Final Edition

ESTABLISHED OVER 100 YEARS

In 3 Sections—Section 1

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 161 Number 4366 | New York, N. Y., Thursday, March 8, 1945 | Price 60 Cents a Copy

Eccles Defends His Proposal to Tax Gains On Capital Values

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, on March 2 issued a formal statement defending his proposal for "a wartime penalty rate on capital gains" to curb inflation (see the Chronicle, March 1, 1945, page 96), which he made at the hearings before the Senate Banking and Currency Committee on February 20. He maintains that the proposal "has been widely misunderstood and misrepresented in some quarters," and contends that because the present capital gains tax discriminates against the small taxpayers, and because inflationary forces, arising from huge government deficit spending and absence of more economy and efficiency in war expenditures, threaten a deflationary collapse, it is essential to discourage all speculative transactions in capital assets, and that his proposal "would discourage surplus funds from going into speculative fields."

Marriner S. Eccles

The text of his statement follows:

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Reappraising the Rails

By HERBERT F. WYETH*

Investment Expert Maintains That the Greatest Opportunities for Profit in Rails Are Found Among Stocks of Solvent Carriers. Sees No Substantial Increase in Competition of Other Carriers or Heavy Rise in Operating Costs, but Warns Against Indiscriminate Selection in the Purchase of Rails. Holds Individual Carriers Will Vary in Their Post-War Capacities to Increase Revenues and Keep Down Expenses, and Outlines an Investment Program Which Comprises Rails With Favorable Traffic Trends, Serving Expanding Territories That Are Inherently Efficient and Best Situated Competitively. Analyses Position of "Marginal Rails."

Insofar as it is possible to generalize about the railroad industry or about railroad securities, I would like to stress at the outset that I am convinced that any unbiased and unemotional evaluation of all the various, and many times conflicting, considerations entering into analyses must inevitably lead to a fundamentally constructive attitude. I emphasize this point because from time to time I have been accused of being a bear (and may be so accused again this afternoon) merely because I may be less enthusiastic about the prospects for an individual road or an indi-

Herbert F. Wyeth

*An address by Mr. Wyeth before the Association of Customers' Brokers in the Board of Governors' Room of the New York Stock Exchange, New York City, March 6, 1945. Mr. Wyeth is Railroad Analyst for Shields & Co., members of the New York Stock Exchange.

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The Little Steel Formula

By PHILIP MURRAY*

President, United Steel Workers of America
President, Congress of Industrial Organizations

Mr. Murray Contends That the Little Steel Formula Should Be Changed Because Wage Rates Have Not Advanced as Much as Retail Prices. Says It Is Inequitable to Use Straight-Time Hourly Earnings, Instead of Wage Rates, as a Measure of Workers' Compensation, Since "Incentive Wages" and Overtime Payments Will Disappear When "Cut-Backs" Come. Holds Higher Wage Rates Will Not Contribute Toward Inflation, and That Profits of Industries Can Absorb Increases. Urges Effective Price Controls, and Points Out That Wage Increases Now Will "Prevent" the Triumph of Deflationary Forces in Transition Period.

Several months ago your distinguished president, Dr. Ernest Minor Patterson, invited me to address the American Academy on the subject of the Little Steel Formula of the National War Labor Board, and I am happy to be with you tonight for this purpose.

Last Friday morning the public members of the National War Labor Board issued a report to the President of the United States that no change be made in the Little Steel Formula, either to aid the war or provide necessary support to our postwar economy. The reasoning used in

Philip Murray

*An address by Mr. Murray before the American Academy of Political and Social Science, Philadelphia, Pa., February 26, 1945.

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"Funded Experience"

Marshall S. Morgan Urges the Study of Past Experience in Order to Prepare to Meet Future Contingencies. Maintains That Business Cycles Follow a Fixed Pattern and Are "Fundamentally a Human Reaction." Upholds the Gold Standard and Criticises the Bretton Woods Proposals as Not Based on Sound Credit Principles. Says We Must Realistically Face the Peace as We Faced the Realities of War by Presenting the Unvarnished Truth.

In the course of his remarks in commemoration of the 75th anniversary of the Fidelity-Philadelphia Trust Co., President Marshall S. Morgan said that the financial field is not different from other fields. "A study of the past," he continued, "can be made more effective in keeping a bank officer up to date than too much reading of current economic theories. There is no truer statement than that of Eugene William Lyman:

"*'The funded experience of the past . . . alone can make us resourceful in dealing with the new.'*

Marshall S. Morgan

"Profitably," Mr. Morgan went on to say, "I might adopt this quotation as a text for tonight's remarks, as I review the record of the past 75 years to see what funded experiences we have accumulated during the period.

"As a background, it may be of interest to consider briefly *the major transformations* that have taken place in the United States since 1869; these are:

(1): *Increase* in population by almost 100 million.

(2): *Transition* from an agricultural to an industrial economy.

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Initiative, Not Credit, Basic to Solution of World Problems

By FRED I. KENT*
Director, Bankers Trust Company, New York

Bank Official, While Noting Part Played by Foreign Trade in Maintaining Property and Employment, Points Out That the War's Destruction of Wealth Will Lead to Another War and Again Strangle International Trade by a Great International Debt Structure, Unless "Self Generation," by Which Men Must Work and Produce, Is Given Full Play. Holds That Only Governmental Regulations That Are Justifiable Are Those Which Protect Rights and That Individual Initiative Should Not Be Paralyzed. Says World Cannot Loan Itself Into Prosperity, and Predicts Renewal of Totalitarianism, if an Unwieldy Debt Structure Develops.

International trade has been both over-accented and under-accented in the United States. The part which such trade plays is very different in almost every country of the world.

Fred I. Kent

In Great Britain, for instance, foreign trade represents not only a means to obtain essential imports through its exports, but a method of extending services to other nations that provide an income in foreign exchange for its people that can also be used to pay for imports.

In Peru, on the other hand, international trade is the means employed to enable the disposal of tremendous natural resources and the abundance of cotton and sugar which the soil, under its climate with irrigation, can provide, in exchange for essential imports.

The position of the United States in international trade is somewhat different. The varied and great industries in this country need a vast number of raw materials which are not among our natural resources or, if we have them, not in sufficient quantities. Our ability to produce goods in vast number of units, and the surplus raw materials of many kinds which are found in the United States, enable us to manufacture goods that are wanted by the peoples of other nations in sufficient quantities and of large enough total values to enable us to pay for the importation of everything which we require or desire and still have

*An address by Mr. Kent before the Economic Club of New York, New York City, Feb. 28, 1945.

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Kirchofer & Arnold Add Reeves to Staff

Kirchofer & Arnold, Inc., Raleigh, N. C., announce that John H. Reeves, formerly of A. M. Kidder & Co., has become associated with them in the trading department of their New York office, 37 Wall Street.

Richard Redfield With Dean Witter & Co.

LOS ANGELES, CALIF.—Richard W. Redfield has become associated with Dean Witter & Co., 634 South Spring Street. Mr. Redfield formerly was president of Redfield & Co. and its predecessor firms.

The Stock Market Outlook

By L. SCUDDER MOTT
Of the Economics & Investment Department, National Securities & Research Corporation

Market Analyst, Reviewing the Stock Market Fluctuations of the Last Three Years, Predicts a Forceful and Broad Breakthrough to New High Ground Points Before the Present Intermediate Rise Is Completed. Holds Present Bull Market Could Last Another Three Years Without Breaking the Longevity Record and, on the Basis of Price-Earnings Relationships, the Upward Movement Is Now Being Adjusted to Improving Conditions, and There Is Still the Higher Stage When Over-Discounting of Favorable Prospects Leads to a Decline. Sees Outlook for Substantially Higher Stock Prices in Post-War Period.

Within the past two weeks the Dow-Jones Industrial Stock Average (preceded by similar action by several broader general market averages) succeeded in rising to new high ground by surpassing the previous closing high of 155.85 made on Jan. 11 last. This was quickly followed by the companion Rail Average exceeding its previous high of 51.03. Then the Industrial Average traversed the 155-158 area representing the 1939 (September) and 1938 (November) top levels. This was accomplished in active and exceptionally broad trading, and all three Dow-Jones Averages are now in new high ground for seven years.

L. Scudder Mott

Bull Market Nearly 3 Years Old

These important developments obviously constitute sound reasons for examining the situation and prospects of the market from a broad viewpoint. In the March 25, 1943, issue of "Investment Timing," when stock prices had been in a major rising trend for 11 months, we similarly examined the market situation and concluded, "The Bull Market Is Yet Young." Now this same bull market is nearly three years old. Only three bull markets in the 48-year history of the Dow-Jones Averages have been longer, but the two longest of these were the only clear-cut major bull markets in the past 25 years.

Using the Dow-Jones Industrial Average as a measure, the present bull market began from a level of 92.92 on April 28, 1942. The preceding movements in the period beginning November, 1938, are often considered to be broken up into two short bear markets interrupted by a bull market of record brevity, but we think it sounder to consider the period as one large bear market, in view of the fact that the dominant un-

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The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
William B. Dana Company
Publishers
25 Park Place, New York 8
REctor 2-9570 to 9576
Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, President
William D. Riggs, Business Manager
Thursday, March 8, 1945
Published twice a week
every Thursday
(general news and advertising issue)
and every Monday
(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)
Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.
Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.
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.

The Boren Bill, Regulation of the Over-the-Counter Market And Disclosure

Boren Bill Protagonist Praised for Excellent Presentation. Bill Would Remove Municipals From SEC Regulation. Resulted From Commission's Attempt to Establish a Disclosure Rule. Such Rule Would Disrupt Our Economy and Affect Market for Securities of Small Business Adversely. Boren Bill a Step in Right Direction but SEC Powers Over Corporate Securities Need Shearing. Existing Laws Adequate Without New Autocratic Controls.

On Feb. 20 and Feb. 21, hearings were held before the House of Representatives Committee on Interstate and Foreign Commerce on H.R. 693, commonly known as the Boren Bill. This projected legislation attempts to take from the Securities and Exchange Commission the right to regulate the issuance of or dealing in Municipal securities.

The proponents of the bill contended at the hearing, it was never the intention of the Congress to give to the Commission the power to regulate Municipals in any form whatever.

The bill itself was the product of fear, the result of the threatened issuance by the Commission of a "bid and ask" disclosure rule which, it was believed, would affect not only securities generally, but also Municipal issues.

Those in favor of the bill made a well-prepared and smooth functioning advocacy.

An excellent job of definitive presentation was done by Messrs. David M. Wood, Hazen S. Arnold, J. Clifford Folger and Charles E. Wiegold.

Those who were of the opinion that under the provisions of the proposed Boren Bill, the result, if passed, would be to curtail the powers of the Commission with respect to its agitated disclosure rule insofar as corporate securities generally are concerned, were soon disillusioned.

At the hearing, all in favor of, and sponsoring the bill, made it plain that their intention was to have it apply only to Municipal issues, of course, including in that term State securities as well, and Senator Boren said "my purpose in the bill deals strictly with Municipal securities and I don't want to touch any of the Commission's powers to deal with private securities."

Considerable of the hearing was devoted to the question of whether or not Congress could constitutionally confer upon the SEC the power to define a crime, that is, what constituted manipulative and deceptive practices. There was a sharp division of opinion, the Chairman of the SEC, Ganson

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Morgenthau Argues for Bretton Woods Proposals

In Statement to House Banking and Currency Committee, Treasury Secretary Says the Agreements Are Good for Every American Citizen. Maintains Program Is Essential to World Security and Prevention of International "Power Politics," and Frees Small and Medium Sized Nations From Dangers of Economic Aggression. Says Proposals Will Expand Foreign Trade, Eliminate Unilateral Pacts and Import Quotas, and Protect American Investors.

Secretary of the Treasury Henry Morgenthau, Jr., presented on March 7 a formal statement to the Committee on Banking and Currency of the House of Representatives urging the approval by Congress of the pending bill which would enact into law the Bretton Woods Proposals for an International Monetary Fund and an International Bank for Reconstruction and Development. The Secretary stressed the importance of the agreements as a foundation stone for a world security pact and pointed out the need for eliminating economic as well as political aggression in order to promote future world peace.


Sec. Morgenthau

The text of Mr. Morgenthau's statement follows:

The legislation which you have been good enough to ask me to discuss with you today is perhaps the most important measure for post-war international cooperation yet to come before Congress.

Right at the outset, therefore, I would like you to know that I have examined it just as carefully as I know how, and I am convinced of one fundamental fact. The Bretton Woods agree-

(Continued on page 1062)

Says Bretton Woods Is a Scheme To Lend American Dollars

Congressman Reed Holds Foreign Borrowers Will Control the International Fund Under the Plan. Asks Careful Examination by Congress and the Public.

Congressman Daniel A. Reed (Rep. New York), a member of the House Ways and Means Committee, addressed the House of Representatives on Feb. 26 on the BrettonWoods Proposals. He contended that the Spence Bill (H.R.2211) to enact the proposals into law which was introduced in both the House and Senate at the request of the Administration not only "by-passes both the House Ways and Means Committee and the Appropriations Committees of both the House and the Senate, but will also be financed partly by inflation and partly by increasing the public debt. He pointed out further, on the basis of statements made by Secretary of the Treasury Morgenthau and other Administration spokesmen that the plan of both the International Fund and the Bank is "a scheme to lend American dollars to debtor countries" and that "foreign borrowers will control the Fund." We give below the text of his remarks:


Hon. Daniel A. Reed

As part of a broad program to launch this country on vast foreign loans and investments, the Administration has recently introduced the Bill H.R. 2211, known as the Spence bill. The

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Post-War Trade Expansion Possibilities

By S. MORRIS LIVINGSTON*
Chief, National Economics Unit,
Bureau of Foreign and Domestic Commerce

Government Economist Notes Factors Which Point Toward Greater Production, Such as Population Increase, Improving Production Methods and Greater Labor Force Capacity. For Adequate Markets to Absorb the Increased Output He Lists the Accumulated Demands for Both Producers' and Consumers' Goods and the Expansion of Exports Which May Arise From Large Foreign Balances in U. S. Sees Investment of American Capital Abroad as Another Potential Source of Dollars to Buy American Products, and Says Both Exports and Imports May Be Increased by Removal of Trade Barriers.

I am going to start by repeating a story which I hope is familiar to all of you. Nevertheless its importance warrants repetition.

S. Morris Livingston

Analysis of post-war markets, both at home and abroad, must take into consideration the fact that this country is still growing.

About 6 million more people were employed or actively seeking employment in 1940 than in 1929. While the war has temporarily distorted this trend, the permanent effect will be a continued growth in working population.

The productivity of these workers is also increasing. Even with shorter hours in 1941, the output per employed person was roughly 25% greater than in 1929. Looking beyond the wartime distortions, there is every reason to expect further increases in efficiency.

This growth in manpower and in productivity was obscured in the decade before the war by the worst depression this country ever experienced. It is true that by 1940 more goods and services were produced than in any previous year. But production had not kept pace with the expanding capacity of the labor force.

Combining the growth in population with the American genius for continually improving production methods, the capacity of the labor force by 1948 or 1950 will be a quarter to a third larger than the actual output in 1941. It will be more than half again as large as in 1940 and 75 to 85% above the 1935 to 1939 average.

Do not let the wide range of post-war projections confuse you at this point. When reduced to comparable terms most of these projections reach essentially the same conclusion. Within the last month one such projection was headlined as being in sharp disagreement with Commerce Department estimates. It did have a definite downward bias at several points in the calculation. But, even with this bias, it concluded that the capacity of the labor force would be 64% above the 1935 to 1939 average.

This enormous productive capacity is a challenge to American enterprise. It leads naturally to the question whether markets can be found for any such output? That search for markets, both individually and as a nation, is the essence of post-war planning.

On the optimistic side of that question we might point to the deferred demands for both producers' and consumers' durable goods which have been wearing out during the war; the necessary additions to the pre-war consumers' inventory of durable goods to bring them in line with a sustained high income; the incipient housing boom; the large additions to productive and distributive facilities commensurate with the desired increase over the pre-war output of non-war goods; the huge accumulation of liquid assets in the hands of both producers and consumers. We might emphasize that higher than pre-war production will also mean increased income with which to buy the additional goods and services.

It is also true, however, that we are talking about a very *large* increase over the pre-war volume of business. Almost half our present national output is going to war. The decline in Government expenditures, as war production

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*An address by Mr. Livingston before the Export Managers Club at the Hotel Pennsylvania, Feb. 20, 1945.

Crimea Declaration: A Pattern of Power Politics

By HON. BURTON K. WHEELER*
United States Senator from Montana

Senator Wheeler Attacks Yalta Decisions as an Abandonment of the Atlantic Charter; as a Cynical Partition of Poland; as a Betrayal of Yugoslavia and the Baltic States; and, as a Pattern of Power Politics. Contends It Means That the Big Three Have Agreed to Impose Their Collective Will on Other Nations and That the Nazi Officials Are Using the Decisions of the Conference to Stiffen German Resistance. Says We Must Never Be a Party to the Enslavement of Free Peoples by Dictatorship, and Urges a United Nations Political Council and a United States of Europe.

Fellow Americans, in the 10 days that have elapsed since the Declaration of the Crimea Conference was flashed across the world, it has become perfectly clear that this echo of some of the mysteries that were recited within the secret chambers of a Yalta palace has not stampeded the American people into an unconditional surrender to the results. In spite of the fact that the press and the radio have barraged the nation with hysterical hallelujahs of praise, inspired by our playboys and poets in the State Department, it now appears that Mr. and Mrs. America have become so apprehensive as a result of past promises—unfulfilled—that they are now looking over the performances on the international stage with a "you-have-to-show-me" look in their eyes. The American people now know such grave decisions are in the making—both openly and secretly—that what we—as a people—have got to get straight, and quickly, is what future policies are still possible that will be to our own highest interest and to the hopes of humanity in the years ahead.


Burton K. Wheeler

This growing uneasiness over the international situation which is reflected in the rapidly growing volume of my mail is only intensified by the violent contradiction in the Crimea report between the lyric splendor of the beautiful and noble words in which it is couched and the ugly impudence of its decisions.

Let us recall for just a moment what was actually decided at Yalta. There was the cynical partition of Poland and what in fact amounts to the recognition of the Moscow-spawned Lublin Government. There was the betrayal of Yugoslavia—and we can only guess at what has happened to Latvia, Lithuania, Estonia and Rumania. Free elections were promised—but what is a free election without free speech, free press, a free radio—just a mockery—and even these elections obtain only where in the judgment of the Big Three conditions require. There was the determination to partition, dismember, deindustrialize and enslave the German nation, all in the sweet name of peace. There was final agreement to permit any member of the Big Three to veto action against its own aggression. We are told there was agreement on the principle of trusteeship to be applied to over 600 million colonial peoples. However, in lieu of any specific solution to the war-breeding problem of the British, French, and Dutch imperialism, it simply means that we are going to turn over the subject peoples of Africa, India and Asia to their old masters. It has been further revealed that at Yalta an agreement was reached which, in effect, established a three-power—I should say one power—control of the Old World in which we are supposed to be committed to enforcing, policing and guaranteeing jointly with Russia and Britain the post-war settlements in Europe whatever they may be. All of which provides a shocking violation of the principles of the Atlantic Charter.

Surely we need no more facts now to trace the old pattern of power politics around the world all shined up in new paraphernalia. Surely, we need no more proof than these decisions of the Yalta Conference to conclude that the principle of brute force has now become the criterion of what is right and the basis of all future

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*A radio broadcast by Senator Wheeler over the Columbia Broadcasting network, February 27, 1945.

NSTA Notes

NSTA PUBLICITY COMMITTEE

The following have been appointed to the Publicity Committee of the National Security Traders Association:

Frank McGinley, Blyth & Company, Russ Building, San Francisco 4, California.

Joseph A. Zeller, Bankers Securities Corporation, 1315 Walnut Street, Philadelphia 7, Pennsylvania.

Robert H. Diehl, McDonald & Company, Union Commerce Building, Cleveland 14, Ohio.

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Chicago Brevities

Robert V. Rasmussen, President, National Tea Company, challenged the authority of John McKinlay, chairman of the board, to issue an annual statement in which latter answered in detail charges of poor management made by certain stockholders.

Mr. Rasmussen called the statement, which was made public last week, premature and said that directors, at a special meeting last Monday, would consider the form and content of the annual report to stockholders.

This latest development is the outgrowth of the fight for control of National Tea, which culminated in the resignation of Mr. McKinlay as chairman last month. The resignation, however, is not expected to take effect before March 21, the date of the annual meeting of the company.

John F. Cuneo, president of Cuneo Press Inc., who led the fight, has joined with Mr. Rasmussen in a plan for a new company management, under which Mr. Cuneo and certain associates are expected to be elected to the board.

Mr. McKinlay's report reviewed in detail the financial results of the company since he took charge in 1938, a year in which the company reported a deficit of nearly $1,000,000. Since then, the company has shown a steady improvement, he said, with 1944 profits reaching the highest level since 1933. Net income last year was $1,066,633, almost three times that of $351,892 reported for 1943.

Further, Mr. McKinlay stated, the company paid off $3,000,000 in bank loans last year and paid its first common dividend since 1937. No bank loans are outstanding at present.

Chicago Corporation is considering the possible refinancing of Tennessee Gas and Transmission Company, it was reported. While official confirmation was not obtainable, plans for recapitalization of Tennessee Gas, it was understood, call for the issuance of $50,000,000 to $60,000,000 of new debt securities. Funds thus derived would be used to retire the $44,000,000 outstanding Reconstruction Finance Corporation loan made at the time of construction of the 1,265-mile pipe line, with the balance to be used to finance additional transmission facilities increasing the capacity of the pipe line by 60,000,000 cubic feet daily. Delivery at present is in excess of 200,000,000 cubic feet of gas daily.

In connection with its Panola, Tex., acreage, recently acquired, Chicago Corporation is understood to have completed arrangements with the Defense Plant Corporation for the construction of four additional compressor stations at a cost of approximately $5,000,000.

In addition, it has been reported Chicago Corporation has entered into a contract with United Gas for a feeder line from Carthage, Panola County, Tex., to Monroe. Cost of the line, estimated at $7,000,000, is to be borne entirely by United Gas.

A distillate plant is said to be also planned by the corporation. The estimated $1,200,000 required to erect the plant, according to a representative, will come either from the corporation's own or from borrowed funds.

Chicago & NorthWestern Railway has finally come out of reorganization after almost ten years of litigation. The final decree, entered by Judge Barnes of the United States District Court last week, said that 96% of the old securities had been exchanged for those of the new company and adequate and proper provision had been made for the exchange of the remainder.

The reorganization plan of the Chicago, Milwaukee, St. Paul and Pacific Railway is expected to be put into effect within the next two to three months. Consummation of the plan must await settlement of several details, however, among them the question of whether the $10,400,000 loan by th Reconstruction Finance Corporation is to be repaid in cash or in new securities.

The plan has been confirmed by Federal Judge Michael L. Igoe and was certified and approved by the Interstate Commerce Commission January 6. A hearing on the details to be ironed out has been set for March 12.

Crane Company is expected to retire the last of its funded debt before the end of the year. Of the $10,500,000 debenture issue, carrying 2½% interest and maturing in 1950, $2,000,000 remains to be paid.

Retirement of this balance would pave the way for action on the 192,803 shares of preferred stock outstanding.

Financial circles believe that General Outdoor Advertising Co. may in time give consideration to the refinancing of its $6 cumulative preferred of which 27,993 shares are outstanding. The company has no funded debt.

Pullman's plan for the separation of its sleeping car servicing business from its car manufacturing interests was termed unclear and "ambiguous" by Wendell Berge, Assistant Attorney General in charge of the antitrust division of the Department of Justice. Further, Berge said, the plan does not amount to complete separation of the two businesses.

On the basis of its findings, the antitrust division, therefore, asked the Third United States District Court to reject the plan as unsatisfactory.

Joseph Fagan Admitted As Dan'l Rice Partner

CHICAGO, ILL.—Joseph A. Fagan has been admitted to partnership in Daniel F. Rice and Company, Board of Trade Building, members of the New York and Chicago Stock Exchanges, it is announced. Mr. Fagan has been with the firm for many years.

Dealer-Broker Investment Recommendations and Literature

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

Boston Forum on Open End Investment Companies — Booklet containing complete transcript of the proceedings—**Vance, Sanders & Company,** 111 Devonshire Street, Boston 9, Mass.

Coming Boom in Residential Construction—Survey of companies likely to benefit from a predicted postwar housing boom—**Auerbach, Pollak & Richardson,** 30 Broad Street, New York 4, N. Y.

History and Forecast of Railroad Credit—An address by Patrick B. McGinnis—copies on written request—**Pflugfelder, Bampton & Rust,** 61 Broadway, New York 6, N. Y.

New Jersey—Brochure on resources of state, including war orders, retail sales, farming, natural resources, resorts, highways, railroads, seaports, local government, debt, taxation, bond and budget laws—**B. J. Van Ingen & Co., Inc.,** 57 William Street, New York 5, N. Y.

Oil, a Vital War Material, also Important in Post-War—Study—**Thomson & McKinnon,** 231 South La Salle Street, Chicago 5, Ill.

Utilities Equities Comparison—Detailed comparison of representative operating utility company common stocks—copies to dealers upon request—**Townsend, Graff & Co.,** 120 Broadway, New York 5, N. Y.

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

American Hardware — Special study—**Goodbody & Co.,** 115 Broadway, 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.

E. G. Brooke Iron—Descriptive circular—**Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

Buda Company—Detailed circular discussing favorable post-war prospects of the common stock—**G. A. Saxton & Co., Inc.,** 70 Pine Street, New York 5, N. Y.

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.

Chicago, Milwaukee, St. Paul & Pacific Railroad—Complete arbitrage proposition—**Sutro Bros. & Co.,** 120 Broadway, New York 5, N. Y.

Chicago North Shore and Milwaukee Railroad — Analysis of equities and earnings—**Brailsford & Co.,** 208 South La Salle Street, Chicago 4, Ill.

Chicago Railway Equipment Company—Circular on post-war outlook—**Sills, Minton & Company, Inc.,** 209 South La Salle Street, Chicago 4, Ill.

Also available are current bulletins on **Chicago South Shore and South Bend Railroad** common, **Maryland Casualty** common, **Puget Sound Power and Light** common, **Serrick Corporation,** and **Soss Manufacturing Company.**

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.

Crowell Collier Pub.—Special research study—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Detroit Harvester Co.—Discussion of attractive prospects for return and appreciation—**Ward & Co.,** 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

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Julien Collins & Co. Cgo. Exchange Member

CHICAGO, ILL.—Julien Collins & Company, newly organized investment firm, has opened offices at 105 So. La Salle St., and been admitted to membership in the Chicago Stock Exchange, it is announced.


Julien H. Collins

Conducting a general investment banking business, the company is headed by Julien H. Collins as President, Milton S. Emrich, Vice-President and Secretary, and Robert A. Podesta, V.-P. & Treasurer.

Mr. Collins was Vice-President and one of the founders of Harris, Hall & Co. Mr. Emrich was for past four years with Harris, Hall & Co., and previously with Harriman Ripley & Co., and Harris Trust & Savings Bank. Mr. Podesta was associated with Kebbon, McCormick & Co. and its predecessors for past fourteen years.

Mr. Collins is a Vice-President of Investment Bankers Association of America, President of the Bond Club of Chicago, and served as Vice-Chairman of the Sixth War Loan Drive.

Wisconsin Brevities

The net asset value per share of stock outstanding at the end of 1944 of Wisconsin Investment Co. was $3.63, compared with $3.01 at Dec. 31, 1943. The appreciation thus registered in 1944 is 62¢ per share, or 20.6%. Bank loans outstanding on Jan. 1, 1944, in the amount of $100,000 were paid off during the year. The management took advantage of the prevailing level of the market to realize profits on some of the company's investments and, as a result, increased the available cash reserve. At Dec. 31, 1944 holdings in portfolio showed a market value in excess of cost of 253,476.

From Dec. 31, 1939 to Dec. 31, 1944 asset value of the stock has appreciated from $2.39 to $3.63 per share, or an increase of $1.24. The increase thus registered amounts to 51.9% and it compares with an appreciation of 11.8% shown by the Dow-Jones Composite Averages during the same period.

Current assets at Oct. 31, 1944 of the Walker Manufacturing Co. of Wisconsin exceeded the total liabilities by $1,652,476 as compared with $1,386,387 a year earlier. During the fiscal year the company retired the long term loan with its bank under Regulation "V" of the Federal Reserve System. The volume of business for the year totaled $14,728,170, exceeding the previous year by $1,908,366. Net income for the year after all charges and state and federal taxes and after providing a reserve for contingencies, was $374,082.

Earnings have further strengthened the net working capital position. The board of directors was therefore enabled to declare four regular quarterly dividends of 75 cents each plus seven back dividends of 75 cents on the preferred stock during the year.

At a meeting of the directors held Jan. 15, 1945, a resolution was passed to pay the regular quarterly dividend of 75 cents and the remaining nine back dividends of 75 cents totaling $6.75, which were paid Feb. 1, 1945.

Froedtert Grain & Malting Co., Inc., calls attention to the fact that as a post war program through the assistance of its laboratory, which has done considerable research work, it will place on the market several articles that it believes will be well received by the general public.

12 Business Questions Answered By Roger W. Babson

BABSON PARK, FLA.—Here are some questions which have recently been shot at me. Following each question the reader will find my answer.

Industrial Outlook

(1) What Should Be the Most Active Industries After the War? Answer: The building and furnishing of small homes. Accompanying this there should be a great demand for new automobiles. The clothing industry should also be good in the postwar era.

Roger W. Babson

(2) What industries may suffer the most after the war? Answer: Of course, the manufacturing of airplanes, the building of ships and the making of munitions will suffer most. In addition, I believe that both agriculture and railroading may receive body blows.

Investment Outlook

(3) In what can we invest our money now in order to have it best maintain its purchasing power during the years ahead? Answer: Buy selected peace stocks—especially the oils, metals and other stocks which should be helped by inflation. This includes the merchandising chains which have their assets in goods, cash and real estate. They should be excellent hedges against inflation.

(4) Are high-grade bonds attractive now? Answer: Decidedly **NO.** Not only should interest rates strengthen after the War, but income taxes will be reduced. Any such reduction in taxes should cause tax-exempt municipals to decline. Other high-grade bonds should be affected sympathetically.

Reconversion

(5) What about utilities in the postwar era? Answer: There are some utility stocks which look very attractive due to possible dissolutions of holding companies. Furthermore, the persecution of the utilities seems to have come to an end for the present. The uncertain question is whether the natural growth of the utility business will overcome the increased costs due to inflation. Frankly, I do not know.

(6) What will be the effect of reconversion on the Stock Market? Answer: Reconversion may cause a serious shock to business, but not necessarily to the Stock Market. Most securities (with the exception of the rails) have fairly well already discounted peace.

What About the Rails?

(7) Do you expect a period of good business after reconversion is completed? Answer: Yes, I expect a few years of excellent business; but be prepared for trouble about 1950, or after, when the people have spent their savings and foreign competition begins to be felt.

(8) Will such prosperity keep up the prices of railroad stocks and income bonds? Answer: No. Railroad securities may not for many years again sell for the highs of February, 1945. Truck, pipeline, water and airplane competition, together with rising costs due to inflation, can be very bearish on railroad securities.

Taxes and the New Deal

(9) What about taxes? Answer: I do not look for radical tax changes until the U. S. Federal Budget is again balanced. But all changes made will be favorable to business and corporations. Only tax-exempt bonds should suffer from the tax reductions.

(10) Do you think the Roosevelt Administration — especially the Securities and Exchange Commission—is unfriendly to legitimate business? Answer: No, I do not. The masses of the entire world are on the march and, with all the regulations and difficulties facing U. S. employers, they are—and will continue to be—better off than the businessmen and investors of any other nation.

Spiritual Awakening Needed

(11) Do you think inflation is inevitable? Answer: **Yes, and this means a gradual increase in living costs with higher prices for most consumer goods as well as for certain stocks, real estate and gold.** Moreover only a world spiritual awakening can prevent a final collapse of this upward spiral.

(12) What about the postwar unemployment scare? Answer: There will be no especial difficulty for a few years, but later there may be much trouble. Unemployment is a spiritual and educational problem rather than an economic. Congress cannot prevent unemployment. The churches and school committees of each community will determine the unemployment situation.

