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The Commercial and FINANCIAL CHRONICLE

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Glore Director of Stewart-Warner

CHICAGO, ILL.—Charles Foster Glore, partner in Glore, Forgan & Co., investment bankers, has been elected a director of Stewart-Warner Corporation, vice Gardiner Symonds, resigned, it is announced by James S. Knowlson, president.


Charles F. Glore

Mr. Symonds, vice-president and a director of the Chicago Corporation, has been a director of Stewart-Warner Corporation since 1936. He was recently elected praesident and a director of the Tennessee Gas and Transmission Company, Houston, Texas, a Chicago Corporation subsidiary, and has established his headquarters in Houston.

The Stewart-Warner directorate

(Continued on page 831)

New York Security Dealers Association Anniversary Dinner Photos on Pages 835, 836, 837 and 838

Index of Regular Features on page 856.

Business and the Public Debt

By JAMES W. MARTIN*

Director, Bureau of Business Research, University of Kentucky

Tax Expert Points Out That There Is Less Concern Today When Debt Is $300 Billions Than When It Was $40 Billions and States That the Present Indifference Is Sadly Misplaced. Though Admitting That Because the Debt Is Domestic in Character It Is Less Burdensome Than If Held Abroad, He Holds It Creates a Problem of the Proper Distribution of the Burden. Says That Debt Burden Can Be Carried If Greater Productivity and Higher Income Levels Are Assured; If There Is a Disposition Among the People to Provide Their Own Primary Protection Against Poverty, and If Private Economic Activity Is Promoted by Government. Sees a Sensible Adaptation of War Taxation to Peacetime Conditions.

Five years ago many good citizens of the United States were greatly concerned that the national debt should have risen to a point more than one-fourth above the highest point reached after the first World War. One need be merely an indifferent newspaper reader to recall the air of gloom which enveloped many Americans as the nation passed the $40 billion mark.


Prof. J. W. Martin

Today, there appears to be less concern as to whether the

*An address by Mr. Martin in the University of Kentucky Forum series, at Lexington, Ky. Mr. Martin was former Chairman of the Kentucky Tax Commission. He has been President of the Tax Research Foundation, and is at present Vice-President of the Tax Institute and of the National Tax Association.

(Continued on page 852)

Let Us Preserve Our Democracy!

By W. RANDOLPH BURGESS*

President, American Bankers Association

Vice-Chairman of the Board, the National City Bank of New York

Mr. Burgess, After Pointing Out the Common Interests and Kinship of the United States and Canada in the "Concept and Practice of Democracy," Urges That the Instruments for Preserving Peace Be Simple and Not so Elaborate, Such as in the Case of Bretton Woods, or They Will Break Down From the Weight of Their Machinery. Sees Dangers to Democracy in Subversive Political Changes, Selfish Pressure Groups and in an Expanding Bureaucracy. Maintains That Big Government Controls Handicaps Small Business, and Lays Down Four Proposals for Preserving Democracy.

Over a period of years I have spent many months in Canada, but I have never been here before when our two peoples were war partners, as they are today in this great struggle. I have welcomed the chance to visit Canadian friends at this time that I might experience at first hand the sense of full comradeship,—the feeling of unity in the struggle for a vital purpose. If we can capture and hold in our hearts this moment of comradeship and unity it may help us to work together better when the great


W. R. Burgess

*An address by Mr. Burgess before the Canadian Club, Montreal, Canada, February 19, 1945.

(Continued on page 846)

Opportunities In Utility Securities

By HAROLD H. YOUNG*

Utility Analyst Holds Public Utility Securities Are Going to Be Attractive and Desirable During the Years Ahead. Contends Utility Industry Has Gained the Confidence of Investors Due to Its Record of Growth and Progress and That Though Revenues From Industrial Customers Will Decline After the War, the Loss Will Be More Than Offset by Increasing and More Profitable Domestic Demands. Sees No Reconversion Problem for Utilities and Points to Technological Progress as Well as Tax Relief Measures as Basis for Higher Profits. Calls Attention to Specific Situations Offering Investment Opportunities.

As thoughts turn to any study of the Investments which are going to be attractive and desirable over the years ahead, public utility securities certainly deserve a full measure of consideration. Accordingly, I have taken as my topic "Opportunities in Utility Securities." I have been asked to discuss some specific situations which have particular promise, and this I will gladly do. However, I think you can better see the picture


Harold Young

*An address by Mr. Young before the Boston Securities Traders Association held at the Boston Stock Exchange, Boston, Feb. 15, 1945. Mr. Young is a public utility analyst associated with Bear, Stearns & Co., member of the New York Stock Exchange.

(Continued on page 839)

How Jobs Are Created

By CLAUDE L. BENNER
Vice-President, Continental American Life Insurance Co.

Insurance Executive Attacks Theory That Jobs Can Be Permanently Created Through Public Spending and That Purchasing Power Is Increased by "Giving People Plenty of Money." Holds Government-Created Jobs Discourage Private Industry, and That the Real Remedy for Unemployment Is the Investment of Capital in New as Well as the Expansion of Existing Businesses. Sees Private Enterprise Endangered If Government Controls Are Intensified, but Sounds an Optimistic Note in Belief That, With Favorable Reconversion Factors Allowed to Operate, the Long-Term Wisdom of the American People Will Solve Realistically the Difficulties That Lie Before Them.

If there is to be a high level of prosperity after the war, it is generally admitted that there must be a sufficient number of jobs to provide employment for those who are able and willing to work. President Roosevelt has said that this means sixty million jobs. Others have said that a somewhat less number will be sufficient. My own studies lead me to believe that fifty to fifty-five million jobs would provide a fair level of prosperity. After all, there are many women, old people past sixty-five, and boys under sixteen now working, who would be better off some place else than in our factories.


Claude L. Benner

But whatever may be the correct figure to provide what is commonly called full employment, one thing is certain, namely, there is no agreement as to how these jobs are to be provided. The Committee for Economic Development takes the position that if the tax laws are properly revised and if governmental controls are removed as soon as possible, private industry can furnish them. On the other hand, the more radical New Dealers scoff at this idea. They state that in order to provide the "necessary purchasing power to keep a high national income and full employment, the government is going to be compelled to run a large deficit and war time wages must be maintained and even increased." If

*An address by Mr. Benner delivered at the Twenty-ninth Annual Banquet of the Real Estate Board of Baltimore, Baltimore, Md., Feb. 3, 1945.

(Continued on page 850)

Mannheimer-Egan, Inc. Opens in St. Paul

ST. PAUL, MINN. — Mannheimer-Egan, Inc., has been formed with offices in the First National Bank Building, to deal in investment securities. Principals were formerly of Mannheimer-Caldwell, Inc., in St. Paul.

City Bank Farmers Trust Appoints Gaffney, Wharton

At the regular meeting of the Executive Committee of City Bank Farmers Trust Co. James G. Gaffney and Francis A. Wharton were appointed Assistant Trust Officers.

Says Bretton Woods Proposals Do Not Provide For Exchange Stabilization

Congressman Smith of Ohio Refutes Statement in the President's Message. Also Takes Exception to President's Statement That the Plan "Does Not Create a Single Money for the World."

Congressman Frederick C. Smith (Rep.-Ohio), a member of the House Committee on Banking and Currency, in a speech on the House floor, on Feb. 15 called attention to what he termed "grossly misstated facts" in the President's special message to Congress on Feb. 12 recommending that Congress enact into law the Bretton Woods proposals. Mr. Smith's remarks were as follows:


Frederick C. Smith

After delineating in broad general terms the investment features of the Bretton Woods proposal for an international bank, the President refers to the fund proposal in respect of which he says:

> We all know, however, that a proposed world economy must be built on more than foreign investment. Exchange rates must be stabilized, and the channels of trade opened up throughout the world.
>
> . . . the fund is a financial institution to preserve stability and order in the exchange rates between different moneys.

In the first place there is nothing whatever in the Bretton Woods proposal which really provides for stabilizing the currencies of member countries. It is true that one of the purposes of the fund is stated to be—

> to promote exchange stability to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.

But the proposal not only fails to provide any prohibition against a member country debasing its currency but actually provides that it shall be free to go as far as it wishes in this respect. Section 5 (f) of Article IV of the agreement provides that if the Fund is so satisfied it shall not object to a country debasing its currency because of "the domestic, social or political policies of the member proposing the change.

Since domestic, social, or political policies provide the only possible reasons for any country to debase its currency, the field would of necessity be left wide open to all countries to do precisely as they pleased with respect to changing the par value of their currencies.

It is therefore clearly false to say that the Bretton Woods proposal for an international mone-

(Continued on page 844)

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

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

Hearings On the Boren Bill Concluded

House Committee on Interstate Commerce Hears Testimony of Representatives of IBA and the Chairman of the SEC and Others on Bill to Remove Municipals From All Regulatory Action of the SEC. Chairman Purcell of SEC Contends That Present Law Permits Regulation of Secondary Marketing of Municipals and Disclosed That Commission Is Working on Alternative Measure. Acknowledged That Measure Under Attack, Which Has Been Scrapped by SEC, Would Have Had Deleterious Effect on Primary Distribution of Municipals.

WASHINGTON, D. C., Feb. 21.—The two-day hearings of the House Committee on Interstate and Foreign Commerce on the Boren bill were concluded Feb. 21 with the testimony of SEC Chairman Ganson Purcell.

The Boren bill, HR 693—which is the same as HR 1502 of the last Congress—would by specific statutory provision make clear the intent of Congress that State and municipal financing should not be regulated or controlled by the Federal Government, directly or indirectly.

In this week's hearings the issue was clearly presented by both sides. The arguments in favor of the Boren bill were impressively presented by witnesses representing brokers, dealers and investors in State and municipal securities. The Investment Bankers Association of America and the American Bar Association also participated. The hearings were well attended by the committee and considerable sympathy for the dealers' viewpoint was openly expressed by various members.

Highlight of Mr. Purcell's testimony against the Boren bill was the revelation, seemingly for the first time, that the controversial proposed Rule X-15C1-10, originally circulated by the SEC for comment in August, 1942, has been scrapped and that the SEC has long been working on an alternative proposal, which, when perfected, will be submitted to those interested for comment.

Mr. Purcell disclosed that the reactions to the original "proposed rule" evoked considerable doubt as to its workability and soundness, and that a fresh approach to the problem was undertaken by the Commission. Why the SEC has waited until now to reveal this fact Mr. Purcell did not disclose, although he was asked by Congressman O'Hara to do so.

The SEC Chairman added that he hopes that sometime before too long the Commission will work out some method of providing the municipal bond investor with all the information necessary for forming an appraisal of the advisability of an investment.

Congressman Charles A. Wolverton, of N. J., leading Republican member of the committee, suggested that, before the House Committee acts on the Boren bill, the SEC should confer with parties interested in the subject. Speaking also as a member of the House Post-War Committee, Mr. Wolverton pointed out that clarification of the pending question is important from the standpoint of municipal public works planning, and therefore, of national recovery. Congressman Carl Hinshaw (R., of Calif.) expressed agreement with the Wolverton suggestion.

Under committee questioning Mr. Purcell admitted that "perhaps the rule as originally suggested would have had a deleterious effect on the primary distribution of municipal securities," but he denied that any rule would have such an effect.

Mr. Purcell took occasion to compliment Mr. Charles W. Weigold, New York dealer in municipals, on his statement during Tuesday's hearing concerning a dealer's responsibility to his customers.

It may be noted parenthetically that Mr. Weigold's was one of several very effective presentations in support of the Boren bill.

Congressman Boren stated that the issue before the committee is simply whether SEC should have regulatory powers over State and

(Continued on page 849)

Secret of Cheap Money Is an Excess Supply

By IVAN WRIGHT
Brooklyn College

Economist Expresses Confidence in the Ultimate Post-War Return to the Gold Standard as Has Been Done in Past Periods. Analyzes the Course of Low Interest Rates Which Followed the Depression of 1929 and Stresses the Need for Distinguishing the Rate on Safe as Compared With Risky Investments. Sees Still Further Decline in Interest Rate If Reserve Requirements Are Lowered, but Predicts an End of Cheap Money When the Need for Deflation Arises and Currency Is Again Made Convertible Into Gold. Says Process of Currency Revaluation Will Be Slow and Accompanied by Hardships and Speculative Opportunities.


Dr. Ivan Wright

There is no mystery about money, money rates or the magic of government management. Good money has always been a commodity of value. Gold has served the world longest and best as the commodity of standard money value. Country after country has left the gold standard because of inability to meet its credit obligations in money convertible into gold. But sooner or later all such countries have returned to the gold standard with considerable pride. Nothing else has served as well as gold to stabilize domestic currencies and create confidence in both the government and its credits. Also nothing else has been acceptable in settling obligations due foreign countries except gold or its equivalent. This confidence in gold and the demands for it show no signs of diminishing in spite of the great increase in the world's supply of monetary gold. The reason for this demand for gold is its fine stable qualities. While the experiments with paper currency, managed currency, inconvertible currency and all the variety of currencies surrounded by the deep secrets of government controlled magic have a history of instabil-

(Continued on page 853)

Clarence Unterberg Stresses Protection of Public Interest


C. E. Unterberg

In a short address as presiding officer at the 19th Annual Dinner of the New York Security Dealers Association on Thursday evening, Feb. 15, at the Waldorf-Astoria Hotel in New York City, Clarence E. Unterberg, President of the Association and proprietor of C.E. Unterberg & Co., New York City, asserted that the Securities and Exchange Commission, in pursuing "an aggressive course in the enforcement of statutes entrusted to them, will not be surprised to hear that we in our Association and, I imagine, the exchanges and the NASD, too, do not intend to be quiescent when any one of us is in disagreement with them." He urged the security dealers not to lose sight of the one duty delegated to each of them—protection of the public interest—and commented that "there is opportunity for all in the business."

"It gives me a great deal of pleasure to welcome all of you here this evening," Mr. Unterberg began. "Every member of our Association shares in the pride we feel on this occasion. This dinner marks the 19th anniversary of the New York Security Dealers Association and we are happy to have with us so representative a group of men from all phases of

(Continued on page 842)

Recurrent Need For Shearing SEC Powers

Saddling Upon Investment Advisers the Difficult Duty of Searching Out the "Best Price at Which a Transaction Could Be Effected for a Client Elsewhere" Is Not Only Impracticable but Beyond the Scope of the Investment Advisers Act. It's Another Move to Enlarge SEC Rule-Making and a New Drag-Out of the Disclosure Skeleton and a Twist to Put Dealers and Brokers Under the Same Obligations as Investment Advisers Despite a Statutory Provision to the Contrary.

The Securities and Exchange Commission, in a recent release, made public an opinion of James A. Treanor, Jr., Director of its Trading and Exchange Division.

We quote from its text:

"The question has been presented whether it is permissible for an investment adviser to sell a security to or buy a security from a client. You ask also what disclosure is necessary if such a transaction is permissible."

At last we have Jim Treanor, who has often spoken unofficially on his pet hobby "disclosure," dealing with the subject officially.

We should like to know who presented the question, what form that presentation took, and why this information is not disclosed in the opinion.

Instead of addressing himself to the immediate issue, Mr. Treanor first lists the obvious statutory interdictions against the employment of fraudulent devices, schemes or artifices.

Clearly, the question put contemplates no such methods. The enquirer, whoever he or it may be, knew beforehand that fraud of any kind is contrary to the law. Such listing was gratuitous and had no place in the opinion.

It is when handling the subject of disclosure that Mr. Treanor really waxes expansive. Here is one of the elements of his definition of a minimum disclosure. The investment adviser who effects any transaction for his client, says Mr. Treanor, should disclose

". . . (c) the best price at which the transaction could be effected by or for the client elsewhere if such price is more advantageous to the client than the actual purchase or sale price."

Mr. Treanor, too, can make mistakes that are beauts.

(Continued on page 829)

BOSTON, MASS.

DALLAS

Peter Barken Will Open Own Inv. Firm

As of March 1, Peter Barken will open offices at 32 Broadway, New York City, to act as dealer in unlisted and inactive securities. Mr. Barken has been a partner in J. B. Lang & Co.

Waterous Rejoins Kidder

Major Donald J. Waterous, who has recently returned from overseas duty with the Army Air Forces, is again associated with the New York Stock Exchange firm of A. M. Kidder & Co. in their New York office, 1 Wall Street.

PHILADELPHIA

ST. LOUIS

Recurrent Need For Shearing SEC Powers

(Continued from page 828)

Here is a burden cast upon investment advisers to canvass the trade to determine whether by any possibility the client could have saved through patronizing another.

Assuming the deal to be in all respects an honest one, with full disclosure of the cost or the sale price, as the case may be, with full observance of other responsibilities respecting disclosure and no unconscionable spreads or illegal commissions taken, he would, nevertheless, saddle upon the adviser the difficult duty of acting in derogation of his own transaction.

Whilst upon a first reading this part of the opinion may ring plausible, its ridiculousness must be evident to any one who is well grounded in the securities field, not only because it is impractical but also because of the interference with the regular course of business as we have known it for decades, which its operation will entail.

Mr. Treanor points out that Section 206 of the Investment Advisers Act of 1940, subdivision (3), provides that it shall be unlawful for a registered adviser

> "acting as principal for his own account, knowingly to sell any security to or purchase any security from a client, or, acting as broker for a person other than such client, knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction."

and further:

> **"The prohibitions of this paragraph (3) shall not apply to any transaction with a customer of a broker or dealer if such broker or dealer is not acting as an investment adviser in relation to such transaction."**

From this it must be evident that Congress by express legislative provision has made clear its recognition that brokers and dealers have not the obligation to make the same disclosures which are incident to the profession of registered investment advisers.

Yet Congress must have known that brokers and dealers do have salesmen and do from time to time recommend the purchase and the sale of securities.

Here is a plain legislative mandate, but Mr. Treanor's cumulative activity with respect to disclosure as far as brokers and dealers are concerned, causes one to suspect that such a directive will not hinder the SEC in enlarging its power through rule-making.

Every now and then the disclosure skeleton is hauled out of the closet and rattled, as witness Treanor's address before the annual convention of the National Association of Securities Commissioners at St. Louis last December.

Reading this address, which was published in our issue of Jan. 11, 1945, will bring an immediate awareness that, the above statutory provisions notwithstanding, as far as cost disclosure is concerned, Treanor would put dealers and brokers under the same obligation as investment advisers.

At varying intervals we have warned against these disclosure refinements upon which Treanor harps. We believe them to be—and these, whether the utterances are official or unofficial—part of a planned strategy against which dealers and brokers must stand unwavering guard.

Although the statute referred to leaves no room for doubt, in view of the tendency of the Commission, there should be a definite legislative shearing of SEC rule-making powers so that "disclosure hobbies" will be permanently shelved, and the course of trade in a vital field will not be hamstrung.

How much longer is a nation accustomed to a free economy expected to put up with encircling bureaucratic controls?

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

NEW YORK

P. F. Fox of P. F. Fox & Co., has been appointed a member of the Uniform Practice Committee of the National Association of Securities Dealers District 13.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stocks—An analytical review of the investment position of metropolitan bank stocks in relation to Government fiscal policies of the past dozen years—By Warren C. Heidel—price $2 prepaid—**Putnam & Co.,** 6 Central Row, Hartford 4, Conn.

Calendar of Rail Events—Action scheduled in the next month—**Vilas & Hickey,** 49 Wall Street, New York 5, N. Y.

I. C. C. Comment on 1944 Rail Results—Current report—**Vilas & Hickey,** 49 Wall Street, New York 5, N. Y.

Indiana Gas & Chemical—Late memorandum—**First Colony Corporation,** 70 Pine Street, New York 5, N. Y.

National Gas & Electric Corporation—Report on position and outlook for dealers only—**Peter Morgan & Co.,** 31 Nassau Street, New York 5, N. Y.

Pittsburgh Railways — Current study—**First Colony Corporation,** 70 Pine Street, New York 5, N. Y.

Post-War Outlook for the Building Industry—Booklet discussing prospects for construction and for various manufacturers in the building field—**Arrowsmith, Post & Welch,** 115 Broadway, New York 6, N. Y.

Preferred Stock Guide—Quotations on unlisted public utility preferred and common stocks—**G. A. Saxton & Co., Inc.,** 70 Pine Street, New York 5, N. Y.

Public National Bank & Trust Company—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

Research Comment—On three situations—**H. Hentz & Co.,** Hanover Square, New York 4, N. Y.

What Is Ahead for the Real Estate Securities Market—Forecast for 1945 and future—**Amott, Baker & Co., Inc.,** 150 Broadway, New York 7, N. Y.

American Hardware — Special study—**Goodbody & Co.,** 115 Broadway, New York 6, N. Y.

American Bantam Car—Circular on this situation—**Hoit, Rose & Troster,** 74 Trinity Place, New York 6, N. Y.

Boston & Maine Income 4½s of 1970—Memorandum on potentialities—**McLaughlin, Baird & Reuss,** 1 Wall Street, New York 5, N. Y.

Boston & Providence Railroad—Descriptive circular — **Adams & Peck,** 63 Wall Street, New York 5, N. Y.

Break Down Government Bond Portfolios—Circular—**Laird, Bissell & Meeds,** 120 Broadway, New York City.

Central Iron & Steel—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Central Soya — Discussion of possibilities — **Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

"Confident Year"—Bulletin on the outlook for eight vital industries, reviews thirty-four securities—**Strauss Bros.,** 32 Broadway, New York 4, N. Y.

Cross Co. Common Stock—Analysis of reasons for considering this an attractive low-priced situation—**F. H. Koller & Co., Inc.,** 111 Broadway, New York 6, N. Y.

Diamond Alkali — Circular — **Wm. J. Mericka & Co.,** Union Commerce Building, Cleveland 14, Ohio.

"Dynamic Economies" — Preparation of demand studies—**Econometric Institute, Inc.,** 500 Fifth Avenue, New York City—$5.00 per copy.

Fashion Park, Inc. — Post-war outlook—**Simons, Linburn & Co.,** 25 Broad Street, New York 4, N. Y.

Flour Mills—Descriptive circular—**J. F. Reilly & Co.,** 111 Broadway, New York 6, N. Y.

Foundation Co.—Circular on current situation—**J. F. Reilly & Co.,** 111 Broadway, New York 6, N. Y.

Garrett Corporation—Brochure and statistical information, available to dealers—**Fred W. Fairman**

(Continued on page 831)

Posner Chairman of N. Y. Curb Exchange

At the annual election of the New York Curb Exchange Edwin Posner, Andrews, Posner & Rothschild, was elected chairman of the Board of Governors for a term of one year. In addition to Mr. Posner, five Class "A" Governors, four Class "B" Governors, and two trustees of the Gratuity Fund were elected for a term of three years.


Edwin Posner

The newly elected governors and trustees are:

Members of the Board of Governors (Class "A", of which there are fifteen, who are regular members of the Exchange) (three-year term)—Thomas W. Bartsch, W. R. K. Taylor & Co.; Mortimer Landsberg, Brickman, Landsberg & Co.; Fred C. Moffatt, Reynolds & Co.; Frederick Roth, H. L. Buchanan & Co.; Howard C. Sykes, Wagner, Stott & Co.

Members of the Board of Govnors (Class "B", of which there are twelve, who are associate member partners or non-member partners of regular or associate member firms doing business for the public) (three-year term)—Casper DeGersdorff, Harris, Upham & Co.; Bayard C. Hoppin, Hoppin Bros. & Co.; Paul L. Hughes, Gude, Winmill & Co.; Thomas A. Larkin, Goodbody & Co.

Trustees of the Gratuity Fund (three-year term)—Thomas Morris, Sr., and E. J. Muller, Wm. P. Hoffman & Co.

At the 35th organization meeting of the Board of Governors of the New York Curb Exchange Edwin Posner was appointed President Pro-tem and Edward J. Shean Vice-Chairman. Also appointments made by the Chairman of officers, department heads and committees were approved. Charles E. McGowan was renamed Secretary and Director of the Department of Transactions; Christopher Hengeveld, Jr., Treasurer and Director of the Department of Administration; Francis X. Gaudino, acting Assistant Treasurer; Henry H. Badenberger, Director of Department of Outside Supervision; and Martin J. Keena, Director of the Department of Securities.

John T. Madden, dean of the New York University School of Commerce, Benjamin H. Namm, president of Namm Department Store in Brooklyn and National Retail Dry Goods Association; and Victor F. Ridder, publisher, were re-elected Class "C" Governors for the fifth time to represent the public on the Curb Exchange Board. They are not engaged in the securities business.

The standing committees appointed are as follows:

Committee on Admissions

Thomas W. Bartsch, Chairman; Andrew Baird, Joseph F. Crowley, John A. Ludlow, Frederick J. Roth, Herbert G. Tully and Morton Wohlgemuth.

Committee on Arbitration

Benjamin B. McAlpin, Jr., Chairman; Thomas W. Bartsch, Joseph F. Crowley, Edward C. Werle and William S. Wilson.

Executive Committee

Edwin Posner, Chairman; Chas. D. Halsey, Mortimer Landsberg, Benjamin B. McAlpin, Jr., Fred C. Moffatt, David U. Page, Albert G. Redpath, Frederick J. Roth and Edward J. Shean.

General Committee on Securities

Mortimer Landsberg, Chairman; Eugene S. Brooks, Joseph M. d'Assern, Casper De Gersdorff, Thomas A. Larkin, Howard C. Sykes, Herbert G. Tully, William S. Wilson and Morton Wohlgemuth.

Commitie on Listing

Mortimer Landsberg, Chairman; Eugene S. Brooks, Casper De Gersdorff, Thomas A. Larkin, Howard C. Sykes and Herbert G. Tully.

Committee on Security Rulings

Morton Wohlgemuth, Chairman; Joseph M. d'Assern, Herbert G. Tully and William S. Wilson.

General Committee on Transactions

David U. Page, Chairman; Andrew Baird, Joseph F. Crowley, H. Lawrence Jones, John A. Ludlow, Fred C. Moffatt, Frederick J. Roth, Edward J. Shean, Edward C. Werle and Morton Wohlgemuth.

Committee on Stock Transactions

David U. Page, Chairman; Andrew Baird, Joseph F. Crowley, H. Lawrence Jones, Fred C. Moffatt, Frederick J. Roth and Edward C. Werle.

Committee on Bond Transactions

Edward J. Shean, Chairman; John A. Ludlow, Morton Wohlgemuth.

General Committee on Outside Supervision

Albert G. Redpath, Chairman; Eugene S. Brooks, Edward J. Cohan, Chas. D. Halsey, Bayard C. Hoppin, Paul L. Hughes, H. Lawrence Jones, Charles E. Judson, Thomas A. Larkin, Edward J. Shean and Howard C. Sykes.

Committee on Member Firms

Albert G. Redpath, Chairman; H. Lawrence Jones, Paul L. Hughes and Thomas A. Larkin

Committee on Business Conduct

Edward J. Shean, Chairman; Chas. D. Halsey, Bayard C. Hoppin and Howard C. Sykes.

Committee on Communications and Commissions

Charles E. Judson, Chairman; Eugene S.

N. Y. Security Dealers Honor Dunne at Dinner

Patrick B. McGinnis Was Principal Speaker

At the 19th anniversary dinner of the New York Security Dealers Association held at the Waldorf-Astoria Hotel and attended by about 1,000 members and guests

Frank Dunne C. E. Unterberg

of the association, the principal speaker, Patrick B. McGinnis, authority on railroad securities and partner of Pflugfelder, Bampton & Rust, discussed the future of railroad finance.

Clarence E. Unterberg, the newly elected president of the Association, was introduced to the gathering by Richard F. Abbe, vice chairman of the dinner committee and President of the Security Traders Association of New York. In a brief address, Mr. Unterberg pointed to the work and objectives of the Association.

A silver tray, with appropriate inscription, was presented to Frank Dunne of Dunne & Co in recognition of his outstanding service during his eight years as president of the organization by Mr. Unterberg in behalf of the Association. Among the invited guests were members of the Securities and Exchange Commission, financial editors, officials of various important securities exchanges and of the National Association of Securities Dealers, and railroad executives.

Edward Vallely With John Nuveen & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edward V. Vallely has become associated with John Nuveen & Co., 135 South La Salle Street. Mr. Vallely was formerly manager of the trading department of Barcus, Kindred & Co. Prior thereto he was with A. C. Allyn & Co.

Brooks, Edward J. Cohan and Paul L. Hughes.

Committee on Finance

Frederick J. Roth, Chairman; H. Lawrence Jones, Mortimer Landsberg, John A. Ludlow, David U. Page, Edward J. Shean and Edward C. Werle.

Committee on Public Relations

Fred C. Moffatt, Chairman; Joseph M. d'Assern, Bayard C. Hoppin and William S. Wilson.

Major B. H. Namm as advisor.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 830)

& Co., 208 South La Salle Street, Chicago 4, Ill.

Gruen Watch — Discussion of potentialities—**Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

M. A. Hanna Co.—Engineering field report—**Herzog & Co.,** 170 Broadway, New York 7, N. Y.

Iowa Southern Utilities Company—Detailed circular—**Rogers & Tracy, Inc.,** 120 South La Salle Street, Chicago 3, Ill.

Lehigh Valley RR.—Circular on the general consol. 4s-4½s-5s, 2003 — **McLaughlin, Baird & Reuss,** One Wall Street, New York 5, N. Y.

Lipe-Rollway Corporation—Circular on situation—**Herrick, Waddell & Co., Inc.,** 55 Liberty Street, New York City.

Long Bell Lumber Company—Memo discussing enviable postwar outlook and earnings possibilities—**Comstock & Co.,** 231 South La Salle Street, Chicago 4, Ill.

Magnavox Company—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.,** 208 South La Salle Street, Chicago 4, Ill.

Magnavox Company — Timely statistical report—**Kaiser & Co.,** 25 Broad Street, New York 4, N. Y., and Russ Building, San Francisco 4, Calif.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner, Rouse & Co.,** 25 Broad Street, New York 4, N. Y.

Merchants Distilling Common—Memorandum—**Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

Midland United Preferred — Analysis—**Ira Haupt & Co.,** 111 Broadway, New York 6, N. Y.

Moxie Co.—Descriptive circular—**J. F. Reilly & Co.,** 111 Broadway, New York 6, N. Y.

National Monthly Stock and Bond Quotation Service — Free trial offer being made by **National Quotation Bureau, Inc.,** 46 Front Street, New York 4, N. Y.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

New York Bank Stocks—Comparative analysis and significant ratios for eighteen stocks in 1944 —**Laird, Bissell & Meeds,** 120 Broadway, New York 5, N. Y.

Oxford Paper preferred & common — Analytical study — **Goodbody & Co.,** 115 Broadway, New York 6, N. Y.

Pacific-American Investors, Inc. —Study of situation showing favorable situation of the preferred stock and speculative appeal of the common through leverage—**Maxwell, Marshall & Co.,** 647 South Spring Street, Los Angeles 14, Calif.

Panama Coca-Cola—Discussion of this situation—**Hoit, Rose & Troster,** 74 Trinity Place, New York 6, N. Y.

Peoples-Pittsburgh Trust Company—Analysis—**W. J. Banigan & Co.,** 50 Broadway, New York 4, N. Y.

Possible Excess Profits Tax Liability for 1945—Circular—**Laird, Bissell & Meeds,** 120 Broadway, New York City.

Post War Earnings and Debt Reduction Possibilities for Seaboard Railway Company—Circular on written request—**Pflugfelder, Bampton & Rust,** 61 Broadway, New York 6, N. Y.

Seaboard All-Florida RR. — Resume of the present status—**L. H. Rothchild & Co.,** 52 Wall Street, New York 5, N. Y.

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,** 350 Fifth Avenue, New York 1, N. Y.

Skilsaw, Inc.—Analysis—**W. J. Banigan & Co.,** 50 Broadway, New York 4, N. Y.

