 1938, when business depression returned after a brief recovery, and the railroads had another bad year. In 1939 war broke out in Europe, and bond prices rose a little, until the quotations of the second-grade bonds were 58% as high as those of the highest-grade issues.

Since 1939 the second-grade bonds have been steadily improving their relative positions. In 1941, when we entered the wars, their prices were 63% as high as those of the first-grade issues, and in 1943 they had moved upward until they were 70% as high. The greatest improvement, and the most definite evidence of increased investor confidence, developed in 1944, and especially in the closing weeks of the year. In December of last year the prices of the second-grade bonds had advanced until they were 82% as high as those of the highest-grade issues. This most recent increase carries the relationship back nearly to the old normal one of 83%.

All this is most gratifying to those who have the best interests of the railroads at heart, but still it is not enough. What the railroads really need most in a financial way is to have their credit status so fully reconstituted that they can once more raise their needed new funds by selling common stock, instead of doing it by going further into debt. They need to earn sufficient income, and to pay enough dividends, so that their common stocks will sell above par. This is far from being the case at present. In December there were only five important railroads in this country that had common stocks selling above par, and the next 20 leading roads had common stocks selling at an average of only 33% of par.

If railroads are to continue serving the transportation needs of the country as efficiently as they have been during the war years they must have full access to the financial markets. In the case of such railroads as those of the Chesapeake & Ohio group, there has been made an investment of about $22,000 for each employee who has a job on the system. If more jobs are to be provided, more money will have to be invested. Credit is in reality an attitude of mind on the part of investors; and in the case of the relationship between the railroads and the investors it is highly desirable that the attitude should be one of fully restored confidence. Progress toward that goal is being made, and more of it is needed.

Lanston of First Boston Corporation Analyzes Future War Bond Drives

(Continued from page 519)

be segregated from the sales efforts directed to corporations, insurance companies, etc., in order that the public might better see for itself—at the time of such drives—whether it was doing its share in financing the war. An important corollary objective of these recommendations was to nullify any tendency to cover up the failure of the individual part of the drive, by characterizing the over-all result as an 'outstanding success' purely because of the dollar total eventually achieved—largely by bank absorption of already outstanding securities."

"After the individual drive a second phase—the offering of securities to other than commercial banks—might be made," Mr. Lanston's memorandum continues. "In order, during this latter offering, to reduce the amount of selling of outstanding securities by institutions which wish to obtain funds to increase their subscription totals, several changes might be attempted. For example, the period during which the books are open on such offerings might be reduced to several days or one week as contrasted with two weeks and longer previously. At the same time shorter-term securities carrying a lower coupon rate than 2% might be offered—although no change in the longer 2½s would be made. The deferred subscription privilege might be restricted to discourage the sale of outstanding securities on an arbitrage basis. Quotas might be set in conjunction with a more accurate measurement of the actual new funds and real reinvestment funds believed to be available. Each of these changes would serve to decrease the funneling of outstanding securities into the hands of commercial banks and thus to reduce the total drive sales to these classes of buyers to a lower and more realistic level.

"As long as Treasury borrowings remain at their prospective high levels bona fide purchases by other than commercial banks (as outlined above) would be insufficient to cover the Treasury's requirements. Thus, the third phase of the drive would represent an offering of securities directly to commercial banks. Such offerings would hardly require the use of 2% bonds and would probably consist of lower coupon issues of shorter term. Thus, such changes in drive methods would result in selling to commercial banks approximately the same volume of securities, but in a more orderly and natural manner, and at a lower interest cost to the Treasury than is accomplished by present methods.

"It would not be necessary for the Treasury to attempt to 'force' a lowering of the yield curve in order to have such a result take place. In a controlled market—particularly where there is confidence in the efficacy of such controls—there is a tendency to favor the security which is generally available, which offers the highest interest rate, and yet which is of a term that fits within general investment policies. The Treasury itself gave approval, in setting up its war financing patterns, to purchase by commercial banks of maturities up to the 8 to 10-year bracket. Consequently, if the Treasury were to restrict future offerings to issues of shorter term and bearing a coupon rate of less than 2%, the demand for the highest coupon issue (such as a 1¾% bond) would gradually force the Treasury to successively lengthen the term of the security at that rate. This was the case with the successive 2% offerings and has also been clearly demonstrated by the market premiums which have existed on the 1½% and 1¾% issues. Any changes in War Loan Drive methods, such as those outlined above, would, therefore, result in a tendency to lower the existing pattern of yields with a consequent reduction in the amortized income accruing to the commercial banks by additional purchases of war financing securities, and this would be without any attempt on the part of the Treasury to force the issue.

"As a matter of fact, the attitude of a number of bankers is that such a trend is inevitable. Since an increasing number of banks are in or are verging upon excess profit tax liabilities, it actually makes little difference whether additional *taxable interest income* from Treasury securities is obtained from 2% or 1% issues. Some, however, dislike the prospects of a lowering of the interest pattern at this time because they feel that it implies greater difficulties in the post-war control of interest rates in general. The latter seems to us to be an orthodox reaction to an unorthodox condition in the sense that the considerations are hardly 'normal.' Of the various evils that one could imagine as a consequence of interest rate controls, a lowering at this point of the interest pattern might well be characterized as one of the lesser. Elliott V. Bell, Superintendent of Banks in New York State, expressed this point ably when he said that our large Treasury indebtedness 'is bound to have a profound influence' because it 'inevitably compels the Government to intervene more and more in the economic system.' Banks are an important part of our economic system."