We Must Intensify Our War Effort

By HON. ROBERT P. PATTERSON*
Assistant Secretary of War

Secretary Patterson Cautions Against Relaxation of Our War Effort in the Belief of Collapse of Our Enemies. Says That 900,000 More Men Will Be Needed in Armed Forces in First Half of Present Year, and That Munitions Production Must Be 20% Greater Than in 1944. Tells of Need of New Weapons and the Part Played by Research, Development and Design to Build a Fighting Force of Tremendous Power.

The war news is favorable. Our fighting men are putting on the pressure. Their valor has been proved so many times in this war—at Bataan, at Guadalcanal, at Salerno, at Anzio beachhead, at the Normandy beachhead, at the Ardennes, at countless battles by land, sea and air—that they know and we know they will do the business on the Germans and the Japanese. The Germans and the Japanese know it, too.

Robert P. Patterson

But the war is not finished—not finished in Europe, not finished in the Pacific. Germany and Japan are still powerful, resourceful, dangerous. We must never overlook the fact that they are totally mobilized for war. Years ago they adopted war as their leading line of business. They are still in the field—resolute and fanatical—determined to fight it out to the bitter end. It will not do to underrate their capacity for resistance. We have to face the fact that before the work is finished, many American boys will lay down their lives. Many other American boys will suffer wounds

*An address by Secretary Patterson before the Executive Club, Chicago, Feb. 23, 1945.

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Keep Inflation Brakes Working: Burgess

In a Statement to Senate Banking Committee, ABA President Asks for Repeal of Emergency Power to Issue Federal Reserve Bank Notes and Greenbacks Under Thomas Amendment. Suggests Minimum Federal Reserve Bank Reserve Requirements Be Fixed at 30 Instead of 25%. Opposes Raising Gold Price.

W. Randolph Burgess, President of the American Bankers Association and Vice-Chairman of the Board of the National City Bank of New York, appeared before the Senate Committee on Banking and Currency on February 28, holding hearings on Senate Bill 510 which would lower the ratio of required reserves against Federal Reserve notes in circulation and deposits in Federal Reserve Banks. The bill would amend the present minimum reserve requirements of 40 per cent in gold certificates against notes and 35 per cent in lawful money against deposits to 25 per cent. It also makes permanent the use of U. S. Government obligations as collateral for Federal Reserve Bank notes.

W. R. Burgess

In his statement to the Committee, Mr. Burgess said:

"There are two reasons for the restraints on Federal Reserve action which are contained in the legislation you are discussing.

"First, to place some limitations on the very great power which the Federal Reserve Act puts in the hands of a few people.

"Second, to serve as red lights when a huge expansion of credit takes place, for such credit expansion is dangerous.

"We are in the process of going through red lights. In addition to the bill before this committee a bill raising the debt limit is before Congress and that also means passing a red light. Inflation usually shows itself in rising interest rates, and we have suppressed by government control, not the inflationary forces themselves, but their danger signals.

"The danger signals are being passed but the inflation is going forward. The money held by the people, both in currency and bank deposits, is piling up in unprecedented amounts. We now have

(Continued on page 1070)

Public Utility Securities

Ogden Corp.

Ogden Corp., which succeeded Utilities Power & Light, has made substantial progress in the dissolution program made necessary under the Utility Act by its scattered properties and the capital simplification problems of its subsidiaries. In 1932 Utilities Power & Light had consolidated assets carried at a book value of $471,000,000, and company assets of $170,000,000. The important British holdings were sold for about $25,000,000 and Ogden Corp. was incorporated as successor in 1939, with drastically written-down assets carried at about $39,000,000. Indianapolis Power & Light was sold for about $14,000,000 in 1940, Derby was liquidated for over $4,000,000 in 1941 and 1944, and several millions were realized through sale of miscellaneous properties.

Recapitalization of the largest remaining holding, Laclede Gas, should be completed around the end of March. Ogden will sell its 2,165,296 shares of Laclede common. The stock is currently selling w. i. on the Exchange at 6¾ and is earning (pro forma) about 38c. A peculiar situation has existed with respect to Laclede. It sold as high as 16⅞ in 1943, 13 in 1944 and 9⅞ this year. These high prices were, of course, out of line with the pro forma earnings. Under the plan, the old common is to receive new common, share for share. As noted in this column December 14, the old common continued to sell at 9⅜ when the new stock was quoted over-counter at 5½-6¼. The Stock Exchange later called attention to this inconsistency and the company made stock available for loans to clear up any stranded short interest. The old stock finally declined, and the new common rose to meet it.

The new common, at 6¾, is selling at some 18 times earnings which still seems out of line with other manufactured gas and mixed gas stocks (which sell to average about 13-15 times earnings). Based on such comparisons, a price of 6, or 15.8 times earnings, would perhaps be "tops" for the pending sale of Laclede's holdings. There would, of course, be an underwriting commission and registration cost. Assuming that Ogden should net as much as 5½ for its holdings, this would be equivalent to about 3½ points on Ogden's own stock. The latter is currently selling at 5¼, which would leave 1¾ points as reflecting the market appraisal of liquidating value of remaining assets.

The company's other investments are principally in Central States Power & Light, Interstate Power, Litchfield & Madison Railway, two coal mining companies, Newport Water and Southampton Investment Corp. (a British concern with undeveloped acreage along the south bank of the Thames River near London).

Central States Power & Light sold its remaining "Iowa-Minnesota properties" in November to Interstate Power for $2,750,000, and retired the remaining First 5½s. It is understood that about $2,000,000 cash will be available and as holder of 86% of the Debenture bonds, Ogden might theoretically be entitled to $1,720,000. However, the usual "Deep Rock" reasoning (if substantial in this case) would reduce this figure. If the public holders were given 100, this would reduce Ogden's share to $1,168,000. There is also the chance that the 66,527 shares publicly-held preferred stock (recently around 13) may be "cut in" for a share of the cash. If we assume double subordination, Ogden's share of the cash would be estimated at perhaps $500,000-$1,000,000. It is understood that a plan will be filed with the SEC as a basis for hearings and judgment by the Commission and this may take some time.

Interstate Power is an overcapitalized operating company in Iowa and Minnesota. Outlying properties have been sold, and a substantial plant account write-off has recently been approved by the FPC. A tentative plan of recapitalization was filed with the SEC nearly four years ago but is probably now obsolete. Here again the "Deep Rock" subordination question makes it extremely difficult to estimate the value of Ogden's interest, but a rough guess might be around $500,000-$1,000,000.

The Litchfield & Madison Railway stock might be quite valuable except for the fact that taxes would be much higher on an independent basis, than they are with the company a member of the Ogden family. In 1943 the road earned $127 per share on its common stock, and even in the depression year 1938 $23 was reported. In 1942-3 Ogden drew dividends of $520,000 annually ($4 on the preferred and $100 a share on the common). While the investment is difficult to evaluate, the current improving market for rail securities would seem to make it worth about $3-4,000,000, with a postwar let-down in earnings balanced against less burdensome taxes.

Little information is available on the two coal properties, but Utilities Elkhorn Coal is reported to have brought in four large gas wells on its property. Ogden has advanced over $1,180,000 to Mount Olive & Staunton Coal. These properties might be worth some $2,-3,000,000, it is conjectured.

Allowing a small amount for Newport Water and the British land investment, the aggregate estimated value of the various items in Ogden's portfolio might range between $16-24,000,000 or about $4¾-$7 per share for the outstanding 3,403,680 shares.

Is the Market Inordinately High?

Everyone interested in the stock market these days keeps asking himself whether or not the market has climbed to inordinately high levels. It is a question of course that in the final analysis each person must answer for himself. But in considering whether or not the market is "high" the question naturally arises—high in relation to what?

If one compares existing prices with the lows obtaining in the middle of 1942 then of course share prices appear high. And by the same token if existing prices are contrasted with the highs of eight years ago (1937), then today's levels undoubtedly seem attractively low.

To make this point clear we selected at random the hereunder list of 15 stocks, and we are indicating in three columns; first, the closing prices on March 1, 1945 (approximately their current levels), second, their closing prices on March 1, 1936, nine years ago, and well before common stocks entered the "bull" market phase that followed a year later, and finally the peak prices that were reached during the "bull" market of 1937.

We haven't any comment to make on these three sets of prices other than to stress that the nation has since experienced one poor year (1938), four fair years (1936-'39-'40-'41), and four busy years (1937-'42-'43-'44). And, bearing this in mind, we call attention to the fact that here are 15 companies, and certainly there must be innumerable others, that can be bought at, near or below the prices obtaining nine years ago. Too, we are making no attempt to indicate the improvement in book value that has resulted from nine years of operation or the profits that have been plowed back into new facilities in the decade, less one year, that has passed since March 1, 1936.

	Close 3-1-1945	Close 3-1-1936	High 1937
American Steel Foundries	32⅝	32⅛	73¼
Anaconda	34	35½	69½
Atlantic Refining	34⅞	32	37
Brooklyn Union Gas	26½	52⅜	52¾
Chrysler	102⅝	97⅛	135¼
General Electric	42¾	39¾	64⅞
International Harvester	81	69	120
International Nickel	34⅛	51½	73⅜
National Steel	71⅞	68	99¼
New York Central	25¼	38	55¼
Northern Pacific	22⅝	33⅞	36⅝
Phelps-Dodge	29	36⅛	59⅞
Public Service of N. J.	19¾	43⅜	52¾
Socony Vacuum	16⅞	15⅞	23¼
U. S. Steel	65	63⅜	126½
D-J Industrial Averages	160.72	154.54	194.40

So in conclusion we can only say that while the historical phase is only one of many factors, nevertheless, it does seem significant that the investor is able to acquire at this time common stocks such as Chrysler, U. S. Steel, Atlantic Refining and many others at prices that are relatively attractive when compared with the cost of acquisition nine years ago.
—RALPH E. SAMUEL & CO.

Ernest F. Rumpf Is With Georgeson Co.

Georgeson & Co., 52 Wall Street, New York City, announce that Ernest F. Rumpf, formerly finance vice-president of the Pittsburgh Coal Co., has become associated with them.

Childs Buying Mgr. Of Lazard Freres Co.

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announced that Thomas W. Childs has become associated with them as Manager of the Buying Department. Mr. Childs has since the beginning of 1940 served as General Counsel to the British Supply Council and British Missions in North America. Before the war Mr. Childs was associated with Messrs. Sullivan & Cromwell.

Pittsburgh Bond Club To Hold Ann. Meeting

PITTSBURGH, PA.—The Bond Club of Pittsburgh announces that its annual meeting will be held on March 22, 1945, in the Cardinal Room of the William Penn Hotel.

Railroad Securities

In the Feb. 22 issue we discussed the proposed Hobbs Bill which has been hailed as a means of protecting the interests of old stockholders in the new reorganized company. This could be done only through the issuance of substantially more new common stocks than provided in the general run of reorganizations thus far promulgated by the Commission and approved by the various courts. This naturally brings up the question of the potential earning power of the new stocks under present Commission plans, and without even considering the dilution which would presumably be necessary if the Hobbs Bill became law.

There can be little quarrel with the statement that the Commission in setting up reorganization plans under Section 77 has been thoroughly conservative with respect to the new fixed interest debt. New fixed charges have been held to a level which even the most pessimistically inclined critics of the industry concede can readily be supported under the most severe depression conditions. This virtual assurance of freedom from possible financial difficulties naturally justifies a somewhat higher price-earnings ratio for the common stocks than would normally be considered reasonable. Contingent interest debt is also, in general, apparently well protected except in a depression of major proportions.

With the assurance of freedom from future bankruptcy or receivership, and with the earnings position of the new bonds so firmly entrenched, many people have apparently assumed that requirements ahead of the new stocks have been reduced drastically also. This assumption has been furthered by the boom level of earnings incident to the war activity. It is not a valid assumption when one considers the funds which have been set up ahead of the new stocks in reorganization. It is true that under present accounting practices the proposed Additions and Betterment funds will not appear in the accounts entirely as such. They will largely be absorbed by the new account of Depreciation of Way and Structures. In either event, however, they will represent a charge ahead of the new stocks which did not appear in statements in earlier years.

In appraising the future of these stocks it is first necessary to remember that the roads are being reorganized because they were consistently unable to cover their old fixed charges. The change in capitalization does not in one whit alter the ability of the road to make money, it merely makes it unnecessary to carry as much through to net to remain solvent. A look at the St. Paul before and after reorganization is a good illustration of the potential earnings status of the new common stocks. It is used merely as an illustration and is not intended as an expression of opinion as to the specific stock, as it takes no account of the potential growth characteristics of the particular territory.

Prior to bankruptcy St. Paul had annual fixed charges of $13,685,000. Inability to support these charges precipitated reorganization proceedings. In addition to its fixed charges the old St. Paul had contingent interest of $9,144,000, a total of close to $23,000,000 of fixed and contingent charges. If the road had been able consistently to show earnings of as little as $14,000,000 or $15,000,000 available for charges the failure to cover the Adjustment bond interest would not have brought on bankruptcy.

Under the proposed reorganization plan fixed and contingent charges will amount to roundly $14,394,000, including the Additions and Betterment funds. This is slightly more than the fixed charges the company was unable to support in the past and which brought on the bankruptcy. Why is it assumed that they will be able to earn much more in the future? After fixed and contingent charges there are preferred dividend requirements of $5,608,700. This part of the earnings is Assuming a corporate tax rate of subject to Federal income taxes. 40% it might work out to an effective rate of 33⅓% for railroads in general. On such a basis the $5,608,700 preferred dividend would absorb $7,478,000 of earnings. In the aggregate, then, the requirements ahead of the new common stock will amount to $21,872,000. If the properties had been able to produce such income in the past the company would have been falling only about $1,000,000 short of covering its Adjustment bond interest. When the new common stocks are approached from this angle the attempt to create more common stock through legislation can obviously not be supported on any economic grounds.

Favor Repeal of Johnson Act Barring Loans To Foreign Governments in Default

N. Y. Chamber of Commerce Reverses Previous Stand on Subject

The Chamber of Commerce of the State of New York by an overwhelming vote went on record on March 1 in favor of repeal of the Johnson Act forbidding new loans to foreign governments in default on their debts to the United States. This action, in effect, reversed the position taken by the Chamber at its February meeting when a resolution favoring repeal failed of passage by a close vote and was referred back to committee. The same opposition, led by Capt. John B. Trevor, which prevented the adoption of the resolution at the last meeting again attempted to defeat the resolution presented on March 1, but when Leroy A. Lincoln, President of the Chamber, who president at the meeting called for a vote, only a few scattered "noes" were heard.

James G. Blaine, Chairman of the Committee on Finance and Currency which with the Committee on Foreign Commerce sponsored the resolution, led the fight for repeal of the act. He argued that the United States should have cancelled the loans made to Allied nations during the first World War and endeavored to collect only such loans as were made after the war for rehabilitation. Mr. Blaine said:

"Now we are passing through an even more terrible war that will certainly be followed by another that may destroy civilization for generations unless we develop good will among the nations, and the opportunity to cooperate with them towards the rebuilding of sound economies. Never was it so important to stop unsound procedure and to wipe out unfortunate laws, such as the Johnson Act.

"We know that in the post-war period we must strive to provide full employment. But perhaps we have yet to learn another important lesson if we are to save humanity, and that is that production makes jobs for men and women, and not government doles, which cause only cumulative disaster to an economy.

"Expansion of foreign trade on a sound basis requires good will among the nations and the maintenance of peace also requires good will among the nations. The protection of our people and the prevention of World War III demands of us something more than resentment for past mistakes and a continuation of government hindrances to the furtherance of international production and international trade of a character that would benefit all the nations. The repeal of the Johnson Act would be one step in the accomplishment of better relations among nations and an important step to enable stabilization of the economies of the world."

Mr. Blaine read letters from W. Randolph Burgess, Vice-Chairman of the National City Bank, and Leon Fraser, President of the First National Bank, both members of the Chamber, strongly urging adoption of the resolution for repeal of the Johnson Act. H. Boardman Spalding, a Vice-President, and Julius Henry Cohen, general counsel of the Chamber, and I. B. Catz were among others who spoke for repeal. Rudolph Reimer, former Commissioner of Immigration, joined Capt. Trevor in opposition.

Syracuse Bond Club Elects 1945 Officers

SYRACUSE, N. Y.—At a recent meeting of the Bond Club of Syracuse, Wesley M. Bishop of R. H. Johnson & Company was elected president of the Club for 1945; vice-president, George W. Mason of Halsey, Stuart & Co.; treasurer, Alvin G. Hageman of the Syracuse Savings Bank; secretary, Warren R. Wallace.

Governors elected were Beverly H. Lapham of B. H. Lapham & Co., Roy H. Stokes of Merchants National Bank & Trust Co., Wm. L. Marsh of Cohu & Torrey.

Hill Bros. Will Admit Yates and Robinson

ST. LOUIS, MO.—James A. Yates, Jr. and Spencer H. Robinson will be admitted to partnership in Hill Brothers, Security Building, members of the New York and St. Louis Stock Exchanges, as of today. Both have been associated with the firm for some time, Mr. Yates as manager of the trading department. In the past he was a partner of Gatch and Company and its predecessor Gatch Bros., Jordan & McKinney.

Smith With Security Adjustment Corp.

BROOKLYN, N. Y.—Robert William Smith has been appointed assistant to the President of Security Adjustment Corporation, 16 Court Street. He was formerly connected with the Fiduciary Trust Company, R. H. Moulton & Company and Lehman Brothers.

Pennsylvania Railroad Reports on its 98th Year of Service

INCOME STATEMENT

	1944	Comparison with 1943
INCOME:		
Operating Revenues—Freight, Passenger, Mail, Express, etc.	$1,010,015,912	I $30,242,757
Other Income—chiefly dividends and interest on securities owned	39,272,649	D 3,230,869
Total	1,049,288,561	I 27,011,888
EXPENSES:		
Operating Expenses	736,318,745	I 72,808,034
Taxes	152,838,409	D 27,567,082
Equipment and Joint Facility Rents	11,886,692	I 3,576,150
Other Charges—chiefly rentals paid for leased roads and interest on the Company's debt	83,524,284	D 1,107,161
Total	984,568,130	I 47,709,941
Net Income	64,720,431	D 20,698,053
DISPOSITION OF NET INCOME:		
Appropriations to sinking and other funds, etc.	3,244,558	I 1,320,439
Retirement of Debt—Penna. R.R. Co.	18,767,970	I 1,456,970
Dividend 5% ($2.50 per share)	32,919,385	—
Transferred to credit of Profit and Loss	9,788,518	D 23,475,462

RESULTS FOR THE YEAR

Business continued at a very high level during 1944, the volume being the largest in the Company's history. Operating revenues for the first time in almost one hundred years of operation amounted to over one billion dollars. Notwithstanding the unprecedented demands for transportation service, the Company's operations were performed as well as, if not better than, in any of the previous war years.

While operating revenues increased $30,242,757, due to the greater volume of traffic, this was more than offset by an increase of $72,808,034 in operating expenses, caused principally by the full effect of the wage increases referred to in the 1943 report, increased costs of material and fuel, and the cost of handling the larger volume of business. Taxes remained abnormally high. As a result, Net Income of $64,720,431 was $20,698,053 less than in 1943, and $36,748,362 less than in 1942. Notwithstanding this fact, the dividend paid in 1944 was maintained at the same rate paid in 1943 and 1942, or 5% ($2.50 per share).

The management looks forward with confidence that the Company will continue to serve the country successfully in 1945 while planning for the time when the economic changes brought about by the end of the war will have to be met and new standards of peace-time transportation established.

WAR TRANSPORTATION

The performance of the American railroads in meeting the unprecedented demands upon them for transportation service in these war years has been widely commended. They have not only carried the enormous war-time load that would normally move in railroad service, but they have also moved the immense volume of traffic which has been forced off the highways by fuel, vehicle and tire shortages, together with practically all of the traffic formerly moving in coastwise and intercoastal shipping.

Their ability to render satisfactory service during this period of record-breaking traffic was due primarily to the fact that all through the depression from 1932 to 1939 the railroads, both individually and collectively, had been developing improved transportation methods and facilities and building up a central organization to meet war-time emergencies.

The enormous volume of traffic incident to the war effort concentrated on the railroad has been handled only because the Company, through the war years, has at great expense, added to its plant and equipment.

TAXES

Railway taxes of the Company for 1944 (federal income taxes, excess profits taxes and other federal, state and local corporate and property taxes), amounted to $126,034,483. They were, with the exception of 1943, the highest in the history of the Company. These taxes, together with Unemployment Insurance taxes of $12,862,679, and Railroad Retirement taxes of $13,941,247, aggregated $152,838,409.

All taxes required 15.2 cents out of each dollar of operating revenue, the equivalent of 23.3% upon the capital stock, or $11.63 per share. The extent of the tax bill in 1944 is well indicated by the fact that taxes took about 70 cents out of every dollar left after paying operating expenses and other charges.

Taxes have reached the point where practically all of the so-called large profits of the railroads during the war period have been and are now being drained off in taxes.

The result is that the railroads have been unable to create the reserves that should be provided, in fact should be required, for rehabilitation after the war.

REDUCTION OF FUNDED DEBT

Substantial reductions in the outstanding debt in the hands of the public continued during the year, the debt of System Companies being reduced $31,283,927. The debt of the System in the hands of the public shows a net reduction of $138,000,000 during the last five years.

REFINANCING OF BONDS

Refunding operations, detailed in the report, have resulted in calling for redemption, during 1944 and so far this year, four issues of bonds totalling $140,735,000, while new issues, totalling $129,735,000, and bearing lower rates of interest, have been sold to provide funds for the redemptions. These transactions insure ultimate savings of approximately $61,000,000. In addition, refunding operations of three terminal companies, jointly owned with other railroads, will produce ultimate savings to the Pennsylvania of approximately $9,200,000.

ADDITIONS AND BETTERMENTS

The continuance of traffic at an unusually high level necessitated every effort to further increase the railroad's capacity, which involved large expenditures for improvements and additions to road and equipment that would not have been necessary except for the war.

RESEARCH

Through research, the railroads of the country have kept in the forefront of technological progress. They have not only been continuously engaged in original work of their own, but have also intensively followed the development of every branch of science and engineering for discoveries and advances adaptable to railroad use. To the railroads, research means the organized, scientific endeavor constantly to provide better equipment, facilities and methods of operation, and to improve those already in use. They conduct research individually, as separate companies, collectively through the Association of American Railroads, and cooperatively with equipment manufacturers and others in all fields.

RAILROAD SOCIAL SECURITY

The pension, the security in old age for life's work well done, has been one of the principal rewards for service with the Company since the turn of the century. To the employe, the pension stands next in importance to the job itself. There now has been introduced in the Congress legislation which would intermingle with the pension plan, as it now exists, other forms of social security of unknown soundness which would result, in the judgment of the management, in undermining the existing plan to the detriment of the employes—a situation which the management thinks, from the standpoint of both the employes and the stockholders, would be most unfortunate.

THE EMPLOYES

The Board takes pleasure in acknowledging the continued loyalty and efficiency of the employes, who have supported the war effort in full, and cooperated wholeheartedly and effectively with the management.

The employes have served their Country and their Company well. Since the beginning of the war, 51,559 have gone into the Armed Forces, 614 have given their lives.

The management gratefully acknowledges the efficiency of the more than 21,000 women who have come into the service of the Company so that men could go to war.

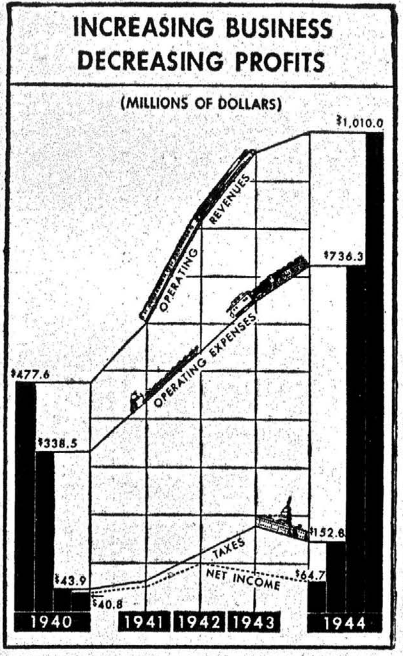
A remarkable job has been done by these employes—continuously now for five years—and it is to the lasting credit of these men and women who staff and operate the railroad that they have never failed to meet their responsibilities in all the problems that have confronted the railroad.

STOCKHOLDERS

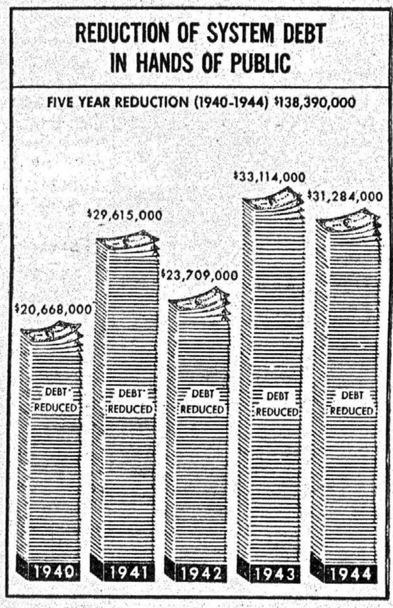
The Capital Stock of the Company at the close of the year was owned by 213,121 stockholders, an increase of 3,503 compared with December 31, 1943, with an average holding of 61.8 shares.

The management is always appreciative of the cooperation extended by security holders, the public and employes, and recognizes its responsibility to keep them informed as to the Company's business, service, finances and other important matters.

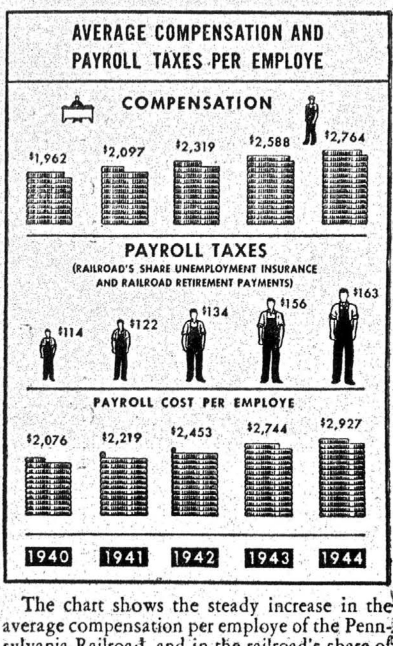
M. W. CLEMENT, *President.*



Even though the volume of business was greater than in any year in the Company's history, Net Income of $64,720,431 was $20,698,053 less than in 1943, and $36,748,362 less than in 1942.



The 1944 net reduction of the debt of the Pennsylvania Railroad System in the hands of the public amounted to $31,283,927. Over the last five years the net reduction has been $138,000,000.



The chart shows the steady increase in the average compensation per employe of the Pennsylvania Railroad, and in the railroad's share of unemployment insurance and railroad retirement payments over the past five years.

THE PENNSYLVANIA RAILROAD

Serving the Nation

"Funded Experience"

(Continued from first page)

(3): Development of a transportation system consisting of 250,000 miles of railroads; 125,000 miles of pipe lines; and 300,000 miles of hard-surfaced highways.

(4): Development of electric power, public utilities, motor vehicles, aircraft, radio, petroleum, aluminum, rayon, and synthetics.

(5): Increase in annual national income from *$7 billion* to *$140 billion.*

(6): Change from a debtor to a creditor nation.

"These transitions are stupendous. They are evidences of tremendous material progress, but the economic rules that governed the horse and buggy days apply to the airplane age, just as surely! For example: consider so-called business cycles. These have occurred in due course throughout the past seventy-five years; just as they had occurred for hundreds of years before, and will continue to occur because they are based upon human nature.

The Nature of Business Cycles

"Business cycles are *true circles* and follow a fixed pattern. A depression is touched-off by some event—excessive speculation, or Government tampering with the currency, or over-concentration of capital in developments that are not self-supporting—such as the railroad expansion in the 1870's and 1880's. Such spark plugs set in motion forces that have been assembled; and a depression sets in.

"A business cycle is fundamentally a human reaction. We try to seek for explanation—we fail to find an explanation—because it is based upon psychology. Until human nature is changed we will not eliminate the business cycle. When business is bad, everyone is discouraged and conservative. It requires time to readjust and accept the harder struggle to make smaller profits. For the individual it is difficult to adopt a lower standard of living.

"If Government and the theorists leave Economics alone business soon begins to recover, and the nation starts to move forward carefully and slowly, leaving the depression behind. The pace increases as profits grow, prices and wages increase, and in due course people forget the depression. On all sides one hears that the depression was due to the stupidity of our elders—that we are in a new era, etc. It is then that fantastic and unrestrained expansion takes place. Banks or individuals who shake their heads are smiled at as 'moss grown.' Then comes over-expansion—a crash—and a new cycle begins.

"I suppose this has gone on from time immemorial. Fundamentally it is simple! It is based upon man's refusal to see any limit to his own ability in prosperous days, and also to man's tendency to be too easily discouraged. We can turn to a poet for analysis of the business cycle. Alexander Pope, in '*The Rape of the Lock*,' wrote:

> *'O' thoughtless mortals, ever blind to fate, too soon dejected, and too soon elate.'*

"Business cycles, of which there have been many in our time, bring in their wake the events which prevent banking from becoming routine. Each time a cycle occurs there is a struggle during the expansion to be a conservative influence, and yet not to be looked upon as senile.

"During a depression comes the real strain when the country is flooded by quack remedies advocated by men who apparently have not read history, or at least economic history. Suggestions they make have been tried so many times that one is reminded of Kipling's beloved Jackal, who was born in August, and when the tropical rains came in September—quoth the Jackal: 'such rain as this I really can't remember.'

"The depression of the 1930's produced the old crop of fallacies with which we are familiar; and one or two new ones. These new fallacies are interesting because they are so contrary to our accepted ideas. Take for example, the theory not so long ago advanced by those who should have known better, that spending, not saving, promotes a nation's welfare. It seems evident that one cannot spend if one has not saved and does not have money in one's pocket. Of course, one can borrow, but that merely implies that another man has saved and has money in his pocket and will let No. 1 borrow it to spend. I do not see how anything can be added to this demonstration: that if spending is good then saving must be better because it makes spending possible. We well know that nations which have saved have advanced civilization during such periods of thrift—our own included.

A National Debt Not Beneficial

"Another *new idea* is that debt is beneficial. This theory of the desirability of debt is accompanied by the fallacy that debt if owed to the citizens of a country is no debt.

"The whole theory of the advantage of debt disappears when one considers whether it is better for a nation to stand on the threshold of a war free of debt, or to face a serious business depression free of debt. It is obvious that freedom from debt adds to the strength of a nation when it faces a crisis.

"In considering debt and unbalanced budgets, I think often of Mr. Micawber. Charles Dickens did not pretend to be an economist, but in '*David Copperfield*,' Mr. Micawber never could balance his budget; he always was in debt; while he was confined within the King's Bench Prison, for debt, David visits him. Mr. Micawber weeps and states: 'If a man has £20 a year for his income and spends £19-19-6/ he will be happy, but if he spends £20-1 he will be miserable.' After this, Mr. Micawber proceeded to borrow sixpence from David, in order to buy beer. Then giving David a due-bill *on Mrs. Micawber*. Our Uncle Sam, during the 1930's, reminded me of Mr. Micawber. He was in the same financial difficulty. He borrowed money, not to buy beer, but to rake leaves. However, there was one difference: Mr. Micawber honestly faced the facts; whereas our Uncle Sam attempted to justify his conduct by new economic theories.

"We have had the time-worn theory that the world and our civilization had ceased growing, and that we had attained economic maturity. Our prophets told us there were no more frontiers—we were on the inevitable decline. This claim was made when the refrain of permanent prosperity, that we had in the 1920's, had scarcely died down. It is extraordinary we should have anyone claim that the frontiers are gone, when science and the industrial world have frontiers which appear unlimited. The idea that Science and Invention had reached their zenith is hoary with age.

"In January, 1830, Lord Macaulay wrote:

> 'We cannot absolutely prove that those are in error who tell us . . . that we have seen our best days. But so said all who came before us, and with just as much apparent reason.'

"In Andrew Jackson's time the United States Clerk of Patents expressed an opinion that all important inventions had been made. This was before Electricity had been developed!

"The United States Commissioner of Labor, in 1886, pointed out that the completion of transportation facilities in the major countries left small opportunity for remunerative employment of capital. There were, then, no subways, no automobiles, no airplanes.

"There is, however, one fallacy far more serious than any of these; and it always comes forward during a depression—managed currency: greenbacks, silver purchase, credit expansion. Man cannot free himself from a fond hope that a time will come when he will have nothing more arduous to do than call at a Government money factory and get as much money as he needs. It seems so easy to print money, or coin silver, or coin any other metal. The average man is carried off his feet by such a pleasant picture. There have been thousands of attempts to accomplish this. All have ended in disaster.