Standard Stoker Co. — Memorandum—**Otis & Co.,** Terminal Tower, Cleveland 13, Ohio.

Steep Rock Iron Mines, Ltd.—Memorandum—**Otis & Co.,** Terminal Tower, Cleveland 13, Ohio.

United Piece Dye Works—Discussion of long term possibilities for those speculatively inclined—**Ward & Co.,** 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

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.

Wellman Engineering—Circular —**J. F. Reilly & Co.,** 111 Broadway, New York 6, N. Y.

Wellman Engineering Company —Prospects discussed — **Wm. J. Mericka & Co., Inc.,** 29 Broadway, New York City.

White Motor Company—Discussion of speculative possibilities at current levels—**H. Hentz & Co.,** Hanover Square, New York 4, N. Y.

C. F. Glore Director Of Stewart-Warner

(Continued from first page)

voted a resolution of appreciation for the services rendered by Mr. Symonds.

Mr. Glore, in addition to his partnership, is chairman of the executive committee and a director of the Chicago Corporation, a director and member of the executive committee of Libby, McNeill & Libby, chairman of the executive committee and a director of the Tennessee Gas and Transmission Company, and president and a director of the 208 South LaSalle Street Corporation.

He is a director of Continental Assurance Company, Continental Casualty Company, Montgomery Ward & Company, and the Studebaker Corporation.

Mr. Glore is also president of the board of trustees of Lake Forest Academy, and a trustee of the Art Institute of Chicago and of St. Luke's Hospital. He lives in Lake Forest, Ill.

Charles Jernegan Is With Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Charles Jernegan has become associated with Eastman, Dillon & Co., 135 South La Salle Street. Mr. Jernegan was formerly with Riter & Co. and Alfred O'Gara & Co.

Railroad Securities

Despite the strong opposition of the Interstate Commerce Commission, the Hobbs bill, amending the Railroad Bankruptcy Act, has passed the House and will now be considered by the Senate. The general feeling is that there will be even greater opposition to the measure in the Senate than there was in the House, and strong doubts are being expressed as to the likelihood of its ever becoming law. In any event, it appears likely that there will be considerable delay before final action is taken.

The proposed amendment to the Bankruptcy Act is designed to assure holders of the old stocks participation in the reorganized company through distribution to them of new stock. Regardless of the merit or lack of merit, of the bill it is doubtful even if it does pass that it will affect more than a very few of the major reorganization railroads. Obviously nothing can now be done for the stockholders of such lines as Erie, Wabash, North Western, Western Pacific, Soo Line, etc., where reorganizations have already been consummated. Moreover, the law as drawn would not apply to reorganizations where the plan had already been voted on favorably by the creditors. Thus, St. Paul, New Haven, and Denver & Rio Grande Western would apparently be eliminated. The law would also presumably not apply to Seaboard which is being reorganized in equity rather than under the Bankruptcy Act.

As far as the public is concerned the benefits claimed for the new legislation would presumably be confined mainly to stockholders of Missouri Pacific, Rock Island and Frisco. With respect to the last two named roads no pretense has been made in current I. C. C. plans even to make holders of the mortgage bonds whole. Law or no law it would obviously be difficult to find room in the reorganized company for old stockholders when the Commission feels that there is not even enough equity left in the properties to satisfy the claims of secured creditors. The new legislation will not likely have any future utility either, as it is generally conceded that from now on judicial reorganizations will be supplanted by voluntary plans such as that of Baltimore & Ohio.

Support for the Hobbs bill has naturally be strengthened by the war record of the individual roads now undergoing reorganization. These roads have been showing large earnings on their old stocks, and holders of these old stocks therefor see no reason why they should be eliminated in reorganization. The Commission, on the other hand, has consistently set up new capitalizations on the basis of past earning power under what are considered normal economic conditions. Under the proposed amendment to the Bankruptcy Act the Commission would not be allowed to cut the new capitalization below the capitalization existing at the time of filing of the bankruptcy petition, providing that that capitalization does not exceed either the actual investment in the property or the valuation of the property fixed by the Commission for rate-making purposes.

Presumably the Commission would use the present criterion of "normal" earning power to set the new senior capitalization, and would then just go ahead and create enough new common stock to round out the new capitalization to the required size. In every reorganization promulgated to date under Section 77 of the Bankruptcy Act secured creditors have had to accept new common stock in at least partial settlement of their claims. If old stockholders are also now to receive some of the new common stock it is obvious that the principle of absolute priority will have to be abandoned or new classes of junior common stock, with no indicated earning power ex the war, will have to be created.

Many people seem to have lost sight of the fact that reorganization proceedings have arisen largely, if not entirely, from consistent inability to support fixed charges. Readjustment of the capital structure does not affect the ability of the property to earn money, it merely affects the ability of the company to survive on the money it is able to earn. Commission reorganization plans reduced fixed charges drastically and thus place the reorganized carriers in a position where they should experience no difficulty in meeting their obligatory requirements even under severe depression conditions. When we come down to the new common stocks, however, we find that by and large they will be able to show little, if any, earning power under conditions which would have allowed full coverage of old fixed charges. If the roads individually had been able to show such earnings consistently under normal conditions they would not have had to undertake reorganization in the first place. To attempt through legislation to further dilute this nebulous earning power merely to allow participation in the new company by the old stockholders can hardly be justified.

This question of the earning power of the new reorganization common stocks will be discussed in greater detail, and more specifically, in next week's column.

Dr. Calvin B. Hoover's Views on Changing the Tariff

In an article in the "Chronicle" of February 1 on page 517, it was stated in the subheading that Dr. Calvin B. Hoover, CED Economist and Dean of the Graduate School of Arts and Sciences of Duke University, had remarked in an address at Cincinnati, Ohio, on January 19th that removal of tariffs under present conditions is not feasible. Dr. Hoover's statement, as contained in the article on page 537, was 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," and he continued that under present circumstances and modern conditions, lowering of protective tariffs **by itself alone** would probably simply not be feasible. Exchange controls, 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." The "Chronicle" is glad to make this correction and apologizes for the omission of the word "alone" in the conditioning phrase "by itself alone," which appeared in the introductory comment of Dr. Hoover's address.

Wm. C. Roney & Co. to Admit 2 New Partners

DETROIT, MICH.—Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges, will admit John Kingsley Roney and Roy W. Neil to partnership as of March 1. Both have been with the firm for some time, Mr. Roney as manager of the unlisted trading department.

OUR REPORTER'S REPORT

Results of bidding for two large issues brought out this week, together with the behavior of the bond market itself, tended to convince the rank and file in underwriting circles that the investment list is definitely headed for a lower yield basis.

True, the Pere Marquette bonds and those offered yesterday for the Oklahoma Gas & Electric Co., were a trifle slow in moving out. But, what interested market observers and investment bankers more than the action of the two issues in question, was the effect which the bases fixed for those offerings had on some bonds of recent issue.

The tendency among the latter descriptions was toward upward price adjustment bringing their yields more in line with those fixed for the bonds being marketed. The trend toward lower corporate yields, it was noted, has been in keeping with the persistent rise in the government market which is the recognized key to basic money conditions.

Some commentators were moved to remark that new issues now are being bought for appreciation marketwise rather than on the basis of value fixed at the moment. They contend that this has been the tendency for some time past with potential buyers now inclined to take a longer range view of the market.

Each new recent issue, where the field has been subject to markdown, it is shown, has had the effect of stimulating interest in earlier flotations by bringing out brisk demand for such descriptions.

Slow But Sure

Although the Pere Marquette and the Oklahoma issues got away to a slow start, investment interests had no misgivings on the outcome. It was viewed merely as a situation in which buyers were being forced to adjust their views of values and yields.

In both cases it was said that the big insurance companies were showing interest and it was expected that demand from those sources would quicken ultimately.

Pere Marquette's $50,000,000 of 35-year 3⅜s were priced at 100.92 to yield approximately 3.33 per cent, while Oklahoma Gas & Electric's $35,000,000 of new 30-year 2¾s were priced at 101 to yield about 2.70 per cent.

While interest in the competitive sale of Pere Marquette was not seemingly pronounced, only two groups entering bids, the Oklahoma Gas bonds drew a total of five bidding groups.

March Looks Busy

With one more deal definitely on the cards for this month, an issue of $15,000,000 of Province of Quebec five year 2s, just registered with SEC, being scheduled for Feb. 28, it now looks as though March will develop a fair volume of new business.

The bulk of such prospective business is scheduled for around the middle of the month. On March 6 Northern Pennsylvania Power Co. is due to open bids on an issue of $4,000,000 of new first mortgage 30-year bonds, with bidders to fix the coupon rate.

March 14 will bring public offering by Marshall Field & Co. of any unexchanged portion of $15,000,000 of new 4¼ per cent preferred stock which will replace higher rate issues now outstanding.

The following day Continental Can Co. is expected to market 150,000 shares of new preferred stock, probably with a 4 per cent dividend rate, and on March 19 Laclede Gas Light Co. is slated to open bids for its $19,000,000 of new first mortgage bonds and $3,000,000 of serial debentures.

There is also the possibility that the Arkansas Missouri Power Co. will market an issue of $2,000,000 of new first mortgage, 29-year 3⅛s during the month.

New York Power & Light Corp.

Another large prospective issuer for next month was added to the roster when New York Power & Light Corp. filed the necessary registration with SEC this week to cover $55,000,000 of new securities.

The company proposes, upon approval by the Commission and the expiration of the usual period of hibernation, to offer for competitive bids $50,000,000 of new 30-year first mortgage bonds, the bidders to name the rates which shall not exceed 3 per cent, and the price not above 102¾.

It also would sell $5,000,000 of additional common stock to Niagara Hudson Corp. (50,000 shares) and apply the combined proceeds, with other funds to redemption of $55,000,000 of 3¾ per cent bonds now outstanding.

Lord on Trip to Coast

Andrew J. Lord, president of Lord, Abbett & Co., Inc., 63 Wall Street, New York City, is on a trip to the Pacific Coast. Mr. Lord is due back in New York about March 12th.

B. G. Cantor & Co. Opens in New York

B. G. Cantor & Co. has been formed with offices at 61 Broadway, New York City, to act as dealer and broker in general market issues and special situations.

Partners are B. Gerald Cantor and L. Futerman, general partners, and J. Behrens, I. Greenberg and J. Cantor, special partners; Mr. Futerman is inactive.

Mr. B. G. Cantor was formerly manager of the investment department of Birnbaum & Co. Prior thereto he was manager of the real estate bond department of Alexander Eisemann & Co. Since August, 1943, he has been in the U. S. Army and saw active duty in the New Guinea campaign.

Formation of B. G. Cantor & Co. was previously reported in the "Financial Chronicle" of Feb. 15.

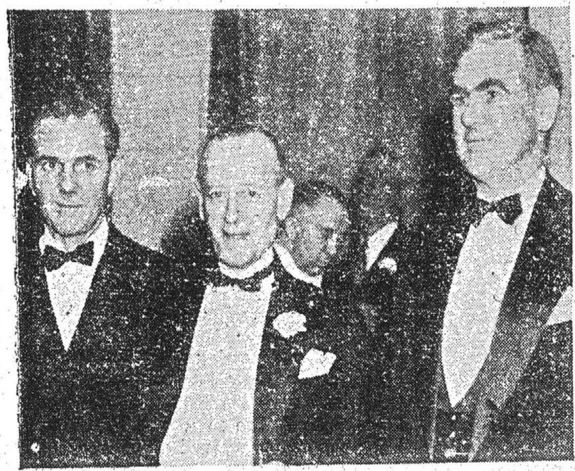
Hayden, Stone & Co. To Admit Swan, Thoben

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, will admit Joseph E. Swan and Frederick W. Thoben to partnership in the firm as of March 1. Mr. Thoben, recently with E. F. Hutton & Co., in the past was associated with Mr. Swan as a partner in J. E. Swan & Co.

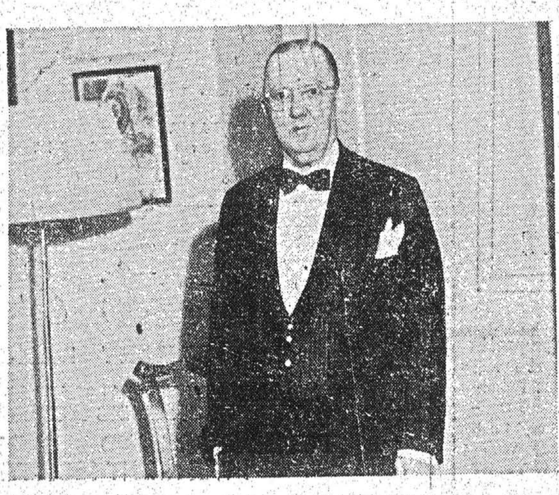
Registration Reinstated

The broker-dealer registration of Emanuel & Co., New York City, has been reinstated by the Securities and Exchange Commission. The company's registration had been suspended on Jan. 18 for transactions executed for the account of the Public Administration for New York County. The suspension was made because the commission said frauds were possible because of inadequate supervision on the part of the company and the handling of the account was entrusted to order clerks who sold at inadequate prices without supervision by any responsible person.

New York Security Dealers Association



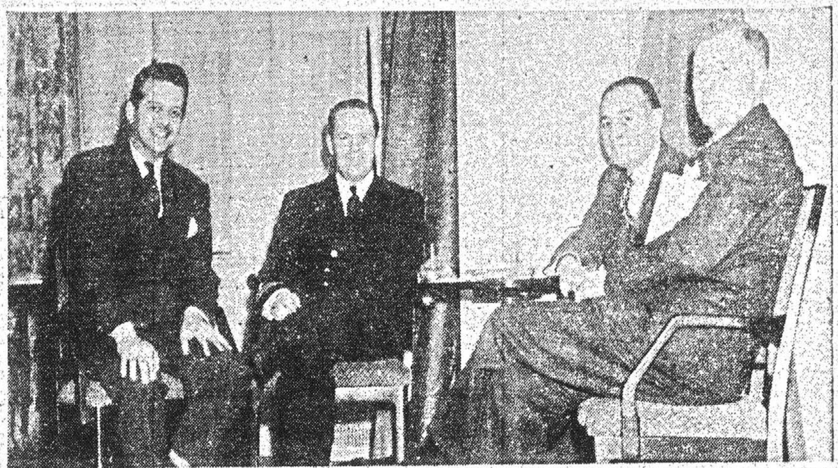
Patrick B. McGinnis, *Pflugfelder, Bampton & Rust*—P. J. Steindler, *P. J. Steindler & Co.*—Irving D. Fish, *Smith, Barney & Co.*



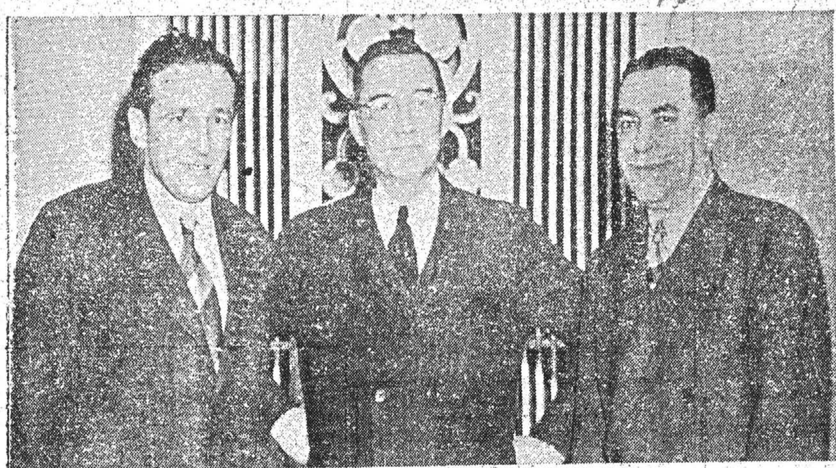
Alfred E. Loyd, *Executive Secretary of the New York Security Dealers Association.*

Hank Richter, *Scherck, Richter & Co.*, St. Louis—John O'Neill, *Stein Bros. & Boyce*, Baltimore—Fred Barton, *Eastman, Dillon & Co.*

Chet de Willers, *C. E. de Willers & Co.*—Colonel Oliver J. Troster—Richard F. Abbe, *Van Tuyl & Abbe.*

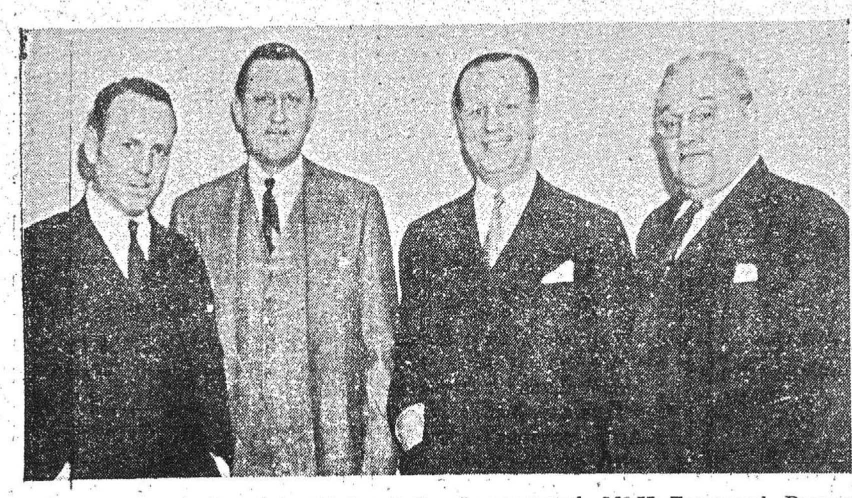


Jack P. Germain, *J. Arthur Warner & Co.*—Lt. Belmont Towbin, *U.S.N.R.*—Louis S. Lebenthal, *Lebenthal & Co.*—Dick Meyer, *Wall Street Journal.*

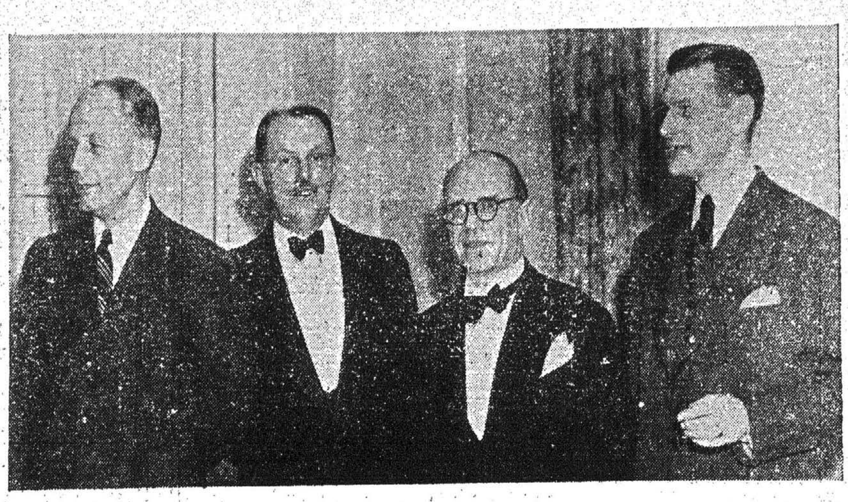


Frederick D. Gearhart, Jr., *Kobbe, Gearhart & Company, Inc.*—Wm. J. Cogan, *SEC*—Joseph Faroll, *Joseph Faroll & Co.*

Harry Lyons, *Allen & Company*—Ed. Becker, *Reynolds & Co.*—Mel Wien, *M. S. Wien & Co.*



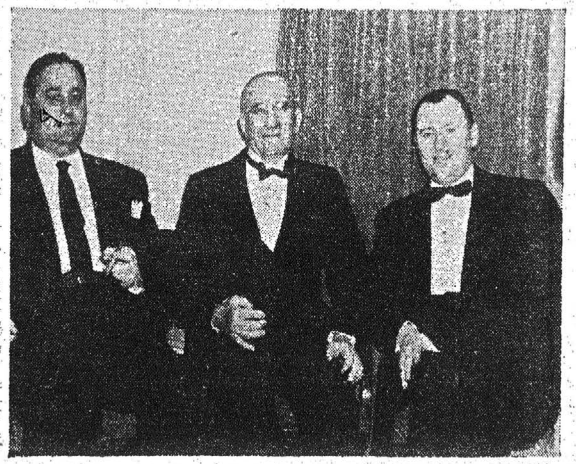
F. A. Krayer, *Harriman Ripley & Co., Incorporated*—M. H. Townsend, *Bonner & Gregory*—Edwin L. Beck, *Commercial & Financial Chronicle*—Harold B. Smith, *Collin, Norton & Co.*



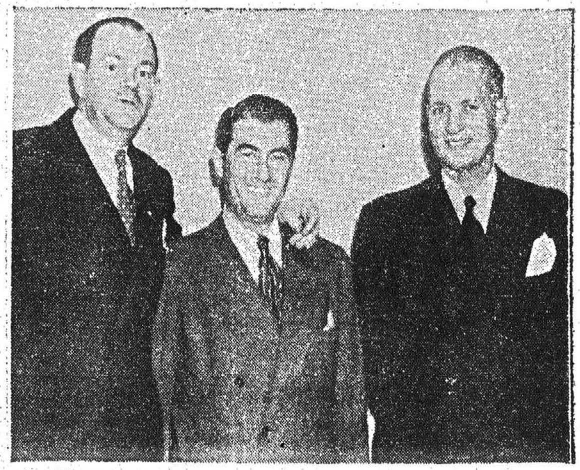
Howard Allen, *Albert Frank-Guenther Law & Co.*—Charles H. Dowd, *Hodson & Company, Inc.*—Otto H. Steindecker, *New York Hanseatic Corp.*—Howard A. Cashmore, *Beekman & Bogue.*

Nineteenth Anniversary Dinner

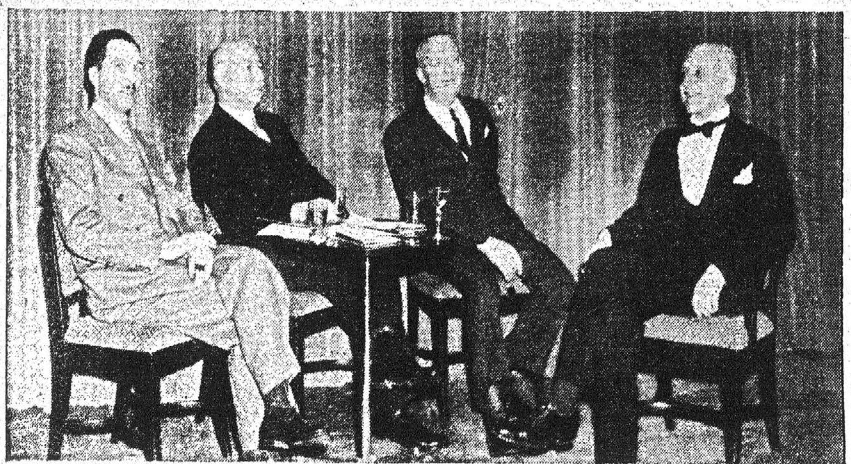
F. H. Koller, *F. H. Koller & Co., Inc.* — Edward H. Robinson, *Schwabacher & Co.*



Abraham M. Metz, *Guest* — Ben E. Lindsly, *SEC*—Walter E. Tellier, *Tellier & Co.*

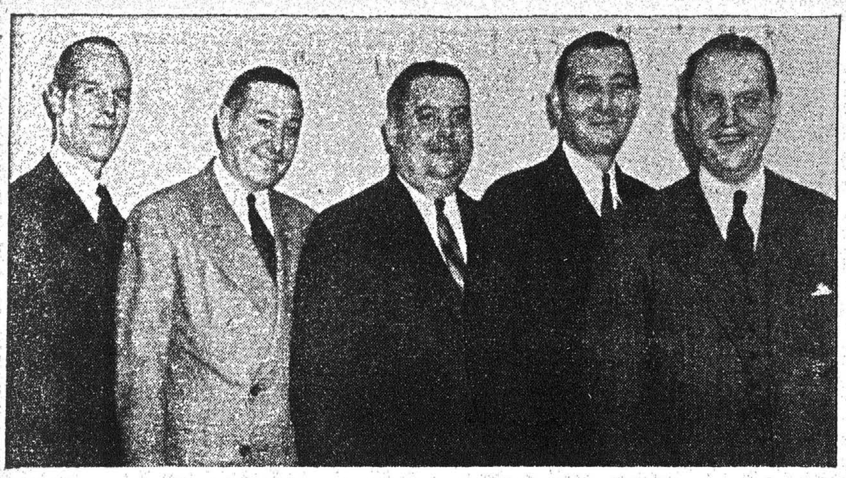


Lester Pett, *R. H. Johnson & Co.* — Murray Barysh, *Ernst & Co.*—Ned Breen, *R. H. Johnson & Co.*

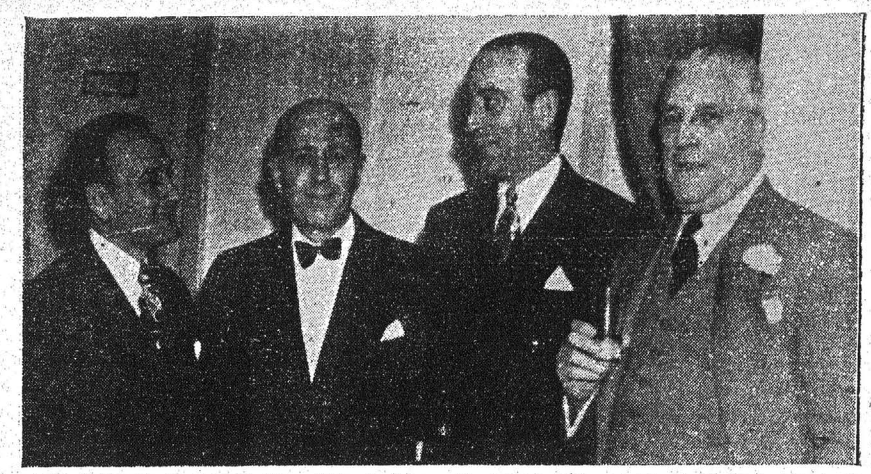


John Hawkins, *Amott, Baker & Co.*—Harry R. Amott, *Amott, Baker & Co.*—E. H. de Bronkart, *Amott, Baker & Co.*—Geo. N. Lindsay, *Swiss-American Corporation.*

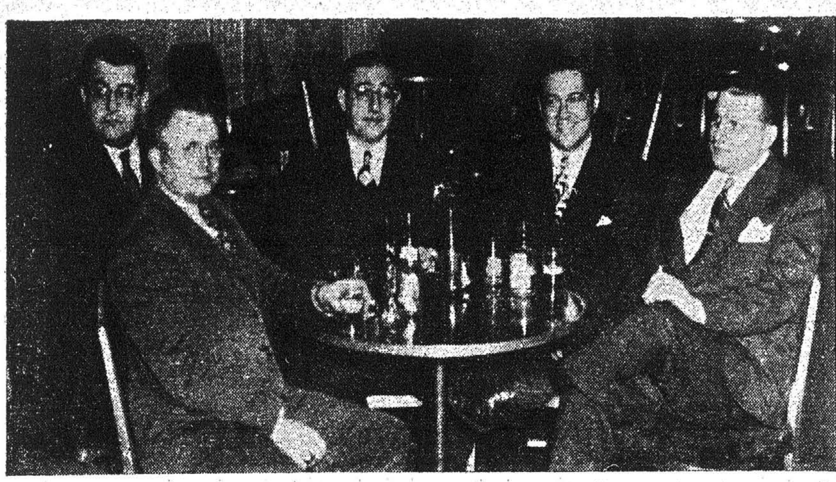
E. E. McClure, *Stein Bros. & Boyce*, Baltimore, Md.—Walter Floersheimer, *Sutro Bros. & Co.*—Frank Hall, *Pflugfelder, Bampton & Rust.*



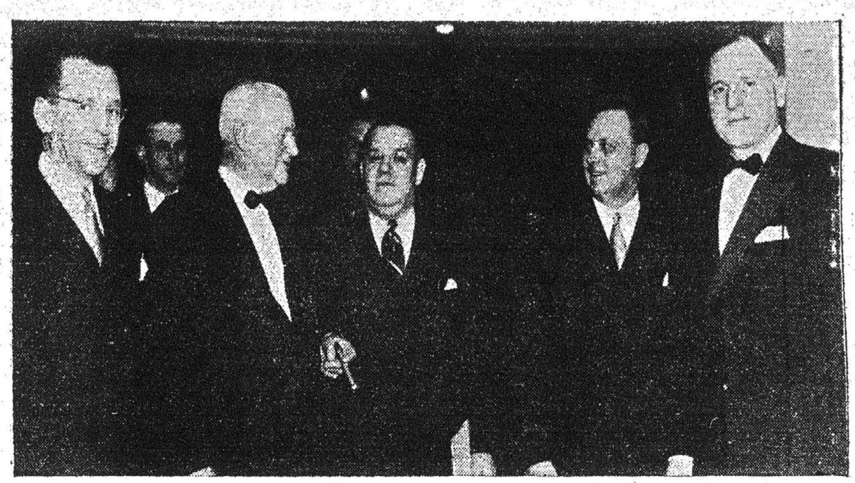
Roland Betts, *Knickerbocker Fund*—Howard Von Dehsen, *Keystone Fund*—Wm. Roos, *MacBride, Miller & Co.*, Newark, N. J.—Frank H. Becker, *Guaranty Trust Co.*—Peter H. Schult, Jr., *Bonner & Gregory.*



Louis S. Lebenthal, *Lebenthal & Co.*—Edwin Posner, *Andrews, Posner & Rothschild*—John A. Coleman, *Adler, Coleman & Co.*—Frank Gernon, *Carl M. Loeb, Rhoades & Co.*

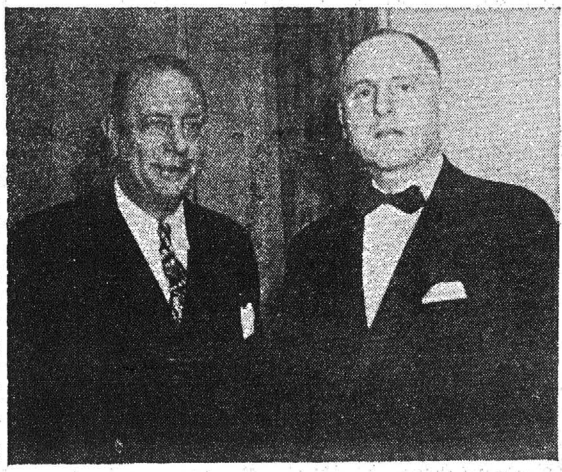


Ben Brooks, *W. H. Bell & Co.*, Philadelphia—C. Richard Suter, *J. Arthur Warner & Co.*, Philadelphia—Samuel H. King, *King & King*—Martin I. King, *King & King*—Joe Kelly, *J. Arthur Warner & Co.*

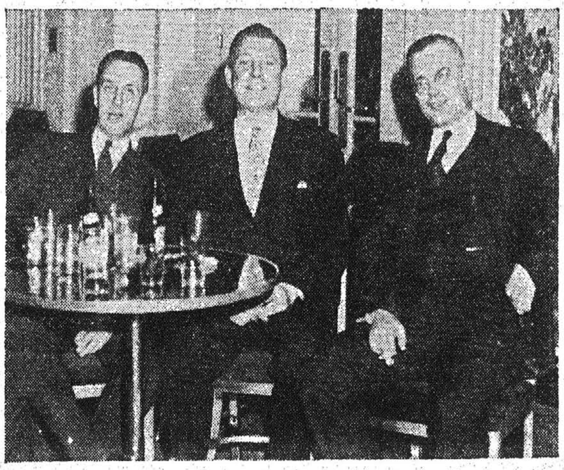


Lou Walker, *National Quotation Bureau*—Frank Scheffey, *NASD*, New York—John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*—Harry Beebe, *Harriman Ripley & Co., Inc.*—C. E. Unterberg, *C. E. Unterberg & Co.*