Tomorrow's Markets Walter Whyte Says—

(Continued from page 518)

who look beyond headlines and editorials is another.

* * *

By the time you read this the Henry Wallace appointment may be confirmed. There are as many powerful interests on his side as there are against him. No, the market action of the past few days had little to do with court decisions or secretaryships. This doesn't mean that I know the answers. But I do know that widely publicized events seldom have a lasting market influence. And never are they discounted or reflected twice.

* * *

Leaving political and judicial affairs alone and concentrating on the stock market we see that while the averages are still under their best levels, individual stocks are already poking their heads if not through their recent resistance levels, then into them. After three attempts to decline, each of which failed, it is beginning to look like the market is in earnest about wanting to go up.

* * *

If instead of advancing prices hold present levels and start to snore gently, that too won't be pessimistic. Of course the somnambulistic process can't be carried too far. In fact the only pessimistic thing to look for now is something quite obvious—a general decline. But even a decline, if it stops within circumscribed levels, should not be alarming.

* * *

In case you want to know what these levels are I suggest you refer to the stocks mentioned here in the past few weeks and take another look at their stops. Twice these stops looked like they couldn't hold. Twice, they held and the stocks went up. In average points the lows of last Wednesday, Jan. 24, should hold.

* * *

Present action is extremely tempting. For even if it doesn't show any immediate advance it minimizes the danger of immediate decline. If such action continues for another week I'll give you a list of stocks which should give you an ample share in any coming advance.

* * *

Meanwhile the stops on the following still apply. American Crystal Sugar 18, American Steel Foundry 27, Baldwin Locomotive 25, Crucible Steel 35 and U. S. Steel 58. The stop in G. L. Martin also remains at 22.

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.]

Seventeenth Annual Sales Meeting of R. H. Johnson

R. H. Johnson & Co., 64 Wall Street, New York City, held its seventeenth annual sales meeting at the Waldorf-Astoria, Jan. 27. The entire sales force participated in the meeting.

Attractive Situations

Skilsaw, Inc. and American Arch Co. offer attractive possibilities according to analyses issued by W. J. Banigan & Co., 50 Broadway, New York City. Copies of these memoranda may be had from the firm upon request.

Attractive Situation

Pittsburgh Railways offers attractive possibilities according to a study of the situation prepared by First of New York Corporation 70 Pine Street, New York City. Copies may be had upon request from First of New York Corporation.

Outstanding Bldg. Stock

The Upson Co. common offers an outstanding medium-priced building stock, according to a report issued by J. W. Gould & Co., 120 Broadway, New York City. Copies of this report may be had from J. W. Gould & Co. upon request.

DePinna Co. Attractive

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

Attractive Situation

Cliffs Corp. offers interesting possibilities, according to a study of the situation prepjared by Kitchen & Co., 135 South La Salle St., Chicago, Ill. Copies of this study may be had from the firm upon request.

"The Confident Year"

The latest Bulletin issued by Strauss Bros. entitled "The Confident Year" sketches the outlook for eight vital industries and reviews thirty-four securities. Copies may be had upon request from Strauss Bros., 32 Broadway, New York City.

Some Consequences of A $300 Billion Debt

(Continued from page 514)

by June of next year of approximately $300 billion. There is no doubt we will certainly see a debt of that size. Before we are through, it may be considerably larger. The existence of so large a national debt is bound to have a profound influence. The danger is not that the government will go "bankrupt." Governments today have many devices by which they can avoid that. The important thing is that a debt of this size inevitably compels government to intervene more and more in the economic system.

I should like to talk to you about some of the effects this large national debt will have upon the economic outlook in general and the savings and loan business in particular.

To begin with, so large a debt will have a definite influence upon the general level of interest rates.

For the past twenty-three years long-term interest rates have been declining. Today they are at the lowest levels in our history. Because of the nature of your business, savings and loan associations have been slower than most types of financial institutions to feel the full impact of falling interest rates. Nevertheless, the average rate on outstanding loans in the associations of New York State has fallen from five and two-thirds per cent in October, 1939, to five and one-quarter per cent last October.

But that is only part of the story. In 1939 nearly two-thirds of the outstanding mortgages carried six per cent. Today only a little more than one-fourth carry that rate. In other words, the high yield mortgages are running off. Lower rates are becoming the rule. This is a result of the decline in interest rates in general. Although mortgage interest rates rise and fall more slowly than those on government bonds and other market issues, they are directly influenced by the money market. The general level of interest rates cannot rise or fall without ultimately affecting mortgage rates. The general level becomes accordingly a matter of very real importance to savings and loan associations. Will it go up, or down, or stay the same?

Take first some of the factors pointing toward higher interest rates. The banking system has undergone a terrific expansion of credit in recent years. The long-continued financing of the Federal deficit, especially war financing, has brought about an enormous expansion of bank deposits. In the five years ended last June 30, the total deposits of all commercial and savings banks in the United States increased more than $50 billion. Since the low point of the depression the rise has been about $90 billion. These deposits totalled last June nearly $129 billion. As a result of this expansion the excess reserves of the banking system have all but disappeared. The old familiar ratios of capital funds to deposits have been replaced by much lower ones.