"During our company's brief career, commencing in 1867, we had 'greenbackism'—a legacy of the Civil War.

"In the four years ended June 1865, only *one-fifth* of the $3,300 million spent by the Federal Government was raised by taxation. Specie payment had to be suspended. The United States Government resorted to short-term borrowing and to legal tender notes.

"After the Civil War only paper money was in common use: most of it consisted of greenbacks. Efforts to retire greenbacks and to reestablish our currency upon a sound basis met with vigorous opposition. The greenback party blocked the retirement of greenbacks for years. But the Resumption Act of 1875 finally was passed. Greenbacks continued to circulate at a discount until 1879, when we did actually resume and did come out of the bog of depreciated paper money onto the solid ground of a gold standard.

"However, before greenbacks finally were disposed of—in 1878—the United States Congress started fresh trouble by passing the Bland-Allison Act requiring the Secretary of the Treasury to buy, each month, a certain amount of silver to be coined into money. It seems as though the people were unable to keep away from this 'will-o'-wisp.' The amount to be purchased was not large enough to produce serious results at the time, but the Act began to undermine confidence in our monetary system. Silver piled up in the United States Treasury. The gold reserve declined, because bad money drives out good.

"Finally, in 1890, the Sherman Act was passed requiring the Secretary of the Treasury to increase vastly the purchase of silver. Nobody wanted silver. The silver certificates were returned to the Treasury for gold, with the result that the Treasury's gold reserve declined at an alarming rate. In 1893, the reserve dropped below $100,000,000, and a panic broke out. This will be recalled by many Newcomen members here tonight.

"President Cleveland called a special session of the Congress and repealed the Sherman Silver Purchase Act; but at that very moment William Jennings Bryan came upon the scene, advocating free and unlimited coinage of silver. It was not until the national election of 1896, when William McKinley was elected upon a straight gold platform, that confidence was restored in our monetary system. The business depression gave way to prosperity.

The Gold Standard

"In the depression of the 1930's we had credit inflation; we saw vast purchases of silver; and greenbacks were authorized. In 1934, we deliberately depreciated our dollar by reducing the gold content from 25-8/10 grains to 15-5/21st grain. This was done: first, because it was believed that a result would be to stabilize or increase domestic prices; and, secondly, because the depreciated currencies of foreign countries were producing an adverse effect upon the foreign trade of the United States. The objectives were not realized: prices did not respond as it was thought they might, and our currency continued preferable to that of other nations because our credit as a nation was better. In the race *to touch bottom*—we were beaten!

"In the past, as in that case, attempts to manage or depreciate the monetary medium always have finally driven out gold. And, as in the past, to restore sound business conditions and trade we will have to come back to a gold standard.

"This term 'gold standard' is little understood, and I suggest we drop the word 'gold' for the moment, and speak of 'standard' only. We all recognize there must be a standard, even for a managed currency. If there is no standard how can national or international trade be carried on, in the currency? The true standard for a nation that can honor its currency at any time in fixed units, whether wheat or gold, is the standard of the certified public accountant. A nation, to redeem its currency in wheat or gold, must be solvent, its budget must balance, and its financial affairs must be in order. The reason we, and other nations, are off the standard and have depreciated our currencies is because a certified public accountant would not pass our financial condition as deserving a first-class rating.

"Whether we like it or not, gold is a better medium than any other for a sound monetary structure. It is by no means perfect, but it is the best—judged by years of fiscal and monetary experience in every civilized country. Monetary authorities may disagree upon details of administration, but all would agree that the prime requisite of money is that it have a fixed value. No commodity on earth has a fixed and unchanging value, but gold approaches that standard more closely than any other. For over a half century the price of gold has fluctuated less than any other metal suitable as a medium of exchange. Wherefore, it is folly to accept any inferior substitute.

"Gold has a further virtue in that it successfully resists fiscal and political exploitation. There may be times when it will be difficult to stay on the gold standard; but that is no fault of gold, it is rather our own inability to administer our business and economic affairs. Voluntary departure from the gold standard is fundamentally a refusal to face realities which are unpleasant (the certified public accountant)!

"Finally, gold is a sound basis for an international standard. Managed currencies go along with economic nationalism. The gold standard goes with international cooperation. Until this country sets an example by returning to the gold standard, or to a certified public accountant's standard, it is futile to hold monetary conferences.

"Before we close this Newcomen address, it may be interesting to apply the principles followed for seventy-five years by our bank, to current problems of great magnitude. This is justified because in economics and banking the principles are the same, whether the problem is large or small, local or international!

Defects of Bretton Woods

"Let us consider the International Monetary Fund and International Bank for Reconstruction and Development. At the Bretton Woods conferences it was proposed to set up a Fund and a Bank. Probably all those present tonight have read the 'Articles of Agreement.' The 'Articles' propose contributions to the Fund by 45 nations. The total to be contributed to the Fund is $8,800 million; and to the Bank $9,100 million.

"The contribution to the Fund is to be paid 25% in gold, if the nation has gold, and the balance in the nation's currency, or in the nation's promise to pay, these promises to be evidenced by a non-negotiable and non-interest bearing note. (I think any of us here would rather give than receive such a note!)

"The subscription to the Bank is more involved; but it starts with 10% in gold and 90% in currency.

"From the Fund and from the Bank the nations and their Nationals, under certain conditions, are to borrow the currencies they need to carry on trade, rehabilitation, promote new industries, agriculture, etc. The Fund and Bank cannot succeed unless the borrowers can pay their debts when due. Therefore the fundamental question is the same as our bank faced every time it made a loan during the past seventy-five years: namely:

First: Is the borrower's credit good; that is, can he present a statement by a certified public accountant showing he is solvent, is earning his expenses and a little over, and may be expected to continue so to do?

Second: Has he good management? Has he demonstrated that he can control his expenses and the operation of his business? Is he in harmony with his partners or his stockholders?

Third: Can he repay the loan? And, by what means? Will the excess earnings permit him to do so over a period of time, or has he convertible assets that may gradually be liquidated?

"Suppose a like formula be applied to those who will borrow from the International Monetary Fund or from the International Bank for Reconstruction and Development. Of the 45 nations, none of importance are on the gold standard; that is, none can produce a certified public accountant's report showing they have a balanced budget, are covering their expenses, and can reasonably be expected to continue so to do. The credit of most of those who will borrow is so low that their national obligations sell at a great discount upon the New York Stock Exchange.

"As to the second point: have they management that has demonstrated it can control their business? The answer is No. For political reasons they cannot take firm steps to improve their financial condition nor their currency. If they attempt to reform their finances, then their Governments are exposed to the danger of being voted out of power by their citizens.

"Finally—and possibly more important—very few of the borrowers, and none of those of large size, have any means of repaying their debt to the United States, whose currency they will be anxious to borrow. The reason they cannot repay us is because we do not wish to buy anything they may produce or manufacture in sufficient volume to liquidate their present debt, let alone new debt they incur to the Fund or Bank.

"In the long run, the only way one nation can pay another is by delivery of manufactured goods, raw material, or farm products, or services. If the United States permits imports in sufficient quantities to liquidate the proposed borrowings, then we must consider what the effect will be upon our standard of living.

"It is evident this Fund and Bank ultimately must fail. No doubt, they would give a brief stimulant to our export business; such as followed the last war, when we saw foreign securities sold in vast sums and the proceeds used to stimulate our exports. When the foreign nations attempted to repay, we could not accept their goods; they, therefore, defaulted. The investors who had bought their bonds suffered accordingly.

"Keeping this experience fresh in mind, it would seem to be better to delay any international banking program until the constituent nations put their own affairs in order and until we can solve the problem of a free exchange of goods without reducing our standard of living. If these steps are taken first, then we would move forward upon a sound basis, without danger of future disappointment with recriminations and lost time. This is a case where taking time to be right may prevent much loss of time in the future.

"After this review of experiences covering 75 years, the question might be asked: 'What constructive suggestion have you to offer?' The answer is: 'No plans for the future can be sound that do not give consideration to proven facts; no successful future can be built upon the theory that business cycles are due to the sins of those who went before us; that the last frontier has been reached; that saving is wrong; that debt is desirable; that the standard of the certified public accountant or of gold is not required; and that it is wise to lend when we know the borrower cannot pay.'

"The world must face demonstrated truth. If we cannot live up to the standard thus set, well and good. Let us, at least, acknowledge the standard and strive to attain it, honestly confessing our inability to reach it. If we do this, then we shall improve slowly and finally reach our goal. But if we hide the truth and follow fallacies proven false, time and time again, we then only plunge deeper and deeper into the morass.

"A constructive suggestion would be to present the unvarnished truth, as Mr. Churchill did when he told Britain it would take blood and sweat and tears to win. If we know the truth or know the worst, we can gird our loins and plan a defensive.

"It remains to be seen whether the world will face *truth*—that is, economic facts—as it has faced the realities of war. If the world be guided by *the funded experiences of the past* there is no limit to those riches which the future has in store for us."

New York Stock Exchange Weekly Firm Changes

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

Herbert L. Mills, partner in Dick & Merle-Smith, died on Feb. 26.

Dick & Merle-Smith has received permission from the Exchange to continue its status as a member firm for a period of 45 days from Feb. 23, 1945, the date of death of the sole Exchange member partner.

Kay, Richards & Company, has received permission from the Exchange to continue its status as an Exchange member firm for a period of 45 days from Feb. 21, 1945, the date of death of the sole member partner.

Trimble & Co. will return as an Exchange member firm as of today.

Initiative, Not Credit, Basic to Solution of World Problems

(Continued from page 1042)

huge surpluses left. Some of these surpluses are exported, in effect, against services such as shipping, insurance, foreign travel, etc., and some of the proceeds are invested in foreign countries in securities or in productive plants or other producing mediums.

In 1939 we had 45 million people employed in this country. The Department of Commerce, after a careful research, estimated that 3 million of this 45 million were employed because of our foreign trade—our exports and imports, their servicing and transportation.

In 1944 the State Department, also following a careful research, estimated that the number of workers employed in the United States because of our foreign trade was between 3-4 million.

The most reasonable figure that represents an estimate of the employment that will be required in the post-war period is 53 million. Of this total, 3,500,000 representing those engaged in foreign trade, utilizing the estimate of the State Department, would constitute an important relief in the pressure for employment.

From 1900 to 1910 our exports averaged about $1,600,000,000 and our imports $1,000,000,000. From 1910 to 1915, $2,100,000,000 was about the average of our exports and $1,600,000,000 of our imports. Then, during World War I, our exports increased each year after 1914 as follows:

1915	$3,555,000,000
1916	5,483,000,000
1917	6,234,000,000
1918	6,149,000,000
1919	7,920,000,000
1920	8,228,000,000

The total exports of these years amounted to $37,569,000,000 and the total imports during the same period to $19,336,000,000, or an excess of exports of $18,233,000,000. This mean an average export balance annually of $3,039,000,000 against an average that was very steady from 1900 to 1914 inclusive of $487,000,000.

The other items in the balance of payments that were normal, such as expenses of travel, costs of services, transfers of funds, etc., took care of this annual excess of exports of about half a billion dollars without undue strain.

A creditor position of $18,233,000,000 for the six years of World War I and its immediate aftermath, instead of the total of $3,000,000,000 which represented the previous normal $500,000,000 a year, left a total of over $15,000,000,000 which had to be made up in other ways. Those ways were the absorption of American securities owned abroad, advances to the Allied Nations and our own war exports which, all together changed our country from a debtor to a creditor nation. The Allied debt to us of $11,000,000,000 which covered some of the abnormal exports of 1921, which exceeded imports that year by $1,976,000,000 was the net result. With other war debts this constituted the great white elephant that ruined the world's economy in the 1920's and 1930's.

After 1921 and through 1937 the average annual excess of exports was back to normal amounting to $521,000,000. However, it was higher in the last eight years of the Twenties, when the average was $712,000,000, than in the first eight years of the Thirties, when it was $330,000,000.

Our 1938 exports were $1,134,000,000 over imports due to anticipation of war and since then the totals have been:

1939	$859,000,000
1940	1,396,000,000
1941	1,802,000,000
1942	5,293,000,000
1943	9,345,000,000

Lend-lease was included in the last two years. For the six years the total excess of exports was $19,829,000,000 or just a little over the six years of World War I of $18,233,000,000. However this huge excess of exports instead of being reflected in Allied indebtedness appears in lend-lease, whose method of settlement is as yet undetermined.

The cost of war to the United States is clearly evidenced in these huge values in goods which we have exported over imports without reference to our internal expenditures which have gone to our citizens in costs for war that have increased our National Debt to about $250,000,000,000, with a prospect of its going far over three hundred billion dollars if the war goes on much longer. Of course, the orgy of Government expenditures in the 1930's must be deducted to define the war cost, as our debt had risen to 45 billion dollars in 1939. However the war waste and destruction of raw materials is probably very well measured by this figure of $19,829,000,000 excess exports to which must be added the total in 1944 and for the duration.

The tragedy of it all lies in the human suffering and great loss of life, but in order to determine how best to protect mankind from further disaster we must take account of the destruction of wealth that is going on. One great lesson seems clear and that is that the nations of the world must find ways to accomplish rehabilitation, reconstruction and restoration of international business relationships without building up a great international debt structure that will strangle international trade and lay the foundation for a new war that will become evident on the first day of the final peace.

The solution of this problem requires two things. First, relief that will furnish a minimum of food, a minimum of essential raw materials and a minimum of necessary tools to start reconstruction, and second, "self generation" in every nation.

As "self generation" proceeds under wise use of the wealth that remains to each nation after the war conditions will soon begin to develop that will enable short term loans to be made that can be paid—international short term loans advanced by private interests who know the businesses that they are aiding. When men are working they produce more than they consume and loans can be paid. Under "self generation" men must work. They will get great contentment in their accomplishment of reconstruction and great happiness as the scars of war are obliterated and left behind without an aftermath of a huge debt.

As the use of credit enters into the operations of international trade and the extension of credits is being considered in connection with post-war rehabilitation that may be international in character, we will digress a moment and consider credit.

The Use of Credit

The proper use of money in the form of credit is little understood. It is not strange that the multitude, which finds that with money it can buy things that are desired, should attribute powers to money as a basis of credit which do not exist. When one steps into a shop to buy a desired article and has the money to pay for it, he does not normally have any appreciation of the fact that it is not really the money which he gives in exchange for his purchase, but that it is, in effect, an exchange of goods that represent the work of men in which he had a part and for which he obtained the money. In other words, it is production somewhere along the line that accounts for money unless it is fiat.

But money in the form of credit does not itself emanate from production, although those who extend credit may have been able to do so because of previous production. When credit, therefore, is extended it cannot be paid back after its use unless it somewhere serves a constructive purpose that will earn its cost. It is because this is true that loans are often defaulted. When the proceeds of a loan are not utilized in some form of direct or indirect production, payment can only be made from some other source than the turn-over of the credit itself, which inevitably means a reduction of total wealth.

At times, credit can be used justifiably to tide over temporary scarcity of buying power. Such use of credit, however, must be fully understood by those who use it. They must know that when it is repaid it destroys production which has previously been made, unless through later effort new production is provided. This new production takes work-hours of the borrower that may be mental or physical.

When the world has a catastrophy such as war, it has a disastrous influence upon the mentality of people. The measure of destruction is apt to be applied to the amount of credit required for rehabilitation instead of to the amount of production that is necessary for its accomplishment. The extent of the disaster, naturally, overwhelms the minds of men, and when they measure values destroyed in terms of credit, they are apt to ignore the time element that lies within the ability of men to reproduce.

If vast credits are extended the tendency of men is to live off of them. Incentive to work is killed and production and reproduction do not equal the pace of total consumption that the waste of credit makes possible. Credit must, therefore, be provided for the purpose of post-war recovery only in such amounts as can be utilized for production that it is within the power of men working to accomplish. Further, if it is international credit that is being used there must be reasonable certainty that the needed foreign exchange to repay loans will be obtainable.

In measuring the need for credits for purposes of stabilization, it is worth while noting that in 1938 before the war, world exports were $22,700,000,000, and world imports $24,400,000,000. If the total difference had had to be carried by a stabilization loan instead of thousands upon thousands of bills of exchange that were probably met at maturity and innumerable fluctuating bank balances, the total loan required to meet the needs of the whole world would only have been $1,700,000,000. Further, such a loan would have been short-term, as international trade flowed back and forth.

It must not be forgotten that the speed of recovery will be measured by the results of manhours of labor. Also, in must not be forgotten that continuing happiness of a people when relieved from the strain of war is only possible when they are engaged in reconstruction and production for current consumption that betters their condition day by day.

International Trade

The restoration of international trade can be simple or it can be made too complex for the minds of men to control. It will be simple if exporters and importers the world over are allowed to pick up the lost threads of their trade under Government regulations that are intended to preserve and protect the rights of all. It can be made so complex by Governmental interference that the trade barriers which followed World War I will seem like freedom in the light of what might happen.

Trying to control world multilateral trade would be something like Government trying to control traffic in the Grand Central Station of New York. There are entrances that are exits and exits that are entrances on all sides of the great concourse of the station. Swarms of people are moving to and from trains and in and out of the building, from and toward every direction at the same time. Some cross the concourse straight away, some diagonally, on the bias or crookedly. The exercise of the individual initiative of thousands of people enables them to pass each other without accident or loss of time. No diagrams of such crossings of people could be made. No government edict could control such crossings that would not complicate to the point of absurdity the movements of the people, and that would not result in enormous loss of time not possible to bear by a working community. The only regulations justifible for government are those which represent protection of the rights of all against penalty for abuse.

The complexities of multilateral trade are just as great and they cannot be effectively handled from one source in each country, namely government. The desires which express themselves in a demand for goods arise in the minds of millions of individuals. They are communicated to other millions, who in turn have their separate contacts with suppliers of goods that reach back to either domestic or foreign production.

The diversified wishes of the people reach out in this manner over the whole world and provide jobs for great numbers of persons, and new desires are created as importers find new goods that they think may appeal to their people. Such demands are the foundation for multilateral trade.

It is only the exercise of individual initiative that can solve such problems. During the war we have had in this country evidences of the friction that is certain to arise when Government steps in to control business operations which have to do with trade. Prices have been fixed for certain articles which have killed the production of others or have caused running losses through a whole gamut of business operations.

This has not been done intentionally by those in control, but is has occured because of the complexities that lie within the movements and interrelations between a vast number of large and small commodities which are affected through stresses upon each other. This has resulted in injury to thousands upon thousands of people and has delayed production and its distribution needed by millions in the United States.

In time of war we must put up with the unfortunate developments that come from efforts of Government representatives maybe with the finest intent to carry out the operations that have been demanded of them. We should not, however, continue such unfortunate methods into the peace if we wish to have men employed.

One small mistake by a controlling Government officer made without intent or knowledge can reach through a vast fabric of producing and distributing operations so as to throw great numbers of people out of work. Such a development is particularly menacing in connection with international trade because it is far more difficult to correct and restore the movements of goods into regular channels when such errors have been made. They all act to prevent the people from obtaining things which they may desire or require. They interfere with production and cause needless losses and unemployment.

So, in international trade governments should cooperate with business to enable it to be carried on. It should not develop interferences or enter into transactions or individual initiative will be paralized and not be able to function in the interest of all peoples.

Post-War Economic Stability

Post-war economic stability will be the great problem of the after war period. There is no question but that it is obtainable under wise procedure. On the other hand, there is no doubt but that political forces can make it impossible, and they are the natural political forces that can be expected to develop following a global war with the tremendous destruction that is taking place.

Nevertheless, it is essential for the protection of own country, as well as the rest of the world, that we measure the problem dispassionately, solely on a basis of principle. We will try to do that.

In the first place, it is incontestable that economic stability is not attainable for any country which does not put its own financial house in order. Further, it is impossible for there to be any over-all economic stability in the world unless the principal trading nations lead the way through sound development of their own countries and that other nations follow them as rapidly as possible.

Unquestionably, under the private enterprise system, which includes wise laws that protect the rights of all, recoveries can be made more soundly in all of the nations than under any governmental system. There is great natural fear, however, on the part of labor and some employers, particularly in the war-torn countries, that unemployment may prevail.

Too many do not realize that government restrains or attempts of government to take over the unemployed does not make jobs and that such procedure on the part of government is certain to result in great waste of the wealth that may remain following the war. It is not surprising, therefore, that in many countries today demands are being made that government take the place of private industry or in lieu of doing so inaugurate strangling controls. What is going to be required of government is a firm policy that will control those disructive forces which are seekers of power, action to provide regulations that will protect the rights of all, and positive control of the national budget.

Then, and this is extremely important, governments should cooperate with the business interests of their respective countries and with each other to free international trade from the trade barriers that will otherwise hold back production and the natural and normal exchange of goods with other countries that is desirable for the benefit of all peoples.

Governments, for the good of their countries and to help in the settlement of the tragic problems with which the world will be faced, must each endeavor to take care of their own financial needs in their own countries and borrow little, if anything, from other countries.

Governments should not obtain loans from other countries unless they can clearly visualize, after consultation with the business interests in their country, trade developments based on recovery that will furnish foreign exghange that will make payments possible.

"Self-generation of wealth" must be the motto and effort of every nation if the world is going to be rebuilt in a manner that will not later cause an economic collapse and a new war.

A nation which owes another nation money it cannot pay develops a feeling of resentment toward the creditor nation that arises from the restraints which are created through such a relationship. Often the force of such resentment toward breaking with a creditor country is greater than that which may exist in the creditor nation that is not being paid.

Short-term loans that are within the power of exporters and importers and their bankers to arrange to prevent the necessity for the flow of gold back and forth, is the ideal way to create exchange stability where gold is not available or where it may be cheaper than the movement of gold.

Loans that may be made between governments for such purposes can not only be exceedingly harmful, but disastrous if a situation is created that makes repayments impossible.

In order to rebuild, men will require food, raw materials, tools and time. As already stated, men working can produce more than they consume. All that is needed, therefore, in a nation that has met great physical destruction is relief that will supply a minimum of food and tools and access to raw materials. In a number of countries, because of what has happened in this war, relief should be confined to essential relief, meaning food where food is not available, some tools where tools are not available, and a minimum of raw materials where they are not available.

The giving of food to the extent that eliminates the necessity for men to work is a vital fault. Incentives must be left to men; the incentives that arise from necessity, those which follow after essentials have been provided for the attainment of greater comfort, and the incentives which then arise that make for progress.

Happiness can be built upon self generation. But indolence, unrest, and the growth of disruptive political forces will certainly occur if huge unnecessary credits are made available. Self generation of a country is just as important as self generation of an individual. If the reconstruction of the war-torn countries moves forward slowly, but surely, with all of the people working, except the unemployables, happiness can prevail from the very start of the rebuilding. The political forces that complicate the efforts of men to progress will not be born.

A new world can be built that is new because every day, every week, every month, every year, the people can see and feel and live regeneration. There can be happiness, there can be peace among themselves and there can be peace between the nations.

The world cannot loan itself into prosperity. When self generation is allowed to take place, however, and is made possible where extreme disaster has prevailed; through minimum relief, private international loans can be made that will further recovery and help in raising the standard of living. It must never be forgotten, however, when such loans are made that it is their use which will determine whether they are wise.

A foreign loan should never be made unless the use of its pro-

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The Little Steel Formula

(Continued from first page)

this report is unsound and the choice of wage statistics is anything but fair and honest. Equally indefensible is the continued use in the report of a retail price index as a measurement of the cost of living, when every expert that has examined the Index published by the Bureau of Labor Statistics, which admittedly is misnamed as a "cost of living," testifies that the Index does not measure living costs and even the steel companies have testified that it is unfortunate that this price index is wrongly called by the name of "cost of living."

Retail prices, it is conceded by this report, have risen by thirty percent since January, 1941. The report also concedes that wages—wage rates, wage occupational schedules, basic wage—rate schedules—have risen only twenty percent (19.7% to be exact) in this same period ending in October, 1944. Now these basic wage-rates are the means by which workers are paid, they are the "price-list for work done by workers." They constitute the basic wage structure of industry, and are the only sound and tested measurement of what has happened to wages during the war.

This was recognized by the War Labor Board in July, 1942 when it promulgated the Little Steel Formula, as the foundation of this Formula is the freezing of wage rates to 15% above the January, 1941 level. At that time the rise in retail prices was measured at 15%. Since then, wage rates have advanced nationally, as just noted, to about 20%, but retail prices have risen to 30%. There has developed an equity, on a national basis, of 10% between wages and prices.

To be honest and fair this inequity, which labor has protested for so long, should be corrected by an upward revision of the Little Steel Formula. According to the WLB public members own figures, a 10% disparity exists. It cries out for correction. But it is denied by the slight-of-hand use of statistics. The report proposes to change the rules in the middle of the stream. It rejects the basis of the Little Steel Formula—wage rates—and proposes to adopt hourly straight-time earnings instead.

Hourly Rates and Straight-time Earnings

What is proposed is one of the greatest injustices I have ever seen emanating from a government agency. It is proposed that straight-time hourly earnings should be used instead of basic wage rates, and since these earnings have risen from 30 to 37% it is claimed that no inequity exists as compared to the 30% rise in retail prices since January, 1941.

The unsoundness, the unfairness of this juggling of wage statistics is apparent when it is noted that straight-time earnings include such factors as greater incentive earnings due to greater production, upgrading, merit increases, and shift premiums. These factors have no bearing in an accurate and fair measurement of wages because they are largely due to the war and have a limited life. The WLB public members concede this. I quote them:

"A large part of the increase in adjusted straight-time hourly earnings above the increases in wage-rate schedules probably will be eliminated when cutbacks occur and when the labor supply becomes adequate for industrial needs."

The report concedes that the factors, like greater incentive earnings, will largely disappear "when cut-backs occur," yet it proposes to rely upon them to preserve the wage freeze of the Little Steel Formula.

The unfairness of this proposal is emphasized by the following two factors. First, because workers have gone out and raised production to win the war, and temporarily earned higher incentive earnings, they are to be penalized in not having their basic wage rates increased. This, surely is breaking faith with workers who were told in the Little Steel Formula that only their basic wage rates would be considered in determining any inequities as a result of rising prices and cost of living.

Secondly, it is conceded that "when cut-backs occur" the factors contributing to higher straight-time earnings will largely vanish, and all that workers will have left to rely upon for earnings are their basic wage rates. Hours of work also will be cut, further reducing their earning power. But not prices or the cost of living. Every person with whom I have discussed the matter agrees that high prices will continue after the war insofar as they affect workers' living costs. Yet in the face of this virtual certainty, the WLB public members propose to continue the inequitable freeze of basic wage rates.

This unrealistic refusal to adjust the Little Steel Formula upwards does not make sense in terms of justice to workers or the needs of war production. It is inconceivable that the Federal Government can accept the proposal contained in the WLB public members report.

Change Needed to Speed Production

To speed up final victory, war production, which is so dependent upon a realistic wage and salary policy, cannot—for any reason—be permitted to lag. The mounting cost of living, and its attendant consequences, make it imperative that the 15% limit of the Little Steel Formula be substantially raised. The President's Committee on the Cost of Living found that since January, 1941, retail prices—which is only one element in total cost of living—have risen 30%, twice as much as the Formula, while special studies conducted by CIO show that total living costs have risen 45%—three times as much as the Formula, since January, 1941.

We therefore seek a wage adjustment to compensate American workers for the loss they have suffered as a result of the rising cost of living—an adjustment in the Little Steel Formula that will bring wages back into their proper relationship with current prices. The stabilization policy, thus restored, must be held by effective price controls, overall democratic rationing, effective limitation of profits and the stabilization of wages.

From the viewpoint of post-war it is equally necessary to raise wages now. This is emphasized by the maldistribution of the nation's savings. It is commonly believed that post-war prosperity will be built upon the accumulated savings of the American people. But the facts are to the contrary. The Office of Price Administration studies show that for 1942, 66% of the spending units—families and single consumers—received $2,500 or less in annual income, and they have only 11.6% of the total savings. The huge wartime savings, unfortunately, are not in the hands of the people who make up the vast majority of the buying public. I have some specific examples on this that I will go into later.

Many people ask, in the face of these facts, where is the money going? I do not profess to know, except some indication is afforded by a recent report on the nation's "billionaire" banks. It appears that there has been a 100% increase since 1939 in the number of banks in this classification. In 1944, 16 banks had total assets above one billion as compared to only eight at the close of 1939. And the combined total assets of the "billionaire" banks rose from $20.8 billion dollars in 1939 to $38.1 billion at the end of 1944, or an increase of 83%.

Thus savings, which some count on as a huge reservoir of post-war purchasing power, are for the most part held by too few people to be highly effective in creating a demand for consumer goods. Even those savings being held for the purchase of goods after the war may be withheld from the market if the economic security of the holders is jeopardized; and may be spent very sparingly for bare necessities by the worker who finds himself either unemployed or his job security highly uncertain. This underlines the necessity for providing American workers with a guaranteed annual wage. Because, unless the mass of American consumers has the prospect of sustained earnings, the postwar can hardly be a period of prosperity.

Technological Gains

Another development that makes an upward revision of wages necessary is the tremendous technological gains made during the war. These are even recognized by the National Association of Manufacturers which recently referred to the "incredibly increased productivity" of American industry during the war. The meaning in the postwar of this greatly increased man-hour output of American industry is that fewer workers will be required to produce war goods, and unless their wages are substantially raised there will not be the purchasing power to employ the displaced workers.

The steel industry provides a good example. From 1940 to 1944 steel ingot capacity rose by more than 15% to a total of more than 94 million tons. Industry sources report that at least "10% of the present steel capacity will be written off after the war with Japan ends as being too obsolete and too high cost to keep in operation." Assuming these industry sources are correct, this means that approximately twelve million tons of the most modern low-cost facilities will replace almost ten million tons of the oldest and most obsolete parts of the steel industry. What this will mean in terms of increased man-hour productivity can be seen from the fact that at a modern DPC steel plant in Homestead, compared to an old unit there, the tonnage produced per hour is 60% higher. The new unit requires 15% fewer workers, and produces 26% more tonnage, than the old steel plant. Unless the remaining workers receive higher wages, the displaced workers can hardly be absorbed in our economy.

The inequity of the Little Steel Formula is again demonstrated by the fact that it has frozen wage rates while productivity—man-hour output—has been rapidly increasing. America cannot afford to permit the basic wage rates of its workers to lag behind the rise in productivity. The Little Steel Formula, therefore, must be abandoned. In its place there must be an upward revision in wages to enable them to catch up with the constantly rising productivity of American industry. Consequently, over and beyond the several other important reasons why the Little Steel Formula should be abandoned, a change in the national wage stabilization policy is made mandatory by the enormous rise in productivity.

Steel Workers Make Test of Formula

I believe that there is no better economist in the country than the average American housewife. You can never get in a quarrel with her—she is always right. When you talk over the problems of wages, prices, cost of living, savings, spending, and so forth with a housewife, you are talking to an expert—one who knows.

In the United Steelworkers of America we have a rather extensive research department which periodically calls upon a representative group of steelworkers' housewives, who are picked at random, to find out about these matters. I want to tell you what these housewives—these really true "economists"—have to say. They live in Braddock, Pennsylvania, the steeltown, twelve miles up the Monongahela River from Pittsburgh, which bears the name of the great British general, and where the shrewd Andrew Carnegie built a rail mill in 1875 and cannily named it after J. Edgar Thomson, the president of the Pennsylvania Railroad Company. The income and expenditures for these families are for the month of January, 1945. The entire survey is still in process of completion, but I have been able to secure the results for a few of the families first interviewed. These give some indication of what the final results of the complete survey will find.

The first housewife gives us the following expert economic testimony. Her husband has worked for the Carnegie-Illinois Steel Corp. for 21 years and now received ninety-eight cents an hour, and with overtime earned $231.23 in January.

She has a 15-year-old daughter and a dependent elderly sister living with her, making a family unit of four persons. Her total expenditures in this month were $236.94. She went in the hole by $5.71 in January. But this does not tell her whole story. Her husband has 10% of his income deducted for bond purchases, so that her cash income was only $208.11, and her out-of-pocket debt in January was $28.83. The bond purchase, of course, is saving, but during the war her total net accumulated bondholdings have amounted to only $337.50, less than $85 per member of family. There is little, if any, liquid purchasing power in this family's bonds to spend in the post-war.