Held February 15th At The Waldorf Astoria

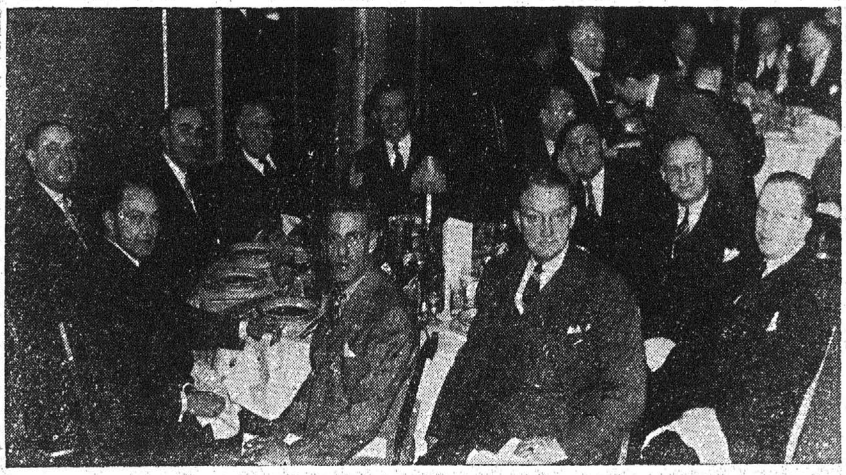


Emil Schram, *President New York Stock Exchange*—C. E. Unterberg, *President New York Security Dealers Association.*



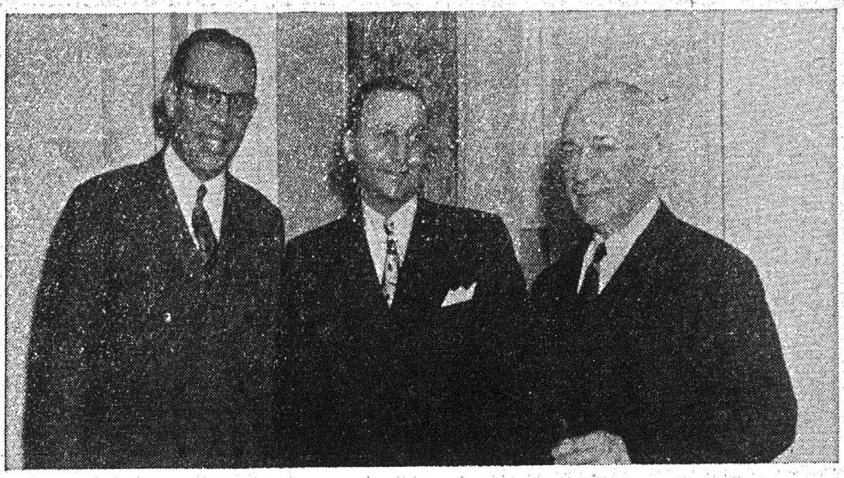
Ward Moore, *Chase National Bank*—Henry Bruns, *H. G. Bruns & Co.*—Geo. Hunt, *Starkweather & Co.*

F. J. Rabe, *F. J. Rabe & Co.*—Hanns E. Kuehner, *Joyce, Kuehner & Co.*

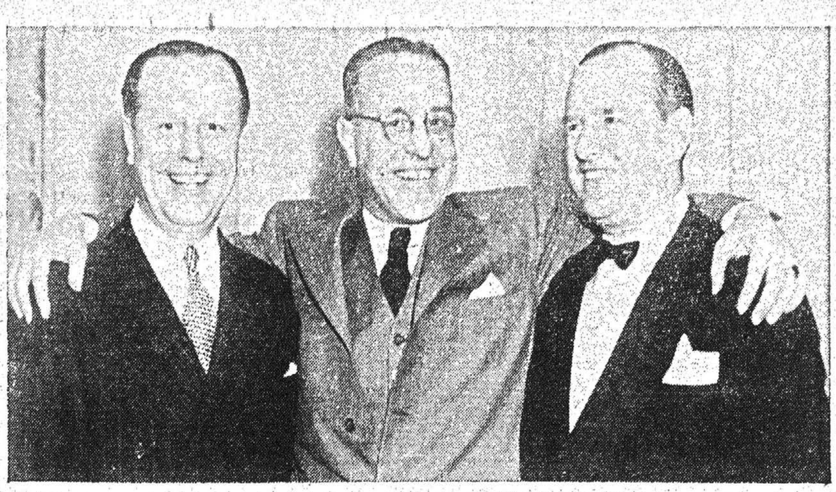


Herzog & Co.'s Table

Mitchell & Co.'s Table

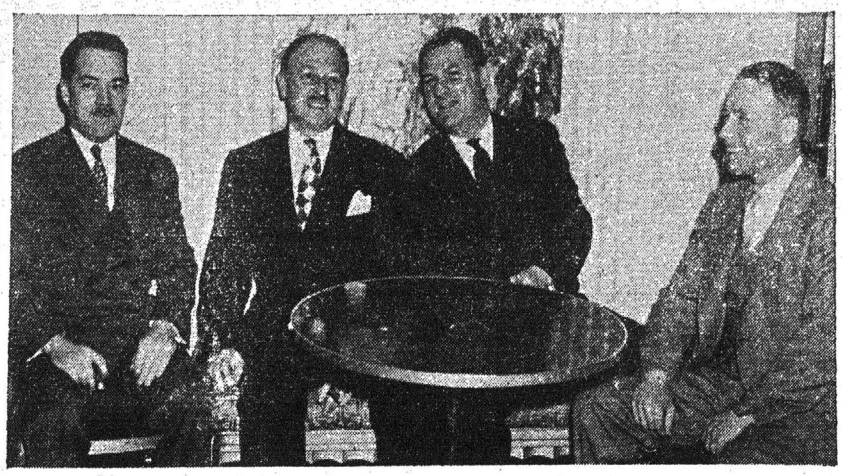


Geo. Textor, *Marine Midland Bank & Trust Co.*—Herbert Allen, *Allen & Company*—Tracy Engle, *Buckley Brothers,* New York City.



Edwin L. Beck, *Commercial & Financial Chronicle*—B. W. Pizzini, *B. W. Pizzini & Co.*—Frank Dunne, *Dunne & Co.*

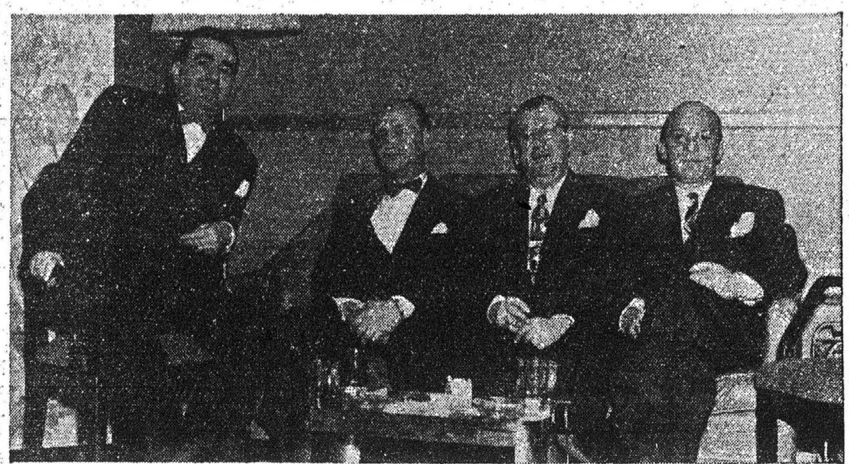
John H. Stevenson, *Ward & Co.*—Walter Nester, *The First Boston Corp.*—Al Malloy, *The First Boston Corp.*—Bert Seligman, *Ward & Co.*—Bob Whitbeck, *The First Boston Corp.*



John Hines, *Schwabacher & Co.*—Samuel Weinberg, *S. Weinberg & Co.*—J. Albert Williams, *J. Albert Williams & Co.*, East Orange, N. J.—Ralph T. Tyner, Jr., *Peabody, Tyner & Co., Inc.*, Mt. Vernon, N. Y.

Attendance A Record At Dealers Get-together

J. F. Reilly, *J. F. Reilly & Co.*—H. H. Van Meter, *Allan N. Young & Co.*—Samuel E. Magid, *Hill, Thompson & Co.*—Irving Ehrlich, *Hill, Thompson & Co.*



H. Fredericks, *Ward & Co.*—M. F. Klein, *Ward & Co.*—M. Silver, *Empire Realty & Trading Corp.*—N. Sims Organ, *Ward & Co.*

Elmer Meyers, *B. W. Pizzini & Co., Inc.*—Frank Reynolds, *Albert Frank-Guenther Law & Co.*—A. J. O'Connor, *L. F. Rothschild & Co.*, Rochester, N. Y.—Eliot Hall Sharp, *The Investment Dealers Digest.*

Joseph G. Connolly, *SEC*—Allan MacDuffie, *SEC*—H. Victor Schwimmer, *Guest*—James Currie, Jr., *Troster, Currie & Summers.*

Say Yalta Conference Prolongs War

Socialists Charge That the "Unconditional Surrender" Edict of Big Three Offers No Hope of a German Revolt Against Nazism. Hits "One-Sided" Russian Annexation of One-Third of Poland.

The Big Three conference in the Crimea will "tend to make more speedy and certain the arrival of the next war," charged the Socialist Party in a statement issued on Feb. 16 by its national chairman, Professor Maynard C. Krueger of the University of Chicago, and National Secretary Harry Fleischman of New York.

"The most decisive failure of the Yalta conference was its refusal to take even the first step toward ending the war," declared the Socialist spokesman. "It offers no hope that a democratic German revolt against Nazism would be met with sympathy on the part of the Allies. Instead the Big Three repeat the bankrupt slogan of unconditional surrender, which has already lengthened the war."

"Only men with a touching faith in the ignorance of the public," added Krueger and Fleischman, "could at the same time agree to one-sided Russian annexation of a third of Poland and reaffirm their belief in the Atlantic Charter which condemns 'territorial changes that do not accord with the freely expressed wishes of the peoples concerned.'"

The Socialist leaders insisted that the Yalta decisions were "a program for World War III," and warned that while "sustained protest from liberty-loving people everywhere" would be needed to change it, the alternative would be "misery and war for decades to come."

The text of the statement by Professor Krueger and Mr. Fleischman follows:

Again three men have met to decide in secrecy the fate of two billion. And again the two billion have little cause for rejoicing in what lies in store for them. It is questionable whether any of the decisions reached in the Crimea will shorten this war by even a little; some may well prolong it. But it is certain that they will tend to make more speedy and certain the arrival of the next war.

The most decisive failure of the Yalta conference was its refusal to take even the first step toward ending the war. It offers no hope that a democratic German revolt against Nazism would be met with sympathy on the part of the Allies. Instead the Big Three repeat the bankrupt slogan of unconditional surrender, which has already lengthened the war. This fact becomes even more ironic when we recall that where unconditional surrender has been applied, as in Italy by Churchill and Roosevelt and in the Balkans by Stalin, it has meant the continuation in power of Fascists and near-fascists!

Roosevelt, Stalin and Churchill have again reaffirmed their "faith in the principles of the Atlantic Charter." But their violations of the Charter are now for the first time included with their affirmations in a single statement. Only men with a touching faith in the ignorance of the public could at the same time agree to one-sided Russian annexation of a third of Poland, and reaffirm their belief in the Atlantic Charter which condemns "territorial changes that do not accord with the freely expressed wishes of the peoples concerned."

Nor is there more reason to expect better observance of the Atlantic Charter pledge to "respect the right of all the peoples to choose the form of government under which they will live." This pledge is specifically reaffirmed—and then interpreted as justifying intervention by the Big Three "in any European liberated state or former Axis satellite state . . . **where in their judgment conditions require.**"

What such intervention means to Churchill we have seen in Greece, where "to establish conditions of internal peace," he slaughtered thousands of Greek troops and installed notorious fascists in office. What it means to Stalin we have seen in Poland, where Russian troops have hunted down, imprisoned or executed the members of the Polish underground, in the name of a puppet government.

The Crimea conferees have announced that the Lublin "Provisional Government" is to be "reorganized" by adding to it "other Polish democratic leaders." What degree of independence the resulting government will have can be seen from the fact that it will be formed in Moscow and operate under the supervision of the Red Army and the GPU. Nor does it seem likely that the "free and unfettered elections" which it will hold under these circumstances will mean any more than the "free and unfettered elections" held in the Soviet Union itself.

The Powers also pledge themselves to "consult the other United Nations and provisional authorities of other governments in Europe when matters of direct interest to them are under consideration." Was it because their boundaries and future government were not "of direct interest to them" that the Poles were not consulted at Teheran and Yalta?

The statement of principles in the declaration of the Crimean conference is the cheese in the mousetrap. And the peoples of the world are expected to be nice.

The conferees announce that the unconditional surrender terms will not be made known until the final defeat of Germany. Perhaps the clue to this strange silence can be found in the fact that, while stating that they have agreed on the **enforcement** of the terms to be imposed, they nowhere claim to have agreed on the terms themselves!

A program for World War III has been presented both to the people of the United States and of the world, as well as to the United Nations, conference which has been summoned to meet in San Francisco on April 25. To change it will be difficult and will require sustained protest from liberty-loving people everywhere; to accept it will assure misery and war for decades to come.

Peter Ross Printing Company Formed in NY

Peter Ross, formerly of National Quotation Bureau, Inc., New York City, has formed the Peter Ross Printing Co. with offices at 132 West 22nd Street, New York City. Mr. Ross for the past eight years has been manager of the quotation department of National Quotation. Prior thereto he was Executive Secretary of the New York Security Dealers Association from 1929 to 1938.

John T. Von der Heide With Georgeson & Co.

John T. Von der Heide has relinquished his position as Assistant Director of the Department of Stock List of the New York Stock Exchange in favor of a post on the executive staff of Georgeson & Co., 52 Wall Street, New York City, specialists in the preparation and presentation of corporate proposals and in the broad field of stockholder relations.

In recounting some of his experiences on the Exchange dating back to 1918, Mr. Von der Heide said it was astonishing to learn how many stockholders fail to discharge their duties as responsible investors. The difficulty, said Mr. Von der Heide, is too often due to apathy on the part of management in neglecting the importance of presenting the facts to stockholders in interesting reasonable form. The responsibilities of management to stockholders and of stockholders to management are becoming increasingly more important as we see democracy in finance adding day by day to the number of investors in our great American corporations.

New Haven Interest Payments

Pursuant to authority of the United States District Court of Connecticut, funds will be available on and after March 1, 1945, for the payment of interest on certain bonds and debentures of the New York, New Haven and Hartford RR. Total interest payment will approximate $7,929,760 on coupons due between May 1, 1942 and April 1, 1943. Payment will be made at Irving Trust Co., New York.

AIB Cleveland Chapter To Hold Dinner

CLEVELAND, OHIO — William L. Underwood, Chairman of the publicity committee of the Cleveland Chapter, American Institute of Banking, announces the annual dinner will be held Saturday at the Hotel Statler.

Pillsbury Tax Analyst For National City Bank

CLEVELAND, OHIO—George B. Pillsbury, an Internal Revenue agent at Cleveland for the past nine years, has been appointed as tax analyst by the National City Bank, President Sidney B. Congdon announced.

Ohio Municipal Comment

By J. AUSTIN WHITE

The State Legislature is now in session in Ohio and on the agenda are some proposed changes in the laws governing investments by State banks. Consequently it is more than interesting to compare some of the legal requirements governing investments by State banks in Ohio with such requirements for national banks:

1. State Banks cannot legally buy a municipal bond outside Ohio that has defaulted for more than 90 days during the past 10 years. National banks need not consider past defaults.

J. Austin White

2. State banks cannot legally buy revenue bonds (not general obligations) in any amount, in Ohio or out, without permission of the Superintendent of Banks. National banks can buy up to 10% of their capital and surplus in such revenue bonds without mentioning it to anybody.

3. State banks cannot legally buy general obligation municipals outside Ohio exceeding in amount 10% of capital and surplus for each subdivision. National banks are not limited in amount of general obligation bonds of any municipal.

4. State banks cannot legally buy a bond of a political subdivision outside Ohio unless the subdivision, or its predecessor subdivision, has been in existence at least 10 years. National banks have no such restriction.

5. State banks cannot legally buy bonds of a county outside Ohio that has a population of less than 10,000, nor of a city or town with a population of less than 1,000. National banks have no such restriction.

6. The State Banking Department recently decided that State banks cannot buy second mortgage revenue bonds in Ohio or elsewhere. To our knowledge, national banks have no such restriction.

7. State banks cannot legally buy municipal bonds outside Ohio if the net direct debt of the subdivision (arrived at in a technical manner that may not allow all proper deduction from gross debt) amounts to more than 10% of the assessed valuation of the subdivision (with no allowance made for property being assessed even at a small fraction of actual value). National banks have no such restriction.

It is expected that the Legislature will be asked to eliminate this last restriction. It may very well be asked why the Legislature should not eliminate several of the other restrictions. Does the State Legislature of Ohio feel that bankers operating under State charters in Ohio are more stupid than bankers operating under national charters?

The question of such laws governing investments by State banks, savings banks, insurance (Continued on page 848)

Cleveland Men Again On Advisory Board of Cleveland Reserve Bk.

CLEVELAND, OHIO—Re-appointment of five Cleveland industrialists to serve as the Industrial Advisory Committee of the Fourth (Cleveland) Federal Reserve District was announced on Feb. 19 by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. Members of the committee, which recommends as to whether or not the Federal Reserve Bank should make an industrial loan, are:

Clifford F. Hood, President, American Steel & Wire Co.; Herbert P. Ladds, President, National Screw & Manufacturing Co.; Herman R. Neff, President, The George S. Ride Co.; Daniel C. Swander, Chairman of the Board, Columbian Vise & Manufacturing Co., and Winthrop W. Withington, Vice-President, American Fork & Hoe Co. Each term is for one year beginning March 1, 1945.

Guy Prosser Pres. of Cleveland Stock Exch.

CLEVELAND, OHIO — Guy W. Prosser of Merrill Lynch, Pierce, Fenner & Beane, was elected President of the Cleveland Stock Exchange at the 45th annual meeting. Mr. Prosser, the only candidate for the post, has been Chairman of the Exchange's public relations committee which helped develop the modified sponsorship stock plan adopted late last year.

Following the meeting there was a dinner attended by representatives of Cleveland industry, banking and finance. Under the sponsorship plan, members issued invitations to officers of companies whose stocks are listed on the local board, inviting them to the dinner. Chairmen and Presidents of the large commercial banks were present.

Charles A. Otis, veteran of Cleveland business and finance, was the guest speaker at the dinner. He recalled his experiences in the financial district here since the turn of the century. He is a charter member of the Cleveland Exchange, having been elected to membership in May, 1899. Among the other "old timers" invited were William G. Mather, E. G. Tillotson, Peter Fahey, E. M. Baker, M. C. Harvey, W. S. Snyder and Eugene S. Halle, the last named still an active member of the Exchange after more than 44 years. He is proprietor of Will S. Halle & Co.

Russell I. Cunningham of Cunningham & Co., retiring from his second term as President, headed the nominating committee which named four candidates, two to be elected for three-year terms to the Board of Governors. They are: Norman V. Cole, of Ledogar, Horner & Co.; Douglas P. Handyside, of H. L. Emerson & Co.; Theodore Thoburn, of Hayden, Miller & Co., and Alvin J. Stiver, of Saunders, Stiver & Co.

The new President began his financial career in 1916 with Otis & Co. shortly after graduation from Kenyon College, where he starred in football, baseball and basketball.

He organized the firm's trading department three years later and remained there until 1931 when he went to E. A. Pierce & Co., now Merrill Lynch, Pierce, Fenner & Beane.

He is a member of the Cleveland Bond Club, Cleveland Security Traders Association and past President of the Optimist Club and the national alumni association of Kenyon.

Prosser has been Co-Chairman of the War Bond Committee in Shaker Heights, Cleveland suburb, for the past four drives and spends one night a week in volunteer work at St. Vincent Charity Hospital.

E. E. Finley of Finley & Co., and Charles B. Merrill of Merrill, Turben & Co. are candidates for a single governorship for an unexpired term ending next year.

Ohio Brevities

McDonald & Co., and Cunningham & Co., managed an underwriting group, including nine other Cleveland houses, which made a secondary offering of 7,000 shares of Richman Bros. stock at $42.45 per share. Richman Bros., a large clothing manufacturer, has paid dividends on its stock every year since 1920. The company never had any preferred stock or bonds.

Cleveland firms participating were Saunders, Stiver & Co., Prescott & Co., Maynord H. Murch & Co., Will S. Halle & Co., W. P. Quinn & Co., Cayne, Ralston & Co., Finley & Co., Hornblower & Weeks and Paine, Webber, Jackson & Curtis. Beadling & Co. of Youngstown also took part.

Cleveland Trust Co., Central National Bank and National City Bank were in the bank group, headed by Chase National, which arranged a $28,335,000 bank loan for Alleghany Corp. for the purpose of refunding its 3¼% secured convertible notes due in 1954. An 8-year loan, the interest rate is 2½% except that, to the extent which the loan may be secured by U. S. Government securities, the interest rate will be 1¼%.

Standard Oil Co. of Ohio directors have proposed to split the outstanding common shares 2½ for 1, to increase the number of authorized common from 1,300,000 to 3,250,000 shares and to change the par value from $25 to $10 per share.

The plan will be submitted at the annual meeting April 2, and if approved it is planned to place the new stock on a regular annual dividend basis of $1 a share.

Three Cleveland firms are among 51 underwriting houses, headed by Blyth & Co., offering a new issue of $50,000,000 Pere Marquette Railway 35-year first mortgage bonds. The Blyth group won the issue on a competitive bid of 99.71 on a coupon rate of 3⅜%, an indicated average annual cost to company of about 3.383%. Cleveland houses are Hawley, Shepard & Co., Merrill, Turben & Co., and Curtiss, House & Co. The Ohio Co. of Columbus also participated in the underwriting.

Officials of Pere Marquette announced that the sale, which will net the road $49,855,000, has cleared the way for refinancing first mortgage debt, totalling $52,467,335. President R. J. Bowman stated "refunding when completed will itself effect debt reduction of $2,467,000. This will make total reduction of mortgage debt since October, 1942, $14,535,000, or 22½%."

Otis & Co., of Cleveland, and Halsey Stuart & Co. headed group which was awarded $35,000,000 Oklahoma Gas and Electric Co., refunding bonds on Monday. Their bid was 100.02 for 2¾s. William J. Mericka & Co., Cleveland, and First Cleveland Corp. were in the Halsey Otis group. New bonds, which run to 1975, refund an equal amount of 3¾s due in 1968. A Lehman-Blyth group offered 102.1679 for 2⅞s.

Sherwin-Williams Co., largest paint-makers in the world, is acting as its own underwriter in the proposed conversion of $10,248,000 of 5% preferred stock into a new issue bearing a 4% annual dividend rate.

Holders of the present 5% stock have the right to exchange their stock share for share until Mar. 15.

Those not making the exchange will be paid $105 a share, the call redemption price.

Directors will decide later whether sufficient stock has been deposited to make the plan effective.

John C. Lincoln, Chairman of the Board of Lincoln Electric Co., L. L. LeVeque of Columbus, and other Cleveland associates, have acquired 50% of the stock in 50 W. Broad Street, Inc., owner of the AIU Tower Bldg., Columbus, Ohio.

Mr. LeVeque and Gordon S. Macklin of Gordon S. Macklin & Co., Cleveland security dealers, were made directors of the W. Broad Street firm and later LeVeque was elected President; Macklin, Vice-President; Lawrence D. Stanley, Columbus, Secretary, and James Huffman, Columbus, State Director of Commerce, remained as Vice-President and Treasurer.

The Lincoln LeVeque group has offered to purchase the remaining 50% of the stock in the 45-story building for $755,000, same amount as paid for the first half.

John A. McWethy, manager of the "Wall Street Journal's" Cleveland office since 1940, has been promoted to manager of the paper's Chicago office. McWethy, a native of Cincinnati, came to the Cleveland bureau in 1937.

He will be succeeded by Edward J. Lally, Jr., recently released from the Army. He formerly was special correspondent for the "Journal" at Pittsburgh and had been a member of the news staff of the Pittsburgh "Press" and United Press prior to that time.

President John L. Collyer of B. F. Goodrich Co. has announced the company will construct a new research laboratory in Brecksville, Ohio, about 20 miles from the company's Akron operations and located between Cleveland and Akron.

Dr. H. E. Fritz, company research director, stated construction work will be started as soon as possible.

In a statement issued by Mr. Collyer he declared "the company's heavy responsibility in the war effort, bringing additional demands upon the research division, make it advisable to establish this activity in a new location as present laboratory facilities are overtaxed. The decision to locate this important activity in Brecksville was made after thorough consideration of a number of other available sites."

Ohio Municipal Price Index

Date—	*	†	‡	§
Feb. 14, 1945	1.30%	1.47%	1.14%	.33%
Feb. 7	1.31	1.48	1.15	.33
Jan. 17	1.33	1.49	1.17	.32
Dec. 13, 1944	1.34	1.51	1.18	.33
Nov 15	1.36	1.53	1.19	.34
Oct. 18	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.36
July 12	1.31	1.48	1.15	.33
June 14	1.31	1.46	1.16	.30
May 17	1.31	1.46	1.16	.30
April 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

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

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

Beadling Becomes Member Of Cleveland Stock Exch.

YOUNGSTOWN, OHIO—William E. Beadling, president of Beadling & Co., Union National Bank Building, has acquired a membership on the Cleveland Stock Exchange. Mr. Beadling is well known to the Cleveland investment business.

Tomorrow's Markets Walter Whyte Says——

Primary bull trend reemphasized by penetration into new high ground. Stops in issues held should now be raised.

By WALTER WHYTE

The ink was hardly dry in last week's column when the market picked up its skirts and dashed for the heights. In accomplishing this it managed to get through not only the previous obstacles but also established that it was still in a bull trend.

* * *

The possibility that the market was heading for this kind of behavior was clearly discussed in the column of Feb. 1. "Present action," said the column, "is extremely tempting. For even if it doesn't show any immediate advance it minimizes the danger of immediate decline." In a preceding paragraph, in the same column, I wrote: ". . . the only pessimistic thing to look for now is something quite obvious—a general decline. But . . . if it (the decline) stops within circumscribed levels, it should not be alarming."

* * *

Since that was written the market did little of a positive nature. At least twice it seemed to threaten to go into a decline. This threat arose every time the averages approached a previous high point. It might be important to observe that failure to pass old highs is often the first indication of a trend reversal. Such failure may be translated into either a definite downturn usually accompanied by increased volume or by dullness. In the latter case dullness seldom carries averages down more than a point or so. In the former, averages are carried down a couple of points. But almost always this is followed by a rally. Seldom, however, does such a rally carry stocks above their previous highs. It is this inability to penetrate, followed by another reaction which usually goes

(Continued on page 854)

Opportunities In Utility Securities

(Continued from first page)

as I want you to see it if I take just a little time for some background material.

I want to say right at the start that while utility securities have long been regarded as among the most desirable investments, they are today better and stronger than they have ever been before. Utility bonds are selling at new high prices. Of course, this is due partly to prevailing low interest rates but the fact that these bonds are in general much better protected than those put out a few years ago also enters into the picture. The refunding of preferred stocks on a lower dividend basis is proceeding gradually and I think you will see much more happening in this field as time goes on. Utility common stocks have become increasingly desirable as investment media and I think this particular class of securities is due to get increasing attention from both institutional and private investors.

In the background of all of this are the developments of a dozen years which would be material for a lecture in itself. A great deal of the improvement in utility securities can be attributed either directly or indirectly to the passing of the Public Utility Holding Company Act in 1935. I am one of those who feel that the over-all effects of the administration of this Act by the Securities and Exchange Commission have been very beneficial to investors. I think it is possible to make this statement in all sincerity and still not agree necessarily with every ruling or every line of reasoning which has come out of the Securities and Exchange Commission. The Federal Power Commission and many State Commissions have taken steps to strengthen regulation and I think it should be made very clear that the utility companies, themselves, have done a lot independently to put their houses in order.

Post-War Outlook

We have had a little flurry in utility equities in the past month or two, but I feel that their potentialities have been by no means exhausted. Utility stocks are especially desirable for the post-war period. The industry has gained the confidence of investors because of its record of growth and progress, and there is no indication of any cessation of this trend. On the contrary, more and more high records are in prospect. Let us take a minute or two to analyze the post-war outlook for utility companies. Of course, we can see right away that there will be a considerable loss in the industrial load of these companies. A lot of plants which are operating for strictly war purposes and incidentally using a great deal of electricity will be closed down. A lot of other plants which have been operating on two or three shifts will return to a single shift operation. On the other hand, the net loss will be considerably less than this statement indicates because there are plenty of manufacturing plants through the country which have had to close down or curtail their operations during the war because they could not get necessary manpower or materials to carry on their usual business.

It should be made clear, however, that it is going to be a fairly easy job to make up revenues lost from industrial customers in other departments of the business because of the relatively low rate collected for industrial power. In 1944 the average revenue from industrial customers in the country at large was only 9 mills per kwh. whereas the average return from commercial business was 2.7 cents per kwh. and the average return from domestic customers was 3.5 cents per kwh. In other words, on the average, domestic business returned to companies about four times what the industrial business paid and the commercial business returned about three times. Now to be sure, average figures are a little misleading because rate schedules are set up with various increments. I have explored this angle, however, and have good authority for saying that a lot of the industrial business which will be lost has been returning the companies only from 5 mills to 8 mills per kwh. On the other hand, the domestic business which they have hope of picking up will usually return at least $1\frac{1}{2}$ cents or 2 cents per kwh. and in most instances it will be more than this.

It should be obvious to everybody that the commercial load can be quickly and easily built up with the cessation of hostilities. The roadside hot-dog stands which have been closed will reopen, the corner filling stations will be going full blast again and many a small business which has had to shut down while the owner went to war or went into a defense plant will again be operating. The residential load has been up even in spite of the war and utility men with whom I have talked agree that possibilities in this field are enormous. In 1941, for example, the average consumption per domestic customer was under 1,000 kwh. Preliminary figures for 1944 indicate that the figure rose to around 1,140 kwh. This build-up has come in a period when it has been impossible for the industry to go after new business in any substantial way because appliances have been practically off the market. Some companies expect a 50% increase in their domestic load five years after the war and some companies say the increase will be 100%. In any event, it is going to be big. A lot of new homes are going to be built and these will have plenty of uses for electricity. All of the companies will aggressively sell merchandise again. A study of the National Electric Wholesalers Association made last year estimated that if appliances were back in the market in 1946 the volume of sales would be somewhere around double that of 1936. There are plenty of new or virtually new uses coming along including such things as television, air conditioning, home frozen food lockers, etc. Rural electrification is a big field which will be further exploited as labor and materials are available for line extensions. At present less than half of the farms of the country are electrified, according to a recent survey. Better standards of lighting are coming along all the time. People who are fearful that widespread use of fluorescent lighting will cut down electric consumption overlook the fact that many installations will be made in such a manner as to greatly increase the intensity of the lighting, so there will be no net loss of current sold.