War financing has also put a heavy strain upon the Federal Reserve Banks. Under the law the Reserve Banks are required to have on hand gold certificates equal to 40 per cent of their outstanding notes and must have reserves in gold certificates or lawful money equal to 35 per cent of their deposits. Since June of 1939 the Reserve Banks have increased their issue of notes by more than $17 billion, while deposits have gone up over $4 billion. The consequence is that the Federal Reserve ratio of gold to note and deposit liabilities combined has fallen from 85 per cent in June 1939 to 49 per cent.

Post War Interest Rates

Ordinarily all these circumstances would be pretty sure signs that some tightening of money rates was ahead. Such a forecast would seem especially likely when it is considered that there still lie ahead demands for many more billions of dollars to finance the war. But, the time has long since past when we could consider solely or even primarily the factors of supply and demand in this question of interest rates. Not for many years has there been such a thing as a free market in money. The controlling influence in the future of interest rates will be government policy. Here is where our $300 billion debt will be decisive.

At current average rates the interest alone on that debt will be $6 billion annually. Except for two unusual years, that is more than the entire annual revenue of the Federal Government at any time prior to 1940. A rise of even one-half of one per cent in the average rate of interest on that debt would mean $1,500,000,000 added to government expenses. That would mean, in turn, either another billion and a half of taxes each year or a still further rise in the debt.

Moreover, government bonds will constitute the largest single asset of most of our financial institutions. Already more than half the assets of our commercial banks consist of these securities. Now a rise in interest rates means a fall in bond prices. You cannot have the one without the other. Any collapse of government bond prices comparable to what occurred after the last war would have disastrous effects upon our banking system and upon our entire economy. Accordingly, I take it as self-evident that the Federal Government will be compelled to do everything within its power to keep government bonds from falling in price. That means, as a practical matter, keeping interest rates low.

In the light of that fact, the whole question of the future of interest rates comes down to this: Can the Treasury and the Federal Reserve System succeed in keeping interest rates low? What devices do they have for accomplishing this end? The first requirement, of course, is to maintain excess bank reserves so that the commercial banks can continue to absorb government bonds and will continue to have an excess of funds for which they must seek an investment outlet.

There is no lack of means toward this end. One step, which has already been proposed, is to lower the reserve requirement of the Federal Reserve Banks. Another possibility is to lower the reserve requirements of the member banks. Beyond that, the Reserve Banks could ease their position by issuing notes which do not require any gold reserve. The Treasury could increase the gold reserves of the Federal Reserve Banks by depositing with them some of the $1,800,000,000 gold in the Stabilization Fund. There are still other devices.

One thing is certain, the federal authorities have it within their power to prevent banking conditions alone from determining interest rates. Equally important is the fact that bankers today are aware that a rise in interest rates, which would mean a fall in bond prices, would be more painful than pleasant.

Easy Money Policy Demanded

So we come down to these two circumstances: (1) That the government must willy nilly maintain an easy money policy; (2) that all of us who are concerned with the security of our banking system and the economic stability of our country must hope that the government can succeed in its objective. Accordingly, I would place my bets on the side of continued low interest rates. I do not mean by this that it will be safe to disregard a proper spacing of long and short maturities. I do not mean that there will not be some ups and downs in government bonds, possibly some sharp ones. I do not mean that interest rates are bound to stay at precisely their present levels. I simply mean that the prudent assumption is not to count on any material rise in the general level of interest rates for a long time to come.

Another phase of your business which has been and will continue to be affected by the size of the government debt is the volume of your shareholdings. Savings of all types have been increased during the war as a result of larger incomes generated by government spending of borrowed money. But the savings deposits in banks and the shares in savings and loan associations have not expanded as rapidly as have demand deposits. In other words they have not yet caught up to the new volume of demand deposits. Shifts in population following the war will mean shifts in share accounts for many savings and loan associations, but the overall trend is likely to be up.

A second reason for expecting larger shareholdings in your institutions is the prospect of a higher national income after the war than we had before. A higher income should be accompanied by a larger dollar volume of savings. The reasonable expectation, therefore, is that, barring a major depression, savings will continue to increase after the war. This conclusion further reinforces the belief that interest rates will not rise. The larger funds seeking investment outlets will lead to competition which will act as a depressing influence on interest rates of all types.

Post War Prices

Our record-breaking national debt will also have an important bearing upon prices. We have been hearing warnings of inflation for so long that most of us have become numb to the meaning of the word. To the question: Are we going to have inflation? there are several legitimate answers. In one sense we already have inflation. We have witnessed a phenomenal inflation of currency and bank deposits—the means of payment in the hands of our people. The volume of bank deposits credited to private accounts and all currency outside of the banks has more than doubled since 1939. It has trebled since the low point of the depression. It amounted last June to over $136 billion and today is probably $140 billion. That compares with $55 billion in the boom year 1929.

If the question means: Are we going to have inflation of the type Germany had in 1923—the short answer is "No." Before that could happen, we should have to be, like post-war Germany, a nation defeated, exhausted, and morally, physically, politically, bankrupt. But what most people mean by the question is simply this: Are we going to have a major price rise?