This housewife has not been extravagant in her expenditures, which amounted to $197.14, less taxes and insurance but not including bond deductions. She owns her own home, but had to spend $24.06 for real estate taxes, house repairs, and household operation. This was 12% of her expenditures. Fuel, electricity and ice took another 10%. Food accounted for 39%, clothing 20%, transportation 5%, medical care 6%, and miscellaneous items the remaining 9%. Her cash outlay of $40.28 for clothing and $76.60 for food demonstrate the great extent to which the cost of those essentials has risen during the war. Her food expenditures amounted to twenty and one-half cents per meal per person—hardly an excessive expenditure.

Now let us hear from another expert "economist." She tells her own story in the first person.

"I am a young housewife with four children, two in school and two at home. My oldest daughter is 12 and the youngest is two. My husband works for the Bethlehem Steel Company as a punching machine operator. He is 36 years old and has worked there for 15 years, ever since we were married. He makes 91 cents an hour, and worked very hard in January to earn $179.37, but with bond deduction he brought home only $149.37 in cash. We had no tax deductions because our family is so big and my husband's earnings are so low.

"I did the best I could, but went in the hole in January by $57.60, as our total expenditures were $206.97. It is some problem keeping two school children in clothes, and food is so high. At the first of the year we had $333.60 in the bank, but at the end of January this fell to $276. I don't know what we are going to do, because at this rate our savings will soon be gone. With the cost of everything so high, I don't see why wages aren't raised.

"Our rent is $36 a month, and this alone took 20% of our expenditures in January. Food is just terrible. I spent $113.21 for food or 57% of the total cost of running my house. This is only 20 cents a meal for each one in the family. My other costs were 3% for utilities, 6% for clothing, 1% for transportation and medical care, and 12% for miscellaneous items.

"I have cut corners all I know how. I don't buy clothes for myself. We can't find any lower-rent house to move to. Things are bad. I'm afraid we will have to quit buying bonds, unless wages are raised. This would break my husband's heart. We have $1,068.75 in bonds now, and we want to keep them for our children's education. It would be a shame if we had to use them to buy food and clothes for our children so that they won't be able to get the education that my husband and I missed. We certainly are going to do everything in our power to keep these bonds for the schooling of our children."

This economist gives testimony that speaks for itself. From the post-war viewpoint, it is clear that there is no accumulated purchasing power in this family to buy stoves, electric iceboxes, and other consumer durable goods to make the wheels of peacetime industry turn. This family's wartime savings are earmarked for education several years in the future. From a war viewpoint, it is clear that the Little Steel Formula is working a great hardship on this family and calls out for revision.

Let us look at still another case. This family is not of the conventional type. It consists of two elderly parents supported by a working son, who is 40 years of age. The parents are close to 70. The son is a pipefitter for the Carnegie-Illinois Steel Corporation, has worked there for 15 years, and earns $1.02 an hour. In January his total earnings were $216.24, or not enough to support himself and his parents. His father is a retired U. S. Steel worker and receives a Carnegie Pension of $11.06 a month, plus a Social Security check of $27.07 a month. The total family income is $254.37. In January this family had expenditures of $238.39, or $22.15 more than the supporting son was able to earn with overtime work included. While the pension checks of the father made up the difference and a few dollars more, actually the family went in the hole on an out-of-pocket basis when bond deductions are taken into account.

The actual cash expenditures of this family were $197.37 in January, not including taxes and insurance. Twenty-six percent went for shelter, the family having to spend $3.38 for repairs that the landlord used to make but has discontinued during the war. Fuel, ice, electricity took 5%, and 42%, or $80.43, went for food. This is 29 cents per meal per person, and taking into account that the family consists of three adults is certainly not excessive. Only 4% was spent for clothing, 1% for medical care, and 22% for miscellaneous items. This a frugal family, to say the least.

This family does have some accumulated purchasing power. The total savings, cash on hand, stocks and purchase price of bonds amounted to $1,580.16, of which $375 was in bonds, $950 in cash savings, $225 in stocks and $30.16 in cash on hand. This would appear to be a backlog of money that might be spent for maintaining production and employment in the postwar. But actually this $1,580 is anything but liquid. The son to whom these savings belong, explained to our interviewer: "That money is for the protection of my folks when I'm not working, or the mill is only operating a few days a pay. We are not going to use it to live on if we can help it. If the war isn't over soon, though, and the young boys don't soon come home, I might find myself giving mother some daughter-in-law trouble. But I've been a bachelor a long time, and I like it."

We have heard this evening from three expert "economists" who know what the problems of living are these days in a way that cannot be learned in a classroom. It would surely do some people in Washington, some good to get out into the hinterlands of America where the bulk of our 135 million people live, and find out these problems firsthand.

Postwar Considerations

In conclusion, I want to say a word about the postwar.

A genuine regard for public policy requires not only a frank statement of the conviction that the situation has changed since the present stabilization policy was adopted. It is necessary in addition to recognize that certain steps must be taken **now** to prevent a serious postwar collapse. Wage-price relationships have become radically distorted; if they are not corrected the goal of full employment cannot be reached. There is no need to emphasize the serious consequences of prolonged and serious unemployment. Every country in the world recognizes that the decade of the '30's must never be repeated. It is not by chance that both the Democratic and Republican Parties are not committed to the goal of full employment.

Assuming then a wide agreement on the goal, let us look at what is necessary to achieve it—not in terms of legislative action, but of economic policy. In 1939 the country's gross national product was only $88.6 billions. By 1943 it was $186.5 billions, or more than double the prewar level. The total of wages and salaries (exclusive of Government and agriculture) rose during these same years at precisely the same rate—110%. Aggregate profits before taxes, however, went up three times as fast, or 330%, from $5.3 billions to $22.8 billions. The ratio of wages and salaries to gross national product has not changed between 1939 and 1940, while the ratio of profits before taxes to gross national product has increased 103%.

For purposes of the present discussion it does not matter that a large portion of war profits was taken by the Government in taxes; we are not here concerned with the justice of the relative rise of wages and profits. What does matter is that such differential increases indicates a serious imbalance among labor costs, prices and wage rates. What has occurred during the war is that labor costs (and the same is true of materials costs) have risen less rapidly than the prices of finished products. This is in part due to the fact that the WLB has been effective in holding down wage rates, while the OPA has been relatively effective in holding down the prices of raw industrial materials.

It is due also in part to a wartime rise in labor productivity. In terms of constant (1939) dollars, the dollar output per worker employed in private non-agricultural industry has risen by 40% from about $3,040 in 1939 to about $4,250 in 1943. Assuming that the number of annual hours worked per employee has risen from something like 1,800 in 1939 to 2,250 in 1943, dollar output per man-hour has risen by 12%. Little if any of this increase has gone to workers in the form of wage increases; real hourly earnings have stayed about constant as the WLB Report shows.

Consider now what the situation will be in the period of transition from a war to a peacetime economy. Even further dislocations, and what is more important dislocations **in the same direction**, will occur at that time. In the first place, a very rapid further rise in productivity may be anticipated. After World War I, output per man-hour in manufacturing industries rose by 10% per year from 1919 to 1922. Correspondingly unit labor cost dropped by 24%. Because World War II has been longer and because pressure to improve technology has been greater, we may anticipate an even more rapid rise in productivity as the new technical developments are translated into the production of peacetime goods.

Making conservative estimates concerning the portion of gross national product which will be derived from agriculture and Government, and assuming that full employment means a rise both in profits and in the net income of farmers, we find that these estimates of gross national product at full employment imply increases in wage rates of 25% to 40% over present levels. An increase of 25% would not be adequate to maintain present take-home pay.

The increases must be large both because of the imbalance discussed above, and because even in the prewar period wages and salaries were too small a portion of national income. To achieve and maintain full employment, it is now generally agreed, a larger share must go to the lower income groups. Otherwise, purchasing power will not be adequate to buy back the products of industry and oversaving will again cripple production.

On the basis of considerations such as these, some agreement is developing among diverse groups that increases in wage rates must be made at some future time. What is less commonly recognized is that, for practical reasons, some increases must be made **at once**. Increases of the magnitude necessary simply cannot be made all at once and in particular they cannot be made when deflationary forces begin to get the upper hand. Government policy to raise wage rates no matter how well intentioned cannot be effective in the face of growing unemployment. Increases are needed **now to prevent** the triumph of deflationary forces. If we don't have them now we cannot prevent deflation, depression and unemployment. If we do get them now, it will be possible later to get the **additional increases** necessary to achieve full employment.

Would immediate increases be inflationary? On the cost side we believe that OPA figures are conclusive: present profit margins—indicative of a wide spread between costs and prices—are fully adequate to absorb all or practically all of a wage increase of the magnitude requested in the various specific CIO cases before the WLB. An increase of 20% in the aggregate private non-agricultural wage and salary bill, even if all taken away from profits, would still leave profits before taxes approximately at the level of 1940.

On the purchasing power side, our position is, as it has always been, that the dangers of the inflationary gap have been greatly exaggerated. A hold-the-line-policy on all the various fronts of price control, taxation, bond purchases, etc., if fully maintained will be adequate to prevent a serious inflationary rise in prices. To the existing policies designed to prevent inflation emphasis should be placed upon the careful dovetailing of civilian production and war production. As cutbacks occur in the production of war equipment, production for civilian use should increase. Plans along this line will have to be worked out in greater detail than has yet been done. It must be a principal responsibility of the Office of War Mobilization and Reconversion to see to it that plant capacity and labor freed from war production become immediately employed in producing consumption goods. An immediate realistic revision of the Little Steel Formula is imperative toward this end.

Real Estate Securities

The uptrend in real estate bond prices continued through February for the 32nd consecutive month, according to the Amott-Baker Real Bond Price Averages—an index covering 200 of the leading eastern real estate issues. The average price per bond increased 2.2% last month, compared to a gain or 4.6% in January. The average increase since January 1 is 6.9% and the gain for the 32-month period is 81.4%.

On Feb. 28 the average price per $1,000 bond stood at $557 as against $545 on Jan. 31, $521 on Dec. 31, 1944, and $307 on July 31, 1942—32 months ago.

While February gains were not, on average, quite as sharp as those scored during January the general list of real estate issues nevertheless acted well, as a whole. For the month a total of 106 issues increased in value, 70 remained unchanged and only 24 declined. Declines in most instances were relatively small.

In the classification by cities the 127 New York issues led the way for the second successive month with an average gain of 2.8%. This gain added to the 5.8% advance scored during January gives the New York list a price increase of 8.8% since Jan. 1. A group of 11 Boston issues improved 1.3% last month and were followed by gains of 0.7% and 0.2%, respectively, for 26 Philadelphia and 12 Pittsburgh issues.

In the classification by type of property 26 apartment hotel issues added a 2.6% advance to the 7.7% gain scored during January for a total increase of 10.5% since Jan. 1. Office building issues—87 in number—gained 2.2% last month after a 5.9% advance in January, making a total gain for the year of 8.3%. Another group of 28 hotel issues went up 2.6% in February while 36 apartment issues advanced 2.4%, making total 1945 gains of 6.3% and 5.3%, respectively.

Broker-Dealer Personnel Items

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

NEW YORK, N. Y.—**J. Stanley Champion** is now associated with the investment management department of **Calvin Bullock**, 1 Wall Street.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — **Frederick M. Blenkhorn** and **Salvatore R. Poliatti** are now with **Trusteed Funds, Inc.**, 33 State Street.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—**Henry C. Cholet** has joined the staff of **Southeastern Securities Corp.**, 308 West Adams Street.

(Special to THE FINANCIAL CHRONICLE)

LA JOLLA, CALIF. — **Harold F. Brown**, previously manager of the local office of the Bankamerica Company, has become associated with **H. R. Baker & Co.**, Bank of America Building, Los Angeles, Calif.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Calvin B. Stuart** has been added to the staff of **G. Brashears & Company**, 510 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Dale M. Peterson** and **Edward H. Van Cott** have become connected with **Crowell, Weedon & Co.**, 650 South Spring Strret. Mr. Peterson was formerly cashier for Adams-Fastnow Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Ernest W. Alston** has become associated with **Georgeson & Co.**, 52 Wall Street, New York City. Mr. Alston was priviously with Page, Hubbard & Asche.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Joseph A. Blanchard** is now with **Harris, Upham & Co.**, 523 West Sixth Street. He was previously manager of the Beverly Hills office of Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—**Howard J. Davidson**, formerly with Fewel & Co., has joined the staff of **Leo G. MacLaughlin Securities Co.**, 54 South Los Robles Avenue.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—**Charles W. Fenderson** is connected with **F. L. Putnam & Co., Inc.**, 97 Exchange Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Donald H. Ballard** is now with **H. R. Baker & Co.**, Russ Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **William R. Noak** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 221 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF. — **George T. Makin** is now affiliated with **Bankamerica Company**, Bank of America Building. Formerly he was in charge of the local office of Walston, Hoffman & Goodwin.

Foster & Adams To Admit

John H. Fleckenstin on March 15 will become a partner in Foster & Adams, 120 Broadway, New York City, members of the New York Stock and Curb Exchanges.

Mutual Funds

"Victory Is Bullish"

In a most impressive 28-page special study, Standard & Poor's Corporation goes all the way down the line for the premise that "Victory is Bullish." **Distributors Group** thought so well of this study that permission was obtained to reprint it and last week copies of the study were mailed to all dealers affiliated with Distributors Group. In a covering letter, the sponsor reproduces one chart from the study which contrasts the tremendous rise of the inflation factors in our economy with the nominal net change in stock prices during the war period.

Writes Standard & Poor's:

"War has created the materials of terrific inflation, which have exerted a considerable influence in certain directions, but thus far have touched the market for common stock hardly at all."

Over $50 Million

On Feb. 28 net assets of **Group Securities, Inc.,** passed the $50 million mark. "From $9 million to $50 million in 26 months," is the way Kenneth S. Gaston, President, describes this phenomenal growth record. Since the beginning of 1943 the shareholders and net assets of Group Securities have increased as follows:

	Number of Shareholders	Net Assets
January 1, 1943	7,800	$9,390,000
June 30, 1943	9,200	15,534,000
January 1, 1944	10.500	18,107,000
June 30, 1944	13,900	29,783,000
January 1, 1945	17,000	40,751,000
February 28, 1945	20,000	50,000,000

Mr. Gaston attributes this record mainly to two factors: (1) the healthy and generally expanding state of the investment company business; and (2) the enthusiasm among investment dealers and their clients for the "Selective Group Investing" method as developed through **Group Securities, Inc.** Mr. Gaston foresees further substantial growth ahead.

Money At Work

Keystone Corp., in the current issue of **Keynotes,** presents a chart illustrating "How Money Grows At Compound Interest."

"Shrewd, far-sighted Benjamin Franklin put $5,000 into a Trust Fund in Boston in 1791. By careful supervision and reinvestment of income, the Trust Fund had grown to $431,000 at the end of 100 years. At that time $329,000 was withdrawn from the Fund. The remaining $102,000 has been at work under expert supervision for 50 years and now has increased to $841,000."

The chart shows that $10,000 at 1% interest, compounded annually, grows in 20 years to $12,201. The same amount at 4%, compounded annually, grows in 20 years to $21,191.

A Sound Course

Lord, Abbett devotes the current issue of **Abstracts** to a discussion of the War Labor Board's findings with respect to the rise in the cost of living as compared with the rise in wages. It is shown that rising labor costs have reduced net income of many corporations during the last three years even in the face of increased revenues.

Lord, Abbett commends the WLB decision that the Little Steel formula should not be jeopardized at this time. "The WLB endeavor to prevent the rise and thereby escape the reaction during the present wartime period is the sound course to follow, and a happy augury for the future of security prices."

The Investor's Problem

National Securities & Research Corp., in a revised folder on **National Income Series** does a good job of stating the investor's problem today. The folder points out that in the past decade—

Living costs have incr. 37½%
Income taxes have incr. 515%
Interest rates have decr. 52%

"The investor caught in this squeeze and casting about for better-than-average income may choose from among many hundreds of issues of bonds and stocks. But all too often he buys high yield without due regard to risk and ends up by losing both capital and income."

National Income Series is offered as a reasonable solution to this problem. With its portfolio diversified among selected bonds, preferreds and common stocks, it provides a high return with reasonable assurance of stability.

Good to Live With

Commenting on the threat to investors embodied in the recent proposals by Marriner S. Eccles for a confiscatory tax on capital profits, **Selected Investments Co.,** in the current issue of **Selections** reaches the following conclusion:

"We doubt that such taxes will be enacted. But under the pressure of inflation illogical and unwise measures have been passed before, in other countries. So it behooves us all to do some serious thinking.

"Perhaps it would be wise to have most of one's investments in things one would be willing to live with for quite a while, if necessary."

An Undervalued Group

In a current mailing on **Railroad Equipment Shares** of **Group Securities, Inc.,** which includes two revised folders and a current "News," **Distributors Group** stresses the undervaluation in railroad equipment stocks at the present time.

"Foreign orders already on hand for American-built locomotives total 1,915 units. This is over three times our entire 1937 output and is more than any full year's production since 1924!"

Questions and Answers

Eaton & Howard have published a revised "Questions and Answers" folder on **Eaton & Howard Balanced Fund.** Here is a sample:

"What is the purpose of the Fund?

"To make available in a single security a balanced and diversified investment account. The Fund is designed and managed as if it were an individual's investment portfolio and represented his entire investment program."

Per Capita Income vs. Debt

Selected Investments Co., in the current issue of "These Things Seemed Important," compares the per capita national income with the per capita Federal Debt for various periods since 1920. "The ratio of Federal debt to national income, per capita, has been as follows: 1920, 36%; 1930, 23%; 1940, 58%; 1944, 144%.

"These ratios are likely to get worse, before they get better," concludes the sponsor.

Mutual Funds vs. Individual Stocks

Vance, Sanders & Co. in **Brevits** and **Calvin Bullock** in that sponsor's current **Bulletin** both stress the same important advantage which "common stock" mutual funds have over individual stocks. In both publications tables are presented showing the wide divergence of performance among leading individual stocks during 1944. **Brevits** then quotes Standard & Poor's as follows:

"Bull markets generally are accompanied by greater interest in investment company stocks, probably because such securities afford an assured means of participating in the rise. Investment companies hold well diversified lists of common stocks, kept constantly 'up-to-date' by rearrangements which have demonstrated their ability to achieve satisfactory results. Hence, the value of investment company stocks moves with the market."

Calvin Bullock writes: "The chances of disappointment in individual selections are averted through diversification of risk. Broad diversification of risk plus experienced, constant supervision gives reasonable assurance of better than average results."

Mutual Fund Literature

National Securities & Research Corp.—Current information folder on National-sponsored funds, memorandum showing portfolio changes during February. . . . **Lord, Abbett** — Composite summary folder for March on Lord, Abbett-sponsored Funds. . . . **Keystone Corp.** — Current data folder on **Keystone Custodian Funds;** revised edition of the "Security Selector" folder. . . . **Distributors Group**—Current issue of **Aviation News** and three revised folders on Aviation Shares.

Dividends

Commonwealth Investment Co.—A quarterly dividend of 6¢ a share payable April 2, 1945, to stock of record March 14.

Massachusetts Investors Second Fund—A quarterly dividend of 12¢ a share payable March 20, 1945, to stockholders of record Feb. 28.

Union Trusteed Funds, Inc.—The following quarterly dividends payable March 20, 1945, to stock of record March 10:

Union Bond Fund A	$.23
Union Bond Fund B	.22
Union Bond Fund C	.10
Union Preferred Stock Fund	.18
Union Common Stock Fund	.07

Wellington Fund—A quarterly dividend of 20¢ a share payable March 31, 1945, to stock of record March 15.

The Stock Market Outlook

(Continued from page 1042)

derlying influences throughout the period were related.

Intermediate Movements

The first intermediate upward movement of the present bull market carried to 145.82 on July 14, 1943, and the succeeding secondary reaction carried down to 129.57 on Nov. 30 of that year. The second intermediate upmovement topped out at 150.50 on July 10, 1944, and the succeeding secondary reaction went down to 142.96 on Sept. 14. The third intermediate rise has been in progress since September, with one rather large minor reaction to 151.35 on Jan. 24 preceding the recent breakthrough to new high ground.

Further Rise Indicated

As to the present indications, the forceful and broad breakthrough to new high ground points to an appreciable further rise ahead before the present intermediate rise is completed, and this expectation is enhanced by the beforementioned fact that the whole rise from 142.96 last September to the present level has been comparatively limited, particularly percentagewise (11%).

Another consideration is that now that the 1938 top (158.41) has been surpassed, the market is in the so-called "open water" area of the record 1937 markdown. The significance of levels as far away in time as these is, of course, open to question, since the normal divergent action of individual stocks over a period of years would find some through such levels and others far below when the averages again approach them. Nevertheless the record implies that such old levels often remain effective and should not be left out of consideration. The present implications on this basis are that 165 should be easily attainable and 175 by no means out of the question. Of course, minor reactions (one of which is probably imminent) could readily intervene, and the time element is indefinite.

Probable Duration

Apart from the location of the next intermediate top is the question of the duration and extent of the bull market as a whole. Of the two recent major bull markets, the one which culminated in 1937 lasted five years, and the other, ending in 1929, lasted six or eight years, depending on the point of view adopted with regard to the 1921-1923 period. In any event, the present bull market could last another three years without breaking the longevity record.

The present bull market is not nearly so high on the list in percentage rise as in duration. So far it shows a gain of 72%. The 1937 market showed 372% and the 1929 market 344%. Three other historical bull markets showed close to or more than a 100% gain.

Phases of a Bull Market

Another way to approach this problem is to consider the various phases through which a bull market customarily passes. In our March 25, 1943, discussion, we defined a bull market as "the longer term major upward trend of stock prices, usually roughly approximating in time a similar economic trend." In normal times the course of and expectations concerning corporate earnings are the greatest single motivating factor (determining, as it also does, the factor of income), but in wartime this influence is often distorted or submerged by other considerations (for instance, taxes) and particularly by the hesitancy to capitalize wartime earnings on a basis comparable with peacetime or "normal" earnings. However, there seems no reason to believe that the usual three phases of a bull market would be altered. These are: (1) rebound from overdepressed levels; (2) adjustment to improving conditions; (3) overdiscounting of favorable prospects because of excess of optimism. There seems little doubt that phase (1) ended in July, 1943. In some quarters there is an inclination to believe that the market is entering or about to enter phase (3), but, especially in view of the still relatively moderate price-earnings relationships in general, we are of the opinion that the market is still in phase (2).

Sequence of Investor Interest

Another consideration is the customary sequence of investor interest first in bonds, then in preferred stocks and finally in common stock. This sequence is perfect only on a theoretical basis and is usually difficult to trace actually. Nevertheless, it is an important underlying influence. Great investor interest has been seen in bonds and subsequently in preferred stocks. And now there is some indication that the interest has spread or begun to spread to common stocks. Of course, excellent opportunities on a selected basis still exist among bonds and preferred stocks, and greater common stock interest will not hinder excellent moves in bonds and preferreds.

In this connection it is interesting to note that the Dow-Jones 40-Bond Average has recently risen to new all-time highs. This index is, of course, a hybrid compilation, consisting of 30 high-grade bonds divided among rails, utilities and industrials, and 10 second-grade rails. The high-grade issues have been making new highs over a period of years.

The Search for Income

The subject of investor interest brings us to a factor at once one of the most important and one of the soundest in present-day securities markets, i.e., the search for income. The widespread buying of bonds and stocks for income is a basic factor of strength, removing issues from the market in upmoves, and making it difficult in declines to bring out supply of issues where income prospects are maintained.

With interest rates on high-grade bonds already around record lows, little prospect of a rise in them for an indeterminate time, and, in fact, a probability of a further decline, the attraction of relatively liberal income to investors is likely to continue strong, reinforced by high taxes and high living costs. The spread between high-grade bond yields and stock yields is exceptionally large, and this should maintain a strengthening influence on the prices of liberal-yielding securities, but does not detract from speculative opportunities in issues where income is not an important factor.

The Aspect of Margin Requirements

The recent raising of margin requirements by the Federal Reserve had no appreciable effect on the course of the market, due presumably to the small proportion of margin trading and the predominance of cash and investment buying, with funds in record supply. But it carried the implication that the authorities might feel called upon to take further steps if speculation appeared rampant—in fact, Mr. Eccles has just suggested a war profits tax on sales of stocks, and also homes and farms, testifying before the Senate Banking Committee (but Congressional action does not appear expected). Some further action might be taken in the event of a runaway market during wartime, but, looked at as a whole, the wartime market movements have been relatively conservative.

As to the reconversion or early post-war periods, it seems likely that the authorities would be reluctant to shake economic confidence by risking a market collapse such as severe measures might cause, especially in view of the blame long assigned to Federal Reserve action for the post-World-War-I depression.

General Bullish Factors

Aside from these more-or-less technical considerations, the genesis of the present bull market apparently lay in confidence in the outcome of the war, belief that taxes had reached practical limits, increasing probability of a great post-war boom, evidence of conservative strength in Congress, indications that reconversion problems had already been taken into consideration and, less tangibly, inflation potentialities. These factors remain and have not spent all their force. There is also a considerable underlying feeling that peace is bullish, and this is certainly beyond doubt in the tax aspect.

Long-Term Outlook

Any market prognostications of a long-term nature are necessarily conjecture, but the outlook for eventual substantially higher stock prices in the post-war period seems very strong to us. As to the medium-term outlook, the probable sequence is an intermediate top at appreciably higher levels, possibly coinciding with or discounting the overcoming of Germany and the highlighting of war-contract cutbacks (quite likely larger than now being talked) and reconversion problems. After a secondary reaction, the bull market would be resumed and run into the post-war period, with the normal expectancy of intermediate rises and reactions. A long continuance of the very selection action of late years seems likely.

Conceivably, if cutbacks are much greater than expected, reconversion particularly under price controls proves tougher than anticipated, labor troubles are severe, temporary unemployment peaks run beyond present moderate estimates, and especially if when such factors become operative stock price levels are substantially higher than now, a downward movement of sufficient scope to be considered a bear market would occur, to be followed by a new bull market as the post-war boom took hold. But near present levels of prices, considering the small over-all advance since the 1943 top of 145 and the July 1944 top of 150½, we doubt if such temporarily unfavorable factors would cause other than an intermediate reaction.

With the restoration of more normal relationships somewhere in the period around the close of the war, stock prices and economic trends should also resume their normal correlation.

[Reprinted from the Feb. 21, 1945, issue of "Investment Timing," published by the Economics & Investment Department of the National Securities & Research Corp., New York City.]

OUR REPORTER'S REPORT

Underwriters are so busy forming groups to bid for prospective new issues that, as one of those engaged in the process puts it, "few will know exactly where they stand between now and the time the shutters go up on private business to take up the task of helping the Treasury to market its Seventh War Loan."

Just now, it is pointed out, the market is in a most receptive mood, and the rank and file of investment bankers are naturally disposed to take advantage of the evident opportunity to bring out new issues.

The last few days have brought substantial additions to the list of prospects and though some of the reports may prove not too well-founded, it is generally assumed that the bulk of the business brought into the discussion stage will materialize into actual financing.

Meanwhile in the interval between now and the middle of next week when several issues are due up for bids, distributors are keeping their hand in by means of some sizeable secondary distributions.

Among the largest was a block of 45,300 shares of common stock of General Foods Corp., which was placed on Monday within a few minutes of the opening of subscription books.

Similarly, it required only a brief time to distribute a block of 6,594 shares of General Tire & Rubber Co. via the special offering route on the Stock Exchange, and 50,000 shares of Solar Manufacturing Corp., offered as a secondary, was reported moving out readily.

Pacific Gas & Electric

The marketing of Pacific Gas & Electric Corp.'s $80,000,000 of new mortgage bonds, which the company would like to sell early next week, has brought on a struggle, which is little short of a "pier six" brawl, between banking interests seeking the issue.

Last Fall the company did a $115,000,000 refinancing job, via the negotiated route, through bankers who had served it for years. Now a middle western banking aggregation is seeking to throw the business into competitive bidding.

The California Railroad Commission will rule on the matter tomorrow and meanwhile a decision is due down from the Supreme Court on an appeal by the SEC from an injunction obtained by the company in the Circuit Court against the Commission's ruling that the company is a subsidiary of North American Co. and accordingly subject to its competitive bidding rule.

It is interesting to note that the banking group seeking competitive bidding, is one which its West Coast opponent nosed out in competition for Pere Marquette's $50,000,000 issue the middle of last month.

The Kind They Like

Well, Northern Pennsylvania Power Co.'s offering of $4,000,000 of 30-year first mortgage bonds on Tuesday certainly proved that this is the size issue in which banking groups revel.

The sale brought out a total of seven separate bids with bankers fixing the coupon and the price. The bonds were awarded on a bid of 100.1414 for a 2¾% coupon.

Additions to the List

Among the prospective additions to the list of potential new issuers during the week some assume sizeable proportions.

Illinois Power Co., for example, is reported planning to refinance its outstanding total debt, largest of which is represented by $63,000,000 of first and collateral trust 4s placed privately hardly a year ago.

Ohio Edison Co. has filed with SEC for refunding of its $26,089,000 of 3¾% bonds on a lower cost basis calling for an interest rate of not over 3% on the projected new issue.

Wheeling Steel Corp. is said to be about ready to register for an issue of $24,000,000 new bonds probably 3¼s to run for 25 years, which with bank loans would permit retirement of $30,000,000 of 3½s.

Texas Electric Service Co., meanwhile has registered to sell $18,000,000 of new first mortgage bonds, due 1975 and 68,875 shares of new preferred stock as part of a program for revamping its debt structure.

Initiative, Not Credit, Basic to Solution of World Problems

(Continued from page 1055)

ceeds in the borrowing country will serve either directly or indirectly to earn its service costs and its amortization in the foreign exchange needed to meet its payment.

Loans can be made between governments which, if utilized by the borrower to extend buying power to its citizens without proper work return, can develop unrest, untoward political forces and conditions of strain and discontent that may represent the first cloud upon the horizon of peace that will lead to a storm of disaster and a new war.

Let us measure, for a moment, the probable ability of the countries to help themselves and to start self generation of wealth.

Following World War I, it was estimated that the gold held outside of the United States, including dollar exchange, amounted to about five billion dollars. Today, such resources exist in countries outside of the United States to a total of over twenty billion dollars, probably to about twenty-five billion. An important part of this sum belongs to those nations which will require funds for reconstruction, such as Belgium, France, Holland, Norway, Czechoslovakia and Denmark. Other countries which hold important amounts of such resources are Switzerland, Sweden, Portugal and Spain.

Then, of the warring countries of Rumania, Hungary, and Bulgaria, gold is owned that may be available in some manner for reconstruction even though they may not be able to utilize it themselves.

At the end of 1941 known holdings of gold outside the United States equaled $8,750,000,000; it was estimated that undisclosed holdings equaled $2,000,000,000; and that there were dollar deposits in the United States plus short-time investments of $3,500,000,000; it was believed that stocks and bonds in this country belonging to foreign interests amounted to $3,000,000,000; and long-time investments amounted to $3,500,000,000; making altogether gold and dollar assets of $20,750,000,000.

In June, 1944, gold held outside of the United States amounted to $14,670,000,000; and dollar balances in the United States were $5,930,000,000, or a total of $20,600,000,000, without taking into account securities and long-time investments. The Latin American countries were known to have increased their gold and dollar balance holdings from 1939 to 1943 from $900,000,000 to $3,000,000,000. Following the war, these countries should be able, under wise procedure, to assume a stronger and much more satisfactory position in the world than ever before. Developments that have increased the markets for some of their natural resources due to war will undergo some important changes. The needs of the United Nations for some of their exports for war will disappear. Nevertheless, they will find themselves able to start over on peace-time exports and imports on a broader base.

The needs for reconstruction in Europe will require some of the raw materials found in the natural resources of these countries. As the European nations rebuild, they will find themselves able to take a growing group of commodities from Latin American countries and pay for them with exports.

Following World War I a tremendous international indebtedness was built up. The Allies owed to the United States $11,000,000,000. Huge amounts have been paid upon these loans and yet, with accruing interest, they now amount to $13,000,000,000. Added to this total were the other Inter-Allied loans and the German reparations.

Then, new loans were created after the close of the war between the nationals of the United States and those of many of the European countries.

Can anyone believe for a moment that a defaulted debt structure such as that which existed in the world Dec. 31, 1943, could become a part of our post-war world without creating the unrest that makes for war? Just take, for instance, the dollar loans owed to the United States of America that are in default and we find the following:

Latin America	$1,086,100,000
Europe	1,166,600,000
Far East	289,200,000
North America	86,700,000
Total	$2,628,600,000

Add to this the $13,000,000,000 of unpaid Allied debts and we have a total of 15½ billion dollars in default to this country. It is interesting to note that the debtors of 14½ billions of dollars that are in default are governments and that corporations only account for $980,700,000.