Bear in mind that the electric industry has no reconversion problems. The electric current which comes off the bus bar now for industrial purposes can just as well be sold for domestic or commercial purposes. Generally speaking, it looks as if earnings before taxes should be back within a year or two after the war at the point where they have been during the war period. This is not an offhand statement but is based on some very careful studies which companies have made. One of the most impressive was introduced something over a year ago at an SEC hearing by the Commonwealth & Southern Corporation. They went so far as to have every individual company make up a budget of the power they thought they could sell within a couple of years after the war and went further to estimate their operating expenses before taxes. They were not "horseback" figures but were documented with schedules of actual gains and losses in revenue which they expected. In general, as I have said, it looked as if within a year or two their earnings would be back, overlooking any question of where Federal taxes would be. One of your own companies, Massachusetts Utilities Associates, put in a study before the SEC last year with somewhat similar conclusions.

Another consideration which enters into the picture is that the companies can concentrate generation in their newer and more efficient plants and make less use of high cost plants and purchased power. Many companies have had to use in regular service much of the time plants which ordinarily would be required only for peak or stand-by service. Just recently I did some work on a company which has some business of distinctly wartime character. Its return on such business was about $8\frac{1}{2}$ mills per kwh. On the other hand, although the company can generate energy at around 3 mills per kwh., its facilities are inadequate and it has to buy power from other systems at an average cost of 7 mills. Obviously, power which costs 7 mills delivered to the company leaves little, if any, profit when sold at $8\frac{1}{2}$ mills after allowing for transmission and distribution expenses, taxes and other items. My point is that a lot of these companies are carrying the war load at very little profit to themselves and in some cases it is hard to get back a new dollar for an old.

The end of the war will undoubtedly mean the repeal of year-round daylight saving. I have not yet seen figures for 1944 but it is estimated that in 1943 approximately 1,600,000,000 kwh. was the amount of savings by electric customers because of daylight saving right through the winter. The additional current

(Continued on page 840)

Opportunities In Utility Securities

(Continued from page 839)

used early in the morning was much less than the savings around the peak hours of the afternoon. This load should come back and much of it is in the higher-priced domestic and commercial categories. The dim-outs and brownouts will be things of the past. The companies will be relieved of many extra expenses such as guards against sabotage and other wartime precautions.

My comments so far have referred especially to the electric companies, but without taking time for details, it seems to me that there are plenty of good things ahead for the gas companies also. This is particularly true in respect to companies which will be in the position to change over from artificial gas to natural gas. The increase in business which the gas companies can get when this conversion is made is very impressive. There is a big field ahead for additional house heating by gas and if the price of oil stays above pre-war levels, sales of gas house-heating installations should be easy. The gas people have not been asleep and they have been working on new appliances which should help them build their load. For example, just as the war broke out, manufacturers of gas equipment were getting in the position to offer a single self-contained package unit for all-year-round air conditioning, controlling the heating, cooling, humidification and filtration of air. In the opinion of several companies which went into the matter, a 5% saturation of homes with this equipment would double the net income of the average gas company.

Tax Reliefs

One of the very most important items in the post-war outlook for utilties is the anticipation of some relief from taxes, especially excess profits taxes. Bear in mind that a goodly number of the utility companies have to pay excess profits taxes, although the extent to which a company is hit by these taxes depends on a number of variable factors. Some companies are seting aside between 15% and 20% of operating revenue for excess profits taxes, and this is a lot of money. There are plenty of them that pay out around 10% of their revenues for this purpose. There is a general feeling that excess profits taxes will be among the first to be reduced or repealed after the war. Of course, all of this money would not become available for the stockholders as the earnings now subject to excess profits taxes would become subject to normal taxes and surtaxes. However, there should be plenty of salvage for the security holders in a lot of these situations. All of these things make the post-war position of utilities look bright and will make their equity shares sought for.

Another very important consideration having a bearing on the future course of public utility common stocks is the search now going on for investments yielding a good return. With bond financing being done on the basis of less than 3% and with preferred stocks coming out now to return 4% and even less, the investor who has been accustomed to get 5%, 6% or more on his money is hard-pressed. This is particularly true with a private investor. The banks have reduced interest rates and the insurance companies have cut dividends and raised premiums, but the private investor does not like to cut his budget, especially when wartime taxes are high. If senior securities of utilities are going to continue to command the prices which they now do, I am wondering how long you will be able to buy the good common stocks to yield from 5% to 6% and in some cases even more.

So much for the background material, and now I would like to talk about individual situations.

Effect of Public Utility Holding Act

The operations of the Public Utility Holding Company Act have brought a lot of new stocks to the market and a lot more are still to come. There is one section of the Act which is particularly responsible for this flow of new securities, and that is Section 11 (b). Under the terms of Section 11 (b) (1), holding companies are restricted to so-called integrated systems, and to qualify as an integrated system it is necessary for a group of properties to be pretty compact. Therefore a lot of companies are making moves to dispose of outlying properties which cannot qualify as part of an integrated system. Section 11 (b) (2) requires an equitable distribution of voting power and a capital structure which is not complicated. This has led to a revamping of the structures of some of these companies with new securities making their appearances as a part of the process. When holding companies have had to dispose of stocks of subsidiaries, they have done it sometimes through the medium of an underwriting group and at other times by direct distribution of shares to their own security holders. Other moves of a similar nature are in prospect.

Of the stocks which have come out by the underwriting route, I would mention Idaho Power, Public Service of Colorado and Houston Lighting & Power as among the earlier ones, and in 1944 we had Derby Gas & Electric, Central Illinois Electric & Gas and Empire District Electric. Coming on to the market through distribution to security holders have been, among others, the stocks of Philadelphia Electric, Consolidated Natural Gas and Delaware Power & Light. I ask you to recall the price levels which prevailed when these stocks first came out and compare them with the present markets. In the case of each company I have mentioned, the experience has been a pleasant and profitable one. To be sure, this has been partly due to a generally rising market, but this is not the whole story. After these stocks come out it takes a certain amount of time for people to become educated as to their merits, especially when stocks are in the hands of the public for the first time. In the case of stocks which are being distributed as liquidating dividends, they come on to the market in odd lots and the shares have to be combined into larger blocks for investment; there is pressure on the market while this process is going on. After a while these stocks begin to get a following, dealers get to work on them and they go into the hands of people who are interested in holding them for long-term investment; then the floating supply gets less and there is only one answer—the price goes up. Sometimes, as in the case of Idaho Power and Houston Lighting, the stocks become well enough distributed and are out in large enough quantity to warrant listing on the New York Stock Exchange.

Just to cite one example of how this assimilation process goes on, I would mention Delaware Power & Light which was distributed to the shareholders of United Gas Improvement Co. Every holder of U. G. I. common received 1/20th of a share of Delaware Power & Light for each share of U. G. I. This meant that many five-share and ten-share lots of Delaware were issued to people holding 100 or 200 shares of U. G. I. The stock began trading around 14 and for a long time was in the general vicinity of 15. Anyone who took the trouble to analyze this stock when it was first available could see that it was in the same league with such old-time, well-recognized stocks as Connecticut Light & Power and Consolidated Gas of Baltimore but the price-earnings ratio was substantially lower. The company began paying dividends at the rate of 20 cents quarterly and made two such payments. Then they stepped the quarterly payment up to 25 cents and while no announcement was made, I think we are reasonably safe in assuming that the stock is on a $1 annual basis. With this development, the stock has sold up to over 19. This is definitely an investment quality stock and its long-term potentialities have been by no means exploited fully. The company pays a substantial excess profits tax and it operates in a territory where post-war prospects are very good indeed. It is the type of stock which can be appropriately held by institutions who buy only high-grade equities. For example, one insurance company in the Middle West bought a block of 5,000 shares of the stock not long after it became available. Obviously the people who sized up the situation when the stock began trading and purchased it in the early days are now very happy.

Recapitalization Issues

The same comment could be made about Idaho, Central Illinois, Empire District and others. I wish to emphasize that I think this is very likely the pattern that will be followed as many of these new stocks come on to the market. I urge you to be alert as each new stock comes along and I think you will find very often they sell in the early days for less than the price which they command after they have been out a little while.

I will give you a preview of some of the stocks coming along, but first will mention the creation of new securities from recapitalizations. For example, the old preferred stockholders of Community Power & Light had their preferred shares converted into common shares and in due course these were exchanged for common shares of a strong operating company, Southwestern Public Service. There was an offering of some of the Southwestern common a couple of years ago and the present price is about four times the offering price. This is an unusual case, perhaps, but it shows how these stocks find a true level. The present Puget Sound Power & Light common came from a recapitalization. Most of these shares went to the old preferred stockholders. I am not prepared to say whether this stock is a bargain at present prices but I can say that there is a very wide interest in the shares. In giving talks of this sort in various cities, I think there is no one stock I have been asked about as frequently as Puget Sound.

Looking ahead, I might mention first two pending recapitalization situations. Within a very few weeks I expect that the common stock of United Light and Railways Company will be on the market for the first time. This is being distributed to the preferred and common stockholders of United Light and Power Co. which is being liquidated. The present United Light and Power preferred will get five shares of United Light and Railways common and each share of United Light and Power common will get 1/20th of a share of United Light and Railways. This system has been doing an aggressive job of trying to integrate. It has sold a number of properties in outlying areas and is concentrating on building up a system in the Middle Western States of Illinois, Iowa, Missouri and Kansas. The backbone of what promises to be the remaining system are three strong companies, Kansas City Power & Light, Iowa Power & Light and Illinois-Iowa Electric & Gas. All of these would command high price-earnings ratios if directly available. The United Light and Railways common will probably go on a dividend basis fairly promptly as the system is in good cash position and the management recognizes that the old preferred stockholders went without dividends for many years. This stock is well worthy of your consideration for its long-term possibilities.

Another company which will have a change in its capital structure in due course is Buffalo, Niagara & Eastern Power. This company, now a subsidiary of Niagara Hudson, controls companies in the western part of New York with the most important operations around Buffalo and Niagara Falls. The company at present has $5 first preferred, $1.60 preferred, Class "A" and common stocks. The SEC has ordered it to change the three junior classes of stock into one class of common stock. Two plans were submitted for the fulfillment of this order, one by the company itself and one by its parent Niagara Hudson. There is a wide divergence in the two plans in so far as they relate to the percentage of new common to be given to the present $1.60 preferred and to the other junior shares. However, without going into all of the ramifications, I think we can safely assume that the $1.60 preferred now selling in the general vicinity of 22 will have to be taken care of in some way to reflect the fact that it has preference of $25 per share plus accrued dividends of about $4. Incidentally, both recapitalization plans provide that the $1.60 preferred shall be entitled to an adjusting dividend at the rate of $1.60 per share per annum for such period after January 1st of this year as it takes to make the plan effective.

"Dollars at a Discount"

It is still possible to buy "dollars at a discount" through the purchase of holding company securities selling for less than their break-up values. To be sure, the spread between market prices and estimated break-up values is less than it used to be but, on the other hand, these holding companies are making progress all the time toward the completion of their programs. I will mention quickly a few of the holding company situations where constructive developments are likely in the next few months.

The reorganization plan of Associated Gas & Electric has been approved by the SEC and the Federal District Court. It was appealed to the Circuit Court of Appeals and the decision of that court is looked for almost any time now. I realize that the name "Associated Gas & Electric" is repulsive to many investors but these people are overlooking what has happened in the five years in which this system has been operated by trustees appointed by the Federal Court. Under the terms of the reorganization plan the present bonds will receive stock in a new company. The intrinsic values behind this stock are greater than the present market price of the bonds and the new company is set up definitely as a liquidating vehicle. That means that it is expected in due course that the stocks of the underlying companies will be distributed although for tax reasons regional holding companies may be continued in existence for a while. This system has some excellent operating properties including Metropolitan Edison, Rochester Gas & Electric, New York State Electric & Gas, New Jersey Power & Light, and others. Incidentally, Associated Gas bonds are available both as listed and unlisted securities, so whichever type you prefer to work with there is a chance for you to take hold in this situation.

Some word should be heard in the next few weeks from the Federal District Court concerning the Standard Gas & Electric plan already approved by the SEC. This has an unusual feature in that the debentures are to be paid off by distribution of operating company common stocks and cash. If the plan is upheld and market levels remain as favorable, the items to be received on this distribution should be worth more than the present price of the Standard Gas debentures. Included in the proposed distribution are shares of Oklahoma Gas & Electric, Wisconsin Public Service, California Oregon Power, Mountain States Power and Pacific Gas & Electric. Three of these stocks have never been in the hands of the public before. I have been doing some preliminary work on these and am particularly impressed with the growth prospects in the Oklahoma territory. The Wisconsin stock will be very popular especially in the general section of the country where the company operates. California Oregon Power has done an outstanding job of electric load building. The Standard Gas preferreds have had quite a rise but are still selling at a discount from break-up values. The most important asset which will be left applicable to this stock is the common stock of Philadelphia Co. controlling utility properties around Pittsburgh.

It begins to look as if National Power & Light might finally liquidate this year and this would probably mean that stocks of Carolina Power & Light, Birmingham Electric, Pennsylvania Power & Light would come on the market. Of these stocks, I think Carolina Power & Light will be the most interesting. The Pennsylvania Power & Light has just had a very favorable rate base established by the Pennsylvania Commission but as the company now stands, the common stock equity represents little, if any, real investment on the part of the parent company. It remains to be seen whether an additional investment may have to be made in this equity before the company is finally cut loose.

Another situation which may be cleaned up this year is Midland United Co. This has been in the courts for about ten years. A compromise reorganization plan has already been approved by the SEC and the Federal Court and is now being balloted on by security holders. Owners of the $3 preferred stock of this company will receive shares of Public Service Company of Indiana and of a new company, Midland Realization Co. The stock of Public Service Company of Indiana is not new to investors but if you have not taken a look at it, you should do so as it is one of the most promising equities from a post-war standpoint. The company has been making remarkable strides in the last few years but inroads of wartime taxes have obscured some of the achievements if you look at the company only casually. What you should do here is to take a look at the trend of net income after taking care of all expenses and fixed charges but before providing for Federal taxes. This rose from around $1,865,000 as of 1938 to about $9,650,000 in the most recent 12 months period reported. Each year showed consistent increases over the year before. This has been due to good growth in the territory and also to remarkable improvement in operating efficiency and savings in fixed charges. This company is retaining in the business a little larger proportion of its earnings than some companies which are showing less growth but it would be foolish to pass up a situation of this kind for a difference of 1% in current yield when the future possibilities are so great. This company earned $1.90 a share in the 12 months ended November 30th while excess profits taxes provided for in the same period amounted to $5 a share. These were over 18% of operating revenues. The salvage for stockholders with any relief from taxes should be interesting.

Middle West Corp. will probably make another capital distribution this year. Somewhere along the line this company will distribute shares of Central and South West Utilities for which a recapitalization plan is now pending. This latter is a very promising system with its service area in the part of the country possessing some of the best growth prospects.

Northern States Power of Delaware has a plan pending which will mean issuing common stock of Northern States of Minnesota, the operating company, for the present preferred and class "A" stock of the holding company. This new common will be a very popular medium in the Middle Western market. The present preferred stock is paying a dividend while consummation of the plan is awaited.

Commonwealth & Southern preferred is a very good stock for investors who want a current return, and while the discount from immediate break-up values is not as large as in some other situations, the potentialities on a post-war basis are very great because Commonwealth & Southern has been one of the systems hardest hit by excess profits taxes. Sooner or later there will be a distribution of underlying securities, although I am pessimistic about the time element in this case because of determined opposition to some features of the plan in its present form. When, as and if the plan is consummated, distribution of Consumers Power common, Central Illinois Light common and other underlying stocks will be made. I have made an exhaustive study of Consumers Power and am extremely enthusiastic about this situation. When that common stock comes along it will be much sought after. Central Illinois Light will also be a very desirable stock and will have an investment quality which will command a high price-earnings ratio.

Other Profit Possibilties

There are profit possibilities in a lot of the other holding company situations like the American Power & Light preferreds, Electric Power & Light preferreds, North American common, Engineers Public Service common and many others which lack of time prevents mentioning. The Engineers Public Service common looks particularly attractive for any accounts not insistent on current income. The management has indicated that no dividends are likely to be paid on the common for the present but, of course, the equity is building up for the patient holder.

Needless to say, study and analysis will reveal situations out of line in the utility field just as in others and purchases should be made thoughtfully and not indiscriminately. Furthermore, opportunities for profitable exchanges often present themselves. For example, at the moment there is a spread of about five points between the prices of Consolidated Edison common and North American Co. common; yet the latest 12 months' consolidated earnings were almost identical and the dividend return is similar except that North American pays its dividends on lots of 100 shares or over in stock of Pacific Gas & Electric Co. The net proceeds come out somewhere near the same. An interesting point, however, is that Consolidated Edison has been able to show only a very modest increase in earnings on its common stock before Federal taxes in the last few years. This comparison of earnings before Federal taxes is significant as it does away with the distortion due to the inequalities of the tax burdens on different companies. From 1939 to the 12 months ended Sept. 30, 1944, earnings for Consolidated Edison common before Federal taxes were up from about $34,350,000 to only about $38,700,000. In contrast with this, consolidated earnings for North American common stock before income taxes rose from around $22,000,000 in 1939 to over $37,000,000 in the latest 12 months. Consolidated Edison pays no excess profits taxes and North American Co. does. On a number of other bases of comparison, the North American stock looks as if it might be the more promising stock for the future especially as it is selling now for less than its break-up value. In my mind, there is little question which of the two stocks is cheaper in this market.

Another interesting comparison is that of the record of Peoples Gas Light & Coke in the last few years against Commonwealth Edison. I like Commonwealth Edison and think it is a desirable stock, but Peoples Gas Light has been coming along faster than some people realize, again because of the inroads of excess profits taxes. The net income of this company before provision for Federal taxes increased from about $3,150,000 in 1939 to over $11,100,000 in the 12 months ended last September, while in the same period the corresponding figure for the Commonwealth Edison Co. was going up from only $31,300,000 to about $45,500,000. Peoples Gas Light is appropriating over 15% of operating revenues to provide for excess profits taxes on normal operations, although it is not actually paying this amount because of non-recurring deductions.

The utility field is so broad and there are so many interesting things going on that it is hard to cover more than a few situations in a brief talk of this kind, but I would like to summarize by saying that the alert investor is going to find a lot of interesting opportunities in utility securities and would do well to watch closely developments in this field as they unfold.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

A "best-seller" in the pre-1929 era was Stuart Chase's "Your Money's Worth." It struck a responsive chord with the public, for everybody likes to get his money's worth, including speculators and investors. What does the investor in bank stocks today get for his money? If he bases his selections on facts, he can do very well, but if on fancies, he may not do so well, for the relative attractiveness and investment value of bank stocks is far from uniform even among New York City's leaders. In fact the variation among individual stocks is very wide, as the accompanying tabulation brings out:

	2-14-45 Market Price	1944 Net Oper. Earnings	Annual Dividend	Earning Yield	Dividend Yield	Earning Assets per $ of Market	U. S. Govt's. per $ of Market
Bank of Manhattan	$29½	$2.40	$1.00	8.1%	3.4%	$15.84	$9.33
Bank of New York	456	30.45	14.00	6.7	3.1	13.04	9.65
Bankers Trust	50¼	3.65	1.40	7.3	2.8	10.47	7.03
Central Hanover	117	7.42	4.00	6.3	3.4	13.10	9.49
Chase	43¾	2.54	1.40	5.8	3.2	13.09	8.96
Chemical	55	3.82	1.80	6.9	3.3	11.29	7.61
Commercial	55¾	4.36	1.60	7.8	2.9	11.35	9.13
Continental	25¼	2.01	0.80	8.0	3.2	14.01	6.08
Corn Exchange	58⅛	3.96	2.40	6.8	4.1	12.87	11.27
First National	1,875	103.71	80.00	5.5	4.3	5.50	4.30
Guaranty Trust	357	20.35	12.00	5.7	3.4	10.24	7.35
Irving Trust	18⅞	1.17	0.70	6.2	3.7	11.08	7.92
Manufacturers Trust	61⅝	6.06	2.00	9.8	3.3	14.14	10.39
National City	43¼	2.65	1.30	6.1	3.0	13.96	9.69
New York Trust	109¾	7.03	3.50	6.4	3.2	9.98	6.66
Public	46⅞	4.06	1.50	8.7	3.2	19.38	12.51
U. S. Trust	1,540	94.31	70.00	6.1	4.5	4.97	2.96
Average of 17				7.0%	3.4%	$12.02	$8.25

It will be noted that, based on market prices of Feb. 14 and the stocks of 17 of New York City's leading commercial banks, the average dollar invested today commands earning assets of $12.02, of which $8.25 are U. S. Government securities. Also, the average dividend yield is 3.4%, while the average earning yield is more than double, being 7.0%. This earning yield is based on net operating earnings and excludes security profits and recoveries. If these latter are included, the average earning yield would be approximately 9.5%.

The stock which gives the lowest dividend yield is Banker's Trust with 2.8%, including the 20% stock dividend of December, 1944. The highest dividend yield is 4.5% by United States Trust. Manufacturer's Trust provides the highest earning yield with 9.8% and First National the lowest with 5.5%.

Highest earning assets per dollar of investment are provided by Public National with $19.38; this stock, moreover, provides next to the highest earning yield of 8.7%. Lowest earning assets per dollar are $4.97 by United States Trust, and next to lowest are $5.50 by First National, both of which stocks are also in the low brackets on earning yield. With regard to U. S. Government securities, Public ranks top with $12.51 per dollar and U. S. Trust ranks lowest with $2.96 per dollar.

The following six stocks provide above-average earning yields: Bank of Manhattan, Bankers Trust, Commercial National, Continental National Bank & Trust, Manufacturers Trust and Public National. Their average earning yield is 8.3% and their average earning assets per dollar are $14.20. The 11 remaining banks, whose earning yields are below average, have an average earning yield of 6.2% and their average earning assets per dollar of market are $10.83. Thus there is a rough correlation between earning assets per dollar and earning yield.

The reason that the correlation is not more precise is due, principally, to the wide differences that exist between the banks as to the character and proportions of their earning assets. For example, First National's Governments represent 69% of total assets, whereas Bank of Manhattan's Governments represent only 47% of total assets. On the other hand, loans and discounts represent only 10% of First National's total assets but 29.5% of Manhattan's. Another point of difference is found in the average maturities, and consequently the yields of Government holdings. First National's average maturity to nearest call date is 5 years and 4 months compared with Manhattan's 4 years and 6 months. Another interesting example is Chase National, whose average maturity for Governments is only 2 years and 2 months, and since these represent 56.2% of total assets (vs. Manhattan's 47%), and loans and discounts represent 20.2% (vs. Manhattan's 29.5%), it should follow that Chase's earning yield would be lower than Manhattan's; and so it is, being 5.8% compared with 8.1%. However, Chase is the largest bank in the world and enjoys the prestige that naturally goes with this distinction, and the investor must pay for this. Nevertheless, the stock of Chase is one of the market favorites and has given a good account of itself since the lows of April, 1942, appreciating 121% compared with an average of approximately 90%.

"All roads lead to Rome," and all studies as to the relative investment values of bank stocks, or any other stocks, lead inevitably to the conclusion that careful selection coupled with a fair degree of diversification are essential if one is to achieve reasonably satisfactory investment results.

Clarence Unterberg Stresses Protection of Public Interest

(Continued from page 828)

our business—the stock exchanges, the NASD, the Securities Exchange Commission and State Commissioners of this area."

Continuing, he said: "Before proceeding with the few formal remarks I want to make, I want to express to the governors of our Association and to the membership as a whole my deep appreciation of the honor that has been paid to me. I can only say that my purpose is twofold—to serve you as effectively as may be in my power and capacity and to live up to the wealth of fine tradition that has been built up by my predecessors in the Presidency of the Association. The object of the Association is simply stated as '. . . to promote and uphold fair and equitable principles of trade, to maintain the highest standards of business ethics and integrity among the Association members, and thus promote both the interest of the investing public and of its members.' I pledge you my earnest desire to accomplish that purpose and assure you no energy will be spared in the interests of the welfare of our organization.

"Our guests, as I have said, are from the exchanges and the national body of dealers, the National Association of Securities Dealers. We have the Commissioners of the SEC and many of the staff of the Commission. As between us there probably always will be differences. We in the over-the-counter business will continue to guard our interests against what we may consider excessive ambitions of the exchanges, and the exchanges, on the other hand, will of course continue to look to our markets for additions to their lists. The Securities and Exchange Commission and the members of its staff will, I am certain, out of my own experience with them, pursue an aggressive course of enforcement of the statutes entrusted to them. And they will not be surprised to hear that we in our Association and, I imagine, the exchanges and the NASD, too, do not intend to be quiescent when any one of us is in disagreement with them. But let no one of us lose sight of the one duty each of us in our own field has assumed or had delegated to us—protection of the public interest. If we always remember that our ultimate success will be measured by how well we discharge that obligation I, for one, think that all else that intervenes is but a passing matter. More than that, I believe that if in our relations we keep that objective in mind, some of our differences will be simpler of solution. There should not at this date be room for disputes as between us which can be settled only in the heat of selfish controversy. There is opportunity for all in the business. Competition is the health of trade, and so long as we keep always before us our common objective the future is assured.

"In more direct ways opportunities if not demands beckon us. Of considerable personal interest to me over a period of years and in a most active sense for the past year, the subject of newspaper quotations on over-the-counter securities has been primary. I have been gratified to find that among the members of our Association there is an intense interest in advancing the business' service in the field. Quotations, it is generally recognized, are an instrument through which our markets can be extended and our everyday business advanced. These quotations should be the most accurate that can be compiled, should be completely policed and their publication ever widened. The principle that our over-the-counter market revolves around both a wholesale and retail market is vital to the advancement of that goal and that principle can be more widely disseminated through the circulation of actual retail quotations.

"Our Association and those engaged in the securities business everywhere have another compelling responsibility to the public. The New York Security Dealers have gone forcefully on record with a most constructive pledge on the score of public investments in defense and war bonds. It has said that it believes these bonds to be the best investments in the world and that their holders should not be induced to sell them in promotional schemes of whatever type. I am sure that I speak for every member of our Association as well as every honorable broker and dealer in the country when I say that that vow will be universally observed.

"More than ten million of our men and women are serving their country tonight in the uniforms of our military services. Hundreds of thousands of them are at this moment engaged in battle with the enemy. Hundreds, perhaps thousands, of them will be casualties before another day has closed. It is the least we, to whom they look to guide and protect the home front, shall not indulge in selfish acts when they give so much in complete unselfishness and anonymity. Our duty is clear. I'm sure we will not shirk it."

Schram to Address N. Y. Chamber Mar. 1

Emil Schram, President of the New York Stock Exchange, will be the guest speaker at the monthly meeting of the Chamber of Commerce of the State of New York at 65 Liberty street at noon on March 1.

N. Y. Finance Institute Course in Science Of Selling Securities

As a result of the popular demand by the securities sales fraternity, the New York Institute of Finance, successor to the New York Stock Exchange Institute, is again conducting a course in "The Science of Selling Securities Successfully." This course, a practical exposition of all phases of securities merchandising, will begin Feb. 27th, with enrollment already reflecting the increased public interest in investments. Frank M. Cryan, general partner in Brady & Co., will continue as instructor. The first lecture of the series will be given at 5:30 p. m. on February 27th at the Institute, 20 Broad Street, New York City.

SEC Bars Unlisted Trading On Curb in Five Stocks

Upholds NASD and the Issuers' Protests Against Exchange Dealings. SEC Points to Necessity for Imposing Restrictions on Issuers and Their Officers Equivalent to Those Required on Regularly Listed Securities If Applications Were Granted. Rejects Compulsory Listing Policy.

A contest between the securities exchanges and the over-the-counter dealers, for the time being at least, was brought to a conclusion on Feb. 19 when the Securities and Exchange Commission in Philadelphia denied the application of the New York Curb Exchange to extend unlisted trading privileges to five common stocks. The Curb's application was made on the ground there exists in the vicinity of the Exchange "sufficiently widespread public distribution of such security and sufficient public trading activities therein to render the extension of unlisted trading necessary and appropriate in the public interest or for the protection of investors," as provided for by Section 12 (F) (3) of the Securities Exchange Act of 1934. The stocks involved were the common shares of the Lukens Steel Co., Merck & Co., Inc., Public Service Co. of Indiana, Warner & Swasey Co., and Puget Sound Power & Light Co. The application for trading in the Northern Natural Gas Co. shares was conditionally approved by the SEC, for the reason that it was a Registered Company under the Public Utility Holding Act, and that there was no holder of more than 10% of the shares.

The case, which was the first of its kind relating to unlisted common stocks was brought before the SEC last Fall, and hearings were conducted, at which attorneys for the NASD and for the companies, presented their objections to the Curb's application. A point in question related to the definition of "the vicinity" of the Curb. However, in its decision the SEC based its denial of the application mainly on the ground that to grant the privilege of unlisted trading on an Exchange would require that it subject the issuers, their officers and their directors, to "substantially equivalent duties and obligations" as those of concerns which had regularly applied for registered listing. This would mean that any holder of 10% or more of an "unlisted" company's securities would be required to report his dealings in the stocks to the Commission and also that the restrictions against "short selling would apply to them." It would mean also the enforcement of "proxy" regulations. If these "statutory duties" were not attached to a grant of unlisted trading privileges, the SEC contended, then "it is right that every issuer of a registered, large, active and widely distributed and active issue should be freed of the statutory duties or be freely admitted to the unlisted trading without consideration of the existence or imposition of equivalent duties." It added that in view of the fact that the companies did not voluntarily apply for the Exchange's trading privileges, the exercise of the power to grant these privileges under Section 12 of the Securities Exchange Act, which requires substantially the same restrictions as on registered securities, should be "exercised with caution." Otherwise, it would amount to imposing on the unregistered companies and their officers without their consent the same conditions as imposed on registered companies. It would, in the words of the SEC, "in effect thrust registration upon them."

Says Bretton Woods Proposals Do Not Provide For Exchange Stabilization

(Continued from page 826)
tary fund contains anything which provdes for stabilizing the currencies of the countries that became participants in the scheme.

Furthermore, to bring about stabilization of the currencies of members it would be necessary for them to balance their budgets and to live within their income. A balanced budget is an absolute prerequisite to the stabilization of the currency of any country. No slightest hint is given in the Bretton Woods proposal that even remotely suggests the need for balancing budgets as a requirement for stabilizing currencies.

The President says further:

> It does not create a single money for the world.

This can be very misleading. Section 1 (a) of article IV provides as follows:

> The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

What terms could possibly be used to state more plainly that there shall be created a single money for international transactions than those contained in this paragraph? It provides that the par value of the currency of each member shall be expressed in terms either in some unnamed unit of gold or in terms of the United States dollar.

Now, whether the par value of the currency of a member was expressed in terms of a gold unit or in terms of the dollar, the arrangement would of necessity eventuate in a single currency for the world, certainly for international financial transactions. The par values of the currencies of all member countries would be regulated by either a selected unit of gold or the dollar

Should it be argued that the unit of value chosen to regulate the par values of members' currencies applies only to the transactions of the fund, that it would not involve those exchange transactions that took place outside the fund and that, therefore, the unit of account chosen by the fund would not become a single world money, the answer is that there cannot be more than one international standard of value. In fact, the Bretton Woods proposal takes care of this by vesting in the fund the power to regulate and control the world price of gold.

Furthermore, the way is left open in this paragraph for the adoption by the fund of Keynes' "Bancor," or Morgenthau's "Unitas," or any one of numerous other terms which have been suggested to designate the international unit of value.