Well, all our past wars brought a rise and subsequent fall in prices. The First World War followed the pattern. From June 1914 to December 1918 the wholesale price index approximately doubled. From that point to the Spring of 1920 there was a further increase of 22 per cent. Note the sharp rise in prices which occurred after the war was over. By April 1920 the dollar, in terms of wholesale commodities, was worth only 40 cents compared with 1914. Then came the collapse. Prices in one year fell nearly 50 per cent. But they never returned to pre-war levels, except during the depression of the early thirties.

Thus far, in the present war, wholesale prices, as measured by the Bureau of Labor Statistics index, have risen about 35 per cent in the past five years. The cost of living index has gone up 28 per cent. Most of this increase occurred prior to the General Maximum Price Regulation of OPA issued in April 1942.

Here then is the situation: There exists currently an enormous volume of available purchasing power which, as a result of government controls and of the remarkable self-restraint shown by our people, has not yet had nearly as much effect upon prices as might have been expected. Once the war is over, once the restraints of patriotism are loosened, once civilian goods again appear on the market, it is altogether possible that the vast accumulation of purchasing power will be turned loose in a scramble to satisfy long-deferred wants. In that case prices could rise very rapidly for a while.

Here again we must reckon with government intervention. Unquestionably, an effort will be made to retain OPA price controls and to avoid runaway price rises. But the government will also be worried about possible price declines. It will be worried about unemployment and commodity surpluses. Finally, government will be thinking about that national debt of $300 billion or so. Clearly it will be easier to carry that debt at a relatively high price level than at a low price level. I believe that the regulation of prices will prove far more difficult than the regulation of interest rates, although the two are, to some extent, related.

Position of Savings Institutions

What can we pull out of all this that will be of some practical use to you whose jobs it is to steer a savings and loan association through the days ahead? It seems clear to me that the savings and loan associations, like all financial institutions, must reconcile themselves to a lower average rate of return on their earning assets than they have known in the past. Even if interest rates should go no lower, the savings and loan associations must adjust themselves for some time to a continued decline in their average rate of return on mortgage loans. Moreover, apart from the question of the debt, other government policies will tend to hold down interest rates. It is a fact that a large part of all loans will, in one way or another, be guaranteed by the government. In the field of residential housing loans the G. I. Bill of Rights will have an important influence in setting the upper limits on interest rates. This bill, together with the effects of mortgage insurance, with which we have already had a decade of experience, is bound to play an important part in preventing the return of "the good old days" in interest rates.

Two conclusions inevitably follow. Mistakes of judgment that lead to losses will be more serious than ever before. When earnings are flowing in at a high rate losses can more readily be absorbed. When the rate of earnings is low it takes a long time to absorb a bad loss. Next, when the rate of earnings is low, dividend policies must be conservative. Those associations which are still paying dividends that were appropriate in the days of the six per cent mortgage will have to cut down now that the six per cent mortgage is gone.

As to prices: While the odds seem to favor a higher general level of prices they also favor the possibility of an ensuing slump some place along the line and of a good many inequalities in price movements. In the field of residential housing we have begun already to find evidences of a coming boom. Things may look pretty rosy for the first few years after the war. Let us not forget that it is when things look rosy that costly mistakes are apt to be made.

All in all, we may take it for certain that the post-war years will be a period of rapid change and perhaps of considerable risk. We shall face a combination of a low rate of earnings, with possible increased hazards.

None of us can avoid mistakes, but let us at least not repeat the mistakes of the twenties. The savings and loan associations have made much progress in recent years. The improvement in their assets is reflected in a reduction of 55 per cent in real estate holdings and a further decline of mortgage arrearages shown in the past year by the New York State associations. That is a good record, but there is still more to be done. The present times offer an opportunity to clean house, to get rid of the legacy of undesirable holdings left over from past years, to get out of debt, to make everything ship-shape for a possible storm ahead.

We cannot be certain what sort of difficulties may confront us, but we can scarcely hope to come through a world-wide war of this magnitude with all its destruction, waste and debt without encountering troubled times. Those savings and loan associations which have done everything possible to strengthen themselves now can face with confidence whatever lies ahead. They will also be the ones who will be best able to seize new opportunities and to contribute to the mighty national effort of post-war reconstruction.

Bretton Woods Plans Vital for 60,000,000 Job Goal: Morgenthau

(Continued from first page)

essential to the functioning of our democracy."

The discussion of the Bretton Woods proposals which has taken place on this program indicates that organized labor understands also that it must play a responsible part in the shaping of international affairs. It has a vital stake in the peace no less than in the war.

It is too often assumed that international affairs are beyond the grasp of the ordinary citizen—that they must be left to the diplomats in the political field and to the bankers in the economic field. If they are left entirely in such hands, the chances are that they will be shaped no better than in the past. Your hands must share in the shaping.

There is nothing remote about the Bretton Woods proposals. They involves your bread and butter. They are an essential part of the President's program for the attainment of 60,000,000 jobs here in the United States. We cannot reach such a level of employment at home unless there is a lifting of living standards abroad and a revival of international trade.

The International Monetary Fund is simply a device to make it possible for workers in all parts of the world to exchange the goods they produce on a stable basis and in an orderly way. It would free the flow of commerce from artificial currency barriers. It would substitute economic co-operation for economic warfare among the nations of the earth.

The International Bank, on the other hand, is intended to give economic help to the people of war-torn lands. Only with such help will they be able to buy what we produce. The only good customers are prosperous customers.