These huge loans undoubtedly served to hold back recovery and led to the depreciation of the currencies of the European countries.

The incentive to work was destroyed and great political forces were created that led to pressures upon governments that were followed by methods that led straight to totalitarian procedure and World War II became inevitable.

Have we learned anything from these happenings that will enable us to prevent World War III? Time only will tell. The peace agreements that are being sought for between the nations if properly worked out can be of enormous value, but regardless of their soundness, the tossing of great credits into the world pool of financial transactions can turn it into a whirlpool of discord under which payments are impossible. The stresses of debts will make for discontent, the demagogic forces of the world will cash in on such discontent and World War III may follow to destroy civilization for generations.

The great unrest created by the propaganda of the last decade or two which has led millions upon millions of people to believe that government can assume their responsibilities must be overcome if peace is to prevail.

Seemingly there are going to be some terrifying undercurrents of dissatisfaction due to boundary settlements after the war that may smoulder for years and then burst into flame. This is one of the great responsibilities of the United Nations in arranging the peace.

The danger which lies in this situation makes it all the more necessary that the ameliorating influences of an intelligent re-establishment of international trade and stabilization of economies on a sound basis be accomplished. It also says in no uncertain terms that it is not going to be safe for the world to have it enter into the peace saddled with an enormous and unwieldy debt structure or conditions that will foster the creation of such a development which can, of itself, lead to war without any other provocation.

The post-war reconstruction must be carried on with the highest degree of patience ever known to exist in the history of the world. The exercise of such patience will be rewarded by a growing sense of personal responsibility on the part of all mankind. Without such a movement a lasting peace is not possible.

Finally, spiritual reconstruction is being overlooked. Hatreds are self-destroying, but they do not injure the hated, except as they become active in personal or national war. It must not be forgotten that it is only production that arises from the efforts of men that will accomplish the rebuilding of war destruction and it must not be forgoten that such reconstruction, even if it can be brought about while hatreds exist, will accomplish nothing for the world until spiritual regeneration finds its place among all the nations of the earth.

Says Bretton Woods Is a Scheme To Lend American Dollars

(Continued from page 1043)

measure calls for this country to contribute at the outset approximately $6 billions to a world monetary stabilization Fund and a world reconstruction and development Bank. Those two unprecedented international bodies, which some have likened to cartels, would proceed to relend our dollars to other members of these financial unions. Both Fund and Bank would be authorized to borrow in our money markets. Both, moreover, might be increased in size. Our $6-billion contribution, therefore, would be only our initial commitment. Once Congress agrees to the bill H. R. 2211, the United States will be under an unwritten but no less real obligation to see the thing through, however much additional money we are later requested to put up.

Even $6 billions is a whale of a lot of money in my district. That's six thousand million dollars to be paid out by this country for certain promised benefits, such as that it will mean no more wars. As a member of the Ways and Means Committee encharged with raising revenues no less than as a member of Congress who must vote an this proposition, I was interested to see how the Administration proposes to raise those $6 billions from the taxpayers. I find that, in the anxiety to get the Bretton Woods program enacted with a minimum of questioning in Congress, they have worked out a method of financing the Bretton Woods program that will by-pass not only the Ways and Means Committee, but also the Appropriations Committees of both House and Senate. Evidently, we're not supposed to be too inquisitive about this program. It will be financed partly by inflation—using "profits" of the 1934 devaluation—and, principally, by increasing the public debt.

The idea behind the Bretton Woods program is that the world will want from us after the war a tremendous lot of goods and services for which the various countries either will not have the means to pay or, as in many instances, possessing gold and U. S. dollar balances, prefer not to spend them. The taxpayers of other countries naturally will benefit by any scheme of "trade" which this country will finance. The nature of the proposed world Bank as a lending body is obvious. It will be able to make or guarantee loans up to a total of $9,100,000,000. The Bank agreement does not say so in words, but it was made clear at Bretton Woods by the Latin American bloc that this world Bank is to lend $50 for "development" purposes to every $50 it lends for "reconstruction." Therefore, the understanding is, members of the Bank expect to obtain loans from it as a matter of right. That is a principal which I regard with understandable misgiving.

The proposed stabilization Fund would have $8.8 billions of miscellaneous paper currencies and gold to play with. We would supply in American dollars $2,750,000,000 of the $8.8 billions For an understanding of the Fund I turn to articles written by members of the American delegation and staff at Bretton Woods. These statements make perfectly clear that the Fund, too, would be a lending institution.

Prof. Mabel Newcomer, a member of our delegation at Bretton Woods, writes:

> Each nation can borrow from this Fund to a maximum of its subscribed quota, if necessary . . . [1]

Mr. Edward E. Brown, another member of our delegation at Bretton Woods, gives this description of the proposed Fund's operation:

> Each country receives a right to borrow the currencies of other countries held by the Fund up to the amount of its quota, subject to the condition that the money borrowed is for the purposes of the Fund, with the proviso that no country shall have the right to borrow more than 25 per cent of its quota in any one year. When a country borrows, it is required to pay a small initial fee and, after a certain length of time, must pay interest on its borrowings at a rate which increases progressively with the percentage of its quota borrowed and with the length of time the loan is outstanding. The Fund agreement, however, does not speak of a country's borrowing or of interest. Instead, it speaks of the Fund's acquiring an amount of the currency (meaning thereby a bank deposit in its central bank or else its demand treasury bills) of a country in excess of its quota and of charges to be paid by a country whose currency is held by the Fund in excess of that country's quota.
>
> It is difficult for the average man reading the plan to realize that, when the Fund acquires currency of a country beyond that country's quota, it is really loaning money to that counrty; and it is also difficult for the average man to realize that a "charge" paid by that country on such excess is interest on the amount borrowed.[2]

Dr. E. A. Goldenweiser and Miss Alice Bourneuf of the Federal Reserve Board Staff, who were on the staff of our delegation at the Bretton Woods Conference, in their article in the official bulletin of the Federal Reserve Board, write:

> It is important to an understanding of the Fund's operations to recognize that a country's currency, as such, is good only in the issuing country, and that when it acquires foreign currencies from the Fund and pays from them in its own currency, it, in effect, borrows these foreign currencies and gives the Fund, in exchange, demand obligations which constitue a claim on its goods and services. . . . The transaction has elements of a loan by the Fund to the country which purchases exchange from it, notwithstanding the fact that currency paid into the Fund for the foreign exchange is money in its own country.[3]

The bankers who have studied the proposed Fund naturally come to the same conclusion. They ought to know a lending institution when they see one. Three leading bankers associations in a report published February 5 state, concerning the Fund, that it "introduces a method of lending which is novel and contrary to accepted credit principles. Under the system of quotas in the Fund, a member country would be virtually entitled to borrow in certain specified annual amounts.[4]

The report of the New York State Bankers Association, "Bretton Woods Proposals," makes it clear enough for a grade school pupil to understand that the proposed monetary Fund would make loans.[5]

What shall we say, then of the statement broadcast to the nation by Secretary of the Treasury Henry Morgenthau, Jr., from St. Louis on February 14, 1945, which reads:

> Now let me make this clear —the Fund is not a scheme for lending money to debtor nations—and those who see it in that light are missing its entire meaning.

The Secretary of the Treasury was party to the long negotiations with the British concerning his own credit plan and that of Lord Keynes, who advocates world-wide pump priming with American dollars. The Treasury itself reports that "three years of study" have gone into the Bretton Woods proposals.[6] Mr. Morgenthau himself headed the United States delegation to Bretton Woods and served as President of the Conference. Yet he either does not know that the Bretton Woods Fund is a scheme for lending American dollars to debtor nations, or he does not want the American people to know it. That is the only interpretation I can make of the statement which he broadcast to the nation from St. Louis and gave out to the newspapers.

I think this Bretton Woods Scheme should have the most careful examination by Congress and the public before we take the Treasury's word for what it is.

1 Monetary Plans for the United Nations—A Layman's Guide to Proposals of the Bretton Woods Conference, American Association of University Women, Washington, 1944.

2 "The International Monetary Fund: A Consideration of Certain Objections." The Journal of Business of the University of Chicago, October, 1944, p. 200.

3 "Bretton Woods Agreements," reprinted from Federal Reserve Bulletin for September, 1944, p. 7. (The reprints are available from the Federal Reserve Board and from the Treasury Department's Division of Monetary Reserch.)

4 Practical International Financial Organization, p. 8.

5 See pages 9-15 of the report mentioned.

6 U. S. Treas. Dept., The Bretton Woods Proposals, Government Printing Office, Feb. 15, 1945, p. 1.

Canada Releases French Gold Holdings & Securities

Under date of Feb. 17 Canada Press advices from Ottawa said stocks of gold and securities belonging to the Government of France and the Bank of France and on deposit with Bank of Canada were released to the French authorities some time ago.

French assets in Canada were frozen at the time of the German occupation. There has been no general release of privately owned French assets in Canada. These are still under the control of the custodian of enemy property. Individuals and individual firms, however, have been obtaining release of their assets on establishing ownership and other facts.

Guy Walker, Jr. Admits Thayer To Partnership

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — James B. Thayer has become a partner with Guy W. Walker, Jr. in Guy W. Walker & Company, 53 State Street. Mr. Walker has recently been active as an individual dealer and prior thereto did business under the firm name of G. W. Walker & Co.

Bramsley in Brookline

(Special to THE FINANCIAL CHRONICLE)

BROOKLINE, MASS. — Alec Bramsley is engaging in a securities business from offices at 71 Kilsyth Road.

Eccles Defends His Proposal to Tax Gains on Capital Values

(Continued from first page)

"When questioned by members of the Senate Banking and Currency Committee last week as to what could be done to prevent further inflation of capital values, I reiterated my opinion that the most effective single instrument would be a wartime penalty rate on capital gains. Since the proposal, which was only briefly discussed before the Committee, has been widely misunderstood and misrepresented in some quarters, I feel that I should outline what I advocated and why.

"I did not propose any change in the present capital gains tax. My proposal would apply only to the sale of capital assets (as defined under the present law) acquired during a period to be fixed by Congress. My suggestion was that this period be from January 1, 1945 until such time as inflationary dangers have passed, which might be two, or possibly three years after the war. This special wartime capital gains tax would not be superimposed upon the existing tax, but would apply only to assets purchased during this period. It would not apply to real estate, stocks or other assets acquired at any time prior to January 1, 1945. These assets, if sold, would continue to be subject to the existing capital gains tax. The special tax I have in mind would impose a 90 per cent rate on capital gains derived from the sale, within two years, of capital assets acquired during the specified period; thereafter it would diminish by 10 per cent, or more, annually until equal to the existing rate. Capital losses incurred on transactions subject to the special rate would be deductible against profits.

"The special tax, like any other anti-inflation control, should be discontinued when the need for it no longer exists. Since the purpose of the special tax is anti-inflationary, revenue is not the objective and the more effective the tax, the less it would yield. However, such yield as resulted would be based on rates in line with those imposed under the wartime individual and corporate income tax structure.

"The reasons for such a special capital gains tax may be summarized as follows:

"1. Capital values, as reflected in current prices of homes, farms, business properties and stocks, have increased sharply since this country entered the war; and are still increasing. If unchecked, this trend would undermine the entire price and wage stabilization program, with grave consequences to post-war reconversion. It would make war-financing problems more difficult and increase the cost of the war. It would make a mirage of the hopes of millions of war veterans who are counting on being able to obtain a home, or a farm, or to get started in business when they return from the front. Congress has encouraged this hope in the so-called G. I. Bill of Rights, and by providing dismissal pay and otherwise. Those on the home front have an inescapable obligation to take whatever steps may be necessary to protect the values of homes, farms and other necessities so that they will not be hopelessly out of reach of the veteran's purse. There are no war profits in that purse.

"2. While other sectors on the home front have been protected by direct measures, such as rationing, allocations, price and wage controls, no effective controls have been applied to curb rising prices of homes, farms, stocks and other capital assets. The wartime expansion of liquid assets presents a vast and growing danger to these unprotected sectors. Currency, demand deposits and Government securities held principally by individuals and corporations are rapidly approaching 200 billion dollars and have nearly tripled since we entered the war. This huge inflation potential will continue to grow as long as deficit-financing continues. Unless effective action is taken to prevent these liquid funds from increasingly inflating capital values, it will become more and more difficult, if not impossible, to hold the line against inflationary price and wage increases. Veterans of the last war, especially farmers, have not forgotten the inflation and the consequent ruinous deflation resulting from failure to control a relatively small volume of liquid funds in the last year. The present volume of such funds is already four times as great as it was in 1920. The national debt is nearly ten times larger today and is still growing.

"3. The most serious gap in the line of defense against inflationary forces is the capital gains loophole in the wartime tax structure. While Congress has provided sharply progressive surtax rates, rising to a high of 91 per cent on individual incomes, and a maximum excess profits tax of 95 per cent levied upon operating profits of corporations, no corresponding curb has been put upon capital gains, which continue to be subject to prewar rates, with a 25 per cent maximum. This huge differential in favor of the capital gains tax benefits only the larger taxpayers. The bigger they are, the greater the inducement today to dispose of or refuse to put money into fixed interest-bearing obligations that return only a small yield and have little chance for a capital gain, and to put money instead into capital assets, which, when sold on a rising market, yield profits subject only to a capital gains tax of 25 per cent, or less.

"Yet these profits are just as much a result of war expenditures as are high individual and corporate incomes which are subjected to high wartime tax rates. The inequity of this situation is the more pronounced because the benefit of the tax differential accrues only to those in the higher income brackets. The smaller income taxpayers can derive no tax benefits from it. Large operators, however—so-called smart money—are taking more and more advantage of the opening, and this is a principal factor at present in bidding up real estate, stocks and other capital values. It is not the bona fide investor or the small taxpayer who is applying this upward leverage to prices of capital assets. This is speculation—not investment. It is speculation in basic essentials such as homes, or farms, or in stocks representing business investments. It adds nothing to national wealth. Such forms of gambling as betting on horse races or playing slot machines do little economic damage. But speculating in the things that people need and use, speculation that leads to disruption of production and employment, is the worst form of gambling.

"4. The proposal I have in mind would simultaneously reach and discourage all such speculative transactions, whether in homes, farms, stocks or commodities, and whether based upon credit or cash—and would do so without interference with normal, non-speculative transactions, whereas, if credit restrictions alone were applied, they would fail entirely to reach cash transactions for speculative purposes and would interfere with legitimate, non-speculative credit transactions. The bona fide investor would not be deterred either now or in the reconversion period by the proposed tax, for he puts his money into a farm, or into stocks of existing or of new enterprise for the purpose of obtaining current income and for long-range appreciation of values. It is the speculator, not the investor, who puts money into capital assets in anticipation of a quick rise in price from which a speculative profit can be realized through selling before the price breaks. However, should the investor be obliged or desire to sell while the wartime rate is still in effect, he would not be injured, since he had not purchased in anticipation of selling in order to make a speculative profit. In any event, under the proposed tax, he would be permitted to retain a profit of 10%, or more, depending on how long he held the asset.

"5. To the extent that the proposed tax would discourage surplus funds from going into speculative fields, to which they will be attracted so long as prices are rising, there will be that much more available to go into Government securities where they should go to help finance this war. It would appear from criticisms expressed by some of the financial press and market operators that they fear the tax would be effective in greatly reducing buying activity that might otherwise develop. That is the purpose of the tax. According to these critics, the proposed tax would dry up the market because it would deter holders of capital assets from selling. But it need not deter holders of assets acquired prior to the effective date of the tax from selling, because it would not apply to them. It would deter the buying and hence the bidding up of capital assets while the tax is in effect, and that is exactly the result desired. It is the only way to keep the prices of these assets from being bid higher and higher until the bubble bursts. Nothing would be a greater deterrent to post-war reconversion than such an inflationary rise in prices, which would inevitably be followed by a deflationary collapse. Hence nothing would do more to wreck post-war programs for full employment and economic stability on which a lasting peace depends.

"6. The proposed tax is an essential wartime expedient, like price, wage and other direct measures of control that deal with the effects, not with the causes, of inflationary forces resulting from huge deficit-financing of the war. Had the public and hence the Congress been willing to deal with inflationary causes, deficit-financing would have been held to a minimum by far higher taxes and by far greater economy and efficiency in war expenditures. Some of us urged that course from the outset, but since it has not been followed, the only alternative is to deal with inflationary effects by such expedients as are necessary to hold the line so long as inflationary dangers exist. After reconversion, demand, which has so vastly exceeded supply in wartime, should be met by fully employing our manpower and material resources in peacetime production, and creation of further inflationary forces should be ended by greatly reducing public expenditures and by maintaining such taxes as are necessary to bring about a balanced budget.

"I have received a few letters from civilians who fail to see why we should have either such disagreeable things as taxes sufficient to deal with inflationary causes or, alternatively, direct control measures necessary to deal with inflationary effects. On the other hand, I have also received a number of letters from men in the armed forces who hope, if their lives are spared, to buy a home or a farm. They do see, with a clarity that should be a warning, why those on the home front should do whatever is necessary to make this country's economic future secure, with all that portends for the peace of the world."

Canadian Securities

By BRUCE WILLIAMS

Prime Minister Mackenzie King, in his recent broadcast to the nation, clarified the following hitherto doubtful points:

(a) Parliament will be called March 19 to vote interim supply and to formulate a foreign policy mandate for the San Francisco Conference.

(b) As suspected, there was a distinct possibility of an immediate dissolution of Parliament and an early Federal election before April 23, following the Grey North by-election result, but the state of war in Europe was the governing consideration.

(c) The Eighth Victory Loan campaign will be held April 23 to May 12 and, as previously deduced, Mr. King stated that the general election would be called a reasonable time after the close of the Loan drive. As there is a period of approximately two months between the issue of the writs for the election and polling day, the actual election date should fall around the end of June or beginning of July.

Another political matter of lesser import but which nevertheless is causing considerable concern in Ottawa, is the protracted Saskatchewan seed grain case. This matter dates back to 1938, when following the 1937 grain failures, wheat seed valued at $1.45 per bushel was distributed to the Saskatchewan farmers through the various municipalities. Financing was arranged through the banks and the municipal loans were guaranteed by the Province of Saskatchewan in the first place and finally by the Federal Government.

Last November, the Saskatchewan Government refused to honor its guarantee and the Federal Government paid the banks, and withheld $582,331 from the payment due Jan. 31 to Saskatchewan under the Dominion Provincial Tax Agreement.

C. C. F. Premier Douglas of Saskatchewan is now challenging the legality of the Dominion Government's action in withholding this payment, but has agreed to submit the case to arbitration. At the present moment, complete agreement has not been reached

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Morgenthau Argues for Bretton Woods Proposals

(Continued from page 1043)

ments are good for every American citizen.

I have been in close contact with every step of their development. I have watched the many months of arduous preliminary work. I have taken part in the deliberations of the conference at Bretton Woods, New Hampshire. I have studied the discussion that has taken place in the seven months since then. And I can assure you that the program we are advocating is definitely good business for the United States.

The Bretton Woods agreements, it is true, deal with the rather technical questions of national currencies and international credits. But they present a very simple issue—stability and order instead of insecurity and chaos.

Furthermore, these agreements can be translated into the basic necessities of life for the American people. They involve jobs and profits. They help determine the fate of both new and old enterprises. They govern the amount of food on the family table, the money for a new radio, school books for the children. Our country has as much to gain, perhaps more than any other, from passage of the legislation new before you.

The Bretton Woods agreements are a firm step toward the solution of two problems which concern the American people more than anything except only the progress of our fighting men overseas. These problems are the organization of world security and the development of the world's resources for the benefit of all its people. Of course, the two objectives are as interdependent as the blades of a pair of scissors. One will not work very well without the other.

Legislation to carry out the Bretton Woods program is the first practical test of our willingness to cooperate in the work of world reconstruction and stabilization. It is also one very important step toward the orderly, expanding foreign trade upon which the future prosperity of our agriculture and our industry depends.

At Bretton Woods, the representatives of 44 United Nations agreed upon the creation of an International Monetary Fund and an International Bank for Reconstruction and Development. The members of Congress who were part of our delegation and contributed much to the success of the conference know that there was no trace of partisan politics in our deliberations. Nor has partisanship intruded itself into the issue since then.

We were seeking a solution to one of the world's knottiest problems. Only the good will, good sense and sincerity of all the 44 nations could have found it. And I am confident that we did find it.

The Monetary Fund provides machinery for preventing or if need be repairing the dislocation of international exchange rates. Stability in these rates means that all the nations can enter into world commerce without resorting to cut-throat competition. In world trade, such throat-cutting in the 1930's took the form of currency depreciation, blocked funds, import quotas, multiple currencies and trade preferences. Desperate nations tried to save themselves at the expense of their neighbors. The result was injury to both. The trade of the United States suffered heavily from discriminatory practices of this kind. Our foreign commerce, which had fallen off sharply during the depression, made substantial gains where trade was free, but failed to recover and even lost ground in trade with those countries which had set up monetary barriers against us.

Economic Aggression

One of the chief contributions to peace that the Bretton Woods program offers is that it will free the small and even the middle-sized nations from the danger of economic aggression by more powerful neighbors. The lesser nation will no longer be obliged to look to a single powerful country for monetary support or capital for development, and have to make dangerous political and economic concessions in the process. Political independence in the past has often proved to be a sham when economic independence did not go with it.

Under the Bretton Woods agreements, both will be strengthened. The smaller countries can come to the International Fund for monetary aid and to the world bank for reconstruction and development funds. Loans will be made without political strings and without forcing the borrower into unnatural or undesirable trade relationships.

Therefore, in considering the legislation to carry out the Bretton Woods program, the choice before us is the fundamental one of economic isolationism versus United States cooperation in the rebuilding of a peaceful world. We know that economic security in the midst of political chaos is impossible. But political security in the midst of economic chaos is equally impossible. The Bretton Woods agreements are a part of the over-all program to achieve both political and economic security.

Power politics, in the sense of the bullying of small nations by big ones and of weak nations by powerful ones, has become a term of reproach in the world. The United Nations hope to abolish it from the earth. But power economics may be just as dangerous, for if it is not the root of all evil in international affairs it is at the very least a frequent cause of conflict. The legislation before this committee offers what I am convinced is our best hope of banishing that, too.

Of course, no program that the wisdom of men could devise can possibly prevent a repetition of the tragedies of the Thirties unless there is a will to carry it out. Obviously, governments first of all must want to achieve monetary stability. The fact that 44 delegations approved the Monetary Fund was the substantial evidence of their desire for stabilization. The legislation before your committee is simply the machinery through which that will can be expressed.

The International Bank for Reconstruction and Development is designed to stimulate the reconstruction of war-torn countries and the necessary development in all countries. It is strictly confined to loans for thoroughly productive purposes. It is hedged about with safeguards to insure sound practices. Its functions have been formulated so that private finance will be rather helped than hindered by its operation.

The practical benefits of the program are so great and so obvious that I should like to summarize them briefly. But it must be understood that the success of the Bretton Woods agreements, and the success of any other international agreements or national policies, depend upon other progressive and intelligent measures to insure the economic health of the world.

What the Agreement Will Do

As an important part of the machinery for establishing peace and promoting a profitable and useful commerce after the war, the Bretton Woods agreements will do or contribute to the doing of these things:

They will offer a medium for stabilizing exchange rates through which the foreign business of American firms can be carried out in an orderly manner and on an expanding scale. Anyone who had to grope his business way through the maze of fluctuating foreign currencies between the two world wars will appreciate the value of this.

The agreements will be an equal benefit to American companies with branches abroad. In all too many cases in the past, the profits of those branches were frozen. The Bretton Woods program will facilitate the payment of the legitimate profits of American branches abroad by any member nation.

Because it offers a method for stabilizing currencies, the Monetary Fund is a long step toward eliminating some of the most dangerous restrictions on foreign trade. It removes the excuse for the tangle of import quotas, discriminatory tariffs and other desperate measures which added so many difficulties to the friendly economic relations between nations in the Thirties.

The operation of the Bank will offer the best protection the American investor has ever enjoyed in the field of foreign finance. The facilities of the Bank are to be such that the private American purchaser of foreign bonds will know that impartial experts have considered the purpose of the loan sound. If the Bank's own money goes into floating the issue, the loan will also be guaranteed by the borrowing country and by all the resources of the Bank as derived from 44 member nations. People who bought certain foreign bonds during the Twenties will realize how great a boon this can be.

In effect, the Bank discourages the borrowing country from seeking money that it cannot use productively and repay in full. It protects the lender from putting his money into investments that are not sound either because the borrower is over-extended or because the purpose of the loan is not genuinely useful.

In the post-war world there will be many demands for reconstruction and new development which will not offer an attractive return to private finance. Or perhaps they will seem too risky to the private financier. These loans the Bank would be prepared to make itself at low rates of interest or to guarantee for the private financing group. The obvious result will be speedier rebuilding of the nations which are America's customers and the development of new resources and new sources of wealth in countries which will be better customers than before.

In short, the whole program becomes the foundation for protection of investors, a program which will encourage productive investments abroad. It becomes the basis for stabilizing foreign trade, which is essential to full production and full employment in the United States.

Of course, that foundation must be built upon. The walls and roof are quite as important. But let us do first things first. The walls will totter and the roof fall in on us unless we have the firm foundation. That is provided in the Bretton Woods agreements and in the legislation for putting them into effect.

Asks for Quick Action

I should like to enter a plea here to avoid delay in building our foundation. Time is the most valuable commodity we have. I do not urge haste in the deliberations of this Committee or the Congress. I am sure that the more you study the facts, the more you will approve of the Bretton Woods proposals. As I have tried to indicate, these are essentially the establishment of stable exchange arrangements for the world's commerce. In my own experience as an advocate of Bretton Woods in these last few months, I have found that an open mind and understanding of the principles of the agreements is followed by approval.

The delay I would wish to avoid is not the delay of full and frank discussion. It is the delay that would be caused by attempting to convene another conference if these agreements should be rejected. At Bretton Woods we had our chance to begin building post-war monetary stability. We made the most of it. But it is unlikely that this opportunity will come again to our generation.

There is another point even more important, if that is possible. The fate of more than the Bretton Woods agreements hangs upon the action of Congress at this time. Favorable action on the bills before you will provide the most heartening evidence you can give that we in the United States are thoroughly sincere in our devotion to the principles of international cooperation. You will have added deeds to the words of hope which linked the United Nations in a great alliance for peace.

The world security organization which was outlined at Dumbarton Oaks and will be completed, we all hope, at San Francisco needs the Bretton Woods agreements.

We cannot say that we will join the other nations in an organization to maintain peace, but will not help to remove one of the most dangerous causes of war—economic dislocations. We cannot say we believe in cooperation to beat Fascism, but will not cooperate in the removal of one of Fascism's chief weapons—economic aggression. We cannot say we want equality of all nations and leave some of them at the financial mercy of others.

We are committed by all that we have said and done in these last four years to a community of power in the world, not to the irresponsible, unilateral wielding of power. The Bretton Woods agreements offer us the machinery for bringing the strength of 44 nations to the task of stabilizing the media by which peoples exchange their goods, conduct business with each other, and provide for a mutual rise in standards of living.

The men who will follow me in putting this case before you will amplify these arguments. They will give you the whole record, and for my part I am eager that the record speak for us. The facts, all the facts and nothing but the facts are what this Committee and both Houses of the Congress will want. Perhaps the most important fact of all is that we are facing one of those critical moments in history to which future generations will look back and say:

"There the world was at a turning point."

The stupendous task for us—for you in the Congress and us in the executive departments of government—is to act now so that those future generations also will say:

"Thank God, they took the right turning."

Harry L. Perkins With Tifft Bros. in Hartford

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Harry L. Perkins has become associated with Tifft Brothers, members of the New York and Boston Stock Exchanes, in their Hartford office, 49 Pearl Street. Mr. Perkins was formerly with Coburn & Middlebrook for many years.

Eric De Wolf Dies

Eric De Wolf, President of Eric De Wolf and Co., Inc., 48 Wall Street, New York City, dealers in municipal bonds, died at his home at the age of forty-nine.

Canadian Securities

(Continued from page 1061)

as to the constitution of the tribunal which will adjudicate the case.

Behind the foregoing facts are the underlying motivating elements:

(a) During his electioneering campaign, C. C. F. leader Douglas held out as an inducement to the Saskatchewan farmers settlement of the seed grain debt at 50¢ a bushel, and optimistically hoped the Dominion Government would foot the balance of the bill.

(b) The Dominion Government, which in the fall of 1943 had previously rejected a proposal by former Liberal Premier Patterson on the basis of payment by the farmers of $1 per bushel, could hardly accede to the C. C. F. Premier's even more ambitious request, and moreover considers that a commercial debt of Saskatchewan can not fairly be borne by the Dominion taxpayers in general.

It can be reasonably expected that the Saskatchewan C. C. F. government will not resort to any extreme measures. It has, on the one side, the unfortunate experience of Alberta and, on the other, the praise-worthy attitude of Manitoba which was in the same plight, but kept to the orthodox path and emerged with its credit not only unimpaired but higher than ever.

As it has always been maintained here and by Premier Garson of Manitoba, the whole western problem can best be solved by the implementation of the Sirois Report recommendations following a Dominion Provincial conference.

Turning to the market for the past week, previous prognostications of strength were more than justified. High-grades in all sections were in keen demand especially shorter-term Nationals. A large block of long-term Ontarios was placed at an all time record price, and, in general, demand far outstripped supply.

Montreals well justified previous recommendations and forged steadily ahead, and Albertas discounted further a debt reorganization offer to the bondholders. C. P. R. perpetuals also fulfilled their earlier promise and touched a high level of 103. Another highly attractive investment medium, Consolidated Mining and Smelting stock improved to 59 and still appears to have considerable scope for upward movement.

Internals still continued in fair demand but free funds eased to 9 5/16%. Liquidation of short positions from the supply of official dollars, less optimism as to "parity of exchange just around the corner," and anticipation of dividend payments, all undoubtedly were contributory factors in this decline.

With regard to the possible future course of the market, everything still points to a continuance of the bull movement. The likelihood of strength in the five to ten-year maturity range was confirmed by the Treasury Loan announcement of the elimination of the medium-term 2s, and as constantly advocated in this column, **discerning investors are increasingly inclined to the opinion that, next to U. S. Governments, Canadian securities comprise the highest degree of security and the best form of intelligent divertification.**

Kennedy & Co. Admit Cunningham as Partner

PHILADELPHIA, PA.—The investment firm of Kennedy & Co., Land Title Building, members of the Philadelphia Stock Exchange, announce that Harold B. Cunningham has been admitted to the firm as a general partner.

J. R. Coolidge With E. W. Price & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—James Roger Coolidge has become associated with E. W. Price & Co., Inc., 1004 Baltimore Avevnue. Mr. Coolidge was formerly manager of the trading department for Prescott, Wright, Snider Co.

Arthur Myles Dead

Arthur Myles, a partner of the New York Stock Exchange firm of Moore & Schley, 100 Broadway, New York City, died at his home at the age of sixty-three. He had been suffering from a heart ailment for two years.

The Boren Bill, Regulation of the Over-the-Counter Market And Disclosure

(Continued from page 1043)

Purcell, stoutly maintaining that such power of definition was within the orbit of SEC activities and had been sustained in the Hughes case.

The one argument urged which is characteristic of Municipal and State securities alone, and which does not apply to private securities, is that Municipals are issued and disposed of for governmental purposes.

Otherwise, a great many of the arguments applied with equal force to private securities. As we read the testimony—and we have read it all—it was forcibly impressed upon us that the argument for depriving SEC of some of its regulatory powers was as effective in connection with private securities as it was with Municipals.

The proposed disclosure rule which gave rise to the Boren Bill was known as Rule X-15C1-10.

The best exposition of the dangers of that rule, insofar as it applied to all securities, both Municipal and private, was contained in a memorandum prepared by the Investment Bankers Association of America, as far back as Oct. 31, 1942.

Most of the arguments in that memorandum were urged at length by the sponsors of the Boren Bill.

Briefly summarized, it was demonstrated therein that the proposed rule would be against public interest because (a) bid and ask quotations or market price are not always indicative of value; (b) the working of the rule would prove expensive and burdensome; (c) markets would be restricted and in some instances destroyed; (d) bank and insurance stocks would be injured; (e) the rule would tend to destroy the value of certain securities; (f) the rule would be impractical and unworkable.