The President, in his message, categorically denies that the scheme proposes to set up a "supergovernment," which also is untrue. The Bretton Woods proposal, even standing by itself, proposes the establishment of a world government. The body governing the fund would be vested with broad powers to pass legislation which would vitally affect the internal policies of the United States as well as other countries. Most of the decisions of the fund would be effectuated by a majority vote. Since the United States would have only 27% of the votes, the other countries would be in control, so far as this aspect of the apportionment of control is concerned. Article XVII provides for amendments to the proposals of the scheme. It provides for amending every provision in it with the exception of three, namely, the right to withdraw from the fund, the provision that no change in the members' quota shall be made without its consent, and the provision that no change may be made in the par value of a member's currency except on the proposal of that member. This last does not apply to the provision relating to making uniform changes in the par values of members' currencies.

In appraising the true significance of this proposal for an international monetary set-up, it should be realized first of all that the Congress of the United States would lose its power over our money which the Constitution vests in it. That power would go to the international body. The President, as the representative of the United States, would be in control of 27% of that power. With respect to some of the provisions, he would have what might be termed veto power, but it must be realized that the purposes and general plan of the scheme are such as would make the President an integral part of the world body in a manner similar to that of a Congressman representing his particular district but at the same time also the National Government as a whole under the Constitution.

Here are a few examples of the power of legislation that would be given to the scheme.

The fund could by a majority vote amend article IV, section 1 (a), which provides that the par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944, and make the unit of value of the world whatever it pleased.

It is provided that a country may borrow from the fund an amount equal to its quota. This could be changed by a majority vote so as to make is possible for a country to borrow in excess of its quota.

The proposal provides for the payment of small interest charges on loans made by the fund. This could be stricken by a majority vote so as to reduce or even eliminate all interest charges. It should be recalled that Morgenthau's draft proposal contained no provision for interest charges.

By amendment the United States could be made to directly assume debts owed by Great Britain to India, Egypt, South American, Scandinavian, and other countries which amount to upward of $12,000,000,000. It should be remembered that Morgenthau's two first draft proposals provided, at the suggestion of Lord Keynes, for the assumption by the United States of those debts.

Numerous other similar changes in the law which created this international scheme could be made by the international body.

Furthermore, President Roosevelt's statement that this does not set up a world government is not in harmony with the thought expressed by the father of this scheme, Lord John Maynard Keynes. In his proposal for an International Clearing Union, he says:

> The Union might become the pivot of the future economic government of the world.
>
> Without it other more desirable developments will find themselves impeded and unsupported. With it, they will fall into their place as parts of an ordered scheme.
>
> The Union might set up a clearing account in favor of international bodies charged with post-war relief, rehabilitation, and reconstruction. But it could go much further than this. For it might supplement contributions received from other sources by granting preliminary overdraft facilities in favor of these bodies, the overdraft being discharged over a period of years out of the reserve fund of the Union, or, if necessary, out of a levy on surplus credit balances. . . .
>
> The Union might set up an account in favor of any supernational policing body which may be charged with the duty of preserving the peace and maintaining international order. If any country were to infringe its properly authorized orders, the policing body might be entitled to request the governors of the Clearing Union to hold the clearing account of the delinquent country to its order and permit no further transactions on the account except by its authority. This would provide an excellent machinery for enforcing a financial blockade.
>
> The Union might set up an account in favor of international bodies charged with the management of a commodity control, and might finance stocks of commodities held by such bodies, allowing them overdraft facilities on their accounts up to an agreed maximum. By this means the financial problem of buffer stocks and ever-normal granaries could be effectively attacked.
>
> The Union might be linked up with a board for international investment. It might act on behalf of such a board and collect for them the annual service of their loans by automatically debiting the clearing account of the country concerned. . . .
>
> There are various methods by which the Clearing Union could use its influence and its powers to maintain stability of prices and to control the trade cycle. . . . If an international investment or development corporation is also set up together with a scheme of commodity controls for the control of stocks of the staple primary products, we might come to possess in these three institutions a powerful means of combating the evils of the trade cycle, by exercising contractionist or expansionist influence on the system as a whole or on particular sections. This is a large and important question which cannot be discussed adequately in this paper; and need not be examined at length in this place because it does not raise any important issues affecting the fundamental constitution of the proposed Union. It is mentioned here to complete the picture of the wider purposes which the foundation of the Clearing Union might be made to serve.

In line with Lord Keynes' suggestion for world government, the President recommended in the

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.—**H. Robinson Hyde** is with **Russell, Berg & Co.,** 75 Federal Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Dorothea S. Kidder** has joined the staff of **Trusteed Funds, Inc.,** 33 State St.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Philip G. Hovey** has become associated with **Prescott, Wright, Snider Co.,** 916 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—**Thomas R. Peirsol, Jr.** has become connected with **Blyth & Co., Inc.,** 215 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — **Hammond W. Jones** has become associated with **Gross, Van Court & Company,** 639 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, FLA.—**William H. Cates** is with **Truman A. Lifsey Co.,** First National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—**Lester A. King** has become affiliated with **Whiting, Weeks & Stubbs,** 36 Federal Street, Boston, Mass.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — **Carl B. Weigel** has been added to the staff of **Conrad, Bruce & Co.,** 316 West Sixth Avenue.

Halsey, Stuart Group Offers Oklahoma Gas And Electric Bonds

Halsey, Stuart & Co., Inc., headed a group of 135 dealers which on Feb. 21 offered $35,000,000 Oklahoma Gas and Electric Co. first mortgage bonds, Series due Feb. 1, 1975, 2¾%, at 101% and accrued interest. Proceeds from the sale of the bonds are to be applied towards the redemption of all of the $35,000,000 first mortgage bonds, 3¾% Series due 1966, presently outstanding.

The bonds, in the opinion of counsel, will be secured by an indenture which, except for permissible encumbrances and certain express exceptions, will constitute a first mortgage lien upon all property now owned by the company.

Associated with Halsey, Stuart & Co., Inc. in the offering are: Bear, Stearns & Co. Hallgarten & Co., Otis & Co., Inc., Phelps, Fenn & Co., R. W. Pressprich & Co., William Blair & Co., Putnam & Co., Dempsey & Co., Granbery, Marache & Lord, Ira Haupt & Co., The Milwaukee Co., Mullaney, Ross & Co., E. M. Newton & Co., Allison-William Co., Ames, Emerich & Co., Inc., Arnhold and S. Bleichroeder, Inc., Atkinson, Jones & Co., Atwill and Co., A. E. Aub & Co., Auchincloss, Parker & Redpath, The Bankers Bond Co., Inc., Barrow, Leary & Co., Jack M. Bass & Co., Baum, Bernheimer Co., Bingham, Sheldon & Co., Bioren & Co., Boettcher and Co., Braun, Monroe & Co., Brooke, Stokes & Co., Brooke, Tindall & Co., Caldwell Phillips Co., John B. Carroll & Co., C. F. Cassell & Co., City Securities Corp., Richard W. Clarke & Co., Cohu & Torrey, C. C. Collings & Co., Inc., Cooley & Co., Courts & Co., Cruttenden & Co., Dallas Union Trust Co., Davis, Skaggs & Co., R. L. Day & Co., Dewar, Robertson & Pancoast, Dittmar & Co., John M. Douglas, R. J. Edwards, Inc., Clement A. Evans & Co., Inc., Farwell, Chapman & Co., Ferris & Hardgrove, The First Cleveland Corp., Foster & Marshall, Green, Ellis & Anderson, Greenman & Cook, Inc., Gregory & Son, Inc., Hannahs, Ballin & Lee, Harley, Haydon & Co., Carter H. Harrison & Co., Robert Hawkins & Co., Inc., Heller, Bruce & Co., J. H. Hilsman & Co., Inc., Hirsch & Co., Indianapolis Bond and Share Corp., Janney & Co., Jenks, Kirkland & Co., Johnson, Lane, Space & Co., Inc., Kalman & Co., Inc., Thomas Kemp & Co., A. M. Kidder & Co., Laird, Bissell & Meeds, Loewi & Co., Martin, Burns & Corbett, Inc., Marx and Co., Mason-Hagan, Inc., Mason, Moran & Co., A. E. Masten & Co., Morris Mather & Co., McDonald-Moore & Co., McMaster, Hutchinson & Co., Wm. J. Mericka & Co., Inc., Metropolitan St. Louis Co., Milhous, Martin & McKnight, Inc., E. W. & R. C. Miller & Co., Minsch, Monell & Co., Moors & Cabot, Mosle and Moreland, Nashville Securities Co., Newburger & Hano, Newhard, Cook & Co., Nusloch, Baudean & Smith, Alfred O'Gara & Co., O'Neal, Alden & Co., Inc., Pacific Co. of California, Park-Shaughnessy & Co., Patterson, Copeland & Kendall, Inc., Peters, Writer & Christensen, Inc., Piper, Jaffray & Hopwood, F. L. Putnam & Co., Inc., Quail & Co., The Ranson-Davidson Co., Inc., Rauscher, Pierce & Co., Daniel F. Rice and Co., George V. Rotan Co., Russ & Co., Scott & Stringfellow, Seasongood & Mayer, Robert Showers, Sills, Minton & Co., Inc., Smart & Wagner, Inc., Starkweather & Co., Sterne, Agee & Leach, Stifel, Nicolaus & Co., Inc., Stix & Co., Walter Stokes & Co., Thomas H. Temple Co., Thomas & Co., E. W. Thomas and Co., Townsend, Dabney & Tyson, Wachob-Bender Corp., H. C. Wainwright & Co., Washburn Co., Watkins, Morrow & Co., Watling, Lerchen & Co., Weil & Arnold, Welsh, Davis & Co., Wheelock & Cummins, Inc., White, Hattier & Sanford, The White Phillips Co., Inc., George H. Willis & Co., Woodard-Elwood & Co., Wurts, Dulles & Co., Wyatt, Neal & Waggoner, F. S. Yantis & Co., Inc., and Yarnall & Co.

message here referred to the following:

The establishment of the food and agriculture organization of the United Nations, broadening and strengthening of the Trade Agreements Act of 1934, international agreement for the reduction of trade barriers, the control of cartels and the orderly marketing of world surpluses of certain commodities, a revision of the Export-Import Bank, and an international oil agreement.

Now Francoeur & Co.

CHICAGO, ILL. — Francoeur, Moran & Company, 39 South La Salle Street, announces the change in the firm name to Francoeur & Company, as of February 15, 1945.

There has been no change in the personnel or officers of the company. Mr. L. V. Francoeur, President, started in business in 1933 as Francoeur & Company, the firm becoming Francoeur, Moran & Company in 1938.

Mr. Francoeur's investment experience dates back to 1914, having been associated with Peabody, Houghteling & Company until 1929, at which time he became Resident Manager of Hale, Waters & Company, Boston, Mass.

The firm deals in general market securities and, in addition, has specialized during the past several years in church and institutional financing.

Gillett With Fewel & Co.

LOS ANGELES, CAL.—Frank W. Gillett is affiliated with Fewel & Co., 453 South Spring Street.

Real Estate Securities

Digest of Trustees' Bulletins on New York Title & Mortgage Company Series Certificate

Series BK Mortgage Certificates—During 1944 the Trustees sold 11 properties and secured satisfactions of 4 mortgages. Since the appointment of the Trustees 59 properties have been sold and satisfactions of 12 mortgages have been secured. The book investment in the 11 properties sold in 1944 amounted to $415,520. An asset gain to the Trust Estate in the amount of $18,391 resulted from these sales. The book cost of the 4 mortgages which were satisfied amounted to $323,757.20. They were satisfied at a discount of only $5,442.34. Total cash income for 1944 from mortgages and real estate amounted to $602,421.64, equivalent to a 5.27% return on the book cost. During 1944 principal distributions totaled 6% and interest distributions totaled 5% on the reduced face amount of the certificate which as of Jan. 1, 1945, was $830 for each original $1,000.

Series C-2 Mortgage Certificates—During 1944 the Trustees sold properties and mortgages having a book cost of $5,408,609.53. New mortgages created by sales of properties amounted to $2,535,000. Cash received from sales amounted to $1,920,362.65. The sum of $473,946.22 was received on account of the guaranty and general claims and allocated to the principal account. The principal property held by the Trustees at the beginning of the year amounted to $22,509,915.92. At the end of the year it had been reduced to $19,265,205.60. Assets in the principal account as of Dec. 31, 1944, included 33 mortgage and 32 fee-owned properties exclusive of the Hampshire House. Interest distributions for 1944 totaled 4%, principal distributions 10% to reduce the face amount of each original $1,000 certificate to $820.

Series F-1 Mortgage Certificates—During 1944 the Trustees sold 2 properties for all cash totaling $373,000. Also 16 other properties were sold, the total sales price being $4,005,000, the sum of $638,500 being received in cash and the balance being represented by purchase money mortgages. Total cash in the principal account at the beginning of the year amounted to $268,410.24. This sum increased by the cash from sales and from amortization payments on and sale of mortgages amounting to about $329,000 plus $334,000 claim money received plus a few miscellaneous items enabled the Trustees to distribute $1,629,821.27 principal to certificate holders and leave a cash principal account balance at the end of the year amounting to $247,762.67. The income account cash balance at the beginning of the year amounted to $39,980.36, this balance being increased during 1944 by $767,466.08 as interest on mortgages and by $303,655.67 as net rent from properties owned plus some miscellaneous items enabled the Trustees to distribute $990,141.58 as interest and leave a cash balance of $29,961.96. At Dec. 31, 1944, the trust collateral consisted of 89 mortgages owned, amounting to $18,725,458.39 and 19 properties owned at a book cost of $3,494,508.30.

Let Us Preserve Our Democracy!

(Continued from first page)

impulse and objective have passed. We must do so for our own future,—and for the future of that way of life we call democracy. For you and we have a peculiar responsibility to democracy.

Your war achievement has earned our highest admiration. In the latest offensive your First Army has again led the way. Your war production is magnificent.

As Chairman of the New York State War Finance Committee for the Third and Fourth War Loans I constantly faced the comparison between our New York results with 14 million people and yours with 12 million. You led us a hot race in the thoroughness of your organization and coverage and the response of your people. Figures are hard to compare but I confess to a belief that you have rather consistently made a little better record than we have.

You have definitely surpassed our country in your willingness to tax yourselves. From the first year of war you have raised 44 per cent of your budget with taxes—we have raised 38 per cent. Since I have no doubt you feel the pain, you are entitled to the credit. As to price control, with all proper qualifications and recognition that there is no good form of price control, I suspect you have done that better than we. You have had the political courage to make a gift to a war partner,—and call it a gift.

All of this you have done in the democratic way,—embarrassingly so sometimes.

No two countries in the world have so similar a concept and practice of democracy. We both inherit Magna Charta and the succeeding development of the Common Law with its protection of the rights of the individual,—even though he may belong to a minority. That is the essence of democracy—the supreme worth of the individual life. Democracy places responsibility for man's growth upon his own shoulders. It gives the individual freedom of choice, personal integrity, and opportunity. The democratic state rests on and derives its strength from the free will of its citizens and limits compulsion to those few situations where obedience is essential for the good of all.

In passing can anyone cite a better example of democracy between nations than the British Commonwealth of Nations? There is no written constitution or agreement. It lives by loyalty, by mutual respect, and enlightened self-interest. These are the motives under which democracy succeeds or fails.

In the relations between your country and mine we have yet another sort of community of interest; it lies in a close kinship of democratic thinking and objective. In addition to our common heritage, we share a detachment from Old World customs; our society is more fluid; the opportunity of the individual is greater. We have a chance to work out here on this continent new contributions to democracy—rooted upon old and valued traditions but with an even freer air in which to grow.

That is our heritage and our opportunity which we share. How shall we nourish it and carry it forward—and what price must we pay to do so?—for we can be sure that there is a price to pay.

First, let us think about our relations with other countries. Today we are paying a great price to preserve our democracy—a price in human striving and suffering, and human life. We came dangerously near losing. There stood between us and humiliation only a few planes in British skies, only a few soldiers on Egypt's bloody sands and a few ships in a strip of water about Australia.

We must never come as close again. That means first that we must go ahead now and do a complete clean-up; so that the lesson is well and thoroughly rubbed in. Then we must so organize ourselves in mind and heart and the machinery of life that we shall never again be so unready. It was our very unreadiness which tempted and gave courage and confidence to our enemies.

Instruments of International Peace

On one step in the program for peace all of us now are generally agreed, and that is the establishment of a world organization to enforce peace. The Dumbarton Oaks proposals are a start, and they were wisely put out for wide discussion before action was requested. At the three-power Yalta Conference we took further strides toward making them effective. There are also suggestions for a world court, for an economic council, and an organization to deal with world trade. In the area of finance, plans are further advanced in the form of the Bretton Woods proposals.

On all these fronts action is necessary. The principal dangers as I see them are first that we shall attempt to make these instruments so elaborate, in an effort to anticipate all contingencies, that we shall not get them working promptly, or they will break down from the weight of their machinery. I think Bretton Woods suffers from this weakness. Experience has demonstrated the difficulties of running international committees or commissions. They cover such a diversity of languages, interests, and even moralities. We must keep our plans just as simple and understandable as possible.

The second and more serious danger is that having set up an organization we may walk off and leave it to be run by civil servants and consider our job done. We in the United States,—in contrast of course to you in Canada,—place great reliance upon government machinery. Even a perfect set of international organizations will not work unless we stay on the job and make them work. Our task has just begun.

The strength of any organization to enforce peace will depend also on the military strength of its members. While we hope that the provision of means to settle disputes peacefully and the influence of a world organization will prevent war, we cannot be sure. In almost every generation there has been an aggressor who cared not for God or man, and we must be prepared to deal with that aggressor. In a day of V bombs, long range planes, and other new instruments of death we cannot again take a chance on arming after war starts.

To be prepared we must not only be strong ourselves but have strong friends. It is the fashion in our country to decry alliances and call them power politics. But a world organization will succeed only if a few principal powers get back of it and make it go. In nations, as with people, we shall have close friends and some less close. This is inevitable due to space, languages, history, and culture. Why pretend it is not so?

While there must be some firm commitments it would be unnecessary to attempt to define all these relations with precise treaties, just as a charter is not needed for the British Commonwealth of Nations. The important thing is that we should really understand each other through contact. We must go about it deliberately and vigorously,—and unlike signing a treaty we must never say—"Thank God—that's done." One of the most satisfying features of the Yalta Conference was its provision for continuing discussions.

In our relations with other countries, this then is what we must do to preserve our democracy from aggression: have international organization to keep the peace and organize economic relations, be strong ourselves, and have and hold strong friends.

Dangers to Our Democracy

Now let's think a little about the internal problem.

The bankers and business men in our two countries today are rightly concerned about such problems as how reconversion will be handled, or what's going to happen about taxes, or how badly we may be hurt by inflation. But there is one problem which is far more fundamental and more urgent. It is simply this: All of us give lip service to democracy. We say that we believe in the democratic way of life. Well, do we? How much do we honestly believe in it?

We have lost some of our democracy, and most of that is our own fault. We have taken too much for granted. We in the U. S. have assumed that our Constitution, our Bill of Rights, our Supreme Court, and our carefully cherished political traditions were all the safeguards our country needed and we have at times forgotten the continuous vigilance needed in protecting individual rights.

It is characteristic of many subversive political changes that they come gradually and inconspicuously, here a little and there a little, gaining control more and more without seeming at a given moment to be doing anything very alarming.

The intentional enemies of democracy, the avowed totalitarians, are few in number, but they are cold blooded, unscrupulous, and skillful; and they infiltrate idealistic groups. You and I, however, are mostly to blame when we advocate government controls to get special privileges. Selfish pressure groups are the principal enemies of democracy in our countries.

The war has hurried up the process of increasing the powers of government at the expense of freedom; for the war has made dictatorship attractive to many people. In a war a country must go totalitarian to some extent. So we have compulsion in raising an army, in fixing prices and wages, in levying taxes,—these are unavoidable.

Post War Control Problems

For the moment, our whole objective is to carry through and win the war, but we must give sober thought to the direction in which we shall be moving when the war closes. The post-war problems will be complex and we are already committed in advance to many controls. In the United States both parties in the autumn election committed themselves to a floor under agricultural prices and that means controlling production. Certain of the inflation price controls, and certain types of rationing will continue at least for a time. National and international controls over the prices and production of some basic commodities are planned; also, controls over foreign exchange operations.

We are fairly well committed to the control of interest rates at low levels. There are likely to be other controls such as the continuance of control over consumer credit, and over security loans. We shall thus have increased regimentation of credit. There is strong pressure with us for government loans to small business.

Some of the new things I believe government will learn to do well and helpfully. We want to keep and improve our old age retirement system and unemployment insurance. We will keep controls over our security markets under the SEC. We shall have some forms of soil conservation.

Some things we can count on government to bungle pretty badly, as for example we have bungled the management of cotton prices and markets.

But the greatest question relates not to this or that specific control, but the overall effect of the accumulation of centralized power and its possible abuse. The danger is that unconsciously and by the force of circumstances we shall be influenced to accept the kind of government we don't really want. The larger the number of government employees the easier it is for a party to remain in power and begin to abuse its power. The more the economic life of a country is controlled by government the more freedom of life is restricted. It takes courage for example to criticize openly the official who has power to ruin your business; real freedom of speech is impaired.

Small Business and Big Government

Again, one of the great virtues of our economic life has been its fluidity and the sign of that is the freedom with which employees become employers, starting business for themselves. Do you realize how the opportunity is being impaired by big government? The new employer faces higher costs—as a result of wage floors, social security, and many reports and regulations. He has to hire at once an accountant and lawyer. To meet higher costs business is constantly introducing more machines—a larger investment of capital. This makes it harder for the small man to compete. Every added extension of government regulations hurts the small employer. Most small firms grow from plowing back earnings; present taxes slow down this growth. These handicaps cut off new enterprise,—make it easier to remain an employee. They are threats to the strength and vitality of our democracy.

How to Keep Democracy

Well, what can we do about it? If we want democracy, our first duty is for each of us in whatever walk of life he is to do his own job better and lessen the excuse for the government to be called in to take over.

Second, we have got to stand guard on ourselves to see that we don't ask for the special privileges and protections that are an open invitation to government to step in and take charge. How can we bankers and business men plead for freedom for enterprises if we ourselves come running to government with all sorts of schemes to escape the obligations and risks which private enterprise entails? There are some bankers for example who want government to guarantee their loans. This is the sort of thing we must guard against and our American Bankers Association has steadily opposed it in principle.

Third, we must pay more attention to political questions and their relation to us. It will no longer do to send just anybody to the Congress or Parliament. Their powers are too great. We must try to get more good people into legislative office and into the administration of government also. We ought to pay those people enough so that they can afford to give us good service.

Fourth, we must teach democracy. We can have sound democratic government only if we have voters who are emotionally alert to their responsibilities and who understand what they are voting about; and that does not happen automatically. At present in the United States, except for a few violent weeks of oratory preceding each election, almost the only people who really work on educating the voters are the left wing radicals. We need to work also, all the year through.

For example: We talk of Magna Charta and the Bill of Rights. How many voters have read them? You will remember that at the recent World's Fair in New York City, the United Kingdom Pavillion established a copy of the Magna Charta as its main exhibit down the center of the hall with the translation into modern English. All day long, month after month, American and foreign visitors crowded that hall, reading (most of them for the first time) those simple words which were the foundation of freedom. For many of us that exhibit stands out as the most significant contribution in the fair. Might it not be constructive if the Magna Charta were carefully studied in the upper grades of every school. In place of the traditional courses in 18th century English literature, why shouldn't our high school students study the great books and essays which have helped us formulate our democratic thinking?

In other professions we could do more towards public understanding of our countries' needs. Whenever intricate legislation is being considered by our law making bodies, for example, our lawyers might render a public service by saying to the rest of us: "Fellow Voters—that bill, stripped of its legal verbiage, boiled down, and translated into simple everyday language, means that—" How quickly our legislative bodies would hear from their constituents if some of those proposed bills were put into a form the people could understand!

Our leading banking associations in the United States have just done something of that sort in our report to the Congress on the Bretton Woods plan. What that report does is to give a simple analysis of the complicated proposals, show what they really involve, and state what the bankers believe is good in the plan, what is bad, and what might be done to improve the plan. Such activity we believe is a legitimate and necessary part of banking.

Finally, there is one form of public education in which we could all have a hand. We could make it the correct accepted practice to challenge our experts! Some of our public men, our college professors, and other experts are writing books and articles full of half truths and glittering generalities, and all too often get away with it. Ideas are still the most potent force in the world and I fear we are not giving them enough attention. Why should we blame the voters for following the leadership of demagogues when those of us with experience enough to know the truth are too busy or too cautious to challenge falsehood? If we are to have sound democratic government in our countries we must—all of us—accept responsibility for helping our voters and our law makers to judge whether what is told them is true or false.

The ferment of today about the future of our two countries is more wholesome than an unimaginative longing to return to normalcy. It is the ferment of progress. But it will boil over if it is not watched. The French Revolution became the dictatorship of Napoleon.

Form West Coast Inv. Co.

TAMPA, FLA.—The West Coast Investment Company is being formed with offices at 305 Morgan Street. Officers are George T. Webb, president; J. J. Metz, secretary-treasurer, and H. C. Becker, vice-president.

Pere Marquette Ry. Bonds Offered by Group at 100.92

An issue of $50,000,000 Pere Marquette Railway first mortgage 3⅜% bonds, Series D, due March 1, 1980, was offered formally Feb. 20 at a price of 100.92 to yield 3.33% by an investment banking group headed by Blyth & Co., Inc. Subject to approval by the Interstate Commerce Commission, the group won the award of the issue at a competitive sale Feb. 19 on a bid of 99.71. The bonds that will be offered to the public are part of an issue of $60,000,000, the remainder of which is being placed in the company's treasury.

R. J. Bowman, President of the railroad, said the sale, which will net the company $49,855,000, cleared the way for the refinancing of all of its outstanding first mortgage debt. Proceeds from the financing will be used to redeem $52,467,335 of such bonds now held by the public. Slated to be redeemed are $26,442,335 of Series A 5% bonds, due on July 1, 1956, at 105; $4,468,000 of Series B 4% bonds, due on July 1, 1956, at 100, and $21,557,000 of Series C 4½% bonds, due on March 1, 1980, at 105.

Associated with Blyth & Co., Inc., in the underwriting are:

The First Boston Corp.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Lazard Freres & Co.; Lehman Brothers; Mellon Securities Corp.; Smith, Barney & Co.; Stone & Webster and Blodget, Inc.; Drexel & Co.; Eastman, Dillon & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Lee Higginson Corp.; Merrill Lynch, Pierce, Fenner & Beane; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; E. H. Rollins & Sons, Inc.; Shields & Co.; White, Weld & Co.; Almstedt Brothers; Auchincloss, Parker & Redpath; William Blair & Co.; Alex. Brown & Sons; Central Republic Co., Inc.; Curtiss, House & Co.; R. L. Day & Co.; Equitable Securities Corp.; Estabrook & Co.; First of Michigan Corp.; Folger, Nolan, Inc.; Graham, Parsons & Co.; Harris, Hall & Co., Inc.; Hawley, Shepard & Co.; The Illinois Co.; Johnston, Lemon & Co.; Laurence M. Marks & Co.; Merrill, Turben & Co.; Newhard, Cook & Co.; the Ohio Co.; Reynolds & Co.; Chas. W. Scranton & Co.; William R. Staats Co.; Stein Bros. & Boyce; Stroud & Co., Inc.; Tucker Anthony & Co.; G. H. Walker & Co.; Wertheim & Co.; Whiting, Weeks & Stubbs; the Wisconsin Co.

Mutual Funds

Diversification

Two leading investment company sponsors, **Lord, Abbett** and **Keystone Corp.** stress the importance of diversification in their current bulletins.

Lord, Abbett points out in **Abstracts** that investors are often inclined to treat an investment in mutual fund shares as a **single issue** and allocate to it just a small percentage of their total investment capital. Actually, "the purchase of mutual fund shares . . . provides automatic, immediate and very wide diversification." For example, states Lord, Abbett, an investment in **American Business Shares**, while like a single issue in terms of convenience, would give the investor diversification among 96 different bonds and stocks.

Keystone Corp., in the current issue of **Keynotes**, lists the 30 stocks in the Dow-Jones Industrial Average and shows that at current prices a 10-share holding of each would require a total investment of $23,001.20. While such diversification might seem adequate to some investors, it doesn't provide a fully-rounded investment program because it includes no bonds or preferred stocks and no rail or utility common stocks. With the same $23,000 invested in six of the **Keystone Funds**, a fully-rounded investment program can be obtained and the diversification instead of being limited to only 30 issues would include 155 bonds, 50 preferred stocks and 80 common stocks.

Investment Program for 1945

National Securities and Research Corp., in a new four-page folder, discusses "Planning an Investment Program in 1945." The factors behind the current market are discussed and the unusual merits of mutual funds in planning an investment program are described briefly. Current data on the eight **National Funds** are presented with the suggestion that the investor consult his investment dealer for advice in constructing an investment program designed to meet successfully his individual requirements.

Larger Steel Company Reserves

Using preliminary 1944 figures on U. S. Steel Corp. as an example, **Distributors Group** points out in its current issue of **Steel News** that steel company reserves are increasing. The figures for U. S. Steel Corp. show that, since the beginning of the European War, funded debt has been reduced 60%, while working capital has been increased 28% and special reserves now totaling $195 million have been increased 405%. During this period of rapidly increasing reserves, steel company earnings have also showed a net gain —$2.21 per share average for 21 leading steel companies in 1939, as compared with $3.20 per share last year.

"Yet despite greatly increased reserves and higher earnings after taxes, the stocks of these 21 leading steel companies are selling lower today than they sold in 1939!"

Investors Mutual

The 1944 report of **Investors Mutual** reveals a continuation of the outstanding growth record which this company has established since its initial offering to investors on April 16, 1940. Net assets increased last year from $25,873,416 to $45,976,656. An interesting feature of this company's growth record is that from a total net asset value of only $285,142 on Dec. 31, 1940, assets have increased in each quarter without exception to the current figure of approximately $50 billion.

Trust Investment

Selected Investments Co. has released an interesting memorandum on **Selected American Shares** in reference to their suitability for trust investment. Donald C. Miller, Vice-President of the Harris Trust & Savings Bank of Chicago is quoted at length.

"For some years," writes Mr. Miller, "our bank has put 33⅓% in common stocks when investing on its sole responsibility, but has held somewhat larger percentages when the stocks were inherited. I strongly favor the purchase of common stocks for diversification and income. . . . Use of common stocks entails a somewhat greater responsibility and should not be undertaken by an institution unless it has a trained and experienced investment personnel and is willing to spend the time and money necessary to do a creditable job. . . ."

Bretton Woods

Few Americans perhaps realize the significance of the agreements reached at Bretton Woods and what their implementation might mean to this country in the years to come. **Hugh W. Long & Co.**, in a move to throw light on this vital subject, has reprinted an article by Dr. Edwin Walter Kemmerer discussing "The American Dollar and the Bretton Woods Plan." Dr. Kemmerer is Professor Emeritus of International Finance at Princeton University and is Economic Consultant to **Manhattan Foundation, Inc.**, investment adviser to **New York Stocks** and **Manhattan Bond Fund.** His views deserve widespread publicity. We suggest you write to Hugh W. Long & Co., 48 Wall Street, New York, for a copy of this article.

How Commonwealth Does It

North American Securities Co., sponsor of **Commonwealth Investment Co.**, answers a question which apparently has often been asked of Commonwealth; namely, "How can a $2 million fund like Commonwealth maintain a management staff?" The answer turns out to be quite simple. The management staff which has done such an outstanding job for Commonwealth is **North American Investment Corp.** and has over $5 million of its own assets which it also manages. Thus, the funds managed total over $7 million and provide an adequate base for a competent staff, as demonstrated by the performance record of both funds.