And what is even more important is this: The only kind of world in which enduring peace can be assured is a prosperous world—a world in which people everywhere have an opportunity to fulfill their reasonable hopes through honest work and free interchange of the things they grow and make. The agreement reached by the United Nations at Bretton Woods is one of the cornerstones of such a world.

Calendar Of New Security Flotations

OFFERINGS

ARMOUR & CO. has filed a registration statement for $30,000,000 4½% cumulative income (subordinate) debentures due 1975. The proceeds will be used toward redemption of existing 7% cumulative income subordinate debentures due 1978. Filed Jan. 17, 1945. Details in "Chronicle," Jan. 25, 1945.

Offered Jan. 31 at 100 and interest by Kuhn, Loeb & Co., The First Boston Corp., Harriman Ripley & Co., Inc., Smith, Barney & Co. and associates.

CANADA DRY GINGER ALE, INC., has filed a registration statement for 50,429 shares of $4.25 cumulative preferred stock (no par). The shares were offered for subscription to the holders of common stock of record Jan. 11 at the rate of one share of preferred for each 12 shares of common held. Rights expired Jan. 25. 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.

All but 3,756 shares were subscribed for by stock holders. These unsubscribed shares were sold by the underwriters.

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 purchase, etc. Filed Nov. 10, 1944. The issue was originally awarded Dec. 18 last to Alex. Brown & Sons and associates at 97½, which bid was rejected by the SEC. Subsequently the bankers agreed to purchase the issue at 98½ which the SEC approved without having the issue submitted for competitive bidding.

Offered Jan. 29, 1945 at 100 and interest by Alex. Brown & Sons. The First Boston Corp., Harriman Ripley & Co., Inc., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Folger, Nolan Inc., Eastman, Dillon & Co., Equitable Securities Corp. Laurence M. Marks & Co. and Reynolds & Co.

PHILIP MORRIS & CO., LTD., INC., has filed a registration statement for 199,847 shares of 4% cumulative preferred stock $100 par, and subscription rights for like amount. Company offered to holders of common stock of record Jan. 15 rights to subscribe for 199,847 shares of preferred stock at $105.50 per share at the ratio of one share of preferred for each five share of common stock held. Subscription rights expired at 3 p.m. Jan. 29, 1945. Company also offered, subject to the subscription rights 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. The exchange offer provided for payment by the company of $1.50 per share with respect to each 4½% preferred share exchanged, and in the case of the 4¼% series provision was made for the payment by the exchanging stockholder of $1.50 per share, representing the differences between the call prices and the offering price of the new stock.

Net proceeds from 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 stocks. The old preferred stocks are 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. It was announced Jan. 31 that none of the shares of new preferred stock were available for public offering by the underwriting group, the entire issue having been either subscribed for by common stockholders or taken in exchange by the preferred stockholders.

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 4¾% cumulative preferred stock (par $100). Holders of outstanding 6½% cumulative preferred stock are being given the opportunity to exchange the shares of old preferred stock for shares of new preferred on a share for share basis. Net proceeds from the sale of bonds and 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 $20,000,000 first mortgage and collateral trust bonds, and to redeem at $110 per share and accrued dividends outstanding shares of preferred stock not exchanged for new preferred stock. Filed Jan. 6, 1945. Details in "Chronicle," Jan. 11, 1945.

Offered—The bonds and preferred stock were offered Jan. 31, the bonds at 103¾ and interest and the stock at 110.50 per share and dividend by Dillon, Read & Co., E. H. Rollins & Sons, Inc., Blyth & Co., Inc., Harriman Ripley & Co., Inc., Smith, Barney & Co., Kidder, Peabody & Co., Stone & Webster and Blodget, Inc., Union Securities Corp., White, Weld & Co., G. H. Walker & Co., Rauscher, Pierce & Co., Inc., The Milwaukee Co., Edward D. Jones & Co., A. C. Allyn & Co., Inc., Spencer Trask & Co., and Paine, Webber, Jackson & Curtis.

NEW FILINGS

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

SUNDAY, FEB. 4

NATHAN STRAUS-DUPARQUET, INC., has filed a registration statement for 25,000 shares of 6% cumulative convertible preferred stock, par $25. The shares are issued and outstanding and do not represent new financing by the company. Allen & Co. are named principal underwriters. Filed Jan. 16, 1945. Details in "Chronicle," Jan. 25, 1945.

MONDAY, FEB. 5

KING-SEELEY CORP. has filed a registration statement for 100,000 shares of 5% cumulative convertible preferred stock ($20 par). Proceeds will be used for repayment of $214,393 3½% notes, due Aug. 30, 1945, the acquisition of all of the remaining outstanding shares of common stock of Central Specialty Co. or otherwise to acquire the business and assets of Central, to improve its own and Central's plants and for additional working capital. F. Eberstadt & Co., and Watling, Lerchen & Co., are named principal underwriters. Filed Jan. 17, 1945. Details in "Chronicle," Jan. 25, 1945.

TUESDAY, FEB. 6

OKLAHOMA GAS & ELECTRIC CO. has filed a registration statement for $35,000,000 first mortgage bonds, due Feb. 1, 1975. Proceeds will be applied to the redemption of $35,000,000 first mortgage bonds, 3¾% series due 1966 at 104¼ plus accrued interest. Bonds are to be sold by the company under the Commission's competitive bidding rule and the names of the underwriters will be named by amendment. The interest rate will be named by the successful bidder. Filed Jan. 18, 1945. Details in "Chronicle," Jan. 25, 1945.