May we add, as we have demonstrated again and again, through these columns, that now, more than ever, such a rule, if brought into force, either in its proposed form or a modified form, as intended by the Commission which Purcell's testimony made clear, would endanger the continuance of the life of small business and have unfavorable effects on our entire economy.

The Boren Bill is a limited step in the right direction.

We were of the opinion originally that it intended to shear the Commission of some regulatory powers over private securities as well as to deprive it of regulatory powers over Municipals. Since, however, the sponsors of the bill do not take that view, we can only say that the Boren Bill does not go far enough and that brokers and dealers in securities must do something soon in the form of sponsoring adequate legislation to deprive the Commission once and for all from interfering with the customs and trade usages that have been prevalent in the securities field for decades, in order to free all corporate securities from improper regulation.

This cry of the poor widow and the antiquated emphasis upon the ignorant investor will not hold water.

Ignorance is no more prevalent in the purchase or sale of securities than it is in any other field.

Ganson Purcell, the Chairman of the SEC, sort of puts the regulation of the securities industry in the same field with preventive medicine.

The securities field is by no means a sick industry.

It has done, continues to do so, and will continue to do, yeoman service in our national economy.

We deprecate the implication in the proposed disclosure philosophy, characterizing the activities of the Commission, that by and large, brokers and dealers are an opportunist and dishonest group.

We believe, and are prepared to establish at the proper time and place, that the current law—and we are now talking of the law independent of the regulations established by the Commission—contains adequate remedies to punish the guilty.

There is a lesson that those interested in the securities field can learn from the activities behind the Boren Bill. That lesson is one of diligent application to the task of laying before the appropriate Congressional representatives the need for legislation to curb unnecessary regulatory powers of the Commission over the securities field.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

According to the annual report on banking operations prepared by the Federal Reserve Bank of New York, the 810 member banks of the Second Federal Reserve District earned 9.5% on total capital funds in 1944, compared with 7.2% in 1943. The 20 largest banks in New York City earned 9.8% compared with 8.5% in 1943, while the 13 smallest banks in the district, with deposits under $500,000, earned 6.9% in 1944 against 3.3% in 1943.

The territory of the Second Federal Reserve District consists of the entire State of New York, together with the 12 northerly counties of the State of New Jersey, viz: Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Passaic, Somerset, Sussex, Union and Warren, and also Fairfield County, Conn.

The report calls attention to the expansion of holdings of United States Government securities as a result of the war financing program. In 1944 these securities comprised 56.9% of all the banks' assets, compared with 47% in 1943 and 30.8% in 1942. The percentage in loans has moved in the opposite direction, being 15.0% in 1944 compared with 19.4% in 1943 and 28.7% in 1942.

Notwithstanding the favorable earnings trend of the past few years, the banks have maintained a conservative dividend policy, on which point the report comments as follows: "Continuing the policy followed in recent years, the banks in the Second District did not materially increase dividends paid to stockholders in 1944 but, in general, retained a substantial part of their net profits to strengthen their capital structure. Despite progressively higher net profits during the past six years, the large New York City banks have maintained relatively stable dividend rates and have retained the greater part of their increased profits; the proportion of net profits retained by these banks has risen continuously from 10% of the total in 1939 to nearly two-thirds in 1944. For all banks in the district, including many small banks which, for a number of years, have distributed a smaller proportion of net profits than the large New York City banks, the proportion of net profits so retained has risen slightly from over half in 1939 to more than three-quarters in 1944."

It is now of interest to turn our attention to the record of a group of 16 leading New York City banks, and to note the steady year by year increase of their net operating profits over the past six years, and of the percent retained, beginning with the year in which World War II started. These figures do not include security profits and recoveries.

Total Net Operating Earnings & Dividends of Sixteen Banks

Year	Total Net Operating Profits	Total Dividends	% Retained
1939	$84,115,000	$66,410,000	21.0%
1940	86,936,000	66,410,000	23.6
1941	91,648,000	65,810,000	28.2
1942	96,924,000	61,710,000	36.3
1943	112,210,000	61,972,000	44.8
1944	125,201,000	63,490,000	49.3
Total	$597,034,000	$385,802,000	35.4%

Over the entire six years, total net operating profits amounted to $597,034,000 and total dividends to $385,802,000; the amount retained to strengthen capital funds totaled $211,232,000, or 35.4% of aggregate net operating earnings. If net security profits and recoveries are included, total net earnings from all sources would approximate $790,000,000 and the amount retained approximately $404,200,000, or 51% of total earnings. In 1944 total net earnings from all sources amounted to $166,899,000 against dividends of $63,490,000, the amount retained being $103,409,000, or approximately 62%. It is of interest to note that 1944 dividend payment were 2.5% greater than 1943 payments.

Following are the 16 banks whose figures comprise the total used: Bank of Manhattan, Bank of New York, Bankers Trust Central Hanover, Chase, Chemical, Commercial, Corn Exchange, First National, Guaranty, Irving, Manufacturers, National City, New York Trust, Public National and United States Trust.

It is pertinent to note the trend

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Reappraising the Rails

(Continued from first page)

vidual security than one of the audience who may be holding that particular security. Or I may be accused of bearishness because I recognize that there are many uncertainties facing the industry in the post-war era which have not as yet been completely resolved, and which will have a varying impact on different individual roads.

In the final analysis security values are relative rather than absolute. Top-grade rail bonds offer attractive investment opportunities at the present time because they afford yields perhaps 20 basis points larger than can be obtained on similarly situated industrial or public utility bonds. If there were to be a change in general money market conditions so that Governments could be bought to yield better than 3%, the top-grade rail bonds would hardly be considered attractive on a 2.75% basis for the same maturity range. It is all relative. Similarly, Southern Pacific may be considered as an outstanding buy in the low 40s, but there are few rail analysts who would be recommending it if they could buy Atchison common at the same price. Here again it is a question of relative values and relative prices.

For more than a year now I have been convinced in my own mind that by and large the greatest opportunities for profits in the rail field were to be found among the stocks of the solvent carriers, a group which was pretty much neglected until late last year. I am still convinced that this is true. In relation to prices for bonds of the same roads, in relation to valuations put by the market on the equities of the reorganization carriers, and in relation to the general level of stocks representing our major industrial enterprises, the stocks of the roads which survived the depression of the 1930s are, without argument, cheap.

Industrial share prices reflect public confidence in an era of prosperity after the war, and after a possible period of uncertainty incident to conversion of our national efforts from manufacture of armaments to production of civilian goods. With the volume of savings that has been built up in recent years, with the backlog of demand for products that have been unobtainable for some years, and with the necessity for feeding and rehabilitating the war-ravaged sections of the world, this confidence in a period of prosperity certainly appears fully justified. The railroad industry is still the backbone of our transportation system and it will continue to be so at least so long into the future as any of us here today can see. If our manufacturing plant is operating at a high level, then the railroads will be getting a heavy volume of freight. This is a self-evident fact, not a theory.

Railroading is a volume industry, and if the traffic is there the profits will be there also. In this connection it cannot too often be repeated that from an operating standpoint the railroad industry is one of the most consistently profitable of our major industries. Even in the poorest year of the depression (1938) the Class I carriers as a whole had an operating profit of $373,000,000, with more than $500,000,000 available for charges. This is not news to any of you; you have heard it many times in this same room from other speakers on railroad securities, and you have read it in many analyses of the railroad situation. Yet it is so much the crux of the railroad security picture that it will bear repeating again and again.

Post-War Competition With Rails

There are apparently two factors which largely color public feeling towards railroad securities. These are post-war costs (particularly labor costs) and post-war competition. I am not here to spend the whole afternoon on a tedious exposition on these points. In my opinion, and in the opinion of practical railroad operating men with whom I have spoken and who are far more competent than I to judge, the competitive forces, in general, will be less severe after the war than they were in the immediate pre-war years. Of course, airplanes and automobiles (both private cars and buses) are going to cut heavily into passenger business. In this respect the competition may be even more severe than it was in the past. On the other hand, the railroads' experience with streamliners, lightweight equipment, reserved coach accommodations, etc., augurs well for the post-war development of an entirely new passenger traffic field. This wlil be augmented by the fact that large sections of our population have become more travel-conscious during the war. It is entirely possible that even with more passenger business going to the airways and the highways, the railroads will hold their own pre-war volume or even increase it to some extent.

With respect to freight traffic, the airplane is not a factor and will not be so for many years to come, if ever. The trucking industry is now subject to regulation, and its labor forces are now well unionized. Even before the war the industry was operating at a very narrow margin of profit, and this margin has been further narrowed virtually to the vanishing point in subsequent years. There is an economic place for trucks in our national transportation scheme, but this place is not in unrestricted competition with the railroads. When things return to normal they will fall into their natural niche in the general transportation system, supplementing rather than competing with the great bulk of rail business. As another factor, the ICC in recent years has shown a distinct tendency to interpret more liberally than heretofore the laws regulating the operation of truck lines by rail carriers. In setting up their own trucking and bus subsidiaries, the railroads have materially strengthened their competitive status. After the war the trucks will naturally be handling a greater proportion of the aggregate available freight volume than they now are, but all indications point to the competition with railroads being less severe rather than more severe than it was in the years immediately preceding the war.

Waterway competition is apt to be quite serious, but this affects individual roads rather than the industry as such. Politically there is little prospect for any change in subsidized inland waterway competition. As for coastal and intercoastal shipping much will depend on the Government's disposition of excess ship capacity. Fundamentally, it would be expected that the cost factor would work here in favor of the railroads as it will in the question of highway competition. In particular, the wage cost will be a very important drag on successful competition. However, in order to maintain our merchant marine position built up during the war, it is quite possible that subsidies will be resorted to. In the interests of realism, therefore, it seems advisable to recognize that there will be no easing of the waterborne competition when conditions return to normal.

The war has developed one important new competitive threat. You all know that over a period of years the railroads had lost practically all of their crude petroleum tonnage to pipelines and tankers. Relatively, this competition did not hit at refined petroleum products. During the war there has been a very substantial addition to the pipe line mileage in this country, and much of it has been built to handle refined products. More of it could readily be converted to transport refined products. A study was recently released by the Bureau of Transport Economics and statistics of the Interstate Commerce Commission covering the post-war potentialities of these new facilities. The general conclusion was that railroads, particularly in the South and East, would lose a volume of refined petroleum products when the war is over. This, again, is a consideration affecting individual roads only and not the industry as such.

Post-War Operating Costs

Obviously the question of expenses is not one that can be pinned down definitely at this time. It is easy to show how much wages have been increased in recent years and how much material costs have gone up. Considering the background of sustained capacity operations, however, it is not possible to determine just to what extent these increased costs have been offset by greater operating efficiency. Just because the operating ratio has declined sharply does not indicate a fundamental improvement in operating efficiency. The railroad industry, as a typical volume business, naturally shows a drop in operating ratio as the volume goes up. To some extent this has been offset in the present instance by the necessity for putting back into service obsolete equipment to meet the transportation demand. Conversely, this will afford a cushion when traffic declines as the old and expensive equipment will be the first retired from service and the benefits from the new equipment will be more fully felt.

Despite the scarcity of strategic materials and despite the manpower shortage, there has been a lot of money put into the railroad properties in recent years. New equipment, heavier track, projects to reduce grades, elimination of curves, etc.—all of these expenditures tend to offset the impact of increased wages. As you all know, throughout its history the railroad industry has been notably successful in offsetting the steady climb of hourly wage rates. In my opinion it is idle to expect that the entire wage increases granted in the past few years have been offset, or can be offset in the near future, although eventually I am confident that they can be. It just takes time particularly when war conditions make it difficult to mechanize operations further. On the whole, it appears likely that with a post-war level of traffic around the 1941 level, operating earnings in general (before income taxes) would run somewhat below 1941 figures, but above 1940 results.

From the point of view of the economist it may be sufficient to say that the railroad industry is not dead—that it will make money if business in general maintains the levels anticipated by the more conservative in the post-war years. This is not sufficient for the security analyst, the customers' broker, or the individual investor or speculator. Our interest lies in the status of, and prospects for, individual securities. It never has been, and in my opinion it never will be, possible to consider railroad securities as a group. The different factors entering into the prospects for the industry as a whole have a varying impact on the individual railroad.

Territorial Considerations

Territorial considerations are important. We are all familiar with the deterioration that took place over a period of years in the New England territory as industry such as shoes, textiles, etc., migrated to other sections of the country. At the same time, the Southern and Southwestern sections of the country were experiencing a very sharp growth in population and an expanding industrial economy. These trends obviously could not help but have a favorable influence on roads operating in the expanding territories, to the detriment of roads operating in the more mature industrial sections where growth potentialities were lacking. Under the influence of the war necessities, with our entire industrial plant operating at capacity, these territorial considerations are obscured. They are not, however, eliminated. They will appear again when conditions return to normal. In fact, they are apt to be accentuated when industrial volume recedes from the peak, reflecting the large new plant capacity in heretofore non-industrial areas.

Competitive influences also have a varying impact on the individual roads. A road with a large proportion of light freight moving short distances, or with a large proportion of light density branch mileage was naturally more vulnerable than the through lines or heavy commodity roads to highway competitive forces. For this type of road the post-war motor carrier competition is still an important factor. Pipe line competition for crude petroleum, a development pre-dating the war by many years, was of virtually no importance to a majority of the carriers but paved the way for bankruptcy of others. The same may be true after the war of the relatively new pipe line competition for refined petroleum products. Waterway competition, both inland and ocean, obviously had an uneven influence throughout the industry. It took traffic from parallel rail routes and forced substantial reductions in rail rates in some commodities (citrus fruit from Florida was a notable example), thus narrowing the profit margin for some roads and leaving others virtually unscathed. There are numberless other specific competitive inequalities that make ridiculous any statement attempting to bunch the railroads together in appraising the outlook for security prices.

Efficiency in Rail Investment Status

There is a marked disparity in the inherent efficiency of individual roads. As I stated before, railroading is a volume industry. This volume is measured in ton miles, the product of volume times distance hauled. As a general thesis it may be considered, then, that a short haul or light density will detract from operating efficiency. There are exceptions, of course, as in the case of Great Northern's highly profitable iron ore haul where the very heavy density and the low handling costs of a bulk movement offset the short haul. This does not affect the validity of the general rule, however, as can readily be seen from any examination of the density figures of the reorganization roads under normal conditions. Any large amount of mileage of uneconomically low density represents a disproportionate drain on the overall efficiency of the property. Labor costs are high in relation to gross, and there is apt to be an added property tax burden. Passenger business is also very apt to result in a high overall labor cost and interfere with the ability of the individual company to carry gross through to net.

To visualize the different status of individual roads with respect to general efficiency, it is only necessary to take a group of those roads formerly characterized as marginal and examine the record. Of 13 of the major properties in this category, and taking the average for the 10 years 1931-1940, the percentage of gross carried through to net operating income before Federal income taxes ran all the way from 20.5% for Great Northern to 8.0% for Atlantic Coast Line. Moreover, this ability to carry gross through to net tends to change as the years go by, influenced by competition which results in rate cuts in specific commodities and by other factors such as financial ability to renew and modernize plant, etc. In this connection it is again interesting to compare the Coast Line with Great Northern. In 1939 and 1940 Coast Line was carrying just about the same percentage of gross through to net operating income before Federal income taxes as it was in 1931. In the same period the proportion carried through by Great Northern increased from 16.4% to about 24%.

In periods of capacity operations for all carriers this disparity is not noticeable, as the overflow roads then get the volume necessary for efficient operation. It is dangerous, however, to base any investment program on the hopes that basic factors of weakness evident before the war have permanently been removed. In fact, to the extent that the difference is due to wage costs, it may be aggravated post-war by subsequent wage increases. While you hear a lot about how steady the railroad wage bill is in relation to gross year after year, it is not true that this ratio obtains throughout the industry. In 1940 the wages of individual roads chargeable to operating costs ranged from 37 cents or 38 cents out of every dollar of gross for roads like Great Northern and Pere Marquette to around 48 cents for roads like New York Central and Atlantic Coast Line.

Debt Retirement

As a final consideration, individual railroads have met with varying degrees of success in their debt retirement programs. This will be a very important consideration after the war boom has run its course and conditions return to normal. Many of these formerly marginal roads have cut as much as 50% off their fixed charges in recent years (Great Northern has done even better), and will continue to make progress through retirements and refundings. I have heard it said that this is not as much as bankrupt roads have cut their charges in reorganization, and that therefore the reorganization roads are emerging in the stronger position. Of course the solvent carriers have not cut their charges as drastically as the reorganizations. If they had had to to attain a strong credit they would have been in reorganization also.

These factors I have pointed out as making it impossible to speak of the broad group of railroad securities as a single problem may appear as so simple and self-evident as to not even justify comment in speaking to such a group as this. That they need constant stressing, however, is obvious when we are having markets in which a speculative following can be attracted to a stock such as Katy common, and even the old common stock of a bankruptcy road such as Central RR. of New Jersey.

Fundamentals of Rail Investment

Now more than ever it is important to examine the fundamentals in setting up a program of railroad investment. In an indiscriminate speculative market there is little question but that spectacular gains can be had in situations of little, or no, intrinsic worth. In the end, though, somebody pays for such profits. None of us know when the war will end. However, eventually it will end and considering the present trend it is certainly unrealistic to formulate an investment program without attempting to evaluate the prospects for individual securities in a normal economy. All railroads, whether fundamentally sound or fundamentally unsound, have benefited from the war boom in traffic, but it is just as foolish today as it was 10 years ago to say that because you are bullish on the outlook for the railroad industry you are bullish on all railroad stocks.

Obviously past performances are not the open sesame to future prospects in the rail field any more than they are in any industrial group. However, an examination of past performances does form an essential base from which to start. If in the past an individual railroad has displayed a traffic or revenue trend adverse in relation to that of the industry, if its competitive status was weak, if its territorial location was unfavorable, or if it showed a consistent inability to carry a sufficient proportion of gross through to net, a danger signal must be recognized. Unless there is very substantial evidence to the contrary it is wise to go on the theory that these trends will again be in evidence when conditions again return to normal.

It cannot be assumed that just because an individual railroad has reduced its charges to a level where they absorb only a certain percent of normal gross that that railroad is, per se, in high credit and that its securities represent sound investment media. No one can set an arbitrary ideal relationship between fixed charges and gross revenues. This much should be obvious from the wide discrepancy in the proportion of gross that individual roads are normally able to carry through to income available for charges. No one can seriously claim that the same standard of fixed charges to gross could be applied to Great Northern, which carried more than 20% of gross through to net operating income before Federal income taxes in the years 1931-1940, as to Atlantic Coast Line, which carried only 8% through. In fact, and this is a condition which the ICC has recognized in setting up reorganization plans, there are roads which cannot be set up soundly without the virtual elimination of fixed obligations.

Future of Railroad Securities

In looking to the future of railroad securities there are two distinct phases which must be considered. There will first be the period of reconversion when our industrial plants are changing over from 100% war production to the manufacture of civilian goods. How severe the recession in railroad traffic will be at that time is impossible to say. I do think, however, that there will be little disagreement with the statement that the more intense our war production is up to the day of final victory the more severe will be the subsequent reconversion problems. Government policy at the present time points to maintenance of full military production after the defeat of Germany and right up to the end of the Pacific war. If this policy is adhered to, and there is no gradual transition from war to peace production, the reconversion period must necessarily be severe.

No one is competent now to judge just how long the period of relatively curtailed industrial activity incident to reconversion will last. If reconversion is not to be gradual but is to start only when we have achieved victory over Japan, a full year of relatively curtailed industrial activity would appear as a reasonably optimistic expectation. It is that period which holds the danger to rail securities. And no one knows when it will come or how long it will last. The seriousness to the railroads of a sharp curtailment of traffic during a reconversion period is not due to any basic weakness but to the traditional inability of railroads to adjust their expenses quickly to a lower volume of business. Even with a volume of business during the reconversion period which would normally be highly profitable, the railroads could presumably show substantial losses if the volume represented a sharp and rapid drop from the existing volume. In the present instance there will be two abnormal considerations, and they will be working at cross purposes. The retirement of much obsolete equipment as traffic declines should tend to cushion the traditional ability of the carriers quickly to control expenses. On the other hand, most of the railroads will come into the reconversion period with a large amount of cash which will make sharp economies unnecessary from the financial standpoint. All in all, it is my opinion that when, and if, traffic drops sharply during reconversion the usual pattern of an even more pronounced drop in earnings will be encountered.

Security prices follow the trend of earnings, and investors and speculators alike are prone to project into the indefinite future the trends of the present. If I am right in my opinion that the reconversion period will witness sharply lower earnings, and perhaps even temporary deficits for some roads which can show handsome profits under normal conditions, then inevitably, I think, we are faced with eventually lower prices for railroad equities. Again, if I am right about a period of post-war prosperity, and I certainly have plenty of distinguished company in my expectations, the period of declining railroad share prices (speaking of the group as a whole) will be only temporary. Although it would be nice to be completely out of railroad stocks when, and if, the reconversion decline occurs, holders of fundamentally sound equities will have nothing to worry about in a temporary recession. By sound equities I do not mean to limit the statement to the recognized "blue chips." I include such stocks as Southern Pacific, Southern Railway, Illinois Central, of demonstrable worth under normal conditions. The danger to holders of railroad equities in the post-war era lies only in the retention of issues which appear to have no real earning power under conditions even as they existed in the prosperous year 1941. Such stocks will not be in a favorable position to recover from the reconversion decline when, and if, it comes.

The above comments may appear to be somewhat on the doleful side. They are not intended to be. I merely wish to inject a note of caution with respect to individual securities. In my own opinion what I have characterized as the potential reconversion decline will come from materially higher prices than those now prevailing. This is based on indications that high earnings will be with us at least throughout 1945, and that basically sound rail equities are cheaper than practically any other security group. In fact, when, and if, the reconversion market sets in it may very well come from such a level that present prices for sound stocks would not even be reached again at the nadir of the decline. It is this prospect which makes me urge that none of you withdraw wholly from the railroad stock list just because there may be signs, or hopes, that the war will come to a speedy end. If you hold sound stocks you are in no long-term danger and their sale at this time might well sacrifice very substantial profits over the next six months or so.

Fundamentally unattractive stocks may also continue to advance under the stimulus of speculative enthusiasm. They may even advance more rapidly than the sound situations. But they are potentially very dangerous, particularly in such uncertain times as the present. The possible more spectacular profits that might exist in fundamentally weak situations with an indefinite continuation of highly favorable railroad conditions, are not, in my opinion, any compensation for the risks being taken. Not only are these fundamentally weak situations more vulnerable to a change in public sentiment towards the rails, but, also, if they decline they may not show any worthwhile recovery even in the prosperity period expected to folow reconversion. There are wide enough price enhancement potentialities in the good rails to satisfy any appetite, and with relatively little long-term risk.

Pick the roads with favorable long-term traffic trends and serving expanding territories. Pick the roads which have proven themselves in the past to be the best situated competitively. Certainly avoid those which might lose heavily from diversion of refined petroleum products to the new competitive threat of pipe lines. Pick the roads which are inherently efficient as measured by the proportion of gross they have been able to carry through to net. Pick the roads that have a long average haul or normally heavy traffic density, or both. Pick the roads which have been the most successful in bringing their charges down to a level presumably supportable with ease under normal, or even subnormal, traffic conditions. In this connection it is not sufficient merely to see what proportion of gross will be consumed by the present charges. It is also necessary to determine what part of gross the particular company can bring through to service those charges. All of these factors are determinable from published sources and caution in evaluating them will pay handsome dividends in security values. Ignoring the fundamentals cannot help but bring grief sooner or later to the buyer, be he a speculator or an investor.

Former Marginal Rails

It is hard now to realize that a few years ago even Great Northern and Louisville & Nashville were considered as marginal carriers. At least they were so considered by the rating agencies and by the collective investment mind as measured in market prices. Now, of course, both have definitely reestablished a high credit standing, and even their stocks can be considered as genuine investment media. It is difficult to visualize depression conditions such as would jeopardize dividend payments by these two roads. It is significant that both of these roads showed traffic trends prior to the war which were more favorable than those of the industry. In fact, in this respect Great Northern was second only to Nickel Plate among the former marginal roads. In ability to carry gross through to net Great Northern and Louisville & Nashville stood one and two in the list of former marginal roads on the average for the 10 years 1931-1940. Great Northern, moreover, has accomplished the greatest proportionate reduction in fixed charges with the exception of the roads undergoing judicial reorganization.

Nickel Plate and Pere Marquette can be ranked just below Great Northern and Louisville & Nashville. Both have been far up on the list with respect to reduction in fixed charges. Pere Marquette has pared its requirements nearly 50% since 1934, and Nickel Plate about 38%. The Nickel Plate will be presumably cut approximately another $1,000,000 from its requirements (now $4,660,000) through anticipated refunding of the 4½s. There has even been talk of the possibility of refunding the 3¾s, which have been outstanding only a few months. With respect to pre-war traffic trends Nickel Plate stands at the top of the major former marginal roads and Pere Marquette was somewhat better than the industry as a whole. Nickel Plate has also consistently shown its ability to carry a relatively large proportion of gross through to net. Pere Marquette, partly because of the highly cyclical nature of its business, and partly because of the necessity for supporting a large amount of unprofitable mileage, since abandoned, did not come even close to the record of Nickel Plate in carrying gross through to net. As a matter of fact, from an operating standpoint, Nickel Plate comes close to being the ideal railroad. It has heavy density, a very long haul in relation to its operated mileage, a preponderance of through freight, and it is practically all main line with very little in the way of feeders or branches.

Southern Pacific, Southern Railway and Illinois Central have not acquired the same stature as the Pere Marquette or Nickel Plate, but all have been highly successful in reducing their debt and charges materially. Illinois Central and Southern are handicapped to some extent by having a large number of non-callable bond issues, so that little progress can be made by way of refunding operations. It is again significant that two of these roads, Southern Railway and Southern Pacific, operate in expanding territories, and territories that have experienced further substantial growth during the war. Illinois Central has not shown such a strong trend of revenues and still faces waterway competition, but its efficiency record is good and its charges are particularly low in relation to normal gross. Moreover, it is one of the few marginal carriers which still refuses to pass along any earnings to stockholders, preferring to continue the debt program

Baltimore & Ohio and Atlantic Coast Line are in classes by themselves. Baltimore & Ohio's readjustment plan will put it in a position where it should be able to cover its fixed charges even in a depression, and the secured contingent interest should be covered in all but severe depression years. Also, the maturity problems are being eliminated, and in a matter of time the road should be able to refund its underlying liens at a considerable saving in interest costs. That is, if there is no change in investment feeling towards good grade rail bonds. My own personal feeling is that the strong market for good grade, well protected, rail liens must almost inevitably continue. It is difficult to justify the speculative enthusiasm for the junior securities, however, at this time. Dividend restrictions in the plan are quite severe until the road's charges are reduced another $6,500,000 to $7,000,000. Even allowing for possible reduction through refunding, and granting maintenance of the recent high rate of earnings, it would take quite a few years to accomplish this. In the meantime, the stocks would presumably be very vulnerable to a drop in earnings during the reconversion period.

Atlantic Coast Line has done a good job of debt reduction, but its charges are still not conservative in relation to the earning power of the properties themselves. The road has had a particularly poor record in point of bringing gross through to net. This is apparently partly due to the narrowing of the profit margin on the orange and grapefruit tonnage due to rate cuts designed to offset steamship competition. Also, the company has a particularly high wage rate in relation to gross, a characteristic of roads doing any large amount of passenger business. In the last analysis, despite the reduction in charges, it is indicated that Coast Line will still be dependent after the war on income from its holdings of Louisville & Nashville stock. With this prospect it has been my feeling that better results would be obtained over the long term by having representation directly in the stock of Louisville & Nashville.

In my opinion the railroads which I have commented on above comprise the complete list of the major railroads which may be considered as having rehabilitated their credit—there are others which never lost their credit standing, but I am not here to speak of such roads today. These stocks afford wide appreciation potentialities in my opinion on the basis of their normal earnings prospects and not based on war considerations. Therefore, they afford a maximum of safety over the longer term regardless of what the reconversion period may hold in store. In particular, they appear attractive in relation to the standard industrial stocks and in relation to the stocks of other railroads which do not have the same advantages of secular territorial growth, inherent operating efficiency, and sharply reduced charges.

I have heard a lot of bullish talk about the stocks of the reorganization carriers, based almost entirely on the sharp reduction such roads have made in their fixed charges. It is true that reorganization has removed the spectre of possible financial difficulties and that the mortgage bonds of these roads are therefore entitled to a full measure of investment regard. I think in adopting a bullish attitude towards the stocks, however, that some important factors are being overlooked. In the first place, while fixed charges have been reduced sharply you will find that in most cases the total new requirements ahead of the new common stocks are little, if any, smaller than the old fixed charges. If these roads had been able to earn their old fixed charges consistently they would not have had to undergo reorganization. The reorganization of the capital structure does not improve the earnings position of the properties. Finally, it will be found that most of the reorganization carriers suffered from territorial traffic weaknesses which also will not be corrected merely by changing the capital structure.

W. C. Langley Group Offering $4,000,000 No. Penn. Power Bonds

A syndicate headed by W. C. Langley & Co., New York, is offering today a new issue of $4,000,000 Northern Pennsylvania Power Co. 2¾% first mortgage bonds due in 1975. The obligations are priced to investors at 101 and accrued interest. In addition to W. C. Langley & Co., the underwriting group includes Glore, Forgan & Co., A. C. Allyn & Co., Inc., Coffin & Burr, Inc., and F. S. Moseley & Co.

The Securities Salesman's Corner

By JOHN DUTTON

The Most Efficient Salesmen Study Their Customers

There is a certain technique that is peculiar to the art of selling securities. There are a number of things that you can't learn out of a book, from theory, or from the experiences of others. YOU'VE GOT TO DIG THEM OUT YOURSELF FROM THE RESULTS OF YOUR OWN EXPERIENCES.

The way securities are sold today is entirely different than during the lush years of the 'twenties. During that period, when the public was first beginning to become conscious of investment in securities, almost anyone could sell stocks and bonds. Thousands of ill-equipped newcomers rushed into the securities business and for a while became successful order takers. That all went overboard in 1929. Today it's a different story. The only men who have been able to make the grade in these later years are the ones who have studied their business and have made a science of security salesmanship.

For instance, where can you learn how to judge customers except by actual practice. By meeting different classes of security buyers day in and day out, the professional salesman has learned to recognize "types" of buyers. He has a yardstick by which he measures their preference in securities, their attitudes toward investment, their knowledge regarding values and their individual peculiarities. By knowing these things, he almost instinctively knows how to handle the personal relationships which always must be mastered, before any account develops into a profit maker, both for him and for his customer. Following are a few of the broader classifications of "types of security buyers," with a listing of some of their idiosyncracies:

(1) INTERESTED ONLY IN QUICK PROFITS. KNOWS LITTLE ABOUT VALUES, OR ECONOMICS, NOT WELL INFORMED, BIGOTED AND OPINIONATED. This is usually the type of account that is a time waster, shops around, wants something for nothing. If he has a small loss you'll hear about it for the rest of his life. If he makes a profit HE DID IT. The experienced salesman doesn't waste much time developing this kind of an account.

(2) INTELLIGENT SPECULATOR, KNOWS VALUES, UNDERSTANDS WHAT IS GOING ON IN THE WORLD. WILLING TO WAIT FOR A PROFIT. HAS AN OPEN MIND. This is an attractive account, if you know what to offer and you KNOW YOUR BUSINESS. This buyer wants to purchase securities when they are cheap. Doesn't follow the crowd. Will buy reorganization securities, stocks of companies when they are in the dog-house if he sees an opportunity for a turning point in a company's affairs which indicates a betterment over the longer pull. Doesn't buy the market leaders just because they are popular. Usually an investor who has made a success of his life and his affairs and therefore is in a position to make larger commitments when he does give you an order. Is willing to see the salesman make a commission and pay you for your efforts and your work. If you can offer the right securities to this type of buyer, you have an account that is worth the work that you put into it.

(3) THE INVESTOR PRIMARILY CONCERNED WITH INCOME. Usually advanced in years. Sometimes knows a great deal about values and sometimes practically nothing. In both cases, it is necessary to stick to conservative offerings. Never suggest a speculation. Build confidence by showing that you understand that A HIGH DEGREE OF SAFETY OF PRINCIPAL AND CONTINUOUS INCOME IS A PRIMARY REQUISITE OF THIS INVESTOR. These customers usually stick to one salesman and one firm after they have become convinced that they are getting their money's worth. A very desirable type of business. Some salesmen find it worthwhile to specialize in this field. Radiation is often much easier to procure from this class of investor. Many of the retail organizations which are doing a successful job in investment trust securities find this investor their most likely prospect.