When to Buy

Vance, Sanders, in the current issue of **Brevits**, shows what "dollar averaging" will do when applied regularly to the purchase of **MIT.** Two examples are given—one starting July 15, 1929 and the other July 15, 1932, at practically the peak and at the very bottom of the greatest bull and bear market in all history. In each case $100 was applied to the purchase of MIT shares every three months. And amazing though it may seem, **the results for both investments on Jan. 15, 1945, were almost the same.** Average cost per share for the investment which commenced in 1929 was $21.59 as against $20.33 for the investment which started in 1932. In both examples, the investor had a nice "profit" after having received a very substantial rate of income on his funds.

Railroad Equipment Boom

In a current issue of **Railroad Equipment News**, the surge of foreign orders on to the books of American rail equipment manufacturers is discussed by **Distributors Group.** Recent orders which have been reported include 300 locomotives for Belgium, 150 locomotives for Czechoslovakia, 700 locomotives for France and 690 for Russia.

The outlook for the railroad equipment industry is briefly summed up by this sponsor as "NEED + MONEY TO BUY = PROFITS."

Post-War Opportunities

Predictions for the post-war world border on the fantastic, writes **National Securities & Research Corp.**, in a current memorandum on **Industrial Stocks Series.** Twelve new growth industries, represented by 63 companies, are included in the present portfolio of Industrial Stocks Series. Plastics, electronics, new drugs and chemicals, new alloys, air conditioning and refrigeration, insulation, synthetic rubber, aerodynamics, plywood, synthetic fibres and photography are included in the list.

Reduced Selling Commissions

Lord Abbett has announced to affiliated dealers a new schedule of reduced selling commissions on large orders. On sales between $25,000 and $100,000, the present commission is reduced to 5% gross with 3% to the dealer and on sales above $100,000 the gross commission is reduced to 3% with 2% to the dealer.

Mutual Fund Literature

Keystone Corp.—Current issue **Keystone Investor:** revised booklet "The Keystone Plan." . . . **National Securities & Research Corp.** —Revised portfolio folders on **National Preferred Stock Series** and **Industrial Stocks Series . . . Hugh W. Long & Co.**—February portfolio folder on **Manhattan Bond Fund . . . Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **Lord, Abbett**—Revised portfolio folders on **Union Bond Fund "C"** and **Union Preferred Stock Fund . . . Distributors Group**—Recent issue of **Steel News** and **Railroad News** (2) . . . **Hare's, Ltd.**—New folder, "Have the Earnings of New York City's Great Banks Become Depression-Proof?"

Ohio Municipal Comments

(Continued from page 838)

companies, trustees and fiduciaries is not one that can be disposed of lightly. Certainly, as we have maintained repeatedly in these columns and elsewhere, it seems especially important today that investments be of high quality. And no one should seriously object to such a program today, for quality is selling cheaper now than it has for many years, if not actually cheaper than it ever has, for the principal reason that all too few investors recognize quality, or the absence of it.

Value of Restrictions Is Questionable

However, it is indeed questionable, at least, whether laws, rules and regulations of State Legislatures or of State banking departments can improve the quality of a bank's portfolio. The regulations cited above are especially questionable on this point. For example, there are plenty of second-grade municipals that have not defaulted during the past 10 years. Moreover, there are many high-grade municipals that have defaulted in such period. It may surprise many people to realize that the following communities here in Ohio are reported, at least, to have defaulted: Greenville, Madison County, Bowling Green, Defiance, East Cleveland School District, Fostoria, Fremont, Henry County, London, Mt. Vernon School District, Sandusky, Urbana, Wooster School District, Xenia School District. Yet scarcely any one would deny that these bonds are certainly of high quality. The important question is not, Has this community defaulted, but rather, Will it default?

Probably it is a good rule, out of deference to diversification, not to invest more than 10% of capital and surplus in the bonds of any one subdivision. Yet such a rule will by no means assure higher quality.

In the first place, a bank can legally buy 10% in the city, 10% in the school district if it be a separate political subdivision and 10% in the county, and thus legally have 30% of its capital and surplus actually in one community. Moreover, quite likely there would be suburban subdivisions that could also be bought up to 10% for each.

For example, in Los Angeles County alone there are more than enough subdivisions to allow a bank legally to have 100% of its capital and surplus in the one metropolitan area. In the second place, it would be far better for a bank to have 50% of its capital and surplus in bonds of Milwaukee, Salt Lake City, Omaha or San Francisco than to have 5% in Knoxville (Tenn.), 5% in Detroit and 5% in Yonkers, N. Y.

Whether or not a subdivision has been in existence 10 years, in itself, has little or no bearing on the quality of its bonds. Nor does the size of a subdivision, in itself, have any bearing on its quality as a credit risk, at least so far as its general obligation bonds are concerned.

A subdivision with a net direct debt of slightly less than 10% of its assessed valuation would be legal but it may or may not be of high quality. The true debt burden must be based upon over-all net debt in relation to actual value. Yet the law makes no provision for a consideration of the overlapping debt. Consequently many bonds are legal investments even though their actual debt burden is far too heavy, for the law considers only the direct debt. On the other hand, some communities that actually have a light debt burden, on the basis of actual value of property, but wherein property is assessed at a small percentage of actual value, are not legal investments because the law allows only 10% of the assessed valuation.

Finally, the present law is impracticable for the further reason that an actual debt burden of 10% is too heavy, especially if it represents only the direct debt, which is all the present law considers.

Despite all the restrictions listed above, which apply only to investments in municipal securities, we have seen the portfolios of many State banks that are cluttered with second-grade municipals. If the banker is too much interested in income and too little interested in security, if he thinks all municipals are "good," or if he actually doesn't know a "good" municipal from a weak one, he will find that he can buy untold amounts of second-grade bonds that are quite legal under all of the above restrictions but are yet lacking in quality.

In brief, these laws do not assure a high-grade portfolio of municipals in State banks, and it is debatable whether or not they even tend to improve the quality of such portfolios.

Value of Prudence

It is appropriate to mention that a committee representing the savings banks in New York State, after long and careful consideration, recommend that the Legislature of New York abolish existing restrictions on investments and substitute therefor only the requirement of prudence. Such a requirement of prudence in Ohio would be better than all our present laws, if bankers are prudent investors. Experience would indicate that possibly they are not prudent, perhaps not even on the average. Yet, certainly, experience proves that it is impossible to legislate prudence, in any field, not merely in the field of investments.

Possibly a program of education, of and by the banking authorities, of the bankers, would be far better than all our present laws governing State bank investments. Certainly we have noticed that some bankers are quite amenable to informal suggestions (not formal criticism) that the quality of their portfolios be improved.

Finally, it seems quite pertinent to ask why State banks should be more restricted in investments than are national banks. Has the history of State banks been less favorable than that of national banks?

Suggestions for further change in the present laws governing State banks in Ohio might well be sent to the Superintendent of Banks, State Office Building, Columbus, Ohio, or, by members, to the Ohio Bankers Association, 33 North High Street, Columbus, O.

Hearings On the Boren Bill Concluded

(Continued from page 827)

municipal securities. Mr. Purcell observed that SEC is not interested in the securities, but in open-market trading therein.

Since it had been contended by Mr. Weigold and other witnesses that the opportunities for fraud in the municipal and State securities business are negligible, Mr. Purcell cited to the committee two such instances of fraud or alleged fraud. One of these was the case of the Central Securities Corporation tried in 1942 before the U. S. District Court in the Northern District of Indiana.

Secondly, Mr. Purcell mentioned that there are two such criminal cases now pending in Kansas. Committee members asked Mr. Purcell whether there were many such cases, and how many there were, but the witness was unable to state exactly.

A point made by several witnesses Tuesday was that Congress has not the power under the constitution to delegate to any executive department the power to define a fraud, a point which the SEC seems willing to argue. Mr. Purcell told the committee that SEC is an independent agency, a creature of Congress, and not a branch of the executive department. He said SEC's functions differ from those of executive departments, and that it should remain distinctive.

As to SEC's constitutional powers, Mr. Purcell cited the decision of the Second Circuit Court of Appeals, Charles Hughes & Co. vs. SEC, handed down Dec. 10, 1943.

Congressman Boren interrupted to make the point that his bill, incidentally, does not raise the question of constitutionality and that he regards this as an extraneous matter.

Mr. Purcell rejected allegations of damaging effects of the SEC's August, 1942, "proposed rule" on the securities markets, dealers, or marketability of municipals.

Congressman John W. Murphy (Dem., Pa.) questioned whether Section 4 of the Boren bill does not go beyond State and municipal securities, and affect all corporate securities, but Mr. Boren stressed that his bill will not hamper the powers of the SEC in respect to private securities. Moreover, Mr. Boren expressed willingness that his bill be specifically limited, so as to take care of the point Representative Murphy raised.

Earlier, during the testimony of Tom O'Keefe of Columbus, Ohio, spokesman for that State's teachers' retirement system, Congressman Alfred Bulwinkle (Dem., N. C.) cited the late Samuel Insull as a reason why there should be protection of investors in municipals.

At the close of the hearing Congressman Boren expressed himself as satisfied with the presentation. "The hearings now completed before the full Interstate and Foreign Commerce Committee on HR 693," Congressman Boren stated, "have clearly and completely presented the facts essential to an intelligent understanding and correct determination of the issue at stake in the bill. The testimony crystallized the issues. In their testimony, the SEC claims the power to regulate transactions in municipal securities, although limiting their intentions to the open market. But with or without limitation. It is that claim that motivated by introduction of the bill. It is that issue that Congress must determine.

"I believe," Congressman Boren continued, "the Congress has in all its legislation affecting the regulation of securities clearly understood the grave dangers of Federal regulatory control over State and municipal finance, directly or indirectly. The clear intent of Congress has been expressed on that issue in the 1933 Act, the 1934 Act, the 1936 Act, and the 1938 Act. But the Commission, having assumed the power in their proposed rule, X-15C1-10, to regulate transactions in municipal securities, reasserted their claim to that power in their testimony before the committee.

"It is now up to Congress to decide whether of not State and municipal finances shall be subjected to control by any Federal bureau. I believe when the committee has had ample time to study and digest the testimony it will act to clarify the Act so that even a Harvard lawyer can understand that Congress does not now, nor has ever intended, nor will permit Federal bureaus to regulate and control the means by which the States and municipalities and other political subdivisions finance their governmental operations."

Congressman Alfred Lee Bulwinkle of North Carolina informed "Chronicle" representative: "The bill under consideration purports to amend the Securities Acts by exempting State and municipal securities. In my opinion it goes further. The Boren amendment, if adopted, might and in all probability would divest the SEC of all authority in all cases of securities involving fraud."

Congressman Hinshaw of California took an opposite view. "The duty of the SEC," he remarked to the "Chronicle" reporter, "is to provide such rules and regulation for the conduct of the securities business as are the equivalent of a high code of ethics for the industry and for establishment of good business practices to protect the investor, the issuer and the dealer and broker. The proposed SEC rule went beyond this."

Congressman Priest (Dem., of Tenn.) brought up the matter of a bill of Congressman Carlson of Kansas aimed at certain promoters who, with tax exemption in mind, have got municipalities to buy certain public utilities out of the proceeds of special bonds purchased by the promoters. This is the bill HR 2014, which has been referred to the Ways and Means Committee.

As the matter stands, the SEC still maintains that the issuance of a rule governing secondary trading in the securities of State and municipal governments is fully within its province.

Offers to Purchase Yosemite Valley RR. 1st Mtge. 5% Bonds

The Machine Tool and Equipment Corp., headed by Adolf Friedeberg as President, and having offices at 500 Fifth Avenue, New York 18, N. Y., has made an offer to purchase all the $2,318,000 outstanding Yosemite Valley Railroad Co. first mortgage 5% 30-year gold bonds or certificates of deposit therefor, on the basis of $280 per $1,000 bond. This offer will expire on March 23, 1945.

Bonds or certificates of deposit should be tendered, together with letter of transmittal (plus 55 cents transfer tax on each bond) to the Bank of America National Trust and Savings Association, depositary, Los Angeles 54, Calif.

The Yosemite Railroad has instituted abandonment proceedings before the Interstate Commerce Commission on the California Railroad Commission.

Benton M. Lee Elected Valley Bank V.-P.

PHOENIX, ARIZ. — Benton M. Lee, Manager of the investment department of the Valley National Bank, has been elected a Vice-President, Walter R. Bimson, President of the bank, announced.

Benton M. Lee

Mr. Lee is a native of Pineville, Missouri, and a graduate of the University of Missouri. He taught in the American University of Beirut, Syria, and later served as assistant director of the American Bureau of Economic Relations in Paris, France.

Returning to the United States, Lee was associated with the bond department of the Harris Trust and Savings Bank in Chicago. In 1929 he established the investment firm of Benton M. Lee and Company, which he managed until he joined the staff of the Valley Bank in 1942.

In his present capacity as Vice-President in charge of investments, Mr. Lee is filling in for his brother, Lt.-Commander Eugene S. Lee, now on duty with the United States Navy. Lt. Commander Lee is on leave of absence from this position at the bank.

Mr. Lee was recently elected President of the Business and Professional Newcomers Club of Phoenix.

Ill.-Wisc. Savs.-Loan Ass'ns Repay Loan

Only $7.05 out of every $100 the Government invested in Illinois and Wisconsin savings, building and loan associations in the 1930's remains after the January repayments, A. R. Gardner, President of the Federal Home Loan Bank of Chicago reported on Feb. 7. The program of these investments designed to expedite recovery in community home financing institutions involved a high of $32,709,000, he explained, and only $2,307,400 is now in use. The advices add:

"January and July, the months immediately following dividend periods, are the normal periods for returning portions of these funds to the Government. Since 1941, a rapid step-up of repayments has resulted from the flow of private savings and investments into savings and loan shares. This past month $907,200 went back to Uncle Sam from repayments ahead of schedule and from the regularly scheduled retirement of funds."

These January payments effected a 28% reduction in the Government investments the associations had in use at the close of 1944, Mr. Gardner said.

Canadian Securities

By BRUCE WILLIAMS

Political observers here are currently forecasting a political stalemate as a result of the forthcoming Federal election, based principally on the supposition that the hitherto solid Liberal stronghold of Quebec will desert the Government ranks and return to Parliament a provincial nationalistic bloc.

This was certainly not borne out by the comparatively recent Quebec election when the Bloc Populaire was definitely repudiated and the vote divided between the purely provincial party, the Union Nationale, and the Liberals, with the latter receiving a majority of the over-all vote. Moreover, it is not in the best interests of Quebec to form a French-Canadian minority bloc against the rest of the country. The province will be best served if its representatives constitute a majority group within the party in power, with the not inconsiderable incentive of eligibity for the plums of office.

It is also inferred that the upsurge of the C. C. F. as highlighted by the Ontario and Saskatchewan elections is still in progress. Subsequent provincial results, however, provide some evidence to the contrary and recent Gallup poll figures indicate a definite decline in the popularity of this socialistic group. As far as the chances of the Progressive Conservatives are concerned, it is now generally conceded that the most that can be attained is the position of the official opposition party.

It can still be logically deduced, therefore, that the Liberals will retain a sufficient number of seats in Quebec, which added to those which they admittedly should obtain in the other provinces, will give the Liberal Government an over-all majority.

That the Mackenzie King administration will make every effort to keep Quebec in the Liberal camp is clearly demonstrated by recent speeches by the Ontario Liberal leader, Mitchell Hepburn, in which he stressed the importance of a greater understanding of French-speaking Canada, a greater equalization of the standards of education and housing throughout the Dominion, and an end to the intolerance and bigotry which has done much to divide Quebec from the rest of the country.

With regard to the market for the past week, the strong trend as expected persisted to such a degree that new high levels were established in nearly all sections. High grades, and Nationals in particular, were in general demand, but supply was again limited. Albertas also received strong support, and it is now felt that the worst that can happen from the point of view of the bondholder is the adoption of the plan currently discussed, which would result in the offer of a long-term $3\frac{1}{2}\%$ bond and settlement of about one-third of the arrears of interest. After a period of comparative inactivity, Abitibis once

(Continued on page 854)

How Jobs Are Created

(Continued from page 826)

the radical wing of the New Dealers is in power after the war, we may expect that their program for attaining full employment will consist of the following things:

1. A large volume of public spending to replace a portion of the spending now being made for war purposes.
2. A shorter work week with a higher hourly wage rate so that there may be no decrease in the weekly wage.
3. Increased minimum wage rate with higher Social Security and unemployment benefits.

In brief, their program for reconversion can be summarized by saying that it calls for a bold, daring, even reckless experiment in pump priming, deficit spending and government make-work expansion. This is all implicit in the President's budget message to Congress and he reiterated it in his talk to the nation on Saturday evening, Jan. 6. At that time he stated that it was the duty of the Federal Government to see to it that "the level of demand of the purchasing power by private consumers, after the war, is sufficiently high to replace government wartime demands." He also stated, "Our policy is, of course, to rely as much as possible on private enterprise to provide jobs," but the implication was clear that if private enterprise did not provide the jobs, the government would. In other words, the nation has been promised full employment, whatever that phrase means, and come what may.

How Jobs Are Created

In a situation such as this, where promises of so broad a nature have been made, where there is such a wide diversity of opinion as to how to secure the jobs to maintain full employment, I thought it might be interesting tonight to raise the question—How is a job created? Obviously, if we do not know how jobs are created, we are in no position to provide the economic and political environment which will encourage the expansion of private industry and make it possible for it to provide the jobs.

When I speak of creating jobs, I do not mean the creation of temporary jobs such as those which are provided by government appropriation for the raking of leaves which, when the appropriation is spent, nothing of value has been created and the men so employed are again idle. I refer to jobs where men earn their wages by creating products which can be sold, the creation of which products makes the value that pays the wages. Such jobs, when created, are self perpetuating, looked at from the point of view of the whole nation.

One obvious answer to the creation of new jobs is that they are created by research, that scientists, when they make new discoveries, create new products and that this process creates new jobs. This is, no doubt, the most dramatic way in which new jobs are created and there is probably no city in the world in any better position to see this process in action than is my own City of Wilmington, Delaware.

Recently, Dr. Elmer Bolton, Vice-President and Director of the duPont Experimental Station, told us at New York that "almost one-half of the gross sales of the duPont Company in 1942 consisted of products that did not exist in 1928, or if they existed, were not then manufactured in large commercial quantities." I do not have the figures showing the number of employees of the duPont Company between 1928 and when the war began, but there is no doubt they increased. Furthermore, the increase in jobs made by the discoveries of that company are not measured solely, perhaps not mainly, by the increase in the number of their own employees but by the increase in the employees of the various companies who used the new products, in one way or another, which the duPont company developed. Discovery and research, therefore, that bring forth new products, is one way of creating new jobs—and permanent ones.

But jobs created by research take time. They cannot be created over night. They call for long distance planning and the expenditure of large sum of money. No quick and sudden increase in the number of jobs, after the war, can arise from this source. But new jobs can be created without creating new products. There is no reason why there cannot be an expansion in the output of old industries, whose products are still in demand. There are still thousands, yes millions, of people who would like to have more and better clothes, nicer homes, new automobiles, radios, refrigerators, electrical applicances ad infinitum. The question we are faced with here, therefore, is how and under what conditions can we get our old industries to expand their output so as to make more jobs.

More Money Does Not Increase Purchasing Power

Here, the prevalent answer today of those who believe in prosperity through government spending is by maintaining high purchasing power through a high national income. Give the people plenty of money, in one way or another, and then purchasing power will be high, demand will be large and jobs will be plentiful. The explanation sounds plausible but the reasoning back of it is specious and, in the larger sense, quite untrue.

In practice, the end result of this attempt to insure full employment by the creation of high purchasing power, irrespective of how the purchasing power is increased, is disastrous. Its first failure was shown up in the experience of the NRA. Here an attempt was made to increase purchasing power and make new jobs in a modest way by increasing wages. At the outset, it would appear that if wages were increased, particularly in the lower brackets, inasmuch as most wages are spent, that the total demand would increase and more goods would be sold. In practice, however, if manufacturer's wages are increased, say, by 10% or 15%, and there are no margins to absorb such increases, the manufacturer has to increase the price of his product by relatively the same amount. Then, inasmuch as most business is done on a percentage turnover, by the time a 10% increase in manufacturer's costs reaches the retailer's shelves and the purchaser comes in to buy the product, the retail price will have been increased by an amount more than the manufacturer's price, with the result that the increase in total wages paid is not sufficient to buy back as large a total physical quantity of goods as before the increase was given. It must not be forgotten that an increased purchasing power, brought about by forced increases of wages which are noneconomic, lead to increased costs and increased prices which more than absorb the increase in purchasing power.

Perhaps in no place can this be better illustrated than in the real estate field in which you are all primarily interested. Everyone admits that there is a dire need for more and better housing. While there may not be as much as one-third of our population poorly housed, certainly there are thousands of families living in houses which, by any decent standard, must be classified as substandard. Does anyone in his right senses think for a moment that if we increase the wages of everyone working in the construction industries, the increase in purchasing power resulting therefrom would make it possible to sell more houses? On the other hand, is it not obvious that the rise in the costs of construction that would result from such an increase would tend to put the prices of houses up so that fewer houses would be sold than otherwise and that instead of making more jobs in the construction industry or improving the housing situation, less jobs would be made and the housing situation would deteriorate. The law of supply and demand affects jobs just the same as it affects everything else, and you cannot increase the demand for anything by over-pricing it, even if you try to obscure what you are doing by the specious reasoning that you are increasing total purchasing power. No new jobs can be created in this fashion.

Government-Created Jobs

But some of you may asking, cannot the government create new jobs to take up the slack in employment after the war? For a short period of time it can, obviously, do so. Time does not permit me to discuss at all adequately the limitations to government-created jobs. But the heart of whether or not government expenditures increase total jobs in the long run depends upon one single factor and one alone, viz., can the government by its expenditures create new jobs without discouraging the expansion of new jobs by private industry? Obviously, there is no merit in a government making an expenditure which creates one thousand jobs if such an expenditure discourages some form of private industry so that the private industry reduces its number of jobs by the same amount. In fact, there is a more severe test even than this that government spending must meet, if it is to furnish us permanent help in the unemployment problem. Not only must the government's spending not discourage private industry but it must lead to an expansion of jobs in private industry at the same time the government is doing its spending. If it does not, just as soon as the spending is over, the jobs created will be destroyed and unemployment will be just as large as it was before the government started its spending in the first place.

This point should be emphasized again and again and again; that government spending to create jobs will be only temporary relief unless while the government spending goes on an expansion in private industry takes place at the same time, sufficient to absorb the jobs when the government stops its spending. The reason that our pump priming ventures were such ghastly failures during the thirties was that no such expansion in private business took place. When the government spending declined, as it did in the latter part of 1937, the volume of business immediately fell off and the amount of unemployment increased. In fact, the business decline in 1938 was the most severe and rapid in our whole history and the decline did not stop until large government spending was once more resumed. But believe it or not, and incredible as it may seem, I have had some of the leaders in this movement of full employment through government spending tell me that the government should expect to continue indefinitely to run a deficit of approximately $10 billion a year in order to create demand to compensate for what they call over-saving and failure to reinvest. Those of you who would like to read up on this matter would do well to get a copy of The New Republic for January 15, where a series of articles begins on "How to Insure Prosperity After the War." The statement is flatly made that the fear of an increase in the national debt is likely to be the greatest drawback to full employment.

Dangers of Deficit Spending

It is just silly to imagine that we can have a national income made up of, say, $150 billion derived from private expenditures and $10 billion from public expenditures and expect this ratio to continue year after year. You start such a plan after the war and either one or the other of the expenditures will get larger, depending upon the type of legislation enacted. Put those in power who believe in government spending and as time passes inevitably a larger and larger part of the national income will be derived from government expenditures until, in the end, government expenditures will be the whole thing. Should the government embark upon a large scale houseing program after the war, subsidized and partially paid for at public expense, you should need only one guess as to whether or not this will stimulate private construction and make more jobs in private industry.

Here is a principle that should not be lost sight of in the years immediately ahead. The government desires private industry to expand yet at the same time the government, today, owns in the aluminum industry, for instance, 50% of the productive capacity of the whole industry. It also owns, as all of you know, a large percentage of the electric generating capacity of the country, and many other kinds of factories, plants and equipment. The disposition of this plant and equipment will have a marked effect upon private business expansion after the war. If the government attempts to operate even a part of these plants in competition with private companies, it will be idle to expect the private companies to expand their operations. Private industry cannot compete with its government.

What of Private Enterprise?

If the President really meant it when he said in his speech at Soldiers Field, in Chicago, on Oct. 28, 1944, "I believe in free enterprise—and always have. I believe in the profit system—and always have. I believe that private enterprise can give full employment to our people," then he should appoint men to office who also believe it and whose previous utterances will not belie the statements which they make when they seek approval of Congress. If we want and confidently expect private industry to furnish full employment, then we must not suffer it with the apologetic tolerance which one accords to an aged relative who will soon be dead anyhow. Rather, we must support private enterprise with an energy of sincere affirmation and belief. And that support and affirmation, may I say, should be just as apparent after election as before.

The suspicion held in some business circles that there are those in the seats of the mighty who do not want the private enterprise system to function efficiently, may be unfair. But it cannot be denied that during the depression a number of anti-capitalist ideas and policies have obtained great strength, and unless overcome, they are going to make it very difficult indeed for our private enterprise system to function. To enact legislation that prevents our private enterprise system from functioning efficiently, and then use as an excuse the fact that our private enterprises are not functioning efficiently to justify an indefinite government expansion in business, is hardly playing fair.

How can private industry be expected to function efficiently and meet the problems of reconstruction if it has to do it in the face of public antagonism and under tax burdens which eliminate motivation and under restrictions that make it difficult to secure venture capital; if labor laws are enacted which compel a closed shop, which takes away management's authority in its own plant; and if the whole functioning of industry has to be under the close control and supervision of a hostile bureaucracy.

Of course, if we want it that way we can have the government furnish the jobs. High up in some ivory tower we can play at creating Utopia and imagine that our industry can be governed by a politically omnipotent and economically omniscient planning board, possessed of every moral virtue. I have never yet seen any such boards and I notice that the appointees to such governing boards as we now have in existence usually are made to solve some individual's unemployment problem. There were recently, I believe, two United States ex-Senators appointed to such boards. One of the fair sex and one of the traditionally sterner sex. Both of these ex-Senators are, no doubt, estimable people, but do you not think one would have to be a little naive to believe that they were appointed to these positions primarily because of the qualifications which they possessed for the jobs?

Recently, I had the opportunity to see a book, published in England by the Oxford Institute of Statistics but not yet in general circulation in this country, entitled, "The Economics of Full Employment." This book sets forth in detail the views of John Maynard Keynes and his disciples—the believers in full employment through government spending. You will hear much of this book in the days ahead. In it everything is solved through formula. The only thing the individual will have to do is to follow a table prepared by some government statistical agency indicating his share of activity. It is not specifically indicated in the study what would be done with some "Weary Willie" if he did not desire to do what the government planners wanted him to do, but I gathered the idea that the authors of the study would not think it amiss, in cases such as this, if an official rolling pin would be applied to produce the necessary goodness of behavior.

Governments can, no doubt, create jobs. In Russia they create all the jobs. Qualifications for holding the top jobs, however, those giving the best pay and carrying with them the highest prestige, will be politically determined. The rest of us will have to work under their guidance and at jobs which they offer us, and at such remuneration as they see fit to pay. I cannot believe that when the American people see that the alternative to our present system, defective as it is, is not some ideal system that will have no defects but rather will be a system run politically where practically all economic freedom will be taken away, will not overwhelmingly say that they do not want to look to government to provide their jobs. The price paid for such security is too much. It has too great a similarity to security enjoyed by an individual in jail.

May I summarize now briefly the conditions that will cause an expansion of jobs after the war, which should enable us to convert our industry back to peacetime uses again without too much trouble, and what the government can do to help in this process.

Business Ventures Create Jobs

First let us remember that new jobs are created when an individual, be he rich or poor, a company, be it large or small, decides to engage in some business activity, either a new business activity or by increasing the scope of its present activity. The essence of such a decision is that the business man decides to risk some of his savings by embarking in a venture which entails risk. He embarks on this venture in the final analysis because he hopes to sell his products to customers at a price which will be adequate to cover his costs and leave him a fair profit for taking the risk. I am not ashamed of using this word "profit" for, in the ultimate analysis, it is the profit motive that has always been the mainspring of the American business system and it will continue to be the motivating force of this system so long as we continue the American Way of Life.

Today, there is no doubt that there is plenty of capital owned by both big and small business, which, if the owners want to risk it, is sufficient to start a good many new businesses or expand existing ones. If we want the owners of this capital to put it to work in productive enterprise, so that more jobs will be created, then we must give them a fair chance to make a reasonable profit and their activities must not be unreasonably or unwisely regulated, curbed or even opposed. It is necessary that there must be a feeling of confidence on the part of the business men before such an expansion will take place.

A defeatist and antagonist attitude of mind, on the part of our political leaders will hamper reconversion, destroy self-reliance and undermine confidence, and forever keep new businesses from being started. Certainly our business men are showing courage. Never in our whole history has industry done so much forward planning as it is doing today under the leadership of Mr. Hoffman and the Committee for Economic Development.

It would be little exaggeration to say that there is hardly a large company in the country that has not already plans made and blue prints drawn up for reconversion. All they are waiting for is the government to give the sign to go.

Laws Should Encourage New Industries

To help in reconversion, does it not seem like common sense to insist that every law passed by the government be scrutinized carefully to see what effect it is likely to have on the development of new industries or the expansion of old? Likewise, existing laws that have a retarding effect in this regard should be modified or repealed. Time does not permit me to do more than enumerate certain specific legislation that ought to be passed if our government wants to establish an environment which will help business reconvert to peace, expand and provide more jobs. Among such measures, however, business men generally would place the following:

(1) The Federal Tax structure, as a whole, should be thoroughly overhauled, simplified and stabilized. The Excess Profits Tax should be abolished after the war. The Capital Gains Tax should be repealed forthwith. The possibility of reducing the high surtax and eliminating a double tax on corporation dividends should be examined. And basic to our whole tax thinking, once and for all there should be an abandonment of the pernicious idea that taxation should be used as an instrument of social reform as well as a means of raising revenue.

(2) The National Labor Relations Act should be amended so as to prescribe equal treatment for management as well as labor. The Averys, Petrillos and Lewises should be treated exactly the same.

(3) Regulatory policies tending to force the closed shop on business should be abolished. It is not the proper function of the government take sides in this conflict for the closed shop. Government is supposed to represent all the people.

(4) The rulings of such administrative boards as are retained after the war and are made part of our permanent government structure, should be subject to court review. The practice which has grown up during the war of delegated legislative, in fact sometimes executive and judicial powers as well, to these administrative agencies, must be discontinued forthwith.

(5) The unproved theory that permanent prosperity can be provided by government deficit spending should be abandoned. Such government spending as is done during periods of unemployment should be frankly for the purpose of providing relief for the unemployed and not under the guise that such spending is a downright good in itself and will create prosperity.

(6) As an aid to secure venture capital, the regulation of new security issues should be liberalized. While the SEC has done some good work in this field, there is good ground for thinking at the present that it is over zealous in its activities to keep investors from losing money.

These are not all the measures that need to be taken to make a political and social environment favorable to the expansion of private business but they are some of the principal ones. Moreover, they are the answer to the statement so frequently heard these days that if private enterprise cannot provide jobs, government must.