THURSDAY, FEB. 8

CARRIERS & GENERAL CORP. has filed a registration statement for $1,872,000 15-year 3¾% debentures due Feb. 1, 1960. Net proceeds from the sale with other funds will be utilized for the redemption in March, next, of $1,872,000 15-year 5% debentures due Nov. 1, 1950, at 105 plus accrued interest. Underwriters are Paine, Webber, Jackson & Curtis, $1,272,000; Eastman, Dillon & Co., $400,000; H. C. Wainwright & Co., $100,000, and Brush, Slocumb & Co., $100,000. Filed Jan. 20, 1945. Details in "Chronicle," Jan. 25, 1945.

SATURDAY, FEB. 10

DALTON HOTEL CORP. has filed a registration statement for 4,932 shares of common stock (par $5). The shares are to be issued in exchange for a like number of units of beneficial interest in the Dalton Hotel Liquidation Trust. No underwriters. Filed Jan. 22, 1945. Details in "Chronicle," Jan. 25, 1945.

MONDAY, FEB. 12

SENTINEL RADIO CORP. has filed a registration statement for 150,000 shares of common stock (par $1). Of the total 75,000 shares are being sold by corporation and 75,000 shares by Ernest Alschuler, President, Treasurer and Director.

Address—2020 Ridge Avenue, Evanston, Ill.

Business—Pre-war business manufacture of radios. Commencing in May, 1942, has been producing war equipment.

Offering—The offering price will be filed by amendment.

Proceeds—Company will add its share of proceeds to its working capital and will be used in general to finance operations, inventories and accounts receivable incident to the company's business. Mr. Alschuler who owns 245,000 shares will receive the proceeds from the 75,000 shares being sold for his account. As of the date of registration Mr. Alschuler is the owner of 245,000 shares, being all of the company's issued and outstanding shares. In addition to the 75,000 shares to be offered to the public, Mr. Alschuler has agreed to give to not less than six key employees of the company an aggregate of 16,000 shares. Upon completion of the sale of the shares and the gifts, Mr. Alschuler will own 154,000 shares, representing 48.1% of the then outstanding 320,000 shares of common stock.

Underwriting — The underwriters are Blair & Co., Inc., Sulzbacher, Granger & Co., Maxwell, Marshall & Co., Shillinglaw Crowder & Co., Inc., Brailsford & Co. and Straus & Blosser.

Registration Statement No. 2-5569. Form S-2. (1-24-45).

TUESDAY, FEB. 13

HIGHLANDS CORP. has filed a registration statement for $250,000 stock (par $100).

Address—Office of the Secretary, No. 1 Dupont Circle, Washington, D. C.

Business—New corporation organized for the purpose of purchasing the Highlands Apartment, at the southwest corner of Connecticut Avenue and California Street, N. W., Washington, D. C., and as rapidly as possible to convert it into a hotel.

Underwriting—No underwriting.

Offering—It is proposed to issue and sell now 2,000 shares at par.

Proceeds—To purchase apartment and convert into hotel.

Registration Statement No. 2-5570. Form S-1. (1-25-45).

TRI-CONTINENTAL CORP. has filed a registration statement for $7,360,000 3½% debentures due Feb. 1, 1960.

Address—65 Broadway, New York City.

Business—Investment company.

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

Proceeds—The net proceeds will be used, together with other funds of the company, to redeem the corporation's 5% convertible debentures, Series A, outstanding in the principal amount of $2,460,000 at 103½ plus accrued interest and to retire $4,900,000 of bank loans.

Underwriting — The underwriters are Union Securities Corp., Blyth & Co., Inc., Goldman, Sachs & Co., Hornblower & Weeks, Kidder, Peabody & Co., Mellon Securities Corp., Stone & Webster and Blodget, Inc., W. C. Langley & Co., A. C. Allyn & Co., Inc., Reynolds & Co., E. H. Rollins & Sons, Inc., McDonald & Co., Ames, Emerich & Co., Inc., Boettcher & Co. and Kuhn Loeb & Co.

Registration Statement No. 2-5571. Form S-4. (1-25-45).

WEDNESDAY, FEB. 14

NORTHERN PENNSYLVANIA POWER CO. has filed a registration statement for $4,000,000 first mortgage bonds due 1975. The bonds are to be sold under the Commission's competitive bidding rule, with the interest rate to be named by the successful bidder.

Address—707 Main Street, Towanda, Pa.

Business—Utility company.

Underwriting—The names of the underwriters will be filed by amendment.

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

Proceeds—The proceeds will be used to redeem securities as follows: Sayre Electric Co., $182,000 first mortgage 5% gold bonds due 1947 at 105, and Northern Pennsylvania, $1,369,900 first and refunding mortgage gold bonds, series A, 5% at 102½ and $2,089,600 first and refunding mortgage gold bonds, 5% series due 1962 at 105. Proceeds with other funds of the company also will be deposited with the trustee under the mortgage to the extent of $358,500 to be withdrawn by the company for new construction or to be used in the retirement of new bonds. In addition the company would establish at Dec. 31, 1944, a reserve of $875,000 by charges to surplus for the purpose of absorbing write-offs as may be required by regulatory authorities, and any writedowns deemed appropriate by the management.