(4) INVESTOR AND SPECULATOR. Informed, intelligent, and ambitious to the extent that he is ready to adjust his investment portfolio to changing times and conditions. This is the top account, in our opinion, as far as desirability is concerned. This security buyer follows: Political events, changing market conditions, reads the financial publications, has had wide experience and knows what it means to handle an investment account in a successful manner. THE EXPERIENCED SALESMAN DOESN'T PREACH TO THIS FELLOW, HE CONFERS WITH HIM. If you know your job (and you are really a professional in the highly difficult science of making successful investments and speculations) this customer will know it. Otherwise you won't get in to see him a second time, he's far too busy for time wasters. You can offer him investment stocks, blue chips, preferreds with accumulations, high grade bonds, work-outs, reorganizations, growth securities, and anything under the sun. BUT BE SURE YOU OFFER THE RIGHT SECURITY AT THE RIGHT TIME, HE'LL KNOW IT IF YOU DON'T.

Then there is the age old question of trying to sell to people who don't have the money to buy. It can't be done, so why try to do it? By this we do not mean that any salesman should pass up small accounts. But the wise salesman takes his time seriously, it's his most valuable asset. For this reason, it is only common sense to cultivate the market where the largest volume of business can be secured with the least expenditure of time and energy.

Sales volume can always be increased by increasing the average unit of sale. That means going after business where business can be found. It is just as easy, sometimes easier, to sell 50 bonds to someone who has the capital with which to buy them, than one bond to someone who would be better off with money in the savings bank or in war bonds. Summing up—find the right customers, recognize their needs, offer securities that fit these needs, don't forget your customers after they have bought from you, build solidly for the future—SUCCESS.

Post-War Trade Expansion Possibilities

(Continued from page 1044)

is curtailed, will be the greatest and swiftest disappearance of markets in history. That shrinkage cannot be offset by the deferred demands for the durable goods which are wearing out during the war. An optimistic estimate of those demands would be equal to only a few months' war production at the current rate.

If the expansion of civilian markets does measure up to our productive resources, it will alter the American way of life to an extent that is difficult to visualize today. Difficult because that expansion is obviously impossible in terms of pre-war products and pre-war expenditure patterns; because we lack the vision to see the new products and services, the new markets for old ones, and the necessary expansion and modernization of productive facilities which can make it possible.

In fact, the very magnitude of the potential increase has led some people to the defeatist attitude that the growth in productive capacity is a liability. Those who can see no hope of expanding markets so far above the pre-war level believe that we are therefore doomed to a post-war depression only partially alleviated by various forms of work relief.

As a middle ground it might be emphasized that we are dealing with a goal, not a forecast, and that we still have a lot to learn about how to reach that goal—and how to stay there. No statistical projection can be precise enough to more than rough out the magnitudes of the objective. It cannot be used to demonstrate that the necessary markets will or will not exist, or that any particular course of action is or is not necessary to create them.

Conditions appear relatively favorable to business expansion after the war. Whether that expansion actually occurs will depend in part on the aggregate enterprise of individual businessmen, on their ability to put more people to work producing more goods and services wherever markets can be found. It will depend in part on their efforts, through business organizations and through Government, to determine and provide the conditions necessary to such expansion.

Those who are pessimistic enough to think that sustained post-war prosperity will not happen automatically, but optimistic enough to think that something can be done about it, turn to foreign trade as one point of attack. Expansion of our export trade is not a panacea to solve all our problems. The bulk of the increased productive capacity must find domestic outlets. Nevertheless, the possibilities in the field of foreign trade are well worth exploring.

At the end of the war the potential market for United States exports will be greater than at any time in our history. In addition to the necessary reconstruction following the ravages of war, a large part of the world has a backlog of deferred demand considerably in excess of that in this country. They have been at war longer. They have been under greater pressure to produce "guns" at the expense of "butter."

The accumulation of unspent war income in the hands of the public in those countries is also very large. As in this country, the war has been financed by huge increases in Government debt as well as by current taxation. The public ownership of that debt, in the form of increased currency, bank deposits, Government bonds and other savings, will have a profound effect on the demand for additional goods and services as soon as those can be made available.

In Great Britain, for example, which was our biggest customer before the war, the problem will not be to find markets for all that can be produced. The problem, for several years after the war, will be to allocate production between demands that will be in excess of productive capacity.

Many of the things the world will want most after the war are the things which the United States excells in producing: machinery, transportation equipment and other capital goods. They are also the things for which we are likely to have ample productive capacity seeking a market.

As you already know, however, the need on the part of foreign citizens for our exports is not enough. Before the war there was no lack of need or desire for the products of our industry, and yet our export market was severely restricted. Neither is it enough that the holdings of liquid assets by those foreign citizens will be very large—so long as that purchasing power is in pounds or francs and not in dollars.

The important question is whether there will be enough dollars available to citizens of foreign countries to buy the goods which the United States excells in producing.

Some of the necessary dollars are already available. During the six years preceding the outbreak of war in Europe foreigners increased their holdings of dollar balances and of American securities by about 4 billion dollars. These funds, seeking safety from monetary and political uncertainties abroad, were transferred through gold shipments to this country. But foreign gold holdings were not reduced, on balance, because of the great increase in world gold production.

In the early stages of the war, foreign countries drew heavily on their dollar and gold assets to pay for war contracts placed here and to meet balance-of-payment strains resulting from wartime dislocations. But since Pearl Harbor this trend has been sharply reversed. Our war expenditures abroad, coupled with restrictions on exports other than Lend-Lease, have added substantially to foreign holdings of gold and dollar balances.

According to a recent estimate, the total of gold held outside the United States plus foreign banking funds in the United States, increased from 14 billion dollars at the end of 1941 to about 22 billion dollars at the end of 1944.

Nothing like the whole amount will be used for the purchase of American goods since much of it is needed as reserves for national currency and for meeting possible future balance-of-payment strains. But, considering the wide distribution of the holdings, it is entirely possible that a part may be used to finance additional imports from the United States at the rate of 1 or 2 billion dollars a year for several years. The intensity of the demand for our goods suggests that it will be used if funds are not available from other sources.

Another potential source of dollars to pay for United States exports is the investment of American capital in foreign countries. There are a number of familiar reasons why such investment should take place on an expanded scale after the war. It provides an outlet for our savings, just as in the domestic economy the industrialized East has provided, out of its savings, the funds for development of the South and West. By hastening the reconstruction of devastated areas, and the development of other countries, it increases their purchasing power and makes them better customers for our products. To the extent that such development creates better balanced economies, less dependent on markets for a few raw materials, it adds to world stability. To the extent that world prosperity helps in maintaining peace among nations such investments deserve an important place in our whole foreign policy. I might go on but I am sure that further argument is not necessary with this audience.

There are also serious obstacles to be overcome if foreign investment is to be undertaken on any large scale, and on a sound basis. One is the present generally unfavorable attitude of American investors, an attitude which is not entirely justified by the record. There are also the various limitations on the speed of industrialization of an underdeveloped nation even if the necessary capital is available.

If that capital is not to be wasted, its use must be related to the supply of skilled labor and managerial ability, to the available market for the resulting product, to the necessary related productive and distributive facilities. Some consideration must be given to the political and social adjustments involved in industrialization, the problem of alien control of resources and industries, the burden to be placed on international exchange. But, again, I am sure you are fully aware of all the practical problems.

I will not even hazard a guess as to how large such investments might be. Much will depend on the international political and economic framework after the war. The trend of thinking today is that they can and should be substantially larger than in the decade after the last war. There is nothing inherently unstable or unsound about such a program. New England has been loaning money to the rest of these United States for several generations and can continue to do so.

In any event the more important source of funds to pay for our exports will not be either current dollar balances or our investments abroad. It will result from our payments to foreigners on current account. The amount other countries buy from us will depend on how much we buy from them.

The volume of both imports and exports may be increased by removal of trade barriers. But our imports will depend primarily on the domestic volume of business. You know how closely imports have followed domestic production, and why. Many of those imports are the raw materials for our industries. Others are dependent on the purchasing power of the American consumer. Some of them represent marginal sources of supply needed to supplement domestic sources in good years. Our people have calculated that a capacity national output several years after the war would be associated with imports totalling about 6 billion dollars in 1942 prices.

The war has altered this relationship in one direction by development of domestic sources for certain raw materials. Rubber and silk may be outstanding examples. It has altered it in the opposite direction by depletion of domestic supplies of some metals and minerals. Petroleum may be an outstanding example.

The net result of these opposing influences is a matter of judgment. There is no clear evidence that those tending to decrease imports are stronger than those tending to increase them. In any event our imports will reflect domestic business conditions.

Thus we complete a full circle. Having started out with the idea of expanding exports as one means of helping to maintain a high domestic activity we come back to the fact that the best means of achieving a large export trade is to maintain domestic activity and therefore imports.

Economists of other nations emphasize that the greatest contribution this country can make to the welfare of the rest of the world is by maintaining a high level of domestic production. The United States is a major customer for many of the things we import. In some instances we take more than the rest of the world combined.

As exporters you have a big stake in that interdependence of markets at home and abroad. You owe it to yourselves to have some understanding of the enormous potential volume and how it could affect your business. You owe it to yourselves to see that something approaching that potential volume is actually achieved.

As individual business men, all that can be expected of you is that you be smart and aggressive —that you take advantage of every opportunity to sell more goods at a profit wherever markets can be found. Collectively, you have a broader responsibility. Let me cite several illustrations.

A great deal of thought has already been given by men in business and government to the many problems of transition from war production. But these problems are complex and the solution will not be easy. In fact, the necessary readjustments of wartime distortions stagger the imagination. Much more needs to be done to prepare for a rapid shift to civilian output with a minimum loss of employment and income.

I gave you a partial list of the favorable influences which will tend to limit that recession and lead to a period of business expansion thereafter. But there is no assurance that those favorable influences will provide markets for a capacity output in the first few years after the war. Serious consideration is being given by various groups to ways in which the whole economy can be made to operate more efficiently and more effectively. The various proposals for tax reform are one example.

Some of these favorable factors will be temporary. Because of deferred demand the output of certain durable goods will be at a rate which can hardly be maintained indefinitely. The period of relative prosperity may be prolonged by other favorable developments not now clearly foreseen. But nothing in economic history justifies the assumption that it will automatically be maintained indefinitely. The major depression before the war focused attention on the problem of the business cycle but as yet we do not have any clear picture of a practical combination of business and Government policies which would avoid such depressions.

Similarly, the foreign trade community has a vital interest in helping to create the institutional basis for successful conduct of international trade and investment. We have not had anything worthy of being called an international monetary system since the old gold standard succumbed to the strains of the first World War. The attempt to restore a full-fledged international gold standard failed for various reasons but largely because it was too inflexible. Whatever individual preferences may be and whatever their basis in logic or fancy, there is not a chance of obtaining international adherence to an "unreconstructed" gold standard.

Bretton Woods offers a compromise between the legitimate desire for the maximum possible exchange stability and the necessity for exchange-rate adjustments to cope with "fundamental disequilibria." The alternative to such a compromise is not greater exchange stability but the absence of any system whatsoever. This would leave the exchange subject mainly to uncoordinated national policies and to ad hoc experimentation such as characterized the inter-war period.

It is scarcely necessary to emphasize the interest of foreign traders in promoting a worldwide relaxation of barriers to trade. Your practical experience in that connection should be invaluable. But this involves something more than simply lowering our tariffs in return for reciprocal action abroad.

Because of the importance of the United States market, foreign countries are even more concerned in the solution of our domestic problem of reconversion and the maintenance of a high national output after the war. Frankly, they are somewhat skeptical and fearful about those prospects. The possibilities of liberalizing the framework of world trade would be considerably increased if we could give them some assurance.

These fears need not be reciprocal on our part. On the contrary, the United States is in a unique position in its ability to develop full employment policies without concern as to any possible unfavorable repercussion on its balance of payments or foreign exchange position. We have enormous gold reserves. Our imports are a relatively small part of our total national output. Because of the strong foreign demand for our goods any increase in our imports resulting from favorable domestic conditions will be compensated by increased exports.

This is the picture I would like to leave with you. Given relatively full utilization of its manpower and other resources, the United States is capable of producing far more than in the best pre-war year. The resulting opportunities for business enterprise and for an increased standard of living stagger the imagination. Conditions immediately after the war will in some respects be quite favorable to such an expansion. The question is whether we as a nation have the wit to take advantage of those opportunities.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 1047)

Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scovill Mfg.; Bird & Sons; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hartford-Empire; Maine Central Pfd.; Purolator; Moxie; Southeastern Corp.; United Piece Dye Works; S. F. Bowser; Detroit Harvester; Boston & Maine; Buda Co.; Deep Rock Oil; Federal Machine & Welding; Gleaner Harvester; Liberty Aircraft Products; Lamson-Sessions; Berkshire Fine Spinning, and P. R. Mallory.

Electronic Co. Common—Report discussing this stock as an attractive low-priced dividend payer—**Hughes & Treat,** 40 Wall Street, New York 5, N. Y.

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

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

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

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

Interstate Aircraft & Engine Co.—Circular—**Hirsch & Co.,** 25 Broad Street, New York 4, N. Y.

Laclede Christy Clay Products—Memorandum—**Herzog & Co.,** 170 Broadway, New York 7, N. Y.

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—Detailed circular—**Herrick, Waddell & Co., Inc.,** 55 Liberty Street, New York 5, N. Y.

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

MacFadden Pub. Inc.—Descriptive circular—**C. E. de Willers & Co.,** 120 Broadway, New York 5, N. Y.

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

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—Descriptive 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 Gas & Electric Corporation—Report on position and outlook for dealers only—**Peter Morgan & Co.,** 31 Nassau Street, New York 5, 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 Central Railroad Company—Analysis reflecting the effect of 1944 operations on the financial position of the road—**Blair & Co., Inc.,** 44 Wall Street, New York 5, N. Y.

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

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.

Pittsburgh Railways — Current study—**First Colony Corporation,** 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.

Rohr Aircraft—Descriptive circular—**J. F. Reilly & Co.,** 111 Broadway, New York 6, 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.

Seaboard Railway Company—Complete arbitrage proposition on request—**Sutro Bros. & Co.,** 120 Broadway, New York 5, N. Y.

Southern Railway — Analysis showing how the common stock is acquiring investment characteristics and appears to offer outstanding appreciation potentialities—**H. Hentz & Co.,** Hanover Square, New York 5, N. Y.

Taylorcraft Aviation Corporation—50¢ cumulative preferred stock presents at current levels a liberal yield investment characteristics with a speculation on the future of the private plane industry according to a detailed circular issued by **B. W. Pizzini & Co.,** 55 Broadway, New York 6, N. Y.

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.

Yuba Consolidated Gold Fields —Analytical discussion of possibilities for price enhancement—**Cartwright & Parmelee,** 70 Pine Street, New York 5, N. Y.

Tomorrow's Markets Walter Whyte Says—

Last two days action points to formation of temporary top. New margin requirements may increase severity of reaction.

By WALTER WHYTE

Undoubtedly the biggest piece of news to hit the market in a long time was the new margin regulations. It isn't particularly important to define the changes. You have already seen them described elsewhere, or your broker has already notified you how they'll apply. But it is important to understand why the changes were brought about.

* * *

You will recall that a few weeks or so ago two Administration spokesmen came out with a new tax scheme. This was aimed to penalize those who were profiting by inflation by placing what amounted to a confiscatory tax on speculative profits. The reaction to these suggestions was, to say the least, luke warm. But hot, cold, or luke warm, the germ of an idea was there. Apparently seeing that the new tax could not go into effect, in the immediate future, the next step was to see what could be done to kind of slow up the inflation minded. While I can't say this is certain, I have little doubt but that the Stock Exchange people were called in by the Treasury or affiliated agencies and told in effect, "Either you take steps to stop it or we'll come in and do it."

* * *

It is apparent that authorities are under the impression that the small buyers of stocks are the potential menace. It is also obvious that they believe the small buyers are mainly concerned with low-priced issues. So ergo—clamp down on the cats and dogs and everything will be lovely.

* * *

How lovely it will be remains to be seen. Telling the small man he can't speculate and leaving the man with money to go on the same old basis provided he buys higher priced stocks, looks plain dotty.

* * *

But whatever its results what concerns this column is the market effect of the new margin regulations. That it will tend to slow down trading in lower priced stocks is obvious. That it will give brokers a lot more paper work is also certain. Before the change the 50% Federal Reserve rule could be applied to all margin accounts. Brokers will now have to split up the stocks in the account according to market value and then decide what one is covered by the rule.

* * *

Of course the average broker won't be affected too much. For a long time now transactions were covered so amply they actually amounted to cash. But it will affect accounts in case of a reaction. End result may well be that reactions will run deeper than technical signs indicate. This in turn may cause the whole structure to totter more than would generally be expected. For as one stock penetrates the full margin level it will be sold, assuming it isn't already amply protected, and other

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Crimea Declaration: A Pattern of Power Politics

(Continued from page 1045)

action in international affairs. For these Yalta decisions are the incredible proofs that the Big Three have agreed to impose their collective will not only on the nations of Europe, but on the nations of Africa and Asia.

Despite attempts to suppress news of the resentment these decisions aroused in Europe, we now know that our own apprehensions are widely shared abroad. For instance, Raymond Daniell, the head of the New York Times' London bureau, said in his first report on British reaction: "Whatever satisfaction there is tonight or tomorrow in the continued agreement of the major powers will be dissipated in the coming weeks." Concerning the reactions of the small nations of Europe, Mr. Daniell went on to say, "What it all amounts to, in the view of the several small governments in London, is that the big powers have usurped sovereignty over all Europe and have accepted jointly the responsibility of running it at least until they fall out among themselves." The reaction in France is clearly revealed in General DeGaulle's lamentable snub of President Roosevelt and in a United Press dispatch that "the French press displayed a distinct coolness toward the Big Three decisions." In Italy, where what are left of the democratic forces are struggling against almost hopeless odds, the reaction was much the same. The United Press stated that "Italian Government quarters were disappointed," and the same source went on to say that "authoritative Vatican quarters expressed anxiety lest the seeds of a future war were sown at Yalta." The Premier of the Polish Government-in-Exile bitterly denounced the Polish decision saying, "The method adopted in the case of Poland was a contradiction of the elementary principles binding the Allies, and constitutes a violation of the letter and spirit of the Atlantic Charter and the right of every nation to defend its own interest."

We do not need to wait for any more crumbs of information to fall from another diplomatic love feast for us to see clearly what these Yalta decisions and reactions mean to us as a people. In the case of Poland it means that for the first time we are a party to a betrayal of one of our allies, and yet Mr. Dean Acheson, Assistant Secretary of State, has recently remarked that, "for the immediate future, the decision on the Polish question was a great achievement," yet this decision is almost identical with the treacherous Molotov-Ribbentrop agreement of 1939 which both England and America so bitterly denounced and over which Britain eventually went to war.

But what concerns me most is that our formal recognition of such an immoral outrage can only contribute further to the bankruptcy of our moral and political credit in Europe and throughout the world. For instance, in Romania, we have given Russia authority to act directly in our behalf. In Bulgaria our representative on the Allied Commission is an unwilling but helpless stooge of Russian policies which—according to eyewitness accounts—are liquidating, deporting or terrorizing the helpless population, regardless of whether they were friends or enemies of the Axis powers. It must have been to just such a predicament as this that Mr. Stettinius referred when he is reported to have said, "We are virtually the prisoners of our allies."

The British Government has just published a White Paper on "The Situation in Greece" from which I quote: "Ever since the Germans left, the small but well-armed Communist Party has been practicing a reign of terror all over the country. Men, women and children were murdered here in large numbers and thousands of hostages were taken. . . . Red terror soon leads to white terror." When we realize that at Yalta the decisions that were reached were the result of an abject appeasement of Stalin, we can better picture the grim nature of the struggle that is already going on between Russia and Britain in every country in Europe, toward which we will never be permitted to remain neutral. Furthermore, we now see the Nazi officials and the Nazi press using the Yalta decisions to stiffen German resistance, just as they used the Morgenthau proposals, at the cost of thousands of American lives. Even now, we are told by the press that Goebbels and Company are engaged in telling the German people, "We told you so. It is far better that we die on the battlefields." While I am sure we all agree with the laudable decision of the Big Three to stand united "to destroy German militarism and Nazism" such a declaration becomes nothing but a costly psychological blunder when the Big Three continue to refuse the offer of a democratic and decent alternative to those Germans who are ready and willing to risk their lives to destroy the Hitler tyranny.

These are just some of the decisions we are now being urged to underwrite by accepting the present Dumbarton Oaks Proposals. I am now and I have been at all times in favor of a genuinely democratic and international world organization to keep the peace and to prevent future wars. But the agreement at Yalta by the Big Three that their decisions will not even be permitted discussion at the United Nations Conference in San Francisco compels me to warn the American people that the Dumbarton Oaks Proposals, as they now stand, represent nothing more than an international strait-jacket, the blueprint of which was drawn up behind the scenes at Moscow, Teheran and Yalta.

Whatever happens we must never be a party to the enslavement of free people by a dictatorship which Mr. Churchill has said—in speaking of Communism—"rots the soul of a nation" and which President Roosevelt has declared to be "a dictatorship as absolute as any in the world." I am sure the American people will never commit themselves to suppress, by force of arms, and with the blood of our youth, every future rebellion against such a tyranny.

I am further convinced there are still certain steps the American people can take to arrest and alter the present fatal trends in international affairs. First, if we are to have a genuine spirit of international collaboration there could be no simpler way to obtain it than for our Allies immediately to accord our diplomatic, military and press representatives the same courtesies and privileges we accord to theirs.

Secondly, a United Nations political council should immediately be set up in Europe to include representatives of the peoples whose destinies are now directly involved, with power not merely to talk but to act in the interest of humanity. I know of no other alternative to the domination of Europe by Russia.

Third, this council must be guided and implemented by policies that are directed towards the establishment of a United States of Europe. Again I see no other alternative to a Europe divided against itself and a return to its ancient power politics, this time with England and Russia pitted against each other in a struggle that cannot help but result in another bloody conflict, in which American boys will again be called to give up their lives.

In conclusion, we must throw the full weight of our influence behind a demand that the principles of the Atlantic Charter be incorporated into any future plans for world organization. We must make certain that at least our American representatives at the coming United Nations Conference insist upon the alteration and amendment of the present Dumbarton Oaks Proposals to bring about the changes that are imperative if this world is not to be run on the basis of brute force in the hands of a few. If we do not want to see our American way of life and the ideals for which we have fought dragged down into the muck and mire of the Old World's ancient evils and hatreds, and if we do not want our boys to have fought and suffered and died in vain, we must act now in the name of humanity.

Bank & Insurance Stocks

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in the earning rate on capital funds and on earning assets over the period under study. In 1939 the average earned on capital funds by the 16 banks, from net operating profits alone, was 5.8% and on earning assets 1.03%. In 1944 the rates were, 8.0% and 0.66%, respectively. Year by year, the rates have been as follows:

Year	% Earned on Capital Funds	% Earned on Earning Assets
1939	5.8%	1.03%
1940	6.0	0.98
1941	6.4	0.88
1942	6.7	0.76
1943	7.5	0.72
1944	8.0	0.66

It will be observed that the rate earned on capital funds is increasing while that on earning assets is decreasing. This is an excellent illustration of the importance of "leverage," as represented by the ratio of earning assets to capital funds or book-value. On Dec. 31, 1939, this ratio was 6.4 and on Dec. 30, 1944, 12.9. This leverage ratio is important enough to watch and compare very carefully.

We Must Intensify Our War Effort

(Continued from page 1048)

that will cripple them for the rest of their days.

Winning the war—winning it as fast as possible, with the least cost in lives—is still the number one job for all of us, just as it was in 1941 when Japan attacked us.

There is no easy way.

Do you remember those who predicted that the Germans could not stand bombardment from the air? Do you remember those who said the Germans would quit when the fighting reached their own soil? Do you remember those who claimed that shortage of food, shortage of resources, shortage of this or that, would bring about their collapse? Those were rosy theories, but they have not come true. I say that we must continue to throw everything in the book at our enemies—all-out until they are forced by losses and utter exhaustion to lay down their arms unconditionally. When that day will come I cannot say. I do know that the more power we can put into the fight, the sooner it will come.

The infantry soldier up against the German lines will say that the war is going full-blast. There he is, taking the snow and the rain in a foxhole, keeping down hunger with cold rations, there day and night. There is no glamor in his life. He has weapons that give him great fire-power; but we should not overlook the fact the German weapons are powerful, too, and they are aimed right at him. The casualty reports tell the risks that the infantry runs. Courage and discipline carry that soldier forward. But he has no complacency about the war. When you have a foe 100 yards ahead who will kill you if he can, there is no chance of feeling satisfied with the progress of the war.

That soldier gets solid support from the artillery, the tanks, the engineers and the supply branches. The fighting is still going full-blast for them, too. It is just over the next hill.

The Air Forces will say that the war is still on. Every day they are out—heavies, mediums, lights and fighters—hitting troop concentrations, rail facilities and industrial targets. A few days ago we lost 35 bombers and five fighters over Berlin and Magdeburg and 17 bombers over a benzol plant. That is another way of saying that over 500 of our airmen were missing that day. The airmen have knocked out every known synthetic oil plant and every oil refinery in Germany, but the rapid repair work requires continued attacks. They do not stay knocked out.

The soldiers, sailors and marines in the Pacific have fought their way to the doorstep of Japan. The Japanese navy, merchant marine and air force have been crippled. Their land forces are still strong, with an army of 4,000,000 and with more than 1,000,000 soldiers on the home islands alone. The defeat of those Japanese forces is a task that will call for a hard and sustained three-way attack—land, sea and air.

As we in the War Department see it, the war in both theaters is at the climax. In both theatres we are on our way. The great need is to keep up the momentum, to give our foes no time to reorganize and re-equip.

To keep up the momentum means more troops. To replace those who fall in battle and to increase our strength, 900,000 more will be needed in the Army and Navy in the first six months of this year. For the Army the greater part of the men are needed for infantry, and that will require men of vigor and endurance. That is the hard, cold fact, but it will mean swifter victory and fewer casualties. We know that a long, wasting war is the most costly in lives.

Keeping up the momentum also means more munitions—more weapons, more ammunition, more trucks and tires. The consumption of munitions is at a rate we have never known before, but high consumption of munitions means a lower cost in life and limb.

The Army's 1945 program for munitions is a huge production job. It is 20 per cent larger than Army production in 1944. It is based on the requirements of the two-front war at maximum intensity for as long as the two-front war may last. You will agree with me, I am sure, that it would not be safe to limit the supply of our troops to any assumed early date for termination of the war on either front.

The Army production program for this year, with the program of the Navy and the Maritime Commission, call for an increase of 700,000 workers in war industries and supporting industries in the first six months of 1945. When we bear in mind the fact that we already have shortages in labor supply in key industrial plants, and the further fact that the greater part of the withdrawals for military service will come from those industries, we are face to face with a manpower problem more difficult than ever before, a problem that calls for mobilization on the industrial front beyond any of our past efforts.

Part of our 1945 requirements for war production come from the fact that new weapons have been developed and are still being developed. War today is a race between the laboratories and factories of one nation and those of another.

Take land mines as an example. The Germans have been out in front in designing land mines. This is not surprising. Ever since our invasion of North Africa the Germans have been fighting a war generally defensive in character. The land mine is a defensive weapon, and the Germans have overlooked nothing in exploring its possibilities.

When we developed a magnetic mine detector that would locate their steel-cased mines, they came out with a plastic mine that our detector could not locate. They also developed a small box-mine, half the size of a cigar box, that kills or cripples many of our soldiers.

The Germans also invented the "Bouncing Betty", a mine that springs waist-high, then explodes with a spray of shrapnel. We have developed detectors that will locate these mines also, and we have devised ingenious means of clearing a way through minefields by explosives. But this is not to say that we will not suffer some losses by reason of German land mines.

The race in research, development and design in weapons goes on. It is a race that puts a premium on the ability to shift productive forces swiftly to meet new needs and to produce large quantities quickly. It is a race with the lives of men as stakes.

The part played by research, development and design in war is one more proof that success in this war calls for total national effort—in science, engineering, industrial resources and mobilization of manpower at home, as well as in well-trained, well-equipped, well-led military forces overseas. Germany and Japan wanted a total war. Let them have a total war.

We have built a fighting force of tremendous power. It is under command of military leaders of preeminent capacity. We have staunch allies who can be counted on to bear their part of the burden. Together we will finish the job. I repeat, it will take more men, more munitions, and there is no time to spare.

Municipal News & Notes

Although it is not always easy to appreciate the other fellow's point of view, it is more than likely that dealers in municipal bonds are becoming increasingly cognizant of the plight of their counterparts in other lines of endeavor. This is to say that the municipal bond entrepreneur is discovering, albeit the hard way, just what it means to have a surplus of customers and a minimum of merchandise either in stock or in prospect. In short, he is now somewhat in the same doleful position that has been the lot of the tobacconist, butcher, druggist, etc., for some time.

The foregoing describes the situation in the municipal market today. It's a case of a superabundance of demand and a constant falling off in supply. To make the situation even more gloomy, there is no indication, at this writing at least that the picture is apt to brighten materially over the near future. Meanwhile, the stockpile of dealer inventories is gradually diminishing, with the result that the volume of bonds available for distribution is now at record low levels.

As for the immediate future, we are not unmindful, of course, of the projected $110,000,000 refunding operation by the Triborough Bridge Authority, N. Y. Latest advices on this situation is that the issue is scheduled to reach the market early next week, and will be sponsored by a nationwide distributing group headed by Dillon, Read & Co., New York. The issue will comprise $55,000,000 term 2s of 1980 and $55,000,000 serial 2¼s, due semi-annually from Aug. 1, 1950 to Feb. 1, 1975.

However, it is possible that the benefits of this huge undertaking will be but transitory insofar as market supply is concerned. It may even be that the new bonds will disappear in investment accounts with somewhat the same rapidity that characterized marketing of the $75,000,000 New York City bonds in January.

The possibility that a parallel performance may attend the Triborough offering is heightened, in part, on the apparent high regard in which obligations of the bridge agency are held in investment circles. The existing bonds naturally have held close to the call price for sometime in anticipation of their redemption at the earliest possible date.

The ability of the authority, incidentally, in the face of depressed revenues induced by war conditions, to refinance its debt at lower interest cost bespeaks the confidence of the banking fraternity in the economic soundness of the transportation facility and the intrinsic merit of the debt represented thereby.

Then, too, it is recalled that the Triborough, along with the Port of New York Authority, was the immediate principal beneficiary of the U. S. Supreme Court decision earlier in the year which upheld the validity of the tax-exempt status of bonds of such agencies and, indirectly, of all the States and local subdivisions. Since that memorable ruling the entire municipal market has registered price gains of phenomenal proportions.

However, aside from the Triborough offerings, the outlook for any material increase in municipal emissions from other sources is not too promising. The present calendar of proposed awards for example, excluding the $3,940,000 Chicago, Ill., 5-year bonds scheduled to be sold this morning, shows that 20 odd individual issues are up for award over the next six or seven weeks. These loans, ranging in size from $4,000 to $3,335,000, add up to an aggregate dollar value of no more than about $14,000,000 which, measured by standards of existing demand, is something less than impressive.

Looking over the list of prospective business and excluding the Triborough Authority issue, we find that offerings of general market interest, at least on the basis of size, include $1,150,000 Normandy Consolidated School District, Mo., and $500,000 Duval County Special Tax S. D. No. 1, Fla., both to be sold on March 12; $2,000,000 State of Mississippi and $550,000 Blackwell, Okla., both on March 13; $1,000,000 Birmingham, Ala., on March 15; $2,530,000 Lincoln Park, Mich., and $378,000 State of Louisiana, both on March 15, and $3,335,000 by High Point, N. C., on March 30.

There is a possibility, of course, that a substantial amount of business in the municipal field may develop as a result of the forthcoming Seventh War Loan financing. The Treasury operation is scheduled to get under way on May 14 and it is reasonable to expect that this will encourage some institutions and public trust funds to dispose of State and municipal holdings in advance of that date. Even on this score, however, the prospect is none too encouraging, according to reports in municipal circles, which incline to the opinion that even this source of potential material has been sharply reduced. The Mutual Life Insurance Co. of New York, for example, which has been a large seller of municipals during the past few years, just recently disclosed that it has disposed of practically all of its holdings of that nature.