Favorable Reconversion Factors

There is no good reason for thinking if private industry be given a fair chance that it cannot over a short period of time reconvert to peacetime production and provide the requisite number of jobs to insure a satisfactory state of prosperity and adequate employment. Too many writers appear to be fearful about reconversion. They predict plant closings, widespread unemployment and general chaotic business conditions. There is no doubt that conditions of this nature may be encountered. One would be foolish not to expect some temporary disorganization. But I submit that it is not the proper mental attitude to dwell too much upon this possibility, and by so doing certainly exaggerate its importance and even help to bring it about. Let me enumerate some of the favorable factors that exist at the present moment which ought to help us in reconversion:

(1) Incomes throughout the nation during the last four years have been high and money savings today stand at a record peak. Both money in circulation and bank deposits, savings as well as commercial, have had a phenomenal increase. There probably has been more savings during the last four years by the people as a whole than there was in the two decades previous to 1940. In brief, the people will have the money to buy the goods when the war is over and when our industries are in a position to turn them out.

(2) Both our plant capacity and our ability to produce basic raw materials have been greatly expanded during the war. There is hardly a basic commodity that is needed in the manufacturing of goods today of which we do not have an adequate supply.

(3) We will probably have the greatest number of skilled workers in our history at the close of the war. This nation will have the best skilled labor force of any nation in the world and it will be equipped with an engineering technique better than that possessed by any other people in the world's history.

(4) We have the capital and the credit in abundance to finance a business expansion, and the cost of borrowing it is at an all-time low. High interest rates certainly will not hamper reconversion.

(5) There is a substantial pent-up demand for goods of one kind or another that almost exceeds the imagination. Not only does this country stand ready at the moment to buy large numbers of automobiles, refrigerators, washing machines, vacuum cleaners, furniture, farm machinery and countless other products just as soon as they can be made, but a large part of the world outside of our boundaries literally stands naked and hungry. The work to be done to rebuild the destruction caused by this war will be colossal. No war in modern times has been so destructive.

What better combination for prosperity can be found than this: Ample factory capacity, adequate raw materials, men with the know-how to put them together to make finished products, coupled with cheap capital to finance their production, and a market with purchasing power ready and willing to buy the goods.

Probably fundamental to my optimistic point of view in the long-term outlook is my basic belief in the long-term wisdom of the American people. The Jeremiahs, notwithstanding, have not the people on the whole met the problems of this war with outstanding patriotism, courage, energy and resourcefulness? What reason is there for thinking that when they once comprehend what are the problems of the peace they will not meet them in the same way? The first step in a sound solution of any problem is an intelligent recognition of what the problem is. Our hopes for the future rest in a large measure upon the willingness of thoughtful groups such as you to face realistically the difficulties that lie before us and then, irrespective or party or anything else, work toward a solution of the problems. What will be called for in the years ahead will be statesmanship rather than partisanship in government; wise leadership in industry and labor, and a willingness of government, industry and labor to cooperate together to increase the total national production, on which we all must live. The substance for a prosperous future is in our own hands. Whether or not we will use it well, only time will tell.

Finally, we must remember that this responsibility of employment is the responsibility of all of us. First, for employers to conduct their businesses with vision, enterprise and honesty, seeking to serve the people by making more and better goods at lower prices, realizing that in this way, in the end, they will make the highest profits. It is the responsibility of labor not to try, through monopolistic and restrictive policies, to fix such a price for its services as to price itself out of jobs. And perhaps most important of all, our political leaders should remember that it is not the function of government to try to take over business and operate it but to provide an environment under which business can flourish, investment can go forward and the standard of living increase. Under these conditions the employment problem will take care of itself.

E. H. Stanley Co. Formed

(Special to The Financial Chronicle)

WATERVILLE, MAINE—E. H. Stanley & Co. has been formed to engage in the securities business. Officers are: Erwin H. Stanley, president; Leslie Stanley, treasurer. In addition to the officers Helen F. Stanley and Bernice Stanley are directors. Mr. Erwin Stanley was formerly an officer of Smith, White & Stanley, Inc. of Waterville.

Municipal News & Notes

Gasoline taxes and motor vehicle registration fees, collected by all 48 States, are shared with their municipalities by 30 States, though in half a dozen instances the revenues are shared only with certain cities "performing county functions."

Value of this sharing to municipalities in the 30 States is indicated by the fact that they received $71,900,000 of so-called State "highway user" revenues in 1942 as compared with the total $230,000,000 paid municipalities in all 48 States in 1942 as their share of all State-collected municipally - shared revenues from all sources, according to the third and final study on State-collected municipally-shared tax revenues issued by the American Municipal Association.

Motor-vehicle taxes and fees, usually considered together as highway user taxes, apply on one hand to a number of various fuels and oils and on the other to the different kinds of machines and drivers, certifications, examinations, etc.

The States use two methods in sharing motor-vehicle revenues with their municipalities—percentage of collections and fixed amount appropriated. Motor fuel taxes generally are shared on a percentage of collection basis, but both methods are used in the distribution of vehicle license fees.

Municipal shares generally are allocated for street, highway and bridge construction purposes, though in a few States communities may use the funds for other purposes. Wisconsin and Louisiana, for example, may use part of their share of State motor fuel taxes for schools; New York City may use part of its share for welfare purposes; Ohio, Oklahoma and Pennsylvania cities may place part of their State gas tax revenues in their general funds.

Motor Fuel Taxes include gasoline, oil, and similar levies, shared generally by 14 States—Alabama, North Carolina, Virginia, Illinois, Indiana, Michigan, Ohio, Wisconsin, Arkansas, Nebraska, Oklahoma, California, Oregon and Washington; and shared with certain cities performing county functions by five States—New York (New York City), Pennsylvania, Louisiana (New Orleans as a parish), Maryland (Baltimore) and Colorado (Denver).

Examples of basis of allocation: Alabama, $125,000 by population; Illinois, 1/3 of 3-cent tax, by population; Wisconsin, 20% of net, by source of net registration fees; Oklahoma, 5% of total collection, allotted per capita; Oregon, 5% of total collection taken when it exceeds $11,000,000, by population.

Motor Vehicle Fees, shared generally by 17 States—Connecticut, Massachusetts, Vermont, Alabama, South Carolina, Indiana, Michigan, Ohio, Wisconsin, Arkansas, Kansas, North Dakota, Oklahoma, Arizona, New Mexica, Utah and California; and shared with certain cities by five States—New York, Maryland, Nebraska (to help retire bonds already issued), Colorado and Montana (Butte receives 50% of residents' fees).

Examples of basis of allocation: Connecticut, $3,000,000 annually from State highway fund, shared among communities equally; Alabama, 30% of city collections, by number of registrants; Ohio, 25% from licenses issued to residents; California, 40% of balance after State debt deduction, by population.

Jersey City to Retire 14.2% of Debt in 1945

The State Local Government Board in Trenton, N. J., has approved a request by the Board of Commissioners of Jersey City to apply $3,713,100 of free cash surplus of the City to debt retirement by appropriating this sum to fill all sinking funds to 100% of principal requirements, according to announcement made on behalf of

the City by Wainwright, Ramsey & Lancaster, municipal financial consultants of New York.

"The effect of this action," the announcement says, "which was recommended to the Commission by Raymond M. Greer, the City's chief financial officer, is to bring total debt retirement in 1945 alone to $6,689,000, of which $3,822,000 will be applied to the general debt and $2,867,000 to the water debt. This will reduce the net outstanding general and water debt held by the public 14.2% in the year 1945.

"In addition to the appropriation of surplus, the 1945 budget provides for the retirement of $2,976,000 serial bonds, $2,688,000 general and school bonds and $288,000 water bonds.

"On Feb. 16, 1945, the net general and school debt stood at $38,001,500, a reduction of $4,420,952, or 10.4% since Jan. 1, 1944. This is a net debt ratio of 7.23% of 1944 assessed valuations which totaled $525,711,956.

"The full extent of what Jersey City has accomplished in debt retirement since it went on a strict cash basis in 1936 will be realized when it is considered that on Jan. 1, 1936, general and school debt less sinking funds totaled $59,368,384, compared to the present $38,001,500 —down $21,366,884. On Jan. 1, 1936, outstanding water bonds less sinking funds stood at $11,804,730 and are now $5,302,000 —down $6,502,730.

"The 1945 budget will mean an average tax bill approximately 5% lower than those sent out in 1944, as a result of an estimated decrease in the levy of about $1,243,000."

California Toll Authority Definitive Bonds Available For Exchange

Revenue bonds dated June 1, 1944, sinking fund revenue bonds due Sept. 1, 1962, and serial revenue bonds due semi-annually from Sept. 1, 1945, through Sept. 1, 1959, are available in definitive form in exchange for outstanding temporary bonds. The temporary bonds may be delivered to the principal office of Guaranty Trust Company of New York, for transmission to San Francisco to be exchanged for definitive bonds.

Michael I. Morran With Paine, Webber Company

(Special to The Financial Chronicle)

CHICAGO, ILL. — Michael I. Morran has become associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. Mr. Morran was formerly with H. C. Speer & Sons Co. and in the past with Ballman & Main.

Business and the Public Debt

(Continued from first page)

maximum reached in the present war period shall be $240 billion or $340 billion. And yet the difference between these figures is two and a half times the entire $40 billion which only recently caused so much distress. The Secretary of the Treasury appears to have given more consideration to this question—as indeed he ought to do in the discharge of his public responsibility—than has any other national leader; but he is far from popular among the very people who have become so distressed as America's public debt exceeded the level attained after World War I. The cause for concern is now very much greater than when the debt attained the $40 billion figure. In fact, the addition of $40 billion is a much more serious matter when the jump is from $240 billion to $280 billion than when it is from nothing at all to a mere $40 billion!

The question may arise as to how we can influence the size of the national debt. Without trying to suggest all the possibilities, I may point to a number of the most significant efforts under way. Some of these seek to keep the debt down as a by-product of stabilizing prices and other elements in the national economy. These include (1) War Production Board restrictions on certain sorts of production; (2) the consumption goods rationing program; and (3) the various direct price control activities undertaken by several agencies of which the Office of Price Administration and the Board of Governors of the Federal Reserve System are perhaps best known. Then there have been direct efforts to keep the debt down by (1) increased taxation and (2) reduced expenditures for certain governmental services. Perhaps the unpalatable nature of the remedies for undue increase in the national debt may explain the paradox to which I have alluded already. We do not like restrictions on what we may produce. One of my neighbors, for example, is extremely wrathful because he is not permitted to make unrestricted use of a small metal item for production of a toy. Then we have not been too enthusiastic about the number of points we must pay for butter or even about the maintenance of contact with our local rationing board in respect of gasoline for our automobiles. Some of us have not been particularly receptive to restrictions on the prices at which we may sell our own production. Very few of us have vigorously insisted on increases in our own tax bills. And yet these are the kinds of wartime alternatives to a total public debt greater than is otherwise necessary.

But even though we had accepted fully *every* means of curbing the growth of our country's debt, it would have been by the end of the war extraordinarily heavy. We have not "gone whole hog" in accepting the alternatives, and so our obligations are to be even greater than they might have been. In any event the debt will be so great that it must be a source of real concern to every thinking adult in the country. Before many years it will doubtless be a serious matter for our children—and still later for our children's children. In the years just after the Germans and the Japanese are disposed of, what are we to do about it?

The Debt Load

There has been among technicians in debt policy a vigorous debate as to whether the debt should be regarded as an unmixed evil. One school contends that, as we really owe the national debt to ourselves, it is a matter of relative indifference whether we have a small or a large one. The other debaters contend that "a debt is a debt" and therefore cannot be dismissed so lightly.

It would serve no useful purpose for us to enter the ranks on either side of the argument. One thing, however, is agreed to by all schools of thought; and I think it is significant for us: The debt which a country owes to its own people is easier to deal with than one which it owes to a foreign State or to its residents. There *is* an economic sense in which the United States Government obligations involve payment of interest and of principal to ourselves. That is, Americans contribute tax money to the Treasury; and the Treasury pays that same money to individual Americans as interest or as repayment of their loans. This is easier than to make similar payments to other countries.

The greater ease is due to several factors, the most important two of which I simply mention. (1) The payment of money to another nation or to its people may easily get bogged down in the technicalities of foreign exchange. This difficulty is due partly, but not wholly, to differences in currencies. (2) The only way a war debt to another country can be settled is by sending more goods abroad than are imported, and the foreign bond-holder country may clamp down on such imports by raising tariffs or by other methods. For example, the United States in the 1920's made it impossible for European countries to pay their so-called war obligations. (3) In short, something must always actually be sacrificed from a nation's income if it is to pay a foreign debt. That is not necessary in order to pay a debt such as our own. If an individual householder gets in debt he is in a position similar to the nation which owes a debt abroad; the obligation is to pay something to parties *outside the family*. The United States in general must disburse interest only to people who in another capacity are taxpayers, that is within the family.

What has been said does not mean that the country's becoming obligated to its own citizens is or can possibly be a matter of indifference. There are many reasons why the nation's going into debt is *bad*. For example: (1) Paying taxes the proceeds of which are to be used for debt service means that there is a redistribution of purchasing power unless the proportion of the total tax payments of each person is exactly the same as the proportion of the total interest and principal payments he receives, and such an arrangement is a practical impossibility; and (2) the process of collecting taxes and disbursing interest is expensive both directly and in the sense that we suffer from paying a given amount in taxes more than enough to compensate for interest income even though the amounts be the same. Moreover, we all tend to think we *have a right* to the interest; we are harder to convince that Uncle Sam *has a right* to what we pay in taxes.

Handling War Obligations

The fundamental problem of what to do about Federal liabilities after the war has two important and several secondary aspects. In the first place, there are the technicalities of how the debt should be managed. These issues, although they are of major importance and require the very best in Treasury administration, are not, in the main, matters of general policy but matters of financial engineering. The second problem concerns the means by which the nation is to meet the debt service charges and at the same time operate and expand private business as well as pay the cost of current government services. This problem—or perhaps I should say this cluster of problems — will present fundamental questions which will require the best thinking of which American citizens are capable. I shall outline a few elementary phases of the challenge and express the hope that you will consider this discussion merely an introduction, in other words, that you will give the issues outlined sustained consideration.

Perhaps the comments that follow may be clearer if I sketch the emergence of the post-war financial problems. Then we may pass on to definite consideration of long-term questions.

First of all, world conditions seem to guarantee that the postwar world will not dawn suddenly. In a purely military sense the war is likely to taper off rather than come to a sharp termination. It is generally thought, for example, that the European phase of the war will be over before the Pacific phase. Then, even after Japan is conquered, there is no certainly that there will not be sporadic uprisings. There have been predictions that both German and Japanese Fascists may "take to the hills" and continue to resist. In any event, military occupation of conquered areas seems certain. All these prospects represent for the American people varying — but unquestionably large — continued financial loads of a direct military character. How long they will last and how big they will be are distinctly uncertain.

But there are at least two other considerations which assure tapering off, rather than quick termination. The liquidation of the wartime administrative machinery, both civil and military, will by the nature of the task be a slow process. Liquidation of the physical assets alone represents the biggest business undertaking in the way of salesmanship ever tackled in this or any other country. It has been estimated that the sale of more than $100 billion worth of goods will be necessary; though, if one eliminates non-salable stock such as ordnance, it is doubtful whether the cost of the amount to be sold will exceed $50 billion. When one considers that this job alone involves an amount of money which may equal three times our national debt of 1939, something of the size of the adjustment problem is apparent. Then, of course, the Government will be called on to make and enforce some of the rules governing private readjustment to peacetime production. This will be a large undertaking; and if business gets panicky, it will be a costly one.

The other highly expensive problem the country will confront concerns the rehabilitation of its manpower. In the instance of soldiers and sailors who have been injured the expense will depend on the number of men and women to be cared for. Then there is the matter of educational and economic rehabilitation, for which our Government has already accepted responsibility. In addition the payment of pensions or other "deferred compensation," "bonus," or what not may cost added billions of dollars.

Secondly, not only will the post-war period emerge gradually for all these and other reasons, but the level of governmental service demanded of the Congress will also be greater than before the war. For example, the social security program is going to be enlarged, and it may be extremely burdensome, financially speaking. Already it costs a lot of money. There are two general approaches to financing social security. One of them is through social insurance, exemplified in this country — including Kentucky — by workmen's compensation and unemployment compensation insurance, the former private and the latter public. Another method, exemplified in our public aids for the aged, the blind, etc., involves a tax supported plan. The original 1936 legislation called for both methods of support but emphasized the insurance plan. The recent trend is toward support by general taxes. This is well illustrated in the overwhelming vote in Congress six weeks ago against permitting the automatic increase in the old age and survivors' insurance premium payments in the form of payroll contributions. Again, the demand for national aid for education and especially for public works is illustrative of the cost level of the national government after the war.

To mention only one other factor, a third element tending to prolong the war in a financial sense may well be the habit of spending public funds lavishly. At the outset I referred to the wartime tendency for the public to accept a difference of several billions in the debt without seeming concerned and especially the disposition to reject unpleasant policies which would limit the national debt. Possibly the country will abandon this kind of "softness" when the shooting is over, but there is little in American history which would lead one to anticipate that cessation of the fighting in the field will lead us to insist that Congressmen demand business-like economy in public business.

After the Postwar Adjustments

Already I have outlined reasons for thinking that the public debt will be a serious load after the country has adjusted to peacetime conditions. Lest I mislead you by this statement, I hasten to say that the country, without tragic consequences, can undoubtedly meet the challenge. On the whole, I think the difficulty of doing so will depend on the extent to which we maintain and enlarge our productive capacity. That in turn is conditioned by the degree to which we become "soft" and "get scared." Let us look at the basis for these views.

First of all, consider the budgetary problem. The present tax system is producing at an annual rate of $50 billion. Last year it produced $40 billion. Our national government is spending about twice as much as the taxes are now yielding. That is, we are devoting well over half of our gross national product to federal government use. In fact, the war alone is taking over 50%. After the war and the immediate postwar adjustments, the national expenditures, including $5 billion or $6 billion for interest and principal payments on the debt, have been estimated at figures varying from $16 billion to $30 billion. If one assumes that the actually necessary federal government cost will run $20 billion to $22 billion —and I personally think it should not exceed $18 billion—then at present levels of national income we could pay the bill even if tax rates were cut in half. I mention this possibility to emphasize the fundamental issue; I do not suggest that the method of attack should resemble reducing all tax rates 50%; nor do I think it is likely that the present price or productivity level is the one at which we shall stabilize. However, it is commonly agreed that tax reduction and gradual bond payment is preferable to maintenance of wartime tax rates coupled with rapid debt retirement.

To push the discussion further along the line of the kind of productive plan we are likely to attain and the kind of tax arrangement we can have and still pay our debt obligations, I suggest regarding the former certain broad generalizations which seem to be justified in the light of present information. (1) Although material fluctuations in general production levels are perhaps technically unnecessary, it now appears probable that the national income will continue somewhat unstable for many years to come. Let us hope that we shall not see a drop from our present income level of $150 billion to the 1933 figure of less than $40 billion, but let us at the same time avoid the assumption that present production and price levels will be continued indefinitely. There is no engineering reason, when our manpower is no longer so largely occupied in military activity, why we may not greatly expand present levels of income production. Or we may greatly contract our output.

(2) As previously indicated, maintenance of a high level of national income depends fundamentally on the temper of the people. If the public becomes afraid of depression, as it did in the early 1930's, we shall have depression. If the people generally take the attitude that it is the Government's job instead of their own to make railroads, factories and farms productive, then very likely we shall have depression. Despite the fact that a self-reliant and independent spirit among private individuals is of paramount importance in maintaining and increasing national income, there is no doubt that

(3) Governmental policies respecting the economy must be wise. Among the most fundamental issues are (a) governmental acceptance of the idea that maximum economic freedom is essential; (b) governmental recognition that the self-reliance already commended is necessary; (c) governmental protection against monopolistic practices, whether among manufacturers or labor unions or farmers; (d) governmental maintenance of a stable currency system, that is, of a dollar of constant purchasing power; (e) governmental timing of public construction so as to avoid too much competition for building materials and labor privately needed and so as to use the construction facilities which are not needed privately; and (f) governmental financial policies favorable to industry and trade. In speaking of needed public policies toward the economy, I should like to emphasize that the Government is not something separate and part from you and me. The Government is simply the implement by means of which all of us get things done which all of us as a group—though not necessarily each of us individually—actually want done. In a democratic country the Government is the people of that country, provided only that people be sufficiently advanced to enjoy the blessings of democracy.

(4) Although the national attitudes and policies already referred to are fundamental to high national income levels, probably the most important condition of postwar prosperity is the kind of peace the world secures. Our income will depend not only on the international position of this coun-country but also on the position and the policies of other countries. For example, if the United States adopts a policy of raising tariffs and otherwise interposing difficulties for other countries' trade in this one, we shall be asking for the sort of retaliation we sought and obtained after World War I; if we try to cut ourselves off from contact with other parts of the world, we might as well seek to make ourselves beautiful by cutting off our own noses. In another fundamental respect our after-war prosperity depends directly on the kind of peace we obtain. The size and character of our military establishment and the consequent drain on the economy will depend on whether we obtain a wise or an unwise settlement of the causes of international strife.

This does not by any means exhaust the story, but enough has been said to make my main double-barreled point, namely, that the manageability of our national debt after the war depends on our prosperity and that our ability to have "life and have it more abundantly" varies with our collective capacity to make wise decisions and, in the international area, to obtain wise decisions in other countries. With these hints as to what is involved I return to the problem of raising the money necessary to meet war-debt service charges and to support the current requirements of government.

As the most important condition of meeting our public obligations is to keep our productivity high, it follows that in raising the necessary money the task should be accomplished in such a manner as to interfere as little as may be with private economic activity. The post-war tax planners have talked at great length about what tax considerations **do** influence business adversely. There seems to be general agreement, for example, that the corporation excess profits tax and the nuisance corporation taxes should be repealed outright. In principle even the Treasury appears to accept this policy. The reason is that although the excess profits tax is all right in wartime it restricts economic freedom too much to justify using it in peacetime.

There is also fairly general agreement that some of our specific sales taxes should be repealed after the war. There is no consensus as to exactly which should be repealed or reduced. There does seem to be almost unanimous agreement that the tobacco and alcoholic beverage taxes should be kept, but perhaps at reduced rates to avoid bootlegging.

There is much debate regarding the income tax paid by corporations. One school of experts takes the view that the corporation tax should be repealed outright. Other outstanding leaders think the tax should be used but that the amount paid should correspondingly cut shareholders' taxes. A final group would keep a corporation income tax as a definite part of the post-war system and would allow no credit on individual income.

As has been indicated, if a high level of national income is maintained, there is little doubt of the country's ability to pay debt obligations slowly and at the same time reduce war tax rates. On the other hand, the conclusion is also obvious that the payment of our debt will impose on the economy a semi-permanent load of some $5 billion to $7 billion a year additional to governmental costs which would have been incurred if there were no debt. From present indications, another approximately equal added load will result from the war, namely, the increased military and veterans' rehabilitation expenditures. There is little doubt but that due to these two causes alone over $10 billion a year will be added to the national budget requirements. This is a sum well above the annual total cost of national government during the latter years of the 1930's. It is more than ten times the annual cost of the central government before World War I. When it is remarked that the American people can pay the bill without serious question, therefore, it is not intended to suggest that the job will be easy. Moreover, whatever tax system we may adopt will undoubtedly interfere in some degree with business plans and with productive activity.

Summary

In concluding these remarks, I should like to summarize in a series of propositions which appear to be justified by the facts and trends of public and private thinking up to this time.

1. The public today exhibits less concern regarding a $100 billion dollars of additional national debt than it expressed respecting $40 billions only five years ago. It appears certain that present comparative indifference to sound financing is sadly misplaced.

2. Both in the late 1930's and now, the debt load of the national government is a less serious matter than if a significant part of it were made up of obligations to other countries or to their nationals. As our debt stands, the taxpayers of the country are in effect obligated to pay the American people who own bonds a huge sum of money. This payment will prove onerous because it will redistribute purchasing power among various economic classes of our people and because of the direct expense and friction of making the transfer.

3. Not only must Americans plan for managing and meeting national debt obligations in the post-war period, but they must plan for doing so during a time of readjustment from which the peacetime economy will gradually, rather than suddenly, emerge. It is probable the outstanding credit obligations may even continue to grow for sometime after the "organized resistance" of the enemy has ceased. The financial strain may be increased during the period of slow readjustment—and perhaps afterward—by (a) the normal increase in civilian requirements for governmental services, whether in the form of social security expansion, educational aids, or public construction, and (b) the national habit of being careless—if not actually indifferent—about the public finances.

4. Despite all these causes of concern, the national government can without disastrous results, but not without difficulty, meet the country's debt service requirements, especially if it can maintain and enlarge its capacity for production of income. To assure high income levels sound policies are essential, among them (a) a self-reliant, working population, (b) a disposition among the people to look to private, rather than governmental, action to provide primary protection against poverty, (c) the adoption of sound national policies toward the promotion of private economic activity, and (b), most funamental of all, the attainment of a decent peace settlement and of international relationships favorable to world-wide peace and prosperity in all countries.

5. The exact adjustments by means of which post-war budgetary needs, including debt service charges, can be met are susceptible only roughly to a forecast at the present time. The most essential condition of securing a statesmanlike plan is public interest in and awareness of the problems involved in each alternative policy. Each of us, therefore, should study the situation and make certain the Kentucky Congressional delegation is acquainted with our views. It now appears probable the budgetary requirements will be met by means of a sensible adaptation of war taxation to peacetime conditions and that something like the following tax system will be adopted: (a) a revised death and gift tax at rates not very much below the present ones, (b) a personal income tax based on about the present plan and at rates ranging from two-thirds to three-fourths of present ones and possibly with somewhat higher personal exemptions, (c) a corporation tax at lower than present rates and possibly with some special allowances for dividend recipients, and (d) several selective sales taxes at rates somewhat reduced below wartime levels and probably on a lesser number of commodities and services.

Secret of Cheap Money Is an Excess Supply

(Continued from page 827)

ity, with loss of purchasing power and also of public confidence. Finally such moneys have been erased or reconsolidated and made convertible into gold in order to restore confidence at home and abroad.

Money Supply and Low Interest Rates

After the world wide financial crisis and business depression beginning in 1929 low money rates soon made their appearance in all money markets where there was an excess supply of money seeking borrowers who could give assurance of safety or investments that were safe. Yield was secondary. Borrowers who could qualify were few in the minds of lenders and those few were over supplied with money. Investments that qualified in the minds of investors were not numerous, and the gilt edge investments were purchased with their low yields, at rising prices driving the yields still lower. The supply of money and money reserves was large and the demand for money small. Rates for money declined just as the prices of any other tool, service, or commodity would decline when there was more of it for sale than buyers wanted. The departure from the gold standard and the issue of paper money against government promises to pay, provided ample cash for those who wanted to hoard money or convert their assets into money. The conversion of assets into money brought on still more liquidation with lower prices, and more money seeking safety with low yields instead of speculating with high yields. While money rates were low and confidence in government bonds, which had always been the safest of investments, was high these bonds were bid up to high prices and low yields. Both the British and the U. S. Governments took advantage of the low money rates and the demand for gilt edge securities to refund their high yielding bonds into lower rate bonds. This reduced the costs of servicing the government debts and improved the governments' credit. Both governments increased the price of gold. In the United States the price of gold was marked up from $20.67 an ounce to $35 an ounce; in England the price of gold was marked up from 84s 11½d to 168s. In terms of the currency units the monetary gold held was increased in proportion to the increased price of gold; then the supply of gold was increased from production, and the supply in the United States was expanded by the flight from Europe because of the threats of war, and the high prices for gold created by the devaluation. In addition to these increases in the gold holdings and the increased money value of the reserves there was the expansion in paper money resulting from the issue of paper money against government debts. In England this increase in the paper money outstanding has gone on much as it has in the United States. While the percentage increase in paper money has not been as large as in the United States it has been large enough to keep the supply of cash high enough to meet all the needs of the banks for cash, and maintain the cash ratio against deposits averaging about 10 per cent, the figure regarded as safe and solvent by the public. In the United States the largest increase in the currency has been in the Federal Reserve notes which at the time of this writing stands above 21.8 billions against 4.9 billions in 1939. This large increase in the currency has supplied the demand for money hoarders, and the necessary cash balances of bankers to meet their demands from depositors. This large supply of money has kept money rates low. In England there was no reserve ratio of gold required by law to limit the issue of paper money secured only by government debts. But in the United States we had a specific requirement of 40% gold against Federal Reserve notes outstanding. Because of this specific requirement it is going to be necessary to reduce the reserve requirements in gold in order to make room for the further increase in the supply of currency Federal Reserve notes and the increasing bank deposits. According to press releases Congress is to be asked to reduce the legal reserve ratio to a flat 25% ratio of gold against both Reserve notes and demand deposit. This will make room for a large increase in both notes and deposits with the present gold holdings and the present price of gold.

As soon as this report of a proposed reduction in the reserve ratio was made, high grade money rates and bond yields began to decline. This larger supply of cash will drive money rates still lower and the prices of fixed interest bearing securities still higher. Money is to remain a "drug" on the market as it has been for a long time due to the ample supply furnished by the increase in gold held, the increased price of gold and the increase in paper money for all uses. By these methods of increasing the supply of money there is plenty of room for further expansion in the supply of cash and interest rates may be driven much lower by this process. The same decline would follow in the price of any useful commodity where the supply was, seemed to be almost limitless with little or no cost.

This process of increasing the supply of cash by devaluing the unit or increasing the price of gold, and by increasing the supply of paper money secured by government debts can continue indefinitely, and money rates can be held down by the excess supply of cash as long as people have confidence that money will continue to have approximately its present buying power in the future, or a substantial buying power.

The End of Cheap Money

When the currencies were convertible into gold and reserves were maintained to meet emergencies the interest rates were determined like the price of any other useful commodity by supply and demand. The highest bidder got the money from lenders willing to take the risks. The many different rates for money represented the many different risks, and the supply of money willing to venture in the many risks. At times when the demand for money was large such as during a period of confident business activity money rates were bid up in all markets. All rates for new funds were marked up. This, however, never represented a very large per cent of capital because most investments are for a period of time. However, these demands for current money at high rates usually caused a decline in the prices of the lower yielding long term investments because of the higher price paid for new capital.

The present process of creating an excess supply of money throughout the world must in time be reversed and the supply of currency reduced to the limits of gold conversion at the present legal price for gold or the price of the gold marked up and the value of the paper currency reduced. The first process is a deflation process which will bring rising money rates and a readjustment of values to meet the new prices for money, and the second is an inflation process which will bring rising prices and costs, and a lower buying power for each unit of money until the larger supply of this cheaper money which will be required to meet the needs of daily activities will bring the demand for money which will increase the rates to a demand and supply costs basis again. To go through the money revaluation process and wait for the cheaper units of money to be absorbed by the increased prices of goods and services will be a very long period of maladjustments, blackmarkets and inequalities. There is a stratification in costs, prices, and incomes which change slowly, and unevenly. Any rapid change in one group is halted by the slow change at that time in another group. A uniform increase in costs, prices and incomes is not possible with all of the millions of individual commitments and contracts at fixed prices and dates. For this reason the inflation revaluation process will cover a long period of time. This long period of readjustment will create or be accompanied by many hardships as well as speculative opportunities like all such disturbances. When this process is far enough advanced, however, to absorb the excess supply of cheap money, money rates will rise again according to the demand and the willingness of borrowers to pay higher rates because of profits making opportunities.

Government Management and Cheap Money

Governments have taken advantage of cheap money to keep down the cost of their financing. Both in England and the United States business borrowing, and lending abroad, have been reduced to the minimum and this has limited the demand for money. The process of maintaining an excess supply of cash by increasing the price of gold and issuing currency secured by government debts has been the same in both countries. But if this is management which has made money rates low for war financing that can be carried over into peace time financing, a wholly different set up for peace time business will be required from that with which either country has ever had any past experience.