Registration Statement No. 2-5572. Form S-1. (1-26-45).

THURSDAY, FEB. 15

CENTRAL TELEPHONE CO. has filed a registration statement for 35,000 shares of $2.50 cumulative preferred stock, series A (no par) but with a stated value of $50 per share. All of the shares registered are issued and outstanding and are owned by the company's parent, Central Electric & Gas Co.

Address—Sioux Falls Gas Building, Sioux Falls, S. D.

Business—Utility company.

Offering—The offering price will be filed by amendment.

Proceeds—The proceeds will be received by Central Electric & Gas Co., owner of all of the preferred shares. Central Telephone was incorporated on May 25, 1944, and on Aug. 31, 1944, acquired from its parent, Central Electric & Gas, all of the telephone properties of Central Electric, including its investment in the securities of Virginia Telephone & Telegraph Co. and Middle Western Telephone Co.

Underwriters—Paine, Webber, Jackson & Curtis and Loewi & Co.

Registration Statement No. 1-5573. Form S-1. (1-27-45).

MANHATTAN BOND FUND, INC., has filed a registration statement for 1,000,000 shares of capital stock.

Address—48 Wall Street, New York City.

Business—A registered investment company investing only in bonds.

Offering—At market.

Proceeds—For investment.

Underwriting—Hugh W. Long & Co., Inc., is named underwriter.

Registration Statement No. 2-5574. Form S-5. (1-27-45).

A. P. W. PRODUCTS CO., INC., has filed a registration statement for $2,000,000 20-year 5% first mortgage sinking fund bonds and 40,000 shares of capital stock (par $5).

Address—Foot of Bridge Street, Albany, N. Y.

Business—Manufacture and sale of tissue and towel paper, etc.

Offering—The company is offering the holders of its $2,000,000 20-year 6% first mortgage sinking fund bonds due April 1, 1948, the privilege of tendering their bonds for redemption as of April 1, 1945 at 102½ and interest, or, in the alternative, to assent to an extension offer providing for the extension of the maturity date to April 1, 1965 and the reduction of the rate of interest to 5% per annum and to receive in consideration for such extension $25, the amount equivalent to the 2½% redemption premium, and in addition 20 shares of the company's $5 par value common stock. The extension offer will expire at noon Feb. 26, 1945. Bonds not tendered for extension will be redeemed at 102½ and accrued interest to April 1, 1945. After the expiration of the extension offer, an amount equal to the unextended 6% bonds are to be offered to the public by the underwriters at the initial offering price of $1,000 "per unit" consisting of $1,000 20-year 5% first mortgage sinking fund bond and 20 shares of $5 par value common stock.

Purpose—For redemption or extension of bonds.

Underwriting—The underwriters are Allen & Co., Bond & Goodwin, Inc., E. W. Clucas & Co., R. H. Johnson & Co., Schoellkopf, Hutton & Pomeroy, Inc., Buckley Brothers, George R. Cooley & Co., Inc., Brailsford & Co., and Ferris, Exnicos & Co., Inc.

Registration Statement No. 2-5575. Form S-1. (1-27-45).

SATURDAY, FEB. 17

ACME ALUMINUM ALLOYS, INC., has filed a registration statement for 185,000 shares of common stock (par $1) and 40,000 shares of $1.10 cumulative convertible preferred (par $17.50). Of the shares registered 40,000 shares of preferred and 40,000 shares of common are to be offered by the company and 40,000 additional shares of common by certain stockholders. The registration covered 25,000 shares of common stock issuable upon the exercise of warrants and 80,000 shares of common are reserved for issuance in connection with the conversion rights of the preferred stock.

Address—232 North Findlay Street, Dayton, Ohio.

Business—Integrated unit engaged in the metal fabricating business.

Offering—The offering price of the preferred stock is given at $20.75 per share and of the common at $8 per share.

Proceeds—The proceeds from the sale by the company of 40,000 shares of preferred and 40,000 shares of common will be added initially to the working capital of the company. The consideration to be received by the company upon the sale of warrants will similarly be added to working capital and to the extent that shares of common are purchased upon the exercise of warrants, the proceeds will be added to working capital. Ultimately the company plans to utilize such funds in the general expansion of its business.

Underwriters—Principal underwriters are Reynolds & Co., and Gillen & Co.

Registration Statement No. 2-5577. Form S-1. (1-29-45).

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.

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.

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.

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.

Registration statement withdrawn Jan. 17, 1945.

DELTA AIR CORP. has filed a registration statement for 102,424 shares of common stock (par $3). It is expected that proceeds will be used in the acquisition of additional flight, communications and other equipment, the construction of hangers, the purchase of machinery, and other facilities in connection with its present routes, and such new routes as may hereafter be acquired or participated in by the company. Courts & Co., Atlanta, Ga., is the principal underwriter. Filed Jan. 10, 1945. Details in "Chronicle," Jan. 18, 1945.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceeds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

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.

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.

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. Proceeds will be used for construction of distillery, $250,000; working capital, $250,000. No underwriter named. Filed Aug. 14, 1944. Details in "Chronicle," Aug. 24, 1944.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Last week, in the Government bond market, there were distinctly different trends in the prices of the taxable and the partially exempt obligations. . . . The latter issues under the influence of favorable military operations, weakened in the middle of the week, and despite some recovery in the last two days, losses of a quarter of a point or more were registered during this period. . . . After what has happened in the past, marketwise, for the partially exempt issues with improved war news, it is indicated that dealers are not inclined to build up their positions in these securities particularly at these sharply advanced levels. . . .