Actually, it would seem that that local trust and sinking funds represent the most promising source of possible portfolio offerings, particularly as this avenue has been relatively untapped.

Conceding the prospects already noted the necessary conclusion is that only a resumption of large-scale borrowing by local units themselves will afford the desired change for the better on the supply side of the market. Necessarily, such relief must come in the near future if it is to be of material benefit, in view of the fact that the Seventh War Loan drive, is destined to dominate all security markets while the operation is in progress.

Meanwhile, of course, the municipal price structure remains at peak levels, and all of the factors are present which would justify a further upward trend. The scarcity factor alone constitutes the basis for such a trend.

New Jersey Subject of Recent Literature

Two studies of interest to dealers and investors in New Jersey municipal bonds have just been released. A booklet devoted to all phases of the State's economy is being distributed by B. J. Van Ingen & Co., Inc., New York City, and a brochure devoted to water bonds issued by local communities, with special reference to bonds assumed by the Passaic Valley Water Commission, may be obtained from Lyons & Shafto, Inc., Boston.

Arkansas Bond Principal and Coupons Payable Now

Halsey, Stuart & Co., Inc., have announced that upon presentation of the appropriate coupons or bonds they will now pay not only the interest due on April 1, 1945, on the State of Arkansas Highway Refunding Bonds of 1941 but also $1,974,000 principal of Serial Bonds then due and $1,000,000 Term Bonds called for redemption on that date.

With the payment of the bonds to be redeemed on April 1, 1945, the outstanding principal amount of Highway Refunding Bonds of 1941 will have been reduced in four years from an original amount of $136,330,557 to $127,688,000.

California Municipal Bond Advisory Service Announced

The Bank of America of San Francisco has put into effect a new municipal advisory service for public officials of California communities, entirely free of cost or obligation to those making use of the facilities.

An active dealer in municipal bonds, the bank's bond investment department in San Francisco has accumulated wide and highly specialized experience in the underwriting of California issues and is credited with owning the largest portfolio of municipal securities in America.

This experience and the extensive facilities of the bank are now freely offered to the cities, counties and other political subdivisions of California as a means of helping with their post-war financial planning, and dictated only by Bank of America's well-known keen interest in the progress of California.

Already, it is learned, conversations have been held with the officials of a number of the larger cities which are contemplating new bond issues, and the net results are expected to be seen in more easily marketable securities than otherwise might have been the case.

Questions will be welcomed, it is stated, from all California municipalities on such subjects as maturity scheduling, probable interest rates under various conditions, methods of calling for bids and other technical details on new issues. Public officials are invited to get in touch with the manager of the local branch of the Bank of America, who will relay the queries to the bank's specialists in this field. Where deemed necessary, a qualified technician will be sent to confer directly with the local authorities.

Business Man's Bookshelf

Bretton Woods Proposals, The—Chamber of Commerce of the United States, Washington, D. C.—paper.

Commercial Policy for the United Nations, A—Percy W. Bidwell—Committee on International Economic Policy, 405 West 117th St., New York 27, N. Y.—paper—10¢.

Council of the Corporation of Foreign Bondholders 71st Annual Report for the Year ending Dec. 31, 1944—Williams, Lea & Co., Ltd., Clifton House, Worship St., London, E. C. 2, England—paper—2 shillings 9 pence by post.

Federal Reserve System in Wartime, The—Anna Youngman—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50¢.

World Sugar Situation at the Beginning of 1945 and the Outlook for Domestic Producers—E. W. Axe & Co., Inc., 730 Fifth Ave., New York 19, N. Y.—paper—50¢ (25¢ to public libraries and non-profit institutions).

Acme Aluminum Stocks Offered By Reynolds

A public offering of 40,000 shares of $1.10 cumulative convertible preferred stock (par $17.50) and 80,000 shares of common stock (par $1) of Acme Aluminum Alloys, Inc., was made March 5 at prices of $20.75 and $8 a share, respectively, by an underwriting group headed by Reynolds & Co. and Gillen & Co.

Proceeds of the sale of the preferred stock and 40,000 shares of the common stock will be added to working capital. The remaining 40,000 common shares are being sold for account of certain stockholders.

Upon completion of the financing, the company will have outstanding 239,845 shares ($1 par) common stock, 55,000 shares of $17.50 preferred stock and $1,500,000 in 4% bank loans. The preferred stock is convertible at the holder's option at any time prior to five days before its redemption date on the basis of two common shares for one preferred share.

Other members of the underwriting group are: The Ohio Co., J. C. Bradford & Co., First Securities Co. of Chicago, W. D. Gradison & Co., Kirchofer & Arnold, Inc., Peltason, Tenenbaum Co., Irving J. Rice & Co., Stein Bros. & Boyce, Straus & Blosser, Bateman, Eichler & Co., Herrick, Waddell & Co., Inc., and Henry C. Robinson & Co., Inc.

DIVIDEND NOTICES

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND NO. 147
COMMON DIVIDEND NO. 77

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable April 2, 1945 to holders of record at the close of business on March 13, 1945.

Transfer books will not be closed. Dividend checks will be mailed by the Bankers Trust Company on March 31, 1945.

February 28, 1945 CARL A. SUNDBERG, *Secretary*

The Chesapeake and Ohio Railway Co.

A dividend for the first quarter of 1945 of seventy-five cents per share on $25 par common stock will be paid April 2, 1945, to stockholders of record at close of business March 8, 1945. Transfer books will not close.

H. F. Lohmeyer, Secretary

TEXTILES
PLASTICS
CHEMICALS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

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

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable April 1, 1945 to holders of record at the close of business March 16, 1945.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1945 to holders of record at the close of business March 16, 1945.

COMMON STOCK

A dividend of 50 cents per share, payable March 31, 1945 to holders of record at the close of business March 16, 1945.

JOHN A. LARKIN,
Vice-Pres. & Sec'y.

March 6, 1945.

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On January 30, 1945, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 2, 1945, to Stockholders of record at the close of business March 15, 1945. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

DU PONT E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *February 19, 1945*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable April 25, 1945, to stockholders of record at the close of business on April 10, 1945; also $1.25 a share, as the first "interim" dividend for 1945, on the outstanding Common Stock, payable March 14, 1945, to stockholders of record at the close of business on February 26, 1945.

W. F. RASKOB, *Secretary*

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 156
Common Dividend No. 141

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending March 31, 1945, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1945, to holders of record March 12, 1945. The stock transfer books will remain open.

J. P. TREADWELL, JR.
February 28, 1945 *Secretary*

EATON & HOWARD BALANCED FUND

The Trustees have declared a dividend of 20 cents a share payable March 24, 1945 to shareholders of record at the close of business March 15, 1945.

March 7, 1945 24 Federal Street, Boston

Exide BATTERIES
THE ELECTRIC STORAGE BATTERY COMPANY

178th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable March 31, 1945, to stockholders of record at the close of business on March 12, 1945. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, March 2, 1945

MARGAY OIL CORPORATION
DIVIDEND NO. 60

The Board of Directors of the MARGAY OIL CORPORATION has this day declared a dividend of twenty-five cents a share on the outstanding stock of the corporation of the issue of 160,000 shares provided by amendment to the certificate of incorporation of April 27, 1926, payable April 10, 1945, to stockholders of record at the close of business March 21, 1945.

E. D. OLDENBURG, Treasurer.
Tulsa, Oklahoma, March 1, 1945.

DIVIDEND NOTICES

GUARANTY TRUST COMPANY OF NEW YORK

New York, March 7, 1945.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company for the quarter ending March 31, 1945, payable on April 2, 1945 to stockholders of record at the close of business March 14, 1945.

MATTHEW T. MURRAY, JR., Secretary.

THE TEXAS COMPANY

TEXACO

170th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on April 2, 1945, to stockholders of record as shown by the books of the company at the close of business on March 2, 1945. The stock transfer books will remain open.

L. H. LINDEMAN
February 20, 1945 *Treasurer*

International MINERALS & CHEMICAL CORPORATION

General Offices
20 North Wacker Drive · Chicago

★

On March 1st the Board of Directors declared the regular quarterly dividend of one dollar ($1.00) per share on the 4% Cumulative Preferred Stock, payable March 30, 1945, to stockholders of record at the close of business March 16, 1945. Checks will be mailed.

ROBERT P. RESCH, Vice President and Treasurer

★

MINING AND MANUFACTURING
PHOSPHATE · POTASH · FERTILIZER · CHEMICALS

MEETING NOTICE

The Borden Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 18, 1945, at 11:00 o'clock A.M. (Eastern War Time) at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Tuesday, March 20, 1945, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company
THEODORE D. WAIBEL, *Secretary*

French Bond Conversion Reported Successful

The following document dated Paris, Feb. 24, was issued by the Ministry of Information at Paris, according to the French Press and Information Service in New York:

"Recent conversion of the 4 and 4½% Government bonds issued in 1917, 1918 and 1932 has been a complete success, reports Finance Minister Rene Plevon in an official communique.

"The reimbursement percentage of 1½% is the lowest to be registered in the nation's financial history. Claims for reimbursement amounted to only 1,700,000,000 francs, whereas the total value of the convertible government bonds approximated 106,000,000,000 francs.

"In 1941 and 1942, when a limited number of bonds were converted, 10 to 15% of the total holdings was affected.

"In 1932, 5½% of the convertible bonds was paid out, a reimbursement involving 4,600,000,000 francs."

Keep Inflation Brakes Working: Burgess

(Continued from page 1048)

the same forces at work but in exaggerated degree that gave us the inflation of 1919 and 1920 and the crash of 1921. It took years for the farmer to recover from that boom and crash that carried wheat prices up to $3.50 and down to $1.00; that doubled the price of farm land and then dropped it back again.

"The same forces later caused the real estate and security inflation of 1927-29 and the later depression of the thirties. It took the war to pull business and labor out of that slump.

"There are many signs that these inflationary forces are vigorously at work today. We see them in city and farm real estate and in all uncontrolled prices, in black markets and lower quality of goods. The amount and quality of food, clothing, shelter, and service that the citizen can buy for his dollar is steadily declining.

"We bankers are working with the Treasury in selling government bonds to the people. We have put on a lot of pressure and incurred, I believe, a moral obligation to those people to keep their dollars sound. After World War I the prices of Liberty Bonds dropped 15 per cent, but their buying power in goods dropped more than that. Today the savings bond fortunately can't drop in price, but its buying power can fall, and in fact is now falling.

"This bill before the Senate removes certain automatic checks on credit expansion. To do so is a wartime necessity, but it means we must be increasingly alert. We ought to review where we stand on the inflation problem and take what steps we can to put the brakes in working order.

"We, therefore, make the following definite suggestions:

"1. That the bill be amended so that at the same time that the use of government securities for Federal Reserve notes is made permanent, the 1933 emergency power to issue Federal Reserve Bank notes and the power to issue greenbacks under the Thomas amendment of 1933 shall be repealed.

"2. That the committee consider whether it may not be better at this time to lower reserve requirements to 30 pr cent rather than to 25 per cent. Thirty per cent is likely to take care of the needs for many months, and if it then proves inadequate it will be because credit expansion has gone to a point where congressional review may be desirable.

"3. That every proposal for government post-war spending be scrutinized with great care. Government spending is the chief cause of inflation. We agree wholly with Chairman Eccles' statement that, 'nothing would be more helpful to prevent inflation developing than to have a balanced budget shortly after the war.' No campaign among the people and no price controls will be adequate to curb inflation unless the government itself sets an example and puts its own house in order.

"4. That the committee request the Federal Reserve Board to make a comprehensive report to Congress on the dangers of inflation and proposed methods for its avoidance."

Following the reading of his statement Mr. Burgess, in answer to a query by Senator Murdock (Dem., Utah) who stated that he was contemplating introducing a bill to raise the price of gold from $35 to $56 per ounce, stated that such a measure would cause a rise in prices, would bring a decline in Government bonds and cause losses to bondholders, social security beneficiaries and others. He emphasized that the present stability of the American dollar throughout the world is due to the fact that it is pegged to gold.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1063)

stocks must of necessity be similarly hurt.

* * *

From a long term viewpoint it is now likely that a temporary top, technical anyway, is now in the process of being made. There were two days in the latter part of last week which pointed to it. Last Wednesday, for example, stocks closed up and indicated more up the following day. Thursday's market also advanced. But it was a labored move void of any pep. Trend, however, was up. Friday's prices however, turned tail. The averages closed Friday on the lows. In doing this the Dow industrials sagged down to a resistance level which in turn was slowly being lifted. At approximately 158 the market must hold. Failure to do it will again threaten the whole structure. Monday's market was up again, which was all to the good.

* * *

I suggest forgetting last week's buying recommendations. For even if stocks advised became available it would mean that the averages themselves would first break. If averages break 158, recommended stocks would become available. But breaking that figure would make them unattractive.

* * *

The stocks you have, may however, be held. But it is again emphasized that the stops should be used.

* * *

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.]

Calendar Of New Security Flotations

OFFERINGS

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.

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

Offered—The issues were offered March 5, the preferred stock at $20.75 per share and the common stock at $8 per share.

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 owner 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.

SOLAR MANUFACTURING CO. on Feb. 15 filed a registration statement for 50,000 shares of common stock. The shares are issued and outstanding and do not represent new financing.

Details—See issue of Feb. 22.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co.

Offered—March 6 at $8.50 per share.

WARREN PETROLEUM CORP. on Feb. 14 filed a registration statement for $3,000,000 10-year 3¼% sinking fund debentures, due March 1, 1955 and 150,000 shares of common stock (par $5). The stock is issued and outstanding and does not represent new financing.

Details—See issue of Feb. 22.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane head the underwriting group.

Offering—Of the $3,000,000 debentures $1,000,000 are being sold to four stockholders at the public offering price and the remaining $2,000,000 were publicly offered March 6 at 102⅛ and interest. The 150,000 shares of stock were publicly offered March 6 at $15 per share.

NEW FILINGS

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

SATURDAY, MARCH 10

AUTOMOBILE DEALERS INSURORS, INC. on Feb. 19 filed a registration statement for 4,985 shares of preferred stock and 7,470 shares of Class A common stock.

Details—See issue of Feb. 22.

Offering—Preferred 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 $101 per unit.

Underwriters—None named.

ARO EQUIPMENT CORP. on Feb. 19 filed a registration statement for 30,000 shares of cumulative preferred stock (par $50) and 55,000 shares of common (par $2.50). Of the common registered, 25,000 are being sold by the company and 30,000 by J. C. Markey, President and Director.

Details—See issue of March 1.

Offering—The offering price of the preferred and common stocks will be supplied by amendment.

Underwriting—Central Republic Co., Inc., and Kebbon, McCormick & Co.

INTERSTATE BAKERIES CORP. on Feb. 19 filed a registration statement for $2,500,000 first mortgage 4¼% bonds due March 1, 1962.

Details—See issue of March 1.

Offering—Price to the public will be filed by amendment.

Underwriting—H. M. Byllesby & Co., Inc., A. C. Allyn & Co., Inc., Central Republic Co., Inc., Farwell, Chapman & Co. and Stern Brothers & Co.

LACLEDE GAS LIGHT CO. on Feb. 19 filed a registration statement for 2,165,296 shares of common stock ($4 par). Shares registered are owned by the Ogden Corp.

Details—See issue of March 1.

Offering—The offering price will be filed by amendment.

Underwriting—To be filed by amendment.

TUESDAY, MARCH 13

FLINTKOTE CO. on Feb. 22 filed a registration statement for 62,800 shares of common stock (no par).

Details—See issue of March 1.

Offering—The stock is to be offered in exchange for all the outstanding stock of Tile-Tex Co.

Underwriters—None named.

AMERICAN CASUALTY CO. OF READING, PA., on Feb. 22 filed a registration statement for 100,000 shares of capital stock (par $5).

Details—See issue of March 1.

Offering—The new shares are being offered to present stockholders on the basis of one-third of a share of new stock for each share held. The subscription price will be filed by amendment.

Underwriters—Huff, Geyer & Hecht is the principal underwriter, with names of others to be named by amendment.

WEDNESDAY, MARCH 14

MARSHALL FIELD & CO. on Feb. 23 filed a registration statement for 150,000 shares of cumulative preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of March 1.

Offering—Holders of 6% cumulative preferred shares and 6% cumulative preferred shares, Second Series will be given the right to exchange such shares prior to 3 p.m. March 19 for the new preferred on a share for share basis plus certain cash payments by the company, and subject to certain dividend adjustments. Shares not issued in exchange will be sold to underwriters. Offering price to public will be supplied by amendment.

Underwriters—Principal underwriters are Glore, Forgan & Co., Lee Higginson Corp. and Shields & Co. Others will be named by amendment.

BURTON-DIXIE CORP. on Feb. 23 filed a registration statement for 60,000 shares of common stock ($12.50 par). The shares are issued and outstanding and are being sold by Oliver M. Burton director and chairman.

Details—See issue of March 1.

Offering—The offering price to the public is $16.50 per share.

Underwriters—Paul H. Davis & Co. heads the list of underwriters, with the names of others to be filed by amendment.

AMERICAN AUTOMOBILE INSURANCE CO. on Feb. 23 filed a registration statement for $75,000 shares of common stock (par $4). The shares are issued and outstanding and being sold for the account of two stockholders.

Details—See issue of March 1.

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

Underwriting—G. H. Walker & Co., Kidder, Peabody & Co., and Huff, Geyer & Hecht.

CONTINENTAL CAN CO., INC., on Feb. 23 filed a registration statement for 150,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of March 1.

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

Underwriters—The underwrting group is headed by Goldman, Sachs & Co. and Lehman Brothers. Others will be filed by amendment.

SATURDAY, MARCH 17

AIREON MANUFACTURING CORP. has filed a registration statement for 150,000 shares of 60-cent cumulative convertible preferred stock, par $10.

Address — Fairfax & Funston Roads, Kansas City, Kan.

Business—Hydraulic equipment for use on airplanes and electronics.

Offering—Price to the public is $11.375 per share.

Proceeds—Net proceeds from the sale of the stock estimated at approximately $1,500,000 will be added to the general funds of the company.

Underwriting—Reynolds & Co. is the principal underwriter, with names of others to be filed by amendment.

Registration Statement No. 2-5602. Form S-1. (2-26-45).

PACIFIC GAS & ELECTRIC CO. filed a registration statement for $80,000,000 first and refunding mortgage bonds series M due 1979. The interest rate will be filed by amendment.

Address—San Francisco, Cal.

Business—Operating gas and electric utility.

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

Proceeds—To provide the company with funds for retirement on June 1, 1945, of the present outstanding 4% series G bonds due Dec. 1, 1964.

Underwriting—To be named by amendment.

Registration Statement No. 2-5604. Form S-1. (2-26-45). Filed originally in San Francisco.

SUNDAY, MARCH 18

AMERICAN ENGINEERING CO. has filed a registration statement for $3,000,000 5% 15-year sinking fund debentures and 200,000 shares of common stock. Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

Address—2447 Aramingo Avenue, Philadelphia, Pa.

Business—Maker of combustion, marine and hydraulic equipment.

Offering—The debentures will be offered to the public at 100 and the common stock at $8.50 per share.

Proceeds—The company will receive from the sale of the debentures and its 68,000 shares of common stock approximately $3,250,000 will be used to replenish working capital for expenditures made in connection with acquisition of stock of Cochran Corporation, for loans and advances to subsidiaries, to provide additional working capital, etc. Proceeds from sale of 132,000 shares will go to the selling stockholders.

Underwriting—Van Alstyne, Noel & Co. heads the underwriting group, with the names of others to be supplied by amendment.

Registration Statement No. 2-5603. Form S-1. (2-27-45).

MONDAY, MARCH 19

ST. JOSEPH LIGHT & POWER CO. has filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Address—520 Francis Street, St. Joseph, Mo.

Business—Public utility company.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co. Under the terms of an agreement, Cities Service Power & Light Co. must exchange its present holdings of 5,544 preferred shares for common stock of the company, thereby reducing the preferred shares from 18,600 to 13,056. The company intends to redeem all of the publicly held shares of preferred stock which have not been converted into new preferred stock.

Purpose—To convert preferred stock.

Underwriting—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion. The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding. The net proceeds of the new bonds will be applied towards the redemption of the outstanding bonds and the remainder will be obtained from Continental Gas & Electric Corp. in part as a capital contribution and in part as the purchase price of common stock of the company to be issued and sold to Continental at par. Cities Service Power & Light, the owner of all the presently outstanding common stock of St. Joseph, has entered into an agreement to sell all of the common stock outstanding upon consummation of the agreement to Continental Gas & Electric Corp.

Registration Statement No. 2-5605. Form S-1. (2-28-45).

SPRAGUE ELECTRIC CO. has filed a registration statement for 446,525 shares of common stock, $2.50 par value. Of total company will sell 50,000 shares and certain stockholders sell 80,000 shares.

Address—North Adams, Mass.

Business — Manufacturer of electrical equipment.

Offering—A total of 396,525 shares will be issued in exchange for 31,722 shares of common no par value on basis of 12½ shares of new for one share of old, of which 80,000 shares received by certain stockholders to be resold to public. The company will sell 50,000 shares. The offering price to the public will be filed by amendment.

Proceeds—To exchange common stock no par value and redeem $100 par $6 cumulative preferred. The balance to issuer will be used for corporate purposes as may be determined by the board of directors.

Underwriting—F. S. Moseley & Co., with names of others to be filed by amendment.

Registration Statement No. 2-5606. Form A-2. (2-28-45).

E. H. SCOTT RADIO LABORATORIES, INC. on Feb. 28 filed a registration statement for 225,000 shares of common stock (par $1). Of total company will sell 148,150 shares and certain stockholders will sell 76,850 shares.

Address—Chicago, Ill.

Proceeds—Working capital.

Offering—Stock will be offered at $3.125 per share.

Underwriters—Brailsford & Co. named principal underwriter.

Registration Statement No. 2-5607. Form S-2. (2-28-45).

TUESDAY, MARCH 20

HAVERHILL ELECTRIC CO. has filed a registration statement for 26,000 shares of capital stock, par $25 per share.

Address—121 Merrimack Street, Haverhill, Mass.

Business—Public Utility.

Offering—The company is offering the 26,000 shares of new capital stock to present stockholders pro rata at $25 per share.

Proceeds—The proceeds amounting to $650,000 will be used by the company to pay on account of its indebtedness to North Boston Lighting Properties in the amount of $800,000.

Underwriting—None named.

Registration Statement No. 2-5608. Form S-1. (3-1-45).

WEDNESDAY, MARCH 21

TEXAS ELECTRIC SERVICE CO. has filed a registration statement for $18,000,000 first mortgage bonds series due 1975 and 68,875 shares of preferred stock, par $100. The interest rate on bonds and dividend rate on preferred stock will be filed by amendment.

Address—Electric Building, Seventh & Lamar Streets, Fort Worth, Texas.

Business—Public utility.

Offering—The company is offering to exchange the new preferred stock for outstanding $6 preferred stock on a share for share basis plus an amount in cash equal to the difference between $110 and the public offering price of the new preferred stock. The bonds and unexchanged shares will be sold at competitive bidding, with the price to the public to be filed by amendment.

Proceeds—The proceeds from the sale of the bonds and preferred stock plus $3,000,000 of serial notes, $7,000,000 cash contribution by American Power & Light Co. and $6,501,299 cash from treasury, will be used to redeem $33,730,000 outstanding first mortgage gold bonds 5% series due 1960 at 103 and interest, redeem any unexchanged shares of $6 preferred and incidental expenses. The statement says that it has not been determined whether American Power & Light Co. (parent company) will be able to retain its interests in the company as a part of a single integrated public utility system, or as a part of an additional public utility system, or whether or not American Power will, ultimately and pursuant to the Commission's order of dissolution be required to divest itself to its interest in Texas Electric.

Underwriting—The names will be filed by amendment.

Registration Statement No. 2-5609. Form S-1. (3-2-45).

CONTINENTAL DIAMOND FIBRE CO. filed a registration statement for $2,000,000 15-year 4% convertible debentures, due March 1, 1960.

Address—70 South Chapel Street, Newark, Del.

Business — Manufacture and sale of laminated phenolic plastics, vulcanized fibre, and bonded mica products.

Offering—Price to the public will be filed by amendment.

Proceeds—Will be applied from time to time to the rehabilitation of its plants and property, and acquisition of new and improved machinery to modernize its manufacturing methods and processes. It is not expected that any substantial amount will be so expended until after termination of the present hostilities.

Underwriting—Hayden, Stone & Co., head the underwriting group, with names of others to be filed by amendment.

Registration Statement No. 2-5610. Form S-1. (3-2-45).

THURSDAY, MARCH 22

ANCHOR HOCKING GLASS CORP. has filed a registration statement for 70,000 shares $4 preferred stock, without par value.

Address—109 North Broad Street, Lancaster, Ohio.

Business—Manufacture and sale of glass tableware, glass containers and closures.

Offering—The company is offering to the holders of its 34,436 shares of $5 preferred stock the right to exchange such shares for $4 preferred stock on a share for share basis plus an amount equal to the excess of the redemption price per share of the $5 preferred over the initial public offering price of the $4 preferred. The underwriters will purchase from the company 35,564 shares of the $4 preferred and such part of the 34,436 shares not taken in exchange by present preferred stockholders. Offering price to the public will be filed by amendment.

Proceeds—Part of the proceeds from sale of stock to underwriters will be used to retire any $5 preferred stock not exchanged for the new $4 preferred. The balance of proceeds will be added to corporation's general funds. It is stated present funds of the corporation are adequate for present purposes, but it is considered desirable at this time to provide additional funds in anticipation of its probable needs for the post-war period.

Underwriting—Kidder, Peabody & Co., and Hayden, Miller & Co., are named principal underwriters, with the names of others to be filed by amendment.

Registration Statement No. 2-5611. Form S-1. (3-3-45).

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.

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.

BLUEFIELD SUPPLY CO on Feb. 16 filed a registration statement for 4,990 shares of common stock, par $100.

Details—See issue of Feb. 22.

Offering—The offering price $100 per share. New common is being offered to present stockholders on a pro rata basis of their holdings as of March 15, 1945.

Underwriters—None named.

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.

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.

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.

LACLEDE GAS LIGHT CO. on Feb. 1[illegible] filed a registration statement for $19,000,000 first mortgage bonds due 1, 196[illegible] and $3,000,000 serial debentures due serially March 1, 1948 to March 1, 1955. Interest rates will be filed by amendment.

Details—See issue of Feb. 22.

Business—Public utility.

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

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.

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.

Awarded—Issue awarded March 6 to an underwriting group headed by W. C. Langley & Co. and Glore, Forgan & Co. on bid of 100.1414 for a 2¾% interest coupon.

OHIO WATER SERVICE CO. on Dec. [illegible] filed a registration statement for 80,88[illegible] 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.

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.

Showed Increased Net Sales

Hein-Werner Motor Parts Corp. for the year ended Dec. 31, 1944 showed increased net sales and net profits. Sales were $3,046,70[illegible] as against $2,937,595 in 1943 and net earnings, $144,583, equal t[illegible] $1.45 a common share, compared with $112,084, or $1.12 a share i[illegible] 1943. War contracts for 1943 have been renegotiated, resulting in a net refund to the government of $30,695 which has been charged to reserve for contingencies provided in that year.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Last week for the first time in several weeks the government bond market was not a one way "street" on the upside. . . . The reports that long term 2½% bonds would again be available in the next war loan resulted in a sharp decline in the taxable 2½'s with these issues giving up about a quarter of a point each day, starting with Tuesday of last week. . . . Substantiation of these reports came last Saturday, when the Treasury announced that the Seventh War Loan would contain not only long term 2½'s but also a 2¼% issue as well as a 1½% obligation. . . . The maturity dates of these securities will be announced at a later date after the market has had an opportunity to "settle a little." . . .

It is indicated that the 1½% issue will have a definite maturity of five and one-half years, and based on that assumption, there has been a large demand for the intermediate term 2's with several of these issues going into new high ground. . . . Because of the sharp spurt in the 2's a cautious attitude has been adopted toward these bonds by many of the large financial institutions. . . .

INTEREST PATTERN SEEN UNCHANGED

The fact that the Treasury did not offer a 1¾% bond, was interpreted in certain quarters as meaning that the pattern of interest rates has not been changed. . . . There is still a large amount of financing to be done by the government and money market conditions may not always be as favorable as they are at the present time. . . . It was pointed out that if a 1¾% bond had been offered and the market was uncertain because of war developments, or other factors, such an issue would have to be supported with the holders likely to sell the 1¾% bond in order to purchase the higher coupon issues. . . . Thus there would be a tendency for the 1¾% bonds to find their way into Federal, instead of remaining with the financial institutions. . . .

LONG ISSUE MATURITIES

With reference to the 2¼% bonds, it is indicated that these obligations will have a maturity of either 1959/62 or 1960/63. . . . The long 2½'s, it is believed, will be a 1973/78 issue with the insurance companies again expected to be large buyers of these bonds. . . . The longer maturity for the 2½% bond will not be important to these institutions since they have expressed the opinion that what they were interested in was more of the 2½% scurities with the maturity decidedly a secondary consideration. . . .

INSURANCE CO. AND BANK SELLING INDICATED

It is believed that the insurance companies may dispose of some of their 2s with the proceeds to be invested in the 2¼% and the 2½% that are being offered in the coming drive. . . . This selling probably will not be done at once, since it is reported that these institutions hope to let these bonds out in a rising market, so that the highest possible prices may be realized. . . . These same institutions may now be receptive to bids for their long term partially exempt issues and it was indicated that switches into taxable issues have been taken under consideration by some of these companies. . . .

It was reported also that the savings banks may sell some of their 2% bonds, with these funds to be put to work later in the 2¼'s that will be available in the Seventh War Loan. . . . In New York State the savings banks can invest funds with the Savings Bank Trust Co. at 1%, and it is believed that some of these institutions will take advantage of strength in the market to sell certain issues, with the proceeds working at 1% until the Seventh War Loan issues are available. . . .

COMMERCIAL BANKS

The fact that commercial banks with Savings deposits will not be allowed to purchase the 2¼'s or the 2½'s resulted in buying by these institutions in the intermediate term 2½'s as well as the 2½'s due 1967/72. . . . These bonds advanced about a quarter of a point the early part of the week. . . . The published information on the Seventh War Loan, indicated a goal of $14,000,000,000 with $7,000,000,000 to be obtained from individuals, which will be $1,000,000,000 in excess of any quota yet set for them by Treasury. . . . The highest individual sales previously reached was in the Fifth War Loan when they totalled $6,351,000,000. . . . The Series "E" quota of $4,000,000,000 is also more than has ever been asked for from individuals. . . . The remaining $7,000,000,000 is to come from non-bank investors. . . .

Although the savings bond period will extend for close to three months beginning April 9, and extending through July 7, the drive proper for individuals will be from May 14 to June 30. . . .

During the final phase of the drive, covering the period from June 18, through June 30, subscriptions will be received from all other non-bank investors for the 2¼% and the 2½% marketable bonds and the ⅞% certificates. . . . Life insurance companies and Savings banks will be permitted to make deferred payments at par and accrued interest for the 2¼% and 2½% bonds allotted to them up to August 31, 1945. . . . The Treasury has requested that there be no trading in the marketable issues until after the closing of the drive on June 30. . . .

Savings banks, insurance companies and corporations will not be permitted to buy the 1½% bonds during the drive. . . . The aggregate amount of purchases by commercial banks with savings deposits must not exceed $500,000 or 10% of savings deposits. . . . These institutions with interest accounts may buy limited amounts of the 1½% bonds, ⅞% certificates and the Series "F" and "G" savings bonds, with the latter two issues available for bank purchase for the first time. . . . Not more than $100,000 of the $500,000 may be Series "F" and "G" savings bonds. . . .

TYPE OF ISSUES

Following are the issues that will be offered in Seventh War Loan:

Series "E", "F", "G" Savings bonds and Series "C" Savings notes.
⅞% Cetrificates of indebtedness.
1½%—Bonds.
2¼%—Bonds.
2½%—Bonds.

Lilienthal, Kinsey With Sutro & Company

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Arthur G. Lilienthal and Howard O. Kinsey have become associated with Sutro & Co., 407 Montgomery Street, members of the New York, San Francisco, and Los Angeles Stock Exchanges. Mr. Lilienthal was formerly with J. Barth & Co. and Strassburger & Co. In the past he was a partner in M. P. Lilienthal & Co.

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