The end of war should bring a return to sound convertible currencies in which the public can have confidence. Can any country return to normal free competition with the rest of the world and continue to furnish an excess supply of cash and maintain low interest rates by the inflationary and controlled processes used in this war? Is there any government that is willing to take the credit for maintaining cheap money and the future blame for the consequences of the money management and the low money rates on which this war has been financed? Has this cheap money policy been an expedient which must be undone in the reconversion to peace time conditions or free markets of all kinds abolished?

Central Republic Corp. Sponsors Radio Program

CHICAGO, ILL.—Central Republic Corp., 208 South La Salle Street, members of Chicago Stock Exchange, have started a radio program over WENR from 9:30 to 10 p. m. on Sunday evening. The first program was February 18th.

Lamson Bros. & Co. To Admit James Wade

CHICAGO, ILL.—Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Chicago Stock Exchanges, and other exchanges, will admit James F. Wade to partnership in the firm as of March 1st.

DIVIDEND NOTICES

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of this Corporation was declared payable March 15, 1945, to stockholders of record February 28, 1945.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
February 16, 1945

MAKERS OF PHILLIES

AMERICAN CYANAMID COMPANY

PREFERENCE DIVIDEND

The Board of Directors of American Cyanamid Company on February 20, 1945, declared a quarterly dividend of 1¼% ($.125) per share on the outstanding shares of the 5% Cumulative Preference Stock of the Company, payable April 2, 1945 to the holders of such stock of record at the close of business March 5, 1945.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company on February 20, 1945, declared a quarterly dividend of twenty-five cents (25¢) per share on the outstanding shares of the Common Stock of the Company, payable April 2, 1945 to the holders of such stock of record at the close of business March 5, 1945.

W. P. STURTEVANT,
Secretary.

ANACONDA COPPER MINING CO.
25 Broadway
New York 4, N. Y., February 21, 1945
DIVIDEND NO. 147

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50. per share, payable March 26, 1945, to holders of such shares of record at the close of business at 3 o'clock P. M., on March 6, 1945.

JAS. DICKSON, Secretary & Treasurer.

ELECTRIC BOAT ★ COMPANY ★
33 Pine Street, New York 5, N. Y.

The Board of Directors has this day declared a dividend of twenty-five cents per share on the Capital Stock of the Company, payable March 10, 1945 to stockholders of record at the close of business February 27, 1945.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer.
February 15, 1945.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a quarterly dividend of sixty-five cents (65c) per share on the common stock payable April 16, 1945, to all holders of record at the close of business on March 20, 1945.

SANFORD B. WHITE
Secretary

KENNECOTT COPPER CORPORATION
120 Broadway, New York 5, N. Y.
February 16, 1945

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of twenty-five cents (25c) a share have today been declared by Kennecott Copper Corporation, payable on March 31, 1945, to stockholders of record at the close of business on February 28, 1945.

A. S. CHEROUNY, Secretary.

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 109

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared, payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, March 19, 1945, to stockholders of record at three o'clock P. M., on Monday, February 26, 1945. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.
New York, N. Y., February 15, 1945.

DIVIDEND NOTICES

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF STOCK WARRANTS TO BEARER FOR ORDINARY AND PREFERENCE STOCK.

NOTICE IS HEREBY GIVEN that the Directors in their Annual Report have recommended to the Stockholders the payment on the 31st March 1945 of a Final Dividend on the issued Ordinary Stock for the year ended 30th September 1944 of sixpence per £1 of Ordinary Stock (free of income tax) and have declared a first interim dividend on the issued Ordinary Stock for the year from the 1st October 1944 to the 30th September 1945 of tenpence per £1 of Ordinary Stock (free of income tax) also payable on the 31st March 1945.

In order to obtain these dividends (subject to the Final Dividend being sanctioned at the Annual General Meeting to be held on the 19th February next) on and after the 31st March holders of Ordinary Stock Warrants must deposit Coupon No. 195 with the Guaranty Trust Company of New York, 11, Birchin Lane, London, E. C. 3, seven clear business days (excluding Saturday) before payment can be made.

Both dividends will be paid against the deposit of one Coupon only, namely, Coupon No. 195.

Holders of Stock Warrants to Bearer who have not exchanged Talon No. 3 for Talon No. 4 but have deposited Talon No. 3 with the Guaranty Trust Company of New York in New York, in accordance with the arrangement which has been announced in the Press, are notified that Coupon No. 195 will be detached from the corresponding Talon No. 4 and cancelled by the Company in London as and when the dividends to which they are entitled are paid.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 31st March 1945.

Coupon No. 83 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W. C., for examination five clear business days (excluding Saturday) before payment is made.

DATED the 17th day of January, 1945.
BY ORDER OF THE BOARD,
D. M. OPPENHEIM, Secretary.
Rusham House, Egham, Surrey.

CHICAGO GREAT WESTERN CORN BELT ROUTE RAILWAY COMPANY

CHICAGO GREAT WESTERN RAILWAY COMPANY

Preferred Stock Dividend

A dividend of 62½c a share has been declared on the 5% Preferred Stock of this Corporation, payable on March 30, 1945, to stockholders of record at the close of business March 16, 1945. Checks will be mailed.

B. F. PARSONS,
Secretary

Chicago, Illinois, February 6, 1945

CHRYSLER DODGE *Chrysler Corporation* DE SOTO PLYMOUTH

NOW MAKING WAR PRODUCTS

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable March 14, 1945, to stockholders of record at the close of business February 26, 1945.

B. E. HUTCHINSON
Chairman, Finance Committee

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable April 2, 1945, to stockholders of record at the close of business March 2, 1945.

ROBERT W. WHITE, Vice-President

DIVIDEND NOTICES

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a dividend of three per cent. (seventy-five cents per share) on the Ordinary Capital Stock in respect of, and out of earnings for, the year 1944, was declared payable in Canadian funds on March 31, 1945, to Shareholders of record at 3 p.m. on March 1, 1945.

By order of the Board,
FREDERICK BRAMLEY,
Secretary.

Montreal, February 12, 1945.

CITY INVESTING COMPANY
30 BROAD STREET, NEW YORK 4, N. Y.
February 15, 1945

The Board of Directors has this day declared the regular quarterly dividend of $1.375 per share on the 5½% Series Cumulative Preferred Stock of the Company, payable on April 1, 1945 to stockholders of record at the close of business on March 17th, 1945. Checks will be mailed.

G. F. GUNTHER, Secretary

Magma Copper Company
Dividend No. 90

On February 21, 1945, a dividend of Twelve and One-half Cents (12½c) per share was declared on the capital stock of Magma Copper Company, payable March 20, 1945, to stockholders of record at the close of business March 3, 1945.

H. E. DODGE, *Treasurer.*

Tomorrow's Markets Walter Whyte Says—

(Continued from page 839)

under the previous lows, that signals the bear market.

* * *

Despite all the milling around the market has had in the past few weeks, it didn't give the type of performance which pointed to anything but higher prices. It was merely a question of timing. And it was on that point that stress was made here.

Yet, while the averages were showing little of a positive nature, it was interesting to see that quite a few stocks made new highs. There is an old saw to the effect that bull markets are dominated by stocks; bear markets by averages.

Early in January the column gave a list of stocks which showed independent action. While the advice to buy them was not specific, the stops left no room for doubt. Since then most of them have advanced substantially. It is now time to raise the stops in these issues if for no other reason than to protect profits. Here they are: American Crystal Sugar, bought at approximately 18½. Old stop 18 remains. American Steel Foundries at about 28, old stop 27; raise it to 29½. Baldwin Locomotive about 26, stop 25; raise stop to 28. Crucible Steel about 38, stop 35; raise stop to 41. U. S. Steel at 59, stop 58; raise stop to 59.

* * *

Neither of the two utilities, Consolidated Edison or Public Service of New Jersey, have done much in this market, though they are up since mentioned here. Former was available about 24, latter about 18. They are now, respectively, 27 and 20. Stops should be as follows: Consolidated Edison, 26; Public Service of N. J., 18.

* * *

These was another list of stocks with specific buy recommendations. With the exception of American Radiator bought at 13½, it doesn't look like you'll get them. So I suggest you forget them for the time being unless they reach buying levels during the week.

* * *

Meantime hold all positions. Market looks okay, and so long as it does there is no point in disturbing commitments.

* * *

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.]

Canadian Securities

(Continued from page 849)

more forged head and, as already indicated, there still appears to be scope for further improvement.

Internals were also very strong, and there is now a clear movement not only into bonds but also into equities. Consolidated Mining and Smelting, which has long been indicated as an attractive investment, touched 56½. The Canadian dollar in the free market was consequently steadily bid and, at 9⅛% discount, has now reached the official selling level. As usual on such occasions, there was renewed discussion of the possibility of the return of the Canadian dollar to parity with the U. S. dollar.

It would seem unlikely, however, that the competent authorities are considering the question from this angle. What is more significant at this time is the report that the additional dividend of 75 cents a share on C. P. R. common stock was declared in order to place some 6 million Canadian dollars at the disposal of Britain for the purchase of Canadian goods.

Turning to possible future developments, it appears that the yield differential between Canadian external bonds and comparable domestic issues is at last in process of elimination. The forthcoming Quebec registered refunding issue which, according to latest reports, will consist of a 5-year 2% bond, will do nothing to retard this movement. On the contrary, it should set the pattern for the whole market. **In particular, Nationals in a similar maturity range which currently return more than 2% should move rapidly into line.**

Equitable Life's Assets $318,329,000 Higher

Thomas I. Parkinson, President of The Equitable Life Assurance Society of the United States, reporting on the progress made by The Equitable during the past year, stated that new insurance purchased during 1944 aggregated $609,026,000, comprising $380,375,000 under individual policies and $228,651,000 under group insurance contracts. Policy lapses and surrenders dropped to a new low rate.

Life insurance owned by policyholders of The Equitable showed a record gain of $452,175,000 during 1944 to a total of $8,897,000,000, an all-time high.

The increase in dividend rates on most types of policies put into effect last year is being continued for 1945, a total of $43,800,000 being scheduled for distribution to policyholders as dividends during 1945.

Marking the continued growth in the financial strength of The Equitable, assets increased $318,329,000 during 1944, a larger gain than in any previous year, to a total of $3,507,000,000, representing funds held for the benefit of 3,200,000 owners of policies and group insurance certificates. Holdings of U. S. Government obligations aggregated $1,568,317,000 at the year-end.

Benefit payments to policyholders and their families averaged $26,000 an hour throughout the past year, a total of $230,992,000.

The Equitable during the past year paid $2,816,000 to beneficiaries of 1,209 individual policyholders as a result of their deaths while in military service. This represents slightly less than 5% of the total amount paid on death claims among all policyholders during the year.

Calendar Of New Security Flotations

OFFERINGS

CENTRAL TELEPHONE CO. on Jan. 27 filed a registration statement for 35,000 shares of $2.50 cumulative preferred stock, series A (no par), stated value $50 per share. All of the shares registered are issued and outstanding and are owned by Central Electric & Gas Co. (parent).

Details—See issue of Jan. 27, 1945.

Underwriters—Paine, Webber, Jackson & Curtis, Loewi & Co. and associates.

Offered—Offered Feb. 19 at $52.25 per share and dividend.

OKLAHOMA GAS & ELECTRIC CO. on Jan. 18, 1945 filed a registration statement for $35,000,000 first mortgage bonds, due Feb. 1, 1975.

Details—See issue of Jan. 25, 1945.

Bonds Awarded—Issue awarded Feb. 19 to Halsey, Stuart & Co., Inc. and associates on bid of 100.02 as 2¾s.

Offered—Offered Feb. 21 at 101 and interest by Halsey, Stuart & Co. and 134 other investment dealers.

NEW FILINGS

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

THURSDAY, FEB. 22

SAVANNAH-ST. AUGUSTINE GAS CO. on Feb. 3 filed a registration statement (No. 2-5582) for 6,250 shares of 5% cumulative preferred stock, par $100, and 30,000 shares of common stock, par $10.

Details—See issue of Feb. 8, 1945.

Offering—Offering price of preferred is $100 per share and that of common $15 per share.

Underwriters—Clement A. Evans & Co., Inc.; Johnson, Lane, Space & Co., Inc.; Robinson-Humphrey Co.; Courts & Co.; Varnedoe, Chisholm & Co., Inc.; Putnam & Co.; Kirchofer & Arnold, Inc.; Milhous, Martin & McKnight, Inc., and J. H. Hilsman & Co., Inc.

SATURDAY, FEB. 24

DIANA STORES CORP. on Feb. 5 filed a registration statement for 40,000 common stock purchase warrants and 40,000 shares of common stock par value $1 per share, issuable pursuant to these warrants.

Details—See issue of Feb. 15, 1945.

Offering—40,000 shares of common stock are issued and outstanding and are not offered for account of company. Company is offering 40,000 shares of common issuable upon the exercise of the stock purchase warrants and the payment of $7 per share.

Underwriters—Not named.

TUESDAY, FEB. 27

BENSON AND HEDGES on Feb. 8 filed a registration statement for 30,000 shares of common stock (no par).

Details—See issue of Feb. 15, 1945.

Offering—Company is offering the 30,000 shares of common stock to holders of outstanding $2 cumulative convertible preferred stock and holders of common stock for subscription at rate of one share of common for each two shares of stock, preferred or common, held Feb. 27, 1945, at $25 per share. Tobacco and Allied Stocks, Inc., majority owned of outstanding voting stock has expressed its intention of exercising its subscription rights and also has agreed to subscribe for all unsubscribed shares at $25 per share.

Underwriters—Agreement with parent made it unnecessary for company to enter into any underwriting agreement.

MONDAY, MARCH 5

WARREN PETROLEUM CORP. has filed a registration statement for $3,000,000 10-year sinking fund debentures, due March 1, 1955 (interest rate to be filed by amendment) and 150,000 shares of common stock (par $5). The stock is issued and outstanding and is being offered by stockholders.

Address—2000 National Bank of Tulsa Building, Tulsa, Okla.

Business—Manufacturing, marketing and transportation of natural gasoline and liquefied petroleum gas, etc.

Offering—Of the $3,000,000 debentures to be sold by the company, $1,000,000 are to be sold to four stockholders at the public offering price and the remaining $2,000,000 are to be sold to the underwriters for public offering. The public offering prices of the debentures and the stock will be filed by amendment. The sale of debentures to stockholders will be made as follows: W. K. Warren, President and Director, $500,000; Natalie O. Warren, $100,000; Gertrude L. La Fortune, $300,000, and Mabel H. Felt, $100,000. The selling stockholders include W. K. Warren, 80,000 shares; Natalie O. Warren, 10,000; Gertrude L. La Fortune, 43,800, and Mabel H. Felt, 15,000 shares.

Proceeds—Company will use approximately $751,813 of the proceeds to pay a bank loan in the principal amount of $750,000 and the balance will be added to working capital. Selling stockholders will receive the entire net proceeds from the sale of common stock.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane head the underwriting group, with the names of others to be supplied by amendment.

Registration Statement No. 2-5585. Form S-1. (2-14-45).

LACLEDE GAS LIGHT CO. has filed a registration statement for $19,000,000 first mortgage bonds due Feb. 1, 1965, and $3,000,000 serial debentures due serially March 1, 1948 to March 1, 1955. Interest rates will be filed by amendment.

Address—1017 Olive Street, St. Louis, Mo.

Business—Public utility.

Offering—The price to the public of the bonds and debentures will be filed by amendment.

Proceeds—Proceeds from the sale of the bonds and debentures together with proceeds to be received from the sale of electric properties to Union Electric Co. of Missouri and from Ogden Corp. together with funds now held in the sinking funds and other treasury funds will be used for redemption of debt aggregating $32,246,000. The transactions are to be effectuated under a voluntary plan filed by Ogden Corp., parent of Laclede Gas and subsidiary companies to comply with Section 11(b) of the Public Utility Holding Company Act which was approved by the Securities and Exchange Commission on May 27, 1944. The securities to be refunded follow: Refunding and extension mortgage 5% bonds due April 1, 1945, $9,246,000 at 100; first mortgage collateral and refunding 5½s series C due Feb. 1, 1953, $17,500,000 at 100, and first mortgage collateral and refunding 5½s series D due Feb. 1, 1960, $5,500,000 at 100. Ogden Corporation has indicated that it intends to sell the 2,165,296 shares of new common stock of Laclede Gas which it will receive under the recap plan of Laclede simultaneously with the sale by Laclede of its bonds and debentures.

Underwriters—Bonds and debentures will be offered for sale at competitive bidding and interest rates will be named by the successful bidder. The names of the underwriters will be filed by amendment.

Registration Statement No. 2-5586. Form S-1. (2-14-45).

TUESDAY, MARCH 6

MUTUAL TRUST has filed a registration statement for 300,000 shares of beneficial interest.

Address—1016 Baltimore Avenue, Kansas City, Mo.

Business—Investment trust.

Offering—At market.

Proceeds—For investment.

Underwriters—Investors Fund, Inc., Kansas City, Mo., is named principal underwriter.

Registration Statement No. 2-5587. Form S-5. (2-15-45).

SOLAR MANUFACTURING CO. has filed a registration statement for 50,000 shares of common stock. The shares are issued and outstanding and do not represent new financing.

Address—285 Madison Avenue, New York City, N. Y.

Business—Manufacture of fixed capacitors, also known as fixed condensers.

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

Proceeds—The 50,000 shares are being sold by Otto Paschkes and Paul Hetenyi, President and Executive Vice President, respectively, of the company, who will receive the proceeds from the sale.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co. Others will be filed by amendment.

Registration Statement No. 2-5588. Form S-1. (2-15-45).

WEDNESDAY, MARCH 7

BLUEFIELD SUPPLY CO. has filed a registration statement for 4,990 shares of common stock, par $100.

Address—Bluefield, West Virginia.

Business — Distributors of mine, mill, electrical and contractors supplies and equipment, etc.

Offering—The offering price is $100 per share. The new common is being offered to present stockholders on a pro rata basis of their holdings as of March 15, 1945. Any stock unsubscribed within 30 days after such offer may be sold at the discretion of the board of directors for cash at a price of not less than $100 per share to such persons as, in their judgment, will promote the best interests of the company.

Proceeds—The proceeds will be used to reimburse the company for funds spent in opening additional stores and for other corporate purposes.

Underwriters—None named.

Registration Statement No. 2-5589. Form S-1. (2-16-45).

SATURDAY, MARCH 10

AUTOMOBILE DEALERS INSURORS, INC. has filed a registration statement for 4,985 shares of preferred stock and 7,470 shares of Class A common stock.

Address—519 Commerce Building, Kansas City, Mo.

Business—To act as the general agent for insurance companies and to do a general agency business for insurance companies, etc. Incorporated Dec. 22, 1944.

Offering—It is proposed that preferred stock and Class A common stock will be offered only to factory authorized automobile dealers and automobile finance men in blocks of one share of preferred and two shares of Class A common for the sum of $101.

Proceeds—To provide capital.

Underwriters—None named.

Registration Statement No. 2-5590. Form S-2. (2-19-45).

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.

ACME ALUMINUM ALLOYS, INC. on Jan. 29 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).

Details—See issue of Feb. 1, 1945.

Offering Price—Offering price of preferred stock is given at $20.75 per share and of common at $8 per share.

Underwriters—Reynolds & Co., and Gillen & Co.

A. P. W. PRODUCTS CO., INC. on Jan. 27 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).

Details—See issue of Feb. 1, 1945.

Offering—Holders of outstanding $2,000,000 20-year 6% first mortgage sinking fund bonds due 1948 are given 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 of the maturity date to April 1, 1965 and the reduction 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) 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 common stock.

Underwriters — 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, Exnicios & Co., Inc.

ARKANSAS-MISSOURI POWER CORP. on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

BENDIX HELICOPTER, INC. on Feb. 2 filed a registration statement for 1,400,000 shares of capital stock, par value 50 cents.

Details—See issue of Feb. 8, 1945.

Offering—Of shares registered 1,000,000 are to be offered presently proportionately to holders of outstanding stock on basis of four additional shares for each five shares held at $1.60 per share; 200,000 shares are reserved to be issued when, as and if certain outstanding options are exercised, and 200,000 additional shares are reserved to be issued when, as and if certain stock option warrants to be issued by the corporation to the underwriters are exercised. Such shares of stock as are not subscribed for by the stockholders will be offered to the public by the underwriters at $2 per share.

Underwriters—Kobbe, Gearhart & Co., Inc., and Bond & Goodwin, Inc., are named principal underwriters.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered 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.

FLORIDA POWER CORP. on July 21, 1944 filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment.

Details—See issue of July 27, 1944.

Offering—Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50.

Underwriters — Names of underwriters will be filed by post-effective amendment. The successful bidder will name the dividend rate on the stock.

GENII CORP. on Dec. 23, 1944 filed a registration statement for 1,868 shares of common stock.

Details—See issue of Jan. 4, 1945.

Underwriters—Company plans to sell the securities registered direct to the public without the assistance of underwriters or dealers.

Offering Price—Offering price is $100 per share.

HERFF JONES CO. on Jan. 27 filed a registration statement for 60,000 shares of class A preference stock, par $1. The shares are issued and outstanding and do not represent new financing.

Details—See issue of Feb. 8, 1945.

Offering—The offering price is $10 per share.

Underwriters—Cities Securities Co., Indianapolis, is the principal underwriter.

NATIONAL PRESSURE COOKER CO. on Dec. 19 filed a registration statement for 150,000 shares of common stock (par $2).

Details—See issue of Dec. 28, 1944.

Offering—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 at $15 per share. Subscription rights expire Feb. 25.

NORTHERN PENNSYLVANIA POWER CO. on Jan. 26 filed a registration statement for $4,000,000 first mortgage bonds due 1975.

Details—See issue of Feb. 1, 1945.

Competitive Bidding—The bonds are to be sold under the Commission's competitive bidding rule, with the interest rate to be named by the successful bidder.

Underwriters—To be named by amendment.

OHIO WATER SERVICE CO. on Dec. 7 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.

Details—See issue of Dec. 14, 1944.

Underwriters—Otis & Co. are principal underwriters.

OLD STAR DISTILLING CORP. on Aug. 14, 1944 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.

Details—See issue of Aug. 24, 1944.

Underwriters—No underwriter named.

Business Man's Bookshelf

Australia Looks to the Future—A report on Australian thinking on war and post-war problems—Australian News and Information Bureau, 610 Fifth Avenue, New York 20, N. Y.—paper.

Economic Relations with the U. S. S. R.—Alexander Gerschenkron—Committee on International Economic Policy, 18 Pine Street, New York 5, N. Y.—paper—10¢.

International Tribunals—Manley O. Hudson—The Carnegie Endowment for International Peace and The Brookings Institution—Washington 6, D. C.—cloth—$2.50.

Money and the Law—Views of 16 experts in the fields of domestic and international monetary matters and international and constitutional law — Proceedings of the Institute on Money and the Law—1945—Law School, New York University, 100 Washington Square, New York 3, N. Y.—$2.50.

Social Security—A statement by the Social Security Committees of the American Life Convention, the Life Insurance Association of America, and The National Association of Life Underwriters—paper.

Elliott Roosevelt Is Confirmed as Brig.-Gen.

The U. S. Senate, on Feb. 12, by a vote of 53 to 11, confirmed the nomination by President Roosevelt of his 34-year-old son, Col. Elliott Roosevelt, to the rank of Brigadier General. Associated Press advices from Washington on Feb. 12 stated that "previously some Republicans charged and Democrats denied that favoritism was shown Col. Elliott Roosevelt over 9,600 Colonels awaiting promotion. The nominations of 77 other Colonels to be Brigadier Generals named by the President on Jan. 25 at the time of his son's nomination were also approved by the Senate on Feb. 12."

With Col. Roosevelt's nomination several Senators were reported as saying that the Army priority practices accorded his bull mastiff, 'Blaze,' in a cross country plane to Hollywood would not enter into consideration of his fitness for promotion. Associated Press accord on Jan. 25 said:

"Chairman Stewart, in charge of the subcommittee, said the inquiry, relating only to priority practices, did not involve in any way the right of young Roosevelt to a promotion. Senators Bridges and Maybank agreed. Senator Revercomb said that 'you may be certain the promotion will receive careful consideration. If he is entitled to promotion on the basis of his record, it will be confirmed. If he isn't, it will be opposed.'"

Cashier's Association Elects New Officers

The annual dinner of the Cashiers Association of Wall Street, Inc. was held on Feb. 21 at the was held on Feb. 21st at the Henry Henry Hudson Hotel, New York.

The following officers were elected for 1945: President, Ralph Jones, E. H. Rollins & Sons, Inc.; First Vice-President, Joseph F. Hughes, Blair Securities Corp.; Second Vice-President, Joseph Costa; Secretary, Daniel Breitbart, F. Everstadt & Co., and Treasurer, Robert J. Humphrey, Jr., Paine, Webber, Jackson & Curtis.

Directors named were: Fred W. Q. Birtwell, Leo P. Deignan, M. Leslie Denning, Thomas P. Keely, Thomas B. MacDonald, William Vanek and Marvin W. Waldbillig.

Kenneth Martin, Walter F. Sullivan and Herbert Cullinan were presented for the nominations committee for 1945.

Russia Denounced by Lithuanian Council

The Lithuanian American Council, representing, it said, almost a million persons of Lithuanian descent in the United States, at the conclusion of a three-day executive meeting in Washington, on Feb. 18 contended that Soviet Russia has imposed a totalitarian regime on the Baltic States and appealed to the United States Government to help them get "a free and independent" Lithuania again, it was stated in Associated Press dispatches from Washington on Feb. 18, which added:

The Council also asked this Government to help alleviate the physical suffering of the Lithuanian people by providing aid through established relief channels.

In a statement outlining the Council's position, it said that Lithuania, Latvia and Estonia had lived in peace with Russia and that the Russians had agreed to respect their national sovereignty and not to interfere in their internal affairs.

"When the Nazis were pressing on Paris," the Council's statement added, "the Soviet Union took advantage of international confusion and violated its treaty pledges by occupying the Baltic States and introducing by force of arms a Communist regime."

Recalling that the United States, Great Britain and Russia, through the Yalta declaration, had reaffirmed faith in the principles of the Atlantic Charter, which included freedom for liberated peoples to create democratic institutions of their own choice, the Council called upon this Government to help the Lithuanians achieve a "free and independent" country once more.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

"The same circumstances which have made it advisable to concentrate a large proportion of the wartime debt in securities of short maturity will continue in time of peace. . . . The funding of a major portion of the short-term debt into long-term securities, on the other hand, would serve merely to increase the interest cost to the Government, and to shift the risk of future changes in interest rates (and corresponding movements, in the opposite direction, of bond prices) from the Government to private investors. . . . I see no need, therefore, for any large-scale refunding of short-term Government securities into long-term ones during the transition of post-war periods. . . ." These statements by Secretary of the Treasury Morgenthau on "Debt Management," in his annual report to the Congress for the fiscal year 1944, gave added impetus to an already strong Government bond market which last week again moved to new all-time high levels. . . . The stand taken by the Secretary of the Treasury with reference to the handling of our huge debt gave official confirmation to factors that have been evident in the money markets. . . . These factors are:

(1) Interest rate will remain low. Because of the large debt, which will continue to increase, interest rates must be kept down so that the debt charges will not become more of a burden. . . .

(2) Service charges on the huge debt can be kept down through a large short-term debt. It is cheaper to finance with ⅞% Treasury bills, ⅞% certificates of indebtedness and 1% or 1¼% Treasury notes than with 2% and 2½% bonds. . . .

(3) The Government has such complete control over the money markets that they are not concerned about refunding of maturing obligations. . . .

(4) The pattern of financing used during the war, with a large floating debt, will not be changed with the coming of peace. . . . It is indicated that the conversion of short-term securities, with low rates, into long-term obligations with higher rates will not take place, if it results in an over-all increase in debt charges. Long-term refunding operations will probably be coordinated with a program of debt retirement. . . .

INVENTORY BUYING

With no change in interest rates indicated in the foreseeable future, and no large increase in long-term obligations looked for, many institutions that have been heavy in short-term Government issues have rushed into the market to build up their positions in the longer-term obligations. . . . As a result of this buying the yield on Government obligations has gone to historical low levels. . . .

Some of the recent purchases of the intermediate and long-term issues, it is reported, have been made because of fear that in the future large holders of Governments will be forced to take long-term issues with a much lower coupon rate. . . .

Money market experts characterize this as the worst type of wishful thinking, and point out that every action of the Government in financing its needs gives proof that the large debt will be handled the honest way, the hard way. . . . Also, it was recalled, that in the not too distant past, many institutions using this same kind of thinking were not very enthusiastic in their purchases of the 2% bonds at 100, when they were originally offered, because the maturity was considered too long. . . .

FEDERAL A FACTOR

While the heavy demand for securities by the financial institutions has been directly responsible for the sharp rise in prices of Government obligations, it was pointed out by students of the money markets that the action, or lack of action, by Federal authorities have contributed indirectly to the upward movement in quotations for these issues. . . . It was noted that excess reserves of the system have been maintained in part, through Government disbursements from accounts with the Federal Reserve Banks, and the excess of expenditures over receipts has placed additional reserve funds at the disposal of the banks of the country. . . .

It is indicated that if the Governmental authorities were not in agreement with the action of the Government bond market, they would not have continued the policy of keeping excess reserves at the billion-dollar mark or higher, as was the case in the recent past. . . .

Holdings of Government bonds by the Federal Reserve Banks amounted to $824,670,000 on Feb. 15, 1945, a decline of only $93,045,000 from the totals reported at the end of the last War Loan, when the rise in the Government bond market started. . . . These sales of Government bonds by the Central Banks compare with bond purchases by the member banks from Dec. 20, 1944 to Feb. 7, 1945 of $852,000,000. . . .

DISTRIBUTION

During this period the government bond market has gone to all-time highs, and the action of the Federal authorities in disposing of only a small amount of their bonds, has led to speculation as to whether or not the Central Banks had large enough holdings of long-term government obligations to have had an important effect on the rising market, even if they had wanted to. . . .

The sharp demand for the last four maturities of the partially exempt issues, has undoubtedly prompted inquiries as to the latest available data on the holders of these obligations. . . . The last figures published by the Treasury were for the month ended Nov. 30, 1944, and disclosed the following:

HOLDINGS

Total Amount Outstanding	Security	Comm'l Banks	Stock Savings Banks	Mutual Savings Banks	Life Insur. Co.'s	Fire and Casualty Co.'s	Gov't. Agencies and Fed. Res. Banks	Other Investors
			($000,000	omitted)				
$2,611	2⅞% due 1955-60	$988	$31	$48	$115	$135	$363	$931
982	2¾ due 1956-59	472	16	43	121	73	127	130
919	2¾ due 1958-63	425	12	21	205	73	73	109
1,485	2¾ due 1960-65	760	15	34	159	111	110	296
$5,997	Total	$2,645	$74	$146	$600	$392	$673	$1,466

Treasury Warns on Russian Bonds

Assistant Secretary of the Treasury Harry White on Feb. 20 denied that the United States and the Soviet Union were negotiating for a settlement on defaulted Imperial Russian Government bonds, said a United Press dispatch from Washington on Feb. 20, which added:

The Czarist dollar loans, repudiated by the Soviets after the revolution, have been bid up recently to the highest prices in 17 years on rumors that the Soviets might make a settlement.

"No deals are being made; none has been made, and none is planned now," Mr. White said.

Yesterday the bonds—the 5½% bonds of 1919 and the 6½s of 1921—closed on the New York Curb Exchange at 20, or $200 for each $1,000 bond, for a net gain of 5¼ points, or $52.50, on the day. In 1939, before Russia entered the war against Germany, these bonds sold as low as three-sixteenths of 1 point, or $1.87 a $1,000 bond.

Newborg To Admit

Newborg & Co., 30 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, will admit Ruth Weinberg to limited partnership on March 1st.

INDEX