TAXABLES CLIMB

The taxable securities declined last Wednesday and Thursday, but the advance during the latter part of the week, carried most of them to their top levels for the year. . . . These obligations are under the influence of the belief that there will be a change in the rate of interest for the bonds to be offered in the next war loan. . . . No denial or substantiation of this idea was forthcoming last week from Secretary of the Treasury Morgenthau at his press conference. . . . The market seems to be pretty well filled with guesses as to what rate and issues may be expected in the next drive. . . .

These forecasts vary all the way from a five year 1½% issue to be offered only to the commercial banks, a six year 1¾% bond, with limited commercial banks participation to long term 2¼% or 2⅜% bond as well as a longer term 2½% issue for the insurance companies. . . .

UNCERTAINTY PREVAILS

These thoughts on future government financing have the banks and insurance companies on the anxious seat, with reports that the latter institutions are hoping that if any changes take place in the forthcoming financing it will be in the maturity date and not in the rate. . . . The insurance companies have their affairs adjusted to the 2½% rate and would like to keep it that way. . . . Accordingly they would be in favor of a lengthening of the maturity rather than a change in the coupon rate. . . .

ATTITUDE OF SAVINGS BANKS

The savings banks are sold on the 2% bonds, since these issues meet their requirements in a very satisfactory way. . . . There are indications that if the rate on future bond issues is reduced to 1¾% there may have to be some downward revisions in the interest paid on savings deposits by these institutions. . . .

It is also reported that the uncertainty over the future trend of interest rates has caused the insurance companies and savings banks to withdraw from the market the higher coupon partially exempt issues that they had intended to sell at present high prices. . . .

It was pointed out that if future bond flotations by the Treasury are to carry lower rates it is to the advantage of these institutions to hold on to the high coupon partially exempt issues as they were bought at levels well below those currently prevailing. . . .

It is indicated that the commercial banks, particularly the larger ones, after taxes, are showing earnings on their government security holdings of about ¾ of 1%, so there does not appear to be much room left among this group of institutions for a further reduction in rate of return. . . . Likewise these banks have only had limited direct participations in the recent war loans, although their indirect importance in the drives has been substantial. . . .

TREASURY SUPPORT NECESSARY

It as learned that some of the experts on the money market feel that in view of the enormous institutional holdings of government bonds, the Treasury will have to use every means at its disposal to stabilize quotations for these securities after the war. . . . A material decline in market prices would have an adverse effect on the position of financial institutions, an eventuality the Treasury will want to prevent. . . .

A further lowering of government bond yields at this time would make it necessary for the Treasury to stabilize quotations of its obligations at a higher price level. . . . This task may prove difficult enough after the war without changing the terms of new offerings, particularly at times when the demand for capital from private sources may bring some liquidation of their governments by institutional holders. . . . It would add to the problem if the Treasury were to lower yields on new offerings at this time. . . .

FUTURE WAR LOANS

Even if the war in Europe should end suddenly, at least one more major war loan drive will be needed. . . . It is more likely that two or three will be required. . . . By offering obligations with the same conditions as those attaching to the Sixth War Loan Drive, the Treasury will obligate itself to pay out somewhat more in interest than would be the case were yields lowered to bring them in line with present market quotations. . . . This is looked upon as a minor consideration, however, as against incurring an implied obligation to peg the whole government bond market after the war, on a lower yield basis than has prevailed hitherto. . . .

Investm't Company Shares Exceed $900 Million

Hugh W. Long Says Assets Now Greatest in Their History—Looks for Further Growth in Post-War Period

Pointing out that total assets of open-end investment companies are about to cross the nine hundred million dollar mark for the first time in their history, Hugh W. Long, president of Hugh W. Long and Co., Inc., predicted a great expansion in the investment company business at the close of the war. "There is a readily discernible trend on the part of the public," he said, "towards professionally managed investments that are both diversified and liquid, and a vast reservoir of savings will be available for such investment just as soon as the Government's wartime financing is completed."

Hugh W. Long

Mr. Long estimated the present accumulated savings of individuals at more than $125 billion, or $75 billion more than five years ago, the increase alone exceeding the total value of all listed stocks. "Post-war industrial expansion will offer favorable opportunities for the employment of these huge savings, and investment companies are now studying new methods of investing which may develop under peacetime conditions," Mr. Long added.

He expressed the belief that a factor in bringing about the increased public demand for the stocks of investment companies has been the growing acceptance of their securities by trust departments of banks in various states.

Colonial Trust Co. Elects Diez V.-P.

Arthur S. Kleeman, President of Colonial Trust Company, announces the election of Mario Diez as Vice President. Mr. Diez, who is in charge of the Foreign Division of the bank, has been an Assistant Vice President since joining the organization in 1943.

Mario Diez

Mr. Kleeman also announced the following promotions: Le-Roy T. Tanfield, Charles R. Conkling and Arnold J. Colombo, formerly Assistant Treasurers, and Alexander Yelton, former Auditor, to be Assistant Vice Presidents; Arthur B. Stewart, Manager of the Personal Loan Department, to be Assistant Treasurer, and Joseph J. Williams, Chief Accountant, to be Auditor.

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